

ILLINOIS PUBLIC ENERGY AGENCY
Springfield, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended April 30, 2017 and 2016

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 (IPEA), as of and for the years ended April 30, 2017 and 2016, 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.

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 IPEA as of April 30, 2017 and 2016 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 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 21, 2017

ILLINOIS PUBLIC ENERGY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended April 30, 2017 and 2016

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, 2017 and 2016. 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.

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.

ILLINOIS PUBLIC ENERGY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2017 and 2016

IPEA FINANCIAL ANALYSIS (cont.)

Table 1
Statements of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets:			
Cash	\$ 346,178	\$ 323,168	\$ 330,843
Accounts receivable	868,660	712,007	774,794
Prepaid expenses	<u>20,017</u>	<u>18,982</u>	<u>3,444</u>
 Total Assets	 <u>\$ 1,234,855</u>	 <u>\$ 1,054,157</u>	 <u>\$ 1,109,081</u>
Liabilities:			
Accounts payable	<u>\$ 842,675</u>	<u>\$ 686,940</u>	<u>\$ 772,436</u>
Net Position:			
Unrestricted	<u>392,180</u>	<u>367,217</u>	<u>336,645</u>
 Total Net Position and Liabilities	 <u>\$ 1,234,855</u>	 <u>\$ 1,054,157</u>	 <u>\$ 1,109,081</u>

STATEMENTS OF NET POSITION

During the fiscal year ended April 30, 2017, IPEA's cash increased by \$23,010. This is due to an increase in the management fee charged to IPEA members as well as the management of administrative costs during the year. 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 2017, IPEA dekatherm (dkth) sales decreased by 2% from the previous year. Although the dkth sales decreased, the accounts receivable and accounts payable balances increased due to a 9% increase in the price of natural gas. The net position of IPEA increased due to current year operations which resulted in an increase in net position of \$24,963.

During the fiscal year ended April 30, 2016, IPEA decreased its cash by \$7,675. This was due to additional prepayments made during the year compared to the prior year. During April 2016, IPEA dkth sales increased by 20% from the previous year. The accounts receivable and accounts payable balances at April 30, 2016 were also affected by a 25% decrease 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 \$30,572.

ILLINOIS PUBLIC ENERGY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2017 and 2016

IPEA FINANCIAL ANALYSIS (cont.)

STATEMENTS OF NET POSITION (cont.)

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

	2017	2016	2015
Operating Revenues:			
Sales of natural gas to members	\$ 12,910,995	\$ 12,124,960	\$ 21,211,016
Management fee assessments	155,563	149,708	186,098
Commissions from non-member sales	8,725	12,220	11,412
Total Operating Revenues	13,075,283	12,286,888	21,408,526
Operating Expenses:			
Purchased natural gas	12,910,995	12,124,960	21,211,016
Administrative and general	139,601	131,483	149,964
Total Operating Expenses	13,050,596	12,256,443	21,360,980
Operating Income	24,687	30,445	47,546
Nonoperating Revenue:			
Interest income	276	127	95
Total Nonoperating Revenue	276	127	95
Change in Net Position	24,963	30,572	47,641
Net Position, Beginning of Year	367,217	336,645	289,004
Net Position, End of Year	\$ 392,180	\$ 367,217	\$ 336,645

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Sales of natural gas of \$12,910,995 and 3,456,954 dkth were recorded during the fiscal year ended April 30, 2017. This represented an increase of \$786,035 (6%) in revenue and a decrease of 75,139 dkth (2%) as compared with the previous year. The increase in revenue was mainly attributable to the increase in price per dkth from the previous year. The decrease in dkth sales was mainly attributable to mild winter weather. These factors also impacted the purchased natural gas expense in a similar manner.

ILLINOIS PUBLIC ENERGY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2017 and 2016

IPEA FINANCIAL ANALYSIS (cont.)

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION (cont.)

Sales of natural gas of \$12,124,960 and 3,532,093 dkth were recorded during the fiscal year ended April 30, 2016. This represented a decrease of \$9,086,056 (43%) in revenue and 1,120,358 dkth (24%) as compared with the previous year. The decrease in revenue and dkth sales was mainly attributable to an overall warmer winter in 2015/16 and lower natural gas prices. Sales were also impacted by the expiration of the gas sales agreement with the City of Salem on March 31, 2015. 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 346,178	\$ 323,168
Accounts receivable	868,660	712,007
Prepaid expenses	<u>20,017</u>	<u>18,982</u>
TOTAL ASSETS	<u>\$ 1,234,855</u>	<u>\$ 1,054,157</u>
LIABILITIES		
Accounts payable	<u>\$ 842,675</u>	<u>\$ 686,940</u>
NET POSITION		
Unrestricted	<u>392,180</u>	<u>367,217</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,234,855</u>	<u>\$ 1,054,157</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, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Sales of natural gas to members	\$ 12,910,995	\$ 12,124,960
Management fee assessments	155,563	149,708
Commissions from non-members sales	8,725	12,220
Total Operating Revenues	13,075,283	12,286,888
OPERATING EXPENSES		
Purchased natural gas	12,910,995	12,124,960
IMEA management fees	77,781	79,472
Professional fees	8,500	8,300
Financial service fees	15,000	15,000
Insurance	4,114	4,114
Conferences	2,395	3,063
Office expenses	31,811	21,534
Total Operating Expenses	13,050,596	12,256,443
Operating Income	24,687	30,445
NONOPERATING REVENUE		
Investment income	276	127
Total Nonoperating Revenue	276	127
CHANGE IN NET POSITION	24,963	30,572
NET POSITION - Beginning of Year	367,217	336,645
NET POSITION - END OF YEAR	\$ 392,180	\$ 367,217

See accompanying notes to financial statements.

ILLINOIS PUBLIC ENERGY AGENCY

STATEMENTS OF CASH FLOWS For the Years Ended April 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from sales to members	\$ 12,751,518	\$ 12,191,485
Received from management fee assessments	157,472	146,599
Received from commissions from non-members sales	9,738	11,591
Paid to suppliers for purchase of natural gas	(12,755,262)	(12,210,456)
Payments to suppliers for other services	(140,640)	(147,021)
Net Cash Flows from Operating Activities	22,826	(7,802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	183	127
Net Change in Cash and Cash Equivalents	23,009	(7,675)
CASH AND CASH EQUIVALENTS – Beginning of Year	323,168	330,843
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 346,177	\$ 323,168
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 24,687	\$ 30,445
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH FLOW FROM BY OPERATING ACTIVITIES		
(Increase) decrease in accounts receivable	(156,561)	62,787
(Increase) decrease in prepaid expenses	(1,035)	(15,538)
Increase (decrease) in accounts payable	155,735	(85,496)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 22,826	\$ (7,802)

See accompanying notes to financial statements.

ILLINOIS PUBLIC ENERGY AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2017 and 2016

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, 2018.

As of April 30, 2017, 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, 2019.

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.

ILLINOIS PUBLIC ENERGY AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, IPEA 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 IPEA's policy to use restricted resources first, then unrestricted resources as they are needed.

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, 2017 and 2016

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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*, Statement No. 81, *Irrevocable Split-Interest Agreements*, Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*, Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 85, *Omnibus 2017*, and Statement No. 86, *Certain Debt Extinguishment Issues*. 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, 2017 and 2016

NOTE 2 – CASH AND INVESTMENTS

	Carrying Value as of April 30,		Risks
	2017	2016	
Checking	\$ 346,178	\$ 323,168	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) 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 has collateral or depository insurance agreements in the amount of \$96,178 and \$73,168 at April 30, 2017 and 2016.

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, 2017 and 2016.

Investment Policy

A formal investment policy has been adopted by IPEA.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of April 30, 2017 and 2016 are as follows:

	2017	2016
Sales to members	\$ 842,385	\$ 683,277
Management fee assessments	10,124	12,031
Reimbursements/refunds	3,933	3,771
IMEA management fee true up	12,218	12,928
Totals	\$ 868,660	\$ 712,007

NOTE 4 – ACCOUNTS PAYABLE

Accounts payable as of April 30, 2017 and 2016 are as follows:

	2017	2016
Purchased natural gas	\$ 842,385	\$ 683,277
Miscellaneous expense	290	3,663
Totals	\$ 842,675	\$ 686,940

ILLINOIS PUBLIC ENERGY AGENCY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2017 and 2016

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 is in effect until March 31, 2018. 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 30% and 22% of operating revenue in fiscal year 2017 and two significant customers, who were responsible for 28% and 22% of operating revenue in fiscal year 2016.

NOTE 9 – SUBSEQUENT EVENTS

IPEA extended the natural gas sales contracts with all 12 member municipalities and the two special gas purchasers. The termination date of these contracts vary with the latest terminating on March 31, 2024.