

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

**FINANCIAL AUDIT AND COMPLIANCE
EXAMINATION**

For the Year Ended June 30, 2012

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>
Agency Officials	4
Management Assertion Letter	5
Compliance Report	
Summary	6
Accountants' Reports	
Independent Accountants' Report on State Compliance and on Internal Control Over Compliance	12
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Schedule of Findings	
Current Findings - <i>Government Auditing Standards</i>	16
Current Findings - State Compliance	22
Prior Findings Not Repeated	39
Financial Statement Report	
Summary	42
Independent Auditors' Report	44
Basic Financial Statements	
Statement of Net Assets	47
Statement of Activities	48
Balance Sheet - Governmental Funds	49
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	50
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	51
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statements of Activities	52
Notes to the Financial Statements	53
Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures & Changes in Fund Balances - Nonmajor Governmental Funds	66

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2012**

TABLE OF CONTENTS – CONTINUED

	<u>Schedule</u>	<u>Page</u>
Supplemental Information for State Compliance Purposes		
Summary		67
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2012	1	68
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2011	1a	69
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	2	70
Schedule of Locally Held Funds	3	71
Schedule of Changes in State Property	4	72
Comparative Schedule of Cash Receipts	5	73
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller	6	74
Analysis of Significant Variations in Expenditures	7	75
Analysis of Significant Variations in Receipts	8	76
Analysis of Significant Lapse Period Spending	9	77
Analysis of Significant Account Balances	10	78
Analysis of Accounts Receivable	11	81
Description and Purpose of State Treasury Funds	12	82
Analysis of Operations (Unaudited)		
Agency Functions and Planning Program (Unaudited)		83
Director’s Salary (Unaudited)		85
Average Number of Employees (Unaudited)		86
Service Efforts and Accomplishments (Unaudited)		87

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2012**

AGENCY OFFICIALS

Acting Director (3/16/13 to present)	Mr. Anthony Star
Acting Director (10/11/11 through 3/15/13)	Ms. Arlene Juracek
Director (through 10/7/11)	Mr. Mark Pruitt
Chief Legal Counsel (3/1/12 to present)	Mr. Michael Strong
Chief Fiscal Officer	Ms. Kristene Callanta

Agency offices are located at:

160 North LaSalle
Suite C-504
Chicago, IL 60601

May 28, 2013

Borschneck, Pelletier & Co.
Certified Public Accountants
200 E. Court St., Suite 608
Kankakee, IL 60901

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Power Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Illinois Power Agency's compliance with the following assertions during the year ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, the Illinois Power Agency has materially complied with the assertions below.

A. The Illinois Power Agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Illinois Power Agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

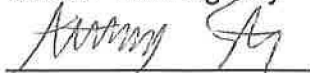
C. The Illinois Power Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Illinois Power Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Illinois Power Agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Power Agency



Anthony Star
Acting Director



Kristene M. Callanta
Chief Fiscal Officer



Michael Strong
Chief Legal Counsel

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE REPORT
SUMMARY
For the Year Ended June 30, 2012**

The compliance testing performed during this examination was conducted in accordance with Government Auditing Standards and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance and on Internal Control Over Compliance contains scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	17	23
Repeated findings	11	22
Prior recommendations implemented or not repeated	12	13

Details of findings are presented in a separate report section.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE REPORT
SUMMARY
For the Year Ended June 30, 2012**

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
12-1	16	Inaccurate Financial Statements	Material Weakness
12-2	18	Lack of Controls Over Alternative Compliance Payments	Material Weakness
12-3	20	State Funds Improperly Held Outside the State Treasury	Material Weakness
12-4	21	Inadequate Fee Assessment	Significant Deficiency
FINDINGS (STATE COMPLIANCE)			
12-5	22	Lack of Procedures to Perform Monthly Reconciliations Between Agency Records and the Comptroller's Reports	Material Weakness and Noncompliance
12-6	23	Inaccurate Property Control Records	Significant Deficiency and Noncompliance
12-7	25	Inaccurate Reports of Accounts Receivable	Significant Deficiency and Noncompliance
12-8	26	Failure to Adopt Rules Related to Fees and Charges the Agency is Authorized to Collect and Deposit	Material Weakness and Material Noncompliance
12-9	27	Establishment of Required Bureaus and Lack of Adequate Staffing	Material Weakness and Material Noncompliance
12-10	29	Formal Agency Rules Not Adopted	Material Weakness and Material Noncompliance
12-11	31	Failure to Properly Approve Contracts and Contract Obligation Documents	Material Weakness and Material Noncompliance

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE REPORT
SUMMARY
For the Year Ended June 30, 2012**

SCHEDULE OF FINDINGS (continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE) Continued			
12-12	32	Rules for Development of Prequalified Supplier Lists	Material Weakness and Material Noncompliance
12-13	33	Late Filing of Contract Documents	Significant Deficiency and Noncompliance
12-14	34	Failure to Conduct an Evaluation of Internal Controls	Significant Deficiency and Noncompliance
12-15	35	Failure to Timely Submit Reports	Significant Deficiency and Noncompliance
12-16	36	Failure to Obtain Employee Insurance or License Verification	Significant Deficiency and Noncompliance
12-17	37	Failure to Comply with the Identity Protection Act	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance purposes.

12-1	16	Inaccurate Financial Statements	Material Noncompliance
12-2	18	Lack of Controls Over Alternative Compliance Payments	Material Noncompliance
12-3	20	State Funds Improperly Held Outside the State Treasury	Material Noncompliance
12-4	21	Inadequate Fee Assessment	Noncompliance

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE REPORT
SUMMARY
For the Year Ended June 30, 2012**

SCHEDULE OF FINDINGS (continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
PRIOR FINDINGS NOT REPEATED		
A	39	Lack of Appropriate Internal Controls
B	39	Lack of Formal Budgeting Process
C	39	Failure to Maintain an Aged Listing of Accounts Receivable
D	39	Failure to Timely Deposit Agency Funds
E	40	Lack of Methodology Related to Billings
F	40	Failure to Develop Procedures Related to Uncollectible Receivables
G	40	Inadequate Controls over Vendor Evaluations
H	40	Contract Terms Inconsistent with Terms of Contract Obligation Document
I	41	Plan for Post-Performance Review
J	41	Failure to Post Procurement Information
K	41	Consulting Procurement Plan Contract Term in Violation of State Statute
L	41	Untimely Submission of Vouchers

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPLIANCE REPORT
SUMMARY
For the Year Ended June 30, 2012**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on May 16, 2013. Attending were:

Representing the Illinois Power Agency

Acting Director
Chief Fiscal Officer
Chief Legal Counsel

Mr. Anthony Star
Ms. Kristene Callanta
Mr. Michael Strong

Representing Borschnack, Pelletier & Co.

Partner

Mr. Paul Pelletier

Representing the Office of the Auditor General

Audit Manager

Ms. Kathy Lovejoy

The responses to the recommendations were provided by Mr. Anthony Star, Acting Director, in an email dated May 24, 2013.

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Power Agency's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2012. The management of the State of Illinois, Illinois Power Agency is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Power Agency's compliance based on our examination.

- A. The State of Illinois, Illinois Power Agency has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Power Agency has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Illinois Power Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Power Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by State of Illinois, Illinois Power Agency on behalf of the State or held in trust by the State of Illinois, Illinois Power Agency have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Illinois Power Agency's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Power Agency's compliance with specified requirements.

As described in findings 12-1, 12-2, 12-3, 12-8, 12-9, 12-10, 12-11, and 12-12 in the accompanying schedule of findings, the Illinois Power Agency did not comply with numerous State mandates, the SAMS Manual, general internal control procedures, and other required State rules. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Power Agency to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Illinois Power Agency complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 12-4, 12-5, 12-6, 12-7, 12-13, 12-14, 12-15, 12-16 and 12-17.

Internal Control

Management of the State of Illinois, Illinois Power Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Power Agency's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as items 12-1, 12-2, 12-3, 12-5, 12-8, 12-9, 12-10 12-11, and 12-12 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 12-4, 12-6, 12-7, 12-13, 12-14, 12-15, 12-16, and 12-17 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The State of Illinois, Illinois Power Agency's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Illinois Power Agency's responses and, accordingly, we express no opinion on the responses.

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



May 28, 2013

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and the aggregate remaining fund information of the State of Illinois, Illinois Power Agency, as of and for the year ended June 30, 2012, which collectively comprise the State of Illinois, Illinois Power Agency's basic financial statements, and have issued our report thereon dated May 28, 2013. 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

Management of the State of Illinois, Illinois Power Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Illinois, Illinois Power Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 12-1, 12-2, and 12-3 to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 12-4 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Power Agency's financial statements are 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 12-1, 12-2, and 12-3.

The State of Illinois, Illinois Power Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the State of Illinois, Illinois Power Agency's responses and, accordingly, we express no opinion on the responses.

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



May 28, 2013

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-1 Finding: Inaccurate Financial Statements

The Illinois Power Agency (Agency) financial statements contained inaccuracies. These problems, if not corrected, would have resulted in a material misstatement of the Agency's financial statements.

During the auditor's testing of the Agency's June 30, 2012 financial statements, the auditors noted the following errors:

- The Agency did not record \$470,138 in accounts receivable and deferred revenue. These unrecorded receivables related to billings made by the Agency in fiscal year 2013 to re-coup expenses incurred for Procurement Planning and Contract Mediation Services in FY 2012.
- The Agency recorded \$963,243 of revenue fees as a credit to certain expense accounts.

The adjustments were considered material and the Agency's June 30, 2012 financial statements have been corrected for the errors.

The Illinois Power Act (20 ILCS 3855/1-75 (g)) states, the "Agency shall assess fees to each affected utility to recover the cost incurred in preparation of the annual procurement plan for the utility."

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states, "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls which shall provide assurance that ... (4) revenues, expenditures, and transfers of assets, resources or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources."

Agency management stated the Agency interprets 20 ILCS 3855/1-75(g) "...to recover costs incurred..." to require the Agency to seek reimbursement for expenses, especially when read in conjunction with the requirement in 20 ILCS 3855/1-15 that "operations shall not be conducted, for the purpose of making a profit". Because the Agency believed these to be a reimbursement, personnel posted the amounts to decrease expenses and not overstate revenues.

The inaccurate reporting of financial statements amounts could mislead readers and could distort the States financial records. (Finding Code No. 12-1)

Recommendation

We recommend that the Agency enhance its accounting and financial reporting procedures to ensure accounting records are accurate and allow for the accurate preparation of financial statements in accordance with accounting principles generally accepted in the United States of America

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-1 Finding: Inaccurate Financial Statements – Continued

Agency Response

The Agency agrees with this finding. During fiscal year 2012, the Agency posted reimbursements of expenses following the procedures it had used in previous fiscal years. The Agency has since adjusted its financial statements to reflect this finding and will modify its interpretation of 20 ILCS 3855 going forward to conform to the interpretation above. The Agency further discussed this interpretation at the May 16, 2013 audit exit conference.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-2 Finding: Lack of Controls Over Alternative Compliance Payments

The Illinois Power Agency (Agency) did not establish controls to properly record receivables and ensure the accuracy of Alternative Compliance Payments remitted by Alternative Retail Electric Suppliers. According to the Agency's financial statements, the Agency recognized revenue of \$5.7 million during fiscal year 2012 and had accounts receivable of \$ 2.2 million at June 30, 2012, related to Alternative Compliance Payments.

During fiscal year 2012, the Alternative Compliance Payment process was administered by the Illinois Commerce Commission (Commission). However, the Agency and the Commission did not have an agreement to document each party's responsibilities for processing Alternative Compliance Payments. During fiscal year 2012, the Alternative Compliance Payments were self-reported by the Alternative Retail Electric Suppliers with their annual report submission due to the Commission on September 1. Upon receipt of an Alternative Compliance Payment, the Commission deposited the remittance into the Illinois Power Agency Renewable Energy Resource Fund (Fund 836). Further, the Agency did not review the Alternative Compliance Payments received for accuracy or compliance with State law.

We noted the following internal control weaknesses and noncompliance:

- The Agency did not administer the Illinois Power Agency Renewable Energy Resource Fund by ensuring revenues and receipts due to the State from Alternative Compliance Payments were collected and remitted to the proper fund in the State Treasury.

The Illinois Power Agency Act (20 ILCS 3855/1-56(b)) states, "The Illinois Power Agency Renewable Energy Resources Fund shall be administered by the Agency to procure renewable energy resources."

- The Agency does not have an interagency agreement with the Commission detailing the specific functions, duties, and responsibilities of both the Agency and Commission for the accounting, recordkeeping, and deposit of Alternative Compliance Payments.

The State Records Act (5 ILCS 160/8) requires the Executive Director to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State.

- The Agency does not perform a review of Alternative Compliance Payments to ensure the amounts remitted by the Alternative Retail Electric Suppliers were in accordance with State law.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-2 Finding: Lack of Controls Over Alternative Compliance Payments - Continued

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts, prepare reliable financial reports, and maintain accountability over the State's resources.

Agency management stated the Agency was unaware of the need to enter into an interagency agreement in order to establish independent controls over the ACP process and to the extent it was aware, lacked sufficient time and resources to execute an interagency agreement.

Failure to establish controls over Alternative Compliance Payments limits the Agency's ability to prepare accurate financial reports and may result in the Agency not collecting all amounts due to the State from Alternative Retail Electric Suppliers. [Finding Code No. 12-2, 11-1]

Recommendation

We recommend the Agency implement controls to ensure accurate payments are received. In addition, the Agency and the Commission should develop an interagency agreement outlining the duties and responsibilities of each entity.

Agency Response

The Agency agrees with this finding. As part of the completion of the Office of Auditor General's fiscal year 2011 audit of the Agency, the IPA conceded that entering an interagency agreement with the Illinois Commerce Commission ("ICC") would document each party's responsibilities and help formalize the controls that the Agency believes are or should be in place. The IPA did not reach this conclusion until near the end of the fiscal year 2011 audit process—after or just before the close of fiscal year 2012. As a result, the Agency was unable to secure an interagency agreement during fiscal year 2012. The Agency is attempting to secure an interagency agreement with the ICC in fiscal year 2013.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-3 Finding: State Funds Improperly Held Outside the State Treasury

The Illinois Power Agency (Agency) improperly allowed State funds to be held in accounts outside the State Treasury without proper statutory authority.

As of June 30, 2012, one Procurement Administrator continued to hold State funds (as instructed by the former Director of the Agency), totaling an estimated \$497,000.

According to the Illinois Power Agency Act, (20 ILCS 3855/1-15 (b)) “no part of the revenues or assets of the Agency shall inure to the benefit of or be distributable to any of its employees or any other private persons, except as provided in this Act for actual services rendered.”

The State Officers and Employees Money Disposition Act (30 ILCS 230/2a.2) prohibits a State officer or employee from maintaining or participating in a deposit of money received except as provided by law.

Agency management stated the Agency had already exhausted the options available to it to collect the funds, ultimately referring the funds to the Comptroller’s Offset system in fiscal year 2012.

Failure to properly deposit State funds into a Treasury held account could result in a loss of State resources. [Finding Code No. 12-3, 11-4, 10-6, 09-8]

Recommendation

We recommend the Agency implement the appropriate procedures to receive and deposit State revenues and collect interest. Additionally, we recommend the Agency obtain and properly deposit all funds held by the procurement administrators, on behalf of the Agency, as soon as possible.

Agency Response

The Agency agrees with this finding. The Agency referred the account to the Comptroller’s Offset System on May 31, 2012. As of November 27, 2012, the funds have been fully recovered and deposited into the State Treasury.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – GOVERNMENT AUDITING STANDARDS

12-4 Finding: Inadequate Fee Assessment

The Illinois Power Agency (Agency) did not assess adequate fees to ensure the costs of the preparation of the annual procurement plan were recovered.

During our audit, we noted the Agency did not assess an adequate fee to each utility to ensure the cost of the preparation of the annual procurement plan was recovered. Based on information provided by the Agency, the indirect costs plus the costs of the procurement planning consultants exceeds the amounts billed to the utilities. For fiscal year 2012, the total cost of the preparation of the annual procurement plan was estimated at \$1,217,398 while the fees billed were \$1,195,859.

According to the Illinois Power Act (20 ILCS 3855/1-75 (g)), the “Agency shall assess fees to each affected utility to recover the cost incurred in preparation of the annual procurement plan for the utility.”

Agency management stated, to the knowledge of current Agency employees, the Agency is tracking the costs incurred for preparation of the annual procurement plan, however, it failed to bill the utilities for the full cost of the indirect expenses incurred.

Failure to assess adequate fees to cover the preparation of the annual procurement plan is a violation of State statute. Additionally, this is poor management from a fiscal standpoint. [Finding Code No. 12-4, 11-6, 10-10, 09-9]

Recommendation

We recommend the Agency improve its procedures to ensure that appropriate fees are assessed in order to cover the costs related to the preparation of the annual procurement plan.

Agency Response

The Agency agrees with this finding. The hiring of administrative staff in fiscal year 2013 has added an additional level to processing procedures that will help to ensure errors are found and corrected.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-5 Finding: Lack of Procedures to Perform Monthly Reconciliations between Agency Records and the Comptroller’s Reports

The Illinois Power Agency (Agency) did not have procedures in place to perform monthly reconciliations between Agency records and the Comptroller’s reports.

During testing, the auditors noted that there were no formal policies or procedures established to reconcile Comptroller’s reports and Agency records. During the audit period, the Agency was reviewing the monthly Comptroller’s reports, but actual reconciliations of Agency records to the Comptroller’s records were not prepared.

According to the SAMS Manual (11.40.20), State agencies should reconcile unexpended budget authority balances per Agency records with the Comptroller monthly.

Agency management stated, Agency personnel prepared monthly reconciliations to Comptroller records based on informal procedures. The Agency lacked sufficient resources to establish formal procedures in fiscal year 2012.

Failure to reconcile Agency records to the Comptroller’s reports is a violation of the SAMS Manual and could result in incomplete or inaccurate financial information. [Finding Code No. 12-5, 11-7, 10-15]

Recommendation

We recommend the Agency develop formal procedures to perform monthly reconciliations between Agency records and the Comptroller’s reports. Additionally, the Agency should complete documented reconciliations.

Agency Response

The Agency agrees with this finding. The procedures for monthly reconciliations have been formalized in the Agency’s Fiscal Operations Manual which is in the final stages of review and implementation.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-6 Finding: Inaccurate Property Control Records

The Illinois Power Agency (Agency) did not properly track and report property and equipment.

During our testing, we noted the following:

- Three of ten equipment items tested (30%), were located on the Agency's premises, but were not recorded on the Agency's property control records. One of these items (copier/printer), totaling \$2,335 was transferred to the Agency on June 5, 2012. The Agency had no documentation regarding the transfer or cost of the two remaining items.
- Two of ten equipment items (20%) selected from the Agency's property control records could not be located. Additionally, the value of the items could not be determined. Agency staff indicated the items were left behind when the Agency moved in July 2012. The Agency did not provide documentation to support the transfer of the equipment.
- The Agency Report of State Property for the quarter ended September 30, 2011 did not properly report \$2,335 of additions not previously reported from a prior year.
- Equipment was not reported as a transfer on the June 30, 2012 Agency Report of State Property, totaling 2,335.

The State Property Control Act (30 ILCS 605/4) requires responsible officers at each State agency to be accountable for supervision, control and inventory of property under their jurisdiction to ensure proper accounting and safeguarding of assets.

The Administrative Code (44 IL Adm. Code 5010.400) states "Agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items."

The Statewide Accounting Management System (SAMS) Procedure 29.20.10 prescribes the procedures for completing the Agency Report of State Property. The instructions for additions states "Enter, on the appropriate line, all additions to each asset category that occurred during the quarter being reported. This does not include transfers in." The instructions for net transfers states "Enter, on the appropriate line, the net amount of transfers that occurred during the quarter being reported." The Agency is also required to report the dollar amount of transfers and the corresponding agencies.

Agency management stated two of the items not recorded on the property control records were acquired from the Department of Central Management Services which manages the Michael A. Bilandic Building. (No paperwork was provided.) The two items on property records and disposed of were returned to the Department of Central Management Services at the Michael A. Bilandic Building from which they were borrowed. (No paperwork was prepared.) The remaining item not recorded in property control records was due to an error by Agency personnel as were the errors in the Agency Report of State Property.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-6 Finding: Inaccurate Property Control Records - Continued

Unlocated equipment and inaccurate property control records results in incorrect accounting information and could cause unnecessary equipment expenditures. Failure to maintain accurate records for inventory purposes could lead to misappropriation of Agency assets. [Finding Code No. 12-6]

Recommendation

We recommend the Agency ensure that the property and equipment records are properly maintained and updated as required. We further recommend the Agency properly prepare its quarterly Reports of State Property.

Agency Response

The Agency agrees with this finding. The Agency notes that the Department of Central Management Services does not provide documentation of property it lends to, nor does it require such when property is returned by agencies located in the Michael A. Bilandic building. The Agency believed internal tracking of such transactions was sufficient. The Agency will develop a process with building management to document the acquisition and return of property borrowed from the building. The Agency will more carefully review its Reports of State Property prior to submission.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-7 Finding: Inaccurate Reports of Accounts Receivable

The Illinois Power Agency (Agency) inaccurately reported accounts receivable information to the Office of the State Comptroller.

During testing, the auditors noted the following errors with the Quarterly Summaries of Accounts Receivable Reports:

- One (50%) of two reports tested, inaccurately reported accounts receivable, totaling approximately \$1,578,000, under revenue source code 510. Revenue source code 510 had not been established.
- The number of accounts reported in the aging of receivables was inaccurate. The Agency reported the number based on individual invoices, not by number of customers.

The Statewide Accounting Management System (SAMS) Procedure 26.30.10 identifies the revenue sources allowed to be used for governmental fund types. SAMS Procedures 26.30 prescribe the procedures for completing accounts receivable reporting; such as the number of accounts in the aging.

Agency management stated the Agency reported certain accounts receivable based on its interpretation of funds recovered as reimbursement of costs. Because reimbursements were recorded as a reduction in expenditures and not as receivables against a revenue account, the Quarterly Summaries of Account Receivables Reports were prepared using that same methodology. There is no revenue source code 510 in the Statewide Accounting Management System manual because account 510 is an expenditure account, not a revenue source code. By reporting the funds collected to the expenditure account, the funds collected were recognized as a reduction in expenditures, not as revenue. The number of accounts receivable reported was due to a different interpretation of statutory and accounting rules and principles by Agency staff.

Failure to properly report accounts receivable to the Office of the State Comptroller could result in inaccurate accounting records at the State level. [Finding Code No. 12-7]

Recommendation

We recommend the Agency implement controls to ensure the accounts receivable are properly reported to the Office of the State Comptroller in accordance with the SAMS Manual.

Agency Response

The Agency agrees with this finding. The Agency will update its interpretation of 20 ILCS 3855 and its reporting of accounts receivables appropriately (please also see the Agency's Response to Finding 12-1). Additionally, the Agency will more carefully review its Reports of Accounts Receivable prior to submission.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-8 Finding: Failure to Adopt Rules Related to Fees and Charges the Agency is Authorized to Collect and Deposit

The Illinois Power Agency (Agency) had not adopted formal rules related to fees and charges it is authorized to collect and deposit.

Although the Agency was established in fiscal year 2008, the Agency has not adopted rules for fees and charges it is authorized to collect and deposit in order to fund Agency operations. During the fiscal year ended June 30, 2012, the Illinois Power Agency reported collecting approximately \$2.8 million in bidder and supplier fees in the Illinois Power Agency Operations Fund.

According to the Illinois Power Agency Act (20 ILCS 3855/1-55), “the Agency shall adopt rules regarding charges and fees it is expressly authorized to collect in order to fund the operations of the Agency. These charges and fees shall be deposited into the Illinois Power Agency Operations Fund.”

Agency management stated the Agency lacked sufficient time and resources to complete the process to adopt the rulemaking required by the Illinois Power Agency Act beyond certain necessary preliminary steps.

Failure to adopt formal rules related to fees and charges is a violation of State statute and could result in failure to collect appropriate funding for Agency operations. [Finding Code No. 12-8, 11-11, 10-16]

Recommendation

We recommend the Agency adopt rules related to fees and charges it has authority to collect to fund operations.

Agency Response

The Agency agrees with this finding. During fiscal year 2012, after the Agency hired the Chief Legal Counsel, the Agency drafted pre-First Notice fee assessment rules which were provided to the Joint Committee on Administrative Rules (JCAR) and the Secretary of State for pre-publication review. The Agency did not receive feedback from JCAR during fiscal year 2012, and was concerned about beginning the First Notice period on the Agency’s first substantive rulemaking without JCAR feedback.

The Agency has since received feedback from JCAR, and has draft rules that the Agency intends to send to First Notice during fiscal year 2013, barring legislative changes to the Agency’s procurement (and related fee-assessment) structure during the Spring 2013 legislative session.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-9 Finding: Establishment of Required Bureaus and Lack of Adequate Staffing

The Illinois Power Agency (Agency) did not establish a Planning and Procurement Bureau or a Resource Development Bureau as required by its enabling statute.

During our audit, we noted the Agency had not established a Planning and Procurement Bureau or a Resource Development Bureau. Additionally, within each bureau a chief was to be appointed. Further, the Agency lacked adequate staffing for most of the fiscal year in order to carry out its mandated tasks.

The Illinois Power Act (20 ILCS 3855/1-70(b)) (Act) states within the Illinois Power Agency, the Agency shall establish a Planning and Procurement Bureau and a Resource Development Bureau. Each of these bureaus should have a chief with at least five years of experience in the related industries and an advanced degree in a related field.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls which shall provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with law".

Agency management stated in fiscal year 2012 the Agency hired a Chief Legal Counsel on March 1, 2012 and made employment offers for the Planning and Procurement Bureau Chief and Administrative Analyst. The offers were accepted, but employees were unable to start until fiscal year 2013. The Agency determined that the efficient use of resources did not justify hiring a Resource Development Bureau Chief, who would have had no work to conduct under present circumstances.

Failure to create these required bureaus is a violation of State statute. In addition, because these bureaus were not created, the Director/Acting Director and the Chief Fiscal Officer had the sole responsibility for the procurement processes, which could result in an abuse of power. [Finding Code No. 12-9, 11-17, 10-12, 09-7]

Recommendation

We recommend the Agency establish the required bureaus and appoint chiefs to these bureaus who meet the qualifications of the statute in order to ensure the Agency functions properly and in a cost-effective manner.

Agency Response

The Agency agrees with this finding. While the Planning and Procurement Bureau was not established in fiscal year 2012, it has since been established in fiscal year 2013 and is currently staffed by a Planning and Procurement Bureau Chief.

As previously noted in the Agency Response to fiscal year 2011 Finding 11-17, the Agency respectfully submits that although Section 1-70 of the Act requires hiring of a Chief of the Resource Development Bureau, the Agency believes that hiring for this position would not be a

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-9 Finding: Establishment of Required Bureaus and Lack of Adequate Staffing - Continued

productive use of state resources at this time. This is because, based on the results of this year's electricity procurement planning that the Agency is required to undertake pursuant to Section 1-75 of the Act, there is and will be no need for the Agency to develop generation pursuant to Section 1-80 of the Act in the short or medium term. As a result, the Agency believes there would be little to no substantive work for the Chief of the Resource Development Bureau to undertake for several years.

The Agency agrees that in fiscal year 2012, the procurement process from a staffing point of view was solely under the purview of the Acting Director and the Chief Fiscal Officer. Responding further, the Agency also notes the procurement process for several of the Agency's required procurements also included oversight by the Illinois Commerce Commission, the use of outside procurement administrators, and review by an independent procurement monitor (see 20 ILCS 3855/1-75 *and* 220 ILCS 5/16-111.5 which detail oversight by the Illinois Commerce Commission and use of expert advisors in procurement of energy and related resources and retention of expert advisors).

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-10 Finding: Formal Agency Rules Not Adopted

The Illinois Power Agency (Agency) did not adopt rules for operation, administration, accounting and reporting as specified in the Illinois Power Agency Act.

During our audit, we noted the Agency had not adopted formal agency rules, established procedures for monitoring the administration of contracts, established procedures for the recovery of costs incurred in connection with the development and construction of a facility, or implemented accounting rules.

According to the Illinois Power Agency Act (20 ILCS 3855/1-35), “The Agency shall adopt rules as may be necessary and appropriate for the operation of the Agency. In addition to other rules relevant to the operation of the Agency, the Agency shall adopt rules that accomplish each of the following: (1) Establish procedures for monitoring the administration of any contract administered directly or indirectly by the Agency; except that the procedures shall not extend to executed contracts between electric utilities and their suppliers. (2) Establish procedures for the recovery of costs incurred in connection with the development and construction of a facility should the Agency cancel a project, provided that no such costs shall be passed on to public utilities or their customers or paid from the Illinois Power Agency Operations Fund. (3) Implement accounting rules and a system of accounts, in accordance with State law, permitting all reporting (i) required by the State, (ii) required under this Act, (iii) required by the Authority, or (iv) required under the Public Utilities Act.”

Agency management stated the Agency lacked sufficient time and resources to complete the process to adopt the rulemakings required by the Illinois Power Agency Act.

Formal administrative rules provide a basis for a proper accounting of the transactions of the agency, protect agencies from legal challenges and give additional legitimacy to agency actions and agency requests of external parties. Failure to adopt appropriate rules and procedures could result in a lack of proper reporting and failure to establish and adequately monitor internal controls. [Finding Code No. 12-10, 11-18, 10-11, 09-6]

Recommendation

We recommend the Agency draft and adopt formal agency rules, establish procedures for monitoring the administration of contracts, establish procedures for the recovery of costs incurred in connection with the development and construction of a facility, and implement accounting rules.

Agency Response

The Agency agrees with this finding. The Agency had submitted its fee assessment rule and accounting rules/system of accounts rules to the Joint Committee on Administrative Rules (JCAR) for pre-First Notice review in late fiscal year 2012 after hiring the Chief Legal Counsel. However, the Agency did not receive comments from JCAR back during fiscal year 2012. The Agency intends to send fee assessment and uniform system of accounts rules to First Notice during fiscal year 2013. Please see the Agency’s response to Finding 12-8.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-10 Finding: Formal Agency Rules Not Adopted - Continued

With regard to procedures for recovering costs incurred in connection with development and construction of a facility, the Agency respectfully notes that it has concluded that in the short- to medium-term, the Agency has no plans to develop a facility given the current economic conditions and prerequisites for development of a facility.

With regard to contract administration procedures, the Agency currently lacked the expertise and knowledge to develop these rules. The Agency is attempting to gain this knowledge and expertise in fiscal year 2013 and beyond.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-11 Finding: Failure to Properly Approve Contracts and Contract Obligation Documents

The Illinois Power Agency (Agency) did not properly approve certain contracts and Contract Obligation Documents.

During our audit, we noted:

- One of six (17%) contracts tested, estimated at \$300,000 was not approved by the Chief Fiscal Officer (CFO).
- One of six (17%) Contract Obligation Documents tested, totaling \$400,000 did not contain the signature of the individual who authorized the contract.

The State Finance Act (30 ILCS 105/9.02 (a)(1)) states any new contract or contract renewal in the amount of \$250,000 or more in a fiscal year shall be signed or approved in writing by the chief executive officer of the agency, and shall also be signed or approved in writing by the agency's chief legal counsel and chief fiscal officer.

SAMS procedure 15.20.10 states the Contract Obligation Document is used to obligate contracts, leases, purchase orders, sub-orders, and printing orders. In addition, the specific instructions for completing the Contract Obligation Document states the name of the individual who authorized the obligation and the filing agency and division are to be entered.

Agency management stated the lack of required signatures was an oversight by Agency personnel.

Failure to properly approve contracts and Contract Obligation Documents may result in expenditure of State funds for unapproved purposes. [Finding Code No. 12-11]

Recommendation

We recommend the Agency properly approve all contracts and Contract Obligation Documents.

Agency Response

The Agency agrees with this finding. Lack of CFO signature was an oversight. The Agency understands that the Contract Obligation Document was submitted directly to the Illinois Office of the Comptroller by Shared Services.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-12 Finding: Rules for Development of Prequalified Supplier Lists

The Illinois Power Agency (Agency) did not document rules for the development of certain prequalified supplier lists.

During the audit, we noted the Agency did not promulgate rules for the development of prequalified supplier lists for construction and construction-related professional services.

According to the Illinois Procurement Code (30 ILCS 500/30-20 (b)), “the Illinois Power Agency shall promulgate rules for the development of prequalified supplier lists for construction and construction-related professional services and the periodic updating of those lists.”

Agency management stated Agency personnel did not have sufficient resources and/or knowledge of the substantive field to conduct proper outreach prior to promulgating rules.

Failure to create rules for the development of certain prequalified supplier lists is a violation of State statute and could subject the State to legal action. [Finding Code No. 12-12, 11-15, 10-18, 09-16]

Recommendation

We recommend the Agency establish rules for the development of prequalified supplier lists for construction and construction-related professional services.

Agency Response

The Agency agrees with this finding. However, with regard to creating rules for a prequalified supplier list for development and construction of a facility, the Agency respectfully notes that it has concluded that in the short- to medium-term, the Agency has no plans to develop a facility given the current economic conditions and prerequisites for development of a facility. Please see the Agency’s response to Finding 12-10. Because the Agency concluded that development of a facility was not imminent, it shifted its resources to higher-priority issues. Because of a lack of familiarity with construction, the Agency anticipates that conducting sufficient self-education and outreach to promulgate adequate rules pursuant to this mandate will be a resource-intensive process.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-13 Finding: Late Filing of Contract Documents

The Illinois Power Agency (Agency) did not timely file contracts with the Office of the Comptroller.

During our audit, we noted four of six (67%) contracts tested, totaling \$2,038,000, were not filed with the Comptroller within 15 days of execution. Filing dates ranged from 45 days to 82 days subsequent to the start date of the contracts.

During the audit period, the Illinois Procurement Code (30 ILCS 500/20-80(b)) and SAMS procedure 15.10.40 required State agencies to file contracts exceeding \$10,000 (\$5,000 for professional and artistic contracts) with the Office of the Comptroller within 15 days of execution.

Agency management stated Agency personnel did not have sufficient resources and/or knowledge of filing requirements and procedures to file acceptable contracts within 15 days.

Failure to file the contract documents with the Office of the Comptroller timely is a violation of State regulations and could lead to the improper expenditure of State funds. [Finding Code No. 12-13, 11-14, 10-17, 09-15]

Recommendation

We recommend the Agency implement the appropriate procedures to ensure all contract documents are timely filed.

Agency Response

The Agency agrees with this finding. The Agency made its best efforts to submit proper contracts within 15 days from execution. While contracted with Shared Services, the Agency made efforts to submit acceptable contract documents in a timely manner, but lacked sufficient time and expertise, and delays were the result of the Agency having to resubmit contract documents. After the interagency agreement with Shared Services lapsed, the Agency lacked sufficient knowledge and time to submit acceptable contracts on its own, leading to delays as Agency personnel attempted resolved non-conformance with Illinois Office of the Comptroller requirements.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-14 Finding: Failure to Conduct an Evaluation of Internal Controls

The Illinois Power Agency (Agency) did not conduct an evaluation of its internal controls.

For fiscal year 2012, the Agency submitted a certification letter to the State of Illinois, Office of the Auditor General stating that an evaluation of the internal fiscal and administrative controls of the Agency was performed in accordance with the Guidelines established by the Comptroller in consultation with the Director of Central Management Services. However, the Agency was unable to provide documentation of the evaluation process.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3003) states “By May 1 of each year, each chief executive officer of all State agencies shall, on the basis of an evaluation conducted in accordance with guidelines established under section 3002, prepare and transmit to the Auditor General a certification that: (1) the systems of internal fiscal and administrative controls of the State agency fully comply with the requirements of this Act, or (2) the systems of internal fiscal and administrative controls of the State agency do not fully comply with the requirements of this Act.

Agency management stated the evaluation was conducted using the previously released audit report as a guide.

Failure to conduct an evaluation of internal controls may cause the Agency to overlook certain deficiencies that exist in the Agency’s internal control structure. [Finding Code No. 12-14]

Recommendation

We recommend the Agency conduct an evaluation of internal control in accordance with the Fiscal Control and Internal Auditing Act.

Agency Response

The Agency agrees with this finding. The Agency used its previous audit findings as a starting point for its evaluation of internal controls and identified that its internal controls were not sufficient. The Agency recognizes that this is only a first step, that a more robust and complete evaluation is required, and will be developing processes and procedures to do so. The agency will also assess staffing to consider if additional staff resources are needed in order to have the capacity to manage the required internal controls.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-15 Finding: Failure to Timely Submit Reports

The Illinois Power Agency (Agency) did not timely submit various reports to the appropriate parties.

During our audit, we noted the Agency had not timely submitted:

- The Agency Report of State Property filed for the quarters ended September, 30, 2011 and December, 31, 2011. These reports were filed from 83 to 175 days late.
- The State Hispanic Employment Plan Survey was submitted eight days late.

According to the SAMS Manual (29.20.10), the Agency Report of State Property is to be filed on a quarterly basis and should be submitted to the Office of the Comptroller no later than the last day of the month following the last day of the quarter. Failure to submit these reports by the following reporting deadlines will result in a delinquency letter to the Office of the Auditor General.

The Civil Administration Code of Illinois (20 ILCS 405/405-125) states each State agency shall implement strategies and programs in accordance with the State Hispanic Employment Plan to increase the number of Hispanics employed by the State and the number of bilingual persons employed by the State at supervisory, technical, professional, and managerial levels. Each State agency shall report annually to the Department and the Department of Human Rights, in a format prescribed by the Department, all of the agency's activities in implementing the State Hispanic Employment Plan.

Agency management stated Agency personnel were unaware of the filing requirements identified above. To the extent that IPA personnel gained knowledge of filing requirements and filed documents after the due date, the late filing was due to lack of a reasonable amount of time in advance of deadlines. The Agency also noted that the Illinois Department of Human Rights (“IDHR”) informed the Agency in October of 2012 and confirmed on May 28, 2013 that the Agency is not required to complete online surveys regarding implementing the Hispanic Employment Plan. IDHR did not cite any specific authority for its conclusion.

Failure to timely file reports is a violation of State statutes and regulations. [Finding Code No. 12-15, 11-22, 10-26, 09-19]

Recommendation

We recommend the Agency file all required reports in a timely manner.

Agency Response

The Agency agrees with this finding. During fiscal year 2012, the Agency continued to identify its reporting requirements and began timely filing of the Agency Report of State Property as well as the State Hispanic Employment Plan Survey.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-16 Finding: Failure to Obtain Employee Insurance or License Verification

The Illinois Power Agency (Agency) had not ensured employees were properly insured or licensed.

During our testing, we noted the Agency did not obtain verification to ensure employees using personal vehicles for State business were properly insured or licensed. Specifically,

- One of two employees (50%) tested signed a certification, but did not provide a copy of their driver's license in accordance with the Agency's policies.
- One of two employees (50%) tested did not sign the certification as required.

According to the Illinois Vehicle Code (625 ILCS 5/10-101(b)), "Every employee of the State, who operates for purposes of State business a vehicle not owned, leased or controlled by the State shall procure insurance in the limit of amounts of liability not less than the amounts required in Section 7-203 of this Act."

The Agency's Employee Handbook states a copy of the employee's driver's license and insurance certification shall be maintained in the Agency's employee personnel file.

Agency management stated the lack of verification and certification was an oversight by Agency personnel.

Failure to ensure that Agency employees are properly licensed and insured while driving for State business is in a violation of State statutes. [Finding Code No. 12-16, 11-23, 10-32]

Recommendation

We recommend that Agency comply with the State regulations and Agency policies related to employee vehicle use.

Agency Response

The Agency agrees with this finding. A copy of a driver's license was provided upon start date in the instance identified in this Finding, but was not kept on file. In fiscal year 2013, all employees signed the required certification.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-17 Finding: Failure to Comply with the Identity Protection Act

The Illinois Power Agency (Agency) failed to implement the provisions of the Identity Protection Act (Act).

The Identity Protection Act (5 ILCS 179) required the Agency to draft and approve an identity-protection policy by June 1, 2011. Per the Act, the Policy must:

- Identify the Act.
- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During our testing we noted the Agency had not issued an identity-protection policy.

Agency management stated the Agency was unaware of the Identity Protection Act or the Identity Protection Task Force.

Failure to implement provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. [Finding Code No. 12-17]

Recommendation

We recommend the Agency develop and approve an identity protection policy as required in the Identity Protection Act.

Agency Response

The Agency agrees with this finding. Agency personnel were unaware of the Identity Protection Act during fiscal year 2012, and current Agency personnel do not recall having been provided with any notice of the existence of or requirements under the Identity Protection Act (which was codified before any current employees were with the Agency). Having been duly informed about this Act and its requirements, the Agency seeks to meet the requirements of the Act in fiscal year 2013.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2012**

CURRENT FINDINGS – STATE COMPLIANCE

12-17 Finding: Failure to Comply with the Identity Protection Act - Continued

The Agency further notes that it only currently collects social security numbers from employees for administration purposes, and does not collect (nor does the Agency anticipate collecting) social security numbers from any other sources.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
PRIOR YEAR FINDINGS NOT REPEATED
For the Year Ended June 30, 2012**

A: Lack of Appropriate Internal Controls

The Illinois Power Agency (Agency) did not establish adequate accounting procedures and internal controls. [Finding Code No. 11-2, 10-4, 09-4]

Status:

Finding not repeated. During the current audit, the Agency hired an accounting consultant who assisted the Agency establish a system of accounting controls and the maintenance of accounting records.

B: Lack of Formal Budgeting Process

The Illinois Power Agency (Agency) did not have a formal budgeting process. [Finding Code No. 11-3, 10-5, 09-5]

Status:

Finding not repeated. During the current audit, the Agency conducted a formal budgeting process including submitting that budget to the Appropriation Committee of the Illinois General Assembly.

C: Failure to Maintain an Aged Listing of Accounts Receivable

The Illinois Power Agency (Agency) did not maintain an aged listing of accounts receivable. [Finding Code No. 11-5, 10-7]

Status:

Finding not repeated. During the current audit, the Agency implemented a computerized accounting system which includes an aged listing of accounts receivable.

D: Failure to Timely Deposit Agency Funds

The Illinois Power Agency (Agency) did not timely deposit Agency funds. [Finding Code No. 11-8]

Status:

Finding not repeated. Based on testing performed in the current audit, it appears the Agency deposited receipts in a timely manner.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
PRIOR YEAR FINDINGS NOT REPEATED
For the Year Ended June 30, 2012**

E: Lack of Methodology Related to Billings

The Illinois Power Agency (Agency) had not developed and documented a methodology in order to bill the utilities for reimbursement of consulting fees. [Finding Code No. 11-9, 10-25]

Status:

Finding not repeated. During the current audit, the Agency implemented procedures to track the costs incurred and to re-bill those costs to the applicable utilities.

F: Failure to Develop Procedures Related to Uncollectible Receivables

The Illinois Power Agency (Agency) had not developed procedures related to uncollectible receivables. [Finding Code No. 11-10, 10-14]

Status:

Finding not repeated. During the current audit, the Agency implemented procedures related to uncollectible receivables.

G: Inadequate Controls over Vendor Evaluations

The Illinois Power Agency (Agency) did not maintain adequate controls over evaluations of vendor proposals related to the Request for Qualifications (RFQ) and subsequent Request for Proposals (RFP) of the Procurement Administrators. [Finding Code No. 11-12, 10-23, 10-24]

Status:

Finding not repeated. During the current audit, we noted the Agency did not make any RFQs. However, the Agency did improve its controls over evaluations of vendor proposals related to RFPs.

H: Contract Terms Inconsistent with Terms of Contract Obligation Document

The Illinois Power Agency (Agency) entered into contracts where the terms per the contract were not consistent with the terms in the Contract Obligation Document (COD). [Finding Code No. 11-13, 10-21]

Status:

Finding not repeated. During the current audit, we noted the terms listed in the Contract Obligation Documents completed by the Illinois Power Agency agreed to the terms of the contracts.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
PRIOR YEAR FINDINGS NOT REPEATED
For the Year Ended June 30, 2012**

I: Plan for Post-Performance Review

The Illinois Power Agency (Agency) did not include a plan for post-performance review in their solicitation documents. [Finding Code No. 11-16, 10-19, 09-17]

Status:

Finding not repeated. During the current audit, the plan for the post-performance reviews within the solicitation document was the responsibility of the Chief Procurement Officer.

J: Failure to Post Procurement Information

The Illinois Power Agency (Agency) did not comply with statutory regulations. [Finding Code No. 11-19, 10-20]

Status:

Finding not repeated. During the current audit, the responsibility for posting of notices on the Procurement Bulletin was transferred to the Chief Procurement Officer.

K: Consulting Procurement Plan Contract Term in Violation of State Statute

The Illinois Power Agency (Agency) entered into a consulting contract for a term exceeding the time period allowed by State statute. [Finding Code No. 11-20, 10-8]

Status:

Finding not repeated. Based on testing performed in the current audit, we did not note any contracts for terms exceeding the time allowed by State statute.

L: Untimely Submission of Vouchers

The Illinois Power Agency (Agency) did not submit vouchers in a timely manner. [Finding Code No. 11-21, 10-13, 09-13]

Status:

Finding not repeated. Based on testing performed in the current audit, the Agency submitted vouchers in a timely manner.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL STATEMENT REPORT
SUMMARY
For the Year Ended June 30, 2012**

SUMMARY

The audit of the accompanying financial statements of the Illinois Power Agency was performed by Borschnack, Pelletier & Co.

Based on their audit, the auditors expressed unqualified opinions on the Agency's basic financial statements.

SUMMARY OF FINDINGS

The auditors identified matters involving the Agency's internal control over financial reporting that they considered to be material weaknesses and significant deficiencies. The material weaknesses and significant deficiencies are described in the accompanying Schedule of Findings listed in the table of contents as findings 12-1, 12-2, 12-3, and 12-4 as follows:

- 12-1 Inaccurate Financial Statements
- 12-2 Lack of Controls Over Alternative Compliance Payments
- 12-3 State Funds Improperly Held Outside the State Treasury
- 12-4 Inadequate Fee Assessment

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL STATEMENT REPORT
SUMMARY
For the Year Ended June 30, 2012**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on May 16, 2013. Attending were:

Representing the Illinois Power Agency

Acting Director
Chief Fiscal Officer
Chief Legal Counsel

Mr. Anthony Star
Ms. Kristene Callanta
Mr. Michael Strong

Representing Borschnack, Pelletier & Co.

Partner

Mr. Paul Pelletier

Representing the Office of the Auditor General

Audit Manager

Ms. Kathy Lovejoy

The responses to the recommendations were provided by Mr. Anthony Star, Acting Director, in an email dated May 24, 2013.

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the State of Illinois, Illinois Power Agency as of and for the year ended June 30, 2012, which collectively comprise the State of Illinois, Illinois Power Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Illinois Power Agency's management. Our responsibility is to express opinions 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, assessing the accounting principles used and the 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 opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Illinois Power Agency are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Illinois Power Agency. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the State of Illinois, Illinois Power Agency, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2013, on our consideration of the State of Illinois, Illinois Power Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted a management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Power Agency's basic financial statements. The accompanying supplementary information for the year ended June 30, 2012, in the combining nonmajor funds financial statements, and State Compliance Schedules 1 through 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2012, in the combining nonmajor funds financial statements, and State Compliance Schedules 1 through 12 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2012 in the combining nonmajor funds financial statements, and State Compliance Schedules 1 through 12 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Agency's financial statements as of and for the year ended June 30, 2011 (not presented herein) were audited by other auditors whose report thereon dated August 13, 2012, expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated August 13, 2012, stated that the accompanying supplementary information for the year ended June 30, 2011 in the State Compliance Schedules 1a, 2, 5, 6, 7, 8, and 10 was subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2011, taken as a whole.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Borschneck, Pelletier & W.

May 28, 2013

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
STATEMENT OF NET ASSETS
June 30, 2012
(Expressed in Thousands)**

	<u>Governmental Activities</u>
ASSETS	
Cash equity in State Treasury	\$ 40,476
Securities lending collateral equity of State Treasurer	1,944
Other receivables, net	4,800
Due from other State funds	<u>3,353</u>
Total assets	<u><u>50,573</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	1,689
Obligations under securities lending of State Treasurer	1,944
Long term obligations:	
Due within one year	-
Due subsequent to one year	<u>6</u>
Total liabilities	<u><u>3,639</u></u>
NET ASSETS	
Restricted net assets	39,818
Unrestricted net assets	<u>7,116</u>
Total net assets	<u><u>\$ 46,934</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(Expressed in Thousands)**

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities	Expenses	Charges for Services	Governmental Activities
Employment and economic development	\$ 3,607	\$ 3,420	\$ (187)
Total governmental activities	3,607	3,420	(187)
General revenues			
Interest and investment income			102
Other revenue			2,169
Total general revenues			2,271
Change in net assets			2,084
Net assets, July 1, 2011			44,850
Net assets, June 30, 2012			\$ 46,934

The accompanying notes to financial statements are an integral part of this statement.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012
(Expressed in Thousands)**

	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash equity in State Treasury	\$ 40,476	\$ 40,476
Securities lending collateral equity of State Treasurer	1,944	1,944
Other receivables, net	4,800	4,800
Due from other State funds	3,353	3,353
Total assets	\$ 50,573	\$ 50,573
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,689	\$ 1,689
Unavailable revenue	2,230	2,230
Obligations under securities lending of State	1,944	1,944
Total liabilities	5,863	5,863
FUND BALANCES		
Restricted		
Employment and economic development	38,419	38,419
Committed		
Employment and economic development	6,291	6,291
Total fund balances	44,710	44,710
Total liabilities and fund balances	\$ 50,573	\$ 50,573

The accompanying notes to financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
June 30, 2012
(Expressed in Thousands)

Total fund balances-governmental funds	\$	44,710
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		2,230
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences		(6)
Net assets of governmental activities	\$	46,934

The accompanying notes to financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012
(Expressed in Thousands)

	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES		
Licenses and fees	\$ 3,086	\$ 3,086
Interest and other investment income	102	102
Other revenues	5,739	5,739
Total revenues	<u>8,927</u>	<u>8,927</u>
EXPENDITURES		
Employment and economic development	3,603	3,603
Total expenditures	<u>3,603</u>	<u>3,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,324</u>	<u>5,324</u>
Net change in fund balances	5,324	5,324
Fund balances, July 1, 2011	<u>39,386</u>	<u>39,386</u>
FUND BALANCES, JUNE 30, 2012	<u>\$ 44,710</u>	<u>\$ 44,710</u>

The accompanying notes to financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(Expressed in Thousands)

Net change in fund balances	\$ 5,324
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase (decrease) in unavailable revenue over the prior year.</p>	(3,236)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.</p>	
Increase in compensated absences	(4)
Change in net assets of governmental activities	\$ 2,084

The accompanying notes to financial statements are an integral part of this statement.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(1) Organization

The Illinois Power Agency (the Agency) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Agency operates under a budget approved by the General Assembly in which resources are appropriated for the use of the Agency. The Agency is an independent agency subject to the oversight of the Executive Ethics Commission and its activities are subject to the authority of certain departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Agency and all other cash received are under the custody and control of the State Treasurer.

The Agency, created in 2008 pursuant to Public Act 095-0481, is dedicated to capturing the benefits of competitive energy markets and facilitating the development of alternative energy technologies for the benefit of Illinois consumers. The Agency meets these objectives by planning and managing competitive procurements and participating in the development of new power generation assets and approaches in Illinois.

(2) Summary of Significant Accounting Policies

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Agency has no component units and is not a component unit of any other entity. However, because the Agency is not legally separate from the State of Illinois, the financial statements of the Agency are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(2) Summary of Significant Accounting Policies – Continued

(b) Basis of Presentation

The financial statements of the State of Illinois, Illinois Power Agency, are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2012, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide Statement of Net Assets and Statement of Activities report the overall financial activity of the Agency, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Agency. These statements distinguish between the *governmental* and *business-type* activities of the Agency. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the assets and liabilities of the Agency's governmental activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The Statement of Activities presents a comparison between direct expenses and program revenues for the general government function of the Agency's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Agency's funds. Separate statements for each fund category are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. Since the Agency is part of the primary government of the State of Illinois, major funds are determined at the State level. For fiscal year 2012, the Agency had no major funds. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

(2) Summary of Significant Accounting Policies – Continued

(b) Basis of Presentation – Continued

The Agency administers the following fund type:

Governmental Fund Type:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose. The Agency administers the following Special Revenue Funds:

Illinois Power Agency Trust Fund - 424

Created as a special fund in the State Treasury. Fund may accept, receive, and administer any grants, loans or other funds made available to it by any source. Any funds received by the Fund shall not be considered income, but shall be added to the principal of the Fund.

Illinois Power Agency Operations Fund - 425

Created as a special fund in the State Treasury. Fund shall be administered by the Agency for Agency operations as specified in the Illinois Power Agency Act.

Illinois Power Agency Facilities Fund - 426

Created as a special fund in the State Treasury. Fund shall be administered by the Agency for costs incurred in connection with the development and construction of a power facility by the Agency as well as costs incurred in connection with the operation and maintenance of an Agency facility. There was no activity in this fund during fiscal year 2012.

Illinois Power Agency Debt Service Fund - 427

Created as a special fund in the State Treasury. Fund shall be administered by the Agency for retirement of revenue bonds issued for any Agency facility. There was no activity in this fund during fiscal year 2012.

Illinois Power Agency Renewable Energy Fund - 836

Created as a special fund in the State Treasury. Fund shall be administered by the Agency for procurement of renewable energy resources. This fund was created in fiscal year 2010.

(c) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, excise taxes, wealth taxes, grants, entitlements, and donations. On an accrual basis, revenues are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(2) Summary of Significant Accounting Policies – Continued

(c) Measurement Focus and Basis of Accounting – Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of formal debt issues and acquisitions under capital leases and installment purchases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include interest and other charges for services. All other revenue sources including fines, licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(d) Eliminations

Eliminations are made in the government-wide Statement of Net Assets to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Agency. As a result, amounts reported in the governmental funds balance sheet as interagency interfund receivables and payables are eliminated in the government-wide Statement of Net Assets. Amounts reported in the governmental funds balance sheet as receivable from or payable to fiduciary funds are included in the government-wide Statement of Net Assets as receivable from and payable to external parties, rather than as internal balances. No such eliminations were necessary for the fiscal year ended June 30, 2012.

(e) Cash equity in State Treasury

Cash equity in the State Treasury includes deposits held in the State Treasury. It also includes cash received and deposited to the Agency’s clearing account and in process of transfer to the State Treasury.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

(2) Summary of Significant Accounting Policies – Continued

(f) Interfund Transactions

The following types of interfund transactions between the Agency's funds and funds of other State agencies may occur:

Interfund Loans – amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet or the government-wide and proprietary fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. The Agency did not enter into this type of transaction during fiscal year 2012.

Transfers—flows of assets (such as cash or goods) between funds without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. The Agency did not enter into this type of transaction during fiscal year 2012.

(g) Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated vacation and sick leave balances for Agency employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(2) Summary of Significant Accounting Policies – Continued

(h) Fund Balances

The difference between fund assets and liabilities is “Fund Balance” on the governmental fund financial statements. In the fund financial statements, governmental funds report fund balances as a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. This hierarchy is made up of resources which are non-spendable, restricted, or unrestricted (committed, assigned and unassigned).

Non-spendable fund balance represents resources which relate to inventory or long-term receivables not expected to be converted to cash in the near term. There were no non-spendable fund balances as of June 30, 2012.

Restricted fund balance represents resources that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The following funds had restricted fund balances as of June 30, 2012: Illinois Power Agency Trust (424) and Illinois Power Agency Renewable Energy Resources (836).

Committed fund balance represents resources that are constrained on use for a specific purpose imposed generally by the Governor and the State legislature, the highest levels of decision-making authority, through enabling legislation. This constraint can only be removed or changed by the same action by which it was established. The action to constrain funds should occur prior to the end of the fiscal year. The Illinois Power Agency Operations Fund (425) had committed fund balance as of June 30, 2012.

Assigned fund balance represents resources that are intended for a specific purpose consisting of amounts where the intended use is established by the Governor and State legislature designated for that purpose. The intended use is established by an official designated for that purpose. The Director of the Agency has been designated for this purpose. In all governmental funds, other than the General Fund, residual amounts are classified as assigned. There were no assigned fund balances as of June 30, 2012.

Unassigned fund balance represents resources that are available for any purpose. This classification is only reported in the General Fund, except in cases of negative fund balance reported in other governmental funds which are reported as unassigned. There were no unassigned fund balances as of June 30, 2012.

When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed. Unrestricted resources which are committed are generally used before assigned resource, and assigned resources are generally used before unassigned resources.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(2) Summary of Significant Accounting Policies – Continued

(i) Net Assets

In the government-wide Statement of Net Assets, the difference between assets and liabilities is “Net Assets” and is displayed in two components as follows:

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State’s policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of “restricted”.

When both unrestricted and restricted net assets are available for use, the State uses restricted net assets first.

(j) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) New Accounting Pronouncements

Effective for the year ending June 30, 2012, the State adopted GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, which clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. There was no impact on the Agency’s financial statements as a result of adopting this statement.

(l) Future Adoption of GASB Statements

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*, which modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as though they are a part of the primary government using the blending method. The Agency has not yet determined the impact on its financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2013, the State will adopt GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Agency has not yet determined the impact this statement will have on financial reporting.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

(2) Summary of Significant Accounting Policies – Continued

(l) Future Adoption of GASB Statements – Continued

In addition, effective for the ending June 30, 2013 the State will adopt GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which will provide financial reporting guidance for deferred outflows and inflows of resources and rename the residual measure from “Net Assets” to “Net Position”. The Agency has not yet determined the impact this statement will have on financial reporting.

(3) Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports \$39.818 million of restricted net assets, all of which is restricted by enabling legislation.

(4) Deposits

(a) Deposits

The State Treasurer is the custodian of the Agency’s deposits and investments for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer, including cash on hand and cash in transit, totaled \$40.476 million at June 30, 2012.

These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Agency does not own individual securities. Detail on the nature of these deposits is available within the State of Illinois’ Comprehensive Annual Financial Report.

(b) Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer’s securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2012, Deutsche Bank Group lent U.S. Treasury and U.S. Agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(4) Deposits – Continued

(b) Securities Lending Transactions – Continued

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans of available or the eligible securities. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the State Treasurer in Deutsche Bank Group's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank Group.

During the fiscal year, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the securities on loan are reported at fair value.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2012 arising from securities lending agreements to the various funds of the State. The total allocated to the Agency was \$1.944 million at June 30, 2012.

(5) Other Receivables

The balance of Other Receivables on the Statement of Net Assets includes amounts owed to the Agency for bidders fees, contract award fees, alternative compliance payments, procurement planning fees and reimbursements from vendors. The Agency believes these amounts will be fully collectable and an allowance for doubtful accounts is not necessary.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

(6) Interfund Balances and Activity

Balances Due from/to Other Funds

The following balances (amounts expressed in thousands) at June 30, 2012 represent amounts due from other State funds.

<u>Fund</u>	<u>Due from Other State Funds</u>	<u>Description/Purpose</u>
Nonmajor governmental funds	\$ 3,353	Due from other State funds pursuant to statutory interfund borrowing.
	<u>\$ 3,353</u>	

(7) Long-Term Obligations

Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2012 were as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 2	\$ 5	\$ 1	\$ 6	\$ -
Total	<u>\$ 2</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ -</u>

(8) Pension Plan

Substantially all of the Agency's full-time employees participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2012 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

(8) Pension Plan – Continued

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Agency pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2012, the employer contribution rate was 34.19%.

(9) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

Public Act 97-0695, which became effective, July 1, 2012, alters the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This Act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

(10) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks.

The Agency's risk management activities are financed through appropriations to the Illinois Department of Central Management Services and are accounted for in the general fund of the State. The claims are not considered to be a liability of the Agency; and accordingly, have not been reported in the Agency's financial statements for the year ended June 30, 2012.

(11) Contingencies and Subsequent Events

In June 2012, the Agency processed the paperwork to transfer substantially all of Illinois Power Agency Trust Fund 424's "Cash equity in State Treasury" to the Illinois State Board of Investment (ISBI) in order to obtain an improved return on investment of those funds. The actual delivery of those funds to the ISBI's custodian occurred in July 2012.

The Agency occasionally faces disputes involving contracts for professional and artistic services that are required under the Illinois Power Agency Act. No such disputes are currently being litigated. In addition, the Agency was not aware of any unasserted claims that existed as of June 30, 2012. Subsequent to year end, a dispute (of an amount that is not material to the Agency's financial statements) arose regarding a contract. The Agency believes the dispute will be resolved in favor of the Agency, due to lack of merit.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012
(Expressed in Thousands)**

	<u>Special Revenue</u>			<u>Total</u>
	<u>Illinois Power Agency Trust 0424</u>	<u>Illinois Power Agency Operations 0425</u>	<u>Illinois Power Agency Renewable Energy Resources 0836</u>	
ASSETS				
Cash equity in State Treasury	\$ 24,863	\$ 2,858	\$ 12,755	\$ 40,476
Securities lending collateral equity of State Treasurer	1,944	-	-	1,944
Other receivables, net	1	2,631	2,168	4,800
Due from other State funds	31	3,322	-	3,353
Total assets	<u>\$ 26,839</u>	<u>\$ 8,811</u>	<u>\$ 14,923</u>	<u>\$ 50,573</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 1,689	\$ -	\$ 1,689
Unavailable revenue	-	831	1,399	2,230
Obligations under securities lending of State Treasurer	1,944	-	-	1,944
Total liabilities	<u>1,944</u>	<u>2,520</u>	<u>1,399</u>	<u>5,863</u>
FUND BALANCES				
Restricted				
Employment and economic development	24,895	-	13,524	38,419
Committed				
Employment and economic development	-	6,291	-	6,291
Total fund balances	<u>24,895</u>	<u>6,291</u>	<u>13,524</u>	<u>44,710</u>
Total liabilities and fund balances	<u>\$ 26,839</u>	<u>\$ 8,811</u>	<u>\$ 14,923</u>	<u>\$ 50,573</u>

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012
(Expressed in Thousands)**

	<u>Special Revenue</u>			<u>Total</u>
	<u>Illinois Power Agency Trust 0424</u>	<u>Illinois Power Agency Operations 0425</u>	<u>Illinois Power Agency Renewable Energy Resources 0836</u>	
REVENUES				
Licenses and fees	\$ -	\$ 3,086	\$ -	\$ 3,086
Interest and other investment income	102	-	-	102
Other revenues	-	-	5,739	5,739
Total revenues	<u>102</u>	<u>3,086</u>	<u>5,739</u>	<u>8,927</u>
EXPENDITURES				
Employment and economic development	46	3,557	-	3,603
Total expenditures	<u>46</u>	<u>3,557</u>	<u>-</u>	<u>3,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56</u>	<u>(471)</u>	<u>5,739</u>	<u>5,324</u>
Net change in fund balances	<u>56</u>	<u>(471)</u>	<u>5,739</u>	<u>5,324</u>
Fund balances, July 1, 2011	<u>24,839</u>	<u>6,762</u>	<u>7,785</u>	<u>39,386</u>
FUND BALANCES, JUNE 30, 2012	<u><u>\$ 24,895</u></u>	<u><u>\$ 6,291</u></u>	<u><u>\$ 13,524</u></u>	<u><u>\$ 44,710</u></u>

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
SUMMARY
For the Fiscal Year Ended June 30, 2012**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances- Fiscal Year 2012
 - Schedule of Appropriations, Expenditures and Lapsed Balances-Fiscal Year 2011
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Schedule of Locally Held Funds
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable
 - Description and Purpose of State Treasury Funds

- Analysis of Operations (Unaudited):
 - Agency Functions and Planning Program (Unaudited)
 - Director's Salary (Unaudited)
 - Average Number of Employees (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that the 2012 information presented in Schedules 1 through 12 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report further states that the 2011 information presented in Schedules 1a, 2, 5, 6, 7, 8, and 10 were audited by other auditors whose report dated August 13, 2012 expressed unqualified opinions on the Agency's basic financial statements and stated that the Supplementary Information for State Compliance Purposes was fairly stated in relation to the Agency's basic financial statements taken as a whole.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2012
For the Fourteen Months Ended August 31, 2012**

<u>Public Act 97-0064</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through June 30, 2012</u>	<u>Approximate Lapse Period Expenditures July 1 to August 31, 2012</u>	<u>Approximate Total Expenditures 14 Months Ended August 31, 2012</u>	<u>Approximate Balances Lapsed August 31, 2012</u>
<u>APPROPRIATED FUNDS</u>					
<u>ILLINOIS POWER AGENCY OPERATIONS FUND 425</u>					
Lump Sums and Other Purposes	\$ 4,329,200	\$ 3,358,451	\$ 256,219	\$ 3,614,670	\$ 714,530
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ 4,329,200</u>	<u>3,358,451</u>	<u>256,219</u>	<u>3,614,670</u>	<u>\$ 714,530</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>ILLINOIS POWER AGENCY TRUST FUND 424</u>					
Interfund Cash Transfers		<u>24,863,930</u>	<u>-</u>	<u>24,863,930</u>	
TOTAL - ALL NON-APPROPRIATED FUNDS		<u>24,863,930</u>	<u>-</u>	<u>24,863,930</u>	
GRAND TOTAL - ALL FUNDS		<u>\$ 28,222,381</u>	<u>\$ 256,219</u>	<u>\$ 28,478,600</u>	

- Notes: (1) Appropiations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller
(2) Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor
(3) Approximate lapse period expenditures do not include interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2011
For the Fourteen Months Ended August 31, 2011

<u>Public Act 096-0956</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through June 30, 2011</u>	<u>Approximate Lapse Period Expenditures July 1 to August 31, 2011</u>	<u>Approximate Total Expenditures 14 Months Ended August 31, 2011</u>	<u>Approximate Balances Lapsed August 31, 2011</u>
<u>APPROPRIATED FUNDS</u>					
<u>ILLINOIS POWER AGENCY TRUST FUND 424</u>					
Interfund Cash Transfer to Illinois Power Agency Operations Fund	\$ 550,000	\$ 154,321	\$ -	\$ 154,321	\$ 395,679
<u>ILLINOIS POWER AGENCY OPERATIONS FUND 425</u>					
Lump Sums and Other Purposes	4,552,550	2,808,167	1,118,260	3,926,427	626,123
<u>ILLINOIS POWER AGENCY RENEWABLE ENERGY RESOURCES FUND 836</u>					
Lump Sums and Other Purposes	-	-	-	-	-
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ 5,102,550</u>	<u>2,962,488</u>	<u>1,118,260</u>	<u>4,080,748</u>	<u>\$ 1,021,802</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>ILLINOIS POWER AGENCY TRUST FUND 424</u>					
Interfund Borrowing to General Revenue Fund		24,331,000	-	24,331,000	
<u>ILLINOIS POWER AGENCY OPERATIONS FUND 425</u>					
Interfund Borrowing to General Revenue Fund		3,321,500	-	3,321,500	
<u>ILLINOIS POWER AGENCY RENEWABLE ENERGY RESOURCES FUND 836</u>					
Interfund Borrowing to General Revenue Fund		6,710,000	-	6,710,000	
TOTAL - ALL NON-APPROPRIATED FUNDS		<u>34,362,500</u>	<u>-</u>	<u>34,362,500</u>	
GRAND TOTAL - ALL FUNDS		<u>\$ 37,324,988</u>	<u>\$ 1,118,260</u>	<u>\$ 38,443,248</u>	

Notes: (1) Expenditure data in this schedule has been obtained from the State Comptroller records which has been reconciled to those of the Agency
(2) Expenditure amount are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor
(3) Approximate lapse period expenditures do not include interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2012 and 2011

	Fiscal Year	
	2012	2011
<u>APPROPRIATED FUNDS</u>	<u>PA 97-0064</u>	<u>PA 96-0956</u>
<u>ILLINOIS POWER AGENCY TRUST FUND 424</u>		
Appropriations (net after transfers)	\$ -	\$ 550,000
Expenditures		
Interfund cash transfers	-	154,321
Lapsed Balances	-	395,679
<u>ILLINOIS POWER AGENCY OPERATIONS FUND 425</u>		
Appropriations (net after transfers)	4,329,200	4,552,550
Expenditures		
Lump sum and other purposes	3,614,670	3,926,427
Lapsed Balances	714,530	626,123
<u>TOTAL APPROPRIATED FUNDS</u>		
Appropriations (net after transfers)	4,329,200	5,102,550
Expenditures	3,614,670	4,080,748
Lapsed Balances	714,530	1,021,802
<u>NON-APPROPRIATED FUNDS</u>		
<u>ILLINOIS POWER AGENCY TRUST FUND 424</u>		
Expenditures		
Interfund Cash Transfers	24,863,930	-
Interfund Borrowing to General Revenue Fund	-	24,331,000
Total Expenditures	24,863,930	24,331,000
<u>ILLINOIS POWER AGENCY OPERATIONS FUND 425</u>		
Expenditures		
Interfund Borrowing to General Revenue Fund	-	3,321,500
<u>ILLINOIS POWER AGENCY RENEWABLE ENERGY RESOURCES FUND 836</u>		
Expenditures		
Interfund Borrowing to General Revenue Fund	-	6,710,000
<u>TOTAL NON-APPROPRIATED FUNDS</u>		
Expenditures	24,863,930	34,362,500
GRAND TOTAL EXPENDITURES - ALL FUNDS	\$ 28,478,600	\$ 38,443,248

- Note: (1) Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.
- (2) Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.
- (3) For FY 2012, expenditures and lapsed balances do not include interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF LOCALLY HELD FUNDS
For the Year Ended June 30, 2012**

The Illinois Power Agency did not work with the Office of the State Comptroller to establish any locally held funds. However, amounts were still being held with a procurement administrator outside of the State Treasury as of June 30, 2012. It could not be determined if these amounts were held in separate funds or if the amounts were accruing interest.

See finding 12-3.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Year Ended June 30, 2012**

	Balance July 1, 2011	Additions	Deletions	Net Transfers	Adjustments	Balance June 30, 2012
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Building and building improvements	-	-	-	-	-	-
Equipment	-	-	-	2,335	4,701	7,036
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,335</u>	<u>\$ 4,701</u>	<u>\$ 7,036</u>

The property and equipment information was obtained from the Agency's property control records and other documents and has been reconciled to the Agency's "Agency Report of State Property" (Form C-15) submitted to the State Comptroller.

Net transfers includes equipment transferred to the Agency during fiscal year 2012.

Adjustments includes equipment purchased and acquired by transfer in the previous fiscal year that was not recorded. See Finding 12-6.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30, 2012 and 2011**

	Fiscal Year	
	2012	2011
<u>General Revenue Fund 001</u>		
Interfund cash transfer from Illinois Power Agency Trust Fund	\$ -	\$ 1,044,272
<u>Illinois Power Agency Operations Fund 425</u>		
Interfund cash transfer from Illinois Power Agency Trust Fund	-	704,321
Bidder and supplier fees	2,840,738	9,371,311
Refunds of expenditures	116	249,956
Sub-total	<u>2,840,854</u>	<u>10,325,588</u>
<u>Illinois Power Agency Renewable Energy Resources Fund 836</u>		
Receipts from loan made to other fund	6,710,000	-
Receipts for alternative compliance payments	<u>5,606,245</u>	<u>7,148,261</u>
Sub-total	<u>12,316,245</u>	<u>7,148,261</u>
<u>Illinois Power Agency Trust Fund 424</u>		
Receipts from loan made to other fund	24,300,000	-
Interest deposited directly into the State Treasury	<u>212,184</u>	<u>44,853</u>
Sub-total	<u>24,512,184</u>	<u>44,853</u>
Total Receipts	<u><u>\$ 39,669,283</u></u>	<u><u>\$ 18,562,974</u></u>

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For the Years Ended June 30, 2012 and 2011

	Fiscal Year	
	2012	2011
<u>General Revenue Fund 001</u>		
Receipts per Agency records	\$ -	\$ 1,044,272
Deposits per Comptroller	-	1,044,272
<u>Illinois Power Agency Trust Fund 424</u>		
Receipts per Agency records	24,512,184	44,853
Deposits per Comptroller	24,512,184	44,853
<u>Illinois Power Agency Operations Fund 425</u>		
Receipts per Agency records	2,840,854	10,325,588
Reconciling Items		
Plus Cash on hand beginning of year	-	1,423,632
Plus Deposits in transit beginning of year	44,425	-
Less Refunds of Prior Year Expenditures	(116)	-
Less Deposits in transit end of year	(1,165,003)	(44,425)
Deposits per Comptroller	1,720,160	11,704,795
<u>Illinois Power Agency Renewable Energy Resources Fund 836</u>		
Receipts per Agency records	12,316,245	7,148,261
Deposits per Comptroller	12,316,245	7,148,261
Total Receipts per Agency Records	<u>\$ 39,669,283</u>	<u>\$ 18,562,974</u>

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Fiscal Years Ended June 30, 2012 and 2011**

The following are explanations for expenditures which differed by at least \$270,000 and by more than 20% from the previous year.

<u>Fund, Account (if Applicable) and Explanation</u>	Fiscal Year	
	2012	2011
<u>NON-APPROPRIATED FUNDS</u>		
Illinois Power Agency Trust Fund 424		
Interfund Borrowing to General Revenue Fund	\$ -	\$ 24,331,000
The decrease is due to no additional interfund borrowing during fiscal year 2012.		
Interfund Cash Transfers	\$ 24,863,930	\$ -
At the end of fiscal year 2012, the Agency transferred the fund's cash equity in the State Treasury to the Illinois State Board of Investment in order to improve the fund's return on investment.		
Illinois Power Agency Operations Fund 425		
Interfund Borrowing to General Revenue Fund	\$ -	\$ 3,321,500
The decrease is due to no additional interfund borrowing during fiscal year 2012.		
Illinois Power Agency Renewable Energy Resources Fund 836		
Interfund Borrowing to General Revenue Fund	\$ -	\$ 6,710,000
The decrease is due to no additional interfund borrowing during fiscal year 2012.		

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Fiscal Years Ended June 30, 2012 and 2011

The following are explanations for receipts which differed by at least \$270,000 and by more than 20% from the previous year.

<u>Fund, Account (if Applicable) and Explanation</u>	Fiscal Year	
	2012	2011
General Revenue Fund 001		
Interfund cash transfer from Illinois Power Agency Trust Fund In fiscal year 2011, Fund 424 (in accordance with State statutes) reimbursed Fund 001 for expenditures made in prior fiscal years from Fund 001 when there was no appropriation for Fund 425. No similar transfer was made in fiscal year 2012.	\$ -	\$ 1,044,272
Illinois Power Agency Trust Fund 424		
Receipts from loan made to other fund The increase of receipts in fiscal year 2012 is due to a repayment from Fund 001 of a loan pursuant to 30 ILCS 105-5h. No repayment was made in fiscal year 2011.	\$ 24,300,000	\$ -
Illinois Power Agency Operations Fund 425		
Interfund cash transfer from Illinois Power Agency Trust Fund The decrease of receipts for fiscal year 2012 is due to no interfund cash transfer of interest earned by Fund 424 pursuant to 30 ILCS 105/6z-75(c). No appropriation was granted to transfer interest from Fund 424 for fiscal year 2012.	\$ -	\$ 704,321
Bidder and supplier fees The decrease of receipts for fiscal year 2012 is due to a decrease in the recovery of fees for the competitive procurement processes. The fees collected for the Rate Stability Procurement pursuant to section k-5 of the Illinois Public Utilities Act as amended by Public Act 97-0616 in fiscal year 2012 were substantially less than those collected for the Long Term Power Purchase Agreements procurement in fiscal year 2011 pursuant to ICC Order 09-0373 due to a lower number of procurements in fiscal year 2012.	\$ 2,840,738	\$ 9,371,311
Illinois Power Agency Renewable Energy Resources Fund 836		
Receipts from loan made to other fund The increase of receipts in fiscal year 2012 is due to a repayment from Fund 001 of a loan pursuant to 30 ILCS 105-5h. No repayment was made in fiscal year 2011.	\$ 6,710,000	\$ -
Receipts for alternative compliance payments Alternative compliance payments are primarily received during July through September for the previous year. The decrease of receipts in fiscal year 2012 is due to fiscal year 2011's decrease in the rate used to calculate the alternative compliance payments compared to fiscal year 2010.	\$ 5,606,245	\$ 7,148,261

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Fiscal Year Ended June 30, 2012**

During fiscal year 2012 the Agency did not incur any significant (\$270,000 or more and 20% or more of total expenditures) lapse period spending.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES
For the Years Ended June 30, 2012 and 2011**

The following are explanations for cash balances, receivables, due to/from other State funds, and unavailable revenue, which differed by at least \$270,000 and by more than 20% from the previous year.

<u>Fund, Account (if Applicable) and Explanation</u>	<u>Fiscal Year</u>	
	<u>2012</u>	<u>2011</u>
	(in thousands)	
Illinois Power Agency Trust Fund 424		
Cash Equity in State Treasury	\$ 24,863	\$ 397
The increase of \$24,466,000, or 6,163%, from fiscal year 2011 to fiscal year 2012 was due primarily to the repayment of the interfund borrowing by the General Revenue Fund.		
Securities Lending Collateral Equity of State Treasurer	1,944	155
The increase of \$1,789,000, or 1,154%, from fiscal year 2011 to fiscal year 2012 was entirely due to the allocation made by the State Treasurer.		
Due from Other State Funds	31	24,442
The decrease of \$24,411,000, or 100%, from fiscal year 2011 to fiscal year 2012 was due primarily to the repayment of the interfund borrowing by the General Revenue Fund.		
Obligations under securities lending of State Treasurer	1,944	\$ 155
The increase of \$1,789,000, or 1,154%, from fiscal year 2011 to fiscal year 2012 was entirely due to the allocation made by the State Treasurer.		

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES - CONTINUED
For the Years Ended June 30, 2012 and 2011

<u>Fund, Account (if Applicable) and Explanation</u>	Fiscal Year	
	2012	2011
	(in thousands)	
Illinois Power Agency Operations Fund 425		
Cash Equity in State Treasury	2,858	4,538
The decrease of \$ 1,680,000, or 37%, from fiscal year 2011 to fiscal year 2012 was primarily due the \$667,000 increase in receivables and \$876,000 decrease in payables. The operations of the Agency are primarily set up to recover its costs.		
Other Receivables, Net	2,631	1,964
The increase of \$667,000, or 34%, from fiscal year 2011 to 2012 is primarily related to the timing of reimbursement fees due from utilities and mediation consultant fees.		
Accounts payable and accrued liabilities	1,689	2,565
The decrease of \$876,000, or 34%, from fiscal year 2011 to fiscal year 2012 is primarily due a decrease in expenditures paid during the lapse period for products/services provided during the last month of the fiscal year.		
Unavailable Revenue	831	497
The increase of \$ 334,000, or 67%, from fiscal year 2011 to fiscal year 2012 was due primarily to the timing of bidder, supplier and reimbursement fees. Fewer receivables were collected before the end of the lapse period than the previous year.		

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF SIGNIFICANT ACCOUNT BALANCES - CONTINUED
For the Years Ended June 30, 2012 and 2011

<u>Fund, Account (if Applicable) and Explanation</u>	Fiscal Year	
	2012	2011
	(in thousands)	
Illinois Power Agency Renewable Energy Resources Fund 836		
Cash Equity in State Treasury	\$ 12,755	\$ 438
The increase of \$12,317,000, or 2,812%, from fiscal year 2011 to fiscal year 2012 was due primarily to the repayment of the interfund borrowing by the General Revenue Fund and collection of the fiscal year 2011 receivables.		
Other Receivables, net	2,168	5,606
The decrease of \$ 3,438,000, or 61%, from fiscal year 2011 to fiscal year 2012 was due primarily to significant rate reductions for alternative compliance payments (ACP) by utilities.		
Due from Other State Funds	-	6,710
The decrease of \$ 6,710,000, or 100%, from fiscal year 2011 to fiscal year 2012 was due primarily to the repayment of interfund borrowing by the General Revenue Fund.		
Unavailable Revenue	1,399	4,969
The decrease of \$3,570,000, or 72%, from fiscal year 2011 to fiscal year 2012 was due primarily to the timing of ACP receipts from the Illinois Commerce Commission and the significant rate reduction noted above.		

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Year Ended June 30, 2012
(in thousands)**

	Current Receivables*	Aged Accounts Receivable				Total Receivables	Allowance for Doubtful Accounts	
		1 - 30 Days	31 - 90 Days	1 - 180 Days	181 Days - 1 Year			Over 1 Year
Illinois Power Agency Operations Fund 425	\$ 1,520	\$ -	\$ -	\$ -	\$ 373	\$ 738	\$ 2,631	\$ -
Illinois Power Agency Renewable Energy Fund 836	2,168	-	-	-	-	-	2,168	-
Total	<u>\$ 3,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ 738</u>	<u>\$ 4,799</u>	<u>\$ -</u>

* Includes both billed receivables and accrued fees earned by the Illinois Power Agency that had not been billed as of June 30, 2012

Note: Receivables for Fund 425 are collected by the Illinois Power Agency. Delinquent accounts are set up with the Comptroller's Offset System and with private collection firms. Receivables for Fund 836 are collected by the Illinois Commerce Commission.

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
DESCRIPTION AND PURPOSE OF STATE TREASURY FUNDS
For the Fiscal Year Ended June 30, 2012
(Amounts in thousands)

Fund Name	Fund Number	Purpose of Fund	Fund Balance as of June 30, 2012
General Revenue Fund	001	Created as a general fund in the State Treasury. The fund was used for the operations of the Agency in fiscal years 2008 and 2009, which constituted an advance that the Agency repaid from Fund 424 in the fiscal year 2010 lapse period. There was no activity in this fund during fiscal year 2012.	\$ -
Illinois Power Agency Trust Fund	424	Created as a special fund in the State Treasury. Fund may accept, receive, and administer any grants, loans or other funds made available to it by any source. Any funds received by the Fund shall not be considered income, but shall be added to the principal of the Fund.	24,895
Illinois Power Agency Operations Fund	425	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for Agency operations as specified in the Illinois Power Agency Act.	6,291
Illinois Power Agency Facilities Fund	426	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for costs incurred in connection with the development and construction of a power facility by the Agency as well as costs incurred in connection with the operation and maintenance of an Agency facility. There was no activity in this fund during fiscal year 2012.	-
Illinois Power Agency Debt Service Fund	427	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for retirement of revenue bonds issued for any Agency facility. There was no activity in this fund during fiscal year 2012.	-
Illinois Power Agency Renewable Energy Fund	836	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for procurement of renewable energy resources. This fund was created in fiscal year 2010.	13,524

Funds balances were reported above on the modified accrual basis of accounting.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2012**

AGENCY FUNCTIONS AND PLANNING PROGRAM (Unaudited)

The Illinois Power Agency (Agency) was created by the Illinois Power Agency Act of the General Assembly (Public Act 095-0481) in fiscal year 2008.

The Agency's mission is to (a) develop procurement plans to ensure adequate, reliable, affordable, efficient and environmentally sustainable electric service at the lowest cost over time, (b) conduct competitive procurement processes to procure the supply resources identified in the procurement plan, (c) develop electric generation and co-generation facilities that use indigenous coal or renewable resources, or both, financed with bonds issued by the Illinois Finance Authority, and (d) supply electricity from the Agency's facilities at cost to one or more of the following: municipal electric systems, governmental aggregators, or rural electric cooperatives in Illinois.

During fiscal year 2012, the Agency developed a Procurement Plan, which was approved by the Illinois Commerce Commission (Commission) in December 2011. The agency held electricity and renewable resource supply procurement events in accordance with the approved Plan, and additional procurement events (the Rate Stability Procurements) were held in accordance with Public Act 97-0616. These were held for both Ameren and ComEd. The Rate Stability Procurements involved the separate purchase of block energy and renewable resource products for each of the two utilities. The Procurement Plan procurements were for separate energy and renewable products for ComEd and separate energy, capacity and renewable resource products for Ameren. In all procurement events, bidder participation fees were assessed, as determined by the Agency. Additionally, successful bidders were assessed supplier fees. These are determined by a formula based upon the volume awarded to each winning bidder and a unit price. The unit price is determined by the Procurement Administrators in collaboration with the Agency and is designed to recoup the costs of conducting the procurement event, including the amount paid by the Agency to the Procurement Administrators. The results of all the procurement events are available at http://www2.illinois.gov/ipa/Pages/Prior_Approved_Plans.aspx.

Additionally, during fiscal year 2012, the Agency received alternative compliance payments (ACP's). By law, all alternative retail energy suppliers (ARES) are required to produce or procure a certain amount of renewable energy resources in order to meet Renewable Portfolio Standard (RPS) targets. ARES can meet their obligations in one of two ways:

- a. Actually producing or purchasing energy from renewable sources, or
- b. Making alternative compliance payments.

At least 50% of an ARES' base RPS compliance must come from making ACP payments. The compliance period for energy suppliers is June 1 to May 31. At the end of each compliance period, each ARES must produce a report documenting its retail sales for the compliance period. The report is used to calculate the amount due. The report and payment are submitted to the Commission, which then deposits the payment into the Illinois Power Agency Renewable Energy Fund (Fund 836) maintained by the Agency. The ACP's are due September 1st.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2012**

The Director is responsible for all functions of the Illinois Power Agency and completion of the statutory and contractually assigned duties and responsibilities of the Agency. The Illinois Power Agency maintains an office at 160 N. LaSalle, Suite C-504, Chicago IL 60601.

The Illinois Power Act (20 ILCS 3855/1-70) required the Agency to establish a Planning and Procurement Bureau and a Resource Development Bureau; however, the Bureaus had not been established. In fact, the Acting Director, Chief Legal Counsel and Chief Financial Officer were the sole staff as of June 30, 2012.

In addition, the Agency had not adopted formal rules for the operation, administration and accounting, and reporting of the Agency.

Agency Planning Program

The Illinois Power Agency does not have a formal planning program.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF OPERATIONS
For the Years Ended June 30, 2012 and 2011**

DIRECTOR'S SALARY (Unaudited)

	Fiscal Year	
	2012	2011
Appropriation - Director	\$ 103,800	\$ 103,800
Expenditure - Director	103,113	99,028
Lapsed Balances - Director	\$ 687	\$ 4,772

Note: The Director's Salary is appropriated to the Office of the State Comptroller

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2012 and 2011**

AVERAGE NUMBER OF EMPLOYEES (Unaudited)

The following table, prepared from Agency records, presents the average number of employees, by function for the Fiscal Years ended June 30,

	<u>2012</u>	<u>2011</u>
Procurement Planning	1	1
Administrative Services	<u>1.3</u>	<u>0.5</u>
Total Average full-time employees	<u>2.3</u>	<u>1.5</u>

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2012**

SERVICE EFFORTS AND ACCOMPLISHMENTS (Unaudited)

The Illinois Power Agency facilitates the provision of adequate, reliable, affordable, efficient and environmentally sustainable electric service to eligible customers at the lowest total cost over time, taking into account any benefits of price stability, and carries out other duties as provided by law.

Planning and Procurement

<u>Output Indicators</u>	<u>2012</u>	<u>2011</u>
• Number of alternate retail suppliers (residential) doing business in the Ameren region as of May	10	3
• Number of alternate retail suppliers (residential) doing business in the ComEd region as of May	27	8
• Number of residential customers in the Ameren region taking fixed price supply as of May	956,043	1,042,821
• Number of residential customers in the ComEd region taking fixed price supply as of May	2,993,667	3,371,501