



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

**VILLAGE OF ROBBINS' USE OF
MUNICIPAL ECONOMIC DEVELOPMENT FUND MONIES**

**FINANCIAL, COMPLIANCE, & PROGRAM AUDIT
For the Year Ended: December 31, 2011**

Release Date: December 2012

Summary of Findings:

Total this audit:	2
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 thirteenth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2011. The Village of Robbins was the only entity to receive distributions from the Fund. The audit concluded that:

- In 2011, Robbins received \$295,504.62 in disbursements from the Fund.
- Robbins used these monies for Village payroll and employee insurance expenses. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2011 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements.
- Robbins officials had 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 account in April 2007. Additionally, Robbins officials transferred \$20,000 from the MEDF account into another interest-bearing Village account in December 2011. 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 \$306,625.08 was transferred from the General Revenue Fund to the Municipal Economic Development Fund in 2011. However, not all of that amount was actually distributed to Robbins during CY11. Due to the State's fiscal condition, Robbins only received three payments from the State in CY11.

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 that meets that criteria. (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 \$295,505 from the Fund and earned \$1 in interest income in calendar year 2011.

Robbins disbursed \$167,277 in Fund receipts during calendar year 2011.

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2011, Robbins’ net cash receipts from the Municipal Economic Development Fund (MEDF) totaled \$295,504.62 and the Village earned \$1.22 in interest income on monies deposited into its MEDF account. Digest Exhibit 1 shows that Robbins disbursed \$167,277 in Municipal Economic Development Fund receipts during calendar year 2011. Robbins began the year with a cash balance of \$58.89 in its bank account for Municipal Economic Development Funds and ended the year with a balance of \$108,287.73 in the account.

Digest Exhibit 1 ROBBINS’ RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2011)	
Fund Distribution Received 7/11:	\$92,265.29
Fund Distribution Received 12/11:	\$103,530.37
Fund Distribution Received 12/11:	\$99,708.96
Interest Income:	<u>\$1.22</u>
Total CY11 Cash Receipts:	\$295,505.84
 Total CY11 Cash Disbursements:	 <u>\$167,277.00</u>
 Transfers Out	 \$20,000
Excess of Cash Receipts Over Cash Disbursements:	\$108,228.84
 Cash Balance End of CY10:	 \$58.89
 Cash Balance as of 12/31/11:	 <u>\$108,287.73</u>
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 2011 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 2011 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll and employee insurance and retirement expenses. Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from the Municipal Economic Development Fund receipts during calendar year 2011.

Digest Exhibit 2 VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2011)	
Amount	Purpose
\$135,000	Village employee payroll expenses
\$32,277	Village employee insurance and retirement expenses
<u>\$167,277</u>	Total Disbursements
Note: Does not include \$20,000 transferred out of the MEDF account in December 2011 to another Village account and transferred back in May 2012. 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 December 31, 2011, Village officials 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 account.

Additionally, in December 2011, Robbins commingled MEDF monies with other Village funds. Robbins transferred \$20,000 from its MEDF account to another Village interest-bearing

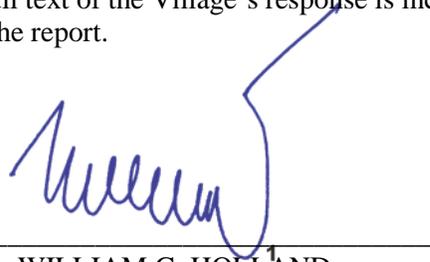
We recommended that Robbins officials ensure that all monies received from the State’s MEDF are held in a separate account until expended.

account in an attempt to combine balances and earn more interest income for the Village. This resulted in noncompliance with the section of the Public Utilities Act requiring that MEDF monies be held in a “separate account.” We recommended that Village officials ensure that all monies received from the State’s MEDF are held in a separate account until expended for the purposes set forth in the Public Utilities Act.

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, 2011. The Village of Robbins was not able to provide us with complete results of its financial audits of the Village of Robbins for the years ended April 30, 2011, April 30, 2010, and 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, 2011. Appendix B to the full report contains the Independent Auditors’ Report. (pages 4-8)

AGENCY RESPONSE

The Village of Robbins accepted the recommendations and responded that action was taken in 2012 to address both findings. The full text of the Village’s response is included as Appendix C of the report.



WILLIAM G. HOLLAND
Auditor General

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This audit was conducted by the staff of the Office of the Auditor General.