STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT

OF THE

THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

JANUARY 2010

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, 2008.

The audit was conducted pursuant to Public Act 90-813, which was adopted on January 29, 1999. This audit was conducted in accordance with generally accepted government auditing standards and the standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Section 3-14 of the Illinois State Auditing Act and Section 8-403.1 of the Public Utilities Act.

WILLIAM G. HOLLAND
Auditor General

Springfield, Illinois
January 2010

INTERNET ADDRESS: AUDITOR@MAIL.STATE.IL.US

REPORT DIGEST

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Released: January 2010

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
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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 (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 tenth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2008.

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

- In 2008, Robbins received $376,520.48 in quarterly disbursements from the Fund. Robbins used these monies for specific disbursements such as Village payroll, employee insurance expenses, and general Village expenses.

- Robbins officials deposited a Department of Commerce and Economic Opportunity grant of $1.6 million into the Village's MEDF account in April 2007, resulting in a commingling of the State MEDF and the grant funds for approximately one month. The Public Utilities Act requires that MEDF monies be held in a "separate account." As of December 2009, officials had not transferred the interest earned on those grant funds to the proper account.

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2008, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $376,520.48 and the Village earned $108.23 in interest income on monies deposited into its MEDF account. Robbins' cash disbursements from MEDF receipts totaled $376,989.60 in calendar year 2008. Robbins began the year with a cash balance of $439.42 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $78.53 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 December 2009, the Village still had not transferred the interest earned on the grant funds to the proper account.

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.

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 2008 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll; employee insurance 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.

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 $248,133.41 was transferred in 2008.

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

Robbins received $376,520 from the Fund and earned $108 in interest income in calendar year 2008.

Robbins disbursed $376,990 in Fund receipts during calendar year 2008.

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 2–3)

EXPENDITURE OF DISTRIBUTIONS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

The State Treasurer made quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2008 totaling $376,520.48. Robbins earned $108.23. in interest income on monies deposited into its MEDF account. Digest Exhibit 1 shows that Robbins disbursed $376,989.60 in Municipal Economic Development Fund receipts during calendar year 2008.

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. 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. In response to the audit of CY07, Village officials responded that the grant was deposited into the MEDF account in error and that the interest earned will be calculated and transferred to the correct account. As of December 2009, Village officials still had not transferred the interest earned on the grant funds to the proper account.

We recommended that Robbins officials calculate the interest earned on the grant funds and transfer 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.

Specific disbursements of MEDF funds were made for employee payroll; employee insurance expenses; audit expenses; and 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 2008.

Digest Exhibit 1
ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2008)

Fund Distribution Received 01/08:	$88,253.65
Fund Distribution Received 04/08:	$107,144,95
Fund Distribution Received 07/08:	$137,167.94
Fund Distribution Received 10/08:	$43,953.94
Interest Income:	$108.23
Total CY08 Cash Receipts:	$376,628.71
Total CY08 Cash Disbursements:	$376,989.60
(Deficiency) of Cash Receipts Over Cash Disbursements:	$(360.89)
Cash Balance End of CY07:	$439.42
Cash Balance as of 12/31/08:	$78.53

Source: Village of Robbins.

We concluded that Robbins' calendar year 2008 expenditures of MEDF receipts appeared to comply with statutory guidelines.

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2008 expenditures of Fund receipts appeared to comply with Public Utilities Act guidelines. (pages 4-7)

Digest Exhibit 2
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2008)

Amount	Purpose
$315,500	Employee payroll expenses
$23,381	Employee insurance expenses
$11,020	Purchase, repair, and lease vehicles
$12,979	General Village expenses
$10,000	Audit services
$4,109	Repairs to Village property
$376,990	**Total Disbursements**

Note: Figures rounded to nearest dollar. Totals may not add due to rounding.
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, 2008. We concluded that the financial statements were fairly presented in all material respects. Appendix B to the full report contains the Independent Auditor's Reports.

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
January 2010

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VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

(For the Year Ended December 31, 2008)

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2008, Robbins' net cash receipts from the Municipal Economic Development Fund (MEDF) totaled $376,520.48 and the Village earned $108.23 in interest income on monies deposited into its MEDF account. Robbins' cash disbursements from MEDF receipts totaled $376,989.60 in calendar year 2008. Robbins began the year with a cash balance of $439.42 in its bank account for Municipal Economic Development Funds and ended the year with a balance of $78.53 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 December 2009, 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 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 2008 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll; employee insurance expenses; audit expenses; 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 tenth 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 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, 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. In 2008, transfers occurred monthly as required. A total of $248,133.41 was transferred from the General Revenue Fund to the State MEDF in calendar year 2008.

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.

The provisions for payments by the qualified solid waste energy facilities into the MEDF was only effective through January 2009. However, Public Act 96-449, effective August 14, 2009, reinstated the requirement for payments into the MEDF. Public Act 96-449 also changed the criteria for entities allowed to receive funds and specifically allows a recipient to use the funds to clean up vacant and condemned properties.

As shown in Exhibit 1-1, Robbins has received over $2.9 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 – 2008

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
Total[4]	**$2,944,099[1]**	**$15,405[3]**	**$2,994,504[2]**	**$2,994,425**

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 2008 totaling $376,520.48. As shown in Exhibit 1-2, Robbins earned an additional $108.23 in interest income on the funds in its MEDF account, resulting in total cash receipts of $376,628.71 for calendar year 2008.

In April 2007, Robbins officials deposited $1.6 million in grant funds it received from 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 the Department of Commerce and Economic Opportunity (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 the response to this finding in last year's audit, Village officials stated that they would calculate the proper amount of interest and transfer it to the proper grant account within 30 days. However, as of August 5, 2009, 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. As of December 2009, the transfer still had not been made.

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	The audit finding is correct in stating that the Village of Robbins has had insufficient funds to transfer the interest earned on the DCEO grant from the MEDF account to the specific grant funds account. The Village of Robbins has experienced revenue shortfalls this calendar year as has many other municipalities. The funds will be transferred when the funds become available**.**

Exhibit 1-2 shows that Robbins disbursed $376,989.60 in MEDF receipts during calendar year 2008. 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.

Exhibit 1-2
VILLAGE OF ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2008

Fund Distribution Received 01/08:	$88,253.65
Fund Distribution Received 04/08:	$107,144.95
Fund Distribution Received 07/08:	$137,167.94
Fund Distribution Received 10/08:	$43,953.94
Interest Income:	$108.23
Total CY08 Cash Receipts:	$376,628.71
Total CY08 Cash Disbursements:	$376,989.60
(Deficiency) of Cash Receipts Over Cash Disbursements:	$(360.89)
Cash Balance End of CY07:	$439.42
Cash Balance as of 12/31/08:	$78.53

Source: Village of Robbins.

- 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; audit services; to acquire and 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 2008.

Exhibit 1-3
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Year 2008

Amount	Purpose
$315,500	Village employee payroll expenses
$23,381	Village employee insurance expenses
$11,020	Purchase, repair, and lease vehicles
$12,979	General Village expenses
$10,000	Audit services
$4,109	Repairs to Village property
$376,990	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 2008 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' most recent financial audit for the year ended April 30, 2007, also noted a lack of proper fiscal controls, including the transfer of grant funds to pay payroll and other non-grant related expenses. 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.

Exhibit 1-4 summarizes the MEDF funds spent by Robbins since calendar year 1999 according to broad categories. As shown in the exhibit, nearly 65 percent of the funds have been spent for Village payroll and insurance expenses. These expenses are administrative expenses that provide residential and service activities in the Village, thereby enhancing the public health and general welfare of the residents. Other expenses shown include improvements and repairs to Village properties, street improvements, and legal services. The legal services included work to acquire the titles to tax-delinquent properties in the Village in an effort to spur economic development. The Village has also bought, leased, repaired, or equipped fire engines and police vehicles to better protect Village residents.

Exhibit 1-4
VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
Calendar Years 1999 – 2008

Spending Category	Amount Spent	Percent
Payroll	$1,649,414.86	55.1
Insurance	$292,215.59	9.8
Water bills	$224,378.02	7.5
General Village expenses	$193,743.22	6.5
Village property repairs/additions	$93,535.59	3.1
Legal services	$88,556.91	3.0
Street improvements	$84,101.75	2.8
Purchase, repair, lease vehicles	$73,284.83	2.5
Lawsuit payments	$58,715.00	2.0
Lobbying	$56,000.00	1.9
Village waste removal Services	$49,933.81	1.7
Festival Expenses	$48,000.00	1.6
Audit/CPA services	$41,875.00	1.4
Repay grant funds	$32,243.05	1.1
Appraisal services	$6,000.00	0.2
Acquisition of property	$2,427.50	0.1
Total	**$2,994,425.13**	**100.0**

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

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, 2008. The audit concluded that the financial statements were fairly presented in all material respects. Appendix B contains the Independent Auditor's 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 through January 2009. The information to be submitted included 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 2008, the Department collected $6,439.67 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 2008. 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 2008.

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 Auditor's 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 check request/funds transfer forms.

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.

The Village of Robbins' fiscal year ends April 30, and the Village's audit for the year ending April 30, 2007, was completed in August 2008. This audit contained an adverse opinion on the Village's basic financial statements and on its combining and individual fund financial statements; nine reportable conditions, or significant deficiencies in internal controls were noted, of which all nine were material weaknesses. The conditions included no formal cost allocation plan, performing bank reconciliations independent of the accounting system, and grant funds expended for non-grant purposes or not being able to identify the purposes for which grant funds were spent.

APPENDIX A

Public Utilities Act

Public Utilities Act (excerpted) (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 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 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).

Beginning on July 1, 2006 through January 31, 2009, 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 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.

(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. 94-836, eff. 6-6-06.)

APPENDIX B

Financial Reports

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

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the accompanying Statement 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, 2008. 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 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 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 more fully in Note 1, the Village of Robbins has prepared these financial statements 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 statements 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 statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Statement 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 as of December 31, 2008, or changes in financial position or cash flows thereof for the year then ended.

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, 2008, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009, on our consideration of the Statement 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' internal control over financial reporting and on our tests of its compliance with certain 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 J. Mittelstaedt

KELLY J. MITTELSTAEDT, CPA
Audit Manager

December 22, 2009

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

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 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, 2008 (financial statement), and have issued our report thereon dated December 22, 2009. 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 and 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash receipts and cash disbursements basis of accounting which is another comprehensive basis of accounting other than generally accepted accounting principles, such that there is more than a remote likelihood

INTERNET ADDRESS: AUDITOR@MAIL.STATE.IL.US

that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings as item 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However we consider the significant deficiency described above as 08-1 to be a material weakness.

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 08-1.

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.

We also noted certain matters which we have reported to management of the Village of Robbins in a separate letter dated December 22, 2009.

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 Illinois State Treasurer and is not intended to be and should not be used by anyone other than these specified parties.

Kelly J. Mittelstaedt

KELLY J. MITTELSTAEDT, CPA
Audit Manager

December 22, 2009

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, 2008

	Year Ended December 31, 2008
CASH RECEIPTS:	
Gross Receipts from the State Municipal Economic Development Fund	$376,520.48
Less Offsets by Comptroller from payments	$(0)
Net Receipts from the State Municipal Economic Development Fund	$376,520.48
Interest Income	$108.23
Total	$376,628.71
CASH DISBURSEMENTS:	
Cash Disbursements from Receipts from the State Municipal Economic Development Fund	$376,989.60
(Deficiency) of Cash Receipts Over Cash Disbursements	$(360.89)
Cash Balance at Beginning of Period	$439.42
Cash Balance at End of Period	$78.53

See accompanying Notes to the Financial Statements

NOTE TO THE FINANCIAL STATEMENTS

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 2009, 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. In 2008, transfers occurred monthly as required. A total of $248,133.41 was transferred from the General Revenue Fund to the State MEDF in calendar year 2008.

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 distributions from the Municipal Economic Development Fund.

B. Basis of Accounting

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.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

FINDING NO. 08-1 Commingling of Grant Funds and Allocation of Interest (Repeated from Finding 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 response to last year's audit, Robbins officials stated they would calculate and transfer the interest to the proper account within 30 days. However, as of August 5, 2009, officials still had not calculated the amount of interest not transferred it to the proper grant account. Further, as of that date the account lacked sufficient funds to transfer the total amount of grant interest into another account and therefore had not transferred any funds. As of December 2009, the transfer had still not been made.

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:

The audit finding is correct in stating that the Village of Robbins has had insufficient funds to transfer the interest earned on the DCEO grant from the MEDF account to the specific grant funds account. The Village of Robbins has experienced revenue shortfalls this calendar year as has many other municipalities. The funds will be transferred when the funds become available.

VILLAGE OF ROBBINS
MUNICIPAL ECONOMIC DEVELOPMENT FUND ACCOUNT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

Schedule of Prior Findings and Prior Findings Not Repeated

Finding No.	Condition	Status
07-1	Commingling of Grant Funds and Allocation of Interest	Repeated
07-2	Lack of Spending Controls	Resolved

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

Dr. Irene H. Brodie
Mayor
Pamela Bradley
Clerk

December 4, 2009

Bill Helton
Office of the Auditor General
State of Illinois

RE: **RESPONSE TO FINDINGS AND QUESTIONED COSTS**

Dear Mr. Helton**:**

Finding 08-1

The audit finding is correct in stating that the Village of Robbins has had insufficient funds to transfer the interest earned on the DCEO grant from the MEDF account to the specific grant funds account. The Village of Robbins has experienced revenue shortfalls this calendar year as has many other municipalities. The funds will be transferred when the funds become available.

Sincerely,

Beverly Gavin