

REPORT DIGEST

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

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State of Illinois
Office of the Auditor General

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SYNOPSIS

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

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the fifth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2003.

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

- In 2003, Robbins received \$303,626 in quarterly disbursements from the Fund. The Village earned \$152 in interest for total cash receipts of \$303,778 in 2003.
- Robbins disbursed \$297,525 from Fund receipts. Specific disbursements in 2003 were for Village payroll and employee health insurance, Village water expenses, roofing a Village building, and acquisition of audit and accounting services. We identified no questionable expenditures in calendar year 2003.
- A revised, detailed spending policy was adopted by Village trustees on July 22, 2003. This policy addresses the classification of expenditures and adds provisions for reimbursement from other Village funds where appropriate.

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2003, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled \$303,626 and the Village earned \$152 in interest income. Robbins' cash disbursements from MEDF receipts totaled \$297,525 in calendar year 2003. Robbins began the year with a cash balance of \$2,600 in its bank account for Municipal Economic Development Funds and ended the year with a balance of \$8,853 in the account.

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2003 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll and health insurance expenses; Village water expenses; roofing a Village building; accounting and auditing services; and other general Village expenses including automobile maintenance, fuel, and equipment rental and purchase.

The Public Utilities Act establishes requirements regarding the allowable uses of Municipal Economic Development Funds. The Act states that MEDF distributions may be used only to:

promote and enhance industrial, commercial, residential, service, transportation, and recreational activities and facilities within its boundaries, thereby enhancing the employment opportunities, public health and general welfare, and economic development within the community, including administrative expenditures exclusively to further these activities.

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

We referred questionable expenditures from the audits of 2001 and 2002 expenditures to the Office of the Attorney General, as required by the Public Utilities Act. As of June 2004, the Attorney General's office had not yet completed its review of these expenditures to determine whether they complied with Public Utilities Act requirements. In July 2003, Village officials adopted a more detailed spending policy to ensure that Municipal Economic Development Funds are used consistently with the

requirements of the Public Utilities Act. We identified no questionable expenditures for calendar year 2003.

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.

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

- (1) uses, or on the effective date of Public Act 90-813 [January 29, 1999], used municipal waste as its primary fuel to generate electricity;
- (2) was determined by the Illinois Commerce Commission (ICC) to qualify as a qualified solid waste energy facility prior to the effective date of Public Act 89-448 [March 14, 1996]; and
- (3) commenced operation prior to January 1, 1998.

According to information from the Illinois Commerce Commission and the Illinois Environmental Protection Agency, Robbins had the only operating incinerator in the State that met these criteria and was entitled to receive disbursements from the Municipal Economic Development Fund. (pages 1-3)

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The State Treasurer made four quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2003 totaling \$304,074. However, the Comptroller offset \$448 for a bill owed by Robbins to the State, so the total amount actually received by Robbins for deposit was \$303,626. Robbins earned \$152 in interest income on the funds received, making total receipts \$303,778 for calendar year 2003. Digest Exhibit 1 also shows that Robbins disbursed \$297,525 in Municipal

Digest Exhibit 1 ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS Calendar Year 2003	
Fund Distribution Received 01/03:	\$66,078
Fund Distribution Received 04/03:	\$84,311
Fund Distribution Received 07/03:	\$76,843
Fund Distribution Received 10/03:	\$76,843
Interest Income:	\$152
Amount Offset by Comptroller	<u>\$(448)</u>
Total CY 03 Cash Receipts:	\$303,778
Total CY 03 Cash Disbursements:	<u>\$297,525</u>
Excess of Cash Receipts Over Cash Disbursements:	\$6,253
Cash Balance End of CY02:	\$2,600
Cash Balance as of 12/31/03:	<u>\$8,853</u>
Note: Figures rounded to nearest dollar. Totals may not add due to rounding.	
Source: Village of Robbins.	

Economic Development Fund receipts during calendar year 2003.

Specific disbursements were made for employee payroll and health insurance expenses; Village water expenses; legal, audit, and accounting services; purchase of vehicles for the police and fire departments; roofing a Village building; and general Village expenses. General expenses included auto fuel and maintenance and equipment rental and purchase.

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

Robbins received \$303,626 from the Fund and earned \$152 in interest income in calendar year 2003.

Robbins disbursed \$297,525 in Fund receipts during calendar year 2003.

Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from the Municipal Economic Development Fund during calendar year 2003.

Digest Exhibit 2	
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS	
Calendar Year 2003	
Amount	Purpose
\$89,223	Village employee payroll expenses
\$61,715	Village water bills paid to City of Chicago
\$53,428	Village insurance premiums
\$30,581	Vehicle purchases for Village's fire & police departments
\$22,064	Village roofing expenses
\$20,513	Legal services for tax-delinquent property titles
\$18,375	Village audits and CPA services
\$1,627	General Village expenses
<u>\$297,525</u>	Total Disbursements
Note: Figures rounded to nearest dollar. Total may not add due to rounding. Source: Village of Robbins.	

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2003 expenditures of Fund receipts appeared to comply with Public Utilities Act guidelines.

We questioned expenses for lawsuit settlement payments in our audits of 2001 and 2002 expenditures and referred these expenditures to the Office of the Attorney General as required under the Public Utilities Act. As of June 2004, the Attorney General's office had not yet completed its review of those expenditures to determine if they were consistent with the provisions of the Public Utilities Act. The Act states that MEDF distributions may be used only to:

promote and enhance industrial, commercial, residential, service, transportation, and recreational activities and facilities within its boundaries, thereby enhancing the employment opportunities, public health and general welfare, and economic development within the community, including administrative expenditures exclusively to further these activities.

No questionable expenditures were identified for calendar year 2003.

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

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