STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT

THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

JULY 2005

WILLIAM G. HOLLAND

AUDITOR GENERAL

SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887

CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL
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, 2004.

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
July 2005

REPORT DIGEST

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Released: July 2005

State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

To obtain a copy of the report contact:
Office of the Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, IL 62703
(217) 782-6046 or
TDD: (217) 524-4646

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SYNOPSIS

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

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

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

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

REPORT CONCLUSIONS

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

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

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

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

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

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

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

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

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

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

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

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

Digest Exhibit 1
ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
(Calendar Year 2004)

Fund Distribution Received 01/04:	$69,645
Fund Distribution Received 04/04:	$69,397
Fund Distribution Received 07/04:	$140,605
Fund Distribution Received 11/04:	$67,756
Interest Income:	$102
Amount Offset by Comptroller	$(1,876)
Total CY 04 Cash Receipts:	$345,629
Total CY 04 Cash Disbursements:	$353,951
Deficiency of Cash Receipts Over Cash Disbursements:	$(8,322)
Cash Balance End of CY03:	$8,853
Cash Balance as of 12/31/04:	$531

Note: Figures rounded to nearest dollar. Totals may not add due to rounding.

Source: Village of Robbins.

Specific disbursements were made for: employee payroll and health insurance expenses; legal services for the acquisition of tax-delinquent properties in the Village; repairs to a fire engine; new air conditioning system for the Village Hall; and general Village expenses. General expenses included auto fuel and repair and equipment rental and purchase. Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from the Municipal Economic Development Fund receipts during calendar year 2004.

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

Digest Exhibit 2
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
(Calendar Year 2004)

Amount	Purpose
$225,336	Employee payroll expenses
$30,003	Employee health insurance expenses
$44,456	General Village expenses
$25,260	Legal work for the acquisition of tax-delinquent properties in the Village
$22,375	Air conditioning system for Village Hall
$4,094	Fire engine repair
$2,428	Acquisition of property for Metra station parking lot
$353,951	Total Disbursements

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

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

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

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

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

No questionable expenditures were identified for calendar year 2004.

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
July 2005

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(For the Year Ended December 31, 2004)

REPORT CONCLUSIONS

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

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

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

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

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

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

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 sixth 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.

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 almost $1.6 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 those distributions 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 - 2004

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	[B]$409,253	$411,464
CY03	[A]$303,626	$152	$303,778	$297,525
CY04	[A]$345,527	$102	$345,629	$353,951
TOTAL	[A]$1,544,230	$12,673	[B]$1,591,902	$1,591,371

Notes: Totals may not add due to rounding.
[A] - Does not include CY03 offset of $448 and CY04 offsets of $1,876 by Comptroller for Village debt owed to the State.
[B] - Includes $35,000 in reimbursements to MEDF account from other Village funds for previous expenditures in 2001 and 2002.
Source: Information provided by Village of Robbins, State Comptroller, and prior OAG audits.

One other expenditure was made from the Municipal Economic Development Fund during calendar year 2004. Public Act 93-0839 amended the statutes to provide for an additional amount to be transferred on the basis of the July 1, 2003 fund balance to help defray the State's operating costs. Comptroller records indicate that $14,796 was transferred out of the MEDF in 2004 as a statutory transfer.

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The Treasurer made four quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2004 totaling $347,403. However, offsets by the Comptroller for $1,876 reduced the amount actually received by Robbins for deposit to $345,527. As shown on Exhibit 1-2, Robbins earned an additional $102 in interest income on the funds received, resulting in total cash receipts of $345,629 for calendar year 2004.
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The offsets by the Comptroller were done because the Village owed the State for communications expenses. Amounts were offset from three of the four payments for the year: $895.50 from both the April and July distributions and $84.50 from the November distribution.

Exhibit 1-2
VILLAGE OF ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2004

Fund Distribution Received 01/04:	$69,645
Fund Distribution Received 04/04:	$69,397
Fund Distribution Received 07/04:	$140,605
Fund Distribution Received 11/04:	$67,756
Interest Income:	$102
Amounts Offset by Comptroller:	$(1,876)
Total CY04 Cash Receipts:	$345,629
Total CY04 Cash Disbursements:	$353,951
Deficiency of Cash Receipts Over Cash Disbursements:	$(8,322)
Cash Balance End of CY03:	$8,853
Cash Balance as of 12/31/04:	$531

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

Exhibit 1-2 also shows that Robbins disbursed $353,951 in MEDF receipts during calendar year 2004. As required by the Public Utilities Act, Robbins held the funds in a separate account. The Act also 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.

Robbins officials deposited calendar year 2004 Municipal Economic Development Fund cash receipts into a separate bank account and used the funds for a variety of purposes. Specific disbursements were made for employee payroll and health insurance expenses, legal services for the acquisition of tax-delinquent properties in the Village, repairs to a fire engine, an air conditioning system for the Village Hall building, acquisition of property for Metra station expansion, and general Village expenses. The general expenses included sidewalks and the purchase of salt. Exhibit 1-3 shows in detail the amount and purpose for each of Robbins' cash disbursements from the MEDF account during calendar year 2004.

Exhibit 1-3
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2004

Amount	Purpose
$225,336	Employee payroll expenses
$30,003	Employee health insurance expenses
$44,456	General Village expenses
$25,260	Legal work for the acquisition of tax-delinquent properties in the Village
$22,375	Air conditioning system for Village Hall
$4,094	Fire engine repair
$2,428	Acquisition of property for Metra station parking lot
$353,951	Total Disbursements

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

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

Exhibit 1-4 summarizes the MEDF funds spent by Robbins since calendar year 1999 according to broad categories. As shown in the exhibit, nearly half (47.6%) 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.

In our audits of calendar year 2001 and 2002 expenditures, we questioned expenditures for lawsuit settlement payments to individuals from the MEDF and referred those expenditures to the Office of the Attorney General, as required by the Public Utilities Act (220 ILCS 5/8-403.1 (l)). As of April 2005, the Attorney General's office had not completed its determination as to whether the Village's use of MEDF monies to pay lawsuit settlements was consistent with the provisions of the Public Utilities Act. No questionable expenditures occurred during calendar year 2004.

If the Attorney General determines the payments were not authorized under the Public Utilities Act, that Office may recover three times the amount of the expenditure through a civil action.

Exhibit 1-4
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 1999 Through Calendar Year 2004

Spending Category	Amount Spent	Percent
Payroll	$646,229.85	40.6
Water bills	$176,742.12	11.1
Insurance	$111,602.92	7.0
General Village Expenses	$93,295.12	5.9
Repairs/additions to Village property	$89,426.16	5.6
Legal Services	$87,256.91	5.5
Street Improvements	$84,101.75	5.3
Purchase, Repair, Lease Vehicles	$62,265.08	3.9
Lawsuit Payments[A]	$58,715.00	3.7
Lobbying	$56,000.00	3.5
Festival Expenses	$48,000.00	3.0
Village Waste Removal Services	$40,933.81	2.6
Audit/CPA services	$28,375.00	1.8
Appraisal Services	$6,000.00	0.4
Acquisition of property	$2,427.50	0.2
TOTAL	**$1,591,371.22**	100.0

Notes: Totals may not add due to rounding.
[A] Questioned costs referred to the Illinois Attorney General.
Source: Data provided by Village of Robbins.

On July 22, 2003, Village Trustees adopted a revised, detailed spending policy to help prevent further questionable expenditures from MEDF monies. It states that the proceeds from MEDF will be used to attract businesses and support public goods and services and activities that constitute Village major operations. Further, it lists classifications for MEDF expenditures and adds provisions for reimbursement from other Village funds when appropriate.

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

We reviewed the Department's process for reviewing the monthly filings and assessing penalties for late filing, not filing, or not paying the correct amount owed to the State. The Department does have a process in place to assess and collect penalties owed. In calendar year 2004, the Department collected $11,921 in penalty assessments from the facilities. This amount was deposited into the MEDF.

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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.

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 2004. 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 2004.

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 Auditors 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 Village Board minutes and check requests forms.

We interviewed officials at the Department of Revenue and reviewed documentation on 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, 2002 was received in June 2005. This audit contained an adverse opinion on the Village's general-purpose financial statements and on its compliance for major federal programs; fourteen reportable conditions, or significant deficiencies in internal controls were noted, of which 7 were material weaknesses. One finding concluded that the Village had inadequate controls over disbursements. The Village responded that the auditor's recommendations regarding documentation of disbursements had already been implemented.

APPENDIX A

Public Utilities Act

Public Utilities Act (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 facility, the qualified facility shall reimburse the Public Utility Fund and the General Revenue Fund in the State treasury for the actual reduction in payments to those Funds caused by this subsection (d) in a manner to be determined by the Illinois Commerce Commission and based on the manner in which revenues for those Funds were reduced.

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

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

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

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

(i) Beginning in February 1999 and through January 2009, each qualified solid waste energy facility that sells electricity to an electric utility at the purchase rate described in subsection (c) shall file with the 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). 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.

(Source: P.A. 91-901, eff. 1-1-01; 92-435, eff. 8-17-01; 92-574, eff. 6/26/02.)

APPENDIX B

Independent Auditors Report

INDEPENDENT AUDITORS REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the accompanying Statements of Cash Receipts to the Village of Robbins from the State Municipal Economic Development Fund and Cash Disbursements made by the Village of Robbins from those cash receipts for the year ended December 31, 2004. 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. 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 in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2004, in conformity with the basis of accounting described in Note 1.

KELLY J. MITTELSTAEDT, CPA
Audit Manager

May 15, 2005

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, 2004

	Year Ended December 31, 2004
CASH RECEIPTS:	
Gross Receipts from the State Municipal Economic Development Fund	$347,402.59
Less Offsets by Comptroller from payments	(1,875.50)
Net Receipts from the State Municipal Economic Development Fund	$345,527.09
Interest Income	101.69
Total	$345,628.78
CASH DISBURSEMENTS:	
Cash Disbursements from Receipts from the State Municipal Economic Development Fund	$353,950.75
Deficiency of Cash Receipts Over Cash Disbursements	$(8,321.97)
Cash Balance at Beginning of Period	$8,853.18
Cash Balance at End of Period	$531.21

NOTE TO THE FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

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

APPENDIX C

Village of Robbins Response

ROBBINS, ILLINOIS

ACHIEVEMENT THROUGH COMMUNITY SPIRIT

VILLAGE OF ROBBINS

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

June 16, 2005

Mr. William Helton
Audit Manager
Office of the Auditor General
160 North LaSalle Street
Chicago, IL 60601-3103

RE: Financial Compliance and Program Audit
Village of Robbins Use of Municipal Economic Development Funds

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, 2004. The MEDF funds were used for a variety of purposes as stated in your audit report. We believe that all of the calendar year 2004 expenditures of MEDF receipts comply with the Public Utilities Act guidelines.

Thank you for your assistance during this MEDF audit process.

Sincerely,

Beverly J. Gavin

Beverly J. Gavin
Village Administrator