ILLINOIS PUBLIC ENERGY AGENCY

Springfield, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended April 30, 2013 and 2012

ILLINOIS PUBLIC ENERGY AGENCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Illinois Public Energy Agency
Springfield, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Illinois Public Energy Agency (Agency), as of and for the years ended April 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the Agency'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 Agency'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 opinion.

To the Board of Directors
Illinois Public Energy Agency

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Public Energy Agency as of April 30, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Agency adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective May 1, 2012. Our opinion is not modified with respect to this matter.

Other Matter

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 17, 2013

The management of the Illinois Public Energy Agency ("IPEA") offers all persons interested in the financial position of IPEA this narrative overview and analysis of IPEA's financial performance during the years ending April 30, 2013 and 2012. Please read this narrative in conjunction with the accompanying financial statements and the accompanying notes to financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Illinois Public Energy Agency is a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. IPEA was created in 2005 under the provisions of the Joint Municipal Natural Gas Act contained at Division 119.2 of Article II of the Illinois Municipal Code (65 ILCS 11-119.2-1) by a group of municipalities for the purpose of jointly planning and financing the purchase of natural gas at favorable prices. IPEA is owned and its policies governed by its member municipalities.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. These statements are prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how IPEA's net position changed during the most recent year due to IPEA's business activity. The Statements of Net Position report year end assets, liabilities and net position balances based on the original cost. Over time, increases or decreases in IPEA's net position are one indicator of whether its financial health is improving or deteriorating. Another factor to consider would be IPEA's ability to increase cash from one year to the next.

IPEA FINANCIAL ANALYSIS

An analysis of IPEA's financial position begins with the review of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. A summary of IPEA's Statements of Net Position is presented in Table 1 and the Statements of Revenues, Expenses and Changes in Net Position are summarized in Table 2.

Table 1
Statements of Net Position

	2013	2012	2011
Assets:			
Cash	$210,989	$183,422	$192,043
Accounts Receivable	1,703,164	673,489	1,755,783
Prepaid Expenses	2,954	7,562	10,868
Total Assets	$1,917,107	$864,473	$1,958,694
Liabilities:			
Accounts Payable	$1,687,208	$669,495	$1,748,039
Net Position:			
Unrestricted	229,899	194,978	210,655
Total Net Position and Liabilities	$1,917,107	$864,473	$1,958,694

STATEMENTS OF NET POSITION

During the fiscal year ended April 30, 2013, IPEA increased its cash by $27,567. This was accomplished through management of operating expenses during the year including an amendment to the management services agreement with the Illinois Municipal Electric Agency (IMEA). The fee paid to IMEA for management services is now based on the dekatherm (dkth) sales of IPEA rather than a fixed dollar amount each year. Accounts receivable and accounts payable can vary greatly from year to year based on weather experienced in April. During April 2013 IPEA dkth sales increased by 64% from the previous year which contributed to the increase in accounts receivable and accounts payable. These numbers were also affected by an increase in the price of natural gas over the previous year. The net position of IPEA increased due to current year operations which resulted in an increase in net position of $34,921.

During the previous year ended April 30, 2012, IPEA cash decreased by $8,621. This was due to a reduction in dkth sales experienced during the year caused by mild weather. The dkth sales during FY 2012 decreased by 12% which could not support the fixed dollar amount of management services fee paid to IMEA. This caused IPEA to request a change in the management services fee calculation. As discussed above, the fee paid to IMEA for management services is now based on the dekatherm (dkth) sales of IPEA rather than a fixed dollar amount each year. Accounts receivable and accounts payable can vary greatly from year to year based on weather experienced in April. During April 2012 IPEA dkth sales decreased by 34% from the previous year which contributed to the decrease in accounts receivable and accounts payable. These numbers were also affected by a decrease in the price of natural gas from the previous year. The net position decreased as a result of operations which resulted in a net loss of $15,677.

Table 2
Statements of Revenues, Expenses and Changes in Net Position

	2013	2012	2011
Operating Revenues:			
Sales of Natural Gas to Members	$17,478,440	$22,036,926	$27,170,052
Management Fee Assessments	173,747	168,195	191,805
Commissions from Non-Member Sales	9,824	3,286	9,437
Other	0	0	14
Total Operating Revenues	$17,662,011	$22,208,407	$27,371,308
Operating Expenses:			
Purchased Natural Gas	17,478,244	22,037,121	27,170,412
Administrative and General	149,119	187,346	196,017
Total Operating Expenses	17,627,363	22,224,467	27,366,429
Operating Income	34,648	(16,060)	4,879
Non-Operating Revenue:			
Interest Income	273	383	636
Total Non-Operating Revenue	273	383	636
Change in Net Position	34,921	(15,677)	5,515
Net Position, Beginning of Year	194,978	210,655	205,140
Net Position, End of Year	$229,899	$194,978	$210,655

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Sales of natural gas of $17,478,440 and 4,343,682 dkth were recorded during the fiscal year ended April 30, 2013. This represented a decrease of $4,558,486 (21%) in revenue and 363,518 dkth (8%) as compared with the previous year. The decrease in revenue and dkth sales was mainly attributable to one member deciding not to renew their purchase contract at the end of its term in March 2012. This also impacted the purchased natural gas expense in a similar manner.

Sales of natural gas of $22,036,926 and 4,707,200 dkth were recorded during the fiscal year ended April 30, 2012. This represented a decrease of $5,133,126 (19%) in revenue and 652,973 dkth (12%) as compared with the previous year. The decrease in revenue and dkth sales was mainly attributable to weather conditions and low gas prices experienced during FY 2012. This also impacted the purchased natural gas expense in a similar manner.

CONTACTING IPEA'S MANAGEMENT

This financial report is designed to provide our members, investors and creditors with a general overview of IPEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Illinois Public Energy Agency, 3400 Conifer Drive, Springfield, IL 62711.

ILLINOIS PUBLIC ENERGY AGENCY

STATEMENTS OF NET POSITION
As of April 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 210,989	$ 183,422
Accounts receivable	1,703,164	673,489
Prepaid expenses	2,954	7,562
TOTAL ASSETS	$ 1,917,107	$ 864,473
LIABILITIES		
Accounts payable	$ 1,687,208	$ 669,495
NET POSITION		
Unrestricted	229,899	194,978
TOTAL LIABILITIES AND NET POSITION	$ 1,917,107	$ 864,473

See accompanying notes to financial statements.

ILLINOIS PUBLIC ENERGY AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended April 30, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Sales of natural gas to members	$ 17,478,440	$ 22,036,926
Management fee assessments	173,747	168,195
Commissions from non-members sales	9,824	3,286
Total Operating Revenues	17,662,011	22,208,407
OPERATING EXPENSES		
Purchased natural gas	17,478,244	22,037,121
IMEA management fees	97,733	130,500
Professional fees	7,500	7,900
Treasurer fees	15,000	15,000
Insurance	11,397	16,050
Conferences	4,375	6,674
Office expenses	13,114	11,222
Total Operating Expenses	17,627,363	22,224,467
Operating Income (Loss)	34,648	(16,060)
NONOPERATING REVENUE		
Investment income	273	383
Total Nonoperating Revenue	273	383
CHANGE IN NET POSITION	34,921	(15,677)
NET POSITION - Beginning of Year	194,978	210,655
NET POSITION - END OF YEAR	$ 229,899	$ 194,978

See accompanying notes to financial statements.

ILLINOIS PUBLIC ENERGY AGENCY

STATEMENTS OF CASH FLOWS
For the Years Ended April 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from sales to members	$ 16,410,472	$ 23,113,888
Received from commissions from non-members sales	9,825	4,801
Received from management fee assessments	168,044	171,581
Received from other sources	-	431
Paid to suppliers for purchase of natural gas	(16,410,475)	(23,113,887)
Payments to suppliers for other services	(150,572)	(185,818)
Net Cash Flows from Operating Activities	27,294	(9,004)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	273	383
Net Change in Cash and Cash Equivalents	27,567	(8,621)
CASH AND CASH EQUIVALENTS – Beginning of Year	183,422	192,043
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 210,989	$ 183,422
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ 34,648	$ (16,060)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOW FROM BY OPERATING ACTIVITIES		
(Increase) decrease in accounts receivable	(1,029,675)	1,082,294
(Increase) decrease in prepaid expenses	4,608	3,306
Increase (decrease) in accounts payable	1,017,713	(1,078,544)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 27,294	$ (9,004)

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Illinois Public Energy Agency (Agency) is a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. The Agency was created in January 2005 under the provisions of the Joint Municipal Natural Gas Act, contained at Division 119.2 of Article II of the Illinois Municipal Code (65 ILCS 11-119.2-1) by a group of municipalities for the purpose of jointly planning and financing the purchase of natural gas at favorable prices. The Agency is owned and its policies governed by its member municipalities.

The Agency has provided for the natural gas requirements of its members since July 2005, primarily through the purchase of natural gas through a certain natural gas distributor. The contract with the natural gas distributor, which obligates the Agency to purchase natural gas for concurrent resale to its members is in effect through March 31, 2018.

As of April 30, 2013, the Agency had 13 member municipalities and two special gas purchasers. The thirteen member municipalities have executed long-term natural gas sales contracts for the purchase of all natural gas needs from the Agency. Sales contracts vary by member with the latest terminating March 31, 2019.

BASIS OF PRESENTATION

The Illinois Public Energy Agency is considered a special-purpose government engaged only in business-type activities under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Accordingly, only those statements required for enterprise funds are presented as basic financial statements.

IPEA complies with all applicable pronouncements of the GASB. Effective May 1, 2012, IPEA adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB & AICPA Pronouncements (Statement No. 62)*. Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and reporting literature issued by the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) on or before November 30, 1989, which is not in conflict with or contradicted by GASB pronouncements. This literature includes FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee. Upon implementation of Statement No. 62, IMEA follows guidance issued by GASB, unless a particular topic is not addressed by GASB. In that case, IMEA would follow other accounting literature from the FASB that is considered a lower tier of GAAP than standards promulgated by the GASB.

In June 2011, the GASB issued Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities. The Agency made the decision to implement this standard effective May 1, 2012.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, cash, and cash equivalents have original maturities of three months or less from the date of acquisition.

The Agency follows Illinois State Statutes regarding allowed bank accounts and investments. The Agency is allowed to deposit funds only in banks insured by the Federal Deposit Insurance Corporation (FDIC). The Agency may also make investments in U.S. Government and federal agency obligations, investment grade bonds, commercial paper rated at the highest classification established by at least two standard rating services, money market mutual funds, repurchase agreements, and the Illinois Funds.

ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from the sale of natural gas and management fees assessed on the members based on the number of natural gas dekatherms sold.

The direct write-off method is used to account for losses in collection of accounts receivables. An allowance for uncollectible accounts receivable is considered unnecessary by the Agency.

As of April 30, 2013 and 2012, no accounts receivable were deemed uncollectible.

PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the Statements of Net Position.

NET POSITION

In the Statements of Net Position, net position represent the difference between assets and liabilities.

REVENUES AND EXPENSES

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the sale of natural gas and producing and delivering goods in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency are the sale of natural gas and management fee assessments. Operating expenses for the Agency include the cost of natural gas, management fees, legal fees, treasurer fees, insurance expenses and other general and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

USE OF ESTIMATES

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

TAXES

The Agency is exempt from Federal and State income taxes.

RATES

Rates charged to members for the sale of natural gas are equal to the rates paid for the purchase of natural gas. Rates charged to members for the management fee assessments are evaluated annually by the Board of Directors.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The GASB has approved GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements

COMPARATIVE DATA

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

	Carrying Value as of April 30, 2013	2012	Risks
Money Market	$ 210,989	$ 183,422	Custodial Credit

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts), $250,000 for interest-bearing demand deposit accounts, and unlimited for noninterest bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit amounts (interest-bearing and noninterest bearing) are insured for a total of $250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposit accounts.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Agency's deposits may not be returned to the Agency.

The Agency does not have any deposits exposed to custodial credit risk.

NOTE 2 – CASH AND INVESTMENTS (cont.)

Investment Policy

A formal investment policy has been adopted by the Agency.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of April 30, 2013 and 2012 are as follows:

	2013	2012
Sales to members	$ 1,686,351	$ 618,384
Management fee assessments	14,685	8,981
Reimbursements/refunds	2,128	46,124
Totals	$ 1,703,164	$ 673,489

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of April 30, 2013 and 2012 are as follows:

	2013	2012
Purchased natural gas	$ 1,686,351	$ 661,934
Meeting expense	625	6,695
Miscellaneous expenses	232	866
Totals	$ 1,687,208	$ 669,495

NOTE 5 – NET POSITION

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

NOTE 5 – NET POSITION (cont.)

Unrestricted net position - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

For the fiscal year ended April 30, 2013 and 2012, the Illinois Public Energy Agency had no capital assets or related debt. All net position was considered unrestricted.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 6 – CONTRACTS AND COMMITMENTS

The Agency has a contract and commitment with a certain natural gas supplier to supply natural gas, capacity and distribution services to its members. It is committed to purchase member's natural gas needs through their natural gas supplier. The price, which is based upon the NYMEX index, is individually hedged by members when they enter into agreements with the Agency. This contract has fixed cancellation provisions and is in effect until March 31, 2018. This contract is material to the financial statements.

NOTE 7 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors, and omissions; workers compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 8 – LITIGATION

From time to time, the Agency is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Agency’s legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Agency’s financial position or results of operations.

NOTE 9 – SIGNIFICANT CUSTOMERS

The Agency has two significant customers, who were responsible for 26% and 20% of operating revenue in fiscal year 2013 and three significant customers, who were responsible for 23%, 16% and 14% of operating revenue in fiscal year 2012.