

REPORT DIGEST

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

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

Released: September 2006



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

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

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the seventh audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2005.

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

- In 2005, Robbins received \$335,251 in quarterly disbursements from the Fund. The Village earned \$122 in interest for total cash receipts of \$335,373 in 2005.
- Robbins disbursed \$335,733 from Fund receipts. Specific disbursements in 2005 were for Village payroll and associated insurance and pension expenses, audit expenses, and general Village expenses. We identified no questionable expenditures in calendar year 2005.

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2005, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled \$335,251 and the Village earned \$122 in interest income. Robbins' cash disbursements from MEDF receipts totaled \$335,733 in calendar year 2005. Robbins began the year with a cash balance of \$531 in its bank account for Municipal Economic Development Funds and ended the year with a balance of \$171 in the account.

The Public Utilities Act establishes requirements for the allowable uses of Municipal Economic Development Funds (220 ILCS 5/8-403.1(j)). The Act states that MEDF distributions may be used only to:

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

The Act also lists specific purposes for which the MEDF distributions cannot be used. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2005 expenditures of MEDF receipts appear to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll; employee health insurance, workers' compensation, unemployment insurance, and pension expenses; audit expenses; and other general Village expenses.

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 quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2005 totaling \$335,741. However, the Comptroller offset \$490 for bills owed by Robbins to the State, so the total amount actually received by Robbins for deposit was \$335,251. Robbins earned \$122 in interest income on the funds received, making total receipts

Digest Exhibit 1 ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS Calendar Year 2005	
Fund Distribution Received 01/05:	\$76,292
Fund Distribution Received 04/05:	\$70,511
Fund Distribution Received 07/05:	\$85,669
Fund Distribution Received 11/05:	\$103,270
Interest Income:	\$122
Amount Offset by Comptroller	<u>\$(490)</u>
Total CY 05 Cash Receipts:	\$335,373
 Total CY 05 Cash Disbursements:	 <u>\$335,733</u>
 Deficiency of Cash Receipts Over Cash Disbursements:	 \$(360)
Cash Balance End of CY04:	\$531
Cash Balance as of 12/31/05:	<u>\$171</u>
Note: Figures rounded to nearest dollar. Totals may not add due to rounding. Source: Village of Robbins.	

\$335,373 for calendar year 2005. Digest Exhibit 1 shows that Robbins disbursed \$335,733 in Municipal Economic Development Fund receipts during calendar year 2005.

Specific disbursements were made for: employee payroll expenses; employee health insurance, workers' compensation, unemployment insurance, and pension expenses; payment of a Village water bill to the City of Chicago; audit expenses; and other general Village expenses. Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from the Municipal Economic Development Fund receipts during calendar year 2005.

Digest Exhibit 2 VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS Calendar Year 2005	
Amount	Purpose
\$238,000	Employee payroll expenses
\$81,116	Employee health insurance/workers compensation/unemployment insurance/pension expenses
\$11,000	Water bill to City of Chicago
\$3,500	Audit expenses
\$1,300	Legal expenses – monthly prosecutorial retainer
\$817	General Village expenses – fuel for Village vehicles
<u>\$335,733</u>	Total Disbursements
Note: Figures rounded to nearest dollar. Source: Village of Robbins.	

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, 2005. We concluded that the financial statements were fairly presented in all material respects. Appendix B to the full report contains the Independent Auditor's Report.

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2005 expenditures of Fund receipts appeared to comply with Public Utilities Act guidelines. (pages 3-6)

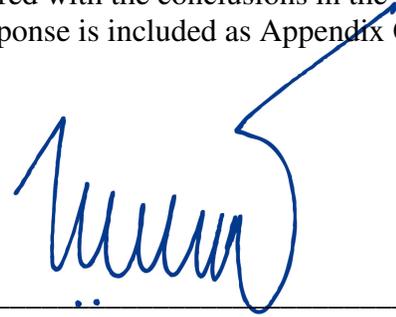
Robbins was the only entity to receive distributions from the Municipal Economic Development Fund.

Robbins received \$335,251 from the Fund and earned \$122 in interest income in calendar year 2005.

Robbins disbursed \$335,733 in Fund receipts during calendar year 2005.

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
September 2006