Indiana Municipal Power Agency

Consolidated Financial Statements as of and for
the years ended December 31, 2015 and 2014,
Management's Discussion and Analysis, and
Independent Auditor's Report

Indiana Municipal Power Agency

Consolidated Financial Statements as of and for
the years ended December 31, 2015 and 2014
Management's Discussion and Analysis and Independent Auditor's Report

Table of Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Indiana Municipal Power Agency

We have audited the accompanying consolidated financial statements of Indiana Municipal Power Agency and its affiliate (the "Agency"), which comprise the consolidated statements of net position as of December 31, 2015 and 2014, and the related consolidated statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Agency's preparation and fair presentation of the consolidated 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 the Agency'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Indiana Municipal Power Agency and its affiliate as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

The accompanying management's discussion and analysis on pages 3 through 5 is required by accounting principles generally accepted in the United States of America 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Cleveland, Ohio
April 1, 2016

INDIANA MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Indiana Municipal Power Agency's (IMPA or the Agency) consolidated financial performance provides an overview of the Agency's activities for the fiscal year ended December 31, 2015. It should be read in conjunction with the basic consolidated financial statements and the accompanying notes.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements presented herein include all of the activities of IMPA and its affiliate ISC, Inc. (ISC). The Agency substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. These statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. IMPA has implemented all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. ISC is a not-for-profit service corporation formed by IMPA to provide non-power supply services to IMPA members and other municipal entities. ISC's revenues and expenses are reported in IMPA's consolidated statements of revenues, expenses and changes in net position in other revenues and other non-operating expenses, respectively.

The consolidated statements of revenues, expenses and changes in net position and cash flows present information about IMPA's business activities. The consolidated statements of net position report year-end assets, liabilities and net position based on the original cost adjusted for any depreciation, amortization or unrealized gains/losses, as appropriate. Over time, increases in the Agency's net position are one indicator of its financial strength. Other factors to consider are the Agency's wholesale electric rates and its ability to maintain or exceed the debt service coverage levels required by its bond resolution.

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues, which are composed of sales to municipalities and other revenues, decreased approximately $8.0 million (2.0%) compared to 2014. Lower operating costs and lower energy sales due to milder than normal temperatures during the last two months of 2015 resulted in a small decline in sales to municipalities (2.0%). The average accrued cost per kilowatt hour (kWh) for 2015 was 7.2 cents, an approximate 1.0% decrease compared to 2014.

Total net expenses decreased approximately $5.2 million (1.0%) in 2015. This resulted from a net decrease in purchased power, production costs and fuel costs. Prairie State's output continued to improve throughout 2015. Prairie State's combined availability and capacity factors for 2015 were 80.9% and 77.7% respectively, an improvement of 8.5% and 10.5% respectively, over 2014.

CONDENSED CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ($ millions)

	2015	2014
Sales to municipalities	$ 443.3	$ 452.3
Other revenues	5.5	4.3
Total Operating Revenues	**448.8**	**456.6**
Purchased power, fuel, and production expense	255.9	274.9
Transmission and local facilities	38.9	34.9
Other operating expenses	77.2	62.3
Total Operating Expenses	**372.0**	**372.1**
Total Operating Income	**76.8**	**84.5**
Interest expenses	61.7	64.7
Interest income	(3.8)	(4.2)
Other non-operating expenses	(5.1)	(2.6)
Total Non-Operating Expenses	**52.8**	**57.9**
Net Income	**24.0**	**26.6**
Net Position at Beginning of Year	**247.6**	**221.0**
Net Position at End of Year	**$ 271.6**	**$ 247.6**

CONSOLIDATED STATEMENTS OF NET POSITION

Utility plant increased approximately $47 million. 2015 net capital additions were approximately $89.6 million. Depreciation expense was approximately $43.9 million.

During 2015, the Agency issued the 2015 Series A Bonds (the "2015 Bonds"). The par value of the 2015 Bonds was $40 million. The 2015 Bonds were issued for the purpose of ongoing capital expenditures for environmental regulations and maintenance. In December 2015, IMPA refunded the 2006 Series A Bonds and the 2007 Series A Bonds. The refunding resulted in approximately $46.5 million in present value savings. These refundings closed in January 2016.

Net position increased approximately $24.0 million, reflecting IMPA's 2015 net income. The major changes in components of net position include: capital additions net of disposals of approximately $89.6 million; depreciation expense of approximately $43.9 million; issuance of long-term debt of $40.0 million; principal payments on revenue bonds of $29.2 million; and net draws on the line of credit of $17.5 million.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION

($ millions)

	2015	2014
Utility plant, net	$ 1,214.3	$ 1,167.3
Cash and investments	288.9	270.0
Other current assets	115.0	122.9
Deferred outflows	96.6	85.0
Total Assets	**$ 1,714.8**	**$ 1,645.2**
Net investment in capital assets	(115.9)	(139.3)
Restricted	155.7	168.7
Unrestricted	231.8	218.2
Total Net Position	**271.6**	**247.6**
Non-current liabilities	1,327.7	1,299.2
Current liabilities	115.5	98.4
Total Liabilities	**1,443.2**	**1,397.6**
Total Net Position and Liabilities	**$ 1,714.8**	**$ 1,645.2**

DEBT SERVICE COVERAGE

Debt service coverage for 2015 was 1.26 times. The Agency's bond resolution requires debt service coverage to be at least 1.10 times.

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands)

For the Years Ended December 31,	2015	2014
Operating Revenues		
Sales to municipalities	$ 443,268	$ 452,261
Other revenues	5,538	4,312
Total Operating Revenues	**448,806**	**456,573**
Operating Expenses		
Purchased power	165,184	176,455
Fuel	62,994	72,973
Production	27,755	25,427
Transmission and local facilities	38,903	34,891
Other operating	15,710	13,514
Maintenance	26,562	16,948
Depreciation	43,920	41,252
Future recoverable costs	(8,988)	(9,406)
Total Operating Expenses	**372,040**	**372,054**
Operating Income	**76,766**	**84,519**
Non-Operating Expenses (Income)		
Interest expense on revenue bonds	61,678	64,705
Accretion of premiums received on debt	(3,953)	(1,933)
Interest income	(3,769)	(4,168)
Other non-operating income	(1,178)	(695)
Total Non-Operating Expenses (Income)	**52,778**	**57,909**
Net Income	**23,988**	**26,610**
Net Position at Beginning of Year	**247,565**	**220,955**
Net Position at End of Year	**$ 271,553**	**$ 247,565**

The accompanying notes are an integral part of the above statements.

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED STATEMENTS OF NET POSITION
(in thousands)

December 31,	2015	2014
Assets		
Utility Plant		
Utility plant in service	$ 1,575,089	$ 1,497,401
Less: accumulated depreciation	(405,962)	(363,296)
	1,169,127	1,134,105
Construction work in progress	45,129	33,188
Total Utility Plant, Net	**1,214,256**	**1,167,293**
Long-Term Investments	**35,197**	**79,813**
Restricted Cash and Cash Equivalents	**113,209**	**118,983**
Current Assets		
Unrestricted cash and cash equivalents	94,143	56,996
Short-term investments	46,378	14,159
Municipality accounts receivable	66,572	68,565
Fuel stock and material inventory	22,836	19,162
Other current assets	25,567	35,170
Total Current Assets	**255,496**	**194,052**
Deferred Outflows		
Regulatory assets	79,494	70,069
Other	17,135	14,986
Total Deferred Outflows	**96,629**	**85,055**
Total Assets	**$ 1,714,787**	**$1,645,196**
Net Position and Liabilities		
Net Position		
Net investment in capital assets	$ (98,440)	$ (139,280)
Restricted	155,668	168,692
Unrestricted	214,325	218,153
Total Net Position	**271,553**	**247,565**
Non-Current Liabilities		
Long-term revenue bonds, net	1,287,830	1,277,419
Other non-current liabilities	31,566	14,359
Deferred inflows of resources	8,339	7,454
Total Non-Current Liabilities	**1,327,735**	**1,299,232**
Current Liabilities		
Current maturities of revenue bonds	24,865	29,155
Short-term borrowings	17,500	-
Accounts payable	36,197	31,577
Accrued interest on revenue bonds	30,777	27,833
Accrued liabilities	6,160	9,834
Total Current Liabilities	**115,499**	**98,399**
Total Net Position and Liabilities	**$ 1,714,787**	**$1,645,196**

The accompanying notes are an integral part of the above statements.

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

For the Years Ended December 31,	2015	2014
Cash Flows From Operating Activities:		
Receipts from municipalities	$ 459,587	$ 443,739
Other operating receipts	5,538	4,312
Payments for purchased power	(168,792)	(179,978)
Payments for fuel	(67,428)	(74,835)
Payments for production	(28,970)	(28,223)
Payments for transmission and local facilities	(39,536)	(34,180)
Cash deposits as collateral	(6,103)	(7,539)
Payments for other operating expenses	(11,760)	(11,157)
Payments for maintenance	(25,204)	(15,566)
Net cash provided by operating activities	**117,332**	**96,573**
Cash Flows From Noncapital Financing Activities:		
Proceeds from short-term borrowings	35,000	-
Payments on short-term borrowings	(17,500)	-
Net cash provided by noncapital financing activities	**17,500**	-
Cash Flows From Capital And Related Financing Activities:		
Net additions to utility plant	(72,529)	(30,415)
Net issuance of long-term debt	40,000	197,554
Refunding of long-term debt	-	(197,056)
Principal payments on long-term debt	(29,155)	(21,325)
Interest payments	(58,733)	(67,416)
Net cash used in capital and related financing activities	**(120,417)**	**(118,658)**
Cash Flows From Investing Activities:		
Investment purchases	(2,042)	-
Maturities and called investments	14,000	15,500
Interest income and other	5,000	3,368
Net cash provided by (used in) investing activities	**16,958**	**18,868**
Net Increase (Decrease) in Cash and Cash Equivalents	**31,373**	**(3,217)**
Cash and Cash Equivalents at Beginning of Year	**175,979**	**179,196**
Cash and Cash Equivalents at End of Year	**$ 207,352**	**$ 175,979**

The accompanying notes are an integral part of the above statements.

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
(in thousands)

For the Years Ended December 31,	2015	2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 76,766	$ 84,519
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	43,920	41,252
Future recoverable costs	(8,988)	(9,406)
Changes in current assets and liabilities:		
Municipality accounts receivable	1,993	(3,927)
Fuel stock and material inventory	(3,674)	(2,293)
Accounts payable	(2,907)	(917)
Other	10,222	(12,655)
	$ 117,332	**$ 96,573**

The accompanying notes are an integral part of the above statements.

INDIANA MUNICIPAL POWER AGENCY
CONSOLIDATED FINANCIAL STATEMENTS' NOTES

1. Organization and Significant Accounting Policies

Organization and Operations

Indiana Municipal Power Agency (IMPA or the Agency) is a body corporate and politic and a political subdivision of the State of Indiana. IMPA was created in June of 1980 by a group of municipalities for the purpose of jointly financing, developing, owning and operating electric generation and transmission facilities appropriate to the present and projected energy needs of its participating members. IMPA serves 59 Indiana cities and towns and one Ohio village. IMPA sells power to its members under long-term power sales contracts. The members resell the power to retail customers within their respective municipal service territories. IMPA's owned generating capacity is 956 megawatts (MW) or 82% of IMPA's 2015 peak demand (IMPA's maximum year-to-date hourly load). The remainder of IMPA's power is purchased from other utilities under long-term contracts with varying terms and expiration dates. Power is delivered to members through an integrated transmission system known as the Joint Transmission System (JTS), jointly-owned by IMPA, Duke Energy Indiana, Inc. (DEI), Duke Energy Ohio, Inc. (DEO), and Wabash Valley Power Association (WVPA); and, transmission service arrangements with other utilities and regional transmission organizations.

ISC, Inc. (ISC) was created by the Agency as a not-for-profit corporation to provide cost-effective services beyond power supply and transmission to members and other municipal utilities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and its affiliate, ISC. All significant intercompany account balances and transactions have been eliminated in consolidation.

Basis of Presentation

The Agency substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). IMPA has chosen the option to implement all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

Utility Plant

IMPA provides power to the communities it serves through ownership of utility plant, which includes: (1) an undivided 24.95% ownership in the 625 MW Gibson Unit 5 generating facility (Gibson Unit 5) acquired in 1983 from Public Service Indiana (now known as DEI), a wholly-owned subsidiary of Duke Energy Corp.; (2) an undivided 12.88% ownership in the 514 MW Trimble County Unit 1 generating facility (Trimble County Unit 1) acquired in 1993 from Louisville

Gas and Electric Company (LG&E), a wholly-owned subsidiary of PPL Corporation; (3) an undivided 12.88% ownership in the 750 MW Trimble County Unit 2 generating facility (Trimble County Unit 2) constructed at the same site as Trimble County Unit 1 and placed in service in 2011, (4) an undivided 12.64% ownership in the 1600 MW Prairie State Generating Company, LLC (PSGC or Prairie State) placed in service in 2012, (5) seven wholly-owned combustion turbines and associated facilities aggregating 419 MW (two 41 MW units placed in service in 1992 and one 85 MW unit placed in service in 2004 located in Anderson, Indiana; two 41 MW units placed in service in 1992 located near Richmond, Indiana; and two 85 MW units located in Indianapolis, Indiana placed in service in 2000), and (6) nine wholly-owned solar parks aggregating to 13 MW throughout the state of Indiana in member communities.

The Agency capitalizes fixed assets with an original cost greater than $25,000, except for jointly-owned utility plant, which are capitalized based on the policies defined by DEI for Gibson Unit 5, by LG&E for Trimble County Unit 1 and Unit 2 and by PSGC for Prairie State Units 1 and 2, the coal mine and other Prairie State facilities. Utility plant is recorded at cost including capitalized interest during construction and a proportionate share of overhead costs. Construction overhead costs include salaries, payroll taxes, fringe benefits and other expenses. The original cost of property replaced or retired, less salvage, is charged to accumulated depreciation. Depreciation is recorded over the estimated useful lives of the utility plant by using the straight-line method. The effective composite depreciation rate on utility plant is approximately 2.8% in 2015 and in 2014.

IMPA's ownership interest in Prairie State includes an interest in coal reserves with an original cost net of depletion of $9.8 and $10.1 million at December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, construction work in progress (CWIP) included construction costs for ongoing utility plant capital improvements.

Funds

IMPA's Master Power Supply System Revenue Bond Resolution (the Bond Resolution) requires the creation and maintenance of certain funds and accounts. The Restricted Funds under the Bond Resolution are the Debt Service Fund and the Debt Service Reserve Fund. The Bond Resolution allows for the creation and maintenance of the Rate Stabilization Account, the Reserve and Contingency Fund, and the Asset Retirement Obligation Fund, the use of which is restricted by Board resolution. The Construction Fund includes restricted proceeds from bonds issued for specified capital projects. The Revenue Fund, the General Reserve Fund and the Operation and Maintenance Fund are all unrestricted and are to be used for the operating needs of the Agency.

Restricted and Unrestricted Cash and Cash Equivalents

IMPA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted and Unrestricted Investments

IMPA classifies investments in U.S. Government agencies as available for sale. In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools,"* non-transferable investment contracts are recorded at amortized cost.

Fair Value Measurements

IMPA uses fair value to measure certain financial instruments, with related unrealized gains or losses generally affecting regulatory assets and deferred inflows of resources (see Regulatory Assets and Deferred Inflows of Resources). The fair value of a financial instrument is the amount at which an instrument could be exchanged in a current transaction between willing parties.

Hedging Derivative Instruments

IMPA accounts for derivatives in accordance with GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"* (GASB 53). GASB 53 requires that hedging derivative instruments ("Hedging Transactions") be recorded at fair value and establishes certain requirements for revenue recognition, measurement and disclosure related to Hedging Transactions. IMPA's Hedging Transactions have been tested for effectiveness under the guidelines prescribed by GASB 53. IMPA utilized one of the three quantitative methods required by GASB 53, the regression analysis method. This method evaluates the effectiveness of a hedge transaction by comparing the statistical relationship between the cash flows of the potential hedging item and the hedgeable item. The effectiveness testing of IMPA's Hedging Transactions demonstrated that the hedges are effective as defined by GASB 53. See Note 5 for specific disclosures related to derivatives.

Fuel Stock and Material Inventory

Fuel stock and materials and supplies are valued at average cost. The cost of fuel and materials used in production are expensed as recovered through revenues.

Regulatory Assets and Deferred Inflows of Resources

In accordance with GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance*" (GASB 62), IMPA's consolidated financial statements reflect the rate making actions of the Board of Commissioners that result in the recognition of revenues and expenses in different time periods than entities that are not rate regulated. Regulatory assets are expenditures incurred by the Agency that will be recovered in rates in future periods. Deferred inflows of resources are revenues collected in rates for expenses not yet incurred by the Agency.

Regulatory assets and deferred inflows of resources consist of the following (in thousands):

Regulatory Assets	2015	2014
Debt service net of related depreciation and amortization	$ 75,532	$ 63,616
Deferred energy efficiency costs	-	3,075
Net valuation of financial instruments	3,962	3,378
	$ 79,494	$ 70,069

Deferred Inflows of Resources	2015	2014
Reserve for contingencies	$ 5,632	$ 5,015
Valuation of inventories	2,707	2,439
	$ 8,339	$ 7,454

Employee Benefit Plan

IMPA maintains a 401(k) plan on behalf of all employees meeting certain eligibility requirements regarding length of employment, age and employee contributions. Employer contributions to the plan were approximately $1.0 million for 2015 and $0.6 million for 2014.

Committed Line of Credit

IMPA has entered into a $50.0 million Committed Line of Credit agreement (Credit Agreement) with PNC Bank. Under the Credit Agreement, IMPA may draw funds and/or post standby letters of credit (LOC). The Credit Agreement expires on May 23, 2016. At December 31, 2015 and 2014 IMPA had a $9.5 million and $7.8 million LOC posted as collateral, respectively. At December 31, 2015, IMPA had $17.5 million of funds outstanding drawn on the Credit Agreement.

Revenue Recognition and Rates

IMPA sets rates in accordance with the Bond Resolution. The Bond Resolution requires the establishment of rates that, together with other revenues, are reasonably expected to pay IMPA's operating costs (excluding depreciation and amortization), and at least 110% of the Agency's aggregate debt service. IMPA's debt service requirements are designed to be relatively equal over the life of the bonds to help provide stable rates to the communities IMPA serves. Rates are not subject to state or federal regulation. The debt service included in rates provides for full cost recovery of the utility plant assets over a period not exceeding the utility plant useful lives.

Revenues are recognized on an accrual basis when energy is delivered, while the communities are billed using budgeted rates. Differences between the accrued rate and the billed rate are collected from or returned to the communities via a tracker in subsequent periods. The amount to be collected from members (a regulatory asset) at December 31, 2015 and 2014 was $4.5 million and $18.8 million, respectively. These amounts are billed over the subsequent six-month period. These regulatory assets are included in other current assets in the consolidated statements of net position at December 31, 2015 and 2014, respectively.

Operating Expenses

Operating expenses are defined as purchased power and expenses directly related to, or incurred in support of, the production and transmission of electricity to the participating communities IMPA serves. All other expenses are classified as non-operating expenses.

Non-Operating Expenses

Non-operating expenses include interest income and expenses, costs related to the issuance of bonds, amortization of bond premiums, Build America Bond (BAB) subsidies and other non-operating revenues and expenses as previously defined in Operating Expenses.

ISC

ISC's revenues and expenses are reported as other revenues and other operating expenses, respectively.

Regional Transmission Organizations (RTOs)

IMPA is a transmission owning member of the Midcontinent Independent System Operator (MISO) and a transmission dependent utility of the MISO and PJM Interconnection, LLC (PJM). The MISO schedules, manages and oversees operational control of the JTS.

The MISO and PJM are independent organizations whose purposes are to ensure the reliability of their respective integrated, regional electrical transmission systems, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system and to maintain and improve electric system reliability.

IMPA records all net sales through MISO and PJM to purchase power on the Consolidated Statements of Revenues, Expenses and Changes in Net Position.

Income Taxes

IMPA, as a political subdivision of the State of Indiana, is exempt from federal and state income taxes. ISC, Inc. qualifies for income tax exclusion under Internal Revenue Code Section 115.

Related Parties

Through December 31, 2015, IMPA provided general management and administrative services through a management services agreement for the Northern Illinois Municipal Power Agency, a participant in Prairie State.

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The reported results of operations are not indicative of results of operations for any future period. IMPA has evaluated events and transactions for potential recognition or disclosure through April 1, 2016, the issuance date of the consolidated financial statements.

Accounting Pronouncements Issued

During 2015, GASB issued Statement No. 72, "Fair Value Measurement and Application" (GASB 72), which addresses how fair value should be defined and measured. It prescribes the assets and liabilities that should be measured at fair value and expands disclosures related to fair value measurements. The Agency plans to adopt GASB 72 for the calendar year ending December 31, 2016. GASB 72 is not expected to have a material impact on the Agency's consolidated financial statements.

2. Capital Assets

Capital asset activity for the years ended December 31, 2015 and 2014, was as follows (in thousands):

2015	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Utility plant in service	$ 1,497,401	$ 16,458	$ 65,902	$ (4,672)	$ 1,575,089
Construction work in progress	33,188	77,843	(65,902)	-	45,129
Total Utility Plant (Gross)	1,530,589	94,301	-	(4,672)	1,620,218
Less accumulated depreciation for utility plant in service	(363,296)	(43,920)	-	1,254	(405,962)
	$1,167,293	$ 50,381	$ -	$ (3,418)	$ 1,214,256

2014	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Utility plant in service	$ 1,475,096	$ 1,756	$ 24,325	$ (3,776)	$ 1,497,401
Construction work in progress	30,093	27,420	(24,325)	-	33,188
Total Utility Plant (Gross)	1,505,189	29,176	-	(3,776)	1,530,589
Less accumulated depreciation for utility plant in service	(323,882)	(41,252)	-	1,838	(363,296)
	$1,181,307	$ (12,076)	$ -	$ (1,938)	$ 1,167,293

3. Cash, Cash Equivalents and Investments

A Board policy governs IMPA's investments and deposits. IMPA's authorized investments include money market funds, federal agencies, investment contracts, US treasuries, commercial paper and repurchase agreements if the instruments meet certain minimum rating requirements.

During the years ended December 31, 2015 and 2014, IMPA recorded net decreases in the fair value of investments of $0.4 million and $0.6 million, respectively. To the extent any unrealized gains or losses are realized in the future, those realized gains or losses are refundable or recoverable through IMPA's rate-making methodology. Accordingly, any unrealized losses or gains at December 31, 2015 and 2014 have been included in regulatory assets on IMPA's consolidated balance sheets (see Note 1).

The Agency had a guaranteed investment contract (GIC) with Societe Generale that earns a fixed rate of 6.9%. A portion of the Debt Service Reserve Fund is invested in the GIC. The GIC is evidenced by a repurchase agreement with the Trustee, The Bank of New York Company and is collateralized by investments in US government obligations. Societe Generale is rated A by Standard and Poor's as well as Fitch and A2 by Moody's. The GIC expired on January 1,

2016 and allowed the Trustee to request immediate remittance of the funds for purposes set forth in the Resolution. As required by the Resolution, the Trustee had custody of collateral and securities. All of the Agency's investments are insured, registered or held by the Trustee in the Agency's name.

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of the instruments. All investment contracts are recorded at cost as they are not transferable instruments. The disclosed fair value of the investment contracts represents their liquidation values as of December 31, 2015 and 2014.

At December 31, 2015 and 2014, the original cost and the estimated fair values of the Agency's cash, cash equivalents and investments were as follows (in thousands):

	2015		2014	
INVESTMENT TYPE	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Long-Term Investments:				
Restricted:				
Investment Contracts	$ -	$ -	$ 39,289	$ 39,289
U.S. Government Agencies	35,570	35,197	27,840	31,549
Total Restricted	35,570	35,197	67,129	70,838
Unrestricted:				
U.S. Government Agencies	-	-	9,074	8,975
Total Long-Term Investments	35,570	35,197	76,203	79,813
Cash and Cash Equivalents:				
Restricted	113,209	113,209	118,983	118,983
Unrestricted	94,143	94,143	56,996	56,996
Total Cash and Cash Equivalents	207,352	207,352	175,979	175,979
Short-Term Investments:				
Restricted:				
Investments Contracts	39,289	39,289	-	-
U.S. Government Agencies	7,826	7,089	19,064	14,159
Total Short-Term Investments	47,115	46,378	19,064	14,159
Total	**$290,037**	**$288,927**	**$271,246**	**$ 269,951**

U.S. Government agencies consist solely of mortgage-backed securities which are backed by the full faith and credit guaranty of the United States' government. All long-term investments mature in less than five years.

At December 31, 2015 and 2014, the Agency's cash, cash equivalents and investments were restricted as follows (in thousands):

	2015		2014	
FUND	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Unrestricted:	$ 94,143	$ 94,143	$ 66,070	$ 65,971
Restricted by Board:				
Rate Stabilization Fund	21,355	21,129	20,087	19,741
Other Board Restricted	9,408	9,257	7,423	7,314
Restricted by Bond Resolution:				
Debt Service Reserve Fund	85,078	84,345	91,802	91,061
Debt Service Account	56,239	56,239	56,401	56,401
Construction	23,620	23,620	29,293	29,293
Other Restricted:	194	194	170	170
Total	**$ 290,037**	**$ 288,927**	**$ 271,246**	**$ 269,951**

Debt service is comprised of current principal payments and interest due on long-term debt payable on the first business day of the subsequent year. The Bond Resolution restricts the debt service, the debt service reserve and the construction funds. Additionally, certain accounts are restricted by Board resolution, including the rate stabilization account. For further discussion of accounts restricted by Board resolution, see Note 1.

4. Net Position

At December 31, 2015 and 2014, the Agency's net position included the following components (in thousands):

	2015	2014
Net investment in capital assets	$ (98,440)	$ (139,280)
Restricted for debt service	25,463	28,165
Restricted for debt service reserve	84,345	91,061
Restricted for bond financed construction projects	23,620	29,695
Restricted by Board resolution	22,240	19,771
Unrestricted	214,325	218,153
	$ 271,553	**$ 247,565**

5. Hedging Transactions

IMPA purchases forward power contracts to minimize the cost volatility of purchased power in the energy markets. IMPA does not purchase derivatives for speculative purposes. The acquisition of forward power contracts allows IMPA to effectively plan and set stable rates from period to period for IMPA's Members. Certain of IMPA's forward power contracts are settled by a cash payment that is equal to the differential between the contract price and the settlement price (financially settled). Financially settled forward power contracts are hedging derivative instruments as defined by GASB 53. IMPA has entered into hedging transactions in the MISO and PJM energy markets.

IMPA is required to test its hedging transactions for effectiveness as of the reporting date as defined by GASB 53. IMPA's outstanding hedging transactions at December 31, 2015 and 2014 have been determined by management to be effective. Accordingly, IMPA's outstanding hedging transactions are reported in the Agency's December 31, 2015 and 2014 consolidated statements of net position at fair value. The fair market value for each of IMPA's hedging transactions have been determined by computing the difference between the contractual forward price and the published forward price at the respective energy market's settlement point(s) at market closing as of December 31, 2015 and 2014. All of IMPA's hedging transactions settle and are valued at either the Indiana Hub or the AEP Dayton Hub, which are settlement hubs in the MISO and PJM energy markets, respectively.

As of December 31, 2015, the Agency has recorded unrealized gains and losses in Other current assets, approximately $2.0 million, Deferred outflows, approximately $7.8 million, Other non–current liabilities, approximately $0.6 million and Accrued liabilities of approximately $46.0 thousand. As of December 31, 2014, the Agency has recorded unrealized gains and losses in Other current assets, approximately $2.0 million, Deferred outflows, approximately $3.7 million, Other non–current liabilities, approximately $1.4 million and Accrued liabilities of approximately $0.2 million.

The following tables provide information related to IMPA's outstanding derivative instruments as of December 31, 2015 and 2014 (in thousands).

December 31, 2015

Trade Date Range	Duration	Notional Amount (MWhs)	Ending Fair Value	
			Classification	Amount
Dec 2014 thru Jan 2015	Jan 2016 thru Dec 2016	925	Accrued liabilities	$ (1,980)
Jan 2015	Jul 2016 thru Aug 2016	50	Other current assets	46
Dec 2014 thru Oct 2015	Mar 2017 thru Dec 2021	2,625	Other non-current liabilities	(7,807)
Jan 2015 thru Oct 2015	Jan 2017 thru Jul 2018	350	Deferred outflows	566
		3,950		**$ (9,175)**

December 31, 2014

Trade Date Range	Duration	Notional Amount (MWhs)	Ending Fair Value	
			Classification	Amount
May 2014 to Aug 2014	Oct 2015 thru Nov 2015	448	Accrued liabilities	$ (1,982)
May 2014 to Aug 2014	Jan 2015 thru Dec 2015	75	Other current assets	168
Dec 2014	Jun 2016 thru Dec 2021	544	Other non-current liabilities	(3,736)
Dec 2014	Jul 2016 thru Aug 2021	260	Deferred outflows	1,415
		1,327		**$ (4,135)**

Credit Risk

The counterparty to all of IMPA's forward contracts are exchanges. Exchanges are designed to avoid contract defaults and credit risk. Exchanges utilize clearing houses to guarantee the performance of each market participant for each transaction. The clearing house requires every market participant to deposit funds into a margin account. There is a required deposit for a percent of the nominal value of outstanding contracts and a deposit to reflect each market participant's daily gain or loss in the market. These funds are held by the clearing house and available to settle any defaults by market participants, thus mitigating credit risk related to IMPA's outstanding forward power contracts traded through the exchange.

Basis Risk

IMPA is exposed to basis risk on its hedging transactions because the pricing point of the hedged commodity may settle at a different pricing point than the hedge transaction (Indiana Hub or AEP-Dayton Hub). At December 31, 2015 and 2014, the Indiana Hub price was $22.82 and $32.11 per MWh and the AEP-Dayton Hub price was $24.44 and $32.32 per MWh, respectively.

Termination Risk

IMPA is exposed to termination risk on its hedging transactions because a counterparty may fail to perform under the terms of one or more contracts resulting in the termination of the contract with that counterparty. IMPA's termination risk is mitigated for those forward power contracts transacted on the Exchanges.

Commitments

IMPA had $13.6 and $7.5 million posted as collateral at December 31, 2015 and 2014, respectively. This is recorded in Other Current Assets on the Consolidated Statement of Net Position.

6. Long-Term Revenue Bonds

IMPA issues Power Supply System Revenue Bonds to finance its acquisition and construction of utility plant. Long-term revenue bonds issued and outstanding at December 31, 2015 and 2014, consist of the following (in thousands):

Bond Series	Interest Rates	Due Date January 1,	Optional Redemption Date January 1,	2015	2014
1993 Series B	5.500%	2016 to 2018		$ 3,175	$ 31,050
1998 Series A	Variable	2016 to 2018		37,000	37,000
2006 Series A	4.500 - 5.000%	2029 to 2032	2016	25,000	25,000
2007 Series A	4.500%	2023 to 2042	2017	403,575	403,575
2007 Series B	5.800%	2019 to 2022		20,125	20,125
2009 Series A	3.000 - 5.000%	2016 to 2029	2019	25,705	26,985
2009 Series B	5.250 - 6.000%	2024 to 2039	2019	133,510	133,510
2009 Series C	7.350%	2019 to 2024		16,035	16,035
2010 Series A	5.594%	2031 to 2042		123,640	123,640
2010 Series B	5.000%	2020 to 2023	2021	20,235	20,235
2011 Series A	5.000%	2016 to 2042	2022	87,355	87,355
2012 Series A	4.000% - 5.000%	2016 to 2028	2022	51,130	51,130
2013 Series A	3.000% - 5.250%	2017 to 2042	2023	108,400	108,400
2014 Series A	5.000%	2019 to 2032	2025	167,730	167,730
2015 Series A	Variable	2017 to 2042	March 10, 2017	40,000	-
				1,262,615	1,251,770
Less current maturities				(24,865)	(29,155)
Long-term revenue bonds				1,237,750	1,222,615
Unamortized premium, net				50,080	54,804
				$ 1,287,830	$ 1,277,419

The 1993 Series B Bonds, the 2007 Series B Bonds and 2009 Series C Bonds are non-callable. The 1998 Series A Bonds are currently callable at a redemption price of 100%. The 2010 Series A Bonds are designated as direct payment Build America Bonds and have make-whole optional redemption and extraordinary optional redemption provisions. The 2006 Series A Bonds were partially refunded during 2014 (See 2014 Series A Bonds). The remaining 2006 Series A Bonds, the 2007 Series A Bonds, the 2009 Series A Bonds and a portion of the 2009 Series B Bonds were advanced refunded during 2016 (See Subsequent Events). All other bonds are callable on or after the optional redemption date at a redemption price of 100%.

Debt service requirements based on contractual maturities at December 31, 2015 were as follows (in thousands):

	Principal	Interest
2016	$ 24,865	$ 65,066
2017	25,583	63,460
2018	26,194	62,371
2019	26,011	61,229
2020	27,360	59,878
2021 - 2025	158,575	276,509
2026 - 2030	201,869	231,551
2031 - 2035	265,092	174,921
2036 - 2040	344,671	97,866
2041 - 2042	162,395	12,674
	$ 1,262,615	$ 1,105,525

Long-term revenue bond activity for the periods ended December 31, 2015 and 2014, was as follows (in thousands):

December 31, 2015	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	$ 1,251,770	$ 40,000	$ (29,155)	$ 1,262,615
Less:				
Current maturities	(29,155)	29,155	(24,865)	(24,865)
Unamortized premium, net	54,804	-	(4,724)	50,080
	$1,277,419	$ 69,155	$ (58,744)	$ 1,287,830

December 31, 2014	Beginning Balance	Additions	Reductions	Ending Balance
Long-term revenue bonds	$ 1,295,410	$ 167,730	$ (211,370)	$ 1,251,770
Less:				
Current maturities	(21,325)	21,325	(29,155)	(29,155)
Unamortized premium, net	31,292	29,824	(6,312)	54,804
	$ 1,305,377	$ 218,879	$ (246,837)	$ 1,277,419

Debt Service Coverage

The IMPA Power Supply System Revenue Bond Resolution (Resolution) contains covenants that require IMPA to collect through rates 1.1 times the current year's accrued aggregate debt service. Debt service coverage was 1.26 times and 1.28 times for 2015 and 2014, respectively. Debt service coverage for 2015 was calculated based on approximately $24.9 million of principal payable in January 2016, approximately $61.7 million of 2015 interest expense payable during 2015 and in January 2016, net of approximately $1.5 million transferred during 2015 to the Rate Stabilization Fund. Management believes that IMPA is in compliance with all financial debt covenants and restrictions as of December 31, 2015.

1998 Series A Variable Rate Bonds

The 1998 Series A Bonds are secured by an irrevocable transferable direct-pay letter of credit ("Letter of Credit") issued for the benefit of the owners of the 1998 Series A Bonds. The interest rate on the 1998 Series A Bonds is adjusted weekly, and bondholders may require repurchase of the 1998 Series A Bonds at the time of such interest rate adjustments. Through the Letter of Credit, the Agency has right of direct offset with its lender for any repurchases. These bonds have a contractual maturity of January 1, 2018 and the letter of credit expiration coincides with the maturity date of the Bonds. The variable interest rate is adjusted weekly by the remarketing agent to reflect current market rates. The interest rate at December 31, 2015 on the 1998 Series A Bonds was 0.01%.

2010 Series A Build America Bonds (BAB)

During the years ended December 31, 2015 and 2014, IMPA received BAB subsidies of approximately $2.2 million and $2.3 million, respectively. BAB subsidies are included in other non-operating income on the consolidated statements of revenues, expense and changes in net position.

2014 Series A Bonds

On December 11, 2014, the Agency issued the 2014 Series A Bonds of approximately $167.7 million for the purpose of refunding the principal amount of the 2004 Series A Bonds maturing on January 1, 2024 through 2032 and refunding certain 2006 Series A Bonds maturing on January 2019 through 2032. The refunding of the 2004 Series A Bonds was a current refunding and the refunding of certain 2006 Series A Bonds was an advance refunding. The refunding of the 2004 Series A Bonds and certain 2006 Series A Bonds resulted in a reduction of future debt service of approximately $35 million. The present value of the reduction in debt service is approximately $25.9 million. The difference between the carrying values of the previously issued bonds and the refunding bonds has been deferred and is included in deferred outflows of resources.

2015 Series A Multimodal (Variable) Bonds

On March 10, 2015, the Agency issued the 2015 Series A Multimodal Bonds (the "2015 Series A Bonds") of $40 million to finance ongoing capital expenditures for the Agency's Power Supply System. The 2015 Series A Bonds are a direct purchase agreement between IMPA and Citibank N.A. ("Citibank") with initial put date of March 10, 2020. The 2015 Series A Bonds are not secured by a Letter of Credit. The 2015 Series A Bonds will mature January 1, 2042. In the current mode, the interest rate on the 2015 Series A Bonds is adjusted weekly and Citibank may only require repurchase if certain terms of default occur. The interest rate on the 2015 Series A Bonds was 0.41% at December 31, 2015.

Fair Value of Long-Term Revenue Bonds

Long-term revenue bonds are recorded at amortized cost. The estimated fair value of long-term revenue bonds is approximately $1.4 billion at December 31, 2015 and 2014. IMPA used over-the-counter broker quotes to estimate the fair value of these bonds which are corroborated by similar transactions for similar securities.

7. Asset Retirement Obligations

Asset retirement obligations represent legal obligations associated with the retirement of tangible long-lived assets that are incurred upon the acquisition, construction, development or normal operation of the assets. IMPA's asset retirement obligations consist primarily of costs associated with the future cost of mine reclamation and closure at Prairie State and with the future closure of waste disposal facilities at IMPA's jointly-owned plants.

Asset retirement obligations are recognized in the period in which they are incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over their useful life. The Agency uses an expected cash flow approach to measure the obligations. IMPA's asset retirement obligations have no impact on net income due to the Agency applying the provisions of GASB 62.

The following table presents the details of the Agency's asset retirement obligations for the periods ended December 31, 2015 and 2014 (in thousands):

	Beginning Balance	Liabilities Incurred	Liabilities Settled	Accretion	Cash Flow Revisions	Ending Balance
2015	$ 8,632	$ 1,275	(242)	171	12,969	$ 22,805
2014	$ 8,283	$ -	-	414	(65)	$ 8,632

The 2015 asset retirement obligations cash flow revision of approximately $13.0 million and new liabilities incurred of $1.3 million are primarily a result of the United States Environmental Protection Agency's final Disposal of Coal Combustion Residuals (CCR) from Electric Utilities rule published in the Federal Register on April 17, 2015. The revision reflects changes in planning and timing for Trimble County's and Gibson's existing CCR disposal sites.

8. Arbitrage

A rebate payable to the Internal Revenue Service (IRS) generally results from the investment of bond proceeds at a higher rate of interest than the cost of borrowing. The excess of interest income over cost of borrowing is payable to the IRS within five years of the date of the bond offering and every five years thereafter. The estimated current arbitrage liability at December 31, 2015 and 2014 was approximately $231,000 and $60,000, respectively. The estimated non-current arbitrage liability at December 31, 2015 and 2014 was approximately $0.6 million and was included in other non-current liabilities on the Consolidated Statements of Net Position. The estimated arbitrage expense is recorded as a reduction of interest income.

9. Concentration of Risk

Credit risk represents the risk of loss that would occur if suppliers or customers did not meet their contractual obligations to IMPA. Concentration of credit risk occurs when significant suppliers or customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

Approximately 28% of the Agency's sales to municipalities were provided to two communities for the period ended December 31, 2015 and 2014. Accounts receivable balances for the two communities account for 29% and 30% of the total accounts receivable balances as of December 31, 2015 and 2014, respectively. IMPA has long-term energy purchase contracts with two suppliers that account for approximately 34% and 35% of IMPA's total energy for the years ended December 31, 2015 and 2014, respectively.

10. Jointly-Owned Plant

IMPA is a joint owner of Gibson Unit 5, Trimble County Unit 1 and Unit 2, Prairie State Units 1 and 2 and co-owns certain transmission property and local facilities. IMPA's portion of all operating costs associated with the commonly-owned facilities is reflected in the consolidated financial statements. For further discussion of Jointly-Owned Plant, see Note 1, Utility Plant.

IMPA's investments in jointly-owned plant at December 31, 2015 were as follows (in thousands):

	Share	Utility Plant In Service	Accumulated Depreciation
Production			
Gibson Unit 5	24.95%	$ 185,324	$ 93,074
Prairie State Units 1 & 2	12.64%	748,817	69,119
Trimble County Units 1 & 2	12.88%	297,938	86,573
Transmission and local facilities	4.91%	111,389	45,551

11. Commitments and Contingencies

Contracts and Capital Expenditures

IMPA has purchased power contracts with several power producers. IMPA has firm commitments under take-or-pay contracts which expire on or before April 1, 2042. The total amount of these future purchase obligations at December 31, 2015 was approximately $164.5 million for 2016 and $2.5 billion through April 1, 2042.

IMPA anticipates its share of future capital expenditures for Gibson Unit 5, Prairie State Units 1 and 2, Trimble County Units 1 and 2, the combustion turbines, the JTS and other ongoing system projects to total approximately $342 million for the years 2016 through 2020. The projected capital expenditures include both environmental improvements and expenditures of a normal and recurring nature. IMPA anticipates funding the foregoing projected capital improvements with a combination of internally generated funds and proceeds from future debt offerings.

Environmental Protection Agency Matters

The Cross State Air Pollution Rule and the Cross State Air Pollution Update Rule

The Cross State Air Pollution Rule ("CSAPR") aims to reduce emissions of SO2 and NOx from electric generating units greater than 25 MW in the eastern half of the United States by controlling 28 upwind states from preventing downwind states from reaching their emission reduction goals for particulate matter ("PM2.5") and ozone standards. The proposed Cross State Air Pollution Update Rule ("CSAPR Update Rule") would further reduce emissions of NOx from generating units in 23 states, including Indiana, Illinois and Kentucky. IMPA expects that the Agency will have to acquire SO2 and NOx emission allowances in order to comply with CSAPR, but there will be no material impact on IMPA's generating facilities. The full impacts of the proposed CSAPR Update Rule on IMPA's generating units are not yet known.

The Mercury and Air Toxics Standards

The Mercury and Air Toxics Standards ("MATS") rule sets emission limits for hazardous air pollutants ("HAPS"), including mercury, particulate matter ("PM"), and hydrochloric acid ("HCl") for electric generating units greater than 25 MW. Gibson 5 has upgraded its electrostatic precipitator and added calcium bromide injection. WWVS is adding systems for hydrated lime and power activated carbon injection. Trimble County Unit 1 added a new pulse jet fabric filter (baghouse). The Prairie State Generating Station and Trimble County Unit 2 as originally constructed are in compliance with the rule. While MATS continues to be legally challenged, IMPA does not expect there to be any material changes to the rule that would cause more capital additions than those already mentioned.

The Clean Power Plan

The Clean Power Plan ("CPP") rule seeks to reduce CO2 emissions from electric generating units by 32 percent below 2005 levels by 2030. The U.S. Supreme Court issued a stay of the Clean Power Plan while the D.C. Circuit reviews the challenges to the proposed plan and during any appeal to the U.S. Supreme Court that may occur after the D.C. Circuit issues its opinion. At this time, it is unknown what the full impacts of the rule will be.

Contract Disputes

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

Securities and Exchange Commission (SEC)

In January 2013, the SEC staff served a subpoena on the Agency seeking information and documents relating to the development of Prairie State. IMPA complied with the SEC's request. IMPA has received no further requests or communications from the SEC. The Agency cannot predict the ultimate outcome of this inquiry. As of the report issuance date, IMPA management does not believe this inquiry will have a material impact on IMPA's financial position or operating results.

Litigation

On August 19, 2014, IMPA was informed of a putative class action lawsuit filed in the Circuit Court of Kane County, Illinois, on behalf of certain ratepayers receiving electric utility service from the City of Batavia, Illinois. The lawsuit names IMPA, an affiliate of IMPA, IMPA's President and CEO, and other parties as defendants (the "Defendants"). On August 13, 2015, the United States District Court granted the motions to dismiss filed by the Defendants. With the dismissal, the United States District Court allowed an amendment to the class action lawsuit to be filed by October 23, 2015. On October 23, 2015, an amendment was filed in United States District Court. The plaintiffs allege the defendants made certain negligent misrepresentations relating to the Prairie State Energy Campus project, and seek actual and punitive damages in an unspecified amount. It is not possible to predict with certainty the outcome of any litigation, including the litigation described above. IMPA has moved the court to dismiss the amended complaint and intends to vigorously defend the lawsuit.

12. Subsequent Events

Refunding Bonds

Subsequent to December 31, 2015, IMPA closed on three advanced refundings, the 2016 Series A Bonds, the 2016 Series B Bonds and the 2016 Series C Bonds (the "Refunding Bonds"). The Refunding Bonds advanced refunded the outstanding balances of the 2007 Series A Bonds, the 2006 Series B Bonds, the 2009 Series A Bonds and a portion the 2009 Series B Bonds (the "Refunded Bonds").

A summary of the Refunding Bonds and the Refunded bonds is as follows:

Refunding Bonds		Refunded Bonds		Reduction of Future Debt Service	Present Value Savings
Description	Par	Description	Par		
2016 Series A	$ 366,350	2007 A Bonds	$ 403,575	$ 79,698	$ 46,488
2016 Series B	24,225	2006 A Bonds	25,000	8,900	6,500
2016 Series C	148,285	2009 A & B Bonds	156,460	40,367	28,650
	$ 538,860		**$ 585,035**	**$ 128,965**	**$ 81,638**

Reduction of Future Debt Service and Present Value Savings for the 2016 Series B Bonds assumes an average interest rate of 2.0% over the life of the 2016 Series B Bonds.

The 2016 Series B Bonds are variable rate bonds and are secured by a Letter of Credit issued for the benefit of the of the owners of the 2016 Series B Bonds. The interest rate on the 2016 Series Bonds is adjusted daily, and bondholders may require repurchase of the 2016 Series B Bonds at the time of such interest rate adjustments. Through the Letter of Credit, the Agency has the right of direct offset with its lender for any repurchases. The bonds have a contractual maturity of January 1, 2032. The Letter of Credit has a contractual maturity of December 1, 2020.

Extension of the Committed Line of Credit

Subsequent to December 31, 2015, IMPA and PNC Bank extended the Credit Agreement that was scheduled to expire on May 23, 2016. Effective March 1, 2016, the credit limit was increased to $75 million and the expiration of the Credit Agreement was extended to March 1, 2021.