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

JANUARY 2014

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WILLIAM G. HOLLAND

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, 2012.

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
January 2014

STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL
William G. Holland, Auditor General

SUMMARY REPORT DIGEST

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUND MONIES

FINANCIAL, COMPLIANCE, & PROGRAM AUDIT
For the Year Ended: December 31, 2012

Release Date: January 2014

Summary of Findings:

Total this audit:	**0**
Total last audit:	**2**
Repeated from last audit:	**0**

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 (MEDF). 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 fourteenth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2012. The Village of Robbins was the only entity to receive distributions from the Fund. The audit concluded that:

- In 2012, Robbins received $371,585.68 in disbursements from the Fund.
- Robbins used these monies for Village payroll and employee insurance expenses. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2012 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements.

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 $305,527.29 was transferred from the General Revenue Fund to the Municipal Economic Development Fund in 2012. Not all of that amount was actually distributed to Robbins during CY12. Due to the State's fiscal condition, some transfers to MEDF, and thus the warrants payable to Robbins, were held by the Comptroller's Office in CY12.

The State Treasurer is required to make quarterly distributions from the Fund to each eligible municipality. Prior to August 2009, an eligible city, village, or incorporated town had to have 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.

Public Act 96-449, effective August 14, 2009, changed the requirements for a municipality that is eligible to receive funds. An eligible municipality now must be located in Cook County and must have "approved construction of an incinerator within its boundaries that will burn recovered wood processed for fuel to generate electricity." An official at IEPA confirmed that the plant in Robbins is the only place in Cook County that had applied for and received an IEPA permit that meets the statutory criteria. However, that permit has now expired and construction of the incinerator has stopped. (pages 2–3)

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

Robbins received $371,585.68 from the Fund and earned $22.14 in interest income in calendar year 2012.

Robbins disbursed $455,023.93 in Fund receipts during calendar year 2012.

EXPENDITURE OF FUNDS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2012, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $371,585.68 and the Village earned $22.14 in interest income on monies deposited into its MEDF account. Digest Exhibit 1 shows that Robbins disbursed $455,023.93 in Municipal Economic Development Fund receipts during calendar year 2012. Robbins began the year with a cash balance of $108,287.73 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $42,871.62 in the account.

Digest Exhibit 1
ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
(Calendar Year 2012)

Fund Distribution Received 8/12:	$81,629.18
Fund Distribution Received 11/12:	$92,536.98
Fund Distribution Received 11/12:	$102,993.17
Fund Distribution Received 11/12:	94,426.35
Interest Income:	$22.14
Total CY12 Cash Receipts:	$371,607.82
Total CY12 Cash Disbursements:	$455,023.93
(Deficiency) of Cash Receipts Over Cash Disbursements:	($83,416.11)
Transfers In:	$22,500.00
Transfers Out:	($4,500)
Cash Balance End of CY11:	$108,287.73
Cash Balance as of 12/31/12:	$42,871.62

Source: Village of Robbins.

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.

We concluded that Robbins' calendar year 2012 expenditures of MEDF receipts appeared to comply with statutory guidelines.

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 Robbins' calendar year 2012 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll and employee insurance expenses. Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from the Municipal Economic Development Fund receipts during calendar year 2012.

Digest Exhibit 2
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2012)

Amount	Purpose
$440,814	Village employee payroll expenses
$14,210	Village employee insurance expenses
$455,024	**Total Disbursements**

Note: Figures rounded to the nearest dollar.
Source: Village of Robbins.

We audited the Village of Robbins Statements of Cash Receipts from the Municipal Economic Development Fund and Cash Disbursements from those Cash Receipts for the year ended December 31, 2012. We concluded that the financial statement presents fairly, in all material respects, the cash receipts and cash disbursements made from those receipts for the year ended December 31, 2012. Appendix B to the full report contains the Independent Auditors' Report. (pages 5-7)

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

This audit was conducted by the staff of the Office of the Auditor General.

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VILLAGE OF ROBBINS'
USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

(For the Year Ended December 31, 2012)

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2012, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $371,585.68 and the Village earned $22.14 in interest income on monies deposited into its MEDF account. Robbins' cash disbursements from MEDF receipts totaled $455,023.93 in calendar year 2012. Robbins began the year with a cash balance of $108,287.73 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $42,871.62 in the account.

The Public Utilities Act establishes requirements regarding the allowable uses of Municipal Economic Development Fund distributions (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. Distributions may also be used for cleanup of open dumping from vacant properties and the removal of structures condemned by the city, village, or incorporated town.

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 Robbins' calendar year 2012 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll and employee insurance expenses.

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 fourteenth 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 2013, each qualified solid waste energy facility has been 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. A total of $312,121.04 was certified by the Treasurer as the amount to be transferred from the General Revenue Fund to the State MEDF in calendar year 2012. However, the Comptroller only reported transferring $305,527.29. After follow-up with the Comptroller's Office, an official stated that they would transfer the remaining $6,593.75 when the funds were available.

Also, Robbins did not actually receive all of that amount in CY12. Some transfers to the MEDF, and thus the warrants payable to Robbins, were held by the Comptroller's Office due to the State's fiscal issues.

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 are to be made to each eligible municipality. However, in CY12, while Robbins received four payments from the State, one was in August and the other three were in November.

The OAG compliance examination for the year ended June 30, 2012, for the Comptroller's Office contained a finding regarding not making transfers to other State funds when required.

Prior to August 14, 2009, an eligible city, village, or incorporated town had to have an incinerator within its boundaries 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 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 provided by the Commerce Commission and the Illinois Environmental Protection Agency (IEPA), Robbins had the only incinerator in the State that met these criteria; therefore, Robbins was the only entity entitled to receive disbursements from the Municipal Economic Development Fund.

Public Act 96-449, effective August 14, 2009, changed the requirements for a municipality that is eligible to receive funds. An eligible municipality now must be located in Cook County and must have "approved construction within its boundaries of an incinerator that will burn recovered wood processed for fuel to generate electricity." Robbins provided auditors with an agreement dated March 18, 2010, between the Village and Robbins Community Power. The agreement delineated various responsibilities of both parties and referenced the use of wood fuel.

An official at IEPA confirmed that the plant in Robbins is the only place in Cook County that had applied for and received an IEPA permit that meets the criteria in the statute. An IEPA Project Activity Report for the Robbins facility dated November 7, 2012, detailed various project activities that had occurred at the Robbins facility in 2011 and 2012. However, an IEPA official noted that due to limited progress in the construction of the facility, the IEPA permit, which had been granted to the Robbins project, had expired. A May 17, 2013 IEPA email stated that construction at the Robbins project is no longer moving forward and "the relevant equipment at the project is being dismantled for shipment to a facility in Mexico."

The Public Utilities Act requires qualified solid waste facilities to submit payments to the Department of Revenue for electricity sold to electric utilities through January 2013. After January 2013, the Act appears to no longer require such payments, and consequently, MEDF distributions to Robbins would also cease. The Department of Revenue is responsible for collecting and enforcing the provisions of the Public Utilities Act governing MEDF payments by qualified solid waste energy facilities (QSWEF). We inquired of the Department of Revenue as to: whether facilities were making payments to the Department after January 2013 and whether it was the Department's interpretation that the Public Utilities Act did not require qualified solid waste facilities to make payments after January 2013. A Department of Revenue official stated the payment requirement expired in January 2013 but that they were still collecting open assessments (unpaid amounts from previous months). Based on the documentation provided by IEPA that construction has ceased and the incinerator plant is being dismantled, Robbins may not be eligible in 2013 for future MEDF funding.

As shown in Exhibit 1-1, Robbins has received nearly $4.4 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 – 2012

Year	Fund Distributions	Interest	Total Income	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
CY08	$376,520	$108	$376,629	$376,990
CY09	$380,568	$56	$380,624	$380,646
CY10	$386,133	$18	$386,150	$386,149
CY11	$295,505	$1	$295,506	$167,277[4]
CY12	$371,586	$22	$371,608	$455,024
Total[5]	**$4,377,890[1]**	**$15,502[3]**	**$4,428,393[2]**	**$4,383,521**

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] Does not include $20,000 transferred out of the MEDF account to another Village account in December 2011 and transferred back into the MEDF account in May 2012.
[5] 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 Municipal Economic Development Fund payments to Robbins in calendar year 2012 totaling $371,585.68. As shown in Exhibit 1-2, Robbins earned an additional $22.14 in interest income on the funds in its MEDF account, resulting in total cash receipts of $371,607.82 for calendar year 2012. The amount transferred in, shown in Exhibit 1-2, included $20,000 transferred from the MEDF account to another Village account in 2011 but transferred back in May 2012, along with an additional $2,500 that was transferred in error. The transfers out reflect the $2,500 transferred in error and an additional amount for interest earned on a grant that had been deposited in error into the MEDF account in 2007.

Exhibit 1-2 shows that Robbins disbursed $455,023.93 in MEDF receipts during calendar year 2012. 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.
- Distributions may also be used for cleanup of open dumping from vacant properties and the removal of structures condemned by the city, village, or incorporated town.
- 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

Exhibit 1-2
VILLAGE OF ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2012

Fund Distribution Received 08/12:	$81,629.18
Fund Distribution Received 11/12:	$92,536.98
Fund Distribution Received 11/12:	$102,993.17
Fund Distribution Received 11/12:	$94,426.35
Interest Income:	$22.14
Total CY12 Cash Receipts:	$371,607.82
Total CY12 Cash Disbursements:	$455,023.93
(Deficiency) of Cash Receipts Over Cash Disbursements:	(83,416.11)
Transfers In	$22,500.00
Transfers Out	(4,500)
Cash Balance End of CY11:	$108,287.73
Cash Balance as of 12/31/12:	$42,871.62

Source: Village of Robbins.

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.

Robbins officials used the funds for employee payroll and employee insurance expenses. Exhibit 1-3 shows in detail the amount and purpose for Robbins' cash disbursements from the MEDF account during calendar year 2012.

Exhibit 1-3
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS Calendar Year 2012

Amount	Purpose
$440,814	Village employee payroll expenses
$14,210	Village employee insurance and retirement expenses
$455,024	Total Disbursements

Note: Figures rounded to the 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 Robbins' calendar year 2012 expenditures of MEDF receipts appeared to comply with Public Utilities Act guidelines. Specific disbursements were made for employee payroll and employee insurance expenses.

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.

Neither of the Robbins' financial audits for the years ended April 30, 2011, and April 30, 2010, contains a Report on Internal Controls so we could not determine if the auditors found any significant deficiencies or material weaknesses in financial reporting. The Independent Auditors Report in each audit states that Village management did not have adequate records concerning capital assets, depreciation expense, accumulated depreciation, nor compensated absences. The financial audit for the year ended April 30, 2009, mentions that auditors found 7 significant deficiencies in the Village's internal controls over financial reporting, of which 5 were material weaknesses; these were reported to Robbins officials in a letter separate from the financial audit. However, Robbins officials were unable to provide the letter to OAG.

Exhibit 1-4 summarizes the MEDF funds spent by Robbins since calendar year 1999 according to broad categories. As shown in the exhibit, nearly 75 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 – 2012

Spending Category	Amount Spent	Percent
Payroll	$2,800,655.07	63.9
Insurance	$467,745.98	10.7
Water bills	$224,378.02	5.1
General Village expenses	$221,994.95	5.1
Village property repairs/additions	$94,771.59	2.2
Legal services	$88,556.91	2.0
Street improvements	$86,901.75	2.0
Purchase, repair, lease vehicles	$78,321.91	1.8
Village waste removal services	$69,933.81	1.6
Lawsuit payments	$58,715.00	1.3
Lobbying	$56,000.00	1.3
Festival Expenses	$48,000.00	1.1
Audit/CPA services	$46,875.00	1.1
Repay grant funds	$32,243.05	0.8
Appraisal services	$6,000.00	0.1
Acquisition of property	$2,427.50	0.1
Total	**$4,383,520.54**	**100.0**

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

We audited the 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, 2012. We concluded that the financial statement presents fairly, in all material respects, the cash receipts and cash disbursements made from those receipts for the year ended December 31, 2012. Appendix B contains the Independent Auditors' Report.

OTHER ISSUES

Qualified solid waste energy facilities submitted monthly reports and payments to the Department of Revenue in CY12. 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 2012, the Department collected $5,916 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 2012. 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 2012.

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 representatives of Robbins to determine existing controls over the receipt and expenditure of Municipal Economic Development Funds. We reviewed accounting worksheets and bank account statements to determine the amount of funds received and expended by Robbins. We also reviewed documentation supporting all the funds expended. An Independent Auditors' Report, a 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, and a Statement of Cash Receipts and Disbursements in the Village's MEDF account are included in Appendix B. We also reviewed the approvals on the check request/funds transfer forms used by the Village.

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. We also contacted officials at the Illinois Environmental Protection Agency to verify that Robbins was the only municipality entitled to receive monies from the MEDF under the statute.

The Village of Robbins' fiscal year ends April 30, and the Village's audit for the year ending April 30, 2011, was completed in June 2013. The audit stated that the financial statements fairly represented the financial position, with the exceptions of balances concerning capital assets, depreciation expense, accumulated depreciation, and compensated absences. The audit contained no report on the internal controls examined so we were unable to determine what internal controls were examined or what control issues might exist for the Village as a whole.

The last Village financial audit that contained a report on internal controls, for the year ended April 30, 2009, noted seven significant deficiencies, of which five were material weaknesses. However, the audit stated that these were reported to Robbins in a separate letter, and Robbins officials were unable to provide us with the letter containing those deficiencies.

We experienced significant difficulty in receiving some information from Robbins. The Village also did not provide an attorney representation letter from its attorney showing current litigation and the potential affect that litigation might have on the monies in the Village's MEDF account.

APPENDIX A

Public Utilities Act

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

(220 ILCS 5/8-403.1) (from Ch. 111 2/3, par. 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 2013, 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, 2013, 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 located in Cook County that has approved construction within its boundaries of an incinerator that will burn recovered wood processed for fuel to generate electricity and will commence operation after 2009. 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. Distributions may also be used for cleanup of open dumping from vacant properties and the removal of structures condemned by the city, village, or incorporated town. 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. 96-449, eff. 8-14-09.)

APPENDIX B

Financial Reports

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Trustees
Village of Robbins

Report on the Financial Statements
We have audited the accompanying Village of Robbins 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, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the State of Illinois Public Utilities Act. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 1 of the financial statement, the financial statement is prepared by the Village of Robbins on the basis of the financial reporting provisions of the State of Illinois Public Utilities Act, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Illinois Public Utilities Act.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Robbins Statement of Cash Receipts from the State Municipal Economic Development Fund and Cash Disbursements from those Cash Receipts as of December 31, 2012.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the financial statement referred to above presents 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 as of December 31, 2012 in accordance with the provisions of the State of Illinois Public Utilities Act as described in Note 1.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards,* we have also issued our report dated December 31, 2013 on our consideration of the Village of Robbins Statement of Cash Receipts from the State Municipal Development Fund and Cash Disbursements from those Cash Receipts' internal control over financial reporting and on our tests of its compliance with certain provisions of 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 internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Robbins' internal control over financial reporting and compliance.

Kelly J. Mittelstaedt

Kelly J. Mittelstaedt, CPA
Audit Manager

Springfield, Illinois
December 31, 2013

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' 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

Board of Trustees
Village of Robbins

We have audited, in accordance with the 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, the Village of Robbins 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, 2012, and the related notes to the financial statement, and have issued our report thereon dated December 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Village of Robbins' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Robbins' internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Robbins' internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelly J. Mittelstaedt

Kelly J. Mittelstaedt, CPA
Audit Manager

Springfield, Illinois
December 31, 2013

VILLAGE OF ROBBINS
STATEMENT OF CASH RECEIPTS FROM
THE STATE MUNICIPAL ECONOMIC DEVELOPMENT FUND AND
CASH DISBURSEMENTS FROM THOSE CASH RECEIPTS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Year Ended December 31, 2012
CASH RECEIPTS:	
Gross Receipts from the State Municipal Economic Development Fund	$371,585.68
Less Offsets by Comptroller from payments	$(0)
Net Receipts from the State Municipal Economic Development Fund	$371,585.68
Interest Income	$22.14
Total	$371,607.82
CASH DISBURSEMENTS:	
Cash Disbursements from Receipts from the State Municipal Economic Development Fund	$455,023.93
(Deficiency) of Cash Receipts Over Cash Disbursements	($83,416.11)
Transfers In	$22,500
Transfers Out	($4,500)
Cash Balance at Beginning of Period	$108,287.73
Cash Balance at End of Period	$42,871.62

See accompanying Notes to the Financial Statement

NOTE TO THE FINANCIAL STATEMENT

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 2013, each qualified solid waste energy facility was 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 made the payments to the Department of Revenue, which deposited them into the Fund. Public Act 92-435, effective August 17, 2001, allowed 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, required 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 was greater than the amount received for the current month, the Comptroller was to transfer the difference from the General Revenue Fund into the MEDF. A total of $312,121.04 was certified by the Treasurer as the amount to be transferred from the General Revenue Fund to the State MEDF in calendar year 2012. However, the Comptroller only reported transferring $305,527.29. After follow-up with the Comptroller's Office, an official stated that they would transfer the remaining $6,593.75 when the funds were available.

Also, Robbins did not actually receive all of that amount during CY12. Some transfers to the MEDF, and thus the warrants payable to Robbins, were held by the Comptroller's Office due to the State's fiscal issues.

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 are to be made to each eligible municipality. However, in CY12, while Robbins received four payments from the State, one was in August and the other three were in November. The OAG compliance examination for the year ended June 30, 2012, for the Comptroller's Office contained a finding regarding not making transfers to other State funds when required.

Before Public Act 96-449 was passed, an eligible city, village, or incorporated town had to have an incinerator within its boundaries 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 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 provided by the Commerce Commission and the Illinois Environmental Protection Agency (IEPA), Robbins had the only incinerator in the State that met these criteria; therefore, Robbins was the only entity entitled to receive disbursements from the Municipal Economic Development Fund.

Public Act 96-449, effective August 14, 2009, changed the requirements for a municipality that is eligible to receive funds. An eligible municipality now must be located in Cook County and must have "approved construction within its boundaries of an incinerator that will burn recovered wood processed for fuel to generate electricity." Robbins provided auditors with an agreement dated March 18, 2010, between the Village and Robbins Community Power. The agreement delineated various responsibilities of both parties and referenced the use of wood fuel.

An official at IEPA confirmed that the plant in Robbins is the only place in Cook County that had applied for and received an IEPA permit that meets the criteria in the statute. An IEPA Project Activity Report for the Robbins facility dated November 7, 2012, detailed various project activities that had occurred at the Robbins facility in 2011 and 2012. However, an IEPA official noted that due to limited progress in the construction of the facility, the IEPA permit, which had been granted to the Robbins project, had expired. A May 17, 2013 IEPA email stated that construction at the Robbins project is no longer moving forward and "the relevant equipment at the project is being dismantled for shipment to a facility in Mexico."

The Public Utilities Act requires qualified solid waste facilities to submit payments to the Department of Revenue for electricity sold to electric utilities through January 2013. After January 2013, the Act appears to no longer require such payments, and consequently, MEDF distributions to Robbins would also cease. The Department of Revenue is responsible for collecting and enforcing the provisions of the Public Utilities Act governing MEDF payments by qualified solid waste energy facilities (QSWEF). We inquired of the Department of Revenue as to: whether facilities were making payments to the Department after January 2013 and whether it was the Department's interpretation that the Public Utilities Act did not require qualified solid waste facilities to make payments after January 2013. A Department of Revenue official stated the payment requirement expired in January 2013 but that they were still collecting open assessments (unpaid amounts from previous months). Based on the documentation provided by IEPA that construction has ceased and the incinerator plant is being dismantled, Robbins may not be eligible in 2013 for future MEDF funding.

B. Basis of Accounting

The accompanying financial statement has 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, cash disbursements or transfers, 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 statement are not included in the financial statement.

C. Transfers

In 2007, the Village incorrectly deposited grant funds received from the State into the MEDF account and eventually transferred the grant funds out of the account. However, the grant funds had earned approximately $2,000 in interest that remained in the MEDF account until 2012. In May of 2012, the Village transferred an additional $2,500 in error into the MEDF account. The funds transferred in error and the interest income from the grant were transferred out of the MEDF account in July and December of 2012.

In December 2011, the Village Treasurer transferred $20,000 from the Municipal Economic Development Fund account to another Village account. This amount was transferred back into the MEDF account in May 2012.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2012

No Findings

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2012

Schedule of Prior Findings and Prior Findings Not Repeated

Finding No.	Condition	Status
11-1	Allocation of Interest	Resolved
11-2	Hold Funds in Separate Account	Resolved

APPENDIX C

Village of Robbins' Response

ROBBINS, ILLINOIS
"ACHIEVEMENT THROUGH COMMUNITY SPIRIT"

Village of Robbins

Incorporated December 14, 1917

December 31, 2013

Bill Hilton
Office of the Auditor General
State of Illinois
Iles Park Plaza
740 East Ash Street
Springfield, IL 62703

RE: Village of Robbins
2012 MEDF Audit Report

Dear Mr. Helton:

This letter is the Village of Robbins' response to the draft of the above-named audit report for the calendar year ending December 31, 2012. The MEDF funds were used for a variety of purposes as stated in your audit report. We believe that all of the calendar year 2012 expenditures of the MEDF receipts comply with the Public Utilities Act guidelines.

Thank you for your assistance during the MEDF audit process.

Regards,

Ernestine B Beck-Fulgham
Village Administrator

3327 West 137th Street
Robbins, Illinois 60472
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