

# **Illinois Public Energy Agency**

Financial Statements and  
Supplementary Information

April 30, 2021 and 2020

# Illinois Public Energy Agency

---

Table of Contents  
April 30, 2021 and 2020

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Required Supplementary Information (Unaudited)</b>	
Management's Discussion and Analysis	3
<b>Financial Statements</b>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9

## Independent Auditors' Report

To the Board of Directors of the  
Illinois Public Energy Agency

We have audited the accompanying financial statements of Illinois Public Energy Agency (IPEA), as of and for the years ended April 30, 2021 and 2020, 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, 2021 and 2020 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 US, LLP*

Madison, Wisconsin  
July 16, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Illinois Public Electric Agency

Management's Discussion and Analysis  
April 30, 2021 and 2020  
(Unaudited)

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, 2021 and 2020. 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.

**Table 1**  
**Statements of Net Position**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Cash	\$ 639,553	\$ 475,339	\$ 514,122
Accounts receivable	2,875,882	898,998	901,745
Prepaid expenses	<u>24,394</u>	<u>23,499</u>	<u>23,141</u>
Total assets	<u>\$ 3,539,829</u>	<u>\$ 1,397,836</u>	<u>\$ 1,439,008</u>
Liabilities:			
Accounts payable	\$ 2,996,038	\$ 884,722	\$ 964,358
Net Position:			
Unrestricted	<u>543,791</u>	<u>513,114</u>	<u>474,650</u>
Total net position and liabilities	<u>\$ 3,539,829</u>	<u>\$ 1,397,836</u>	<u>\$ 1,439,008</u>

# Illinois Public Electric Agency

Management's Discussion and Analysis  
April 30, 2021 and 2020  
(Unaudited)

## Statements of Net Position

During the fiscal year ended April 30, 2021, IPEA's cash increased by \$164,214. This is due to timing of payment to IPEA's gas supplier. 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. April's accounts receivable and accounts payable balance were also increased due to a three month payment plan offered to members by IPEA's gas supplier to help spread the high costs from February's sales of natural gas to members and conversely purchased natural gas as a result of winter storm Uri. April's accounts receivable and accounts payable includes one-third of February's billing and the total of April's billing. During April 2021, IPEA dkth sales decreased by 7 percent from the previous year. Deferred revenues of \$3,500, as of April 2021, are the vendor sponsorships received in April 2021 for IPEA's conference in May 2021. The net position of IPEA increased due to current year operations which resulted in an increase in net position of \$30,677.

During the fiscal year ended April 30, 2020, IPEA's cash decreased by \$38,783. This is due to lower dkth sales in FY2020 compared to FY2019 resulting in a decrease in management fees from the members. 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 2020, IPEA dkth sales increased by 9.7 percent from the previous year. The net position of IPEA increased due to current year operations which resulted in an increase in net position of \$38,464.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Sales of Natural Gas to Members	\$ 20,443,913	\$ 12,837,194	\$ 15,852,469
Management Fee Assessments	173,938	180,959	188,183
Commissions from Non-Member Sales	<u>4,288</u>	<u>3,641</u>	<u>3,223</u>
Total operating revenues	<u>20,622,139</u>	<u>13,021,794</u>	<u>16,043,875</u>
Operating Expenses:			
Purchased Natural Gas	20,443,913	12,837,194	15,852,469
Administrative and General	<u>144,301</u>	<u>151,418</u>	<u>156,967</u>
Total operating expenses	<u>20,588,214</u>	<u>12,988,612</u>	<u>16,009,436</u>
Operating Income	<u>33,925</u>	<u>33,182</u>	<u>34,439</u>
Non-Operating Revenue:			
Interest Income	<u>(3,248)</u>	<u>5,282</u>	<u>7,159</u>
Total non-operating revenue	<u>(3,248)</u>	<u>5,282</u>	<u>7,159</u>
Change in net position	30,677	38,464	41,598
Net Position, Beginning	<u>513,114</u>	<u>474,650</u>	<u>433,052</u>
Net Position, Ending	<u>\$ 543,791</u>	<u>\$ 513,114</u>	<u>\$ 474,650</u>

## **Illinois Public Electric Agency**

---

Management's Discussion and Analysis  
April 30, 2021 and 2020  
(Unaudited)

### **Statements of Revenue, Expenses and Changes in Net Position**

Sales of natural gas of \$20,443,913 and 3,865,283 dkth were recorded during the fiscal year ended April 30, 2021. This represented an increase of \$7,606,719 (59 percent) in revenue and a decrease of 156,014 dkth (4 percent) as compared with the previous year. An increase in price per dkth due to winter storm Uri in February attributed to the increase in revenue. This also impacted the purchased natural gas expense in a similar manner.

Sales of natural gas of \$12,837,194 and 4,021,297 dkth were recorded during the fiscal year ended April 30, 2020. This represented a decrease of \$3,015,275 (19 percent) in revenue and a decrease of 160,553 dkth (4 percent) as compared with the previous year. A decrease in price per dkth and dkths sold attributed to the decrease in revenue and a milder winter weather attributed to the decrease in dkth sold. The milder winter weather 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

April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 639,553	\$ 475,339
Accounts receivable	2,875,882	898,998
Prepaid expenses	<u>24,394</u>	<u>23,499</u>
Total assets	<u>\$ 3,539,829</u>	<u>\$ 1,397,836</u>
<b>Liabilities</b>		
Accounts payable	\$ 2,992,538	\$ 884,722
Deferred revenue	<u>3,500</u>	<u>-</u>
Total liabilities	<u>2,996,038</u>	<u>884,722</u>
<b>Net Position</b>		
Unrestricted	<u>543,791</u>	<u>513,114</u>
Total liabilities and net position	<u>\$ 3,539,829</u>	<u>\$ 1,397,836</u>

See notes to financial statements

## Illinois Public Energy Agency

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Sales of natural gas to members	\$ 20,443,913	\$ 12,837,194
Management fee assessments	173,938	180,959
Commissions from non-members sales	<u>4,288</u>	<u>3,641</u>
Total operating revenues	<u>20,622,139</u>	<u>13,021,794</u>
<b>Operating Expenses</b>		
Purchased natural gas	20,443,913	12,837,194
IMEA management fees	86,969	90,479
Professional fees	9,000	9,000
Financial service fees	16,500	16,500
Insurance	4,314	4,245
Office expenses	<u>27,518</u>	<u>31,194</u>
Total operating expenses	<u>20,588,214</u>	<u>12,988,612</u>
Operating income	<u>33,925</u>	<u>33,182</u>
<b>Nonoperating Revenue and Expense</b>		
Investment income/bank fees expense	<u>(3,248)</u>	<u>5,282</u>
Total nonoperating revenue	<u>(3,248)</u>	<u>5,282</u>
Nonoperating income(loss)	<u>(3,248)</u>	<u>5,282</u>
Change in net position	30,677	38,464
<b>Net Position, Beginning</b>	<u>513,114</u>	<u>474,650</u>
<b>Net Position, Ending</b>	<u>\$ 543,791</u>	<u>\$ 513,114</u>

See notes to financial statements

# Illinois Public Energy Agency

## Statements of Cash Flows

Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Received from sales to members	\$ 18,465,818	\$ 12,840,469
Received from management fee assessments	174,947	179,758
Received from commissions from non-members sales	4,510	3,189
Received from other sources	3,500	-
Paid to suppliers for purchase of natural gas	(18,335,963)	(12,916,849)
Payments to suppliers for other services	<u>(145,196)</u>	<u>(151,776)</u>
Net cash flows from operating activities	<u>167,616</u>	<u>(45,209)</u>
<b>Cash Flows From Investing Activities</b>		
Investment income	-	6,426
Bank Fees	<u>(3,402)</u>	<u>-</u>
Net cash flows from investing activities	<u>(3,402)</u>	<u>6,426</u>
Net change in cash and cash equivalents	164,214	(38,783)
<b>Cash and Cash Equivalents, Beginning</b>	<u>475,339</u>	<u>514,122</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 639,553</u>	<u>\$ 475,339</u>
<b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b>		
Operating income	\$ 33,925	\$ 33,182
<b>Change in Assets and Liabilities</b>		
(Increase) decrease in accounts receivable	(1,976,864)	1,622
(Increase) decrease in prepaid expenses	(896)	(358)
Increase (decrease) in accounts payable	2,107,951	(79,655)
Increase (decrease) in deferred revenue	<u>3,500</u>	<u>-</u>
Net cash flows from operating activities	<u>\$ 167,616</u>	<u>\$ (45,209)</u>

See notes to financial statements

# Illinois Public Energy Agency

---

Notes to Financial Statements

April 30, 2021 and 2020

## 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, 2021, 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, 2024.

### 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.

### 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.

# Illinois Public Energy Agency

---

Notes to Financial Statements

April 30, 2021 and 2020

## 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, 2021 and 2020, 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, 2021 and 2020, 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.

## 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.

# Illinois Public Energy Agency

Notes to Financial Statements  
April 30, 2021 and 2020

## Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription Based Information Technology Arrangements* and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. 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.

## 2. Cash and Investments

	Carrying Value as of April 30,		Risks
	2021	2020	
Checking	\$ 639,553	\$ -	Custodial credit
Money market mutual fund	-	475,339	Not applicable
Total	<u>\$ 639,553</u>	<u>\$ 475,339</u>	

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.

### 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 \$389,553 and \$0 of uncollateralized deposits as of April 30, 2021 and 2020, respectively. Due to human error on the part of the bank, IPEA deposits were uncollateralized for two days at the end of the fiscal year 2021. Subsequent to year end, IPEA management discovered the issue then contacted the bank, the bank then immediately rectified the situation to fully collateralize this balance.

### Investment Policy

A formal investment policy has been adopted by IPEA which requires all balances be insured or collateralized.

# Illinois Public Energy Agency

Notes to Financial Statements  
April 30, 2021 and 2020

### 3. Accounts Receivable

Accounts receivable as of April 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Sales to members	\$ 2,862,881	\$ 884,784
Management fee assessments	12,567	13,577
Miscellaneous account receivable	434	637
Total	<u>\$ 2,875,882</u>	<u>\$ 898,998</u>

### 4. Accounts Payable

Accounts payable as of April 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Purchased natural gas	\$ 2,990,921	\$ 883,960
Miscellaneous expense	1,617	762
Total	<u>\$ 2,992,538</u>	<u>\$ 884,722</u>

### 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.

### 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.

### 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.

### 8. Significant Customers

IPEA has three significant customers, who were responsible for 31 percent, 23 percent and 13 percent of operating revenue in fiscal year 2021 and two significant customers, who were responsible for 30 percent and 21 percent of operating revenue in fiscal year 2020.