

ILLINOIS PUBLIC ENERGY AGENCY

Springfield, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended April 30, 2019 and 2018

ILLINOIS PUBLIC ENERGY AGENCY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Illinois Public Energy Agency (IPEA), as of and for the years ended April 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise IPEA'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 IPEA'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 IPEA'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IPEA as of April 30, 2019 and 2018 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 26, 2019

ILLINOIS PUBLIC ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended April 30, 2019 and 2018

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, 2019 and 2018. 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 principles 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 over time.

IMEA 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.

ILLINOIS PUBLIC ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended April 30, 2019 and 2018

**Table 1
Statements of Net Position**

	2019	2018	2017
Assets:			
Cash	\$ 514,122	\$ 394,833	\$ 346,178
Accounts Receivable	901,745	1,394,734	868,660
Prepaid Expenses	23,141	20,890	20,017
Total Assets	\$ 1,439,008	\$ 1,810,457	\$ 1,234,855
Liabilities:			
Accounts Payable	\$ 964,358	\$ 1,377,405	\$ 842,675
Net Position:			
Unrestricted	474,650	433,052	392,180
Total Net Position and Liabilities	\$ 1,439,008	\$ 1,810,457	\$ 1,234,855

STATEMENTS OF NET POSITION

During the fiscal year ended April 30, 2019, IPEA's cash increased by \$119,289. This is due to the management fee charged to IPEA members exceeding the administrative and general costs of operating the Agency. Accounts receivable and accounts payable can vary greatly from year to year based on weather experienced in April and the price paid for natural gas. During April 2019, IPEA dkth sales decreased by 33% from the previous year. The net position of IPEA increased due to current year operations which resulted in an increase in net position of \$41,598.

During the fiscal year ended April 30, 2018, IPEA's cash increased by \$48,655. This is due to the management fee charged to IPEA members exceeding the administrative and general costs of operating the Agency. Accounts receivable and accounts payable can vary greatly from year to year based on weather experienced in April and the price paid for natural gas. During April 2018, IPEA dkth sales increased by 83% from the previous year. The net position of IPEA increased due to current year operations, which resulted in an increase in net position of \$40,872.

ILLINOIS PUBLIC ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2019 and 2018

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

	2019	2018	2017
Operating Revenues:			
Sales of Natural Gas to Members	\$ 15,852,469	\$ 15,425,455	\$ 12,910,995
Management Fee Assessments	188,183	189,656	155,563
Commissions from Non-Member Sales	3,223	6,515	8,725
Total Operating Revenues	16,043,875	15,621,626	13,075,283
Operating Expenses:			
Purchased Natural Gas	15,852,469	15,425,455	12,910,995
Administrative and General	156,967	156,848	139,601
Total Operating Expenses	16,009,436	15,582,303	13,050,596
Operating Income	34,439	39,323	24,687
Non-Operating Revenue:			
Interest Income	7,159	1,549	276
Total Non-Operating Revenue	7,159	1,549	276
Change in Net Position	41,598	40,872	24,963
Net Position, Beginning of Year	433,052	392,180	367,217
Net Position, End of Year	\$ 474,650	\$ 433,052	\$ 392,180

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Sales of natural gas of \$15,852,469 and 4,181,850 dkth were recorded during the fiscal year ended April 30, 2019. This represented an increase of \$427,014 (3%) in revenue and a decrease of 32,710 dkth (1%) as compared with the previous year. An increase in price per dkth attributed to the increase in revenue, however, fewer dkth were sold due to milder winter weather compared to the previous year. The milder winter weather also impacted the purchased natural gas expense in a similar manner.

Sales of natural gas of \$15,425,455 and 4,214,560 dkth were recorded during the fiscal year ended April 30, 2018. This represented an increase of \$2,514,460 (19%) in revenue and an increase of 757,606 dkth (22%) as compared with the previous year. The increase in dkth sales was mainly attributable to colder winter weather compared to the previous year. These factors 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, 2019 and 2018

	<u>2,019</u>	<u>2,018</u>
ASSETS		
Cash and cash equivalents	\$ 514,122	\$ 394,833
Accounts receivable	901,745	1,394,734
Prepaid expenses	<u>23,141</u>	<u>20,890</u>
TOTAL ASSETS	<u>\$ 1,439,008</u>	<u>\$ 1,810,457</u>
LIABILITIES		
Accounts payable	<u>\$ 964,358</u>	<u>\$ 1,377,405</u>
NET POSITION		
Unrestricted	<u>474,650</u>	<u>433,052</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,439,008</u>	<u>\$ 1,810,457</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Sales of natural gas to members	\$ 15,852,469	\$ 15,425,455
Management fee assessments	188,183	189,656
Commissions from non-members sales	<u>3,223</u>	<u>6,515</u>
Total Operating Revenues	<u>16,043,875</u>	<u>15,621,626</u>
OPERATING EXPENSES		
Purchased natural gas	15,852,469	15,425,455
IMEA management fees	94,091	94,827
Professional fees	8,700	8,700
Financial service fees	15,000	15,000
Insurance	4,165	4,114
Conferences	2,220	3,082
Office expenses	<u>32,791</u>	<u>31,125</u>
Total Operating Expenses	<u>16,009,436</u>	<u>15,582,303</u>
Operating Income	<u>34,439</u>	<u>39,323</u>
NONOPERATING REVENUE		
Investment income	<u>7,159</u>	<u>1,549</u>
Total Nonoperating Revenue	<u>7,159</u>	<u>1,549</u>
CHANGE IN NET POSITION	41,598	40,872
NET POSITION - Beginning of Year	<u>433,052</u>	<u>392,180</u>
NET POSITION - END OF YEAR	<u>\$ 474,650</u>	<u>\$ 433,052</u>

See accompanying notes to financial statements.

ILLINOIS PUBLIC ENERGY AGENCY

STATEMENTS OF CASH FLOWS For the Years Ended April 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from sales to members	\$ 16,339,977	\$ 14,907,491
Received from management fee assessments	194,360	181,223
Received from commissions from non-members sales	3,397	7,007
Paid to suppliers for purchase of natural gas	(16,265,777)	(14,890,725)
Payments to suppliers for other services	(159,218)	(157,721)
Net Cash Flows from Operating Activities	112,739	47,275
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	6,550	1,380
 Net Change in Cash and Cash Equivalents	119,289	48,655
 CASH AND CASH EQUIVALENTS – Beginning of Year	394,833	346,178
 CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 514,122	\$ 394,833
 RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 34,439	\$ 39,323
 CHANGE IN ASSETS AND LIABILITIES		
(Increase) decrease in accounts receivable	493,863	(525,905)
(Increase) decrease in prepaid expenses	(2,251)	(873)
Increase (decrease) in accounts payable	(413,312)	534,730
 NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 112,739	\$ 47,275

See accompanying notes to financial statements.

ILLINOIS PUBLIC ENERGY AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Illinois Public Energy Agency (IPEA) is a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. IPEA 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. IPEA is owned and its policies governed by its member municipalities.

IPEA 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 IPEA to purchase natural gas for concurrent resale to its members is in effect through March 31, 2023.

As of April 30, 2019, IPEA had 12 member municipalities and two special gas purchasers. The twelve member municipalities have executed long-term natural gas sales contracts for the purchase of all natural gas needs from IPEA. Sales contracts vary by member with the latest terminating March 31, 2023.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

IPEA 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.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2019 and 2018

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.

IPEA follows Illinois State Statutes regarding allowed bank accounts and investments. IPEA is allowed to deposit funds only in banks insured by the Federal Deposit Insurance Corporation (FDIC). IPEA 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 IPEA.

As of April 30, 2019 and 2018, 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.

For the fiscal year ended April 30, 2019 and 2018, IPEA had no capital assets or related debt. All net position was considered unrestricted.

REVENUES AND EXPENSES

IPEA 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 IPEA's principal ongoing operations. The principal operating revenues of IPEA are the sale of natural gas and management fee assessments. Operating expenses for IPEA include the cost of natural gas, management fees, professional 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.

ILLINOIS PUBLIC ENERGY AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2019 and 2018

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

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.

TAXES

IPEA 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

GASB has approved GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, and Statement No. 91, *Conduit Debt Obligations*.. When they become effective, 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.

ILLINOIS PUBLIC ENERGY AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2019 and 2018

NOTE 2 – CASH AND INVESTMENTS

	Carrying Value as of April 30,		Risks
	2019	2018	
Checking	\$ 76,061	\$ 394,833	Custodial credit
Money market mutual fund	438,061	-	Not applicable
Total	\$ 514,122	\$ 394,833	

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) and \$250,000 for demand deposit accounts (interest-bearing and noninterest bearing). 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.

In addition, IPEA had collateral or depository insurance agreements for \$0 and \$144,833 at 2019 and 2018, respectively.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, IPEA's deposits may not be returned to IPEA. IPEA had \$0 of uncollateralized deposits as of April 30, 2019 and 2018.

Investment Policy

A formal investment policy has been adopted by IPEA.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of April 30, 2019 and 2018 are as follows:

	2019	2018
Sales to members	\$ 885,060	\$ 1,372,577
Management fee assessments	12,377	19,696
Miscellaneous account receivable	4,308	2,461
Totals	\$ 901,745	\$ 1,394,734

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of April 30, 2019 and 2018 are as follows:

	2019	2018
Purchased natural gas	\$ 960,002	\$ 1,372,577
Miscellaneous expense	4,356	4,828
Totals	\$ 964,358	\$ 1,377,405

ILLINOIS PUBLIC ENERGY AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2019 and 2018

NOTE 5 – CONTRACTS AND COMMITMENTS

IPEA 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 IPEA. This contract has fixed cancellation provisions and in fiscal year 2018, IPEA reached agreement with the natural gas supplier to extend the agreement to March 31, 2023. This contract is material to the financial statements.

NOTE 6 – RISK MANAGEMENT

IPEA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets and errors and omissions. 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 7 – LITIGATION

From time to time, IPEA 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 IPEA's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on IPEA's financial position or results of operations.

NOTE 8 – SIGNIFICANT CUSTOMERS

IPEA has two significant customers, who were responsible for 32% and 20% of operating revenue in fiscal year 2019 and two significant customers, who were responsible for 31% and 20% of operating revenue in fiscal year 2018.