



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT
THE VILLAGE OF ROBBINS' USE OF
MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
JUNE 2001

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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.

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
June 2001

REPORT DIGEST

Financial, Compliance, and
Program Audit of the

VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Released: June 2001



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
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SYNOPSIS

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

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the second audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2000.

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

- Robbins received \$196,197 from the Fund and earned \$6,863 in interest income for calendar year 2000.
- Robbins disbursed \$110,660 from Fund receipts. Specific disbursements were for repairs to the elevator in the Robbins police station and to a fire truck, development of a marketing brochure, acquisition of computer equipment, demolition of an unsafe structure, installation of a fence around the public works yard, payment of expenses related to a Village festival, and acquisition of audit and legal services. Our review of documentation provided by Robbins concluded that calendar year 2000 expenditures of Fund receipts appear to be consistent with Public Utilities Act guidelines.
- The Robbins incinerator closed in October 2000 and has not reopened as of May 2001. However, the Treasurer continued to make distributions to Robbins into 2001. Senate Bill 724, passed by the General Assembly in May 2001, amends the Public Utilities Act to allow Robbins to continue to receive Fund distributions if the incinerator is closed. As of June 15, 2001, the Governor had not signed the legislation.

REPORT CONCLUSIONS

Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2000, Robbins' cash receipts from the Fund totaled \$196,197, plus \$6,863 in interest income, for a total of \$203,060. Robbins' cash disbursements from Fund receipts were \$110,660. Robbins began calendar year 2000 with a balance of \$61,628 in its bank account for Municipal Economic Development Funds and ended the year with an account balance of \$154,028.

Our review of documentation provided by Robbins concluded that calendar year 2000 expenditures of Fund receipts appear to be consistent with Public Utilities Act guidelines. Specific disbursements were made for repairs to the elevator in the Robbins police station and to a fire truck, development of a marketing brochure, acquisition of computer equipment, demolition of an unsafe structure, installation of a fence around the public works yard, payment of expenses related to a Village festival, and acquisition of audit and legal services.

The Robbins incinerator closed in October 2000 and has not reopened as of May 2001. However, the Treasurer has continued to make distributions to Robbins into 2001. Senate Bill 724, passed by the General Assembly in May 2001, amends the Public Utilities Act to allow Robbins to continue to receive Fund distributions if the incinerator is not operating. As of June 15, 2001, the Governor had not signed the legislation.

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 outside the State treasury to receive and maintain payments from qualified solid waste energy facilities that sell electricity to electric utilities.

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 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

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE VILLAGE OF
ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

(3) commenced operation prior to January 1, 1998.

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

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 and was entitled to receive disbursements from the Municipal Economic Development Fund. (Pages 1-2)

**EXPENDITURE OF DISTRIBUTIONS FROM
THE MUNICIPAL ECONOMIC DEVELOPMENT FUND**

Robbins received \$196,197 from the Fund and earned \$6,863 in interest income in calendar year 2000.

Robbins disbursed \$110,660 in Fund receipts during calendar year 2000.

Digest Exhibit 1 shows that the Treasurer made four quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2000 totaling \$196,197. Robbins earned an additional \$6,863 in interest income on the funds received, which resulted in total cash receipts of \$203,060 for calendar year 2000. Digest Exhibit 1 also shows that Robbins disbursed \$110,660 in Municipal Economic Development Fund receipts during calendar year 2000.

Digest Exhibit 1 ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2000)	
Fund Distribution Received 01/00:	\$ 76,200
Fund Distribution Received 05/00:	\$ 22,841
Fund Distribution Received 08/00:	
Fund Distribution Received 11/00:	\$ 30,863
Interest Income:	\$ 66,293
Total CY 00 Cash Receipts:	<u>\$ 6,863</u>
Total CY 00 Cash Disbursements:	\$203,060
Excess of Cash Receipts Over Cash Disbursements:	<u>\$110,660</u>
Cash Balance End of CY99:	\$ 92,400
Cash Balance as of 12/31/00:	\$ 61,628
	<u>\$154,028</u>
Note: Figures rounded to nearest dollar. Source: Village of Robbins	

Specific disbursements were made for repairs to the elevator in the Robbins police station and to a fire truck, development of a marketing brochure, acquisition of computer equipment, demolition of an unsafe structure, installation of a fence around the public works yard, payment of expenses related to a Village festival, and acquisition of audit services and legal services.

FINANCIAL, COMPLIANCE, AND PROGRAM AUDIT OF THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Our review of documentation provided by Robbins concluded that calendar year 2000 expenditures of Fund receipts appear to be consistent with Public Utilities Act guidelines. Digest Exhibit 2 shows the amount and purpose for each of Robbins' cash disbursements from the Municipal Economic Development Fund during calendar year 2000. (Pages 3-4)

Digest Exhibit 2 ITEMIZED ACCOUNT OF ROBBINS' DISBURSEMENTS OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2000)		
Date	Amount	Purpose
3-20-00	\$ 6,192.62	Payment to contractor for repair of passenger elevator in Robbins police station.
5-17-00	\$ 1,077.64	Payment to contractor for sump pump, elevator shaft pump, and pit replacement in Robbins police station.
8-15-00	\$ 5,500.00	Payment to contractor for 25% deposit on development of a marketing brochure for Robbins.
8-21-00	\$ 2,640.00	Payment to contractor for purchase of laser printer and two computer hard drives for use in the Village's administrative office.
8-29-00	\$62,000.00*	<ul style="list-style-type: none"> ▪ \$33,000 in miscellaneous expenses related to Robbins 2nd annual Back to School Festival held from September 1-3, 2000. ▪ \$5,000 to contractor as retainer fee to perform audit for period ending April 30, 2000. ▪ \$14,000 to contractor for emergency demolition of unsafe structure. ▪ \$10,000 to contractor for water tank replacement and additional repairs on 1973 model fire engine.
9-20-00	\$ 10,000.00	Initial payment to contractor to install a galvanized chain link fence, barbed wire, and a cantilever slide gate around the Robbins public works yard.
12-13-00	\$16,613.80	Payment to law firm for legal services related to representing the Village of Robbins' interest in incinerator bankruptcy proceedings.
12-14-00	\$ 6,636.00	Payment of remaining balance to contractor for fence (see above).
	<u>\$110,660.06</u>	
<p>* Robbins transferred this amount to its General Fund because its Municipal Economic Development Fund bank account limited the number of checks that could be written in a given month without penalty. Source: Village of Robbins</p>		

Robbins disbursed Fund receipts for:

- **Repair of an elevator and a fire truck**
 - **Development of a marketing brochure**
 - **Acquisition of computer equipment**
 - **Demolition of an unsafe structure**
 - **Installation of a fence around the public works yard**
 - **Payment of expenses related to a Village festival**
 - **Acquisition of audit and legal services**
-

OTHER ISSUES

The Robbins incinerator closed in October 2000. Senate Bill 724, if signed into law, would amend the Public Utilities Act to allow Robbins to continue to receive Fund distributions if the incinerator is not operating.

Robbins was entitled to Municipal Economic Development Funds because it had within its boundaries an incinerator that “**uses** municipal waste as its primary fuel to generate electricity” (220 ILCS 5/8-403.1 – emphasis added). However, the Robbins incinerator closed in October 2000 and had not reopened as of May 2001. When closed, the Robbins incinerator is neither using municipal waste nor generating electricity. However, the Treasurer has continued to make distributions to Robbins into 2001. Senate Bill 724, passed by the General Assembly in May 2001, amends the Public Utilities Act to allow Robbins to continue to receive Fund distributions if the incinerator is not operating. As of June 15, 2001, the Governor had not signed the legislation. (Page 5)

RECOMMENDATIONS

This report contained no recommendations.

WILLIAM G. HOLLAND
Auditor General

WGH/JK

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Financial, Compliance, and Program Audit

VILLAGE OF ROBBINS'
USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS
(For the Year Ended December 31, 2000)

Financial, Compliance, and Program Audit

VILLAGE OF ROBBINS’ USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (For the Year Ended December 31, 2000)

REPORT CONCLUSIONS

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2000, Robbins’ cash receipts from the Municipal Economic Development Fund totaled \$196,197. Robbins also earned \$6,863 in interest income, for total receipts of \$203,060. Robbins’ cash disbursements from the Fund receipts totaled \$110,660. Robbins began calendar year 2000 with a cash balance of \$61,628 in its bank account for Municipal Economic Development Funds and ended the year with a balance of \$154,028 in the account.

Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins’ calendar year 2000 expenditures of Fund receipts appear to be consistent with Public Utilities Act guidelines. Specific disbursements were made for repairs to the elevator in the Robbins police station and to a fire truck, development of a marketing brochure, acquisition of computer equipment, demolition of an unsafe structure, installation of a fence around the public works yard, payment of expenses related to a Village festival, and acquisition of audit and legal services.

There is a question as to whether the Public Utilities Act allows Robbins to continue to receive Municipal Economic Development Funds after its incinerator closed in October 2000 since it no longer used municipal waste to generate electricity. However, Senate Bill 724, passed by the General Assembly in May 2001, amends the Public Utilities Act to change the criteria under which a municipality is eligible for Municipal Economic Development Fund distributions from one that has within its boundaries an incinerator that “uses” municipal waste as its primary fuel to generate electricity, to one that has within its boundaries an incinerator that “uses or, on the effective date of Public Act 90-813, used” municipal waste as its primary fuel to generate electricity. When Public Act 90-813 became effective on January 29, 1999, the Robbins incinerator was still open. This change, if signed into law by the Governor, would resolve the question of whether Robbins is entitled to receive distributions from the Municipal Economic Development Fund when its incinerator is closed. As of June 15, 2001, the Governor had not signed the legislation.

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. The first audit pursuant to this requirement covered calendar year 1999 and was released in June 2000. This audit covers calendar year 2000 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 is a trust fund created outside the State treasury 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 is required to pay into the Municipal Economic Development Fund an amount equal to six-tenths of a mill (\$0.0006) per kilowatt hour of electricity the facility sold to electric utilities. These monthly payments are made to the State Treasurer. The State Treasurer deposits the monies into the Municipal Economic Development Fund. (Note: The Public Utilities Act was amended by P.A. 91-0901 to require qualified solid waste energy facilities to make monthly Municipal Economic Development Fund payments to the Department of Revenue rather than to the State Treasurer after January 1, 2001.)

The State Treasurer is required to make distributions from the Municipal Economic Development Fund 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 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.

**EXPENDITURE OF DISTRIBUTIONS FROM
THE MUNICIPAL ECONOMIC DEVELOPMENT FUND**

Exhibit 1-1 shows that the Treasurer made four quarterly Municipal Economic Development Fund payments to Robbins in calendar year 2000 totaling \$196,197. Robbins earned an additional \$6,863 in interest income on the funds received, which resulted in total cash receipts of \$203,060 for calendar year 2000. Appendix B contains an independent auditor's report on the cash receipts from the Municipal Economic Development Fund and disbursements from those cash receipts for the Village of Robbins for the year ended December 31, 2000.

Exhibit 1-1 also shows that Robbins disbursed \$110,660 in Municipal Economic Development Fund receipts during calendar year 2000. As required by the Public Utilities Act, Robbins held the funds in a separate account. The Act also sets restrictions on how the city, village, or town can use the distributions:

Exhibit 1-1 VILLAGE OF ROBBINS' RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2000)	
Fund Distribution Received 01/00:	\$ 76,200
Fund Distribution Received 05/00:	\$ 22,841
Fund Distribution Received 08/00:	\$ 30,863
Fund Distribution Received 11/00:	\$ 66,293
Interest Income:	<u>\$ 6,863</u>
Total CY 00 Cash Receipts:	\$203,060
Total CY 00 Cash Disbursements:	<u>\$110,660</u>
Excess of Cash Receipts Over Cash Disbursements:	\$ 92,400
Cash Balance End of CY99:	\$ 61,628
Cash Balance as of 12/31/00:	<u>\$154,028</u>
Note: Figures rounded to nearest dollar. Source: Village of Robbins	

- 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.
- 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 deposited calendar year 2000 Municipal Economic Development Fund cash receipts into a separate bank account and used the funds for a variety of purposes. Specific disbursements were made for repairs to the elevator in the Robbins police station and to a fire truck, development of a marketing brochure, acquisition of computer equipment, demolition of an unsafe structure, installation of a fence around the public works yard, payment of expenses related to a Village festival, and acquisition of audit services and legal services. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2000 expenditures of Fund receipts appear to be consistent with Public Utilities Act guidelines. Exhibit 1-2 shows in detail the amount and purpose for each of Robbins' cash disbursements from the Municipal Economic Development Fund during calendar year 2000.

Exhibit 1-2 ITEMIZED ACCOUNT OF VILLAGE OF ROBBINS' DISBURSEMENTS OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2000)		
Date	Amount	Purpose
3-20-00	\$ 6,192.62	Payment to contractor for repair of passenger elevator in Robbins police station.
5-17-00	\$ 1,077.64	Payment to contractor for sump pump, elevator shaft pump, and pit replacement in Robbins police station.
8-15-00	\$ 5,500.00	Payment to contractor for 25% deposit on development of a marketing brochure for Robbins.
8-21-00	\$ 2,640.00	Payment to contractor for purchase of laser printer and two computer hard drives for use in the Village's administrative office.
8-29-00	\$ 62,000.00*	<ul style="list-style-type: none"> ▪ \$33,000 in miscellaneous expenses related to Robbins 2nd annual Back to School Festival held from September 1-3, 2000. ▪ \$5,000 to contractor as retainer fee to perform audit for period ending April 30, 2000. ▪ \$14,000 to contractor for emergency demolition of unsafe structure. ▪ \$10,000 to contractor for water tank replacement and additional repairs on 1973 model fire engine.
9-20-00	\$ 10,000.00	Initial payment to contractor to install a galvanized chain link fence, barbed wire, and a cantilever slide gate around the Robbins public works yard.
12-13-00	\$16,613.80	Payment to law firm for legal services related to representing the Village of Robbins' interest in incinerator bankruptcy proceedings.
12-14-00	\$ 6,636.00	Payment of remaining balance to contractor for fence (see above).
	<u>\$110,660.06</u>	
<p>* Robbins transferred this amount to its General Fund because its Municipal Economic Development Fund bank account limited the number of checks that could be written in a given month without penalty.</p> <p>Source: Village of Robbins</p>		

OTHER ISSUES

There is a question as to whether the Public Utilities Act allows Robbins to continue to receive Municipal Economic Development Funds after its incinerator closed. Robbins was the only entity to receive Municipal Economic Development Fund payments because it was the only entity to meet the criteria described in the Public Utilities Act. Specifically, Robbins was entitled to these funds because it had within its boundaries an incinerator that “uses municipal waste as its primary fuel to generate electricity” (220 ILCS 5/8-403.1 – emphasis added).

The Robbins incinerator closed in October 2000 and had not reopened as of May 2001. When closed, the Robbins incinerator is neither using municipal waste nor generating electricity. The Treasurer’s distribution to Robbins in January 2001 included \$3,961 in payments from qualified solid waste energy facilities for November 2000, which was a month after the Robbins incinerator closed. In April 2001, the Treasurer distributed \$48,866 to Robbins, which contained additional payments for the time period when the incinerator was closed.

In May 2001, the General Assembly passed Senate Bill 724, which amends the Public Utilities Act. The Bill changes the criteria under which a municipality is eligible for Municipal Economic Development Fund distributions from one that has within its boundaries an incinerator that “uses” municipal waste as its primary fuel to generate electricity, to one that has within its boundaries an incinerator that “uses or, on the effective date of Public Act 90-813, used” municipal waste as its primary fuel to generate electricity. When Public Act 90-813 became effective on January 29, 1999, the Robbins incinerator was still open. This change, if signed into law by the Governor, would resolve the question of whether Robbins is entitled to receive distributions from the Municipal Economic Development Fund when its incinerator is closed. As of June 15, 2001, the Governor had not signed the legislation.

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.

Robbins is the sole recipient of funds from the Municipal Economic Development Fund. The audit scope encompassed Robbins’ receipt of distributions from the Municipal Economic Development Fund and any expenditure of those distributions made during calendar year 2000. The Public Utilities Act (220 ILCS 5/8-403.1) states that each annual audit of distributions from the Municipal Economic Development Fund 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 2000.

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 the funds expended.

The first Auditor General's audit of Robbins receipt and use of Municipal Economic Development Funds covered calendar year 1999 and was released in June 2000. There were no findings in that report. However, the audit stated that future Auditor General financial and compliance audits would address controls over receipts and disbursements into the Municipal Economic Development Fund. As a result, the financial and compliance audit of the State Treasurer – Fiscal Officer for the year ended June 30, 2000, contained a finding regarding the Treasurer's collection of Municipal Economic Development Funds and the untimely disbursement of those funds to Robbins.

Robbins' fiscal year ends April 30, and their audit for the year ended April 30, 2000, had not been completed by March 2001. We will review this report in subsequent audits.

APPENDIX A

Public Utilities Act – 220 ILCS 5/8-403.1

Illinois Compiled Statutes
Chapter 220. Utilities
Act 5. Public Utilities Act

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 facility, the qualified 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.

- (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.
- (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. 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). 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).

- (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 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 3.21 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.

- (1) 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.

(Source: P.A. 90-813, eff. 1-29-99; 91-901, eff. 1-1-01.)

APPENDIX B

Independent Auditors Report

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740 EAST ASH • 62703-3154
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FAX: 217/785-8222 • TDD: 217/524-4646



CHICAGO OFFICE:
STATE OF ILLINOIS BUILDING • SUITE S-900
160 NORTH LASALLE • 60601-3103
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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 statements 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, 2000. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2000, on the basis of accounting described in Note 1.

BRUCE L. BULLARD, CPA
Compliance Audit Director

May 25, 2001

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, 2000

Year Ended
December 31, 2000

CASH RECEIPTS:

Cash Receipts from the State Municipal Economic Development Fund	\$196,197.17
Interest Income	<u>\$6,862.54</u>
Total	\$203,059.71

CASH DISBURSEMENTS:

Cash Disbursements from Receipts from the State Municipal Economic Development Fund	<u>\$110,660.06</u>
Excess of Cash Receipts Over Cash Disbursements	\$92,399.65
Cash Balance at Beginning of Period	<u>\$61,628.44</u>
Cash Balance at End of Period	<u><u>\$154,028.09</u></u>

NOTE TO THE FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

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.