

Illinois Public Energy Agency

Financial Statements and
Supplementary Information

April 30, 2022 and 2021

Illinois Public Energy Agency

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Independent Auditors' Report

To the Board of Directors of
Illinois Public Energy Agency

Opinion

We have audited the accompanying financial statements of Illinois Public Energy Agency (IPEA), as of and for the years ended April 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise IPEA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IPEA as of April 30, 2022 and 2021 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IPEA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that rise substantial doubt about the IPEA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IPEA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Illinois Public Electric Agency

Management's Discussion and Analysis
April 30, 2022 and 2021
(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, 2022 and 2021. 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>2022</u> | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|---------------------|
| Assets: | | | |
| Cash | \$ 535,255 | \$ 639,553 | \$ 475,339 |
| Accounts receivable | 2,235,510 | 2,875,882 | 898,998 |
| Prepaid expenses | <u>24,530</u> | <u>24,394</u> | <u>23,499</u> |
| Total assets | <u>\$ 2,795,295</u> | <u>\$ 3,539,829</u> | <u>\$ 1,397,836</u> |
| Liabilities: | | | |
| Accounts payable | \$ 2,219,180 | \$ 2,992,538 | \$ 884,722 |
| Deferred revenues | <u>2,331</u> | <u>3,500</u> | <u>-</u> |
| Total liabilities | <u>2,221,511</u> | <u>2,996,038</u> | <u>884,722</u> |
| Net Position: | | | |
| Unrestricted | <u>573,784</u> | <u>543,791</u> | <u>513,114</u> |
| Total net position and liabilities | <u>\$ 2,795,295</u> | <u>\$ 3,539,829</u> | <u>\$ 1,397,836</u> |

Illinois Public Electric Agency

Management's Discussion and Analysis
April 30, 2022 and 2021
(Unaudited)

Statements of Net Position

During the fiscal year ended April 30, 2022, IPEA's cash decreased by \$104,298. This is due to timing of payment to IPEA's gas supplier compared to when the payment was made in 2021. 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. The net position of IPEA increased due to current year operations which resulted in an increase in net position of \$29,993.

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 and price paid for natural gas in April. 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% 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.

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|------------------------------------|-------------------|-------------------|-------------------|
| Operating Revenues: | | | |
| Sales of Natural Gas to Members | \$ 19,514,172 | \$ 20,443,913 | \$ 12,837,194 |
| Management Fee Assessments | 177,749 | 173,938 | 180,959 |
| Commissions from Non-Member Sales | <u>3,199</u> | <u>4,288</u> | <u>3,641</u> |
| Total operating revenues | <u>19,695,120</u> | <u>20,622,139</u> | <u>13,021,794</u> |
| Operating Expenses: | | | |
| Purchased Natural Gas | 19,514,172 | 20,443,913 | 12,837,194 |
| Administrative and General | <u>152,820</u> | <u>144,301</u> | <u>151,418</u> |
| Total operating expenses | <u>19,666,992</u> | <u>20,588,214</u> | <u>12,988,612</u> |
| Operating Income | <u>28,128</u> | <u>33,925</u> | <u>33,182</u> |
| Non-Operating Revenue: | | | |
| Interest Income/bank fee (expense) | (1,304) | (3,248) | 5,282 |
| Conference Sponsorship | <u>3,169</u> | <u>-</u> | <u>-</u> |
| Total non-operating revenue | <u>1,865</u> | <u>(3,248)</u> | <u>5,282</u> |
| Change in net position | 29,993 | 30,677 | 38,464 |
| Net Position, Beginning | <u>543,791</u> | <u>513,114</u> | <u>474,650</u> |
| Net Position, Ending | <u>\$ 573,784</u> | <u>\$ 543,791</u> | <u>\$ 513,114</u> |

Illinois Public Electric Agency

Management's Discussion and Analysis
April 30, 2022 and 2021
(Unaudited)

Statements of Revenue, Expenses and Changes in Net Position

Sales of natural gas of \$19,514,172 and 3,949,972 dkth were recorded during the fiscal year ended April 30, 2022. This represented a decrease of \$929,741 (4.5 percent) in revenue and an increase of 84,689 dkth (2.2 percent) as compared with the previous year. A decrease in price per dkth attributed to the decrease in revenue, even though there was an increase in dkth sales. This also impacted the purchased natural gas expense in a similar manner.

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.

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, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 535,255 | \$ 639,553 |
| Accounts receivable | 2,235,510 | 2,875,882 |
| Prepaid expenses | <u>24,530</u> | <u>24,394</u> |
| Total assets | <u>\$ 2,795,295</u> | <u>\$ 3,539,829</u> |
| Liabilities | | |
| Accounts payable | \$ 2,219,180 | \$ 2,992,538 |
| Deferred revenue | <u>2,331</u> | <u>3,500</u> |
| Total liabilities | <u>2,221,511</u> | <u>2,996,038</u> |
| Net Position | | |
| Unrestricted | <u>573,784</u> | <u>543,791</u> |
| Total liabilities and net position | <u>\$ 2,795,295</u> | <u>\$ 3,539,829</u> |

See notes to financial statements

Illinois Public Energy Agency

Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Operating Revenues | | |
| Sales of natural gas to members | \$ 19,514,172 | \$ 20,443,913 |
| Management fee assessments | 177,749 | 173,938 |
| Commissions from non-members sales | <u>3,199</u> | <u>4,288</u> |
| Total operating revenues | <u>19,695,120</u> | <u>20,622,139</u> |
| Operating Expenses | | |
| Purchased natural gas | 19,514,172 | 20,443,913 |
| IMEA management fees | 88,874 | 86,969 |
| Professional fees | 9,300 | 9,000 |
| Financial service fees | 16,500 | 16,500 |
| Insurance | 4,195 | 4,314 |
| Conferences | 3,169 | - |
| Office expenses | <u>30,782</u> | <u>27,518</u> |
| Total operating expenses | <u>19,666,992</u> | <u>20,588,214</u> |
| Operating income | <u>28,128</u> | <u>33,925</u> |
| Nonoperating Revenue and Expense | | |
| Investment income/bank fees (expense) | (1,304) | (3,248) |
| Conference sponsorship | <u>3,169</u> | <u>-</u> |
| Total nonoperating revenue (expense) | <u>1,865</u> | <u>(3,248)</u> |
| Nonoperating income (loss) | <u>1,865</u> | <u>(3,248)</u> |
| Change in net position | 29,993 | 30,677 |
| Net Position, Beginning | <u>543,791</u> | <u>513,114</u> |
| Net Position, Ending | <u>\$ 573,784</u> | <u>\$ 543,791</u> |

See notes to financial statements

Illinois Public Energy Agency

Statements of Cash Flows

Years Ended April 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Received from sales to members | \$ 20,158,926 | \$ 18,465,818 |
| Received from management fee assessments | 173,529 | 174,947 |
| Received from commissions from non-members sales | 3,009 | 4,510 |
| Received from other sources | 1,667 | 3,500 |
| Paid to suppliers for purchase of natural gas | (20,287,482) | (18,335,963) |
| Payments to suppliers for other services | <u>(152,626)</u> | <u>(145,196)</u> |
| Net cash flows from operating activities | <u>(102,977)</u> | <u>167,616</u> |
| Cash Flows From Investing Activities | | |
| Investment income | - | - |
| Bank Fees | <u>(1,321)</u> | <u>(3,402)</u> |
| Net cash flows from investing activities | <u>(1,321)</u> | <u>(3,402)</u> |
| Net change in cash and cash equivalents | (104,298) | 164,214 |
| Cash and Cash Equivalents, Beginning | <u>639,553</u> | <u>475,339</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 535,255</u> | <u>\$ 639,553</u> |
| Reconciliation of Operating Income to Net Cash Flows From Operating Activities | | |
| Operating income | \$ 28,128 | \$ 33,925 |
| Nonoperating income | 3,168 | - |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 640,341 | (1,976,864) |
| (Increase) decrease in prepaid expenses | (135) | (896) |
| Increase (decrease) in accounts payable | (773,309) | 2,107,951 |
| Increase (decrease) in deferred revenue | <u>(1,170)</u> | <u>3,500</u> |
| Net cash flows from operating activities | <u>\$ (102,977)</u> | <u>\$ 167,616</u> |

See notes to financial statements

Illinois Public Energy Agency

Notes to Financial Statements

April 30, 2022 and 2021

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, 2022, 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, 2022 and 2021

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.

April 30, 2022 and 2021, 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, 2022 and 2021, 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.

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Notes to Financial Statements

April 30, 2022 and 2021

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 87, Leases, Statement No. 91, Conduit Debt Obligations, Statement No. 94, Public-private and Public-Public Partnerships and Availability Payment Arrangements, Statement No. 96, Subscription Based Information Technology Arrangements, Statement No. 99, Omnibus 2022, Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 and Statement No. 101, Compensated Absences. 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 |
|----------|--------------------------------|-------------------|------------------|
| | 2022 | 2021 | |
| Checking | \$ 535,255 | \$ 639,553 | Custodial credit |
| Total | <u>\$ 535,255</u> | <u>\$ 639,553</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 \$0 and \$389,553 of uncollateralized deposits as of April 30, 2022 and 2021, 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, 2022 and 2021

3. Accounts Receivable

Accounts receivable as of April 30, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|---------------------|---------------------|
| Sales to members | \$ 2,217,738 | \$ 2,862,881 |
| Management fee assessments | 17,089 | 12,567 |
| Miscellaneous account receivable | 683 | 434 |
| Total | <u>\$ 2,235,510</u> | <u>\$ 2,875,882</u> |

4. Accounts Payable

Accounts payable as of April 30, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|-----------------------|---------------------|---------------------|
| Purchased natural gas | \$ 2,217,738 | \$ 2,990,921 |
| Miscellaneous expense | 1,442 | 1,617 |
| Total | <u>\$ 2,219,180</u> | <u>\$ 2,992,538</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 two significant customers, who were responsible for 34% and 20% of operating revenues in fiscal year 2022 and three significant customers, who were responsible for 31%, 23% and 13% of operating revenue in fiscal year 2021.