

THE *Power* OF *Community*

2018 ILLINOIS MUNICIPAL ELECTRIC AGENCY ANNUAL REPORT

On the Front Cover

***Top:** The lights of Market Street, Metropolis.*

***Middle left:** Red Bud City Hall decorated for the holidays. (Photo by Flying High Photography.)*

***Middle right:** Independence Day in Winnetka.*

***Bottom left:** At the Chatham Jaycees Sweetcorn Festival. (Photo by Tom Franke.)*

***Bottom right:** The Moultrie County Courthouse on the town square in Sullivan.
The statue of a Union soldier honors those who from the county who served in the American Civil War.*

A Message from the President & CEO and the IMEA Board Chairman

Just as all gallons of milk taste essentially the same, so too – at a scientific level – is each kilowatt hour of electricity indistinguishable from every other. All electrons look the same, travel the same, do the same work. Maybe you are retro-chic and have milk delivered cold to your front porch in glass bottles. (Or, if not a hipster, maybe you're just old enough to remember when that service was common.) Prices may vary, but the milk at your door is the same as the milk at the supermarket. So, you may ask yourself: Which gallon has more value, and why? The difference, of course, is service.

The 32 municipal utility members that comprise the Illinois Municipal Electric Agency (IMEA) have understood the value of hometown service for more than a century. From up north in Winnetka to down south in Cairo and in all parts in between, these often small, but mighty, electric utilities have literally been the power of their communities for generations. Their customers have shared the advantages – the extra level of services – that come when your electric utility is owned by the community and run by your neighbors. Nationwide, public power customers pay an average of \$160 less per year than corporate utility customers, and, altogether, public power communities receive a total of \$2 billion annually due to their investments in hometown power. They employ more than 93,000 people. Compared to the national average, after an outage, public power customers get electricity back 74 minutes sooner than non-public-power users.

However, perhaps the most important advantage is local control. Community power means that the local citizen-owners – not a corporation or a state commission – make the vital policy decisions for the utility. The people served by their electric system set the rates and shape the utility to reflect the values and priorities of their community.

In Illinois, those values are simple: Serve the needs of your neighbors well. Be fiscally responsible. Look to the future in order to be a good steward of the great public asset that is the municipal electric system.

As a joint action agency formed by its municipal Members, IMEA has adopted those core values as its own. The pages

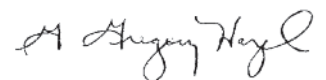
of this annual report are the record of IMEA's service to its towns this year. You will find an increase in net position of more than \$22,600,000, and a decrease in total operating expenses of more than \$2,255,000. Our bond ratings remain at A+ Stable from Fitch, A1 Stable from Moody's and A Stable from Standard & Poor's. Very few electric utilities in the U.S. are rated higher than IMEA.

However, our story goes beyond the numbers. Taking the lead from our Members, we aim to match their commitment to public service. That is why IMEA adds value with technical expertise in the areas of operations, engineering, markets, legal matters and legislative advocacy. We manage a municipal gas joint action agency and a professional utility association that provides safety training and other professional development opportunities for IMEA Members. We support our Members with their ratemaking, energy efficiency and economic development initiatives. We help them realize the future they want to build in their communities. For example, in 2009 the IMEA Board of Directors adopted a policy for the Agency to acquire five percent of its energy requirements from renewable resources. The Agency's total power generation is currently six percent carbon free. In the coming year, at the direction of the board, IMEA is set to commission as many as four more solar photovoltaic generation projects and will become a 50 MW off taker of the Green River Wind Farm under construction in Lee and Whiteside Counties in northwestern Illinois. By 2020, more than 10 percent of the Agency's power supply will come from carbon-free resources – all in response to the wishes of the people of the towns this Agency helps to serve.

On nearly every level, milk is milk and electricity is electricity, but the Agency and its Members understand that the significant difference comes when that electricity is combined with neighborly, hometown service to enhance the power of community.



Kevin M. Gaden
President & CEO



G. Gregory Hazel, P.E.
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 from across Illinois. Each of those communities owns and operates its own electric distribution system. Some operate local power generation plants.

Since its creation in 1984, 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 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, long-term, cost-based power supply contracts, shorter term contracts and purchases from the market when that is an economical option. IMEA also uses the power plants owned and operated by 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 staffed by highly skilled power supply professionals. In addition, IMEA provides engineering, legal, communications, economic development, energy efficiency, and 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	



Executive Board



Chairman
G. Gregory Hazel
Rantoul



Vice Chairman
Tim Birk
Waterloo



**Secretary/
Treasurer**
Dick Simon
Rock Falls



**Immediate
Past Chairman**
Rick Abell
Metropolis

Members at Large



John Hodapp
Carlyle



David Coston
Carmi



Dan Cook
Highland



**Mayor Scott
Harl**
Peru



Tom Bruhl
St. Charles

Board of Directors



Larry Taylor
Altamont



Shannon Risley
Bethany



Dale Detmer
Breese



Justin Griffith
Bushnell



Todd Ely
Cairo



Shelby Biggs
Casey



Shane Hill
Chatbam



**Mayor Brent
Maguire**
Fairfield



Sue McLaughlin
Farmer City



Bob Coble
Flora



John Tolan
Freeburg



Mike Ryder
Greenup



Pat Barry
Ladd



Cory Sheehy
Marshall



Jesse Carlton
Mascoutab



Mark Curran
Naperville



Dominic Rivara
Oglesby



Jeff Mangrich
Princeton



Josh Eckart
Red Bud



Russ Patrick
Riverton



**Mayor
Tom Martin**
Roodhouse



Mayor Ann Short
Sullivan



Brian Keys
Winnetka

Ten Year Comparative Summary of Operations

FOR THE YEARS ENDED APRIL 30,	2018	2017	2016	2015
Operating Revenues:				
Electric Sales to Participating Members	\$309,866,759	\$310,855,402	\$305,397,433	\$297,920,665
Electric Sales to Others	7,050,667	9,604,445	9,250,649	9,487,955
Member Assessments	0	0	0	0
Other	662,443	525,381	3,433,172	4,906,065
Total Operating Revenues	317,579,869	320,985,228	318,081,254	312,314,685
Operating Expenses:				
Purchased Power	89,985,282	92,785,719	92,863,982	93,821,555
Transmission	30,167,782	33,073,872	21,906,341	13,114,019
Prairie State and Trimble County Unit No. 1 and 2:				
Fuel	42,117,228	39,798,819	41,685,758	43,282,351
Operations and Maintenance	36,614,195	36,229,144	36,285,399	36,338,400
Member Payments:				
Fuel Reimbursements	1,091,258	1,145,944	823,604	1,119,275
Capacity Payments	8,930,449	9,027,785	9,183,749	9,202,280
Generation Payments	21,824	22,628	2,728	2,774
Administrative and General	7,893,267	7,290,386	7,313,294	7,456,187
Depreciation	35,268,987	34,848,247	34,320,066	33,126,911
Other Utility Operations	1,676,021	1,799,987	1,927,742	1,429,914
Total Operating Expenses	253,766,293	256,022,531	246,312,663	238,893,666
Net Operating Income	63,813,576	64,962,697	71,768,591	73,421,019
Other Expenses - Net	(41,176,746)	(43,957,524)	(45,730,938)	(53,399,018)
Net Income Before Special Item	\$22,636,830	\$21,005,173	\$26,037,653	\$20,022,001
Special Item	\$0	\$0	\$0	\$0
Change in Net Position	\$22,636,830	\$21,005,173	\$26,037,653	\$20,022,001
Peak Demand (Non-Coincident kW)	953,778	979,796	939,653	942,161
Kilowatt-Hour Sales to Participating Members(kWh)	3,922,872,791	4,000,227,863	3,938,284,055	3,974,872,808
Kilowatt-Hour Sales to Others(kWh)	78,375,093	114,456,162	110,822,027	120,211,294
Cost per kWh to Participating Members (Cents/kWh)	7.90	7.77	7.75	7.50
Cost per kWh to Participating Members after Capacity Payments (Cents/kWh)	7.67	7.55	7.52	7.26
Debt Service Coverage after Rate Stabilization Transfer	110%	110%	113%	110%
Principal Paid on Revenue Bonds	\$41,095,000	\$39,310,000	\$41,375,000	\$36,960,000
Revenue Bonds Outstanding	\$965,480,000	\$1,006,575,000	\$1,045,885,000	\$1,087,260,000
Net Position	\$217,559,595	\$194,922,765	\$173,917,592	\$147,879,939

2014	2013	2012	2011	2010	2009
\$313,329,416	\$293,252,375	\$269,710,862	\$166,474,951	\$148,999,323	\$146,290,958
10,202,123	9,191,496	9,081,678	9,079,342	8,876,865	2,630,952
0	0	0	8,333	10,000	10,000
3,570,481	2,038,994	1,867,134	1,272,067	1,521,276	1,221,779
327,102,020	304,482,865	280,659,674	176,834,693	159,407,464	150,153,689
112,229,955	121,189,265	167,998,413	99,499,201	105,434,390	95,326,413
14,902,996	19,839,895	23,747,840	14,924,800	14,049,221	11,590,389
37,198,450	35,127,223	23,540,732	14,152,031	7,838,048	11,099,921
32,417,374	20,463,752	8,331,479	5,786,808	5,859,538	4,532,103
1,431,522	1,423,755	2,083,846	1,236,692	995,589	1,866,252
9,163,470	9,204,193	9,334,291	9,309,573	9,281,664	9,263,030
6,056	3,357	17,866	5,799	2,997	4,719
8,232,434	7,084,137	7,320,757	6,781,113	6,114,056	5,774,665
32,659,266	27,081,063	7,796,362	4,454,531	3,291,971	3,433,667
1,880,493	1,169,848	970,795	869,565	1,107,938	633,090
250,122,016	242,586,488	251,142,381	157,020,113	153,975,412	143,524,249
76,980,004	61,896,377	29,517,293	19,814,580	5,432,052	6,629,440
(59,430,472)	(46,421,103)	(11,471,707)	(5,667,893)	(3,580,580)	(3,243,851)
\$17,549,532	\$15,475,274	\$18,045,586	\$14,146,687	\$1,851,472	\$3,385,589
\$0	\$0	\$0	(\$1,179,024)	\$0	\$0
\$17,549,532	\$15,475,274	\$18,045,586	\$12,967,663	\$1,851,472	\$3,385,589
1,005,629	1,084,464	1,063,494	649,186	608,019	615,849
4,102,836,932	4,135,520,775	3,910,906,019	2,591,542,077	2,415,241,184	2,525,506,187
123,499,732	115,139,111	112,278,126	117,881,804	121,424,791	38,254,057
7.64	7.09	6.90	6.42	6.17	5.79
7.41	6.87	6.66	6.06	5.78	5.43
110%	113%	119%	113%	148%	138%
\$35,285,000	\$23,675,000	\$8,795,000	\$8,710,000	\$3,665,000	\$3,485,000
\$1,174,390,000	\$1,209,675,000	\$1,233,350,000	\$1,242,145,000	\$1,110,565,000	\$792,440,000
\$127,857,938	\$110,308,406	\$94,833,132	\$76,787,546	\$63,819,883	\$61,968,411

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 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.

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.

THE POWER OF COMMUNITY

Nearly all the people you meet are proud of their hometown. They love their sports teams, their landmarks, their place in history. Press them, and they will admit their community may also have its oddballs, its idiosyncrasies, perhaps an 'acquired' dietary proclivity. Still, in spite of (and in some cases because of) those things, they feel their hometown is the best hometown.

Why? Because community is a thing that is built strong over decades, not just with bricks, but with tradition, foresight, charity, intention, faith and goodwill. The communities that comprise the Illinois Municipal Electric Agency are especially close and especially strong in their sense of self-reliance. More than 100 years ago, rather than wait for some outside corporation to bring the power of electricity to their city gates, they chose to build their own municipal electric systems. In the years that intervened, they resisted offers from investor-owned utilities to take over the city enterprise. The cities that formed the Illinois Municipal Agency (IMEA) in 1984 remain determined to enjoy the considerable advantages of public power utilities – fewer and shorter-duration outages, local control of rates and resources, and a non-tax revenue stream for city government, just to name a few.

IMEA believes there is power in community – and maybe a little extra power, some accentuated pride – in public power communities. That is why IMEA is honored to serve our Members' municipal electric utilities.

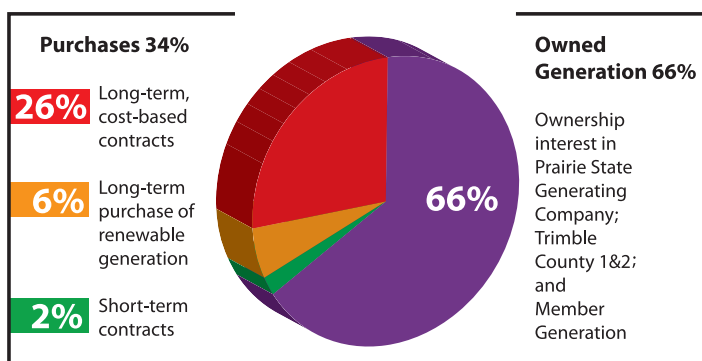
GENERATING AND PROCURING POWER

The IMEA's job is to produce or secure power for its Members and provide for that power to be delivered to the city gates. The Agency fulfills this part of its mission through long-term and short-term power services contracts and through ownership shares of generation facilities. In fiscal year 2017-18, IMEA's sales to its municipal Members were nearly 4,000,000 MWh.

IMEA's strategy is to diversify its sources as a means of hedging against market volatility, which allows our Members to have the ability to forecast their year-over-year power supply costs accurately. For fiscal year 2017-18, 66 percent of IMEA's power supply requirements were met by IMEA-owned or Member-owned generation resources.

The remainder came from long-term, cost-based contracts; long-term purchases of renewable generation; and short-term contracts. Altogether, this power supply mix means that 92 percent of the energy the Agency supplies to its Members comes from cost-based sources (e.g., those owned or under a long-term, cost-based contract).

IMEA PORTFOLIO OF GENERATED AND PURCHASED POWER SUPPLY



POWER GENERATION

IMEA is one of nine Midwestern-based public power utilities with an ownership interest in the Prairie State Generating Company, which is comprised of two, mine-mouth 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 decades' worth of coal reserves. The Prairie State campus features an investment of more than \$1 billion in the best available emissions control technology to create the cleanest coal-fueled power plant in Illinois and one of the cleanest in the world.

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 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 Trimble County and Prairie State are a major source of IMEA's base load power, the Agency has committed to a diversified energy portfolio. Two of IMEA's Members operate run-of-the-river hydroelectric generation operations that total

10 MW of carbon-free capacity. 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 entered into a long-term contract to purchase up to 70MW of wind energy from the Lee-DeKalb wind project owned by FPL Energy Illinois Wind, LLC. The contract runs through 2030. In 2016, IMEA furthered its commitment to renewable energy sources when it commissioned its first solar photovoltaic demonstration project in Rantoul, Illinois. This year, the Agency cut the ribbon on a second solar project in St. Charles, Illinois. Currently, IMEA is looking into commissioning as many as four more solar facilities, and by the fourth quarter of next year, IMEA will become a 50 MW long-term off taker of the 194 MW Green River Wind Farm in Lee and Whiteside Counties in northwestern Illinois.



An IMEA-commissioned 500kW, ground-mounted solar panel array in St. Charles Illinois began commercial operation on September 1, 2017. It is the Agency's second solar generation project. The Agency will take all the facility's output under a 20-year power purchase agreement, with a buyout option after six years. The Agency is considering as many as four similar projects for the next fiscal year.

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 executes purchases and sales in the day-ahead and in the real-time 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 systems 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.



Poettker Construction Groundbreaking: A new 12,000 sq. ft., \$30 million headquarters is being built in Breese. The project should be complete in late 2019.

OPERATIONAL AND TECHNICAL SUPPORT

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

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. The Operations Department alerts local officials of voltage dips and power outages and works with the Members and representatives from investor-owned utilities serving the area to identify open circuits 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.

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, 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 the 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.

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, retail customer choice under Illinois' deregulation statutes and behind-the-meter generation rights and regulations.



Chatham Friends of the Parks - Light up the Park 2017.



Ladd's Veteran's Memorial monuments.

MARKET AND RESOURCE OPPORTUNITY RESEARCH

On behalf of its Members, IMEA is concentrating more efforts than ever before on exploring current and future market and resource opportunities, which may result in future generation ownership or power purchase agreements; capturing more renewable energy credits; establishing demand response programs; and evaluating and procuring (when it is necessary or advantageous) Auction Revenue Rights and Financial Transmission Rights in the PJM Regional Transmission Organization.

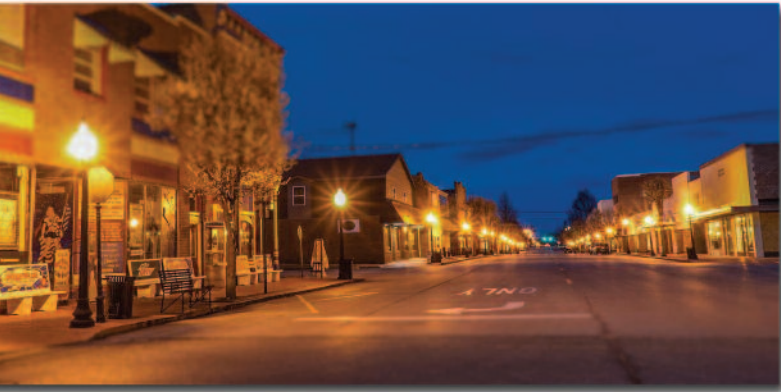
REGULATORY COMPLIANCE AND LEGISLATIVE ADVOCACY

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. In conjunction with its affiliation with the American Public Power Association (APPA) and through its efforts 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.



Mascoutah homecoming parade.



The lights of Market Street, Metropolis.

VALUE-ADDED SERVICE

In addition to providing its Member communities with operational, technical, regulatory compliance and legislative 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.



Naperville linemen participate in the National Night Out event in Naperville to emphasize safety around electricity.

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. As of September 2018, more than 580 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 65.5 million kWh annually.

On the residential side, over the past two years, the Agency has made a bulk purchase of 70,370 9.5-Watt LED bulbs that have been distributed to residents in Member communities throughout the state. The achieved annual energy savings is more than 1,265,000 kWh. The payback period of this initiative is 14 months. The manufacturer lists the useful life of the bulbs at 22 years.



Two ladder trucks raise a massive American flag over the Illinois & Indiana (I&I) Antique Tractor & Gas Engine Club's Half Century of Progress Show held in Rantoul August 24-27, 2017. The show, which attracts more 1,300 vendors and several thousand visitors, takes place every other year in this central Illinois city. In 2017, vintage corn pickers and combines harvested crops on more than 250 acres during the event. (Drone photography by Mike Esslinger, Village of Rantoul Street & Systems Foreman.)

ASSOCIATION AND AGENCY MANAGEMENT

Under Management Services Contracts, IMEA manages the Illinois Municipal Utilities Association (IMUA) and the Illinois Public Energy Agency (IPEA).

Formed in 1948, the IMUA is a statewide trade association that provides a wide variety of services to its 50 municipal members, including active governmental 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 Illinois Public Energy Agency (IPEA), which was formed in 2005, is a wholesaler of natural gas to 12 municipal systems and two cooperative natural gas systems across Illinois. IMEA provides managerial oversight for the IPEA's day-to-day operations. In its 13 years of operation, IPEA has become one of the leading natural gas joint action agencies in the Midwest.



St. Charles, Illinois, electric linemen get a fantastic bird's-eye view as they tackle the daily work that keeps the city running. (Photo by Mike Cedergren.)



A quiet day on Winnetka's beaches.

ADMINISTRATIVE, ACCOUNTING AND INFORMATION TECHNOLOGY SUPPORT

In order to serve its Members over the long term, the Agency must assure its own good health. That is where IMEA's administrative, accounting and information technology professionals come in. Through their efforts, the Agency:

- Organizes and hosts meetings and seminars to educate municipal officials and utility professionals on emerging industry issues.
- Provides timely and accurate financial information to Members and management.
- Invests IMEA funds as necessary.
- Performs all SCADA system programming and maintenance.
- Develops and maintains Web sites for IMEA, IMUA and IPEA.
- Assists other IMEA service departments to improve their efficiency.

Only a well-run, fiscally responsible and forward-looking joint action agency can hope to match the hometown pride of its Member communities. IMEA plans to continue to be that Agency for decades to come.

Summary of IMEA Sales to Members Fiscal Year Ending April 30, 2018

	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population
Participating Members			
Altamont	6,508	25,598,524	2,280
Bethany	2,546	9,037,330	1,275
Breese	13,359	54,026,398	4,486
Bushnell	7,653	34,787,650	2,940
Cairo	10,678	65,614,423	2,281
Carlyle	9,247	36,711,658	3,189
Carmi	15,034	57,865,340	4,971
Casey	7,849	31,461,056	2,664
Chatham	25,241	83,207,763	12,624
Fairfield	15,970	63,690,357	5,029
Farmer City	4,904	19,386,766	1,977
Flora	26,596	125,378,324	4,882
Freeburg	11,602	43,549,952	4,262
Greenup	4,565	19,169,326	1,490
Highland	34,969	134,882,497	9,830
Ladd	2,945	12,911,795	1,218
Marshall	13,999	66,651,607	3,860
Mascoutah	17,369	60,955,743	8,010
Metropolis	19,546	80,580,732	6,133
Naperville	330,946	1,388,095,031	147,682
Oglesby	8,921	36,355,510	3,598
Peru	51,825	235,628,941	9,834
Princeton	24,423	106,183,839	7,583
Rantoul	33,295	158,572,203	12,769
Red Bud	13,199	50,483,376	3,528
Riverton	6,879	24,827,868	3,431
Rock Falls	18,524	63,711,855	8,911
Roodhouse	3,185	11,941,047	1,706
St. Charles	113,316	530,578,916	32,714
Sullivan	15,653	73,104,155	4,458
Waterloo	24,241	90,623,401	10,355
Winnetka	34,367	127,299,408	12,480
Total Full Requirements Sales to Participating Members	929,354	3,922,872,791	
Sales to RECC	24,424	78,375,093	
Total Sales	953,778	4,001,247,884	

ILLINOIS MUNICIPAL ELECTRIC AGENCY

Springfield, Illinois

FINANCIAL STATEMENTS Including Independent Auditor's Report

As of and for the Years Ended April 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Illinois Municipal Electric Agency (IMEA), as of and for the years ended April 30, 2018 and 2017, 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, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS As of and for the Years Ended April 30, 2018 and 2017

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, 2018 and 2017. Please read this narrative in conjunction with the accompanying financial statements and the accompanying notes to financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

IMEA FINANCIAL ANALYSIS

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, 2018 and 2017

IMEA FINANCIAL ANALYSIS (cont.)

Table 1
Condensed Statements of Net Position

	2018	2017	2016
Utility plant	\$ 1,051,854,472	\$ 1,057,664,235	\$ 1,069,961,113
Restricted assets	97,236,486	100,110,340	104,508,640
Current assets	116,636,538	123,063,773	158,135,713
Other assets	9,880,232	6,963,367	6,179,768
Deferred outflows of resources	32,956,957	36,631,732	40,415,512
Total Assets and Deferred Outflows of Resources	\$ 1,308,564,685	\$ 1,324,433,447	\$ 1,379,200,746
 Net Position:			
Invested in capital assets	\$ 133,068,974	\$ 97,784,908	\$ 72,267,542
Restricted	8,909,401	8,370,663	7,383,227
Unrestricted	75,581,220	88,767,194	94,266,823
Total Net Position	217,559,595	194,922,765	173,917,592
 Noncurrent liabilities			
Current liabilities	1,014,324,599	1,055,935,507	1,109,476,957
Total Liabilities	76,680,491	73,575,175	95,806,197
Total Net Position and Liabilities	\$ 1,091,005,090	1,129,510,682	1,205,283,154
Total Net Position and Liabilities	\$ 1,308,564,685	\$ 1,324,433,447	\$ 1,379,200,746

STATEMENTS OF NET POSITION

Year Ended April 30, 2018

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

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

See accompanying independent auditors' report.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2018 and 2017

IMEA FINANCIAL ANALYSIS (cont.)

STATEMENTS OF NET POSITION (cont.)

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

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

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

Year Ended April 30, 2017

IMEA's total utility plant decreased by \$12,296,878 during the year ended April 30, 2017. The Agency made total payments of \$20,801,483 toward the capital improvements associated with the Prairie State project, Trimble County Units 1 & 2 projects and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$2,000,759. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$34,848,247 was recorded during the year.

IMEA had a decrease in the cash and short-term investments held in operating reserve accounts of \$3,422,823 from the previous year. IMEA also returned the cash collateral it had received in the previous year from a supplier of long-term power supply. In exchange for the cash collateral, IMEA accepted a letter of credit as collateral for this agreement. These changes along with a decrease in the amount of prepayments made at the end of the year represent the majority of the decrease in current assets.

Proceeds of revenue bonds not yet expended are included in restricted assets. The decrease in restricted assets of \$4,398,300 was primarily caused by payments being made toward capital investments as well as a reduction in the market value of investments being held in restricted accounts.

Net position increased due to current year operations that resulted in net income of \$21,005,173.

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$39,310,000. IMEA also paid an additional \$41,095,000 on the outstanding revenue bonds on February 1, 2018 which is included in current liabilities. The Agency also made a payment of \$6,000,000 against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit to \$2,500,000. The total undrawn portion of this line of credit was \$47,500,000. Total current liabilities decreased by \$22,267,197 primarily due to the return of the cash collateral being held by IMEA to secure a long-term power supply agreement.

See accompanying independent auditors' report.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2018 and 2017

IMEA FINANCIAL ANALYSIS (cont.)

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

	2018	2017	2016
Operating revenues	\$ 317,579,869	\$ 320,985,228	\$ 318,081,254
Depreciation expense	35,268,987	34,848,247	34,320,066
Other operating expenses	218,497,306	221,174,284	211,992,597
Total Operating Expenses	253,766,293	256,022,531	246,312,663
Operating Income	63,813,576	64,962,697	71,768,591
Investment income	2,978,084	1,873,942	2,013,301
Interest and amortization expense	(44,205,437)	(45,838,156)	(47,749,764)
Other income/(expense)	50,607	6,690	5,525
Total Non-Operating Expenses	(41,176,746)	(43,957,524)	(45,730,938)
Change in Net Position	22,636,830	21,005,173	26,037,653
Net Position, Beginning of Year	194,922,765	173,917,592	147,879,939
Net Position, End of Year	\$ 217,559,595	\$ 194,922,765	\$ 173,917,592

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2018

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

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

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

See accompanying independent auditors' report.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2018 and 2017

IMEA FINANCIAL ANALYSIS (cont.)

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

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

Year Ended April 30, 2017

Sales to participating members of \$310,855,402 and 4,000,227,863 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2017. This represented an increase of \$5,457,969 (1.8%) in revenue from sales to participating members and an increase of 61,943,808 kWh (1.6%) as compared with the previous year. IMEA also supplied the Rural Electric Convenience Cooperative (RECC) with full requirements power supply service which accounted for additional revenue of \$9,604,445 which is reflected in sales to others.

IMEA recorded a coincident peak demand of 942 MW which was approximately 4% higher than the 905 MW experienced in the previous year. The total member non-coincident peak demand was 980 MW which included both sales to participating members and to RECC. This non-coincident peak demand was approximately 4.25% higher than the previous year.

The average cost of power sold to the participating members was 7.77 cents per kWh.

Total operating expenses increased by \$9,709,868 (4%) from the previous year due primarily to higher transmission expense. Interest and amortization expenses decreased by \$1,911,608 primarily due to payments made to reduce outstanding revenue bonds.

DEBT SERVICE COVERAGE

IMEA's bond resolution requires the Agency to maintain a debt service coverage ratio of 110%. Debt service coverage during the years ended April 30, 2018 and 2017 was approximately 110% for each year after transfers to the rate stabilization account. IMEA transferred \$4,000,000 during the year ended April 30, 2018 and \$3,500,000 during the year ended April 30, 2017 into the rate stabilization account which reduced the debt service covered during both of these years. Without these rate stabilization transfers, debt service coverage would have been approximately 114.5% for the year ended April 30, 2018 and 114% for the year ended April 30, 2017.

See accompanying independent auditors' report.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended April 30, 2018 and 2017

SIGNIFICANT EVENTS

RENEWABLE ENERGY RESOURCES

IMEA has a contract to purchase 70 MW of wind energy from the Lee-DeKalb wind project owned by FPL Energy Illinois Wind, LLC. IMEA also entered into a contract with Altorfer Inc. for the purchase of approximately 1.5 MW's of solar energy located within two of IMEA's Member electric systems. These contracts currently provide IMEA with renewable energy resources totaling more than 5% of IMEA's energy requirements. In addition, IMEA has entered into a contract to purchase 50 MW of wind energy for a period of 15 years from a wind farm to be constructed in Illinois. IMEA continues to evaluate additional carbon-free resources and currently projects that these resources will provide over 10% of the Agency's total energy requirements by 2020.

CONTACTING IMEA'S MANAGEMENT

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.

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ILLINOIS MUNICIPAL ELECTRIC AGENCY

STATEMENTS OF NET POSITION

As of April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
UTILITY PLANT		
Utility plant in service	\$ 1,260,398,319	\$ 1,235,748,260
Accumulated depreciation	(252,514,938)	(221,134,788)
Construction work in progress	<u>43,971,091</u>	<u>43,050,763</u>
Total Utility Plant	<u>1,051,854,472</u>	<u>1,057,664,235</u>
RESTRICTED ASSETS		
Cash and investments	<u>97,236,486</u>	<u>100,110,340</u>
CURRENT ASSETS		
Cash	41,827,034	41,678,468
Investments	28,542,176	29,173,669
Accounts receivable	22,098,834	25,510,593
Bond interest subsidy receivable	2,197,498	2,269,791
Renewable energy credits	1,140,482	2,799,015
Prepayments	<u>20,830,514</u>	<u>21,632,237</u>
Total Current Assets	<u>116,636,538</u>	<u>123,063,773</u>
OTHER ASSETS		
Regulatory costs for future recovery	3,164,509	3,514,208
Unrealized loss on investments	5,173,095	1,856,212
Prairie State - other long term asset	<u>1,542,628</u>	<u>1,592,947</u>
Total Other Assets	<u>9,880,232</u>	<u>6,963,367</u>
Total Assets	<u>1,275,607,728</u>	<u>1,287,801,715</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on advance refunding	<u>32,956,957</u>	<u>36,631,732</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,308,564,685</u>	<u>\$ 1,324,433,447</u>

	2018	2017
NET POSITION AND LIABILITIES		
NET POSITION		
Net investment in capital assets	\$ 133,068,974	\$ 97,784,908
Restricted	8,909,401	8,370,663
Unrestricted	<u>75,581,220</u>	<u>88,767,194</u>
Total Net Position	<u>217,559,595</u>	<u>194,922,765</u>
NONCURRENT LIABILITIES		
Revenue bonds	922,530,000	965,480,000
Other long-term debt - line of credit	10,000,000	2,500,000
Unamortized premium	61,443,091	68,002,369
Other liabilities	<u>20,351,508</u>	<u>19,953,138</u>
Total Noncurrent Liabilities	<u>1,014,324,599</u>	<u>1,055,935,507</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses		
Accounts Payable		
Purchased power and transmission	9,115,398	10,067,459
Jointly-owned facilities	10,860,808	8,247,210
Other	218,192	88,792
Other current liabilities	<u>389,644</u>	<u>403,348</u>
Total Accounts Payable and Accrued Expenses	<u>20,584,042</u>	<u>18,806,809</u>
Current Liabilities Payable from Restricted Assets		
Current maturities of revenue bonds	42,950,000	41,095,000
Interest accrued	<u>13,146,449</u>	<u>13,673,366</u>
Total Current Liabilities Payable from Restricted Assets	<u>56,096,449</u>	<u>54,768,366</u>
Total Current Liabilities	<u>76,680,491</u>	<u>73,575,175</u>
Total Liabilities	<u>1,091,005,090</u>	<u>1,129,510,682</u>
TOTAL NET POSITION AND LIABILITIES	<u>\$ 1,308,564,685</u>	<u>\$ 1,324,433,447</u>

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, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Sales to participating members	\$ 309,866,759	\$ 310,855,402
Sales to others	7,050,667	9,604,445
Other income	662,443	525,381
Total Operating Revenues	317,579,869	320,985,228
OPERATING EXPENSES		
Purchased power and transmission	120,153,064	125,859,591
Prairie State and Trimble County Units No. 1 and 2		
Fuel	42,117,228	39,798,819
Operations and maintenance	36,614,195	36,229,144
Member Payments		
Fuel reimbursements	1,091,258	1,145,944
Capacity payments	8,930,449	9,027,785
Generation payments	21,824	22,628
Administration and general	7,893,267	7,290,386
Depreciation	35,268,987	34,848,247
Other utility operations	1,676,021	1,799,987
Total Operating Expenses	253,766,293	256,022,531
Operating Income	63,813,576	64,962,697
NONOPERATING REVENUES (EXPENSES)		
Investment income	2,978,084	1,873,942
Bond interest subsidy revenue	8,536,717	8,770,878
Interest expense	(55,276,959)	(57,142,671)
Amortization expense	2,534,805	2,533,637
Other income	50,607	6,690
Total Nonoperating Revenues (Expenses)	(41,176,746)	(43,957,524)
CHANGE IN NET POSITION	22,636,830	21,005,173
NET POSITION - Beginning of Year	194,922,765	173,917,592
NET POSITION - END OF YEAR	\$ 217,559,595	\$ 194,922,765

See accompanying notes to financial statements.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

STATEMENTS OF CASH FLOWS For the Years Ended April 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from power sales	\$ 310,285,654	\$ 309,757,965
Paid to suppliers for purchased power and transmission	(121,105,126)	(125,340,249)
Paid to suppliers and employees for other services	(82,599,894)	(77,006,119)
Net Cash Flows From Operating Activities	<u>106,580,634</u>	<u>107,411,597</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from line of credit draws	7,500,000	-
Payment of line of credit debt	-	(6,000,000)
Net Cash Flows From Noncapital Financing and Related Activities	<u>7,500,000</u>	<u>(6,000,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt principal paid	(41,095,000)	(39,310,000)
Interest paid	(55,803,877)	(57,727,371)
Bond interest subsidy received	8,609,010	8,850,255
Acquisition and construction of capital assets	(28,746,717)	(20,801,483)
Asset retirement obligation costs incurred	(62,036)	(261,850)
Net Cash Flows From Capital and Related Financing Activities	<u>(117,098,620)</u>	<u>(109,250,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,978,084	1,873,942
Purchase of long-term investments	(102,563,917)	(164,749,195)
Maturity of long-term investments	102,576,000	165,577,000
Net Cash Flows From Investing Activities	<u>2,990,167</u>	<u>2,701,747</u>
Net Change in Cash and Cash Equivalents	(27,819)	(5,137,105)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>42,677,027</u>	<u>47,814,132</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 42,649,208</u>	<u>\$ 42,677,027</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Change in asset retirement obligation liability	\$ 75,525	\$ (195,373)
Accretion expense	\$ 420,072	\$ 654,959
Change in unrealized loss on investments	\$ 3,316,883	\$ 1,856,212
Amortization expense	\$ 2,534,805	\$ 2,533,637
Credits given on billings	\$ (10,043,531)	\$ (10,196,357)
Net gain on sale of assets	\$ 50,607	\$ 6,690

	2018	2017
RECONCILIATION OF OPERATING INCOME TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 63,813,576	\$ 64,962,697
Noncash items included in operating income		
Depreciation	35,268,987	34,848,247
Other non-cash transactions	371,177	728,882
Changes in assets and liabilities		
Accounts receivable	3,411,759	(505,525)
Prepayments	801,723	6,374,541
Allowance inventory	1,658,534	677,721
Accounts payable	1,254,878	305,034
Other current liabilities	-	20,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 106,580,634	\$ 107,411,597
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO		
THE BALANCE SHEETS		
Restricted cash and investments	\$ 97,236,486	\$ 100,110,340
Cash	41,827,034	41,678,468
Investments	28,542,176	29,173,669
Total Cash and Investments	167,605,696	170,962,477
Less: investments	(124,956,488)	(128,285,450)
TOTAL CASH AND CASH EQUIVALENTS	\$ 42,649,208	\$ 42,677,027

See accompanying notes to financial statements.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

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

As of April 30, 2018, IMEA had 32 member municipalities, all of which have executed long-term power sales contracts for the purchase of full requirements power and energy from IMEA. The termination date for all of the power sales contracts with participating members is September 30, 2035. These members participate in the IMEA owned generation facilities and pay rates sufficient to meet the obligations of IMEA's bond resolution.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when exchange takes place. IMEA uses the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES AND NET POSITION

Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

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

Renewable Energy Credits

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

Prepayments

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

Restricted Assets

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

Prairie State – Other Long Term Asset

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

Regulatory Costs for Future Recovery

Expenses incurred and paid in the current and prior periods in which the benefit of the expense will be recovered and realized in future periods in accordance with GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. See Note 9 for further discussion related to these assets.

Unrealized Loss on Investments

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

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

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

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

Utility Plant

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

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

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

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

Deferred Outflow of Resources

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

Loss on Refunding

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

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

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

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

Payables and Other Current Liabilities

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

Other Liabilities

Other liabilities represent accrued sick leave and asset retirement obligation (Note 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 amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year-end for the loss on refunding is shown as a deferred outflow in the statement of net position.

REVENUES AND EXPENSES

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

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

BOND SUBSIDY REVENUE AND RECEIVABLE

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

The United States Federal Government was subject to the process of sequestration for the budget year ending September 30, 2018 and 2017 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.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

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

RATES

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

RECLASSIFICATIONS

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

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 83, *Certain Asset Retirement Obligations*, and Statement No. 84, *Fiduciary Activities*, Statement No. 85, *Omnibus*, Statement No. 86, *Certain Debt Extinguishment Issues*, Statement No. 87, *Leases*, and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. When they become effective, application of these standards may restate portions of these financial statements.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 2 – CASH AND INVESTMENTS

IMEA's cash and investments consist of the following:

	Carrying Value as of April 30		Associated Risks
	2018	2017	
The Illinois Funds	\$ 18,313,758	\$ 18,104,268	Credit and interest rate
U.S. agency securities – implicitly guaranteed	124,559,635	128,797,033	Custodial credit, credit, concentration of credit, and interest rate
U.S. Treasuries	905,574	-	Custodial credit and interest rate
Checking and savings	23,826,229	24,060,676	Custodial credit
Petty cash	500	500	Not applicable
Totals	\$ 167,605,696	\$ 170,962,477	

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 methods and inputs as outlined in the fair value section of this note. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year-end.

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

CUSTODIAL CREDIT RISK

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, IMEA's deposits may not be returned to IMEA. IMEA does not have any deposits exposed to custodial credit risk. IMEA's investment policy requires collateralization of deposits above the amount insured by the FDIC. All deposits were fully collateralized as of April 30, 2018 and 2017.

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, 2018 and 2017, were considered to be in risk category one (investments held in trust on behalf of IMEA), therefore, not subject to custodial credit risk. IMEA's investment policy requires all investment securities be held by its agent in IMEA's name.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 2 – CASH AND INVESTMENTS (cont.)

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, 2018 and 2017 IMEA's investments were rated as follows:

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

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

CONCENTRATION OF CREDIT RISK

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

As of April 30, 2018 and 2017, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2018	2017
Federal Home Loan Bank Federal Farm Credit Banks Funding Corporation	U.S. agency securities - Implicitly Guaranteed	41%	34%
Federal National Mortgage Association	U.S. agency securities - Implicitly Guaranteed	43%	45%
	U.S. agency securities - Implicitly Guaranteed	15%	21%

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

INTEREST RATE RISK

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

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

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

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 2 – CASH AND INVESTMENTS (cont.)

INTEREST RATE RISK (cont.)

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

As of April 30, 2017, IMEA's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 128,797,033	\$ 29,974,319	\$ 50,539,501	\$ 48,283,213

IMEA also has \$18,104,268 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 85 days.

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

FAIR VALUE

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

The valuation methods for recurring fair value measurements as of April 30, 2018 and 2017 are as follows:

- > Market approach – matrix pricing or market collaborative pricing

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

Investment Type	April 30, 2017			
	Total	Level 1	Level 2	Level 3
U.S. agency securities	\$ 128,797,033	\$ -	\$ 128,797,033	\$ -

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 3 – JOINTLY-OWNED FACILITIES

TRIMBLE COUNTY UNIT No. 1

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

TRIMBLE COUNTY UNIT No. 2

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

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.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

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.

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

The indenture requires that certain cash and investments be segregated. The following are accounts included in current and restricted assets at April 30, 2018 and 2017.

	2018	2017
Included in Current Assets:		
Revenue	\$ 5,257	\$ 2,015
Operation and maintenance	22,843,951	23,341,178
Renewals and replacements	2,284,732	2,320,288
General reserve	1,534,770	5,488,156
Rate stabilization	43,700,000	39,700,000
General cash (not restricted by indenture)	500	500
Total Current Cash and Investments	<u>\$ 70,369,210</u>	<u>\$ 70,852,137</u>
Included in Restricted Investment Accounts:		
Debt service	\$ 22,055,850	\$ 22,044,029
Debt service reserve	75,180,636	78,066,311
Total Restricted Cash and Investments	<u>\$ 97,236,486</u>	<u>\$ 100,110,340</u>

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2018 follows:

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

¹ Utility plant that is not being depreciated.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 5 – CHANGES IN UTILITY PLANT (cont.)

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

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 5 – CHANGES IN UTILITY PLANT (cont.)

A summary of changes in utility plant for 2017 follows:

	Balance 5/1/16	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/17
Utility Plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 123,291,377	\$ 1,174,245	\$ (486,307)	\$ 123,979,315
Trimble County Unit No. 2	180,777,816	1,139,297	-	181,917,113
Prairie State Unit No. 1	351,891,188	725,263	-	352,616,451
Prairie State Unit No. 2	323,630,533	1,078,469	-	324,709,002
Mobile generation	3,117,860	-	-	3,117,860
Prairie State - Common	146,056,905	421,991	(5,101)	146,473,795
Prairie State - Jordan Grove	9,862,449	(108,630)	-	9,753,819
Prairie State - Nearfield	9,336,095	(1,539)	-	9,334,556
Prairie State - Other	7,752,809	36,632	-	7,789,441
Prairie State - Mine	39,666,710	868,623	-	40,535,333
Prairie State - Coal Reserves	17,369,010	325	-	17,369,335
Land ¹	5,966,369	-	-	5,966,369
Office building	8,146,290	41,791	-	8,188,081
Office furniture and equipment	509,577	11,985	-	521,562
Supervisory control and data acquisition equipment	2,346,220	43,329	-	2,389,549
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	567,154	73,199	(53,674)	586,679
Total Utility Plant in Service	1,230,788,362	5,504,980	(545,082)	1,235,748,260
Construction work in progress ¹	25,996,564	20,791,753	(3,737,554)	43,050,763
Total Utility Plant	\$ 1,256,784,926	\$ 26,296,733	\$ (4,282,636)	\$ 1,278,799,023

¹ Utility plant that is not being depreciated.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 5 – CHANGES IN UTILITY PLANT (cont.)

	Balance 5/1/16	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/17
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit				
No. 1	\$ (63,102,212)	\$ (4,112,400)	\$ 486,307	\$ (66,728,305)
Trimble County Unit				
No. 2	(24,276,657)	(4,895,891)	-	(29,172,548)
Prairie State Unit No. 1	(33,333,948)	(8,810,052)	-	(42,144,000)
Prairie State Unit No. 2	(27,492,902)	(8,104,808)	-	(35,597,710)
Mobile generation	(1,445,547)	(103,929)	-	(1,549,476)
Prairie State - Common	(13,822,729)	(3,661,030)	5,101	(17,478,658)
Prairie State - Jordan Grove	(3,870,503)	(981,719)	-	(4,852,222)
Prairie State - Nearfield	(567,165)	(233,055)	-	(800,220)
Prairie State - Other	(1,492,963)	(388,404)	-	(1,881,367)
Prairie State - Mine	(9,974,779)	(2,683,173)	-	(12,657,952)
Prairie State - Coal				
Reserves	(1,741,519)	(472,750)	-	(2,214,269)
Office building	(2,205,749)	(263,586)	-	(2,469,335)
Office furniture and equipment	(487,848)	(10,693)	-	(498,541)
Supervisory control and data acquisition equipment	(2,252,441)	(52,009)	-	(2,304,450)
Winnetka 138 interconnect	(327,778)	(16,667)	-	(344,445)
Other equipment	(429,073)	(58,081)	45,864	(441,290)
Total Accumulated Depreciation	<u>(186,823,813)</u>	<u>(34,848,247)</u>	<u>537,272</u>	<u>(221,134,788)</u>
Net Utility Plant	<u>\$ 1,069,961,113</u>			<u>\$ 1,057,664,235</u>

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 6 – LONG TERM OBLIGATIONS

IMEA has issued the following revenue bonds:

Date	Purpose	Final Maturity	Interest Rates	Original Issue	Outstanding Amount 4/30/18
Nov. 5, 2007	Refinance 1998 bonds	Feb. 1, 2021	5.00 – 5.20%	\$ 51,360,000	14,735,000
Jul. 15, 2009	Debt service and capital improvements *	Feb. 1, 2035	5.33 – 6.13%	294,755,000	266,110,000
Nov. 30, 2010	Debt service and capital improvements *	Feb. 1, 2035	2.47 – 7.29%	140,290,000	114,265,000
April 1, 2015	Refunding 2006 and 2007A bonds	Feb. 1, 2035	4.00 – 5.00%	594,685,000	570,370,000

* 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 2018 and 2017, the U.S. federal government was subject to the process of sequestration reducing spending amounts for many programs including payments to the issuers of BAB's. A 6.6% and a 6.9% reduction in payments for the federal budget year ended September 30, 2018 and 2017, 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
2019	\$ 42,950,000	\$ 53,472,073	\$ 96,422,073
2020	44,895,000	51,234,173	96,129,173
2021	46,945,000	48,839,925	95,784,925
2022	43,660,000	46,315,150	89,975,150
2023	45,675,000	43,938,142	89,613,142
2024 – 2028	260,500,000	178,597,817	439,097,817
2029 – 2033	327,865,000	96,080,585	423,945,585
2034 - 2035	152,990,000	11,967,624	164,957,624
Totals	<u>\$ 965,480,000</u>	<u>\$ 530,445,489</u>	<u>\$ 1,495,925,489</u>

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

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 6 – LONG TERM OBLIGATIONS (cont.)

Committed Line of Credit

On October 29, 2010, IMEA entered into a \$25 million Committed Line of Credit agreement (LOC Agreement) with PNC Bank. Under the LOC Agreement, IMEA may draw funds and/or post standby letters of credit. The LOC Agreement was increased to \$50 million on September 1, 2012 and expires on October 29, 2019. IMEA had \$10.0 million and \$2.5 million outstanding under the LOC Agreement as of April 30, 2018 and 2017, respectively.

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

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

Long-term obligation activity for the year ended April 30, 2017 is as follows:

	Balance 5/1/16	Additions	Reductions	Balance 4/30/17	Due Within One Year
Revenue bonds	\$ 1,045,885,000	\$ -	\$ 39,310,000	\$ 1,006,575,000	\$ 41,095,000
Line of credit agreement	8,500,000	-	6,000,000	2,500,000	-
Unamortized premium	74,684,303	-	6,681,934	68,002,369	-
Other liabilities	19,717,654	239,962	4,478	19,953,138	-
Totals	\$ 1,148,786,957	\$ 239,962	\$ 51,996,412	\$ 1,097,030,507	\$ 41,095,000

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

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.

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 5/1/17	Liabilities Incurred	Accretion	Costs Incurred	Balance 4/30/18
\$ 19,404,469	\$ 75,525	\$ 420,072	\$ (62,035)	\$ 19,838,031
Balance 5/1/16	Liabilities Incurred	Accretion	Costs Incurred	Balance 4/30/17
\$ 19,206,733	\$ (195,372)	\$ 654,959	\$ (261,851)	\$ 19,404,469

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 positions 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, 2018 and 2017

NOTE 8 – NET POSITION (cont.)

The following calculation supports the net investment in capital assets:

	2018	2017
Utility plant in service	\$1,260,398,319	\$ 1,235,748,260
Accumulated depreciation	(252,514,938)	(221,134,788)
Construction work in progress	43,971,091	43,050,763
Sub-totals	1,051,854,472	1,057,664,235
Less: Capital related debt		
Current portion of capital related long-term debt	42,950,000	41,095,000
Long-term portion of capital related long-term debt	922,530,000	965,480,000
Unamortized loss on advance refunding	(32,956,957)	(36,631,732)
Unamortized premium	61,443,091	68,002,369
Sub-totals	993,966,134	1,037,945,637
Add: Unspent debt proceeds		
Debt service reserve from borrowing	75,180,636	78,066,310
Total Net Investment in Capital Assets	\$ 133,068,974	\$ 97,784,908

The following calculation supports the amount of restricted net position:

	2018	2017
Restricted investments	\$ 97,236,486	\$ 100,110,339
Less: Restricted assets not funded by revenues		
Debt service reserve account	(75,180,636)	(78,066,310)
Current liabilities payable from restricted assets	(13,146,449)	(13,673,366)
Sub-totals	(88,327,085)	(91,739,676)
Total Restricted Net Position as Calculated	\$ 8,909,401	\$ 8,370,663

NOTE 9 – REGULATORY COSTS FOR FUTURE RECOVERY

Regulatory costs for future recovery includes unamortized debt issuance costs, which amounted to \$3,164,509 and \$3,514,208 for the years ended April 30, 2018 and 2017, respectively. IMEA has chosen to use the application of GASB 62 to recover these costs in future periods.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended April 30, 2018 and 2017

NOTE 10 – EMPLOYEE RETIREMENT PLAN

IMEA's employees are covered by the Illinois Municipal Electric Agency Pension Plan, a defined contribution pension plan with a 5-year vesting schedule. Benefit provisions and all other requirements are established by the board of IMEA. IMEA contributes 25% of eligible employee earnings on behalf of each employee. Employees that terminate service prior to being fully vested, forfeit the unvested portion of their account balance, which is applied to future contributions to the plan. Total pension expense was equal to total contributions to the plan made by IMEA, net of applied forfeitures. For the years ended April 30, 2018 and 2017 total contributions were \$890,000 and \$840,000, respectively.

NOTE 11 – CONTRACTS AND COMMITMENTS

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

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

NOTE 12 – SIGNIFICANT CUSTOMERS

IMEA has two significant customers who were responsible for 49% and 49% of operating revenue in 2018 and 2017, respectively.

NOTE 13 – RISK MANAGEMENT

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.

On the Back Cover

Top left: *Ladd at sunset.*

Top right: *LED lights illuminate downtown Waterloo.*

Middle left: *Two ladder trucks raise a massive American flag over the Illinois & Indiana (I&I) Antique Tractor & Gas Engine Club's Half Century of Progress Show in Rantoul. (Drone photography by Mike Esslinger, Village of Rantoul Street & Systems Foreman.)*

Middle right: *Red Bud City Hall. (Photo by Flying High Photography.)*

Bottom: *On the banks of the Fox River, St. Charles is known as "The Pride of the Fox." (Photo by Milton Rivera.)*



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