

An Annual Report

**TWO THOUSAND FOURTEEN**

by the  
Illinois Municipal  
Electric Agency

Wholesale Electric Provider For

Thirty-two Illinois  
Municipal Electric  
Systems and One  
Cooperative



# A Message from the President & CEO and the Chairman of the Board

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*“It was a bright cold day in April, and the clocks were striking thirteen.”*

If you are person of a certain age, you may recognize those words as the opening sentence of George

Orwell’s 1984, a dystopian novel that was a staple of high school required reading lists in the middle of the last century. (If you just skimmed the Cliff’s Notes, you can admit that now. After all these years, the school board is not likely to pull back your diploma.)

While there may be truth in fiction, the reality of the year 1984 didn’t devolve to the level of Orwell’s vision. Sure, the fashion and the music of 1984 may frighten some of us today, but the Western World somehow escaped the totalitarian government of Big Brother, ever watchful for even the smallest outbreak of thoughtcrime.

Back in the real 1984, some thoughtful people stubbornly clung to the quaint notion that government can do good. And, for a collection of Illinois municipalities, the events of 1984 proved that this notion was so. Fatigued by the seemingly constantly spiking rates that investor owned utilities were allowed to charge to residential and especially wholesale customers in the late 1970s, several Illinois municipal electric systems were willing to band together to form a Joint Action Agency. Through joint action, they could use their combined purchasing power to command more favorable purchasing terms and also assemble the financial wherewithal to own generating capacity. Joint Action Agencies had proven beneficial to groups of municipalities in other states. But back then, there was no enabling legislation for Joint Action Agencies in Illinois.

Today, IMEA Member communities are indebted to those visionaries – municipal utility managers and elected officials from at least nine Illinois communities – who formed the working group that spearheaded the efforts of others in the Illinois public power community to lobby the General Assembly on behalf of the Illinois Joint Municipal Electric Power Act from 1980 until its eventual passage in late 1983. Many members of that working group appear on the roster of attendees of the first IMEA Board of Directors Meeting held on May 16, 1984 – just months after the signing of the Act.

Clearly these local government officials wasted no time in forming an agency to provide reliable, stably priced power to customers of municipal electric systems. The 1984 reality of good and transparent government service for the benefit of people and their businesses was thankfully a far cry from Orwell’s nightmare.

Thirty years later, IMEA still works to preserve and deliver on the vision of its founders. Every minute of every day, our job is to get power to the city gates of our 32 municipal members and one electric cooperative. To accomplish our task, we plan, finance, own and operate generation facilities and we purchase wholesale power on their behalf.

It’s true that in 2014 IMEA no longer must fight for its very existence. But significant challenges remain. Changes in the way power markets operate or new state and federal regulations seem to pop up with the sudden frequency of thunderstorms in July, and IMEA reacts on behalf of its members. We may make our case at the Federal Energy Regulatory Commission Court, reach out to lawmakers or offer commentary on proposed Environmental Protection Agency rules. Because, while the challenges we face in 2014 are somewhat different than those of 30 years ago, our resolve to overcome them is just as strong as it was in 1984.

Our efforts are not solely reactive. Just as our founders did 30 years ago, today’s IMEA Board of Directors works to assure that its vision of beneficial joint action on behalf of its member utilities informs the future of the electric industry in Illinois. This fall, the board will examine such topics as long-term governance, member communications, long-term finance and re-finance options and greenhouse gas regulations when it meets for a strategic review of Agency operations.

The Agency’s ability to analyze, react and take advantage of current opportunities and its predisposition for strategically envisioning its future have well served the customers of our member utility systems for 30 years.

It is 1984 plus 30, and still we stubbornly and correctly hold fast to the idea that local governments work for the good of the people. In fact, we see it as our privilege and our obligation to continue that tradition of outstanding service.



**Kevin M. Gaden**  
President & CEO

**Rick Abell**  
Chairman of the Board

# Who We Are

The Illinois Municipal Electric Agency (IMEA) is a not-for-profit unit of local government comprised of 32 municipal electric systems and one electric cooperative from across Illinois. Each of those communities owns and operates its own electric distribution system. Some operate local power generation plants.

Since its creation 30 years ago, the focus of the IMEA has been on the reliable delivery of bulk power and energy to its Members at low and stable prices. IMEA combines the power needs of all of its members and secures the electricity necessary to satisfy those needs. The Agency sells its municipal Members and one co-op all their wholesale power needs under long-term power supply contracts.

To accomplish this goal, IMEA has assembled a portfolio of power supply ownership and contracts. These include the ownership of a portion of large power plants in Kentucky and Illinois, a long-term power supply contract with a major power marketing company, additional smaller power contracts with other power suppliers, a long-term purchase of wind energy from a national supplier, and purchases from the market when that is an economical option. IMEA also uses the power plants owned and operated by our Members to meet the memberships' needs from time to time.

IMEA backs its commitment to power supply excellence with a 24-hour-a-day, seven day-a-week Operations Center. In addition, IMEA provides engineering, communications, economic development, energy efficiency, legislative and regulatory oversight services for its members.

The Agency is governed by a board of directors appointed by its Members. A professional staff administers day-to-day operations.

## IMEA Members

Altamont	Flora	Princeton
Bethany	Freeburg	Rantoul
Breese	Greenup	Red Bud
Bushnell	Highland	Riverton
Cairo	Ladd	Rock Falls
Carlyle	Marshall	Roodhouse
Carmi	Mascoutah	St. Charles
Casey	Metropolis	Sullivan
Chatham	Naperville	Waterloo
Fairfield	Oglesby	Winnetka
Farmer City	Peru	

★ Rural Electric Convenience Cooperative (RECC) – power purchasing participant



## Executive Board



**Chairman**  
**Rick Abell**  
*Metropolis*



**Vice Chairman**  
**Tim Birk**  
*Waterloo*



**Secretary/  
Treasurer**  
**Jason Bird**  
*Princeton*



**Immediate  
Past Chairman**  
**Del McCord**  
*Chatham*

## Members at Large



**Mayor Larry  
Taylor**  
*Altamont*



**Dale  
Detmer**  
*Breese*



**Cory  
Sheehy**  
*Marshall*



**Mark  
Curran**  
*Naperville*



**Brian  
Keys**  
*Winnetka*

## Board of Directors



**Steve Sowers**  
*Bethany*



**Justin Griffith**  
*Bushnell*



**Karl Klein**  
*Cairo*



**John Hodapp**  
*Carlyle*



**David Coston**  
*Carmi*



**Shelby Biggs**  
*Casey*



**Mayor Charles Griswold, Jr.**  
*Fairfield*



**Rick Hardesty**  
*Farmer City*



**Bob Coble**  
*Flora*



**John Tolan**  
*Freeburg*



**Dan Scales**  
*Greenup*



**Dan Cook**  
*Highland*



**Patrick Barry**  
*Ladd*



**Cody Hawkins**  
*Mascoutah*



**Dominic Rivara**  
*Oglesby*



**Mayor Scott Harl**  
*Peru*



**Greg Hazel**  
*Rantoul*



**David "Louie" Diewald**  
*Red Bud*



**Russ Patrick**  
*Riverton*



**Dick Simon**  
*Rock Falls*



**Everett Schofield**  
*Roodhouse*



**Tom Bruhl**  
*St. Charles*



**Doug Carnes**  
*Sullivan*



**David Stuva**  
*RECC*



## Ten Year Comparative Summary of Operations

FOR THE YEARS ENDED APRIL 30,	2014	2013	2012	2011
<b>Operating Revenues:</b>				
Electric Sales to Participating Members	\$313,329,416	\$293,252,375	\$269,710,862	\$166,474,951
Electric Sales to Non-Participating Members	0	0	0	0
Electric Sales to Others	10,202,123	9,191,496	9,081,678	9,079,342
Member Assessments	0	0	0	8,333
Other	3,570,481	2,038,994	1,867,134	1,272,067
Total Operating Revenues	327,102,020	304,482,865	280,659,674	176,834,693
<b>Operating Expenses:</b>				
Purchased Power	112,229,955	121,189,265	167,998,413	99,499,201
Transmission	14,902,996	19,839,895	23,747,840	14,924,800
Prairie State and Trimble County Unit #1 and 2:				
Fuel	37,198,450	35,127,223	23,540,732	14,152,031
Operations and Maintenance	32,417,374	20,463,752	8,331,479	5,786,808
Member Payments:				
Fuel Reimbursements	1,431,522	1,423,755	2,083,846	1,236,692
Capacity Payments	9,163,470	9,204,193	9,334,291	9,309,573
Generation Payments	6,056	3,357	17,866	5,799
Administrative and General	8,232,434	7,084,137	7,320,757	6,781,113
Depreciation	32,659,266	27,081,063	7,796,362	4,454,531
Other Utility Operations	1,880,493	1,169,848	970,795	869,565
Total Operating Expenses	250,122,016	242,586,488	251,142,381	157,020,113
Net Operating Income	76,980,004	61,896,377	29,517,293	19,814,580
Other Expenses - Net	(59,430,472 )	(46,421,103 )	(11,471,707 )	(5,667,893 )
Net Income Before Special Item	\$17,549,532	\$15,475,274	\$18,045,586	\$14,146,687
Special Item	\$0	\$0	\$0	(\$1,179,024 )
Change in Net Position	\$17,549,532	\$15,475,274	\$18,045,586	\$12,967,663
Peak Demand (Non-Coincident kW)	1,001,312	1,084,464	1,063,494	649,186
Kilowatt-Hour Sales to Participating Members(kWh)	4,102,836,932	4,135,520,775	3,910,906,019	2,591,542,077
Kilowatt-Hour Sales to Non-Participating Members(kWh)	0	0	0	0
Kilowatt-Hour Sales to Others(kWh)	123,499,732	115,139,111	112,278,126	117,881,804
Cost per kWh to Participating Members (Cents/kWh)	7.64	7.09	6.90	6.42
Cost per kWh to Participating Members after Capacity Payments (Cents/kWh)	7.41	6.87	6.66	6.06
Debt Service Coverage after Rate Stabilization Transfer	110%	113%	119%	113%
Principal Paid on Revenue Bonds	\$35,285,000	\$23,675,000	\$8,795,000	\$8,710,000
Revenue Bonds Outstanding	\$1,174,390,000	\$1,209,675,000	\$1,233,350,000	\$1,242,145,000
Net Position	\$127,857,938	\$110,308,406	\$94,833,132	\$76,787,546

2010	2009	2008	2007	2006	2005
\$148,999,323	\$146,290,958	\$140,222,832	\$101,362,681	\$107,605,194	\$91,690,145
0	0	0	0	863,087	9,149,858
8,876,865	2,630,952	3,284	0	0	207,490
10,000	10,000	10,000	28,500	40,667	37,333
1,521,276	1,221,779	1,155,131	369,710	228,309	104,278
159,407,464	150,153,689	141,391,247	101,760,891	108,737,257	101,189,104
105,434,390	95,326,413	92,125,794	54,127,374	56,786,957	54,865,563
14,049,221	11,590,389	10,277,107	6,657,441	6,464,926	8,810,941
7,838,048	11,099,921	7,498,448	7,892,265	7,038,616	6,600,569
5,859,538	4,532,103	4,226,640	3,511,622	3,473,196	2,967,968
995,589	1,866,252	1,507,892	2,358,657	6,227,758	753,310
9,281,664	9,263,030	9,527,462	10,159,631	10,450,580	10,856,959
2,997	4,719	15,297	32,547	121,835	11,225
6,114,056	5,774,665	5,112,890	4,474,511	3,872,102	3,337,937
3,291,971	3,433,667	3,245,737	3,129,115	3,242,803	3,133,520
1,107,938	633,090	613,600	598,955	855,049	540,232
153,975,412	143,524,249	134,150,867	92,942,118	98,533,822	91,878,224
5,432,052	6,629,440	7,240,380	8,818,773	10,203,435	9,310,880
(3,580,580)	(3,243,851)	(2,546,837)	(1,912,322)	(3,191,010)	(3,913,347)
\$1,851,472	\$3,385,589	\$4,693,543	\$6,906,451	\$7,012,425	\$5,397,533
\$0	\$0	\$0	\$0	\$0	\$0
\$1,851,472	\$3,385,589	\$4,693,543	\$6,906,451	\$7,012,425	\$5,397,533
608,019	615,849	626,716	511,245	539,263	494,631
2,415,241,184	2,525,506,187	2,661,927,664	2,087,270,895	2,112,121,734	1,891,104,971
0	0	0	0	32,085,000	327,645,119
121,424,791	38,254,057	0	0	0	14,656,000
6.17	5.79	5.27	4.86	5.09	4.85
5.78	5.43	4.91	4.37	4.60	4.27
148%	138%	139%	168%	156%	122%
\$3,665,000	\$3,485,000	\$3,365,000	\$2,985,000	\$6,485,000	\$6,170,000
\$1,110,565,000	\$792,440,000	\$795,925,000	\$196,650,000	\$60,130,000	\$66,615,000
\$63,819,883	\$61,968,411	\$58,582,822	\$53,889,279	\$46,982,828	\$39,970,403

## Our Mission

The mission of the IMEA is to provide member communities with quality utility services in a reliable, cost-effective and environmentally sensitive manner.

## Three Decades of Service

In 1901, a firefighter at the East Avenue firehouse in Livermore, California, screwed in a 5 Watt light bulb, and it's been burning ever since. Today, after almost a million hours, that lamp has attained a measure of celebrity for holding the record as the world's longest burning light bulb. It even has its own Webcam. One former firefighter attributes its longevity to its nearly continuous operation and airtight seal. The bulb operates in a vacuum that inhibits the degradation of its carbon filament.

Next to the Livermore light bulb's 113 years, a mere 30 years of helping to keep lights on in the municipalities IMEA serves doesn't, at first, seem impressive. But, thanks to the cities that formed the Illinois Municipal Electric Agency back in 1984, IMEA has been involved in procuring, manufacturing and delivering electricity 24-hours-a-day, seven-days-a-week, 365-days-a-year for more than 165,000 homes and businesses in Illinois. (Altogether, that is more hours than even the fire station light.) And, because modern day municipal electric systems do not have the luxury of operating in an economic or regulatory vacuum, the Agency provides the necessary added services that have allowed our Members to survive and thrive in the changing market conditions of the past 30 years.

Like that tiny, well-built bulb in Livermore, IMEA is poised to provide reliable, steady service for generations.



## The Illinois Municipal Electric Agency at a Glance

### IMEA is ...

a not-for-profit unit of local government created in 1984 that is currently comprised of 32 municipal electric systems and one electric cooperative from all across Illinois. Each of those IMEA Member communities owns and operates its own electric distribution system. Some Members operate local power generation plants.

### IMEA's focus is ...

the reliable delivery of bulk power and energy to its Members at low and stable prices. IMEA combines the power needs of all of its Members and secures the electricity necessary to satisfy those needs. The Agency sells its Members all their wholesale power needs under long-term power supply contracts. To accomplish this goal, IMEA has assembled a portfolio of power supply ownership and long-term and short-term purchase power agreements.

### IMEA backs its commitment to power supply excellence ...

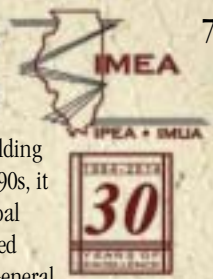
with a 24-hour-a-day, seven-days-a-week Operations Center staffed by highly skilled power supply professionals. In addition, IMEA provides engineering, legal, communications, economic development, legislative and regulatory oversight services and an energy efficiency program for its Members.

### Putting forth a wealth of experience ...

IMEA's six senior officers have a combined 150 years' experience in all facets of the electric industry – from engineering to marketing to project management to finance to regulation.



# Joint Action Comes to Illinois



## The IMEA and its Work

The IMEA is a joint action agency formed in 1984 by its member municipalities in accordance with the provisions of the Illinois Municipal Code. Its stated purpose 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. Thirty-two municipalities comprise the membership of the IMEA. And the Agency also serves one rural electric cooperative.

Put simply, the Agency's job is to produce or secure power for its members and provide for that power to be delivered to the city gates. IMEA fulfills this part of its mission through ownership shares of generation facilities, through long-term and short-term power services contracts, and by working on members' behalf on distribution agreements and transmission rights.

IMEA provides other services for its members as well, including engineering, legal, education, electric efficiency, regulatory compliance and economic development assistance.

## Generating and Procuring Power for Members

In fiscal year 2013-14, IMEA's sales to participating members, which includes sales to RECC, was more than 4,225,000 MWh, but projections show that the load may grow to as much as 4,357,000 MWh by 2016.

In terms of owning and purchasing power for its Members, IMEA's strategy is to diversify its sources. Power markets fluctuate. For some periods, ownership is the more cost-effective way of procuring power. For other periods, purchasing power on the market is more cost effective. Rather than attempt to outguess the market, IMEA employs a mix of ownership, long-term power purchasing contracts (including from Illinois-based renewable energy sources) and short-term market purchases. This strategy can mean that IMEA's mix of resources does not always yield the lowest prices for Members, but it practically assures that Members do not pay the highest prices. A mixed portfolio of resources is designed to keep energy rates for our Members in a range that is somewhere comfortably between the market's price extremes, which allows our Members to have some ability to forecast their power supply's future cost.

Although Illinois communities began building municipal electric systems in the early 1890s, it wasn't until 1984 that a group of municipal utility managers and elected officials joined together to successfully urge the Illinois General Assembly to pass legislation allowing them to form a joint action agency. The task of the agency then, as now, is to work together to provide reliable, stably priced, wholesale electricity for its Members' municipal systems.

*Page 1 of the minutes of the first IMEA meeting held May 16, 1984, at the Holiday Inn in Springfield.*



*The final page of the minutes of the first IMEA meeting is a list of attendees. Part of the business of the first meeting was determining the Members' IMEA Board representatives. Board members drew lots to determine their initial terms of service.*



*Secretary of State Jim Edgar, who would become Governor of Illinois in 1991, signed the Agency's Certificate of Organization on August 28, 1984.*



*George Smith of Marshall helped form the IMEA. He served as Marshall's representative to the Board from 1984 to 2011 and was board chair. Like so many others, his community shows pride in being a public power provider.*



*Karl Klein of Cairo has served as his community's IMEA Board representative for 30 years. He is the only member of the founding board still serving today.*



## IMEA Gets a Home of its Own

Throughout the 1980s, IMEA Board meetings took place most often at a Holiday Inn in Springfield, while staff worked in Northbrook and Springfield. By 1989, the Agency sought to build its own home. When all construction bids came in over budget, the board purchased an existing building on South Spring Street in Springfield for its first headquarters.

*The Agency hung its shingle just a few blocks from the Capitol building in Springfield in 1990.*



*IMEA purchased a building at 919 South Spring Street in Springfield in late 1989 and moved in the following spring. The site served as the Agency's home for 18 years.*



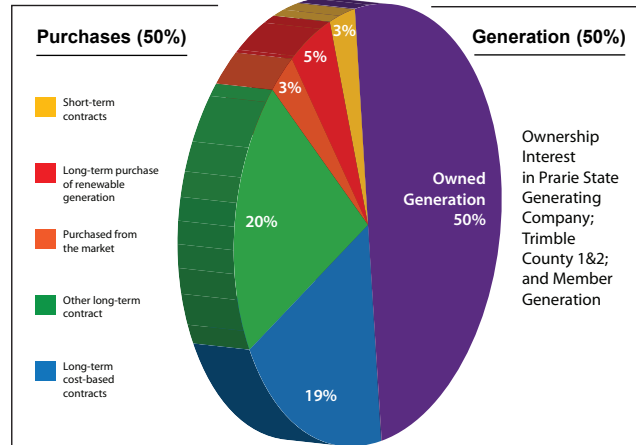
*The IMEA headquarters on Conifer Drive was constructed in 2007. The building earned a U.S. Green Building Council Leadership in Energy & Environmental Design Silver Certificate, the first structure in Springfield to do so. The building was designed to use 40% less energy than would a conventional building of its size. It features geothermal heating and cooling, Solatube sky lighting and a tight building envelope that exceeded the then-existing building code requirements by 16%.*



*IMEA's current headquarters building, opened in 2007, reflects the style of the Prairie School of architecture championed by Frank Lloyd Wright. It encloses 33,000 square feet on three levels and was designed to meet the Agency's needs for 50 years.*

For fiscal year 2013-14, half of IMEA's power supply requirements were met by IMEA-owned or Member-owned generation resources. The other half came from long-term, cost-based contracts; other long-term power contracts; short-term contracts; and market purchases.

### IMEA 2014 Portfolio of Generated and Purchased Power Supply



### Power Generation

IMEA is one of eight Midwestern-based public power utilities with an ownership interest in the Prairie State Generating Company, which is comprised of two nominal 800 MW coal-fired supercritical generating units near Marissa, Illinois. IMEA's share is 15.17 percent, which represents more than 240 megawatts of the two units' combined generating capacity. Prairie State gives the IMEA and its co-owners a secure source of base-load power with 30 years' worth of coal reserves, with the aim of providing municipal customers with steady, affordable rates for decades.

The Prairie State campus features an investment of more than \$1 billion worth of best available emissions control technology to create the cleanest coal-fueled power plant in Illinois and one of the cleanest in the world. Prairie State's emissions equipment removes 98 percent of nitrogen oxide (NO<sub>x</sub>), more than 98 percent of sulfur dioxide (SO<sub>2</sub>), more than 99 percent of particulate material (PM) and more than 95 percent of mercury, which are the top four monitored emissions.

IMEA also owns 12.12 percent of the Trimble County 1 and Trimble County 2 generating facility located between Louisville and Cincinnati. Trimble County 1 is a 514 MW subcritical, pulverized coal-fired unit, and Trimble County 2 is a 750 MW nominal net rated supercritical, pulverized coal-fired unit.



In addition to the Prairie State and Trimble County facilities, in times of emergency – or when it is economically advantageous – the IMEA can call on dozens of member-owned and Agency-owned diesel and natural gas-fired generating units.

Though coal-fired units such as the ones at Trimble County and Prairie State are a major source of IMEA's base load power, the Agency has committed to a diversified energy portfolio. In 2009, the IMEA Board of Directors adopted a policy that directs the Agency to acquire approximately five percent of its energy requirements from renewable resources. Toward that goal, IMEA has entered into a long-term contract to purchase up to 70 MW of wind energy from the Lee-DeKalb wind project owned by FPL Energy Illinois Wind, LLC. The contract runs through 2030. In addition, two of IMEA's Members operate run-of-the-river hydroelectric generation operations that total 10 MW of carbon-free capacity.

### Power Purchases

The IMEA has executed procurement contracts that are supported by a mix of coal-fired and natural gas-fired units. These contracts offer a measure of price stability for the Agency and its Members.

In addition, IMEA's Operations Department makes purchases and sales in the day-ahead and in the hourly markets in the Midcontinent Independent System Operator (MISO) and the Pennsylvania, Jersey & Maryland (PJM) Regional Transmission Organizations (RTOs). The use of these markets ensures that Member agencies have access to power when demand is high and gives the IMEA the opportunity to sell power to the grid when it is not needed by Members.

### Operational and Technical Support

Many IMEA departments work together to offer Members state-of-the-art operational and technical services.

### Operations

The Operations Department alerts local officials of voltage dips and power outages and works with the Members and representatives from investor-owned transmission providers serving the area to identify downed lines or malfunctioning equipment and rectify the problem. In extreme conditions, IMEA Operations Center staff will alert the coordinators of the Illinois Municipal Utilities Association's Mutual Aid Program to send volunteer crews from other Member municipalities to help an IMEA Member community restore power.



## IMEA Generation

IMEA's strategy is to diversify its sources. Rather than attempt to outguess the market, IMEA employs a mix of ownership, long-term power purchasing contracts and short-term market purchases.



*This is just some of the paperwork that had to be signed and accounted for at the closing of the bond issue that purchased IMEA's share of the Trimble County 1 generating station in the winter of 1990. In the background is Bob Childers, then IMEA's Manager of Finance and Business Development and now its Senior Vice President & CFO.*



*IMEA purchased an ownership stake in Louisville Gas & Electric's Trimble County 1 generating station in 1990. In 2006, the Agency signed on as an owner for the construction of LG&E's Trimble County 2 generation facility.*



*In times of emergency or when it is economically advantageous, IMEA can call on dozens of member-owned and agency-owned diesel and natural gas-fired generating units, such as this Caterpillar C175 Diesel Generator in Peru.*



*The Lee-DeKalb wind farm is located near the intersection of Interstates 88 and 39 in Lee and DeKalb Counties in Northern Illinois. The 217 MW farm began commercial operation in 2009 and IMEA began taking output the following year – the first major renewable energy purchase in the Agency's history. IMEA has a contract to take 70 MW of output through 2030.*



*IMEA is one of eight Midwestern-based public power utilities with an ownership interest in the Prairie State Generating Company, which is comprised of two nominal 800 MW coal-fired supercritical generating units near Marissa, Illinois. Prairie State Unit 1 came online in June 2012 and Unit 2 began commercial operation in November 2012.*





## Operations

IMEA maintains a 24-hour-a-day, seven-day-a-week, state-of-the-art Operations Center staffed by highly skilled power supply professionals. From the Center, personnel can monitor the operations of Member electric systems, the weather across the state and the region, and other issues that may affect reliability. Operations staff also monitor the locational marginal prices, the day-ahead and the real-time markets in the PJM and MISO interconnections.

*The Supervisory Control and Data Acquisition (SCADA) System installed at the South Spring Street headquarters in Springfield in the 1990s allowed Control Center personnel to monitor remotely and in real-time the power flow and voltage at Member delivery points, as well as the functionality of Member electric system equipment. An improved and expanded SCADA system is in use today.*



*In this photo from about 1990, IMEA Meter and Relay Technician Rodger Link installs the SCADA system in the Operations Center of IMEA's headquarters building on Spring Street in South Springfield.*



*Built in 2007 to withstand a category F5 tornado and served by an emergency backup generator, today's Operations Center allows personnel to monitor Member usage, power market costs and generation availability on the large screens along the back wall.*

## Engineering

IMEA electrical engineers and technicians supplement the work of IMEA Members' engineers and electric department personnel. They assist the Members with such tasks as preparing emission reports, stack-emission analyses, coordination of delivery point improvements, preventive maintenance activities, load flow studies, infrared scanning for energy efficiency and electric system losses, power factor improvement recommendations, and key account customer support (such as meter testing, programming and power quality surveys). They also test annually the power capability of the Member's generation units.

## Legal

IMEA employs a full-time General Counsel to manage the legal and regulatory aspects of the Agency's corporate, governmental and utility industry activities and contracts that underlie almost every service the Agency provides for its Members. The General Counsel also advises the President & CEO, IMEA Board and staff on legal and regulatory matters and manages specialized outside counsel when required by the Agency.

IMEA hires outside legal counsel from time to time to provide advice and/or representation to the Agency in connection with specialized legal matters. For example, IMEA may engage outside counsel: (1) to conduct various transactions and documentation required when IMEA issues bonds, especially tax-exempt bonds, which require specialized knowledge and skill in addressing matters involving the rules and regulations of the Internal Revenue Service of the United States government; (2) to provide advice and representation in connection with environmental laws, regulations and proceedings involving the state or federal Environmental Protection Agencies; (3) to represent the Agency's interests before the Federal Energy Regulatory Commission, including matters involving rates and charges, terms and conditions of service, practices and standards governing transmission services that the Agency purchases from regulated providers, or to represent the Agency's interests on matters involving a regional transmission organization and the Agency's market purchases of capacity and energy; and (4) to represent the Agency in litigation before state or federal courts when required to enforce or protect the Agency's interests.

In addition to performing all the legal work the Agency requires, IMEA's on-staff legal counsel serves as a resource to IMEA member communities, often providing assistance on such questions as territorial service rights and retail customer choice under Illinois' deregulation statutes.

## Regulatory Compliance and Legislative Advocacy

The IMEA finds itself either directly subject to (or concerned with) a number of laws, regulations and standards established by such authorities as the North American Electric Reliability Corporation (NERC), the Federal Energy Regulatory Commission (FERC), the Environmental Protection Agency, the Illinois General Assembly and the U.S. Congress.

The IMEA works to ensure its compliance with current laws and regulations, and, in some instances, the Agency helps Members with their compliance efforts. The IMEA also supports advocacy efforts for establishing responsible public policy on energy issues.

## Reliability and Regulatory Compliance

IMEA is registered with the North American Electric Reliability Corporation (NERC) under two of NERC's eight regional entities: Reliability First (RF) Corporation and Southeast Electric Reliability Corporation (SERC). IMEA is registered with RF and SERC as a Purchasing-Selling Entity (of energy, capacity and interconnected operations services) and with SERC as a Resource Planner (responsible for having a long-term plan for resource adequacy). IMEA recently deactivated its Resource Planner status in RF, as advised by RF, based on IMEA's membership in PJM, which is also a Resource Planner. However, IMEA of course continues to provide Resource Planner services to IMEA members in the RF Region.

IMEA is registered as a Distribution Provider, Load-Serving Entity and Transmission Owner on behalf of certain municipal Members depending on those Members' assets owned and load served (that is, if they are interconnected to the grid at 100 kV or above and serve a peak load greater than 25 MW). This is referred to as a Joint Registration Organization (JRO) Member. IMEA must monitor each individual Member's status to determine the need to update its registration status. IMEA worked with Chatham, Illinois to achieve compliance and register that village as a JRO Member with SERC. As of early July 2014, IMEA's JRO registration in SERC on behalf of the Village of Chatham was pending.

RF and SERC have individual Compliance Monitoring and Enforcement Program schedules that require IMEA to periodically submit Self-Certifications and/or Data Submittals. These address IMEA's status of compliance with numerous NERC reliability standards that apply to one or more of IMEA's registered functions. Lead responsibility for compliance typically falls to the IMEA Operations Center, IMEA's Engineering Department and/or individual JRO Members (currently Highland, Naperville, Princeton and Winnetka). In addition to scheduled compliance submittals, IMEA diligently monitors NERC, RF and SERC requests for additional compliance information.



## Meetings of the Board

Each IMEA Member community chooses one person to serve on the IMEA Board of Directors. From among its members the board selects officers to serve on the Executive Board. The board makes all policy decisions for the Agency, including the purchase of major assets, setting of rates and the hiring of the Agency's President & CEO.



*The IMEA Board met in spartan but functional digs in IMEA's headquarters building at 919 South Spring Street in Springfield.*



*Today's board chambers incorporate an integrated electronic voting system and audio-visual equipment. Each board member station has an individual microphone and key pad that allows for votes to be recorded and voices to be heard. The results of voting are displayed automatically on the screen in the front of the room.*





## IMEA Leadership

In addition to knowledgeable and careful leadership from the Board of Directors, IMEA's professional staff has been a key to growing the Agency for 30 years. The chief executive's title changed from General Manager to President & CEO in 2009, but no matter his title, each of IMEA's leaders has brought a unique level of professional service to the organization.

*Gary Zimmerman served as IMEA General Manager from 1984 to 1990.*



*Frank Madonia came on board as General Manager in 1990 and served until 1997.*



*Ron Earl became IMEA General Manager (and later President & CEO) of IMEA in 1998 and retired in 2012.*



*When Kevin Gaden became IMEA President & CEO in 2012, he brought with him 25 years worth of experience in the public power and natural gas industries.*



Once a proposed reliability standard is approved by NERC and FERC, IMEA monitors the implementation period in order to assure compliance processes are in place by the required effective date.

On top of complying with reliability standards that have been approved by NERC and FERC, IMEA continually monitors NERC, RF and SERC development of new reliability standards and revision of existing reliability standards for potential impacts on IMEA and its members.

In addition to reviewing these proposals for potential impact on IMEA and Member interests and compliance obligations, IMEA interacts with the American Public Power Association (APPA), the Transmission Access Policy Study Group (TAPS) and other industry groups to collaborate on influencing how these reliability standards are developed.

As an example, one issue receiving government scrutiny involves physical and cyber security threats to utility operations. IMEA Members have assured the Illinois congressional delegation that they take physical and cyber security very seriously and that they comply with industry guidelines and practices. At the American Public Power Association's 2014 Legislative Rally in March, IMEA Members expressed hope that stringent, useful security guidelines would take into account that the electric system already has many built-in redundancies and that not all facilities are critical to the overall stability of the bulk electric system such that they may cause a blackout.

### Legislative Advocacy

In conjunction with its affiliation with the American Public Power Association (APPA) and through its association with the Illinois Municipal Utilities Association (IMUA), the IMEA tracks state and federal legislation and regulations that affect its Members, provides regular alerts and engages in timely lobbying efforts.

### Tax-Exempt Finance

This March, IMEA and IMUA Members reminded legislators of the vital importance of preserving the tax-exempt status of municipal bonds. Although none have yet gained traction, in recent years various tax reform proposals have suggested capping (or, in some cases, eliminating) the tax exemption for buyers of municipal bonds. The result of such a change in status to municipal bonds would be increased borrowing costs for municipalities and other forms of government seeking capital for much-needed infrastructure projects. Those increased costs would ultimately be borne by citizens. IMEA and IMUA will continue that drumbeat when Congress takes up plans for tax reform legislation in the future.



### *Regulation of Greenhouse Gas Emissions*

Perhaps the most pressing issue concerning IMEA on the regulatory front today are EPA rules concerning the regulation of greenhouse gas emissions from both new and existing electric generating units under section 111(d) of the Clean Air Act.

In 2013, the U.S. EPA published re-proposed New Source Performance Standards (NSPS) for emissions from new fossil fuel-powered plants in the *Federal Register*. The re-proposed rule would effectively require any future coal-fired generating units to use as yet commercially unproven carbon capture and sequestration technology to meet emissions requirements.

In June 2014, the EPA proposed New Source Performance Standards (NSPS) for emissions from existing fossil fuel-powered plants. As currently proposed, the rule, which will affect the units at Trimble County and Prairie State Generating Company that are part owned by IMEA, calls for Illinois to reduce greenhouse gas emissions by as much as 42% by 2030, using 2012 as a baseline. Each state has different target reductions. Kentucky, for example, is to achieve a 19% reduction. There are prescribed interim goals that must be met as well. Each state also has the authority to make a state implementation plan to achieve its standard.

As currently drafted, the U.S. EPA has proposed four areas that states may use to meet their CO<sub>2</sub> reduction standards: 1) Improving the average heat rate of existing coal-fired steam generating units; 2) Replacing coal- and oil/gas-fired units with natural gas combined cycle units; 3) Substituting current generation with low or zero-carbon generating units, such as renewable or nuclear power plants; 4) Using demand-side energy efficiency programs. The regulations also suggest that units be dispatched on an environmental rather than an economic basis.



*IMEA President & CEO Kevin Gaden addresses a November 8, 2013 EPA Listening Session soliciting input on proposed guidelines on carbon emissions from existing power plants.*

## 30 Years of Speaking Truth to Power



Congressional representatives and members of the Illinois General Assembly have come to trust officials and professional staff members from IMEA member utility systems as 'boots on the ground' authorities on issues relating to public power in Illinois. Working in step with the Illinois Municipal Utilities Association and the American Public Power Association, IMEA staff and Members participate in the APPA Legislative Rally each spring in Washington D.C. Staff and representatives from IMEA member communities also often meet throughout the year with officials from the Illinois General Assembly, the state and national EPA and other regulatory authorities to advocate for the needs of the state's public power providers.



*On August 13, 1993 at the Illinois State Fair, Governor Jim Edgar signed into law a measure that defined annexation rights between municipal and cooperative systems. IMEA's Frank Madonia and Doc Mueller are on the far left.*



*IMEA General Manager Frank Madonia meets with Senator Paul Simon. Simon represented Illinois in the U.S. Senate from 1985 to 1997.*



*IMEA members speak with Congressman Glenn Posbard, who represented his Southern Illinois district from 1989 to 1999 before becoming Chancellor, then Trustee and finally President of Southern Illinois University.*



*IMEA President & CEO Ron Earl (left) presents the Agency's Public Service Award to Frank Mautino on October 29, 1999. Mautino, of Spring Valley, has represented his district in the Illinois legislature since 1991.*



*IMEA President & CEO Ron Earl (right) meets with U.S. Speaker of the House Dennis Hastert. Hastert represented his suburban Chicago district in the U.S. House of Representatives from 1987 to 2007, and served as Speaker from 1999 to 2007.*



*A young Senator Barack Obama, with Senator Dick Durbin in the background, addresses the IMEA/IMUA delegation to an American Public Power Association Legislative Rally in the early 2000s.*



*State Comptroller Judy Baar Topinka accepts the Illinois Municipal Utility Association's 2013 Public Service Award from President & CEO Kevin Gaden.*



The proposed rule is not scheduled to be finalized until June 2015. IMEA, working in conjunction with IMUA and APPA, has participated in the commenting period on both the greenhouse gas reduction rules for new and existing generating units. On November 8, 2013, IMEA President & CEO Kevin Gaden gave testimony at one of the 11 public listening sessions held by the U.S. EPA to solicit public input prior to the EPA's issue of the proposed rule in June 2014. Addressing the cost-effectiveness of any proposed guidelines, Gaden reminded the EPA that IMEA has invested in state-of-the-art power production facilities that meet all current and enforceable emissions requirements for the coming five to 10 years. Those facilities are meant to have a useful life of 40 to 50 years. "We invested in [the best available] control equipment knowing that the rules would require us to comply," said Gaden. "However, we are concerned that changing the rules in the middle of the game sets a bad precedent that gives utilities, investors, rating agencies, reliability regions and, ultimately, the rate payers reasons to be concerned."

IMEA's comments in the rulemaking for existing generating units will focus on, among other things, whether, under the Clean Air Act, the EPA has the authority to set energy use policy, address dispatch, or place limits on a plant that force fuel switching, and whether the EPA can mandate CO<sub>2</sub> emissions reductions or offsets outside the fence line of the power plant or beyond the point of generation at that plant. In its comments to the U.S. EPA, IMEA is advocating for corrections and improvements to the federal rule.

The Agency also is working closely with other Illinois electric utilities and the state EPA, Pollution Control Board and Commerce Commission on the process of building a workable state implementation plan for the rule when and if it becomes finalized and enforceable by the summer of 2015 at the earliest. The state will then have one to two years, depending on the approach it adopts, to finalize the state plan.

IMEA's goal is to work with stakeholders to assure that the mandates of this rule stay within authorities granted to the EPA under the Clean Air Act and to assure that responsible compliance with the rule protects not only the environment but also the viability of the Agency's generating assets.

### **Value-Added Service**

In addition to providing its Member communities with operational, technical, regulatory compliance and advocacy support services, IMEA helps its Member utilities and their communities in a number of other ways. Among them are:

- Aiding economic development efforts with Member systems;
- Training of utility department personnel through the Illinois Municipal Utilities Association; and
- Delivery of an electric efficiency program for all Member systems.



## Economic Development

IMEA Member municipalities often leverage their highly reliable and predictably priced electric service to aid with their economic development efforts. When asked, IMEA staff assists member municipalities with those efforts. IMEA staff members are routinely invited to call on Members' key accounts, perform energy audits and discuss options for reducing energy consumption and lowering bills. These services help municipalities retain local businesses and attract new ones.

During the past five years, IMEA has aided the efforts of Rantoul to encourage the expansion of Easton Bell Sports' 813,000-square-foot warehouse distribution center. In Peru, the Agency has assisted with the city's economic development initiative to expand Eakas and the Unytite Corporation. In Roodhouse, IMEA worked with the city to bring a Dollar General store downtown, and had similar success working with the City of Oglesby to attract a new Love's Travel Stop and County Market grocery store.

IMEA and its Member cities also look at emerging sectors as sources of expansion. For example, with the recent legalization of medical marijuana in Illinois, several producers are in the process of getting state licensure and are looking at sites in IMEA member communities. Reliable electricity is a major factor in the viability and profitability of such an enterprise, and those high electrical use production facilities would increase revenue for the municipal utility.

## Electric Efficiency Program

The Agency's Electric Efficiency Program began in 2009, with a program that provides funds to go toward the purchase and installation of energy efficient technologies for IMEA Members and their commercial and industrial electric customers. The program helps cities and their customers reduce their electric demand and their electric consumption and therefore reduce the Members' wholesale power costs. This allows Members to shift dollars for other needs and to enhance their economic climate by making utility costs more affordable for established and potential businesses. Examples of projects that qualify for incentives include the installation of light-emitting diode (LED) street lights and lighting systems; replacement of inefficient industrial motors with more energy-efficient and variable-speed versions; installation of geothermal or other high-efficiency Heating, Ventilation and Air Conditioning (HVAC) systems; and, the installation of a variety of "smart-grid" and power-factor improvement equipment.



## Our Thriving Communities

Stably priced, reliable power, with rates that are set at the local level is an attraction for businesses looking to locate or expand in IMEA Member communities. When asked, IMEA staff assists Member municipalities with their economic development efforts.



*Attracting new businesses while retaining the existing ones is the life's blood of a community. Groundbreakings and ribbon cuttings are always good days.*



*Over the years, IMEA has spent a great deal of effort helping members with economic development. This is the ground breaking of the SUPERVALU warehouse in Oglesby in 1996. Governor Jim Edgar is fourth from the left.*

*Preparing for the construction of a new hospital in Flora in the mid 2000s.*



*In fiscal year 2012-13, the City of Oglesby announced the construction of two new businesses: a County Market supermarket and this Love's Travel Stops & Country Store, which also houses a Hardee's restaurant. The effort to attract these businesses was led by Mayor Don Finley who refused to let potential developers overlook the city's advantages, including an ample and able workforce; proximity to interstate, rail and barge transportation; and a ready infrastructure that includes a reliable, municipally owned electric utility.*



## COOL SAVINGS ARE HIDING IN YOUR FRIDGE



Let us pick up your old, working fridge or freezer, for **FREE**, and get a cool **\$50 rebate!**

To schedule your free pickup  
call 877.341.2313 or visit  
[RecycleMyFridge.org](http://RecycleMyFridge.org)



Brought to you by  
Illinois Municipal Electric Agency  
and Your Local Utility

*From August 2011 through July 2014, residents in IMEA Member communities recycled 974 refrigerators and freezers.*

As of July 2014, more than 190 electric efficiency projects had been completed since the start of the program. Member municipalities and their commercial and industrial customers are estimated to have reduced energy consumption by more than 29 million kWh annually.

In August 2011, IMEA began what has become a four-year, \$400,000 commitment to the Recycle My Fridge program, aimed at taking residents' secondary refrigerators off the grid. The IMEA administers the program in conjunction with the Appliance Recycling Centers of America (ARCA), Inc. Residents served by an IMEA Member utility can easily get rid of an old refrigerator or freezer taking up space in the basement or garage and receive a \$50 prepaid card for doing so. From August 2011 through July 2014, residents in IMEA Member communities recycled 974 refrigerators and freezers, realizing an estimated annual energy savings of nearly 1.5 million kWh annually.

After securing \$325,000 in grant funding from the Illinois Department of Commerce and Economic Opportunity, IMEA kicked off in the fall of 2013 a residential natural gas and electric efficiency pilot program. Residents served by both Nicor gas and an IMEA Member electric utility were able to avail themselves of the two components of the program:

1. *The Complete System Replacement Component:* Residents that installed both a qualifying furnace and central air conditioning system at the same time were eligible for rebates ranging from \$700 to \$1,000.
2. *The Multi-Family Comprehensive Energy Efficient Component:* This initiative involved the installation of CFLs, water-saving shower heads, and faucet aerators in dwelling units at apartment and condominium complexes of five or more units, at no cost to property managers or tenants. Where appropriate, residents also received a free programmable thermostat and a water heater temperature turndown.

The program is set to run through September 30, 2014, or until funding is exhausted. All costs associated with the electric efficiency portion of the program are paid with Department of Commerce and Economic Opportunity funds. As of July, the program realized estimated annual electric savings of more than 510,000 kWh annually for citizens in Northern Illinois.

### Association and Agency Management

Under management services contracts that continue through the end of this decade, IMEA operates the Illinois Public Energy Agency (IPEA) and the Illinois Municipal Utilities Association (IMUA).

Formed in 1948, the IMUA is a statewide trade association that provides a wide variety of services to its 57 municipal members, including active representation before the Illinois General Assembly and other administrative and regulatory bodies both in Illinois and at the federal level, including Congress. IMUA provides a diverse array of vital training programs and activities for municipal electric, natural gas, telecommunications, water and wastewater treatment utilities. IMUA also administers a voluntary mutual aid program designed to assist members with restoration of energy services and other vital community services in the event of natural disasters, such as storms, floods and tornadoes.

The IPEA, which was formed in 2005, is a wholesaler of natural gas to 13 municipal systems and two cooperative natural gas systems across Illinois. IMEA provides managerial oversight for the IPEA's day-to-day operations. IPEA has, in its nine years of operation, become one of the leading natural gas joint-action agencies in the Midwest.

## IMEA and the Municipal Utilities Association



Under a management services contract, the IMEA oversees the day-to-day operation of the Illinois Municipal Utilities Association (IMUA). IMUA was established in 1948 and represents the interests of 57 municipalities that operate electric, natural gas, water, wastewater and telecommunications systems. The Association advocates for Members' interests on the state and national levels, provides education and training for Members and coordinates a mutual aid program.



*For generations, IMUA has been the trusted source for safety training for municipal utility workers, including those that serve on municipal electric department line crews.*



*IMUA ensures the continuing education of municipal utility professionals through its publications, its seminars and Webinars. At its Annual Meeting, elected officials and utility personnel can gather with IMUA Associate Members to learn about the latest equipment and services available to them.*

## Summary of IMEA Sales to Members

### Fiscal Year Ending April 30, 2014

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Participating Members	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population
Altamont	6,268	25,153,265	2,319
Bethany	2,477	9,118,770	1,352
Breese	12,585	52,995,340	4,442
Bushnell	9,736	37,636,328	3,117
Cairo	11,338	69,183,820	2,831
Carlyle	9,227	38,457,713	3,281
Carmi	14,534	60,001,708	5,240
Casey	7,619	32,895,481	2,769
Chatham	22,673	81,340,527	11,500
Fairfield	17,568	76,021,912	5,154
Farmer City	5,217	21,541,578	2,037
Flora	24,959	122,642,179	5,070
Freeburg	10,944	43,450,529	4,354
Greenup	4,104	16,920,461	1,513
Highland	34,490	140,857,029	9,919
Ladd	3,185	14,604,978	1,295
Marshall	13,966	66,851,577	3,933
Mascoutah	15,444	58,721,679	7,483
Metropolis	19,805	87,801,283	6,537
Naperville	365,033	1,502,872,905	141,853
Oglesby	9,266	36,434,136	3,791
Peru	53,633	225,074,337	10,295
Princeton	25,725	111,537,355	7,660
Rantoul	34,281	164,577,457	12,941
Red Bud	12,826	52,725,592	3,698
Riverton	6,660	23,562,904	3,455
Rock Falls	20,442	73,629,326	9,266
Roodhouse	3,245	12,198,671	1,814
St. Charles	123,430	549,363,109	32,919
Sullivan	15,799	71,780,435	4,440
Waterloo	22,954	90,156,737	9,811
Winnetka	38,001	132,727,811	12,187
Total Full Requirements Sales to Participating Members	977,434	4,102,836,932	
Sales to RECC	23,878	123,499,732	
<b>Total Sales</b>	<b>1,001,312</b>	<b>4,226,336,664</b>	



# ILLINOIS MUNICIPAL ELECTRIC AGENCY

Springfield, Illinois

## FINANCIAL STATEMENTS Including Independent Auditor's Report

As of and for the Years Ended April 30, 2014 and 2013

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Illinois Municipal Electric Agency (IMEA), as of and for the years ended April 30, 2014 and 2013, 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, 2014 and 2013, 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.



To the Board of Directors  
Illinois Municipal Electric Agency

***Emphasis of Matter***

As discussed in Note 1, IMEA adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective May 1, 2013. Our opinion is not modified with respect to this matter.

***Other Matter***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information 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 18, 2014

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



## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended April 30, 2014 and 2013

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, 2014 and 2013. 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 principles 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 IMEA'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.

See accompanying independent auditors' report.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended April 30, 2014 and 2013

### IMEA FINANCIAL ANALYSIS (cont.)

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

	2014	2013	2012*
Utility plant	\$ 1,100,097,664	\$ 1,121,178,815	\$ 1,122,692,824
Restricted assets	126,912,166	141,967,394	173,261,805
Current assets	114,957,833	93,004,477	70,343,910
Other assets	19,262,007	20,407,630	24,044,320
Deferred outflows of resources	<u>1,885,545</u>	<u>2,404,249</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 1,363,115,215</u></b>	<b><u>\$ 1,378,962,565</u></b>	<b><u>\$ 1,390,342,859</u></b>
<b>Net Position:</b>			
Invested in capital assets	\$29,022,108	\$29,478,466	\$56,272,056
Restricted	\$6,319,758	\$2,015,940	-
Unrestricted	<u>92,516,072</u>	<u>78,814,000</u>	<u>38,561,076</u>
<b>Total Net Position</b>	<b><u>127,857,938</u></b>	<b><u>110,308,406</u></b>	<b><u>94,833,132</u></b>
<b>Noncurrent liabilities</b>			
	1,164,790,798	1,196,206,513	1,233,394,943
<b>Current liabilities</b>			
	<u>70,466,479</u>	<u>72,447,646</u>	<u>62,114,784</u>
<b>Total Liabilities</b>	<b><u>1,235,257,277</u></b>	<b><u>1,268,654,159</u></b>	<b><u>1,295,509,727</u></b>
<b>Total Net Position and Liabilities</b>	<b><u>\$ 1,363,115,215</u></b>	<b><u>\$ 1,378,962,565</u></b>	<b><u>\$ 1,390,342,859</u></b>

\* 2012 has not been modified to reflect the implementation of GASB 65, which reclassified certain previously reported liabilities as deferred outflows of resources.

#### STATEMENTS OF NET POSITION

During the year ended April 30, 2014, utility plant decreased by \$21,081,151. IMEA's capital investments made during the year included total payments of \$9,078,632 toward the capital costs associated with the Prairie State project, general improvements to Trimble County Units 1 & 2 and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$2,190,792 which is reflected in current liabilities. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$32,659,266 was recorded during the year.

See accompanying independent auditors' report.



**ILLINOIS MUNICIPAL ELECTRIC AGENCY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended April 30, 2014 and 2013

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**IMEA FINANCIAL ANALYSIS (cont.)**

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During the fiscal year ended April 30, 2014, IMEA increased the cash and short-term investments held in operating reserve accounts by \$17,155,205 from the previous year due to the members' continued commitment to increase cash reserves held by the Agency. This change represents the majority of the increase in current assets during the year. Proceeds of revenue bonds not yet expended are included in restricted assets. The decrease in restricted assets of \$15,055,228 was primarily caused by payments being made toward capital investments discussed above as well as changes in the market value of investments held in these accounts. Other assets decreased by \$1,145,623 due to the amortization of certain regulatory costs. Net position increased due to current year operations that resulted in net income of \$17,549,532. Principal repayments associated with the Agency's outstanding revenue bonds totaled \$35,285,000. IMEA is scheduled to repay an additional \$36,960,000 on the outstanding revenue bonds on February 1, 2014 which is included in current liabilities. Total current liabilities decreased by \$1,981,167 due to a decrease in accounts payable associated with jointly-owned facilities. The Agency also made a net draw of \$2,500,000 against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit to \$8,500,000. The total undrawn portion of this line of credit was \$41,500,000 as of April 30, 2014.

During the fiscal year ended April 30, 2013, IMEA increased the cash and short-term investments held in operating reserve accounts by \$6,841,117 from the previous year due to the members' continued commitment to increase cash reserves held by the Agency. Accounts receivable increased by \$3,170,048 due primarily to a 5% increase in sales during the month of April. Other assets decreased by \$3,636,690 due to the amortization of certain deferred costs. Net position increased due to current year operations that resulted in net income of \$15,475,274. Principal repayments associated with the Agency's outstanding revenue bonds totaled \$23,675,000. The increase associated with IMEA's \$35,285,000 payment on the outstanding revenue bonds on February 1, 2014 represented most of the increase in current liabilities. The Agency also repaid \$4,500,000 which was previously drawn against a line of credit facility available to IMEA. The total undrawn portion of this line of credit was \$44,000,000 as of April 30, 2013.

See accompanying independent auditors' report.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended April 30, 2014 and 2013

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### IMEA FINANCIAL ANALYSIS (cont.)

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

	2014	2013	2012
Operating revenues	\$ 327,102,020	\$ 304,482,865	\$ 280,659,674
Depreciation expense	32,659,266	27,081,063	7,796,362
Other operating expenses	217,462,750	215,505,425	243,346,019
Total Operating Expenses	250,122,016	242,586,488	251,142,381
Operating Income	76,980,004	61,896,377	29,517,293
Investment income	(864,374)	2,089,378	6,540,210
Interest and amortization expense	(58,598,914)	(48,510,365)	(18,026,032)
Other income/(expense)	32,816	(116)	14,115
Total Nonoperating Expenses	(59,430,472)	(46,421,103)	(11,471,707)
Change in Net Position	17,549,532	15,475,274	18,045,586
Net Position, Beginning of Year	110,308,406	94,833,132	76,787,546
Net Position, End of Year	\$ 127,857,938	\$ 110,308,406	\$ 94,833,132

See accompanying independent auditors' report.



## ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended April 30, 2014 and 2013

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### IMEA FINANCIAL ANALYSIS (cont.)

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

Sales to participating members of \$313,329,416 and 4,102,836,932 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2014. This represented an increase of \$20,077,041 (7%) in revenue from sales to participating members and a decrease of 32,683,843 kWh (0.8%) as compared with the previous year. IMEA also supplies the Rural Electric Convenience Cooperative (RECC) with full requirements power supply service which accounted for additional revenue of \$10,202,123 which is reflected in sales to others.

Sales to participating members of \$293,252,375 and 4,135,520,775 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2013. This represented an increase of \$23,541,513 (9%) in revenue from sales to participating members and 224,614,756 kWh (6%) as compared with the previous year. IMEA provided full requirements service to the City of Naperville for twelve months in FY 2013 as opposed to eleven months in the previous year. IMEA also supplies the Rural Electric Convenience Cooperative (RECC) with full requirements power supply service which accounted for additional revenue of \$9,191,496 which is reflected in sales to others.

During the fiscal year ending April 30, 2014, IMEA recorded a coincident peak demand of 968 MW which was approximately 8% lower than the 1,053 MW experienced in the previous year. The total member non-coincident peak demand was 1,001 MW which included both sales to participating members and to RECC. This non-coincident peak demand was approximately 8% lower than the previous year. The decrease in peak demand during the past year was caused by extremely mild weather conditions experienced in the mid-west during the summer of 2013.

The average cost of power sold to the participating members during the year ending April 30, 2014 was 7.64 cents per kWh which was approximately 7.7% higher than the previous year. The average cost of power sold to the participating members during the year ending April 30, 2013 was 7.09 cents per kWh which was approximately 3% higher than the previous year.

For the year ended April 30, 2014, total operating expenses increased by \$7,535,528 (3%) from the previous year due primarily to the Prairie State Energy Campus being operational for the entire year. During this past year, interest income decreased by \$2,953,752 due to mark to market changes in investments caused by interest rates in the market increasing during the fiscal year.

For the year ended April 30, 2013, total operating expenses decreased by \$8,555,893 (3%) from the previous year due primarily to the Prairie State Energy Campus becoming operational during the fiscal year. During this past year, interest income decreased by \$4,450,832 due to the continuing low interest rate environment.

See accompanying independent auditors' report.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended April 30, 2014 and 2013

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### IMEA FINANCIAL ANALYSIS (cont.)

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#### DEBT SERVICE COVERAGE

IMEA's bond resolution requires the Agency to maintain a debt service coverage ratio of 110%. Debt service coverage during the years ended April 30, 2014 and 2013 was approximately 110% and 113% respectively after transfers to the rate stabilization account. IMEA transferred \$4,400,000 during the year ended April 30, 2014 and \$6,500,000 during the year ended April 30, 2013 into the rate stabilization account which reduced the debt service covered during both of these years. Without the rate stabilization transfers, debt service coverage would have been 114% for the year ended April 30, 2014 and 121% for the year ended April 30, 2013.

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### SIGNIFICANT EVENTS

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#### POWER SALES CONTRACTS WITH NEW PARTICIPATING MEMBERS

IMEA began providing service to the City of Red Bud under a long-term contract on January 1, 2011 which added approximately 14 MW to IMEA's peak demand. IMEA also began providing full requirements service to the City of Naperville on June 1, 2011 which added approximately 400 MW to IMEA's peak demand.

#### TRIMBLE COUNTY UNIT 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's owns a 12.12% undivided interest as tenant in common in the unit.

#### PRAIRIE STATE PROJECT

IMEA is part of the consortium known as the Prairie State Generating Company, LLC. IMEA owns a 15.17% 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 development of a mine portal 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.

#### RENEWABLE ENERGY RESOURCES

In recognition of the changing legislative and regulatory environment, the IMEA Board of Directors has adopted a policy that directs the agency to acquire approximately 5% of its energy requirements from renewable resources. To implement this policy, IMEA entered into a 20 year contract to purchase 70MW of wind energy from the Lee-Dekalb wind project owned by FPL Energy Illinois Wind, LLC. The contract was effective on January 1, 2010.

See accompanying independent auditors' report.



## **ILLINOIS MUNICIPAL ELECTRIC AGENCY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Years Ended April 30, 2014 and 2013

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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.

See accompanying independent auditors' report.

**ILLINOIS MUNICIPAL ELECTRIC AGENCY**

STATEMENTS OF NET POSITION  
As of April 30, 2014 and 2013

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<u>2014</u>	<u>2013</u>
<b>UTILITY PLANT</b>		
Utility plant in service	\$ 1,197,472,873	\$ 1,195,929,045
Accumulated depreciation	(122,793,575)	(90,805,814)
Construction work in progress	25,418,366	16,055,584
Total Utility Plant	<u>1,100,097,664</u>	<u>1,121,178,815</u>
<b>RESTRICTED ASSETS</b>		
Investments	<u>126,912,166</u>	<u>141,967,394</u>
<b>CURRENT ASSETS</b>		
Cash	57,510,796	42,762,853
Short-term investments	5,175,725	2,768,463
Accounts receivable	24,310,208	24,452,437
Bond interest subsidy receivable	2,400,747	2,412,267
Renewable energy credits	1,959,700	259,223
Prepayments	23,600,657	20,349,234
Total Current Assets	<u>114,957,833</u>	<u>93,004,477</u>
<b>OTHER ASSETS</b>		
Regulatory costs for future recovery	16,788,842	20,407,630
Prairie State - other long term asset	2,473,165	-
Total Other Assets	<u>19,262,007</u>	<u>20,407,630</u>
Total Assets	<u>1,361,229,670</u>	<u>1,376,558,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Unamortized loss on advance refunding	<u>1,885,545</u>	<u>2,404,249</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,363,115,215</u>	<u>\$ 1,378,962,565</u>



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**NET POSITION AND LIABILITIES**

	<u>2014</u>	<u>2013</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 29,022,108	\$ 29,478,466
Restricted	6,319,758	2,015,940
Unrestricted	<u>92,516,072</u>	<u>78,814,000</u>
Total Net Position	<u>127,857,938</u>	<u>110,308,406</u>
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds	1,137,430,000	1,174,390,000
Other long-term debt - line of credit	8,500,000	6,000,000
Unamortized premium	10,686,510	11,835,286
Other liabilities	<u>8,174,288</u>	<u>3,981,227</u>
Total Noncurrent Liabilities	<u>1,164,790,798</u>	<u>1,196,206,513</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses		
Accounts Payable		
Purchased power and transmission	9,594,982	10,493,621
Jointly-owned facilities	6,489,811	4,904,897
Other	82,828	144,809
Other current liabilities	<u>343,684</u>	<u>322,978</u>
Total Accounts Payable and Accrued Expenses	<u>16,511,305</u>	<u>15,866,305</u>
Current Liabilities Payable from Restricted Assets		
Current maturities of revenue bonds	36,960,000	35,285,000
Accounts payable - jointly-owned facilities	764,716	4,647,527
Interest accrued	<u>16,230,458</u>	<u>16,648,814</u>
Total Current Liabilities Payable from Restricted Assets	<u>53,955,174</u>	<u>56,581,341</u>
Total Current Liabilities	<u>70,466,479</u>	<u>72,447,646</u>
Total Liabilities	<u>1,235,257,277</u>	<u>1,268,654,159</u>
<b>TOTAL NET POSITION AND LIABILITIES</b>	<b><u>\$ 1,363,115,215</u></b>	<b><u>\$ 1,378,962,565</u></b>

See accompanying notes to financial statements.

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## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended April 30, 2014 and 2013

	2014	2013
<b>OPERATING REVENUES</b>		
Sales to participating members	\$ 313,329,416	\$ 293,252,375
Sales to others	10,202,123	9,191,496
Other income	3,570,481	2,038,994
Total Operating Revenues	<u>327,102,020</u>	<u>304,482,865</u>
<b>OPERATING EXPENSES</b>		
Purchased power and transmission	127,132,951	141,029,160
Prairie State and Trimble County Units No. 1 and 2		
Fuel	37,198,450	35,127,223
Operations and maintenance	32,417,374	20,463,752
Member Payments		
Fuel reimbursements	1,431,522	1,423,755
Capacity payments	9,163,470	9,204,193
Generation payments	6,056	3,357
Administration and general	8,232,434	7,084,137
Depreciation	32,659,266	27,081,063
Other utility operations	1,880,493	1,169,848
Total Operating Expenses	<u>250,122,016</u>	<u>242,586,488</u>
Operating Income	<u>76,980,004</u>	<u>61,896,377</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Investment income (loss)	(864,374)	2,089,378
Capitalized interest	-	10,499,357
State grant revenue	195,000	-
State grant expense	(162,184)	-
Bond interest subsidy revenue	9,020,144	9,824,772
Interest expense	(67,297,008)	(68,480,642)
Amortization expense	(322,050)	(353,852)
Other income (expense)	-	(116)
Total Nonoperating Expenses	<u>(59,430,472)</u>	<u>(46,421,103)</u>
<b>CHANGE IN NET POSITION</b>	<b>17,549,532</b>	<b>15,475,274</b>
NET POSITION - Beginning of Year	<u>110,308,406</u>	<u>94,833,132</u>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 127,857,938</b>	<b>\$ 110,308,406</b>

See accompanying notes to financial statements.



## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### STATEMENTS OF CASH FLOWS For the Years Ended April 30, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from power sales	\$ 313,785,921	\$ 289,333,232
Paid to suppliers for purchased power and transmission	(125,364,926)	(143,122,119)
Paid to suppliers and employees for other services	(84,876,571)	(68,561,814)
Net Cash Flows from Operating Activities	<u>103,544,424</u>	<u>77,649,299</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from grant received	195,000	-
Payment of grant expenditures	(162,184)	-
Proceeds from line of credit draws	6,500,000	-
Payment of line of credit debt	(4,000,000)	(4,500,000)
Net Cash Flows from Noncapital Financing and Related Activities	<u>2,532,816</u>	<u>(4,500,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Debt principal paid	(35,285,000)	(23,675,000)
Interest paid	(67,780,912)	(68,912,272)
Bond interest subsidy received	9,031,665	9,847,268
Acquisition and construction of capital assets	(9,078,632)	(16,951,953)
Net Cash Flows From Capital and Related Financing Activities	<u>(103,112,879)</u>	<u>(99,691,957)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	2,686,044	2,829,176
Purchase of long-term investments	(68,467,245)	(119,833,432)
Maturity of long-term investments	71,798,582	128,959,204
Net Cash Flows from Investing Activities	<u>6,017,381</u>	<u>11,954,948</u>
<b>Net Change in Cash and Cash Equivalents</b>	8,981,742	(14,587,710)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>68,902,379</u>	<u>83,490,089</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 77,884,121</u>	<u>\$ 68,902,379</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capitalized interest	\$ -	\$ 10,499,357
Change in asset retirement obligation liability	\$ 4,031,539	\$ -
Discontinued capital projects	\$ 852,738	\$ -
Unrealized loss on investments	\$ (3,550,418)	\$ (739,796)
Amortization expense	\$ (322,050)	\$ (353,852)
Credits given on billings	\$ (10,601,048)	\$ (10,631,304)
Net loss on sale of assets	\$ -	\$ (116)

	2014	2013
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 76,980,004	\$ 61,896,377
Noncash items included in operating income		
Depreciation	32,659,266	27,081,063
Other non-cash transactions	2,914,449	5,094,615
Changes in assets and liabilities		
Accounts receivable	142,229	(3,192,544)
Prepayments	(3,251,423)	(12,559,634)
Allowance inventory	(1,700,477)	(89,768)
Accounts payable	(4,220,330)	(520,812)
Other current liabilities	20,706	(59,998)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 103,544,424</b>	<b>\$ 77,649,299</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS</b>		
Restricted investments	\$ 126,912,166	\$ 141,967,394
Cash and investments	57,510,796	42,762,853
Short-term investments	5,175,725	2,768,463
Total Cash and Investments	189,598,687	187,498,710
Long-term investments	(111,714,566)	(118,596,331)
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ 77,884,121</b>	<b>\$ 68,902,379</b>

See accompanying notes to financial statements.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2014 and 2013

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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 investor-owned utilities and through IMEA owned generation. The contracts with investor-owned utilities, which obligate IMEA to purchase electric energy for concurrent resale to its members, are in effect through September 2035.

As of April 30, 2014, 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.

In March 2012, GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. IMEA implemented this standard effective May 1, 2013.

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, 2014 and 2013

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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.

***Renewable Energy Credits***

Energy credits consist of emission allowances and are valued at current market value. The emission allowances are obtained from Florida Power and Light through the purchase of renewable energy resources.

***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.

***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 9 for further discussion related to these assets.

***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.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

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

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

##### *Utility Plant (cont.)*

Utility plant of IMEA is recorded at cost or the fair market 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.

##### *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.

##### *Other Current Liabilities*

Other current liabilities represent accrued vacation benefits, accrued property taxes payable and an estimate of the accrued IRS arbitrage liability.

##### *Other Liabilities*

Other liabilities represent accrued sick leave and asset retirement obligation, (Note 7). 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 deferred and amortized on a weighted average basis over the repayment period of the related debt.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2014 and 2013

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

##### *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.

##### *OTHER INCOME*

Other income includes revenues from Fairfield under its construction advance from IMEA (Note 9), a management fee paid to IMEA by two state utility associations for co-sharing of staff and facilities.

##### *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, 2014 and 2013 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 6 for further details.

##### *TAXES*

IMEA is exempt from State and Federal income taxes.

##### *RATES*

Rates charged to members are evaluated annually by the Board of Directors and were increased May 1, 2012.

##### *EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS*

The GASB has approved GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 70, *Accounting and Financial reporting for Nonexchange Financial Guarantees*. Application of these standards may restate portions of these financial statements in future years.

##### *RECLASSIFICATIONS*

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



## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

### NOTE 2 – CASH AND INVESTMENTS

IMEA's cash and investments consist of the following:

	Carrying Value as of April 30		Associated Risks
	2014	2013	
Illinois Fund	\$ 57,504,609	\$ 52,042,729	Credit and interest rate risks
Mutual funds	19,760,450	16,239,735	Credit and interest rate risks
U.S. treasuries	-	2,768,443	Custodial credit and interest rate
U.S. agency securities	112,333,128	116,447,303	Custodial credit, credit, concentration of credit, and interest rate
Petty cash	500	500	Not applicable
<b>Totals</b>	<b>\$ 189,598,687</b>	<b>\$ 187,498,710</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.

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 quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market 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 both interest bearing and non interest bearing accounts. 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. At April 30, 2014 and 2013, IMEA had no uninsured and uncollateralized deposits. IMEA's investment policy does not require collateralization of deposits but rather restricts the financial institutions that can be used based on the equity and market ratings of the financial institution's debt.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2014 and 2013

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

##### *CUSTODIAL CREDIT RISK (cont.)*

##### *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, 2014 and 2013, 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 policy is to have all investment securities 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, 2014 and 2013 IMEA's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's
U.S. agency securities	AA+	Aaa-mf
Mutual funds	AAAm	Aaa-mf
Illinois fund	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.

As of April 30, 2014 and 2013, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2014	2013
Federal Home Loan Bank Discount	US Agency Securities - Implicitly Guaranteed	7%	12%
Federal Home Loan Bank	US Agency Securities - Implicitly Guaranteed	12%	11%
Federal Farm Credit Banks Funding Corporation	US Agency Securities - Implicitly Guaranteed	26%	26%

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.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

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

#### *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, 2014 IMEA's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-5	Over 5
U.S. agency securities	\$ 112,333,128	\$ 18,397,807	\$ 51,353,489	\$ 42,581,832

IMEA also has \$19,760,450 invested in a mutual fund and \$57,504,609 in the Illinois Fund with underlying investments of U.S. Treasuries and U.S. Agency Securities as of April 30, 2014. The average maturity of the mutual fund is 58 days and the Illinois Fund is 37 days.

As of April 30, 2013, IMEA's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1-5	Over 5
U.S. agency securities	\$ 116,447,303	\$ 23,927,273	\$ 36,448,534	\$ 56,071,496
U.S. treasuries	2,768,443	2,768,443	-	-
<b>Totals</b>	<b>\$ 119,215,746</b>	<b>\$ 26,695,716</b>	<b>\$ 36,448,534</b>	<b>\$ 56,071,496</b>

IMEA also has \$16,239,735 invested in a mutual fund and \$52,042,729 in the Illinois Fund with underlying investments of U.S. Treasuries and U.S. Agency Securities as of April 30, 2013. The average maturity of the mutual fund is 49 days and the Illinois Fund is 34 days.

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

### 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.



## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

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

#### *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.

#### *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.

### NOTE 4 – FUNDS

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.
Acquisition Fund	Trustee	To maintain unspent bond proceeds that will be used for construction projects.
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, 2014 and 2013

**NOTE 4 – FUNDS (cont.)**

The indenture requires that certain cash and investments be segregated. The following are accounts included in current and restricted assets at April 30, 2014 and 2013.

	2014	2013
<b>Included in Current Assets:</b>		
Revenue	\$ 125	\$ 525
Operation and maintenance	27,082,586	20,008,988
Renewals and replacements	2,384,214	2,362,780
General reserve	5,686,011	58,519
Rate stabilization	27,500,000	23,100,000
PNC line of credit	250	4
General cash (not restricted by indenture)	500	500
DCEO grant	32,835	-
	<u>\$ 62,686,521</u>	<u>\$ 45,531,316</u>
<b>Included in Restricted Investment Accounts:</b>		
Acquisition fund	\$ 13,036,931	\$ 24,709,204
Debt service	23,314,932	23,312,281
Debt service reserve	90,560,303	93,945,909
	<u>\$ 126,912,166</u>	<u>\$ 141,967,394</u>

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

### NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2014 follows:

	Balance 5/1/13	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/14
Utility Plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 109,754,080	\$ 4,398,556	\$ (603,834)	\$ 113,548,802
Trimble County Unit No. 2	169,415,755	1,147,274	110,244	170,673,273
Prairie State Unit No. 1	350,412,980	1,040,191	-	351,453,171
Prairie State Unit No. 2	321,110,569	(101,038)	-	321,009,531
Mobile generation	3,116,660	-	-	3,116,660
Prairie State - Common	146,259,032	(5,893,611)	-	140,365,421
Prairie State - Jordan Grove	9,911,148	11,095	-	9,922,243
Prairie State - Nearfield	5,550,125	860,962	-	6,411,087
Prairie State - Other	7,561,143	58,664	-	7,619,807
Prairie State - Mine	37,585,278	514,785	-	38,100,063
Prairie State - Coal Reserves	17,272,491	40,390	-	17,312,881
Land <sup>1</sup>	5,966,369	-	-	5,966,369
Office building	8,139,715	-	-	8,139,715
Office furniture and equipment	529,486	31,021	(56,590)	503,917
Supervisory control and data acquisition equipment	2,233,296	84,559	-	2,317,855
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	610,918	22,486	(121,326)	512,078
<b>Total Utility Plant in Service</b>	<b>1,195,929,045</b>	<b>2,215,334</b>	<b>(671,506)</b>	<b>1,197,472,873</b>
Construction work in progress <sup>1</sup>	16,055,584	27,954,351	(18,591,569)	25,418,366
<b>Total Utility Plant</b>	<b>1,211,984,629</b>	<b>30,169,685</b>	<b>(19,263,075)</b>	<b>1,222,891,239</b>

<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, 2014 and 2013

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

	Balance 5/1/13	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/14
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	\$ (55,791,476)	\$ (2,767,641)	\$ 603,834	\$ (57,955,283)
Trimble County Unit No. 2	(9,944,570)	(4,584,051)	(110,244)	(14,638,865)
Prairie State Unit No. 1	(8,026,970)	(8,771,067)	-	(16,798,037)
Prairie State Unit No. 2	(4,010,052)	(8,028,650)	-	(12,038,702)
Mobile generation	(1,133,860)	(103,889)	-	(1,237,749)
Prairie State - Common	(3,242,103)	(3,552,155)	-	(6,794,258)
Prairie State - Jordan Grove	(899,361)	(991,485)	-	(1,890,846)
Prairie State - Nearfield	(34,688)	(147,974)	-	(182,662)
Prairie State - Other	(346,926)	(379,279)	-	(726,205)
Prairie State - Mine	(2,251,568)	(2,517,795)	-	(4,769,363)
Prairie State - Coal Reserves	(500,595)	(352,872)	-	(853,467)
Office building	(1,420,638)	(261,631)	-	(1,682,269)
Office furniture and equipment	(470,795)	(25,407)	56,589	(439,613)
Supervisory control and data acquisition equipment	(2,009,598)	(98,710)	-	(2,108,308)
Winnetka 138 interconnect	(277,778)	(16,667)	-	(294,445)
Other equipment	(444,836)	(59,993)	121,326	(383,503)
Total Accumulated Depreciation	<u>(90,805,814)</u>	<u>(32,659,266)</u>	<u>671,505</u>	<u>(122,793,575)</u>
Net Utility Plant	<u>\$ 1,121,178,815</u>			<u>\$ 1,100,097,864</u>

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

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

A summary of changes in utility plant for 2013 follows:

	Balance 5/1/12	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/13
Utility Plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 108,970,092	\$ 1,174,573	\$ (390,585)	\$ 109,754,080
Trimble County Unit No. 2	167,047,407	2,478,592	(110,244)	169,415,755
Prairie State Unit No. 1	-	350,412,980	-	350,412,980
Prairie State Unit No. 2	-	321,110,569	-	321,110,569
Mobile generation	3,116,660	-	-	3,116,660
Prairie State - Common	-	146,265,468	(6,436)	146,259,032
Prairie State - Jordan Grove	-	9,911,148	-	9,911,148
Prairie State - Nearfield	-	5,550,125	-	5,550,125
Prairie State - Other	-	7,561,143	-	7,561,143
Prairie State - Mine	-	37,585,278	-	37,585,278
Prairie State - Coal Reserves	-	17,272,491	-	17,272,491
Land <sup>1</sup>	700,430	5,265,939	-	5,966,369
Office building	8,135,777	3,938	-	8,139,715
Office furniture and equipment	525,270	4,216	-	529,486
Supervisory control and data acquisition equipment	2,142,707	90,589	-	2,233,296
Winnelka 138 interconnect	500,000	-	-	500,000
Other equipment	570,962	73,295	(33,339)	610,918
Total Utility Plant in Service	291,709,305	904,760,344	(540,604)	1,195,929,045
Construction work in progress <sup>1</sup>	895,151,811	34,683,646	(913,779,873)	16,055,584
Total Utility Plant	1,186,861,116	939,443,990	(914,320,477)	1,211,984,629

<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, 2014 and 2013

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

	Balance 5/1/12	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/13
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	\$ (53,461,827)	\$ (2,720,234)	\$ 390,585	\$ (55,791,476)
Trimble County Unit No. 2	(5,520,788)	(4,534,026)	110,244	(9,944,570)
Prairie State Unit No. 1	-	(8,026,970)	-	(8,026,970)
Prairie State Unit No. 2	-	(4,010,052)	-	(4,010,052)
Mobile generation	(1,029,972)	(103,888)	-	(1,133,860)
Prairie State - Common	-	(3,248,539)	6,436	(3,242,103)
Prairie State - Jordan Grove	-	(899,361)	-	(899,361)
Prairie State - Nearfield	-	(34,688)	-	(34,688)
Prairie State - Other	-	(346,926)	-	(346,926)
Prairie State - Mine	-	(2,251,568)	-	(2,251,568)
Prairie State - Coal Reserves	-	(414,646)	(85,949)	(500,595)
Office building	(1,159,040)	(261,598)	-	(1,420,638)
Office furniture and equipment	(417,447)	(53,348)	-	(470,795)
Supervisory control and data acquisition equipment	(1,915,541)	(94,057)	-	(2,009,598)
Winnetka 138 interconnect	(261,111)	(16,667)	-	(277,778)
Other equipment	(402,566)	(64,495)	22,225	(444,836)
Total Accumulated Depreciation	<u>(64,168,292)</u>	<u>(27,081,063)</u>	<u>443,541</u>	<u>(90,805,814)</u>
Net Utility Plant	<u>\$ 1,122,692,824</u>			<u>\$ 1,121,178,815</u>



## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

### NOTE 6 – LONG TERM OBLIGATIONS

IMEA has issued the following revenue bonds:

Date	Purpose	Final Maturity	Interest Rates	Original Issue	Outstanding Amount 4/30/14
June 23, 2006	Capital improvements	Feb. 1, 2035	4.250 – 5.000%	\$ 139,505,000	\$ 124,945,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2035	4.000 – 5.250%	575,700,000	566,590,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2015	5.340 – 5.460%	29,660,000	10,850,000
Nov. 5, 2007	Refinance 1998 bonds	Feb. 1, 2021	5.000 – 5.250%	51,360,000	31,195,000
Jul. 15, 2009	Debt service and capitalized interest	Feb. 1, 2016	4.000 – 5.000%	10,040,000	10,040,000
Jul. 15, 2009	Debt service and capital improvements	Feb. 1, 2015	4.160 - 4.880%	16,995,000	4,015,000
Jul. 15, 2009	Debt service and capital improvements *	Feb. 1, 2035	5.328 – 6.128%	294,755,000	294,755,000
Nov. 30, 2010	Debt service and capital improvements *	Feb. 1, 2035	2.473 – 7.288%	140,290,000	132,000,000

\* 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 2014 and 2013, 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 7.2% and an 8.7% reduction in payments for the federal budget year ended September 30, 2014 and 2013, 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
2015	\$ 36,960,000	\$ 66,016,019	\$ 102,976,019
2016	41,375,000	64,235,859	105,610,859
2017	40,575,000	62,131,468	102,706,468
2018	42,425,000	60,017,525	102,442,525
2019	44,390,000	57,761,899	102,151,899
2020 – 2024	238,110,000	251,211,378	489,321,378
2025 – 2029	285,695,000	178,884,392	464,579,392
2030 – 2034	361,755,000	87,693,650	449,448,650
2035	83,105,000	4,740,348	87,845,348
Totals	<u>\$ 1,174,390,000</u>	<u>\$ 832,692,538</u>	<u>\$ 2,007,082,538</u>

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

### NOTE 6 – LONG TERM OBLIGATIONS (cont.)

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

#### *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 29, 2016. IMEA had \$8.5 million and \$6 million outstanding under the LOC Agreement as of April 30, 2014 and 2013, respectively.

Long-term obligation activity for the year ended April 30, 2014 is as follows:

	Balance 5/1/13	Additions	Reductions	Balance 4/30/14	Due Within One Year
Revenue bonds	\$ 1,209,675,000	\$ -	\$ 35,285,000	\$ 1,174,390,000	\$ 36,960,000
Line of credit Agreement	6,000,000	6,500,000	4,000,000	8,500,000	-
Unamortized premium	11,835,286	-	1,148,776	10,686,510	-
Other liabilities	3,981,227	4,243,867	50,806	8,174,288	-
<b>Totals</b>	<b>\$ 1,231,491,513</b>	<b>\$ 10,743,867</b>	<b>\$ 37,484,582</b>	<b>\$ 1,201,750,798</b>	<b>\$ 36,960,000</b>

Long-term obligation activity for the year ended April 30, 2013 is as follows:

	Balance 5/1/12	Additions	Reductions	Balance 4/30/13	Due Within One Year
Revenue bonds	\$ 1,233,350,000	\$ -	\$ 23,675,000	\$ 1,209,675,000	\$ 35,285,000
Line of credit Agreement	10,500,000	-	4,500,000	6,000,000	-
Unamortized premium	13,023,658	-	1,188,372	11,835,286	-
Other liabilities	3,172,736	840,135	31,644	3,981,227	-
<b>Totals</b>	<b>\$ 1,260,046,394</b>	<b>\$ 840,135</b>	<b>\$ 29,395,016</b>	<b>\$ 1,231,491,513</b>	<b>\$ 35,285,000</b>

### NOTE 7 – 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.

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

### NOTE 7 – ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS (cont.)

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.

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

Balance 5/1/13	Liabilities Incurred	Accretion	Balance 4/30/14
\$ 3,532,800	\$ 4,031,539	\$ 176,638	\$ 7,740,977
Balance 5/1/12	Liabilities Incurred	Accretion	Balance 4/30/13
\$ 2,702,189	\$ 695,501	\$ 135,110	\$ 3,532,800

### NOTE 8 – 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 position that do not meet the definition of "restricted" or "net investment in capital assets."

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.



**ILLINOIS MUNICIPAL ELECTRIC AGENCY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

**NOTE 8 – NET POSITION (cont.)**

The following calculation supports the net investment in capital assets:

	<u>2014</u>	<u>2013</u>
Utility plant in service	\$ 1,197,472,873	\$ 1,195,929,045
Accumulated depreciation	(122,793,575)	(90,805,814)
Construction work in progress	25,418,366	16,055,584
Sub-totals	<u>1,100,097,664</u>	<u>1,121,178,815</u>
Less: Capital related debt		
Current portion of capital related long-term debt	36,960,000	35,285,000
Long-term portion of capital related long-term debt	1,137,430,000	1,174,390,000
Unamortized loss on advance refunding	(1,885,545)	(2,404,249)
Unamortized premium	10,686,510	11,835,286
Deferred asset – Fairfield	(8,518,175)	(8,750,575)
Sub-totals	<u>1,174,672,790</u>	<u>1,210,355,462</u>
Add: Unspent debt proceeds		
Debt service reserve from borrowing	90,560,303	93,945,909
Acquisition fund	13,036,931	24,709,204
Sub-totals	<u>103,597,234</u>	<u>118,655,113</u>
Total Net Investment in Capital Assets	<u>\$ 29,022,108</u>	<u>\$ 29,478,466</u>

The following calculation supports the amount of restricted net position:

	<u>2014</u>	<u>2013</u>
Restricted investments	\$ 126,912,166	\$ 141,967,394
Less: Restricted Assets Not Funded by Revenues		
Debt service reserve account	(90,560,303)	(93,945,909)
Acquisition funds	(13,036,931)	(24,709,204)
Total Restricted Net Position Not Funded by Revenues	<u>(103,597,234)</u>	<u>(118,655,113)</u>
Current liabilities payable from restricted assets	<u>(16,995,174)</u>	<u>(21,296,341)</u>
Total Restricted Net Position as Calculated	<u>\$ 6,319,758</u>	<u>\$ 2,015,940</u>

## ILLINOIS MUNICIPAL ELECTRIC AGENCY

### NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended April 30, 2014 and 2013

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#### NOTE 9 – REGULATORY COSTS FOR FUTURE RECOVERY

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A portion of the proceeds of the Power Supply System Revenue Bonds, Series 2006 were advanced to the City of Fairfield to construct a 138KV transmission line and substation facilities. The City of Fairfield will repay the debt service associated with any advanced bond proceeds through monthly rates paid to IMEA. The balance of this deferred asset as of April 30, 2014 and 2013 was \$8,518,175 and \$8,750,575, respectively.

Regulatory costs for future recovery also include amounts chargeable to members for settlements of power costs which amounted to \$222,222 and \$2,888,889 for the years ended April 30, 2014 and 2013 respectively.

Regulatory costs for future recovery also includes unamortized debt issuance costs, which amounted to \$8,048,445 and \$8,768,166 for the years ended April 30, 2014 and 2013, respectively. IMEA has chosen to use the application of GASB 62 to recover these costs in future periods.

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#### NOTE 10 – EMPLOYEE RETIREMENT PLAN

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IMEA's employees are covered by the Illinois Municipal Electric Agency Pension Plan, a defined contribution money purchase 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 contributions to the plan by IMEA, net of applied forfeitures, for the years ended April 30, 2014, 2013 and 2012 were \$742,000, \$707,000, and \$705,000, respectively. Total covered payroll for the respective years was \$2,967,000, \$2,828,000, and \$2,822,000.

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#### NOTE 11 – CONTRACTS AND COMMITMENTS

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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.

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#### NOTE 12 – SIGNIFICANT CUSTOMERS

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IMEA has two significant customers, who were responsible for 49% and 50% of operating revenue 2014 and 2013, respectively.

**ILLINOIS MUNICIPAL ELECTRIC AGENCY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended April 30, 2014 and 2013

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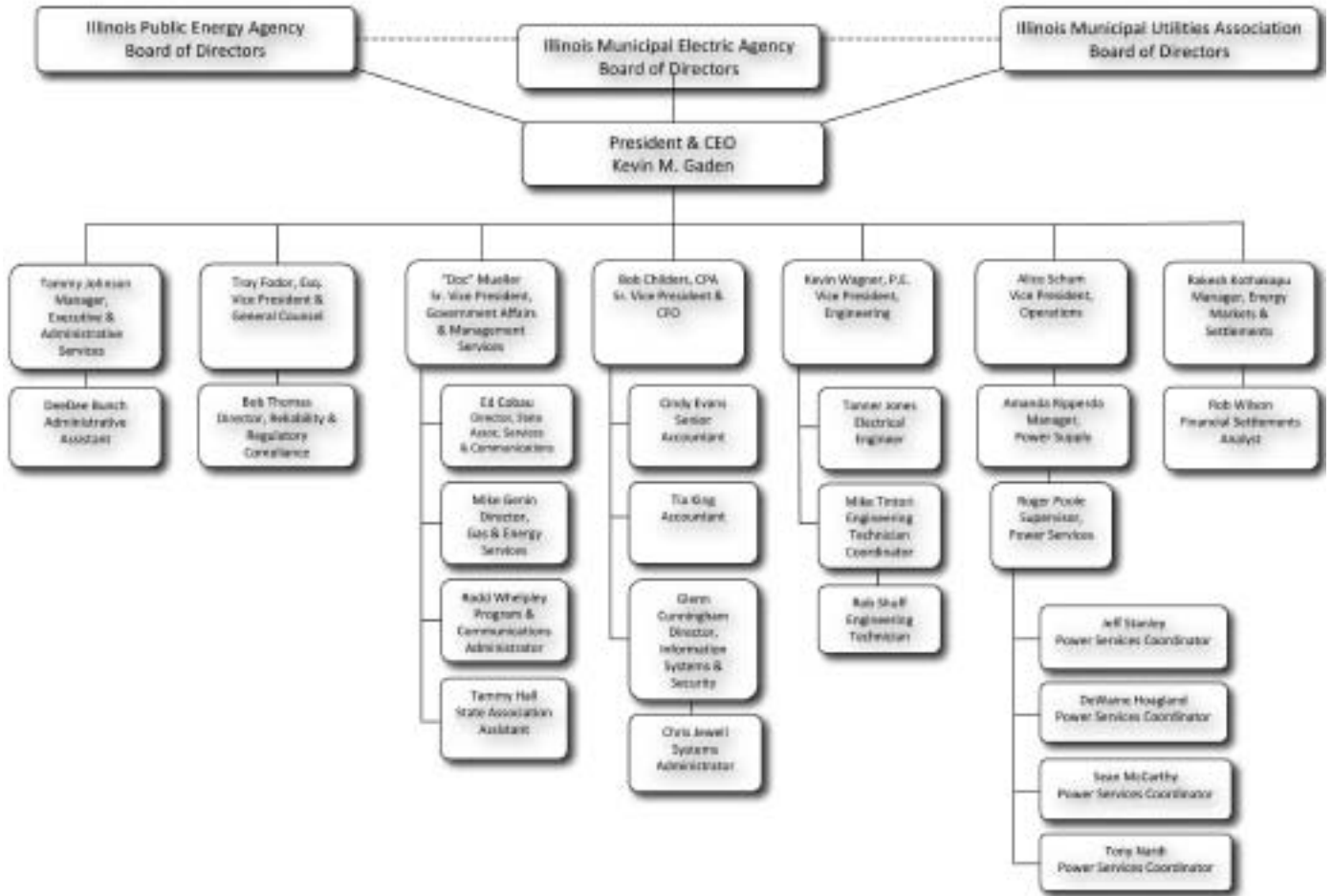
**NOTE 13 – RISK MANAGEMENT**

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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.



# IMEA Organizational Chart



## The IMEA Team



Kevin M. Gaden, President & CEO



Tammy Johnson, Manager, Executive & Administrative Services



DeeDee Bunch, Administrative Assistant



Troy Fodor, Esquire, Vice President & General Counsel



Bob Thomas, Director, Reliability & Regulatory Compliance



Rakesh Kothakapu, Manager, Energy Markets & Settlements



Rob Wilson, Financial Settlements Analyst

## The IMEA Team



Doc Mueller, Sr. Vice President,  
Government Affairs & Management  
Services



Ed Cobau, Director, State Association  
Services & Communications



Mike Genin, Director, Gas & Energy  
Services



Rodd Whelpley, Program &  
Communications Administrator



Tammy Hall, State Association  
Assistant



Bob Childers, CPA,  
Sr. Vice President & CFO



Cindy Evans, Senior Accountant



Tia King, Accountant



Glenn Cunningham, Director,  
Information Systems & Security



Chris Jewell,  
Systems Administrator



Kevin Wagner, P.E., Vice President,  
Engineering



Tanner Jones, Electrical Engineer



Mike Tintori, Engineering Technician  
Coordinator



Rob Shuff, Engineering Technician



Alice Schum, Vice President, Operations



Amanda Ripperda, Manager,  
Power Supply



Roger Poole, Supervisor,  
Power Services



Jeff Stanley, Power Services  
Coordinator



DeWaine Hoagland, Power  
Services Coordinator



Sean McCarthy, Power Services  
Coordinator



Tony Nardi, Power Services  
Coordinator

Minutes  
May 16, 1984 Meeting  
Illinois Municipal Electric Agency

Pursuant to the giving and posting of notice and in accordance with the terms of a posted agenda, the Board of Directors of the Illinois Municipal Electric Agency ( the "Agency") held its initial meeting at the Holiday Inn South, South Sixth St. at St. Joseph, Springfield, Illinois.

Representative Finn opened the meeting by requesting that the Board of Directors (the "Board") proceed to appoint a temporary president of the Board.

Representative Bert Sammons moved, and Representative Joe Popurella seconded that Representative Zimmerman be appointed as the temporary President of the Board. The motion was approved unanimously.

There was an opening statement made by Temporary President Zimmerman. There was a roll call taken and all executed ordinances were handed in by the representatives of the participating municipalities.

Thereupon the Board proceeded to the drawing of lots to determine the term of service of the Directors. ( A listing of all representatives in attendance along with their terms of service is attached to these minutes.)

It was further decided that the nomination and election of officers would follow a review of the Agency's bylaws.

The next order of business was the consideration of the Agency's bylaws.

Thereupon followed a discussion of the number of members it would take to call a special meeting of the Board. Representative Paul Bonansinga moved and Representative Walter Johnson seconded that a special meeting be called by a quorum of the Directors of the Agency. The motion was approved.

Thereupon followed a discussion of voting by alternates at future meetings of the Board. Temporary President Zimmerman



## ATTENDANCE LIST

Name	Representing	Term of Office
Don L. Wendling	City of Altamont (IMEA Representative)	3 years
Eldon Frydendall	City of Batavia	
Mariano Perez	City of Batavia (IMEA Representative)	1 year
Frank Roby	City of Bethany (IMEA Representative)	3 years
Martin Johnson	City of Breese (IMEA Representative)	3 years
B.L. Sammons	City of Bushnell (IMEA Representative)	3 years
Karl H. Klein	City of Cairo (IMEA Representative)	1 year
John O. Bell	City of Casey	
Ed Osman	City of Chatham (IMEA Representative)	
Lester Fritz	City of Freeburg	
Garth Salisbury	City of Freeburg	
Owen Dean	City of Geneseo (IMEA Representative)	1 year
Reg Fellhauer	City of Geneva	
Barbara Olson	City of Geneva (IMEA Representative)	2 years
Walter M. Johnson	City of Highland (IMEA Representative)	2 years
Carol De Serf	City of Ladd	
C.R. Foster	City of Ladd	
George O. Smith	City of Marshall	
D.L. Sitton	City of Mascoutah (IMEA Representative)	3 years
Victor Marma	City of Naperville	
James L. Newkirk, Sr.	City of Naperville (IMEA Representative)	2 years
Joe Popurella	City of Oglesby (IMEA Representative)	3 years
Joseph Prazen	City of Peru (IMEA Representative)	1 year
M. Stephen Finn	City of Princeton (IMEA Representative)	3 years
Glenn E. Tadlock	City of Rantoul (IMEA Representative)	1 year
Bill Puschel	City of Riverton	
Vince Zara	City of Riverton (IMEA Representative)	
John M. Polancic	City of Rochelle	
Ted Volding	City of Rochelle (IMEA Representative)	2 years
Bob O'Donnell	City of Rock Falls (IMEA Representative)	2 years
Patrick Boyle	City of St. Charles (IMEA Representative)	1 year
Walter Foulkes	City of St. Charles	
Paul Bonansinga	City of Springfield (IMEA Representative)	3 years
Lynn Frasco	City of Springfield	
Karl Kohlrus	City of Springfield	
Bill Murray	City of Springfield	
Mary Ellen Schrader	City of Springfield	
Lawrence Cowell	City of Waterloo	
Arthur Fischer	City of Waterloo (IMEA Representative)	3 years
Gary L. Zimmerman	City of Winnetka (IMEA Representative)	2 years





*Illinois Municipal  
Electric Agency*

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