

REPORT DIGEST

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

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

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State of Illinois
Office of the Auditor General

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AUDITOR GENERAL

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SYNOPSIS

The Public Utilities Act (220 ILCS 5/8-403.1) requires the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality from the Municipal Economic Development Fund (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.

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

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.

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 Village officials calculate the amount of interest earned by the grant funds and transfer that amount to the proper fund.

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

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:	<u>\$108.23</u>
Total CY08 Cash Receipts:	\$376,628.71
Total CY08 Cash Disbursements:	<u>\$376,989.60</u>
(Deficiency) of Cash Receipts Over Cash Disbursements:	\$(360.89)
Cash Balance End of CY07:	\$439.42
Cash Balance as of 12/31/08:	<u>\$78.53</u>
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 Fund receipts appeared to comply with Public Utilities Act guidelines. (pages 4-7)

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

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
<u>\$376,990</u>	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