

STATE OF ILLINOIS
ILLINOIS POWER AGENCY
FINANCIAL AUDIT
INDIVIDUAL NONSHARED GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

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For the Year Ended June 30, 2021

AGENCY OFFICIALS

Director Mr. Anthony Star

Administrative Services

Chief Financial Officer Ms. Gloria Gibson

Chief Legal Counsel Mr. Brian Granahan

Chief Operating Officer Mr. Sanjay Patel

Planning and Procurement Bureau

Bureau Chief (July 1, 2020 – June 15, 2021) Mr. Mario Bohorquez

The Agency's office is located at:

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

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For the Year Ended June 30, 2021

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 financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	0	0
Repeated Findings	0	0
Prior Recommendations Implemented or Not Repeated	0	0

EXIT CONFERENCE

The Agency waived an exit conference in a correspondence from Gloria Gibson, CFO on February 23, 2022.

Independent Auditor's Report

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited 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 as of and for the year ended June 30, 2021 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the June 30, 2021 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements reflect total assets constituting 100 percent of the total assets on the Balance Sheet and 100 percent of the total revenues on the Statement of Revenues, Expenditures, and Changes in Fund Balances within the Illinois Power Agency Trust Fund for the year ended June 30, 2021. 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 investment activities of the Illinois State Board of Investment with the Illinois Power Agency Trust Fund, is based solely on the report of the other auditors. 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 from material misstatement.

Honorable Frank J. Mautino
Auditor General
State of Illinois

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the 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, 2021 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, 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, 2021 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.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison information for the special revenue funds 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 basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the financial statements are not affected by this missing information.

Honorable Frank J. Mautino
Auditor General
State of Illinois

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022 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; the Executive Ethics Commission; 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
March 17, 2022

ORIGINAL SIGNATURE ON FILE

State of Illinois
Illinois Power Agency
Individual Nonshared Governmental Funds
Balance Sheet
June 30, 2021
(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	\$ 2,929	\$ 9,759	\$ -
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	-	-	47,872
Other receivables, net	1,732	-	-
Due from other State funds	-	132,500	-
Total assets	<u>\$ 4,661</u>	<u>\$ 142,259</u>	<u>\$ 47,872</u>
Deferred Outflows of Resources (DOR)	-	-	-
Total DOR	-	-	-
Total assets and DOR	<u>\$ 4,661</u>	<u>\$ 142,259</u>	<u>\$ 47,872</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 563	\$ 1,762	\$ -
Bid deposits	-	2,111	-
Due to other State funds	587	-	-
Total liabilities	<u>1,150</u>	<u>3,873</u>	<u>-</u>
Deferred Inflows of Resources (DIR)	-	-	-
Total DIR	-	-	-
Fund Balances			
Nonspendable - endowments and similar funds	-	-	46,215
Committed			
Employment and economic development	3,511	138,386	1,657
Total fund balance	<u>3,511</u>	<u>138,386</u>	<u>47,872</u>
Total liabilities, DIR, and fund balances	<u>\$ 4,661</u>	<u>\$ 142,259</u>	<u>\$ 47,872</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
For the Year Ended June 30, 2021
(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	\$ 3,222	\$ -	\$ -
Interest and other investment income	-	-	10,126
Total revenues	<u>3,222</u>	<u>-</u>	<u>10,126</u>
Expenditures			
Employment and economic development	5,986	16,524	-
Interest	4	-	-
Total expenditures	<u>5,990</u>	<u>16,524</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,768)</u>	<u>(16,524)</u>	<u>10,126</u>
Other financing sources (uses)			
Transfers in	1,657	-	-
Transfers out	-	-	(1,657)
Transfer to other State Fund	-	-	(25)
Net other financing sources (uses) resources	<u>1,657</u>	<u>-</u>	<u>(1,682)</u>
Net change in fund balances	<u>(1,111)</u>	<u>(16,524)</u>	<u>8,444</u>
Fund balances, July 1, 2020	<u>4,622</u>	<u>154,910</u>	<u>39,428</u>
Fund Balances, June 30, 2021	<u>\$ 3,511</u>	<u>\$ 138,386</u>	<u>\$ 47,872</u>

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

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Individual Nonshared Governmental Funds
Notes to the Financial Statements

June 30, 2021

(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, 2021, nor changes in the Agency or State's financial position for the year ended in conformity with GAAP.

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Individual Nonshared Governmental Funds
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June 30, 2021

(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 and transfers of interest and investment income from the Illinois Power Agency Trust Fund.

Illinois Power Agency Debt Service Fund – 427

This fund was created as a special fund in the State Treasury. The fund shall be administered by the Agency for retirement of revenue bonds issued for any Agency

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facility. There were no account balances or activities in this fund during Fiscal Year 2021.

(2) Summary of Significant Accounting Policies – Continued

(b) Basis of Presentation - Continued

Illinois Power Agency Facilities Fund – 426

This fund was created as a special fund in the State Treasury. The 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 were no account balances or activities in this fund during Fiscal Year 2021.

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).

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- 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).

(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

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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.

(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,

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

(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, 2021.

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, 2021.

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 Trust Fund, the Illinois Power Agency Operations Fund, and the Illinois Power Agency Renewable Energy Resources Fund had committed fund balances as of June 30, 2021.

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, 2021.

Unassigned – This consists of residual fund balance that has not been designated for specific purposes within the Funds. There were no unassigned fund balances as of June 30, 2021.

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.

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(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, 2022, the Agency will adopt GASB Statement No. 87, *Leases*, which is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2022, the Agency will adopt GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost was incurred. The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2023, the Agency will adopt GASB Statement No. 91, *Conduit Debt Obligations*, defines a debt instrument issued in the State that is for the benefit of a third party primarily liable for repayment of the debt instrument. It Establishes standards for recognition, measurement, and disclosure for issuers. The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2022, the Agency will adopt GASB Statement No. 92, *Omnibus 2020, Reports of intra-entity transfers of assets between the primary government and Pensions/OPEB plans*. Reports of assets accumulated for defined benefit postemployment benefits through plans not administered through a trust. Exception to acquisition value in a government acquisition, as it relates to Asset Retirement Obligations (AROs). The terms derivative and derivatives should be replaced with derivative instrument and derivative instruments. The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2022, the Agency will adopt GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Affects agreements in which variable payments made or received are based on the London interbank Offered Rate (LIBOR). LIBOR is expected to cease to exist in its current form at the end of 2021 The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

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Effective for the year ending June 30, 2023, the Agency will adopt GASB Statement No. 94, *Public-Private and Public – Public Partnerships and Availability Payment Arrangements*, Establishes standards of reporting for PPP and 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.

Effective for the year ending June 30, 2023, the Agency will adopt GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Establishes a definition for SBITAs and provide uniform guidance on accounting and financial reporting of SBITAs. SBITs provide government with access to IT software and associated capital assets without granting governments a perpetual license or title to the software and assets. The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

Effective for the year ending June 30, 2022, the Agency will adopt GASB Statement No. 97, *Certain Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, To increase consistency and comparability related to the reporting of fiduciary component units when a component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform. To Mitigate costs associated with the reporting of certain defined contribution plans and to enhance the consistency and comparability of reporting of deferred compensation plans (457 plans) that meet the definition of a pension plan. The Agency believes this will not have a significant impact on the Funds' financial statements as a result of adopting this statement.

(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, 2021, including cash on hand and cash in transit, totaled \$2.9 million for the Illinois Power Agency Operations Fund and \$9.8 million for the Illinois Power Agency Renewable Energy Resources 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.

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June 30, 2021

(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, 2021, total investments were \$47.9 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.

(4) Other Receivables

The balance of Other Receivables for the Illinois Power Agency Operations Fund includes reimbursements owed to the Agency, totaling \$1.7 million.

(5) Interfund Balances and Activity

Interfund transfer activity during the year ended June 30, 2021, consisted of the following:

The following balances (in thousands) represents amounts transferred among funds:

<u>Transfers In</u>	<u>Transfers Out</u>		<u>Description/Purpose</u>
	Illinois Power Agency	Trust Fund	
Illinois Power Agency			Transfer Pursuant to the State
Operations Fund	\$	1,657	Finance Act (30 ILCS 105/6z-75)
Other State Fund	\$	25	Audit of Trust Fund
Total:	\$	<u>1,682</u>	

In addition, the General Assembly ordered a \$150 million interfund loan between the Illinois Power Agency Renewable Energy Resources Fund and the General Fund. On August 9, 2017, the State Comptroller and the State Treasurer, in consultation with the Governor's Office of Management and Budget, processed the transaction. Under the State Finance Act (30 ILCS 105/5h.5), the State Comptroller and the State Treasurer must repay the loan by August 8, 2022. On April 27, 2018, the first repayment of \$37.5 million was processed from the General Fund to the Illinois Power Agency Renewable Energy Resources Fund by the State Comptroller and the State Treasurer. On January 22, 2020 and March 27, 2020, the State Comptroller transferred a total of \$10 million each day to the Health Insurance Reserve from the Illinois Power Agency Renewable Energy Resources Fund, this transfer is made pursuant to statutory authorization set forth in 30 ILCS 150/5h.5 as amended

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in P.A. 101-0010 which provides for transfers to the Health Insurance Reserve Fund to meet cash flow deficits and to maintain liquidity between July 1, 2017 and March 1, 2021. Additionally, all monies transferred shall be repaid to the fund of origin within 48 months along with any interest that the fund would have accrued had the transfer not occurred.

The following presents the Funds' interfund balances and activities at June 30, 2021:

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

<u>Due From</u>	<u>Due To</u> <u>Other State Funds</u>	<u>Description/Purpose</u>
Illinois Power Agency Operations Fund	\$ 587	Payment for Services
Total:	<u>\$ 587</u>	

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

<u>Due To</u>	<u>Due From</u> <u>Other State Funds</u>	<u>Description/Purpose</u>
Illinois Power Agency Renewable Energy Resources Fund	132,500	Interfund Loan Pursuant to the State Finance Act (30 ILCS 105/5h.5)
Total	<u>\$ 132,500</u>	

(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 2020 are included in the State of Illinois' ACFR for the year ended June 30, 2021. The SERS also issues a separate ACFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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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 2021, the employer contribution rate was 54.74% and the Illinois Power Agency Operations Fund made contributions of \$565 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.

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.

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(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, 2021.

(9) Commitments and Contingencies

(a) Operating Leases

The Illinois Power Agency leases various real property and equipment under terms of non-cancellable operating lease agreements through November 30, 2023 that required the Illinois Power Agency Operations Fund to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$100 thousand for the year ended June 30, 2021.

(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.

A total of 14 companies have 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, 2021, the outstanding commitment for those contracts totaled \$6.7 million.

Starting in Fiscal Year 2019 the Agency implemented the Illinois Solar For All Program which has a total of 13 companies with contracts 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, 2021, the total outstanding commitment for the contracts listed above is \$40.6 million.

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(10) Subsequent Events

On September 15, 2021 the State of Illinois General Assembly enacted Public Act 102-0662, the "Climate and Equitable Job Act." This Act makes revisions to the Illinois Power Agency Act that will impact the operations of the Agency. This includes a substantial increase in the scale of renewable energy procurements and programs and the development and implementation of a carbon mitigation credit procurement plan. These, and other activities, will result in an increase in revenues and expenditures starting in Fiscal Year 2022.

**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 as of and for the year ended June 30, 2021 and the related notes to the financial statements, and we have issued our report thereon dated March 17, 2022, 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, 2021 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 are free from material misstatement, we performed tests of their 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

Honorable Frank J. Mautino
Auditor General
State of Illinois

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Power Agency's internal control to determine the 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.

Our consideration of internal control was for the limited purpose described in the above paragraphs of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 State of Illinois, Illinois Power 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 State of Illinois, Illinois Power Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ORIGINAL SIGNATURE ON FILE

Southfield, Michigan
March 17, 2022