

**ILLINOIS MUNICIPAL ELECTRIC AGENCY**

Springfield, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

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

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Illinois Municipal Electric Agency  
Springfield, Illinois

We have audited the accompanying financial statements of Illinois Municipal Electric Agency (IMEA), as of and for the years ended April 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise IMEA'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 relevant to IMEA'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 IMEA'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 IMEA as of April 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof 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

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

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

The management of the Illinois Municipal Electric Agency ("IMEA") offers all persons interested in the financial position of IMEA this narrative overview and analysis of IMEA'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.

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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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The Illinois Municipal Electric Agency is a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. IMEA was created in 1984 under the provisions of Division 119.1 of Article II of the Illinois Municipal Code by a group of municipalities. The purpose of IMEA is to jointly plan, finance, own and operate facilities for the generation and transmission of electric power and energy to provide for the current and projected energy needs of the purchasing members. IMEA has thirty two (32) members, each of which is a municipal corporation in the State of Illinois and owns and operates a municipal electric system.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. These statements are prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. IMEA uses the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

The Statements of Revenues, Expenses and Changes in Net Position present information showing how IMEA's net position changed during the most recent year due to IMEA's business activity. The Statements of Net Position report year end assets, deferred outflows of resources, liabilities and net position balances based on the original cost adjusted for any depreciation, amortization or unrealized gains/losses as appropriate. Over time, increases or decreases in IMEA's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include the Agency's wholesale electric rates and ability to maintain or exceed the debt coverage levels required by its bond resolution.

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### **IMEA FINANCIAL ANALYSIS**

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An analysis of IMEA'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 IMEA'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 MUNICIPAL ELECTRIC AGENCY

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

## IMEA FINANCIAL ANALYSIS (cont.)

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

	2019	2018	2017
Utility plant	\$1,026,116,552	\$1,051,854,472	\$1,057,664,235
Restricted assets	99,929,115	97,236,486	100,110,340
Current assets	123,333,442	116,636,538	123,063,773
Other assets	7,408,314	9,880,232	6,963,367
Deferred outflows of resources	29,476,272	32,956,957	36,631,732
Total Assets and Deferred Outflows of Resources	\$1,286,263,695	\$1,308,564,685	\$1,324,433,447
 Net Position:			
Invested in capital assets	\$155,755,048	\$133,068,974	\$97,784,908
Restricted	9,478,282	8,909,401	8,370,663
Unrestricted	88,531,750	75,581,220	88,767,194
Total Net Position	253,765,080	217,559,595	194,922,765
 Noncurrent liabilities			
Current liabilities	957,213,792	1,014,324,599	1,055,935,507
Total Liabilities	1,032,498,615	1,091,005,090	1,129,510,682
Total Net Position and Liabilities	\$1,286,263,695	\$1,308,564,685	\$1,324,433,447

## STATEMENTS OF NET POSITION

Year Ended April 30, 2019

IMEA's total utility plant decreased by \$25,737,920 during the year ended April 30, 2019. The Agency made total payments of \$20,403,204 toward the capital improvements associated with the Prairie State project, Trimble County Units 1 & 2 projects and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$1,351,128. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$34,135,909 was recorded during the year. IMEA also recorded a \$9,563,203 reduction in the asset retirement obligation associated with the Prairie State project and Trimble County Units 1 & 2 projects due to lower estimated future costs associated with the closure of certain assets.

IMEA had an increase in the cash and short-term investments held in operating reserve accounts of \$8,349,292 from the previous year. Accounts receivable increased by \$98,044 from the previous year. These changes along with a decrease in the amount of renewable energy credits held at the end of the year and a decrease in prepayments made at the end of the year represent the majority of the increase in current assets.

See accompanying independent auditors' report.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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## IMEA FINANCIAL ANALYSIS (cont.)

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### STATEMENTS OF NET POSITION (cont.)

Proceeds of revenue bonds not yet expended are included in restricted assets. The increase in restricted assets of \$2,692,629 was primarily caused by a rise in the market value of investments being held in restricted accounts.

Net position increased due to current year operations that resulted in net income of \$36,205,485.

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$42,950,000. IMEA is scheduled to repay an additional \$44,895,000 on the outstanding revenue bonds on February 1, 2020 which is included in current liabilities. The Agency also had current year draws of \$4,000,000 against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit to \$14,000,000. The total undrawn portion of this line of credit was \$36,000,000.

Year Ended April 30, 2018

IMEA's total utility plant decreased by \$5,809,763 during the year ended April 30, 2018. The Agency made total payments of \$28,746,717 toward the capital improvements associated with the Prairie State project, Trimble County Units 1 & 2 projects and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$2,534,957. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$35,268,987 was recorded during the year.

IMEA had a decrease in the cash and short-term investments held in operating reserve accounts of \$482,927 from the previous year. Accounts receivable decreased by \$3,484,052 due primarily to lower revenue from the sale of power during the month of April. These changes along with a decrease in the amount of renewable energy credits held at the end of the year and a decrease in prepayments made at the end of the year represent the majority of the decrease in current assets.

Proceeds of revenue bonds not yet expended are included in restricted assets. The decrease in restricted assets of \$2,873,854 was primarily caused by a reduction in the market value of investments being held in restricted accounts.

Net position increased due to current year operations that resulted in net income of \$22,636,830

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$41,095,000. IMEA also paid an additional \$42,950,000 on the outstanding revenue bonds on February 1, 2019 which was included in current liabilities. The Agency also had current year draws of \$7,500,000 against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit to \$10,000,000. The total undrawn portion of this line of credit was \$40,000,000.

See accompanying independent auditors' report.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### IMEA FINANCIAL ANALYSIS (cont.)

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

	2019	2018	2017
Operating revenues	\$313,796,016	\$317,579,869	\$320,985,228
Depreciation expense	34,135,909	35,268,987	34,848,247
Other operating expenses	204,731,884	218,497,306	221,174,284
Total Operating Expenses	238,867,793	253,766,293	256,022,531
Operating Income	74,928,223	63,813,576	64,962,697
Investment income	4,047,042	2,978,084	1,873,942
Interest and amortization expense	(42,777,317)	(44,205,437)	(45,838,156)
Other income/(expense)	7,537	50,607	6,690
Total Non-Operating Expenses	(38,722,738)	(41,176,746)	(43,957,524)
Change in Net Position	36,205,485	22,636,830	21,005,173
Net Position, Beginning of Year	217,559,595	194,922,765	173,917,592
Net Position, End of Year	\$253,765,080	\$217,559,595	\$194,922,765

### STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2019

Sales to participating members of \$311,611,949 and 4,012,316,188 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2019. This represented an increase of \$1,745,190 (0.6%) in revenue from sales to participating members and an increase of 89,443,397 kWh (2.3%) as compared with the previous year. Sales were higher due to warmer than normal late spring and early summer temperatures in the Midwest during 2018. The termination of IMEA's contract with the Rural Electric Convenience Cooperative (RECC) on December 31, 2017 resulted in sales to others being reduced to \$0. This caused a reduction of \$7,050,667 in operating revenue from the previous year.

IMEA recorded a coincident peak demand of 923 MW which was approximately 3.1% higher than the 895 MW experienced in the previous year. The total member non-coincident peak demand was 944 MW which was approximately 1.6% higher than the 929 MW experienced in the previous year.

The average cost of power sold to the participating members of 7.76 cents per kWh was approximately 1.6% lower than the 7.89 cents per kWh from the previous year.

See accompanying independent auditors' report.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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## IMEA FINANCIAL ANALYSIS (cont.)

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

Total operating expenses decreased by \$14,898,500 (5.9%) from the previous year due primarily to lower purchased power and transmission expense, some of which can be attributed to IMEA not serving RECC. Interest and amortization expenses decreased by \$1,428,120 primarily due to payments made to reduce outstanding revenue bonds.

Year Ended April 30, 2018

Sales to participating members of \$309,866,759 and 3,922,872,791 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2018. This represented a decrease of \$988,643 (.3%) in revenue from sales to participating members and a decrease of 77,355,072 kWh (1.9%) as compared with the previous year. Sales were lower due to cooler than normal summer temperatures in the Midwest during 2017. IMEA also supplied the RECC with full requirements power supply service through December 31, 2017 which accounted for additional revenue of \$7,050,667 which is reflected in sales to others. The contract with RECC terminated on December 31, 2017.

IMEA recorded a coincident peak demand of 895 MW which was approximately 5% lower than the 942 MW experienced in the previous year. The total member non-coincident peak demand was 954 MW which included both sales to participating members and to RECC. This non-coincident peak demand was approximately 2.7% lower than the previous year.

The average cost of power sold to the participating members was 7.89 cents per kWh.

Total operating expenses decreased by \$2,256,238 (.9%) from the previous year due primarily to lower purchased power and transmission expense. Interest and amortization expenses decreased by \$1,632,719 primarily due to payments made to reduce outstanding revenue bonds.

### DEBT SERVICE COVERAGE

IMEA's bond resolution requires the Agency to maintain a debt service coverage ratio of 110%. Debt service coverage for the year ended April 30, 2019 was approximately 124.1% and approximately 110.4% for the year ended April 30, 2018 after transfers to the rate stabilization account. IMEA transferred \$1,800,000 during the year ended April 30, 2019 and \$4,000,000 during the year ended April 30, 2018 into the rate stabilization account which reduced the debt service covered during both of these years. Without these rate stabilization transfers, debt service coverage would have been approximately 126.0% for the year ended April 30, 2019 and 114.5% for the year ended April 30, 2018.

See accompanying independent auditors' report.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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## **SIGNIFICANT EVENTS**

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### RENEWABLE ENERGY RESOURCES

IMEA has a contract to purchase 70 MW of wind energy from the Lee-Dekalb wind project owned by FPL Energy Illinois Wind, LLC and another contract to purchase 50 MW of wind from the Green River wind farm under development by Geronimo Energy, LLC. Green River is scheduled to begin commercial operation on October 31, 2019. IMEA also entered into contracts for the purchase of approximately 1.5 MW's of solar energy located within two of IMEA's member electric systems, with an additional 2.5 MW's of solar energy expected to start generating within three additional IMEA's member electric systems in March of 2020. These contracts will provide IMEA with renewable energy resources totaling more than 10% of IMEA's energy requirements. In addition, IMEA just concluded contract negotiation to purchase 25 MW of solar energy for a period of 10 years from a solar project to be constructed in Illinois. This contract has a June 2025 start date. IMEA continues to evaluate additional carbon-free resources and will possibly seek additional opportunities with other Illinois solar projects to replace carbon based purchase power agreements as they expire.

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## **CONTACTING IMEA'S MANAGEMENT**

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

**ILLINOIS MUNICIPAL ELECTRIC AGENCY**

STATEMENTS OF NET POSITION  
As of April 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>UTILITY PLANT</b>		
Utility plant in service	\$ 1,246,737,469	\$ 1,260,398,319
Accumulated depreciation	(277,862,429)	(252,514,938)
Construction work in progress	<u>57,241,512</u>	<u>43,971,091</u>
Total Utility Plant	<u>1,026,116,552</u>	<u>1,051,854,472</u>
<b>RESTRICTED ASSETS</b>		
Cash and investments	<u>99,929,115</u>	<u>97,236,486</u>
<b>CURRENT ASSETS</b>		
Cash	49,530,320	41,827,034
Investments	29,188,182	28,542,176
Accounts receivable	22,196,878	22,098,834
Bond interest subsidy receivable	2,122,764	2,197,498
Renewable energy credits	979,391	1,140,482
Prepayments	<u>19,315,907</u>	<u>20,830,514</u>
Total Current Assets	<u>123,333,442</u>	<u>116,636,538</u>
<b>OTHER ASSETS</b>		
Regulatory costs for future recovery	2,832,532	3,164,509
Unrealized loss on investments	1,910,696	5,173,095
Prairie State - other long term asset	1,139,700	1,542,628
Other regulatory assets	<u>1,525,386</u>	<u>-</u>
Total Other Assets	<u>7,408,314</u>	<u>9,880,232</u>
 Total Assets	 <u>1,256,787,423</u>	 <u>1,275,607,728</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	<u>29,476,272</u>	<u>32,956,957</u>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	 <u>\$ 1,286,263,695</u>	 <u>\$ 1,308,564,685</u>

	2019	2018
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Net investment in capital assets	\$ 155,755,048	\$ 133,068,974
Restricted	9,478,282	8,909,401
Unrestricted	<u>88,531,750</u>	<u>75,581,220</u>
Total Net Position	<u>253,765,080</u>	<u>217,559,595</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds	877,635,000	922,530,000
Other long-term debt - line of credit	14,000,000	10,000,000
Unamortized premium	55,162,166	61,443,091
Other liabilities	<u>10,416,626</u>	<u>20,351,508</u>
Total Noncurrent Liabilities	<u>957,213,792</u>	<u>1,014,324,599</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses		
Accounts Payable		
Purchased power and transmission	9,650,337	9,115,398
Jointly-owned facilities	7,591,571	10,860,808
Other	157,298	218,192
Other current liabilities	<u>394,174</u>	<u>389,644</u>
Total Accounts Payable and Accrued Expenses	<u>17,793,380</u>	<u>20,584,042</u>
Current Liabilities Payable from Restricted Assets		
Current maturities of revenue bonds	44,895,000	42,950,000
Interest accrued	<u>12,596,443</u>	<u>13,146,449</u>
Total Current Liabilities Payable from Restricted Assets	<u>57,491,443</u>	<u>56,096,449</u>
Total Current Liabilities	<u>75,284,823</u>	<u>76,680,491</u>
Total Liabilities	<u>1,032,498,615</u>	<u>1,091,005,090</u>
<b>TOTAL NET POSITION AND LIABILITIES</b>	<u>\$ 1,286,263,695</u>	<u>\$ 1,308,564,685</u>

See accompanying notes to financial statements.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended April 30, 2019 and 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Sales to participating members	\$ 311,611,949	\$ 309,866,759
Sales to others	-	7,050,667
Other income	2,184,067	662,443
Total Operating Revenues	313,796,016	317,579,869
<b>OPERATING EXPENSES</b>		
Purchased power and transmission	105,243,103	120,153,064
Prairie State and Trimble County Units No. 1 and 2		
Fuel	43,853,976	42,117,228
Operations and maintenance	35,150,793	36,614,195
Member Payments		
Fuel reimbursements	1,015,505	1,091,258
Capacity payments	8,897,963	8,930,449
Generation payments	12,371	21,824
Administration and general	8,119,671	7,893,267
Depreciation	34,135,909	35,268,987
Other utility operations	2,438,502	1,676,021
Total Operating Expenses	238,867,793	253,766,293
Operating Income	74,928,223	63,813,576
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	4,047,042	2,978,084
Asset impairment	1,690,292	-
Deferral for future recovery	(1,690,292)	-
Bond interest subsidy revenue	8,291,362	8,536,717
Interest expense	(53,372,035)	(55,276,959)
Amortization expense	2,303,356	2,534,805
Other income	7,537	50,607
Total Nonoperating Revenues (Expenses)	(38,722,738)	(41,176,746)
<b>CHANGE IN NET POSITION</b>	36,205,485	22,636,830
NET POSITION - Beginning of Year	217,559,595	194,922,765
<b>NET POSITION - END OF YEAR</b>	\$ 253,765,080	\$ 217,559,595

See accompanying notes to financial statements.

**ILLINOIS MUNICIPAL ELECTRIC AGENCY**

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

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from power sales	\$ 301,588,065	\$ 310,285,654
Paid to suppliers for purchased power and transmission	(104,708,164)	(121,105,126)
Paid to suppliers and employees for other services	<u>(86,923,057)</u>	<u>(82,599,894)</u>
Net Cash Flows From Operating Activities	<u>109,956,844</u>	<u>106,580,634</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from line of credit draws	<u>4,000,000</u>	<u>7,500,000</u>
Net Cash Flows From Noncapital Financing and Related Activities	<u>4,000,000</u>	<u>7,500,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt principal paid	(42,950,000)	(41,095,000)
Interest paid	(53,922,041)	(55,803,877)
Bond interest subsidy received	8,366,096	8,609,010
Acquisition and construction of capital assets	(20,395,546)	(28,746,717)
Asset retirement obligation costs incurred	<u>(1,322,874)</u>	<u>(62,036)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(110,224,365)</u>	<u>(117,098,620)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	4,047,042	2,978,084
Purchase of long-term investments	(106,398,516)	(102,563,917)
Maturity of long-term investments	<u>106,405,000</u>	<u>102,576,000</u>
Net Cash Flows From Investing Activities	<u>4,053,526</u>	<u>2,990,167</u>
<b>Net Change in Cash and Cash Equivalents</b>	7,786,005	(27,819)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>42,649,208</u>	<u>42,677,027</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 50,435,213</u>	<u>\$ 42,649,208</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Recording of other regulatory asset	<u>\$ (1,690,292)</u>	<u>\$ -</u>
Change in asset retirement obligation liability	<u>\$ (9,563,203)</u>	<u>\$ 75,525</u>
Accretion expense	<u>\$ 991,901</u>	<u>\$ 420,072</u>
Change in unrealized loss on investments	<u>\$ (3,262,399)</u>	<u>\$ 3,316,883</u>
Amortization expense	<u>\$ 2,303,356</u>	<u>\$ 2,534,805</u>
Credits given on billings	<u>\$ (9,952,838)</u>	<u>\$ (10,043,531)</u>
Net gain on sale of assets	<u>\$ 7,537</u>	<u>\$ 50,607</u>

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 74,928,223	\$ 63,813,576
Noncash items included in operating income		
Depreciation	34,135,909	35,268,987
Other non-cash transactions	955,724	371,177
Changes in assets and liabilities		
Accounts receivable	(98,043)	3,411,759
Prepayments	1,514,608	801,723
Allowance inventory	161,091	1,658,534
Accounts payable	<u>(1,640,668)</u>	<u>1,254,878</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 109,956,844</u></b>	<b><u>\$ 106,580,634</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS</b>		
Restricted cash and investments	\$ 99,929,115	\$ 97,236,486
Cash	49,530,320	41,827,034
Investments	<u>29,188,182</u>	<u>28,542,176</u>
Total Cash and Investments	178,647,617	167,605,696
Less: investments	<u>(128,212,404)</u>	<u>(124,956,488)</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 50,435,213</u></b>	<b><u>\$ 42,649,208</u></b>

See accompanying notes to financial statements.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of the Illinois Municipal Electric Agency (IMEA) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by IMEA are described below.

#### ***REPORTING ENTITY***

IMEA is a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. IMEA was created in May 1984 under the provisions of Division 119.1 of Article II of the Illinois Municipal Code (the Act) by a group of municipalities for the purpose of jointly planning, financing, owning and operating facilities for the generation and transmission of electrical power and energy-related facilities which are appropriate to the present and projected energy needs to such municipalities. IMEA is owned and its policies governed by its member municipalities.

IMEA has provided the power and energy requirements of certain members since 1986, primarily through the purchase of wholesale requirements service from power providers and through IMEA owned generation. The contracts with power providers, which obligate IMEA to purchase electric energy for concurrent resale to its members, are in effect through September 2035.

As of April 30, 2019, IMEA had 32 member municipalities, all of which have executed long-term power sales contracts for the purchase of full requirements power and energy from IMEA. The termination date for all of the power sales contracts with participating members is September 30, 2035. These members participate in the IMEA owned generation facilities and pay rates sufficient to meet the obligations of IMEA's bond resolution.

#### ***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

The financial statements are prepared 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 exchange takes place. IMEA uses the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

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 MUNICIPAL ELECTRIC AGENCY

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

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

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### ***ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND NET POSITION***

#### ***Cash Equivalents***

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

#### ***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are stated at the amount billed to members and non-members. Allowance for doubtful accounts is not considered necessary as IMEA has not historically experienced delays in payments for service rendered.

#### ***Renewable Energy Credits***

Energy credits consist of renewable energy credits (RECs) held for sale and are valued at current market value. The RECs are obtained through the purchase of renewable energy resources.

#### ***Prepayments***

The amount in prepaid items represents amounts paid which will benefit future periods, IMEA's payment for collateral for operating activities in the MISO and PJM transmission markets and advance payments to Trimble County and Prairie State for working capital.

#### ***Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

#### ***Prairie State – Other Long Term Asset***

Other long-term assets are comprised of the assets related to the prepayments made on a long-term parts agreement and collateral paid toward a self-insurance fund.

#### ***Regulatory Costs for Future Recovery***

Expenses incurred and paid in the current and prior periods in which the benefit of the expense will be recovered and realized in future periods in accordance with GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. See Note 10 for further discussion related to these assets.

#### ***Unrealized Gains and Loss on Investments***

Management has elected the use of regulatory accounting for its unrealized losses on investments. Changing market gains and losses are not recognized as investment income until such time investments are sold or mature. Net unrealized gains and losses are reported as other assets on the Statement of Net Position.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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

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### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND NET POSITION (cont.)*

#### **Utility Plant**

Utility plant is generally defined by IMEA as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year, except for jointly owned assets. In these cases, utility plant is capitalized based on policies defined by Louisville Gas & Electric Company and Prairie State Generating Company.

Utility plant of IMEA is recorded at cost or the estimated acquisition value at the time of contribution to IMEA. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the utility plant constructed, net of interest earned on the invested proceeds over the same period. Utility plant is depreciated using the straight-line method over the following useful lives:

	Years
Utility Plant	
Electric plant – Trimble County Units No. 1 and 2	20 – 53
Electric plant – Prairie State Units No. 1 and 2	10 – 40
Mobile generation	30
Land	–
Land improvements	10
Office building	10 – 31.5
Office furniture and equipment	5
Supervisory control and data acquisition equipment	5
Winnetka 138 interconnect	30
Other equipment	5

Coal reserves are depleted as the commodity is consumed using a rate which is based upon the cost to IMEA divided by the total estimated coal to be mined.

#### **Other Regulatory Assets**

During fiscal year 2019, IMEA recognized an impairment of certain assets at Prairie State, referred to as “Jordan Grove”. IMEA reduced the assets to their expected value and recorded an other regulatory asset for the difference between the original book value and expected value, shown in the statement of net position, under other assets.

#### **Deferred Outflow of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources expense until that future time.

#### **Loss on Refunding**

The deferred change resulting from the refunding of debt is amortized over the shorter of the term of the refunding issue or the original term of the refunded debt.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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

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#### *ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND NET POSITION (cont.)*

##### *Payables and Other Current Liabilities*

Accounts payable represents current liabilities for power, jointly owned facilities and other payables. Other current liabilities represent accrued vacation benefits and accrued property taxes payable.

##### *Other Liabilities*

Other liabilities represent accrued sick leave and asset retirement obligation (Note 8). Under terms of employment, employees are granted one day of sick leave per month. One-half of accumulated sick leave benefits are paid if the employee terminates service after at least 10 years of service. Accumulated sick leave and vacation benefits have been recorded in the financial statements.

##### *Long-Term Obligations*

Long-term debt and other obligations are reported as liabilities. Bond discounts and premiums are amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year-end for the loss on refunding is shown as a deferred outflow in the statement of net position.

#### *REVENUES AND EXPENSES*

IMEA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with IMEA's principal ongoing operations. The principal operating revenues of IMEA are charges to members for sales and services. Operating expenses for IMEA include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

IMEA billings are rendered and recorded monthly based on month-end metered usage.

#### *BOND SUBSIDY REVENUE AND RECEIVABLE*

This amount represents the accrued amount receivable under the Build America Bond Program (BAB) which provides a 35% subsidy for interest expense on the Series 2009 and 2010 revenue bond issues. The interest expense reduction is classified as non-operating revenue.

The United States Federal Government was subject to the process of sequestration for the budget year ending September 30, 2019 and 2018 whereby foreseeable spending reductions for many Federal programs, including issuers of the BAB's, may directly affect the recovery of the BAB's subsidy. See Note 7 for further details.

#### *TAXES*

IMEA is exempt from State and Federal income taxes.

# ILLINOIS MUNICIPAL ELECTRIC 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.)

#### **RATES**

Rates charged to members are approved by the Board of Directors and were increased January 1, 2018. The approved rate includes adjustment clauses which are calculated monthly based on cost to serve member load.

#### **RECLASSIFICATIONS**

Certain amounts in the prior year financial statements have been reclassified in order to conform to the current year's presentation.

#### **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.

### NOTE 2 – CASH AND INVESTMENTS

IMEA's cash and investments consist of the following:

	Carrying Value as of April 30		Associated Risks
	2019	2018	
The Illinois Funds	\$ 18,714,497	\$ 18,313,758	Credit and interest rate
U.S. agency securities – implicitly guaranteed	120,408,271	124,559,635	Custodial credit, credit, concentration of credit, and interest rate
U.S. treasuries	8,277,082	905,574	Custodial credit and interest rate
Money market mutual fund	29,652,497	-	Not applicable
Checking and savings	1,594,770	23,826,229	Custodial credit
Petty cash	500	500	Not applicable
<b>Totals</b>	<b>\$ 178,647,617</b>	<b>\$ 167,605,696</b>	

IMEA's Trust Indenture authorizes IMEA to deposit funds only in banks insured by the Federal Deposit Insurance Corporation (FDIC). IMEA 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 MUNICIPAL ELECTRIC AGENCY

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

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### NOTE 2 – CASH AND INVESTMENTS (cont.)

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Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in the fair value section of this note. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year-end.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts (interest and noninterest bearing). Investments in The Illinois Funds are covered under securities pledged for all pool participants. The difference between the bank balance and carrying value is due to outstanding checks, deposits in transit, and/or market value adjustments.

#### ***CUSTODIAL CREDIT RISK***

##### ***Deposits***

Custodial credit risk is the risk that in the event of a financial institution failure, IMEA's deposits may not be returned to IMEA. IMEA's investment policy requires collateralization of deposits above the amount insured by the FDIC. IMEA does not have any deposits exposed to custodial credit risk as of April 30, 2019 and 2018.

##### ***Investments***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, IMEA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held as of April 30, 2019 and 2018, were considered to be in risk category one (investments held in trust on behalf of IMEA), therefore, not subject to custodial credit risk. IMEA's investment policy requires all investment securities be held by its agent in IMEA's name.

#### ***CREDIT RISK***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of April 30, 2019 and 2018 IMEA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
U.S. agency securities	AA+	Aaa
The Illinois funds	AAAm	-

IMEA's investment policy requires that all investments be rated in highest or second highest categories by the national rating agencies.

#### ***CONCENTRATION OF CREDIT RISK***

Concentration of credit risk is the risk of loss attributed to the magnitude of IMEA's investment in a single issuer.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 2 – CASH AND INVESTMENTS (cont.)

As of April 30, 2019 and 2018, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2019	2018
Federal Home Loan Bank Federal Farm Credit Banks	U.S. agency securities - Implicitly Guaranteed	27%	41%
Funding Corporation	U.S. agency securities - Implicitly Guaranteed	39%	43%
Federal National Mortgage Association	U.S. agency securities - Implicitly Guaranteed	13%	15%

IMEA's investment policy states that no more than 50% of the total portfolio may be invested in one type of investment with the exception of the US government and its agencies.

#### **INTEREST RATE RISK**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of April 30, 2019 IMEA's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 120,462,840	\$ 23,284,293	\$ 35,345,817	\$ 61,832,730
U.S. treasuries	8,277,082	8,277,082	-	-
	<u>\$ 128,739,922</u>	<u>\$ 31,561,375</u>	<u>\$ 35,345,817</u>	<u>\$ 61,832,730</u>

IMEA also has \$18,714,497 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 106 days.

As of April 30, 2018 IMEA's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 124,559,635	\$ 30,986,162	\$ 43,590,498	\$ 49,982,975
U.S. treasuries	905,574	-	905,574	-
	<u>\$ 125,465,209</u>	<u>\$ 30,986,162</u>	<u>\$ 44,496,072</u>	<u>\$ 49,982,975</u>

IMEA also has \$18,313,758 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 108 days.

IMEA's investment policy states that investment securities should not mature later than the monies will be needed for the respective use.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 2 – CASH AND INVESTMENTS (cont.)

#### *FAIR VALUE*

IMEA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements as of April 30, 2019 and 2018 are as follows:

- > Market approach – matrix pricing or market collaborative pricing

Investment Type	April 30, 2019			
	Total	Level 1	Level 2	Level 3
U.S. agency securities	\$ 120,462,840	\$ -	\$ 120,462,840	\$ -
U.S. treasuries	<u>8,277,082</u>	<u>8,277,082</u>	<u>-</u>	<u>-</u>
	<u>\$ 128,739,922</u>	<u>\$ 8,277,082</u>	<u>\$ 120,462,840</u>	<u>\$ -</u>

Investment Type	April 30, 2018			
	Total	Level 1	Level 2	Level 3
U.S. agency securities	\$ 124,559,635	\$ -	\$ 124,559,635	\$ -
U.S. treasuries	<u>905,574</u>	<u>905,574</u>	<u>-</u>	<u>-</u>
	<u>\$ 125,465,209</u>	<u>\$ 905,574</u>	<u>\$ 124,559,635</u>	<u>\$ -</u>

### NOTE 3 – JOINTLY-OWNED FACILITIES

#### *TRIMBLE COUNTY UNIT No. 1*

Pursuant to an ownership agreement entered into in September 1990, IMEA acquired an undivided 12.12% ownership interest (approximately 62 MW), as tenant in common, in the Trimble County Unit No. 1 generating facility from Louisville Gas and Electric Company. Trimble County Unit 1 is a 514 MW subcritical pulverized coal fired unit.

#### *TRIMBLE COUNTY UNIT No. 2*

Trimble County Unit 2, which was placed into commercial operation in January 2011, is a pulverized-coal super-critical unit of 750 MW nominal net rating located adjacent to Trimble County Unit 1. IMEA owns a 12.12% (approximately 91 MW) undivided interest as tenant in common in the unit.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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## NOTE 3 – JOINTLY-OWNED FACILITIES (cont.)

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### *PRAIRIE STATE PROJECT*

IMEA is part of the consortium known as the Prairie State Generating Company, LLC that developed the Prairie State Project. IMEA owns a 15.17% (approximately 240 MW) undivided interest in the project. The Prairie State Project is a nominal 1,600 MW plant, utilizing two supercritical steam units of approximately 800 MW in size. Prairie State includes contiguous coal reserves and the operation of a coal mine to supply coal to the power plant. The first unit was placed into commercial operation in June 2012 and the second unit was placed into commercial operation in November 2012.

IMEA's share of the operating costs associated with these joint owned facilities are included in the accompanying financial statements.

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## NOTE 4 – FUNDS

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IMEA's Trust Indenture requires the segregation of bond proceeds, establishment of various funds and prescribes the application of IMEA's revenues. Also, it defines what type of securities that IMEA may invest in. Funds consist principally of cash, money market funds, federal securities and investments in The Illinois Funds. The fund's purposes and balances are summarized below.

<u>Fund</u>	<u>Held By</u>	<u>Purpose</u>
Revenue	IMEA	To initially receive revenues and to disburse them to other accounts.
Operations and Maintenance	IMEA	To pay operating and maintenance expenses.
Renewals and Replacements	IMEA	To provide funds to be applied to the payment of the costs of renewals, replacements and repairs.
General Reserve	IMEA	To receive surplus funds after all other accounts are funded.
Rate Stabilization	IMEA	To accumulate any revenues in excess of the 10% debt service coverage requirement which will be used to minimize rate fluctuations in the future.
Debt Service Account	Trustee	To accumulate principal and interest associated with each bond series.
Debt Service Reserve Account	Trustee	To establish a reserve to cover deficiencies in the Debt Service Account. Any excess may be used for other purposes.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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### NOTE 4 – FUNDS (cont.)

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The indenture requires that certain cash and investments be segregated. The following are accounts included in current and restricted assets at April 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Included in Current Assets:		
Revenue	\$ 1,440,863	\$ 5,257
Operation and maintenance	28,266,204	22,843,951
Renewals and replacements	2,336,528	2,284,732
General reserve	1,174,408	1,534,770
Rate stabilization	45,500,000	43,700,000
General cash (not restricted by indenture)	<u>500</u>	<u>500</u>
Total Current Cash and Investments	<u>\$ 78,718,503</u>	<u>\$ 70,369,210</u>
Included in Restricted Investment Accounts:		
Debt service	\$ 22,074,725	\$ 22,055,850
Debt service reserve	<u>77,854,390</u>	<u>75,180,636</u>
Total Restricted Cash and Investments	<u>\$ 99,929,115</u>	<u>\$ 97,236,486</u>

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2019 follows:

	Balance 5/1/18	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/19
Utility Plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 138,012,595	\$ 1,725,456	\$ (11,800,945)	\$ 127,937,106
Trimble County Unit No. 2	183,524,064	2,576,271	-	186,100,335
Prairie State Unit No. 1	354,696,761	358,525	-	355,055,286
Prairie State Unit No. 2	326,355,640	873,646	(331,399)	326,897,887
Mobile generation	3,117,860	-	-	3,117,860
Prairie State - Common	148,145,828	333,216	(22,396)	148,456,648
Prairie State - Jordan Grove	9,222,202	1,350,487	(8,973,799)	1,598,890
Prairie State - Nearfield	12,173,111	-	(262,957)	11,910,154
Prairie State - Other	7,833,412	-	-	7,833,412
Prairie State - Mine	41,801,288	363,050	-	42,164,338
Prairie State - Coal Reserves	17,369,335	3,034	-	17,372,369
Land <sup>1</sup>	5,966,369	-	-	5,966,369
Office building	8,346,500	19,416	-	8,365,916
Office furniture and equipment	523,186	14,088	(17,357)	519,917
Supervisory control and data acquisition equipment	2,318,190	116,162	-	2,434,352
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	491,978	51,938	(37,286)	506,630
	1,260,398,319	7,785,289	(21,446,139)	1,246,737,469
Construction work in progress <sup>1</sup>	43,971,091	18,164,653	(4,894,232)	57,241,512
	\$ 1,304,369,410	\$ 25,949,942	\$ (26,340,371)	\$ 1,303,978,981

<sup>1</sup> Utility plant that is not being depreciated.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 5 – CHANGES IN UTILITY PLANT (cont.)

	Balance 5/1/18	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/19
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	\$ (68,561,507)	\$ (3,205,949)	\$ 2,603,445	\$ (69,164,011)
Trimble County Unit No. 2	(34,109,404)	(4,980,806)	-	(39,090,210)
Prairie State Unit No. 1	(50,016,029)	(8,874,477)	-	(58,890,506)
Prairie State Unit No. 2	(43,464,618)	(8,159,868)	305,578	(51,318,908)
Mobile generation	(1,653,405)	(103,927)	-	(1,757,332)
Prairie State - Common	(21,157,603)	(3,706,510)	22,396	(24,841,717)
Prairie State - Jordan Grove	(5,809,883)	(699,509)	5,802,478	(706,914)
Prairie State - Nearfield	(1,057,239)	(302,135)	-	(1,359,374)
Prairie State - Other	(2,272,121)	(391,670)	-	(2,663,791)
Prairie State - Mine	(15,402,907)	(2,799,361)	-	(18,202,268)
Prairie State - Coal Reserves	(2,755,737)	(521,907)	-	(3,277,644)
Office building	(2,739,574)	(281,226)	-	(3,020,800)
Office furniture and equipment	(506,662)	(7,741)	17,357	(497,046)
Supervisory control and data acquisition equipment	(2,268,602)	(30,039)	-	(2,298,641)
Winnetka 138 interconnect	(361,112)	(16,666)	-	(377,778)
Other equipment	(378,535)	(54,118)	37,164	(395,489)
Total Accumulated Depreciation	<u>(252,514,938)</u>	<u>(34,135,909)</u>	<u>8,788,418</u>	<u>(277,862,429)</u>
Net Utility Plant	<u>\$ 1,051,854,472</u>			<u>\$ 1,026,116,552</u>

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 5 – CHANGES IN UTILITY PLANT (cont.)

A summary of changes in utility plant for 2018 follows:

	Balance 5/1/17	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/18
Utility Plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 123,979,315	\$ 16,477,079	\$ (2,443,799)	\$ 138,012,595
Trimble County Unit No. 2	181,917,113	1,606,951	-	183,524,064
Prairie State Unit No. 1	352,616,451	3,054,443	(974,133)	354,696,761
Prairie State Unit No. 2	324,709,002	1,923,247	(276,609)	326,355,640
Mobile generation	3,117,860	-	-	3,117,860
Prairie State - Common	146,473,795	1,677,724	(5,691)	148,145,828
Prairie State - Jordan Grove	9,753,819	(531,617)	-	9,222,202
Prairie State - Nearfield	9,334,556	2,838,555	-	12,173,111
Prairie State - Other	7,789,441	43,971	-	7,833,412
Prairie State - Mine	40,535,333	1,265,955	-	41,801,288
Prairie State - Coal Reserves	17,369,335	-	-	17,369,335
Land <sup>1</sup>	5,966,369	-	-	5,966,369
Office building	8,188,081	158,419	-	8,346,500
Office furniture and equipment	521,562	3,702	(2,078)	523,186
Supervisory control and data acquisition equipment	2,389,549	1,148	(72,507)	2,318,190
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	586,679	19,317	(114,018)	491,978
Total Utility Plant in Service	1,235,748,260	28,538,894	(3,888,835)	1,260,398,319
Construction work in progress <sup>1</sup>	43,050,763	23,272,186	(22,351,858)	43,971,091
Total Utility Plant	<u>\$1,278,799,023</u>	<u>\$ 51,811,080</u>	<u>\$ (26,240,693)</u>	<u>\$1,304,369,410</u>

<sup>1</sup> Utility plant that is not being depreciated.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 5 – CHANGES IN UTILITY PLANT (cont.)

	Balance 5/1/17	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/18
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	\$ (66,728,305)	\$ (4,277,001)	\$ 2,443,799	\$ (68,561,507)
Trimble County Unit No. 2	(29,172,548)	(4,936,856)	-	(34,109,404)
Prairie State Unit No. 1	(42,144,000)	(8,846,162)	974,133	(50,016,029)
Prairie State Unit No. 2	(35,597,710)	(8,143,517)	276,609	(43,464,618)
Mobile generation	(1,549,476)	(103,929)	-	(1,653,405)
Prairie State - Common	(17,478,658)	(3,684,636)	5,691	(21,157,603)
Prairie State - Jordan Grove	(4,852,222)	(957,661)	-	(5,809,883)
Prairie State - Nearfield	(800,220)	(257,019)	-	(1,057,239)
Prairie State - Other	(1,881,367)	(390,754)	-	(2,272,121)
Prairie State - Mine	(12,657,952)	(2,744,955)	-	(15,402,907)
Prairie State - Coal Reserves	(2,214,269)	(541,468)	-	(2,755,737)
Office building	(2,469,335)	(270,239)	-	(2,739,574)
Office furniture and equipment	(498,541)	(10,199)	2,078	(506,662)
Supervisory control and data acquisition equipment	(2,304,450)	(36,659)	72,507	(2,268,602)
Winnetka 138 interconnect	(344,445)	(16,667)	-	(361,112)
Other equipment	(441,290)	(51,265)	114,020	(378,535)
Total Accumulated Depreciation	<u>(221,134,788)</u>	<u>(35,268,987)</u>	<u>3,888,837</u>	<u>(252,514,938)</u>
Net Utility Plant	<u>\$ 1,057,664,235</u>			<u>\$ 1,051,854,472</u>

### NOTE 6 – IMPAIRMENT OF CAPITAL ASSET

During fiscal year 2019, IMEA experienced an asset impairment related to the Prairie State Jordan Grove assets. These assets consist of a coal combustion residual (CCR) holding facility and related infrastructure. Prairie State worked with Illinois Department of Natural Resources to revise their mining permit for this location to proceed with reclamation activities. As a result of this change in manner of use, this property was revalued for agricultural or recreational purposes based on market price comparisons. IMEA recognized an impairment of \$1,690,292 representing the difference between the net book value of \$3,040,778 and the updated expected residual value of the impaired Prairie State Jordan Grove assets of \$1,350,486. IMEA recorded its share of the impairment loss as a regulatory asset which will be amortized over the remaining 41 months of the original ten-year life. The residual value of the impaired assets are reported in IMEA capital assets.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 7 – LONG TERM OBLIGATIONS

IMEA has issued the following revenue bonds:

Date	Purpose	Final Maturity	Interest Rates	Original Issue	Outstanding Amount 4/30/19
Nov. 5, 2007	Refinance 1998 bonds	Feb. 1, 2021	5.00 – 5.20%	\$ 51,360,000	10,075,000
Jul. 15, 2009	Debt service and capital improvements *	Feb. 1, 2035	5.33 – 6.13%	294,755,000	255,080,000
Nov. 30, 2010	Debt service and capital improvements *	Feb. 1, 2035	2.47 – 7.29%	140,290,000	109,500,000
April 1, 2015	Refunding 2006 and 2007A bonds	Feb. 1, 2035	4.00 – 5.00%	594,685,000	547,875,000

\* The 2009C and 2010A revenue bonds are taxable Build America Bonds. IMEA receives a 35% interest subsidy from the federal government for these bonds. During Federal fiscal years 2019 and 2018, the U.S. federal government was subject to the process of sequestration reducing spending amounts for many programs including payments to the issuers of BAB's. A 6.2% and a 6.6% reduction in payments for the federal budget year ended September 30, 2019 and 2018, respectively, was experienced. The subsidy payment is not taken into account in the debt service displayed below.

The annual debt service and sinking fund requirements of the remaining bonds to maturity are as follows:

Year	Principal	Interest	Total
2020	\$ 44,895,000	\$ 51,234,172	\$ 96,129,172
2021	46,945,000	48,839,925	95,784,925
2022	43,660,000	46,315,151	89,975,151
2023	45,675,000	43,938,143	89,613,143
2024	47,750,000	41,419,675	89,169,675
2025 – 2029	272,300,000	163,622,830	435,922,830
2030 – 2034	343,235,000	77,558,924	420,793,924
2035	<u>78,070,000</u>	<u>4,044,598</u>	<u>82,114,598</u>
Totals	<u>\$ 922,530,000</u>	<u>\$ 476,973,418</u>	<u>\$ 1,399,503,418</u>

Repayment of the bonds is secured by a pledge of IMEA's revenues.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 7 – LONG TERM OBLIGATIONS (cont.)

#### ***Committed Line of Credit***

On October 29, 2010, IMEA entered into a \$25 million Committed Line of Credit agreement (LOC Agreement) with PNC Bank. Under the LOC Agreement, IMEA may draw funds and/or post standby letters of credit. The LOC Agreement was increased to \$50 million on September 1, 2012 and expires on October 31, 2022. IMEA had \$14.0 million and \$10.0 million outstanding under the LOC Agreement as of April 30, 2019 and 2018, respectively.

Long-term obligation activity for the year ended April 30, 2019 is as follows:

	Balance 5/1/18	Additions	Reductions	Balance 4/30/19	Due Within One Year
Revenue bonds	\$ 965,480,000	\$ -	\$ 42,950,000	\$ 922,530,000	\$ 44,895,000
Line of credit agreement	10,000,000	4,000,000	-	14,000,000	-
Unamortized premium	61,443,091	-	6,280,925	55,162,166	-
Other liabilities	20,351,508	1,035,060	10,969,943	10,416,625	-
<b>Totals</b>	<b>\$ 1,057,274,599</b>	<b>\$ 5,035,060</b>	<b>\$ 60,200,868</b>	<b>\$ 1,002,108,791</b>	<b>\$ 44,895,000</b>

Long-term obligation activity for the year ended April 30, 2018 is as follows:

	Balance 5/1/17	Additions	Reductions	Balance 4/30/18	Due Within One Year
Revenue bonds	\$ 1,006,575,000	\$ -	\$ 41,095,000	\$ 965,480,000	\$ 42,950,000
Line of credit agreement	2,500,000	7,500,000	-	10,000,000	-
Unamortized premium	68,002,369	-	6,559,278	61,443,091	-
Other liabilities	19,953,138	537,372	139,002	20,351,508	-
<b>Totals</b>	<b>\$ 1,097,030,507</b>	<b>\$ 8,037,372</b>	<b>\$ 47,793,280</b>	<b>\$ 1,057,274,599</b>	<b>\$ 42,950,000</b>

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

## **NOTE 8 – ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS**

An asset retirement obligation represents a legal obligation associated with the retirement of a tangible, long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset.

The asset retirement obligation includes the closure of ash ponds at the Trimble County plant site and mine closure and mine reclamation at the Prairie State Generating facility. Other asset retirement obligations are not significant to these financial statements. IMEA used estimated cash flows to determine the obligation.

During fiscal year 2019 IMEA recognized an adjustment of \$9,995,527 to the asset retirement obligation for the Trimble County facility as a result of a change in CCR Rule that lead to a change in closing method and project engineering to decrease the estimated volume of fill material required for the ash pond.

The following table presents the details of IMEA's asset retirement obligations, which are included on the balance sheet in other noncurrent liabilities:

<u>Balance 5/1/18</u>	<u>Liabilities Incurred (Adjustments)</u>	<u>Accretion</u>	<u>Costs Incurred</u>	<u>Balance 4/30/19</u>
<u>\$ 19,838,031</u>	<u>\$ (9,563,203)</u>	<u>\$ 991,901</u>	<u>\$ (1,322,874)</u>	<u>\$ 9,943,855</u>
<u>Balance 5/1/17</u>	<u>Liabilities Incurred</u>	<u>Accretion</u>	<u>Costs Incurred</u>	<u>Balance 4/30/18</u>
<u>\$ 19,404,469</u>	<u>\$ 75,525</u>	<u>\$ 420,072</u>	<u>\$ (62,035)</u>	<u>\$ 19,838,031</u>

## **NOTE 9 – NET POSITION**

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

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

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

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

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 9 – NET POSITION (cont.)

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

The following calculation supports the net investment in capital assets:

	2019	2018
Utility plant in service	\$1,246,737,469	\$1,260,398,319
Accumulated depreciation	(277,862,429)	(252,514,938)
Construction work in progress	57,241,512	43,971,091
Sub-totals	1,026,116,552	1,051,854,472
Less: Capital related debt		
Current portion of capital related long-term debt	44,895,000	42,950,000
Long-term portion of capital related long-term debt	877,635,000	922,530,000
Unamortized loss on advance refunding	(29,476,272)	(32,956,957)
Unamortized premium	55,162,166	61,443,091
Sub-totals	948,215,894	993,966,134
Add: Unspent debt proceeds		
Debt service reserve from borrowing	77,854,390	75,180,636
Total Net Investment in Capital Assets	\$ 155,755,048	\$ 133,068,974

The following calculation supports the amount of restricted net position:

	2019	2018
Restricted investments	\$ 99,929,115	\$ 97,236,486
Less: Restricted assets not funded by revenues		
Debt service reserve account	(77,854,390)	(75,180,636)
Current liabilities payable from restricted assets	(12,596,443)	(13,146,449)
Sub-totals	(90,450,833)	(88,327,085)
Total Restricted Net Position as Calculated	\$ 9,478,282	\$ 8,909,401

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

### NOTE 10 – REGULATORY ASSETS

IMEA has chosen to use the application of GASB No. 62 to recover certain costs in customer rates in future periods. Regulatory costs for future recovery includes unamortized debt issuance costs, unrealized loss on investments represents the difference between an investment's cost and the current fair value of the asset and other regulatory assets represents the asset impairment as discussed in Note 6. The following summarizes activity for regulatory assets:

	Balance 5/1/18	Additions	Reductions	Balance 4/30/19
Regulatory costs for future recovery	\$ 3,164,509	\$ -	\$ 331,977	\$ 2,832,532
Unrealized loss on investments	5,173,095	-	3,262,399	1,910,696
Other regulatory assets	-	1,690,292	164,906	1,525,386
<b>Totals</b>	<b>\$ 8,337,604</b>	<b>\$ 1,690,292</b>	<b>\$ 3,759,282</b>	<b>\$ 6,268,614</b>

	Balance 5/1/17	Additions	Reductions	Balance 4/30/18
Regulatory costs for future recovery	\$ 3,514,208	\$ -	\$ 349,699	\$ 3,164,509
Unrealized loss on investments	1,856,212	3,316,883	-	5,173,095
<b>Totals</b>	<b>\$ 5,370,420</b>	<b>\$ 3,316,883</b>	<b>\$ 349,699</b>	<b>\$ 8,337,604</b>

### NOTE 11 – EMPLOYEE RETIREMENT PLAN

IMEA's employees are covered by the Illinois Municipal Electric Agency Pension Plan, a defined contribution pension plan with a 5-year vesting schedule. Benefit provisions and all other requirements are established by the board of IMEA. IMEA contributes 25% of eligible employee earnings on behalf of each employee. Employees that terminate service prior to being fully vested, forfeit the unvested portion of their account balance, which is applied to future contributions to the plan. Total pension expense was equal to total contributions to the plan made by IMEA, net of applied forfeitures. For the years ended April 30, 2019 and 2018 total contributions were \$939,600 and \$890,000, respectively.

### NOTE 12 – CONTRACTS AND COMMITMENTS

IMEA has long- and short-term contracts and commitments with various wholesale power suppliers to supply energy, capacity and transmission services to its members. These contracts vary in length and have flexible terms and cancellation provisions. These contracts may be material to the financial statements.

In the normal course of business, IMEA may be involved in various disputes with other parties. While management cannot predict the ultimate outcome of these disputes, total exposure is not material to IMEA's financial position or results of operation.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

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

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## **NOTE 13 – SIGNIFICANT CUSTOMERS**

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IMEA has two significant customers who were responsible for 50% and 49% of operating revenue in 2019 and 2018, respectively.

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## **NOTE 14 – RISK MANAGEMENT**

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