



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ENVIRONMENTAL PROTECTION AGENCY**  
**WATER REVOLVING FUND**

**Financial Audit**  
**For the Year Ended June 30, 2017**

**Release Date: February 1, 2018**

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS					
				Repeated Since	Category 1	Category 2	Category 3	No Repeat Findings	
	<u>New</u>	<u>Repeat</u>	<u>Total</u>						
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>						
<b>Category 2:</b>	<b>1</b>	<b>0</b>	<b>1</b>						
<b>Category 3:</b>	<u>0</u>	<u>0</u>	<u>0</u>						
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>						
<b>FINDINGS LAST AUDIT: 0</b>									

**INTRODUCTION**

This digest covers the financial audit of the Agency's Water Revolving Fund as of and for the year ended June 30, 2017. Our next engagement will include a State Compliance Examination of the entire Agency for the two years ending June 30, 2018.

**SYNOPSIS**

- (17-1) The Agency had weaknesses in its preparation of financial statements for the Water Revolving Fund and its corresponding reports filed with the Office of the State Comptroller.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial information is summarized on next page.}

**ENVIRONMENTAL PROTECTION AGENCY  
FINANCIAL AUDIT - WATER REVOLVING FUND  
For the Year Ended June 30, 2017**

<b>STATEMENT OF NET POSITION (in thousands)</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents.....	\$ 73,515	\$ 4,716
Securities lending collateral equity with State Treasurer.....	25,530	10,326
Loans and notes receivable.....	66,193	83,933
Other receivables.....	11,104	14,546
Due from federal government.....	218	285
Due from other funds.....	-	3,355
Due from component unit.....	7,994	3,320
Restricted assets - accrued interest receivable.....	12,041	3,778
Restricted assets - loans receivable .....	149,347	112,485
Prepaid expenses .....	1	-
Total current assets.....	<u>345,943</u>	<u>236,744</u>
Noncurrent Assets		
Loans and notes receivable, net of current portion.....	997,477	1,572,867
Restricted assets - loans receivable.....	2,450,558	1,367,490
Capital assets, net of accumulated depreciation.....	7	45
Total noncurrent assets.....	<u>3,448,042</u>	<u>2,940,402</u>
<b>Deferred Outflows of Resources</b>		
Deferred amount of pension liability.....	17,354	11,145
Deferred amount on refunding of long-term obligation.....	530	807
Total deferred outflows of resources.....	<u>17,884</u>	<u>11,952</u>
<b>Total Assets and Deferred Outflows of Resources.....</b>	<u><b>3,811,869</b></u>	<u><b>3,189,098</b></u>
<b>Liabilities</b>		
Total Current liabilities.....	25,885	12,090
Total Noncurrent liabilities.....	562,359	100,912
Total Liabilities.....	<u>588,244</u>	<u>113,002</u>
<b>Deferred Inflows of Resources</b>		
Deferred amount on pension liability.....	6,539	4,139
Deferred amount on refunding of long-term obligation.....	121	230
Total deferred inflows of resources.....	<u>6,660</u>	<u>4,369</u>
<b>Total Liabilities and Deferred Inflows of Resources.....</b>	<u><b>594,904</b></u>	<u><b>117,371</b></u>
<b>Net Position</b>		
Net investment in capital assets.....	(2)	19
Restricted for:		
Debt Service.....	2,612,355	1,484,330
Other Purposes.....	646,106	1,634,819
Unrestricted.....	(41,494)	(47,441)
<b>Total Net Position.....</b>	<u><b>\$ 3,216,965</b></u>	<u><b>\$ 3,071,727</b></u>

<b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)</b>	<b>2017</b>	<b>2016</b>
Operating Revenues.....	\$ 61,059	\$ 51,881
Operating Expenses.....	34,740	36,901
Operating Income.....	26,319	14,980
Nonoperating Revenues.....	131,126	108,664
Nonoperating Expenses.....	12,207	2,299
Change in Net Position.....	145,238	121,345
Net Position, Beginning of Year .....	3,071,727	2,950,382
Net Position, End of Year.....	<u>\$ 3,216,965</u>	<u>\$ 3,071,727</u>

**AGENCY DIRECTOR**  
During Engagement Period: Alec Messina  
Currently: Alec Messina

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**FINANCIAL STATEMENT PREPARATION  
WEAKNESSES**

The Agency had weaknesses in its preparation of financial statements for the Water Revolving Fund and its corresponding reports filed with the Office of the State Comptroller.

**System conversion resulted in the deletion/transfer of capital assets**

During testing, we noted the Agency deleted/transferred capital assets from the Fund, totaling \$405 thousand, when the Agency transferred from the Central Inventory System (CIS) to the Systems Applications and Products (SAP). As a result, capital assets and accumulated depreciation were understated by \$405 thousand and \$387 thousand, respectively. In addition, the current year depreciation expense was understated by \$11 thousand. (Finding 1, pages 43-44)

**Errors noted in several accounts**

We recommended the Agency implement procedures to ensure capital assets are recorded in an accurate and complete manner.

**Agency officials agree**

Agency officials agreed with the recommendation.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Agency's Water Revolving Fund as of and for the year ended June 30, 2017, are fairly stated in all material respects.

This financial audit was performed by the Office of the Auditor General's staff.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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