

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL AUDIT
INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
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For the Year Ended June 30, 2022**

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**STATE OF ILLINOIS
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For the Year Ended June 30, 2022**

AGENCY OFFICIALS

Director (Acting) (October 1, 2022 – Present) Mr. Brian Granahan

Director (July 1, 2021 – September 30, 2022) Mr. Anthony Star

Administrative Services

Chief Financial Officer (December 16, 2022 – Present) Mr. Kevin Hayes

Chief Financial Officer (July 1, 2022 – December 15, 2022) Vacant

Chief Financial Officer (July 1, 2021 – June 30, 2022) Ms. Gloria Gibson

Chief Legal Counsel (Acting) (October 1, 2022 - Present) Ms. Kelly Turner

Chief Legal Counsel (July 1, 2021 – September 30, 2022) Mr. Brian Granahan

Chief Operating Officer Mr. Sanjay Patel

Planning and Procurement Bureau

Bureau Chief (Acting) (June 3, 2022 – Present) Mr. Anthony Star

Bureau Chief (September 1, 2021 – June 3, 2022) Mr. Doug Stinner

The Agency's office is located at:

105 W. Madison Street, Suite 1401
Chicago, Illinois 60602

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL AUDIT
INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency was performed by Plante Moran, PLLC.

Based on their audit, the auditors expressed unmodified opinions on the basic financial statements of the Illinois Power Agency Trust Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund.

SUMMARY OF FINDINGS

| Number of | <u>Current Report</u> | <u>Prior Report</u> |
|---|------------------------------|----------------------------|
| Findings | 1 | 0 |
| Repeated Findings | 0 | 0 |
| Prior Recommendations Implemented or Not Repeated | 0 | 0 |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|-------------------------|-------------|----------------------------|--|-------------------------------------|
| Current Findings | | | | |
| 2022-001 | 23 | New | Inadequate Controls over Financial Statement Close Processes | Material Weakness and Noncompliance |

EXIT CONFERENCE

The Agency waived an exit conference and provided finding response in a correspondence from Kevin Hayes, CFO, on April 26, 2023.

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Audit of the Financial Statements

Opinions

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency as of and for the year ended June 30, 2022 and the related notes to the financial statements, as listed in the table of contents.

In our opinion, based on our report and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency as of June 30, 2022 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which represents 100 percent of the assets, fund balance, and revenue of the Illinois Power Agency Trust Fund as of and for the year ended June 30, 2022. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Illinois Power Agency Trust Fund, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the State of Illinois, Illinois Power Agency and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Frank J. Mautino
Auditor General
State of Illinois

Emphasis of Matter

As discussed in Note 2, the financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Power Agency as of June 30, 2022 and the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Honorable Frank J. Mautino
Auditor General
State of Illinois

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2023, on our consideration of the State of Illinois, Illinois Power Agency’s internal control over financial reporting of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund 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 solely 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 effectiveness of 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* in considering the State of Illinois, Illinois Power Agency’s internal control over financial reporting of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund and its compliance.

Restricted Use of This Auditor’s Report

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 the State of Illinois, Illinois Power Agency’s management and is not intended to be and should not be used by anyone other than these specified parties.



Southfield, Michigan
May 24, 2023

Original signature on file

State of Illinois
Illinois Power Agency
Individual Nonshared Governmental Funds
Balance Sheet
June 30, 2022
(Expressed in Thousands)

| | <u>Special Revenue</u> | | <u>Permanent Trust</u> |
|--|--|--|---|
| | <u>Illinois Power Agency Operations 0425</u> | <u>Illinois Power Agency Renewable Energy Resources 0836</u> | <u>Illinois Power Agency Trust 0424</u> |
| Assets | | | |
| Cash equity in State Treasury | \$ 5,572 | \$ 130,056 | \$ 100 |
| Securities lending collateral equity with State Treasurer | - | - | 1 |
| Investments - held in the Illinois State Board of Investment Commingled Fund at fair value | - | - | 41,520 |
| Other receivables, net | 248 | - | - |
| Due from other State funds | 83 | - | - |
| Total assets | <u>\$ 5,903</u> | <u>\$ 130,056</u> | <u>\$ 41,621</u> |
| Deferred Outflows of Resources (DOR) | | | |
| | - | - | - |
| Total DOR | - | - | - |
| Total assets and DOR | <u>\$ 5,903</u> | <u>\$ 130,056</u> | <u>\$ 41,621</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 2,852 | \$ 1,123 | \$ - |
| Due to other government - local | - | 60 | - |
| Bid deposits | - | 2,272 | - |
| Obligations under securities lending of State Treasurer | - | - | 1 |
| Due to other State funds | 23 | - | 100 |
| Total liabilities | <u>2,875</u> | <u>3,455</u> | <u>101</u> |
| Deferred Inflows of Resources (DIR) | | | |
| | - | - | - |
| Total DIR | - | - | - |
| Fund Balances | | | |
| Nonspendable - endowments and similar funds | - | - | 41,520 |
| Committed | | | |
| Employment and economic development | 3,028 | 126,601 | - |
| Total fund balance | <u>3,028</u> | <u>126,601</u> | <u>41,520</u> |
| Total liabilities, DIR, and fund balances | <u>\$ 5,903</u> | <u>\$ 130,056</u> | <u>\$ 41,621</u> |

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

State of Illinois
Illinois Power Agency
Individual Nonshared Governmental Funds
Statements of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2022
(Expressed in Thousands)

| | <u>Special Revenue</u> | | <u>Permanent Trust</u> |
|--|--|--|---|
| | <u>Illinois Power Agency Operations 0425</u> | <u>Illinois Power Agency Renewable Energy Resources 0836</u> | <u>Illinois Power Agency Trust 0424</u> |
| Revenues | | | |
| Licenses and fees | \$ 5,519 | \$ - | \$ - |
| Interest and other investment income | - | - | (2,913) |
| Other revenues | - | 141 | - |
| Total revenues | <u>5,519</u> | <u>141</u> | <u>(2,913)</u> |
| Expenditures | | | |
| Employment and economic development | 11,341 | 11,926 | - |
| Lease Principal | 94 | - | - |
| Lease Interest | 6 | - | - |
| Total expenditures | <u>11,441</u> | <u>11,926</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,922)</u> | <u>(11,785)</u> | <u>(2,913)</u> |
| Other financing sources (uses) | | | |
| Transfers in | 3,439 | - | - |
| Transfers in from other State fund | 2,000 | - | - |
| Transfers out | - | - | (3,439) |
| Net other financing sources (uses) resources | <u>5,439</u> | <u>-</u> | <u>(3,439)</u> |
| Net change in fund balances | <u>(483)</u> | <u>(11,785)</u> | <u>(6,352)</u> |
| Fund balances, July 1, 2021 | <u>3,511</u> | <u>138,386</u> | <u>47,872</u> |
| Fund Balances, June 30, 2022 | <u>\$ 3,028</u> | <u>\$ 126,601</u> | <u>\$ 41,520</u> |

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

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(1) Organization

The Illinois Power Agency (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 actively administers four individual nonshared governmental funds - the Illinois Power Agency Operations Fund, the Illinois Power Agency Trust Fund, the Illinois Power Agency Investment Fund, and the Illinois Power Agency Renewable Energy Resources Fund (collectively, "Funds") - described within these Notes to the Financial Statements. A nonshared fund is a fund in which a single agency of the State is responsible for administering substantially all of the financial transactions of the fund. Each of the Funds operate under a budget approved by the Illinois General Assembly in which resources are appropriated for the use of the Agency to meet each one of the Funds' specific mission and functions as described within the Illinois Compiled Statutes and the Illinois Administrative Code. All funds appropriated to the Agency from each one of the Funds and all cash received for each one of the Funds are under the custody and control of the State Treasurer.

The Agency, created in Fiscal Year 2008, 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. 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 (CMS), 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.

(2) Summary of Significant Accounting Policies

The financial statements of the Funds have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governmental funds, as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate user understanding of the Funds' financial statements, significant accounting policies are summarized below.

(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.

The financial statements only present the Funds administered by the Agency and do not purport to, and do not, present fairly the financial position of the Agency or the State as of June 30, 2022, nor changes in the Agency or State's financial position for the year ended in conformity with GAAP.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(2) Summary of Significant Accounting Policies – Continued

(a) Financial Reporting Entity - Continued

The Funds are not legally separate from the State; therefore, the financial information of the Funds are included in the financial statements of the State. The State's Annual Comprehensive Financial Report (ACFR) may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871, or accessing its website at www.illinoiscomptroller.gov.

(b) Basis of Presentation

In government, the basic reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, inflows, outflows, and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A balance sheet and statement of revenues, expenditures, and changes in fund balance have been presented for the Funds administered by the Agency.

The Agency administers the following fund types:

Governmental Fund Type:

Special Revenue:

These funds account for resources obtained from specific revenue sources that are legally restricted or committed 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.

Illinois Power Agency Operations Fund – 425

This fund was created as a special fund in the State Treasury. The fund is administered by the Agency for Agency operations as specified in the Illinois Power Agency Act. Funding sources include charges for services through fee reimbursements as provided by the Illinois Power Agency Act, transfers of interest and investment income from the Illinois Power Agency Trust Fund, and Statutory Transfers from other State Funds.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(2) **Summary of Significant Accounting Policies – Continued**

(b) ***Basis of Presentation - Continued***

Illinois Power Agency Renewable Energy Resources Fund – 836

This fund was created as a special fund in the State Treasury. This fund is administered by the Agency for the procurement of renewable energy resources. This fund's funding source was Alternative Compliance Payments remitted by Alternative Retail Electric Suppliers to comply with the State's Renewable Portfolio Standard established by the Public Utilities Act.

Permanent:

These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.

Illinois Power Agency Trust Fund – 424

This fund was created as a special fund in the State Treasury. This fund has two distinct purposes:

- 1) This fund may accept, receive, and administer any grants, loans, or other funds made available to it by any source. Any funds received except for interest and investment income shall not be considered income but shall be added to the principal of the Illinois Power Agency Trust Fund. These amounts shall be interfund cash transferred to the Illinois Power Agency Investment Fund to be held for investment by the Illinois State Board of Investment for the purpose of obtaining a total return on investments for the long term as described in the State Finance Act (30 ILCS 105/6z-75).
- 2) This fund may accept cash transfers of investment income from the Illinois Power Agency Investment Fund for interfund cash transfer, subject to appropriations from the Illinois General Assembly, to the Illinois Power Agency Operations Fund as described in the State Finance Act (30 ILCS 105/6z-75).

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(2) **Summary of Significant Accounting Policies – Continued**

(b) Basis of Presentation - Continued

Illinois Power Agency Investment Fund – 1408

This fund was created as a locally held fund held by the Illinois State Board of Investment outside of the State Treasury. Any funds received by the Illinois Power Agency Investment Fund from the Illinois Power Agency Trust Fund shall not be considered income but shall be added to the principal of the Fund. In addition, the Agency may interfund cash transfer, subject to the maximum appropriation for the Illinois Power Agency Trust Fund from the Illinois General Assembly, up to 90% of the annual investment income to the Illinois Power Agency Trust Fund for interfund cash transfer to the Illinois Power Agency Operations Fund. Any investment income not interfund cash transferred to the Illinois Power Agency Trust Fund for interfund cash transfer to the Illinois Power Agency Operations Fund shall not be considered income but shall be added to the principal of the Illinois Power Agency Investment Fund.

The Illinois Power Agency Investment Fund has been collapsed into the Illinois Power Agency Trust Fund for financial reporting purposes.

Funding sources for both permanent funds include interest accumulations deposited by the State Treasurer, investment income received through the Illinois State Board of Investment, and any grants, loans, or other funds made available to it by any source.

(c) Measurement Focus and Basis of Accounting

The 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 State 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 charges for services and interest and investment income. All other revenue sources including fines, licenses, and other miscellaneous revenues are considered to be measurable and available if they are collected within 60 days of the end of the current fiscal year.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(2) Summary of Significant Accounting Policies – Continued

(d) 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 in the Agency's clearing account and in process to the State Treasurer.

(e) Investments

Investments are reported at fair value. The Illinois State Board of Investment holds investments for the Illinois Power Agency Trust Fund within the Illinois Power Agency Investment Fund pursuant to the State Finance Act (30 ILCS 105/6z-75).

(f) Interfund Transactions

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

Interfund Loans are amounts provided with a requirement for repayment made in accordance with State law, 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 are 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 fund's balance sheet.

Reimbursements are 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.

Transfers are 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 governmental funds making transfers and as other financing sources in the governmental funds receiving transfers.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(2) **Summary of Significant Accounting Policies – Continued**

(g) **Fund Balances**

Fund balances are classified in the following categories:

Non-spendable – This consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The Illinois Power Agency Trust Fund had a non-spendable fund balance as of June 30, 2022.

Restricted – This consists of amounts that are restricted to specific purposes, which is when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted fund balances as of June 30, 2022.

Committed – This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Agency’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Agency removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Agency’s highest level of decision-making authority rests with the Illinois General Assembly and the Governor. The State passes “Public Acts” to commit its fund balances. The Illinois Power Agency Operations Fund, and the Illinois Power Agency Renewable Energy Resources Fund had committed fund balances as of June 30, 2022.

Assigned – This consists of net amounts that are constrained by the Agency’s intent to be used for specific purposes, but that are neither restricted nor committed. Fund balance assignments can only be removed or changed by action of the General Assembly. There were no assigned fund balances as of June 30, 2022.

Unassigned – This consists of residual fund balance (deficit) that has not been designated for specific purposes within the Funds. There were no unassigned fund balances as of June 30, 2022.

The Agency has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the policy is to use committed resources first, then assigned. Unassigned amounts are only used after the other resources have been used.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(2) Summary of Significant Accounting Policies – Continued

(h) 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, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(i) Future Adoption of GASB Statements

Effective for the year ending June 30, 2023, the Agency will adopt the following GASB statements:

Statement No. 91, Conduit Debt Obligations, which is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with

(1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Upon the Agency's adoption of Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, the effective date of the Statement was delayed for the Agency until the fiscal year ended June 30, 2023.

Statement No. 94, Public-Private and Public-Public Partnerships and Available Payment Arrangements, establishes standards of reporting for Public-Private Partnerships (PPPs) and Availability Payment Arrangements (APA's) to improve comparability of financial statements among governments that enter into these types of agreements. The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

Statement No. 96, Subscription-Based Information Technology Arrangements, which is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

The portion of Statement No. 99, Omnibus 2022, which is intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements.

Effective for the year ending June 30, 2024, the Agency will adopt the following GASB statements:

The portion of Statement No. 99, Omnibus 2022, related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No 53.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

Future Adoption of GASB Statements - Continued

Statement No. 100, *Accounting Changes and Error Corrections*, which is intended to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Effective for the year ending June 30, 2025, the Agency will adopt the following GASB statements:

Statement No. 101, *Compensated Absences*, which is intended to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The Agency has not yet determined the impact of adopting these statements on its financial statements.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the Fund's deposits and investments for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer at June 30, 2022, including cash on hand and cash in transit, totaled \$5.572 million for the Illinois Power Agency Operations Fund, \$130 million for the Illinois Power Agency Renewable Energy Resources Fund, and \$100 thousand for the Illinois Power Agency Trust Fund. 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 Funds do not own individual securities. Details on the nature of these deposits are available within the State's ACFR.

(b) Investments

The Illinois State Board of Investment, an internal investment pool of the State, holds the investments within the Illinois Power Agency Investment Fund pursuant to the State Finance Act (30 ILCS 105/6z-75). At June 30, 2022, total investments were \$41.520 million.

The Illinois State Board of Investment manages all assets held by it within a single commingled fund. Disclosures pertaining to these investments are included in the financial statements of the Illinois State Board of Investment. A copy of the financial statements of the Illinois State Board of Investment may be obtained by writing to the Illinois State Board of Investment, 180 North LaSalle Street, Suite 2015; Chicago, Illinois, 60601.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(4) Other Receivables

The balance of Other Receivables for the Illinois Power Agency Operations Fund includes reimbursements owed to the Agency, totaling \$248 thousand.

(5) Interfund Balances and Activity

Interfund transfer activity during the year ended June 30, 2022 consisted of the following:

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2022, were as follows:

| Fund | Transfer in from Other Agency Funds | Description/Purpose |
|--|--|---|
| Illinois Power Agency Operations Fund | 3,439 | Operating Transfer of ISBI Funds per 30 ILCS 105/6z-27 |
| | 3,439 | |

Interfund transfers in from the Department of Commerce and Economic Opportunity (amounts expressed in thousands) for the year ended June 30, 2022, were as follows:

| Fund | Transfer in from Other State Funds | Description/Purpose |
|--|---------------------------------------|--|
| Illinois Power Agency Operations Fund | 2,000 | Mandatory Transfer pursuant to 20 ILCS 605/605-1075 |
| Total: | 2,000 | |

**STATE OF ILLINOIS
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June 30, 2022

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2022, were as follows:

| Fund | Transfers out to Other Agency Funds | Description/Purpose |
|-----------------------------|--|---|
| Illinois Power Agency Trust | 3,439 | Operating Transfer of ISBI Funds per 30 ILCS 105/6z-27 |
| Total: | <u>3,439</u> | |

The State Finance Act (30 ILCS 105/5h.5) authorized interfund borrowing and in Fiscal Year 2018 \$150 million was transferred from the Illinois Power Agency Renewable Energy Resources Fund to the General Revenue Fund, with \$37.5 million repaid in Fiscal Year 2019. Subsequently in Fiscal Year 2021, two additional transfers of \$10 million each were made, one to the General Revenue Fund, and the other to the Health Insurance Reserve Fund. As of June 30, 2022 all funds borrowed had been repaid to the Agency.

The following presents the Funds' interfund balances and activities at June 30, 2022:

The following balances (in thousands) represents amounts due to other funds:

| Fund | Due To Other State Funds | Description/Purpose |
|--|-----------------------------|--|
| Illinois Power Agency Trust | 17 | Payment for services Operating Transfer of ISBI |
| Illinois Power Agency Trust | 83 | Funds per 30 ILCS 105/6z-27 |
| Illinois Power Agency Operations Fund | 23 | Payment For Services |
| Total: | <u>123</u> | |

The following balances (in thousands) represents amounts due from other funds:

| Fund | Due From Other State Funds | Description/Purpose |
|-------------------------------------|-------------------------------|---|
| Illinois Power Agency Operations | 83 | Interfund Loan Pursuant to the State Finance Act (30 ILCS 105/5h.5) |
| Total: | <u>83</u> | |

**STATE OF ILLINOIS
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(6) 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 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 2022 are included in the State of Illinois' ACFR for the year ended June 30, 2022. The SERS also issues a separate ACFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of 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' ACFR. 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 its payrolls. For Fiscal Year 2022, the employer contribution rate was 56.169% and the Illinois Power Agency Operations Fund made contributions of \$802 thousand.

(7) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the CMS. 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 Employees' 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.

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 State's ACFR.

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.

**STATE OF ILLINOIS
ILLINOIS POWER AGENCY**

Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2022

(7) Post-employment Benefits - Continued

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 is included as an integral part of the financial statements of CMS. A copy of the financial statements of CMS may be obtained by writing to CMS, 715 Stratton Building, 401 South Spring Street, Springfield, Illinois, 62706.

(8) Risk Management

The Funds are 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 Funds' risk management activities for self-insurance, unemployment insurance, and workers' compensation are financed through appropriations to the 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 Funds; and accordingly, have not been reported in the Funds' financial statements for the year ended June 30, 2022.

(9) Commitments and Contingencies

(a) Lessee arrangements

The Agency has entered into a lease for an office facility with an initial lease term for three years ending on December 31, 2023. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. The Agency recorded lease payments totaling \$100 thousand during Fiscal Year 2022 in the Illinois Power Agency Operations Fund.

Lease Payment Schedule

| Year | Payment | Principal | Interest |
|-------|------------------|------------------|----------------|
| 2023 | \$ 99,966 | \$ 96,928 | \$3,038 |
| 2024 | <u>\$ 49,983</u> | <u>\$ 49,553</u> | <u>\$ 430</u> |
| Total | <u>\$149,949</u> | <u>\$146,481</u> | <u>\$3,468</u> |

(b) Renewable Energy Credits

During Fiscal Years 2015 and 2016, under the Supplemental Photovoltaic Procurement Plan developed pursuant to Public Act 98-0672, the Agency held procurements to purchase up to \$30 million in Renewable Energy Credits (RECs) from new photovoltaic distributed energy generation devices. Renewable energy credits are certificates that represent the environmental benefits of electricity generated from renewable energy generation, such as solar panels or wind turbines.

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Notes to the Financial Statements

June 30, 2022

(9) Commitments and Contingencies - Continued

(b) Renewable Energy Credits - Continued

A total of 14 companies have, or had, contracts to sell RECs to the Agency with contracts that started on or after, July 1, 2016, and with terms that allowed for up to nine months to identify individual projects, one year to develop projects, and then five years for the delivery of RECs as they are created. As of June 30, 2022, the outstanding commitment for those contracts totaled \$3.6 million.

Starting in Fiscal Year 2019 the Agency implemented the Illinois Solar for All Program which has a total of 18 companies with contracts with the Agency that include incentives for low-income distributed generation and community solar projects and other associated approved expenditures as stated in the (20 ILCS 3855/1-56(B)(2)). As of June 30, 2022, the total outstanding commitment for the contracts listed above is \$48 million.

(c) Vendor Dispute

As of June 30, 2022, the Agency has an ongoing dispute with the former Program Administrator of the Adjustable Block Program regarding application fees collected by that Program Administrator for project applications not processed, or partially processed prior to the end of their contract (June 30, 2022). As of the report date, the amount of fees at issue remains an open issue and is subject to ongoing settlement negotiations between the Agency and the vendor.

(10) Subsequent Events

The Agency is not aware of any additional facts, decisions, or conditions through the report date that might be expected to have a significant effect on the financial position or results of operations during this and future fiscal years.

**Independent Auditor’s 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 Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency (the “Agency”) as of and for the year ended June 30, 2022, and the related notes to the financial statements and we have issued our report thereon dated May 24, 2023, which contained an emphasis of matter paragraph stating the financial statements present only the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Power Agency as of June 30, 2022 and the changes in their financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our report includes a reference to other auditors who audited the financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, as described in our report on the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Power Agency’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Power Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Power Agency’s internal control.

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. A significant deficiency is a deficiency, or a 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.

Honorable Frank J. Mautino
Auditor General
State of Illinois

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Power Agency's financial statements are free from 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 financial statements. 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 are described in the accompanying schedule of findings as item 2022-001.

State of Illinois, Illinois Power Agency's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the State of Illinois, Illinois Power Agency's response to the finding identified in our audit and described in the accompanying schedule of findings. The State of Illinois, Illinois Power Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Original signature on file

Southfield, Michigan
May 24, 2023

ILLINOIS POWER AGENCY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Year Ended June 30, 2022

2022-001 FINDING – Inadequate Controls Over Financial Statement Close Process

The Illinois Power Agency (Agency) did not complete the final closing of its accounting records timely or within the timelines established by the Statewide Accounting Management System (SAMS) manual. In addition, the financial statements provided to auditors were not initially accurate.

The Agency’s year-end close process was completed over six months after year-end. The delayed procedures included delayed reconciliations of subsidiary ledgers to the general ledger for accounts receivable, accounts payable, revenue, and expenses. General ledger account balances were not appropriately stated on the trial balance and financial statements provided to auditors at the start of the audit process. The Agency’s Generally Accepted Accounting Principles (GAAP) reporting packages were submitted to the Comptroller’s Office on August 19, 2022 for Fund 424, Fund 425, and Fund 836, and on September 28, 2022 for Fund 1408. A complete set of GAAP basis financial statements were submitted on October 17, 2022.

Concepts Statement No. 1 of Governmental Accounting Standards Board, Objectives of Financial Reporting (GASBCS 1, paragraph 66), states, “If financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions”. 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 that revenue, expenditures and transfers of assets are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports. SAMS Procedure 27.10.10 states GAAP reporting packages are due between August 10 and August 31. Further SAMS Procedures 27.10.10 identifies the Agency as required to submit a complete set of GAAP basis financial statements (including footnote disclosures) to the Comptroller's Office by October 15th. Good internal controls require the Agency to have a timely year-end close process and the general ledger being complete and free of adjustments before financial statement audits begin.

Agency officials stated a vacancy in the Chief Financial Officer position for approximately six months during the audit period was the main cause of the financial statement preparation delays.

Failure to maintain adequate internal controls over year-end reconciliations and reports could result in untimely and inaccurate financial reporting. (Finding Code No. 2022-001)

ILLINOIS POWER AGENCY
A Component Unit of the State of Illinois
SCHEDULE OF FINDINGS – CURRENT FINDINGS (CONTINUED)
For the Two Years Ended June 30, 2022

Recommendation

We recommend the Agency timely prepare and submit GAAP basis reporting packages and financial statements to the Comptroller in accordance with the SAMS manual. Further, we recommend the trial balances and financial statements, when provided to auditors in a timely manner, are complete and accurate.

Agency Response

The Agency agrees with the finding. The Agency did not utilize the State's ERP system because of its inability to produce financial statements for the Agency as a standalone entity. The Agency is forced to use a separate accounting system to produce internal and external financial reports. The Agency hired a new Chief Financial Officer in December 2022 and is in the process of hiring a Senior Accountant to improve the capacity and proficiency of the Finance Bureau.