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

MARCH 2012

WILLIAM G. HOLLAND

AUDITOR GENERAL

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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, 2010.

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
March 2012

SUMMARY REPORT DIGEST

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUND MONIES

FINANCIAL, COMPLIANCE, & PROGRAM AUDIT
For the Year Ended: December 31, 2010

Release Date: March 2012

Summary of Findings:

Total this audit:	**1**
Total last audit:	**1**
Repeated from last audit:	**1**

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 twelfth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2010. The Village of Robbins was the only entity to receive distributions from the Fund. The audit concluded that:

- In 2010, Robbins received $386,132.93 in quarterly disbursements from the Fund.

- Robbins used these monies for specific disbursements such as Village payroll, employee insurance expenses, and general Village expenses. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2010 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements.

- Robbins officials have not yet calculated and transferred the interest earned on a $1.6 million Department of Commerce and Economic Opportunity grant deposited into the Village's MEDF fund in April 2007. The Public Utilities Act requires that MEDF monies be held in a "separate account."

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 $286,806.98 was transferred in 2010.

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 with a permit to burn clean wood recovered from construction and demolition debris on a permanent basis. (pages 2–3)

EXPENDITURE OF FUNDS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

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

Robbins received $386,133 from the Fund and earned $18 in interest income in calendar year 2010.

Robbins disbursed $386,149 in Fund receipts during calendar year 2010.

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2010, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $386,132.93 and the Village earned $17.51 in interest income on monies deposited into its MEDF account. Digest Exhibit 1 shows that Robbins disbursed $386,148.54 in Municipal Economic Development Fund receipts during calendar year 2010. Robbins began the year with a cash balance of $56.99 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $58.89 in the account.

Digest Exhibit 1
ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
(Calendar Year 2010)

Fund Distribution Received 01/10:	$101,942.67
Fund Distribution Received 04/10:	$101,158.79
Fund Distribution Received 07/10:	$101,126.20
Fund Distribution Received 10/10:	$82,905.27
Interest Income:	$17.51
Total CY10 Cash Receipts:	$386,150.44
Total CY10 Cash Disbursements:	$386,148.54
Excess of Cash Receipts Over Cash Disbursements:	$1.90
Cash Balance End of CY09:	$56.99
Cash Balance as of 12/31/10:	$58.89

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 2010 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 2010 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll; employee insurance expenses; purchase and repair of Village vehicles; repairs to Village property; 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 2010.

Digest Exhibit 2
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2010)

Amount	Purpose
$281,459	Village employee payroll expenses
$77,919	Village employee insurance and retirement expenses
$15,660	General Village expenses
$5,000	Audit expenses
$2,800	Street Improvements
$2,260	Repair and maintenance of Village vehicles
$1,050	Repairs to Village property
$386,149	**Total Disbursements**

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

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

In April 2007, Robbins officials deposited $1.6 million in grant funds it received from the Department of Commerce and Economic Opportunity into its MEDF account, resulting in a commingling of the funds for approximately one month. The Public Utilities Act requires that MEDF monies be held in a "separate account." When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account. As of October 2011, Village officials still had not calculated the interest earned on the grant funds and transferred it to the proper account. We recommended that Village officials calculate the amount of interest earned by the grant funds and transfer that amount to the proper fund.

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, 2010. The Village of Robbins was not able to provide us with complete results of its financial audits of the Village of Robbins for the year ended April 30, 2010, and the year ended April 30, 2009. Our audit was delayed several months while we attempted to obtain these documents from the Village. We concluded that, except for the effects of such adjustment or disclosures, if any, as might have been determined to be necessary had we been able to consider the complete audit results, 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, 2010. Appendix B to the full report contains the Independent Auditors' Report. (pages 4-8)

AGENCY RESPONSE

The Village of Robbins responded that it has relied on Municipal Economic Development funding to supplement municipal operations due to its distressed financial condition. Village officials noted that their current financial plight is evident by the Village's inability to provide timely and recent audit reports of the Village to OAG auditors. They also noted that as they revamp services and overall financial operations to better reflect current and acceptable standards, it is their belief that this will be the last audit reflecting reoccurring and unresolved discrepancies of the past. 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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Financial, Compliance, and Program Audit

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

(For the Year Ended December 31, 2010)

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2010, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $386,132.93 and the Village earned $17.51 in interest income on monies deposited into its MEDF account. Robbins' cash disbursements from MEDF receipts totaled $386,148.54 in calendar year 2010. Robbins began the year with a cash balance of $56.99 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $58.89 in the account.

In April 2007, Robbins officials deposited $1.6 million in grant funds received from the Department of Commerce and Economic Opportunity (DCEO) into the Village's MEDF account, resulting in a commingling of the State MEDF and the grant funds for approximately one month. When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account, but rather left all the accrued interest in the MEDF account. As of October 2011, the Village still had not transferred the interest earned on the grant to the proper 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 2010 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll;

employee insurance expenses; repair of vehicles; repairs to Village property; and other general Village 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 twelfth 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 is required to pay into the MEDF an amount equal to six-tenths of a mill ($0.0006) per kilowatt hour of electricity the facility sold to electric utilities. The facilities make the payments to the Department of Revenue, which deposits them into the Fund. Public Act 92-435, effective August 17, 2001, allows the Department to assess penalties and interest if a facility submits a payment late or fails to submit payments.

Amendments added by Public Act 94-836, effective June 6, 2006, require the Treasurer to compare the amount received by the Department of Revenue each month to the amount received in the corresponding month in 2002. If the amount received in 2002 is greater than the amount for the current month, the Comptroller is to transfer the difference from the General Revenue Fund into the MEDF. A total of $286,806.98 was transferred from the General Revenue Fund to the State MEDF in calendar year 2010.

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. 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 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 with a permit to burn clean wood recovered from construction and demolition debris on a permanent basis.

However, this official stated that IEPA issued the permit as a boiler, not an incinerator. USEPA solid waste rules apply to incinerators; rules for fuels not considered to be solid waste apply to boilers. Since recovered wood is not considered to be solid waste under the USEPA rules, it is covered under the rules that apply to boilers. Consequently, IEPA issued its permit for the Robbins facility under these rules. The official stated that although federal rule changes were made in response to an Appeals Court ruling, the changes were not as extensive as originally proposed and the Robbins facility is still considered a boiler.

Given that the statute clearly specifies that the fuel to be burned is "recovered wood" – which is the fuel that the Robbins plant will use – and that the Robbins plant will burn or "incinerate" the wood, it is unclear whether the IEPA's permitting of the Robbins plant as a boiler, as opposed to an incinerator, affects the statutory requirements.

The provision for payments by the qualified solid waste energy facilities into the MEDF was only effective through January 2009. However, Public Act 96-449 reinstated the requirement for payments into the MEDF through January 2013. It also specifically allowed Robbins to use the monies to clean up vacant and condemned properties.

As shown in Exhibit 1-1, Robbins has received over $3.7 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 – 2010

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
Total[4]	**$3,710,800[1]**	**$15,479[3]**	**$3,761,279[2]**	**$3,761,220**

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

Source: Information provided by Village of Robbins, State Comptroller, and prior OAG audits.

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The Treasurer made four quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2010 totaling $386,132.93. As shown in Exhibit 1-2, Robbins earned an additional $17.51 in interest income on the funds in its MEDF account, resulting in total cash receipts of $386,150.44 for calendar year 2010.

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

The grant agreement with DCEO allowed Robbins to retain the interest earned on the grant funds but required that it be accounted for and reported to the Department. The interest earned is subject to be refunded to the Department upon demand. Village officials responded in the CY2007 audit that they would calculate and transfer the proper amount of interest to the proper grant account within 30 days. In the response to this finding in last year's audit, Village officials stated that they would transfer the proper amount to the proper grant account when funds became available. However, as of October 3, 2011, they had not done so; further as of that date, the Village's MEDF account did not have sufficient funds to transfer the entire amount of interest earned into the proper account.

ALLOCATION OF INTEREST	
RECOMMENDATION NUMBER **1**	***Village of Robbins officials should calculate the amount of interest earned on the DCEO grant funds while they were deposited in the Village's MEDF account and transfer the interest to the proper grant account.***
VILLAGE OF ROBBINS RESPONSE	Since the repealing of the Retail Rate Law, which inevitably led to the closing of the Robbins Resource Recovery Facility, Robbins has been reliant on MED funds. While these funds were originally allocated to assist the Village in promoting and enhancing industrial, commercial, residential, service, transportation and recreational activities, the Village has relied on MED funding to supplement municipal operations due to our distressed financial condition. Our current financial plight is evident in the recent MED audit findings that highlight the Village's inability to provide a timely and recent audit to MED auditors [OAG auditors]. The Village has made recent strides to fulfill our financial obligations to many of our vendors, including our municipal auditor, but our progress has been severely hindered by inadequate revenue collections. Our commitment is to pay our debts. While it may take time, we are committed to satisfying all of our financial obligations. As we revamp our services and overall financial operations to better reflect current and acceptable standards, it is our belief that this will be the last audit reflecting reoccurring and unresolved discrepancies of the past.

Exhibit 1-2
VILLAGE OF ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2010

Fund Distribution Received 01/10:	$100,942.67
Fund Distribution Received 04/10:	$101,158.79
Fund Distribution Received 07/10:	$101,126.20
Fund Distribution Received 10/10:	$82,905.27
Interest Income:	$17.51
Total CY10 Cash Receipts:	$386,150.44
Total CY10 Cash Disbursements:	$386,148.54
Excess of Cash Receipts Over Cash Disbursements:	$1.90
Cash Balance End of CY09:	$56.99
Cash Balance as of 12/31/10:	$58.89

Source: Village of Robbins.

Exhibit 1-2 shows that Robbins disbursed $386,148.54 in MEDF receipts during calendar year 2010. 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 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 a variety of purposes. Specific disbursements were made for employee payroll; employee insurance expenses; to repair vehicles; repairs to Village property; and general Village expenses such as fuel for Village vehicles. Exhibit 1-3 shows in detail the amount and purpose for Robbins' cash disbursements from the MEDF account during calendar year 2010.

Exhibit 1-3
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2010

Amount	Purpose
$281,459	Village employee payroll expenses
$77,919	Village employee insurance and retirement expenses
$15,660	General Village expenses
$5,000	Audit Expenses
$2,800	Street Improvements
$2,260	Repair and maintenance of Village vehicles
$1,050	Repairs to Village property
$386,149	Total Disbursements

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

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2010 expenditures of MEDF receipts appeared to comply with Public Utilities Act guidelines.

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.

Robbins' financial audit for the year ended April 30, 2008, noted a lack of proper fiscal controls, including not posting all interfund transfers to the proper accounts. Grant funds were often transferred to the general fund and appropriate expenditures could not be identified. The audit recommended the Village prepare fiscal and operating procedures. 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. Robbins' audit for the year ended April 30, 2010, does not contain a Report on Internal Controls so we could not determine if the auditors found any significant deficiencies or material weaknesses in financial reporting.

Exhibit 1-4
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Years 1999 – 2010

Spending Category	Amount Spent	Percent
Payroll	$2,224,840.72	59.2
Insurance	$421,259.40	11.2
Water bills	$224,378.02	6.0
General Village expenses	$221,994.95	5.9
Village property repairs/additions	$94,771,59	2.5
Legal services	$88,556.91	2.4
Street improvements	$86,901.75	2.3
Purchase, repair, lease vehicles	$78,321.91	2.1
Village waste removal services	$69,933.81	1.9
Lobbying	$56,000.00	1.5
Lawsuit payments	$58,715.00	1.6
Festival Expenses	$48,000.00	1.3
Audit/CPA services	$46,875.00	1.2
Repay grant funds	$32,243.05	0.9
Appraisal services	$6,000.00	0.2
Acquisition of property	$2,427.50	0.1
Total	**$3,761,219.61**	**100.0**

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

Exhibit 1-4 summarizes the MEDF funds spent by Robbins since calendar year 1999 according to broad categories. As shown in the exhibit, over 70 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.

We audited the 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, 2010. The Village of Robbins was not able to provide us with complete results of its financial audits of the Village of Robbins for the year ended April 30, 2010, and the year ended April 30, 2009. We concluded that, except for the effects of such adjustment or disclosures, if any, as might have been determined to be necessary had we been able to consider the complete audit results, 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, 2010. Appendix B contains the Independent Auditors' Report.

For the Village of Robbins response, see Appendix C.

OTHER ISSUES

Qualified solid waste energy facilities submitted monthly reports and payments to the Department of Revenue in CY10. 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 2010, the Department collected $4,746 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 2010. 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 2010.

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 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, 2010, was completed in November 2010. 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 report on internal controls in the financial audit 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 delays in receiving some information from Robbins. It took two months to receive documentation concerning one expenditure involving a voided check. Other information was never provided, despite repeated attempts over several months to obtain the information. The Village was not able to provide us with complete financial results of its audits for the year ended April 30, 2010, and the year ended April 30, 2009. The complete results of these audits represent corroborating evidential matter to satisfy ourselves that those results had no direct effect on the financial statement presented in this report. 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

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 for the year ended December 31, 2010. This financial statement is the responsibility of the management of the Village of Robbins. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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.

The Village of Robbins was not able to provide us with complete results of its financial audits of the Village of Robbins for the year ended April 30, 2010 and the year ended April 30, 2009. The complete results of these audits represent corroborating evidential matter to satisfy ourselves that those results had no direct effect on the financial statement referred to in the first paragraph of this report.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Robbins as of December 31, 2010, or changes in financial position or cash flows thereof for the year then ended.

In our opinion, except for the effects of such adjustment or disclosures, if any, as might have been determined to be necessary had we been able to consider the complete audit results as discussed in the third paragraph of this report, the financial statement referred to in the first paragraph of this report, 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 for the year ended December 31, 2010, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2012 on our consideration of the Village of Robbins Statement of Cash Receipts from the State Municipal Economic 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Kelly Mittelstaedt

KELLY J. MITTELSTAEDT, CPA
Audit Manager

March 6, 2012

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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

We have audited 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, 2010 (financial statement), and have issued our report thereon dated March 6, 2012. Our opinion was qualified because the Village of Robbins was not able to provide us with complete results of its financial audits for the year ended April 30, 2010 and the year ended April 30, 2009. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 10-1 in the accompanying Schedule of Findings and Responses to be a material weakness.

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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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 10-1.

We also noted certain matters which we have reported to management of the Village of Robbins in a separate letter dated March 6, 2012.

The Village of Robbins' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Village of Robbins' response and, accordingly, we express no opinion on it.

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

Kelly Mittelstaedt

KELLY J. MITTELSTAEDT, CPA
Audit Manager

March 6, 2012

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, 2010

	Year Ended December 31, 2010
CASH RECEIPTS:	
Gross Receipts from the State Municipal Economic Development Fund	$386,132.93
Less Offsets by Comptroller from payments	$(0)
Net Receipts from the State Municipal Economic Development Fund	$386,132.93
Interest Income	$17.51
Total	$386, 150.44
CASH DISBURSEMENTS:	
Cash Disbursements from Receipts from the State Municipal Economic Development Fund	$386,148.54
Excess of Cash Receipts Over Cash Disbursements	$1.90
Cash Balance at Beginning of Period	$ 56.99
Cash Balance at End of Period	$58.89

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 $286,806.98 was transferred from the General Revenue Fund to the State MEDF in calendar year 2010.

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. 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 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 with a permit to burn clean wood recovered from construction and demolition debris on a permanent basis.

However, this official stated that IEPA issued the permit as a boiler, not an incinerator. USEPA solid waste rules apply to incinerators; rules for fuels not considered to be solid waste apply to boilers. Since recovered wood is not considered to be solid waste under the USEPA rules, it is covered under the rules that apply to boilers. Consequently, IEPA issued its permit for the Robbins facility under these rules. The official stated that although federal rule changes were made in response to an Appeals Court ruling, the changes were not as extensive as originally proposed and the Robbins facility is still considered a boiler.

Given that the statute clearly specifies that the fuel to be burned is "recovered wood" – which is the fuel that the Robbins plant will use – and that the Robbins plant will burn or "incinerate" the wood, it is unclear whether the IEPA's permitting of the Robbins plant as a boiler, as opposed to an incinerator, affects the statutory requirements.

The provision for payments by the qualified solid waste energy facilities into the MEDF was only effective through January 2009. However, Public Act 96-449 reinstated the requirement for payments into the MEDF through January 2013. It also specifically allowed Robbins to use the monies to clean up vacant and condemned properties.

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 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 statement are not included in the financial statements.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2010

FINDING NO. 10-1 Allocation of Interest (Repeated from 09-1, 08-1, and 07-1)

The Village of Robbins had not calculated the interest received on grant funds when they were commingled with Municipal Economic Development Fund (MEDF) monies nor transferred the interest from its MEDF account to the proper grant account. In April 2007, Robbins officials deposited $1.6 million in grant funds it received from the Department of Commerce and Economic Opportunity (DCEO) into its MEDF account, resulting in a commingling of the funds for approximately one month. When the grant monies were removed from the Village's MEDF account, Village officials did not properly allocate and transfer the amount of interest earned on the grant monies out of the MEDF account, but rather left all the accrued interest in the MEDF account.

The grant agreement with DCEO allowed Robbins to retain the interest earned on the grant funds but required that it be accounted for and reported to the Department. The interest earned is subject to be refunded to the Department upon demand. In each of the last three audits, Robbins officials have responded that they would transfer the monies to the proper account. However, as of October 3, 2011, the monies still had not been transferred and there were insufficient funds in the MEDF account to transfer the probable amount of interest earned into the proper grant account.

Recommendation:

Village of Robbins officials should calculate the amount of interest earned on the DCEO grant funds while they were deposited in the Village's MEDF account and transfer the interest to the proper grant account.

Agency Response:

Since the repealing of the Retail Rate Law, which inevitably led to the closing of the Robbins Resource Recovery Facility, Robbins has been reliant on MED funds. While these funds were originally allocated to assist the Village in promoting and enhancing industrial, commercial, residential, service, transportation and recreational activities, the Village has relied on MED funding to supplement municipal operations due to our distressed financial condition.

Our current financial plight is evident in the recent MED audit findings that highlight the Village's inability to provide a timely and recent audit to MED auditors. The Village has made recent strides to fulfill our financial obligations to many of our vendors, including our municipal auditor, but our progress has been severely hindered by inadequate revenue collections. Our commitment is to pay our debts. While it may take time, we are committed to satisfying all of our financial obligations.

As we revamp our services and overall financial operations to better reflect current and acceptable standards, it is our belief that this will be the last audit reflecting reoccurring and unresolved discrepancies of the past.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2010

Schedule of Prior Findings and Prior Findings Not Repeated

Finding No.	Condition	Status
09-1	Commingling of Grant Funds and Allocation of Interest	Repeated

APPENDIX C

Village of Robbins' Response

VILLAGE OF ROBBINS

INCORPORATED DECEMBER 14, 1917

TELEPHONE (708) 385-8940
FAX (708) 385-0542

MAYOR IRENE H. BRODIE, Ph.D.
3327 W. 137th STREET
ROBBINS, ILLINOIS 60472

March 5, 2012

Office of the Auditor General
William G. Holland
Micahel A. Bilandic Bldg. Suite S-900
160 North LaSalle
Chicago, Illinois 60601-3103

Re: Robbins' response to MED Audit Findings

Since the repealing of the Retail Rate Law, which inevitably led to the closing of the Robbins Resource Recovery Facility, Robbins has been reliant on MED funds. While these funds were originally allocated to assist the Village in promoting and enhancing industrial, commercial, residential, service, transportation and recreational activities, the Village has relied on MED funding to supplement municipal operations due to our distressed financial condition.

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As we revamp our services and overall financial operations to better reflect current and acceptable standards, it is our belief that this will be the last audit reflecting reoccurring and unresolved discrepancies of the past.

Very truly yours,

Irene H Brodie

Dr. Irene H. Brodie
Mayor, Village of Robbins

cc: Napoleon Haney, Village Administrator