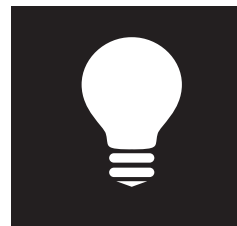


# POWER THROUGH

## 2021 IMEA ANNUAL REPORT





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

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Of course, the Illinois Municipal Electric Agency's Fiscal Year 2020-21 will always be remembered for the COVID-19 Pandemic.

The first big COVID issue IMEA faced was personal protective equipment, or PPE. Everyone needed a mask, and, in the early going, COVID PPE was hard to get. In order to assist our Members, the IMEA facilitated an early shipment of masks to each of the IMEA Members. Obviously, as part of an essential industry, we wanted to do all we could to help our Member municipal utilities and their retail customers at a time when reliable service seemed more critical than ever.

Operationally, although some costs were higher than anticipated due to the pandemic, no Member services were cancelled because of COVID. During the pandemic, in compliance with the Governor's Disaster Proclamation, we conducted Board Meetings virtually and held votes electronically during those meetings. Our Illinois Municipal Utilities Association (IMUA) safety training sessions moved to virtual and pre-recorded formats, but our gas and electric agency staff was available for meetings at Member municipalities when necessary. On several occasions, we came to Members' council meetings to address their needs.

In the first few months of the pandemic, staff created the IMEA Partial Payment Deferral Plan, which allowed a Member utility to defer up to 25% of its gross power supply charges over a period of four months with no late payment or interest charges. This action was taken to assist Member utilities that were called on by the Governor to put a moratorium on disconnections and suspend late fees for retail customers' non-payment of utility bills during the pandemic.

While essential staff worked in the Operations Center throughout the pandemic and senior management returned to on-site work as quickly as possible, most staff transitioned to work-from-home protocols, and then to a staggered rotation. Finally, by May 1, 2021, all staff returned to the headquarters full time.

Another notable (or notorious) event this year was the February polar vortex, which became known as Winter Storm Uri. Cold weather dipping down into Texas and Oklahoma caused failures of natural gas production wells and electric generation units that touched off electric and natural gas price spikes (100 times higher than expected) throughout the Midwest and the Plains. Thirteen states had rolling blackouts. Seventeen IMEA Members operated behind-the-meter generation units during the polar vortex. Those generating units helped IMEA avoid high power market costs over the period and shored up grid reliability.

Our gas supply staff for the Illinois Public Energy Agency (IPEA) helped alert gas agency Members and facilitated some voluntary load shedding efforts. As the price spike in the natural gas market was unfolding, one of the first calls Governor Pritzker's Administration made was to IPEA – to determine the extent of the issue and provide input on what remedies the State might undertake to help the affected municipal natural gas distribution utilities. The Pritzker Administration – in a matter of days – fashioned a \$15 million low-interest loan program for municipal utilities, so that retail customers would not have to absorb the high costs in a single month. IPEA worked with its natural gas supplier to allow affected Members the opportunity to defer part of the payment of their February invoice for a period of one-to-three months, with interest and late fees waived for the period.

Legislatively, at the state and federal levels we found ourselves involved with proposed measures that might require utilities to achieve zero carbon emissions in a rapid time frame. In that context, it is worth revisiting IMEA's achievements in this area.

Since 2009, IMEA has been on a course to responsibly add carbon-free sources to our energy portfolio. IMEA currently generates about 11% of its energy with renewable resources and creates Renewable Energy Credits (RECs) for each megawatt hour produced.

... "Message" Continued on next page

## “Message” Continued...

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And we are not done:

- IMEA will reduce its total reliance on coal in 2022. From a resource planning perspective, the capacity from coal-based resources used to meet our reliability obligations with MISO and PJM will be reduced by nearly 40%. From an energy perspective, the percentage varies based on a number of factors. However, based on the last fiscal year’s figures, the reduction in energy from coal-based resources used to serve Member load will be nearly 24%. We also plan to invest nearly \$40 million in renewables over the next two years.\*
- We have long-term power-purchase agreements for a total of 120 megawatts of wind from two Illinois wind farms.
- We will begin taking 25 megawatts of solar output with a power-purchase agreement from Ranger Power’s Big River Solar project in Illinois – starting in 2025.
- As of July 2021, we now have solar demonstration projects totaling 5 megawatts in: Rantoul, St. Charles, Altamont, Rock Falls and Naperville.
- IMEA conservation and carbon reduction programs include: an Electric Efficiency Program, a Demand Response Program, an Electric Vehicle Charging Station Program and our new Green Power Choices REC Program.

As energy policy discussions continue at the state and federal levels, IMEA, in conjunction with the Illinois Municipal Utilities Association (IMUA) and the American Public Power Association (APPA), is working to protect Illinois non-profit municipal and cooperative systems’ ownership interests in baseload

generating units. We are also promoting policies that:

- Streamline the generator interconnection permitting process, so new renewable generation projects can come online sooner;
- Provide investments in battery storage and carbon capture technologies; and
- Create incentives that are directly payable to public power utilities that develop renewable generation facilities in order to level the playing field with private-sector entities that receive tax credits for doing so.

This year was certainly a year of extraordinary challenges. We are proud – and, we believe, rightfully so – of the way that the Agency and its Member municipal utilities conducted business this year. Under adverse conditions, we muscled up, powered through and delivered on our core mission – to reliably procure and deliver predictably priced, environmentally responsible wholesale power to our members 24x7x365.



*Dale Detmer*

**Dale Detmer**  
Chairman of the Board



*Kevin M. Gaden*

**Kevin M. Gaden**  
President & CEO

\* This point was expanded to provide more information to readers. The change does not appear in the print version.

## WHO WE ARE

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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 ownership of a portion of large, base-load power plants in Kentucky and Illinois, long-term power supply contracts and purchases from the market. IMEA purchases a growing portion of its power from non-carbon emitting generation sources and, from time to time, uses the power generation plants owned and operated by Members to meet the membership's needs.

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, ancillary services, 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

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



## Executive Board



**Chairman**  
**Dale Detmer**  
*Breese*



**Vice Chairman**  
**Cory Sheehy**  
*Marshall*



**Secretary/  
Treasurer**  
**Bob Coble**  
*Flora*



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

## Members at Large



**Larry Taylor**  
*Altamont*



**Shane Hill**  
*Chatham*



**John Tolan**  
*Freeburg*



**Tim Birk**  
*Waterloo*



**Brian Keys**  
*Winnetka*

# Board of Directors



**Shannon Risley**  
*Bethany*



**Joe Fosdyck**  
*Bushnell*



**John Hodapp**  
*Carlyle*



**David Coston**  
*Carmi*



**Shelby Biggs**  
*Casey*



**Mayor Mike Dreith**  
*Fairfield*



**Sue McLaughlin**  
*Farmer City*



**Mike Ryder**  
*Greenup*



**Dan Cook**  
*Highland*



**Pat Barry**  
*Ladd*



**Jesse Carlton**  
*Mascoutah*



**Brian Groth**  
*Naperville*



**Mayor Dominic Rivara**  
*Oglesby*



**Jim Lukosus**  
*Peru*



**Jeff Mangrich**  
*Princeton*



**Jake McCoy**  
*Rantoul*



**Josh Eckart**  
*Red Bud*



**Jim Mileham**  
*Riverton*



**Dick Simon**  
*Rock Falls*



**Mayor Tom  
Martin**  
*Roodhouse*



**Peter Suhr**  
*St. Charles*



**Mayor Richard  
Glazebrook**  
*Sullivan*

**Not pictured:**  
*Vacant, Cairo*

## Ten Year Comparative Summary of Operations

FOR THE YEARS ENDED APRIL 30,	2021	2020	2019
<b>Operating Revenues:</b>			
Electric Sales to Participating Members	\$316,350,196	\$309,869,429	\$311,611,949
Electric Sales to Others	0	0	0
Member Assessments	0	0	0
Other	5,574,411	3,146,086	2,184,067
<b>Total Operating Revenues</b>	<b>321,924,607</b>	<b>313,015,515</b>	<b>313,796,016</b>
<b>Operating Expenses:</b>			
Purchased Power	80,950,750	78,653,123	76,157,891
Transmission	41,472,038	36,915,843	29,085,212
Prairie State and Trimble County Unit No. 1 and 2:			
Fuel	36,333,821	40,996,590	43,853,976
Operations and Maintenance	40,346,072	35,608,739	35,150,793
Member Payments:			
Fuel Reimbursements	1,952,336	882,295	1,015,505
Capacity Payments	8,550,967	8,824,889	8,897,963
Generation Payments	31,019	11,715	12,371
Administrative and General	8,052,808	8,189,197	8,119,671
Depreciation	34,256,314	33,242,457	34,135,909
Other Utility Operations	1,382,266	1,513,014	2,438,502
<b>Total Operating Expenses</b>	<b>253,328,391</b>	<b>244,837,862</b>	<b>238,867,793</b>
<b>Net Operating Income</b>	<b>68,596,216</b>	<b>68,177,653</b>	<b>74,928,223</b>
<b>Other Expenses - Net</b>	<b>(37,898,096)</b>	<b>(37,560,683)</b>	<b>(38,722,738)</b>
<b>Change in Net Position</b>	<b>\$30,698,120</b>	<b>\$30,616,970</b>	<b>\$36,205,485</b>
Peak Demand (Non-Coincident kW)	904,631	936,869	944,038
Kilowatt-Hour Sales to Participating Members(kWh)	3,736,971,363	3,797,095,319	4,012,316,188
Kilowatt-Hour Sales to Others(kWh)	0	0	0
Cost per kWh to Participating Members (Cents/kWh)	8.47	8.16	7.77
Cost per kWh to Participating Members after Capacity Payments (Cents/kWh)	8.24	7.93	7.54
Debt Service Coverage after Rate Stabilization Transfer	118%	118%	124%
Principal Paid on Revenue Bonds	\$46,945,000	\$44,895,000	\$42,950,000
Revenue Bonds Outstanding	\$830,690,000	\$877,635,000	\$922,530,000
Net Position	\$315,080,170	284,382,050	\$253,765,080



2018	2017	2016	2015	2014	2013	2012
\$309,866,759	\$310,855,402	\$305,397,433	\$297,920,665	\$313,329,416	\$293,252,375	\$269,710,862
7,050,667	9,604,445	9,250,649	9,487,955	10,202,123	9,191,496	9,081,678
0	0	0	0	0	0	0
662,443	525,381	3,433,172	4,906,065	3,570,481	2,038,994	1,867,134
317,579,869	320,985,228	318,081,254	312,314,685	327,102,020	304,482,865	280,659,674
89,985,282	92,785,719	92,863,982	93,821,555	112,229,955	121,189,265	167,998,413
30,167,782	33,073,872	21,906,341	13,114,019	14,902,996	19,839,895	23,747,840
42,117,228	39,798,819	41,685,758	43,282,351	37,198,450	35,127,223	23,540,732
36,614,195	36,229,144	36,285,399	36,338,400	32,417,374	20,463,752	8,331,479
1,091,258	1,145,944	823,604	1,119,275	1,431,522	1,423,755	2,083,846
8,930,449	9,027,785	9,183,749	9,202,280	9,163,470	9,204,193	9,334,291
21,824	22,628	2,728	2,774	6,056	3,357	17,866
7,893,267	7,290,386	7,313,294	7,456,187	8,232,434	7,084,137	7,320,757
35,268,987	34,848,247	34,320,066	33,126,911	32,659,266	27,081,063	7,796,362
1,676,021	1,799,987	1,927,742	1,429,914	1,880,493	1,169,848	970,795
253,766,293	256,022,531	246,312,663	238,893,666	250,122,016	242,586,488	251,142,381
63,813,576	64,962,697	71,768,591	73,421,019	76,980,004	61,896,377	29,517,293
(41,176,746)	(43,957,524)	(45,730,938)	(53,399,018)	(59,430,472)	(46,421,103)	(11,471,707)
\$22,636,830	\$21,005,173	\$26,037,653	\$20,022,001	\$17,549,532	\$15,475,274	\$18,045,586
953,778	979,796	939,653	942,161	1,005,629	1,084,464	1,063,494
3,922,872,791	4,000,227,863	3,938,284,055	3,974,872,808	4,102,836,932	4,135,520,775	3,910,906,019
78,375,093	114,456,162	110,822,027	120,211,294	123,499,732	115,139,111	112,278,126
7.90	7.77	7.75	7.50	7.64	7.09	6.90
7.67	7.55	7.52	7.26	7.41	6.87	6.66
110%	110%	113%	110%	110%	113%	119%
\$41,095,000	\$39,310,000	\$41,375,000	\$36,960,000	\$35,285,000	\$23,675,000	\$8,795,000
\$965,480,000	\$1,006,575,000	\$1,045,885,000	\$1,087,260,000	\$1,174,390,000	\$1,209,675,000	\$1,233,350,000
\$217,559,595	\$194,922,765	\$173,917,592	\$147,879,939	\$127,857,938	\$110,308,406	\$94,833,132

## 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 Illinois Municipal Electric Agency at a Glance



#### IMEA is ...

a not-for-profit unit of local government created in 1984 that is comprised of 32 municipal electric systems from across Illinois. Each IMEA Member community 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 power-purchase agreements.

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

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

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

IMEA's senior officers have a combined 190 years' experience in all facets of the electric industry – including engineering, knowledge of energy markets, project management, finance, regulation and more.

## Power Through

Fiscal Year 2020-21 saw many changes to our world, and, in our business, we weathered some incredible events, including:

- A pandemic-driven state and federal shutdown of our economy that dampened economic activity and decreased energy consumption;
- Blackouts in California due to heat and the lack of available supply;
- A massive Texas power and gas supply outage in mid-February that cost more than 100 lives and more than \$20 billion in Texas alone;
- Resource limits that caused the Midcontinent Independent System Operator (MISO) to call a number of curtailments; and, not to mention;
- An ill-tempered campaign season, topped off with a contentious presidential election.

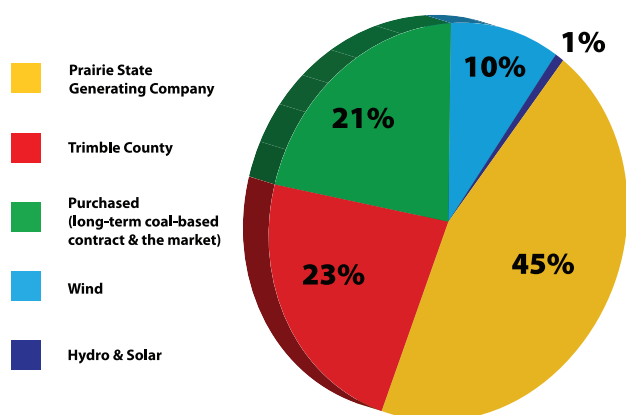
At times, it was almost too much to watch. But, through it all, the Illinois Municipal Electric Agency (IMEA) just kept plugging along, supplying our Members with power and other value-added benefits, such as energy efficiency services, mutual aid, training and important utility industry information. We adjusted to the changing conditions, rolled up our sleeves, and, just as we have done since the joint action agency's inception, we powered through and took care of business.

## 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 Members' city gates. The Agency fulfills this part of its mission through power supply contracts and through ownership shares of generation facilities. In Fiscal Year 2020-21, IMEA's sales to its municipal Members were 3.7 million megawatt hours.

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 2020-21, the Agency met 68 percent of its power supply requirements with IMEA-owned or Member-owned generation resources. Twenty-one percent of the power supply came from long-term contract and market purchases, while 11 percent came from non-carbon emitting wind, solar and hydro sources. Looking ahead, IMEA has negotiated an early exit to a long-term, coal-based contract, which will now end on May 31, 2022. That contract termination may allow the Agency to add more non-carbon emitting resources to its power supply portfolio.

### IMEA Portfolio of Generated and Purchased Power Supply



### Power Purchases

The IMEA has executed procurement contracts that are supported by a mix of coal-fueled, natural gas-fueled and wind-powered units. These contracts offer a large 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-New 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.

### Base-Load Power Generation

IMEA is one of nine Midwestern-based public power entities with an ownership interest in the Prairie State Generating Company, which is comprised of a mine-mouth power plant with two 800-megawatt coal-fueled 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 provides the IMEA and its co-owners a secure source of base-load power. The Prairie State Energy Campus was purpose built to incorporate an investment of more than \$1 billion of the best available emissions control technologies. As the only supercritical power plant in the state of Illinois and one of the most efficient plants in the country, Prairie State can help bridge the gap between the goal to substantially increase the use of renewable energy and the need to maintain grid reliability and resiliency.

Prairie State has established a partnership with the University of Illinois' Prairie Research Institute and was selected as the site of a nearly \$15 million grant from the Department of Energy. That grant funding allows for the completion of a Front-End Engineering and Design (FEED) study to design a 95 percent carbon capture system on Unit 2. This feasibility study will be completed at the end of 2021. Three companies are also partnering on this FEED study: Kiewit Engineering Group, Mitsubishi Heavy Industries America and Sargent & Lundy, which worked together on the first commercial and utility-scale carbon capture project in the U.S.



*Technicians perform preventative maintenance on a generator at the Prairie State Energy Campus.*

In 2020, Prairie State achieved 100% regulatory compliance. There were zero recordable incidents at the power plant, and the mine received the Holmes Safety Award for two quarters. During the pandemic, the Prairie State team safely completed a Unit 2 planned maintenance outage, employing more than 1,000 union contractors, with no reported cases of coronavirus transmission at work. The year also saw an increase in beneficial reuse, up by 79% when compared to 2019. One of the campus's greatest accomplishments occurred in November 2020, when the power plant received designation as an OSHA Voluntary Protection Program (VPP) Star Site, recognizing its best-in-class safety practices.

IMEA also owns 12.12 percent of the Trimble County 1 and Trimble County 2 generating facility located in Kentucky between Louisville and Cincinnati. Trimble County 1 is a 514-megawatt subcritical, pulverized coal-fueled unit, and Trimble County 2 is a 750-megawatt supercritical, pulverized coal-fueled unit. The Trimble County units also have considerable control systems to reduce emissions.

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

## The Agency's Expanding Renewable Portfolio

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Though Trimble County and Prairie State are a major source of IMEA's base-load power supply, 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 megawatts of carbon-free capacity.

In 2009, the IMEA Board of Directors adopted a policy that directs the Agency to acquire more of its energy requirements from renewable resources. Toward that goal, in 2010 IMEA entered into a long-term contract to purchase up to 70 megawatts of wind energy from the Lee/DeKalb Wind Energy Center. The contract runs through 2030. More recently, in November 2019, IMEA began taking electricity from the Green River Wind Project in

Lee and Whiteside Counties in Illinois. IMEA has a 15-year power-purchase agreement with the project developer. The Agency's stake in the 194-megawatt facility is 50 megawatts. This cost-effective contract provides enough carbon-free generated electricity to power 16,000 homes per year.

IMEA's first commissioned solar photovoltaic demonstration project in Rantoul, Illinois began operation in late 2016. It was soon followed by a similar project in St. Charles, Illinois. Since August 2020, four other new projects have come online in the Member municipalities of Altamont, Naperville and Rock Falls, along with a one megawatt addition in Rantoul. Altogether, these units add five megawatts of nameplate solar capacity for IMEA. To maximize the benefit of these projects, IMEA takes all the power from these projects under 20-year power-purchase agreements with the developers and receives the renewable energy credits associated with them.



More solar generation is certainly on the horizon for the IMEA. The Agency's Board of Directors has called for proposals from Member municipalities to host more demonstration-sized projects, and the Agency has recently finalized an agreement that will bring another 25 megawatts of solar into the mix. In June 2020, the Agency executed a favorably priced, non-escalating power-purchase agreement with Ranger Power, the developer of a 149-megawatt solar generation facility in White County, Illinois. IMEA anticipates it will begin taking power from the facility in 2025. The agreement is for 10 years with an option to extend the contract at the same pricing for another 10 years.

Not only is the Agency involved in the commercial development of solar power, it has added a 10-kilowatt solar array on the grounds of its headquarters to help provide energy to the Agency's Leadership in Energy and Environmental Design-certified office facility in Springfield. IMEA has also installed an electric vehicle charging station at the headquarters parking lot.

## Operational and Technical Support

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

### Operations

IMEA maintains a 24-hours-a-day, seven-days-a-week Operations Center. The Operations Department alerts local officials of voltage dips and power supply interruptions and works with the Members and representatives from investor-owned utilities serving the surrounding area to identify open circuits or malfunctioning equipment and rectify any problems. 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.

Operations personnel also constantly monitor – and execute actions in – the day-ahead and real-time energy markets as needed. Each day, staff must schedule into the markets the amount of energy needed for the next day's consumption and also schedule the next day's anticipated output from IMEA's baseload generation units, IMEA-Member behind-the-meter generation units and the intermittent generation units (such as wind and solar). To better meet that responsibility, the department recently upgraded its resource scheduling tools to best schedule new intermittent resources. These resources are used in the markets as capacity resources that help to offset the Agency's load obligations. As capacity resources, the Agency is required to offer these units into the daily day-ahead energy markets. The regional transmission organizations (RTOs) require resources to offer into the applicable markets with forecasted outputs as close to actual output as possible. Since forecasting intermittent resources can be a challenge, the Agency revamped the forecasting tool, Metrix IDR, to better align the forecasts with the actual expected output, therefore, saving the Agency money on deviation and other charges applied to inaccurate forecasts. The respective RTO Market Monitors review these offers frequently to assure there is no gaming of the

*The IMEA-commissioned solar photovoltaic demonstration project at Rock Falls.*

system. The RTOs rely on the day-ahead forecasts for reliability and stability of the bulk electric systems to ensure there is adequate and reliable supply to meet the expected demand.

### Engineering

IMEA electrical engineers and technicians supplement the work of IMEA Members' electric department engineers and personnel. They assist the Members with such tasks as the coordination of delivery point improvements, preventive maintenance activities and power factor improvement recommendations. IMEA engineers are also frequently called upon to assist with projects in Member municipalities.

For example, this past fiscal year, IMEA Engineering staff were instrumental in coordinating a joint study effort with the City of Oglesby and the City of Peru to be performed by Ameren Illinois (the transmission provider) to determine the system upgrades and costs required to install 34.5 kV delivery points in those municipalities. To ensure optimal benefit from the new delivery points, staff worked with Ameren to develop a study agreement that considers these Member 34.5 kV requests in light of the other upgrades that Ameren has planned for its LaSalle 34.5 kV Network serving this area.

On a broader level, because IMEA's power supply portfolio faces significant changes over the next several years due to anticipated generation retirements within Illinois and their impact on IMEA's existing contracts, IMEA Engineering staff have worked to analyze the impacts of planned generation retirements on the energy market in Illinois, including the impact of regional transmission organization (RTO) policy changes. More specifically, engineering personnel have been analyzing how these retirements impact IMEA's contract obligations and potentially offer opportunities to diversify the Agency's power resources portfolio.



## Legal and Regulatory Compliance

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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. Further, in the course of its operations, 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 state and federal Environmental Protection Agencies, the Illinois General Assembly and the U.S. Congress. IMEA works to ensure its compliance with current laws and anticipated future regulations. In some instances, the Agency helps Members with their compliance efforts.

The recent work of IMEA's legal counsel on an issue relating to the valuation of the Agency's Incremental Capacity Transfer Rights (ICTRs) is an illustrative example of the type of legal service IMEA provides. On behalf of the Agency and at the direction of the Board, IMEA counsel coordinated the filing of a complaint at FERC challenging PJM's methodology and accounting for remuneration earned by IMEA on its ICTRs.

In 2018, IMEA personnel identified a congestion point that hampered the flow of capacity into the PJM market. At the direction of the Board, the Agency funded an upgrade to the transmission system between East Frankfort and University Park, Illinois to alleviate the issue. As a result, on March 23, 2019, PJM awarded IMEA 1,097 megawatts of Incremental Capacity Transfer Rights. Under certain conditions, these rights allow the Agency to receive revenue from PJM. However, for PJM's 21/22 Delivery Year (June 1, 2021 – May 31, 2022), PJM curtailed the number of IMEA's ICTRs



from 1,097 megawatts to 516.2 megawatts. IMEA is challenging that reduction and also how the regional transmission organization has chosen to calculate payments earned by the Agency.

## Market and Resource Opportunity Research

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On behalf of its Members, IMEA's Energy Markets and Settlements team explores current and future market and resource opportunities, which may result in future generation ownership or power-purchase agreements; expanding demand response programs; and evaluating and procuring (when it is necessary or advantageous) Auction Revenue Rights (ARRs) and Financial Transmission Rights (FTRs) in the MISO and PJM Regional Transmission Organizations. Collectively, IMEA Members can rely on the Agency to navigate, analyze and execute opportunities in these complex markets.

In addition, as IMEA adds more renewable resources, renewable energy credits (RECs) generated from IMEA's contracted resources are an increasing part of IMEA's portfolio that the Energy Markets and Settlements team effectively manages, optimizes and tracks.

The IMEA Board recently created a program to allow members the flexibility to purchase RECs from the REC market. In support of this initiative, Markets and Settlements staff expanded and vetted a number of new counterparties in order to facilitate REC sales and purchases. IMEA also negotiated a number of contracts with counterparties that allowed the Agency to execute and implement contracts quickly, while reducing the counterparty risk of default.

## Legislative Advocacy

The IMEA 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.

IMUA was particularly active during the Spring 2021 session of the Illinois General Assembly, as legislative leaders, the Governor, labor unions, industry representatives and environmental groups all put forward comprehensive energy measures, many with the aim of achieving zero carbon emissions from energy production in Illinois at varying points in the future. With much unresolved, no successful bill came forward. As lawmakers took up the effort again in the fall of 2021, IMEA seized the opportunity to remind legislators that the Agency will continue to add carbon-free resources to its portfolio on a responsible timeline so that, as the technology evolves, IMEA can eventually power its Member municipalities without carbon emissions, while also preserving reliability and affordability for customers during a transition period. IMEA, in cooperation with the IMUA and the APPA, stands ready to support state or federal policies that:

- Streamline the generator interconnection permitting process, so new renewable generation projects can come online sooner;
- Provide assistance for research and development in new and emerging technologies, such as storage and carbon capture technologies; and
- Create incentives that are directly payable to public power utilities that develop renewable generation facilities in order to level the playing field with private-sector entities that receive tax credits for doing so.



*IMEA President & CEO Kevin Gaden (far left) is joined by federal and state legislators, Naperville City Council members, Naperville utility personnel and representatives from the project developer at the ribbon cutting of the IMEA-commissioned Naperville solar photovoltaic demonstration project.*

## Value-Added Services

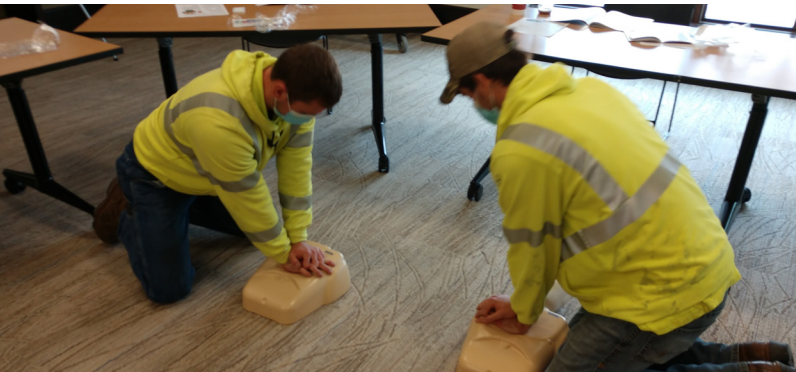
In addition to providing its Member communities with operational, technical, regulatory compliance and legislative advocacy support services, IMEA helps its Member utilities and their communities in a number of other ways. Among them are:

- Aiding economic development efforts with Member systems;
- Training of utility department personnel through the Illinois Municipal Utilities Association; and
- Delivery of a number of ancillary services programs for Members, including an electric efficiency program, an electric vehicle charging station initiative, a demand-response program and a renewable energy credit purchasing program.

## 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 variety of services to nearly 50 municipal members, including advocacy activities before the Illinois General Assembly and other administrative and regulatory bodies both in Illinois and at the federal level, including Congress. IMUA offers an array of training programs and activities for municipal electric, natural gas, telecommunications, water and wastewater treatment utility personnel. 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. This year, the Association quickly and effectively found ways to provide many of these vital training programs via virtual formats.



*The Illinois Municipal Utilities Association offers an array of training activities – including First Aid/CPR/AED training – for utility personnel across the state.*

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. IPEA provides managerial oversight for the IPEA's day-to-day operations. IPEA is one of the leading natural gas joint action agencies in the Midwest and proved its mettle in the wake of Winter Storm Uri in mid-February 2021.

That storm caused failures of natural gas production wells and electric generation units that touched off electric and natural gas price spikes throughout the Midwest and the Plains. One Illinois town on the Panhandle pipeline was at \$2.54 per dekatherm at the start of February and rose to a record \$225 per dekatherm for the three-day President's

Day weekend. Residential customers that would typically pay \$40 for February natural gas usage could have faced bills totaling \$400 to \$1,200. IPEA's gas supply staff helped alert members and facilitated some voluntary load shedding efforts. As the price spike in the Natural Gas market was unfolding, Governor Pritzker's Administration reached out to consult with IPEA and asked the Agency to provide input on what remedies the State might undertake to help the affected municipal natural gas distribution utilities. Within days, the Pritzker Administration put in place a low-interest loan program for municipal utilities, so that retail customers would not have to absorb the high costs in a single month. IPEA also worked with its natural gas supplier to allow affected Members to defer part of the payment of their February invoice for a period of one to three months, with interest and late fees waived for the period.

We believe these quick and decisive responses reinforced for IPEA communities the value of belonging to a nimble, professionally managed and staffed joint action agency.

## **Electric Efficiency, Electric Vehicle Charging Station, Demand Response and Renewable Energy Credit Programs**

The Agency's Electric Efficiency Program began in 2009, as a means to provide funds to go toward the purchase and installation of energy efficient technologies for IPEA Members and their commercial and industrial electric customers. In recent years, offerings have expanded to include residential smart thermostats and home air conditioning systems. As of August 1, 2021, more than 920 electric efficiency projects had been completed since the start of the program, earning incentives of \$9,587,454. Over the last five full fiscal years alone, Member municipalities and their commercial and industrial customers are estimated to have reduced energy consumption by 40.25 million kilowatt hours annually.

Under IPEA's Demand Response Program, qualified municipal facilities or Member commercial and industrial customers can voluntarily agree to keep their electric use at or



below a specified amount when called upon during a Demand Response Event. These events usually occur during a stretch of high-heat, high electric load days, when electric demand and prices are at their peak. Being able to call on customers to regulate their usage at these times creates a win-win situation. IMEA reduces costs to Members because it purchases less power at peak pricing, and the program participants receive a credit incentive from the IMEA.

IMEA's Electric Vehicle Charging Station Initiative, now in its third year, is designed to encourage the deployment of – and foster learning about – residential and public-use electric vehicle charging stations. The program provides incentives for level two or better electric vehicle charging stations. Incentives are \$200 for a private-use charging station and \$500 for chargers available for public use. The Agency's Energy Efficiency and Conservation Committee will meet this coming fiscal year to evaluate the early performance of the program and refine it.



This past year, IMEA introduced its Green Power Choices Renewable Energy Credit (REC) Program. The program represents one more option Member municipalities and their retail customers have to reduce their CO<sub>2</sub> footprint and aid in achieving their renewable energy objectives. Green Power Choices is a highly flexible way for IMEA municipalities and their retail customers to purchase these green credits. RECs obtained and

retired through this new program are apart from and in addition to the RECs that accrue to IMEA from the renewable resources that are part of the Agency's portfolio.

## 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 Supervisory Control and Data Acquisition (SCADA) system programming and maintenance;
- Develops and maintains web sites for IMEA, IMUA and IPEA;
- Continuously monitors and safeguards the Agency's cyber security systems; and
- Assists other IMEA service departments to improve their effectiveness.

Only a well-run, fiscally responsible, forward-looking and resolute joint action agency is able to meet the needs of its Member communities. For 37 years, in favorable conditions and throughout this COVID-tough period, IMEA powered through to serve its Members in a professional, responsible manner. We will continue to offer high-value services to our Member municipalities to help them fulfill their commitment to provide community-owned power to their citizens.

## Summary of IMEA Sales to Members

### Fiscal Year Ending April 30, 2021

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	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population*
<b>Participating Members</b>			
Altamont	5,904	24,768,758	2,339
Bethany	2,495	8,681,461	1,239
Breese	12,474	51,361,677	4,483
Bushnell	7,957	34,207,717	2,866
Cairo	10,190	64,989,400	1,733
Carlyle	8,388	33,458,765	3,186
Carmi	13,406	52,964,977	4,811
Casey	7,243	29,631,202	2,620
Chatham	24,335	83,221,963	14,377
Fairfield	14,279	57,338,139	4,936
Farmer City	4,395	17,357,062	1,936
Flora	23,713	110,933,660	4,852
Freeburg	10,779	41,797,553	4,242
Greenup	4,175	18,088,554	1,490
Highland	32,700	129,798,963	9,834
Ladd	2,870	11,826,019	1,195
Marshall	13,829	66,669,424	3,811
Mascoutah	15,869	58,704,642	7,994
Metropolis	18,413	75,384,896	5,945
Naperville	325,810	1,310,274,265	149,540
Oglesby	11,210	44,352,106	3,712
Peru	49,482	216,263,163	9,896
Princeton	24,255	104,593,734	7,468
Rantoul	34,338	159,052,454	12,371
Red Bud	12,615	49,259,221	3,480
Riverton	6,981	27,676,818	3,434
Rock Falls	18,786	59,310,195	8,789
Roodhouse	2,945	11,412,026	1,677
St. Charles	110,331	500,779,855	33,081
Sullivan	15,143	69,588,320	4,433
Waterloo	23,165	87,328,126	10,578
Winnetka	36,156	125,896,248	12,744
<b>Total Full Requirements Sales to Participating Members</b>	<b>904,631</b>	<b>3,736,971,363</b>	

\* Note: Populations estimates are from the U.S. Census Bureau, either from the initial release of 2020 Census Redistricting Data (as available) or from the 2019 population estimates.

# ILLINOIS MUNICIPAL ELECTRIC AGENCY

Springfield, Illinois

## FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended April 30, 2021 and 2020

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## TABLE OF CONTENTS

Independent Auditors' Report	16 – 17
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	18 – 24
Financial Statements	
Statements of Net Position	26 – 27
Statements of Revenues, Expenses and Changes in Net Position	29
Statements of Cash Flows	30 – 31
Notes to Financial Statements	32 – 48

## Independent Auditors' Report

To the Board of Directors of  
Illinois Municipal Electric Agency

We have audited the accompanying financial statements of Illinois Municipal Electric Agency (IMEA), as of and for the years ended April 30, 2021 and 2020 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, 2021 and 2020 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.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Madison, Wisconsin  
July 16, 2021

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

## **Illinois Municipal Electric Agency**

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Management's Discussion and Analysis  
April 30, 2021 and 2020  
(Unaudited)

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, 2021 and 2020. 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 electrical power and energy-related facilities to provide for the current and projected energy needs of the purchasing members. IMEA has thirty two (32) members, each of which is a municipal corporation in the State of Illinois and owns and operates a municipal electric system.

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

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

## Illinois Municipal Electric Agency

Management's Discussion and Analysis  
April 30, 2021 and 2020  
(Unaudited)

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

	2021	2020	2019
Utility plant	\$992,983,933	\$1,010,291,487	\$1,026,116,552
Restricted assets	100,228,823	102,988,110	99,929,115
Current assets	121,470,035	120,018,128	123,333,442
Other assets	11,252,128	5,802,455	7,408,314
Deferred outflows of resources	23,138,307	26,200,003	29,476,272
<b>Total assets and deferred outflows of resources</b>	<b>\$1,249,073,226</b>	<b>\$1,265,300,183</b>	<b>\$1,286,263,695</b>
<b>Net Position:</b>			
Invested in capital assets	\$221,541,520	\$190,550,580	\$155,755,048
Restricted	9,238,756	10,043,859	9,478,282
Unrestricted	84,299,894	83,787,611	88,531,750
<b>Total net position</b>	<b>315,080,170</b>	<b>284,382,050</b>	<b>253,765,080</b>
Noncurrent liabilities	860,454,052	904,634,908	957,213,792
Current liabilities	73,539,004	76,283,225	75,284,823
<b>Total liabilities</b>	<b>933,993,056</b>	<b>980,918,133</b>	<b>1,032,498,615</b>
<b>Total net position and liabilities</b>	<b>\$1,249,073,226</b>	<b>\$1,265,300,183</b>	<b>\$1,286,263,695</b>

### Statements of Net Position

Year Ended April 30, 2021

IMEA's total utility plant decreased by \$17,307,554 during the year ended April 30, 2021. The Agency made total payments of \$17,534,480 toward the capital improvements associated with the Prairie State project, Trimble County Units 1 & 2 projects and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$1,252,628. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$34,256,314 was recorded during the year.

IMEA had an increase in the cash and short-term investments held in operating reserve accounts of \$1,028,540 from the previous year. Accounts receivable decreased by \$178,391 from the previous year. Prepayments increased by \$698,105 from previous year. These changes along with a decrease in the value of bond interest subsidy receivable, an increase in the value of renewable energy credits held at the end of the year and a decrease in collateral held for others at the end of the year represent the majority of the increase in current assets.

Proceeds of revenue bonds not yet expended are included in restricted assets. The decrease in restricted assets of \$2,759,287 was primarily caused by a decline in the market value of investments being held in restricted accounts and the retirement of the Series 2007C bonds.

Net position increased due to current year operations that resulted in net income of \$30,698,120.

*See accompanying independent auditors' report*



## Illinois Municipal Electric Agency

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Management's Discussion and Analysis  
April 30, 2021 and 2020  
(Unaudited)

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$46,945,000. IMEA is scheduled to repay an additional \$43,660,000 on the outstanding revenue bonds on February 1, 2022, which is included in current liabilities. The Agency had no current year payments or draws against a line of credit facility available to IMEA keeping the total outstanding draws on the line of credit at \$14,000,000. The total undrawn portion of this line of credit was \$36,000,000.

### Year Ended April 30, 2020

IMEA's total utility plant decreased by \$15,825,065 during the year ended April 30, 2020. The Agency made total payments of \$21,067,693 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 \$607,676. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$33,242,457 was recorded during the year.

IMEA had a decrease in the cash and short-term investments held in operating reserve accounts of \$5,739,918 from the previous year. Accounts receivable increased by \$201,737 from the previous year. Collateral held for others for \$502,912 was a new addition to current assets for fiscal year 2020. These changes along with an increase in the value of renewable energy credits held at the end of the year and an increase in prepayments made at the end of the year represent the majority of the decrease in current assets.

Proceeds of revenue bonds not yet expended are included in restricted assets. The increase in restricted assets of \$3,058,995 was primarily caused by a rise in the market value of investments being held in restricted accounts.

Net position increased due to current year operations that resulted in net income of \$30,616,970.

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$44,895,000. IMEA is scheduled to repay an additional \$46,945,000 on the outstanding revenue bonds on February 1, 2021, which is included in current liabilities. The Agency also had a current year payment of \$4,000,000 and a draw of \$4,000,000 against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit to \$14,000,000. The total undrawn portion of this line of credit was \$36,000,000.

## Illinois Municipal Electric Agency

Management's Discussion and Analysis  
 April 30, 2021 and 2020  
 (Unaudited)

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

	2021	2020	2019
Operating revenues	\$321,924,607	\$313,015,515	\$313,796,016
Depreciation expense	34,256,314	33,242,457	34,135,909
Other operating expenses	219,072,077	211,595,405	204,731,884
Total operating expenses	253,328,391	244,837,862	238,867,793
Operating income	68,596,216	68,177,653	74,928,223
Investment income	828,019	3,540,887	4,047,042
Interest and amortization expense	(38,726,115)	(41,112,674)	(42,777,317)
Other income/(expense)	0	11,104	7,537
Total nonoperating expenses	(37,898,096)	(37,560,683)	(38,722,738)
Change in net position	30,698,120	30,616,970	36,205,485
<b>Net Position, Beginning</b>	284,382,050	253,765,080	217,559,595
<b>Net Position, Ending</b>	\$315,080,170	\$284,382,050	\$253,765,080

### Statements of Revenue, Expenses and Changes in Net Position

Year Ended April 30, 2021

Sales to participating members of \$316,350,196 and 3,736,971,363 kilowatt hours (kWh) were recorded during the fiscal year ended April 30, 2021. This represented an increase of \$6,480,767 (2.1 percent) in revenue from sales to participating members and a decrease of 60,123,956 kWh (1.6 percent) as compared with the previous year. Energy sales were lower as compared to prior year due to lower load requirements due to the shut downs across Illinois stemming from the global pandemic related to the COVID-19 virus. Energy sales recovered somewhat due to extremely cold weather in February across Illinois caused by Winter Storm Uri.

IMEA recorded a coincident peak demand of 877 MW, which was approximately 4.2 percent lower than the 915 MW experienced in the previous year. The total member noncoincident peak demand was 905 MW, which was approximately 3.4 percent lower than the 937 MW experienced in the previous year.

The average cost of power sold to the participating members with capacity credits of 8.24 cents per kWh was approximately 3.9 percent higher than the 7.93 cents per kWh from the previous year.

## Illinois Municipal Electric Agency

Management's Discussion and Analysis

April 30, 2021 and 2020

(Unaudited)

Total operating expenses increased by \$8,490,529 (3.5 percent) from the previous year due primarily to higher purchased power and transmission expense. Purchased power expenses went up 2.9 percent from the previous year. Transmission expenses went up 12.3 percent from the previous year. Transmission expenses are outside of IMEA's control. Fuel reimbursements increased by \$1,070,041 (121.3 percent) due to member generation being called to generate during Winter Storm Uri. Nonoperating revenues (expenses) decreased by \$337,413 (0.8 percent) from previous year due primarily to lower investment income. Investment income decreased by 76.6 percent due to extremely low interest rates brought on by the global pandemic caused by COVID-19. Interest expense decreased by 5.4 percent primarily due to payments made to reduce outstanding revenue bonds.

### Year Ended April 30, 2020

Sales to participating members of \$309,869,429 and 3,797,095,319 kilowatt hours (kWh) were recorded during the fiscal year ended April 30, 2020. This represented a decrease of \$1,742,520 (0.6 percent) in revenue from sales to participating members and a decrease of 215,220,869 kWh (5.4 percent) as compared with the previous year. Sales were lower as compared to prior year due to warmer than normal late spring and early summer temperatures in Illinois during fiscal year 2019, this year saw a mild summer and winter across Illinois.

IMEA recorded a coincident peak demand of 915 MW, which was approximately 0.9 percent lower than the 923 MW experienced in the previous year. The total member noncoincident peak demand was 937 MW, which was approximately 0.7 percent lower than the 944 MW experienced in the previous year.

The average cost of power sold to the participating members with capacity credits of 7.93 cents per kWh was approximately 5.0 percent higher than the 7.55 cents per kWh from the previous year.

Total operating expenses increased by \$5,970,069 (2.5 percent) from the previous year due primarily to higher purchased power and transmission expense. Purchased power and transmission expenses went up almost 10 percent from the previous year. Transmission expenses are outside of IMEA's control. Interest and amortization expenses decreased by \$1,664,643 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 percent. Debt service coverage for the year ended April 30, 2021 was approximately 118.1 percent and approximately 117.7 percent for the year ended April 30, 2020. IMEA made no transfers during the year ended April 30, 2021 or during the year ended April 30, 2020 into the rate stabilization account, transfers would have reduced debt service coverage.

### Significant Events

IMEA is currently in negotiations with Illinois Power Marketing (IPM), a wholly owned subsidiary of Vistra Corp., to shorten the term of a long-term, baseload purchase power agreement. The original term of the agreement was set to end on September 30, 2035, however, the current term of the contract is through May 31, 2026. IMEA and IPM are working to set a new end date of May 31, 2022 that will coincide with the MISO Planning Year. As part of this shortened long-term agreement, IMEA is tentatively planning to purchase some portion of capacity and energy from IPM for one year beginning on June 2022 ending on May 2023 via a market-based transaction.

## Illinois Municipal Electric Agency

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Management's Discussion and Analysis  
April 30, 2021 and 2020  
(Unaudited)

### Renewable Energy Resources

IMEA has a contract to purchase 70 MW of wind energy from the Lee-Dekalb wind project owned by FPL Energy Illinois Wind, LLC and another contract to purchase 50MW of wind from the Green River wind farm that was developed by Geronimo Energy, LLC. IMEA also entered into contracts for the purchase of approximately 4.0 MW's of solar energy located within five of IMEA's member electric systems, with an additional 1.0 MW's of solar energy from an existing participate within IMEA's member electric systems with phased in generation beginning in June 2021. These contracts will provide IMEA with renewable energy resources totaling more than 10 percent of IMEA's energy requirements. In addition, IMEA has concluded contract negotiation to purchase 25 MW of solar energy for a period of 10 years from a solar project to be constructed in Illinois. This contract has a June 2025 start date. IMEA continues to evaluate additional carbon-free resources and will possibly seek additional opportunities with other Illinois solar projects to replace carbon based purchase power agreements as they expire.

### 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.

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## Illinois Municipal Electric Agency

### Statements of Net Position

April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Utility Plant</b>		
Utility plant in service	\$ 1,262,248,143	\$ 1,249,924,106
Accumulated depreciation	(341,871,024)	(309,898,140)
Construction work in progress	<u>72,606,814</u>	<u>70,265,521</u>
Total utility plant	<u>992,983,933</u>	<u>1,010,291,487</u>
<b>Restricted Assets</b>		
Cash and investments	<u>100,228,823</u>	<u>102,988,110</u>
<b>Current Assets</b>		
Cash	44,004,805	69,405,975
Investments	30,002,319	3,572,609
Accounts receivable	22,220,224	22,398,615
Bond interest subsidy receivable	1,953,303	2,052,136
Renewable energy credits	1,371,924	1,366,937
Prepayments	21,417,049	20,718,944
Collateral held for others	<u>500,411</u>	<u>502,912</u>
Total current assets	<u>121,470,035</u>	<u>120,018,128</u>
<b>Other Assets</b>		
Regulatory costs for future recovery	2,224,843	2,519,041
Unrealized (gain) loss on investments	(1,338,273)	(1,732,690)
Prairie State, other long term asset	829,612	985,438
Other regulatory assets	<u>9,535,946</u>	<u>4,030,666</u>
Total other assets	<u>11,252,128</u>	<u>5,802,455</u>
Total assets	<u>1,225,934,919</u>	<u>1,239,100,180</u>
<b>Deferred Outflows of Resources</b>		
Unamortized loss on advance refunding	<u>23,138,307</u>	<u>26,200,003</u>
Total assets and deferred outflows of resources	<u>\$ 1,249,073,226</u>	<u>\$ 1,265,300,183</u>

See notes to financial statements

## Illinois Municipal Electric Agency

### Statements of Net Position

April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Net Position and Liabilities</b>		
<b>Net Position</b>		
Net investment in capital assets	\$ 221,541,520	\$ 190,550,580
Restricted	9,238,756	10,043,859
Unrestricted	<u>84,299,894</u>	<u>83,787,611</u>
Total net position	<u>315,080,170</u>	<u>284,382,050</u>
<b>Noncurrent Liabilities</b>		
Revenue bonds	787,030,000	830,690,000
Other long-term debt, line of credit	14,000,000	14,000,000
Unamortized premium	43,493,913	49,174,356
Other liabilities	<u>15,930,139</u>	<u>10,770,552</u>
Total noncurrent liabilities	<u>860,454,052</u>	<u>904,634,908</u>
<b>Current Liabilities</b>		
Accounts payable and accrued expenses		
Accounts payable:		
Purchased power and transmission	10,522,621	8,682,031
Jointly-owned facilities	6,707,526	6,674,386
Other	231,981	764,832
Collateral due to others	500,425	502,707
Other current liabilities	<u>529,577</u>	<u>638,464</u>
Total accounts payable and accrued expenses	<u>18,492,130</u>	<u>17,262,420</u>
Current liabilities payable from restricted assets:		
Current maturities of revenue bonds	43,660,000	46,945,000
Interest accrued	<u>11,386,874</u>	<u>12,075,805</u>
Total current liabilities payable from restricted assets	<u>55,046,874</u>	<u>59,020,805</u>
Total current liabilities	<u>73,539,004</u>	<u>76,283,225</u>
Total liabilities	<u>933,993,056</u>	<u>980,918,133</u>
Total net position and liabilities	<u>\$ 1,249,073,226</u>	<u>\$ 1,265,300,183</u>

See notes to financial statements

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## Illinois Municipal Electric Agency

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Sales to participating members	\$ 316,350,196	\$ 309,869,429
Other income	5,574,411	3,146,086
Total operating revenues	<u>321,924,607</u>	<u>313,015,515</u>
<b>Operating Expenses</b>		
Purchased power	80,950,750	78,653,122
Transmission	41,472,038	36,915,844
Prairie State and Trimble County Units No. 1 and 2:		
Fuel	36,333,821	40,996,590
Operations and maintenance	40,346,072	35,608,739
Member payments:		
Fuel reimbursements	1,952,336	882,295
Capacity payments	8,550,967	8,824,889
Generation payments	31,019	11,715
Administration and general	8,052,808	8,189,197
Depreciation	34,256,314	33,242,457
Other utility operations	1,382,266	1,513,014
Total operating expenses	<u>253,328,391</u>	<u>244,837,862</u>
Operating income	<u>68,596,216</u>	<u>68,177,653</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	828,019	3,540,887
Bond interest subsidy revenue	7,719,529	8,041,167
Interest expense	(48,275,473)	(51,057,169)
Amortization expense	1,829,829	1,903,328
Other income	-	11,104
Total nonoperating revenues (expenses)	<u>(37,898,096)</u>	<u>(37,560,683)</u>
Change in net position	30,698,120	30,616,970
<b>Net Position, Beginning</b>	<u>284,382,050</u>	<u>253,765,080</u>
<b>Net Position, Ending</b>	<u>\$ 315,080,170</u>	<u>\$ 284,382,050</u>

See notes to financial statements

## Illinois Municipal Electric Agency

### Statements of Cash Flows

Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Received from power sales	\$ 305,918,455	\$ 299,948,794
Paid to suppliers for purchased power and transmission	(120,582,192)	(116,537,273)
Paid to suppliers and employees for other services	<u>(81,869,344)</u>	<u>(83,696,845)</u>
Net cash flows from operating activities	<u>103,466,919</u>	<u>99,714,676</u>
<b>Cash Flows From Noncapital and Related Financing Activities</b>		
Proceeds from line of credit draws	-	4,000,000
Payment of line of credit debt	<u>-</u>	<u>(4,000,000)</u>
Net cash flows from noncapital financing and related activities	<u>-</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Debt principal paid	(46,945,000)	(44,895,000)
Interest paid	(48,964,406)	(51,587,732)
Bond interest subsidy received	7,818,362	8,111,795
Acquisition and construction of capital assets	(17,534,480)	(21,067,693)
Asset retirement obligation costs incurred	<u>(5,741)</u>	<u>(152,330)</u>
Net cash flows from capital and related financing activities	<u>(105,631,265)</u>	<u>(109,590,960)</u>
<b>Cash Flows From Investing Activities</b>		
Investment income	828,020	3,540,887
Purchase of long-term investments	(138,422,539)	(129,473,595)
Maturity of long-term investments	<u>72,025,000</u>	<u>197,938,990</u>
Net cash flows from investing activities	<u>(65,569,519)</u>	<u>72,006,282</u>
Net change in cash and cash equivalents	(67,733,865)	62,129,998
<b>Cash and Cash Equivalents, Beginning</b>	<u>112,575,137</u>	<u>50,445,138</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 44,841,272</u>	<u>\$ 112,575,136</u>
<b>Noncash Capital and Related Financing Activities</b>		
Recording of other regulatory asset	<u>\$ 6,000,000</u>	<u>\$ 3,000,000</u>
Change in asset retirement obligation liability	<u>\$ (4,613,495)</u>	<u>\$ (305,149)</u>
Accretion expense	<u>\$ 512,453</u>	<u>\$ 497,193</u>
Change in unrealized loss on investments	<u>\$ 394,417</u>	<u>\$ (3,643,386)</u>
Amortization expense	<u>\$ 1,829,829</u>	<u>\$ 1,903,328</u>
Credits given on billings	<u>\$ (10,534,322)</u>	<u>\$ (9,718,900)</u>
Net gain on sale of assets	<u>\$ -</u>	<u>\$ 11,104</u>

See notes to financial statements.

## Illinois Municipal Electric Agency

### Statements of Cash Flows

Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Flows From Operating Activities</b>		
Operating income	\$ 68,596,216	\$ 68,177,653
Noncash items included in operating income:		
Depreciation	34,256,314	33,242,457
Other noncash transactions	439,161	786,233
Changes in assets and liabilities:		
Accounts receivable	178,392	(201,737)
Prepayments	(698,105)	(1,403,038)
Allowance inventory	(4,987)	(387,546)
Accounts payable	<u>699,928</u>	<u>(499,346)</u>
Net cash flows from operating activities	<u>\$ 103,466,919</u>	<u>\$ 99,714,676</u>
<b>Reconciliation of Cash and Cash Equivalents to</b>		
<b>the Balance Sheets</b>		
Restricted cash and investments	\$ 100,228,823	\$ 102,988,110
Cash	44,004,805	69,405,975
Investments	<u>30,002,319</u>	<u>3,572,609</u>
Total cash and investments	174,235,947	175,966,694
Less investments	<u>(129,394,675)</u>	<u>(63,391,558)</u>
Total cash and cash equivalents	<u>\$ 44,841,272</u>	<u>\$ 112,575,136</u>

See notes to financial statements.

## Illinois Municipal Electric Agency

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Notes to Financial Statements  
April 30, 2021 and 2020

### 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, 2021, 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.

#### 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.

## Illinois Municipal Electric Agency

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Notes to Financial Statements  
April 30, 2021 and 2020

### Accounts Receivable and Allowance for Doubtful Accounts

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

### Renewable Energy Credits

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

### Prepayments

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

### Restricted Assets

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

### Prairie State – Other Long Term Asset

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

### Regulatory Costs for Future Recovery

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

### Unrealized Gains and Loss on Investments

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

### Utility Plant

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

## Illinois Municipal Electric Agency

Notes to Financial Statements

April 30, 2021 and 2020

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:

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

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

### Other Regulatory Assets

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

During fiscal year 2020, IMEA recognized a regulatory asset of \$3,000,000 related to PJM Capacity costs. During fiscal year 2021, IMEA recognized an additional \$6,000,000 in regulatory assets related to PJM Capacity costs.

### 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.

### 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.

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

### Other Liabilities

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

### Long-Term Obligations

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

### Revenues and Expenses

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

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

### Bond Subsidy Revenue and Receivable

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

The United States Federal Government was subject to the process of sequestration for the budget year ending September 30, 2021 and 2020 whereby foreseeable spending reductions for many Federal programs, including issuers of the BAB's, may directly affect the recovery of the BAB's subsidy. See Note 7 for further details.

### Taxes

IMEA is exempt from State and Federal income taxes.

### Rates

Rates charged to members are approved by the Board of Directors and were increased March 1, 2021. The approved rate includes adjustment clauses which are calculated monthly based on cost to serve member load.

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

### Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 87, Leases, Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 91, Conduit Debt Obligations, Statement No. 92, Omnibus, Statement No. 93, Replacement of Interbank Offered Rates, Statement No. 94, Public-private and Public-Public Partnerships and Availability Payment Arrangements, Statement No. 96, Subscription Based Information Technology Arrangements and Statement No. 97, Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32. When they become effective, application of these standards may restate portions of these financial statements.

### Comparative Data

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## 2. Cash and Investments

IMEA's cash and investments consist of the following:

	Carrying Value as of April 30		Associated Risk
	2021	2020	
The Illinois Funds	\$ 19,106,934	\$ 19,070,656	Credit and interest rate
U.S. agency securities – implicitly guaranteed	50,914,483	56,476,884	Custodial credit, credit, concentration of credit and interest rate
U.S. treasuries	79,112,264	7,346,395	Custodial credit and interest rate
Money market mutual fund	-	22,658,968	Not applicable
Money market fund	1,448,582	70,413,291	Custodial credit
Checking and savings	23,653,184	-	Custodial credit
Petty cash	500	500	Not applicable
Total	\$ 174,235,947	\$ 175,966,694	

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.



## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

### Custodial Credit Risk

#### Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, IMEA's deposits may not be returned to IMEA. IMEA's investment policy requires collateralization of deposits above the amount insured by the FDIC. IMEA had \$23,485,083 and \$0 in deposits exposed to custodial credit risk as of April 30, 2021 and 2020, respectively. Due to human error on the part of the bank, IMEA deposits were uncollateralized for two days at the end of fiscal year 2021. Subsequent to year end, IMEA management discovered the issue then contacted the bank, the bank then immediately rectified the situation to fully collateralize these balances.

#### 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, 2021 and 2020, were considered to be in risk category one (investments held in trust on behalf of IMEA), therefore, not subject to custodial credit risk. IMEA's investment policy requires all investment securities be held by its agent in IMEA's name.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of April 30, 2021 IMEA's investments were rated as follows:

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

As of April 30, 2020 IMEA's investments were rated as follows:

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

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

### Concentration of Credit Risk

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

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

As of April 30, 2021 and 2020, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Types	Percentage of Portfolio	
		2021	2020
Federal Home Loan Bank Federal Farm Credit Banks Funding Corporation	U.S. agency securities – Implicitly Guaranteed	23%	40%
	U.S. agency securities – Implicitly Guaranteed	16%	35%

IMEA's investment policy states that no more than 50 percent 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, 2021 IMEA's investments were as follows:

	Fair Value	Maturity (In Years)		
		Less than 1	1-5	Over 5
U.S. agency securities	\$ 50,914,483	\$ 29,821,366	\$ 10,825,266	\$ 10,267,852
U.S. treasuries	79,112,264	108,933,629	-	-
Total	<u>\$ 130,026,747</u>	<u>\$ 138,754,995</u>	<u>\$ 10,825,266</u>	<u>\$ 10,267,852</u>

IMEA also has \$19,106,934 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 91 days.

As of April 30, 2020 IMEA's investments were as follows:

	Fair Value	Maturity (In Years)		
		Less than 1	1-5	Over 5
U.S. agency securities	\$ 56,476,884	\$ 2,277,592	\$ 37,322,852	\$ 16,876,440
U.S. treasuries	7,346,395	7,346,395	-	-
Total	<u>\$ 63,823,279</u>	<u>\$ 9,623,987</u>	<u>\$ 37,322,852</u>	<u>\$ 16,876,440</u>

IMEA also has \$19,070,656 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 90 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.

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

The valuation methods for recurring fair value measurements as of April 30, 2021 and 2020 are as follows:

- Market approach – matrix pricing or market collaborative pricing

Investment Type	Total	Level 1	Level 2	Level 3
U.S. agency securities:	\$ 50,914,483	\$ -	\$ 50,914,483	\$ -
U.S. treasuries	79,112,264	79,112,264	-	-
Total	<u>\$ 130,026,747</u>	<u>\$ 79,112,264</u>	<u>\$ 50,914,483</u>	<u>\$ -</u>

Investment Type	Total	Level 1	Level 2	Level 3
U.S. agency securities:	\$ 56,476,884	\$ -	\$ 56,476,884	\$ -
U.S. treasuries	7,346,395	6,891,156	455,239	-
Total	<u>\$ 63,823,279</u>	<u>\$ 6,891,156</u>	<u>\$ 56,932,123</u>	<u>\$ -</u>

### 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 percent 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 percent (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 percent (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  
April 30, 2021 and 2020

### 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 percent 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, 2021 and 2020.

	2021	2020
Included in current assets:		
Revenue	\$ 163	\$ -
Operation and maintenance	23,653,022	22,658,968
Renewals and replacements	2,345,318	2,380,734
General reserve	2,508,121	2,438,382
Rate stabilization	45,500,000	45,500,000
General cash (not restricted by indenture)	500	500
Total current cash and investments	<u>\$ 74,007,124</u>	<u>\$ 72,978,584</u>
Included in restricted investment accounts:		
Debt service	\$ 20,625,630	\$ 22,119,664
Debt service reserve	79,603,193	80,868,446
Total restricted cash and investments	<u>\$ 100,228,823</u>	<u>\$ 102,988,110</u>

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

### 5. Changes In Utility Plant

A summary of changes in utility plant for 2021 follows:

	Balance 5/1/20	Additions/ Reclassification	Deletions/ Reclassification	Balance 4/30/21
Utility plant being depreciated electric plant -				
Trimble County Unit No. 1	\$ 128,058,413	\$ 5,446,133	\$ (1,991,698)	\$ 131,512,848
Trimble County Unit No. 2	187,593,227	3,919,784	-	191,513,011
Prairie State Unit No. 1	355,586,668	309,789	-	355,896,457
Prairie State Unit No. 2	326,926,362	800,462	(143,975)	327,582,849
Mobile generation	3,117,860	93,518	-	3,211,378
Prairie State, Common	149,123,200	1,610,451	(14,059)	150,719,592
Prairie State, Jordan Grove	1,474,742	-	(15,665)	1,459,077
Prairie State, Nearfield	12,020,795	2,023,275	-	14,044,070
Prairie State, Other	7,833,412	-	-	7,833,412
Prairie State, Mine	42,359,358	363,372	(107,223)	42,615,507
Prairie State, Coal Reserves Land <sup>1</sup>	17,372,369	-	-	17,372,369
Office building	5,966,369	-	-	5,966,369
Office furniture and equipment	8,404,946	4,054	-	8,409,000
Supervisory control and data acquisition equipment	526,536	2,723	-	529,259
Winnetka 138 interconnect	2,523,321	48,189	(26,473)	2,545,037
Other equipment	500,000	-	-	500,000
	536,528	1,380	-	537,908
Total utility plant in service	1,249,924,106	14,623,130	(2,299,093)	1,262,248,143
Construction work in progress	70,265,521	7,881,976	(5,540,683)	72,606,814
Total utility plant	1,320,189,627	22,505,106	(7,839,775)	1,334,854,957

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

	Balance 5/1/20	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/21
Less accumulated depreciation electric plant -				
Trimble County Unit No. 1	\$ (70,973,166)	\$ (3,527,223)	\$ 1,991,699	\$ (72,508,690)
Trimble County Unit No. 2	(44,131,763)	(5,106,434)	-	(49,238,197)
Prairie State Unit No. 1	(67,445,864)	(8,894,107)	-	(76,339,971)
Prairie State Unit No. 2	(59,492,067)	(8,178,734)	143,976	(67,526,825)
Mobile generation	(1,861,261)	(104,968)	-	(1,966,229)
Prairie State, Common	(28,561,744)	(3,734,147)	14,060	(32,281,831)
Prairie State, Jordan Grove	(956,862)	(241,149)	-	(1,198,011)
Prairie State, Nearfield	(1,658,050)	(320,098)	-	(1,978,148)
Prairie State, Other	(3,055,462)	(391,671)	-	(3,447,133)
Prairie State, Mine	(21,017,229)	(2,828,563)	107,224	(23,738,568)
Prairie State, Coal Reserves	(3,814,899)	(518,552)	-	(4,333,451)
Office building	(3,294,338)	(276,224)	-	(3,570,562)
Office furniture and equipment	(503,820)	(8,379)	-	(512,199)
Supervisory control and data acquisition equipment	(2,342,483)	(61,237)	26,472	(2,377,248)
Winnetka 138 interconnect	(394,445)	(16,667)	-	(411,112)
Other equipment	(394,687)	(48,162)	-	(442,849)
Total accumulated depreciation	(309,898,140)	(34,256,315)	2,283,431	(341,871,024)
Net utility plant	\$ 1,010,291,487			\$ 992,983,933

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

A summary of changes in utility plant for 2020 follows:

	Balance 5/1/19	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/20
Utility Plant being depreciated electric plant				
-				
Trimble County Unit No. 1	\$ 127,937,106	\$ 947,282	\$ (825,975)	\$ 128,058,413
Trimble County Unit No. 2	186,100,335	1,492,892	-	187,593,227
Prairie State Unit No. 1	355,055,286	852,978	(321,596)	355,586,668
Prairie State Unit No. 2	326,897,887	28,475	-	326,926,362
Mobile generation	3,117,860	-	-	3,117,860
Prairie State, Common	148,456,648	666,552	-	149,123,200
Prairie State, Jordan Grove	1,598,890	-	(124,148)	1,474,742
Prairie State, Nearfield	11,910,154	110,641	-	12,020,795
Prairie State, Other	7,833,412	-	-	7,833,412
Prairie State, Mine	42,164,338	195,020	-	42,359,358
Prairie State, Coal Reserves	17,372,369	-	-	17,372,369
Land <sup>1</sup>	5,966,369	-	-	5,966,369
Office building	8,365,916	39,030	-	8,404,946
Office furniture and equipment	519,917	6,619	-	526,536
Supervisory control and data acquisition equipment	2,434,352	95,145	(6,176)	2,523,321
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	506,630	85,794	(55,896)	536,528
	<u>1,246,737,469</u>	<u>4,520,428</u>	<u>(1,333,791)</u>	<u>1,249,924,106</u>
Total utility plant in service				
Construction work in progress	57,241,512	15,464,183	(2,440,174)	70,265,521
	<u>1,303,978,981</u>	<u>19,984,611</u>	<u>(3,773,965)</u>	<u>1,320,189,627</u>
Total utility plant				

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

	Balance 5/1/19	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/20
Less accumulated depreciation electric plant -				
Trimble County Unit No. 1	\$ (69,164,011)	\$ (2,635,130)	\$ 825,975	\$ (70,973,166)
Trimble County Unit No. 2	(39,090,210)	(5,041,553)	-	(44,131,763)
Prairie State Unit No. 1	(58,890,506)	(8,876,954)	321,596	(67,445,864)
Prairie State Unit No. 2	(51,318,908)	(8,173,159)	-	(59,492,067)
Mobile generation	(1,757,332)	(103,929)	-	(1,861,261)
Prairie State, Common	(24,841,717)	(3,720,027)	-	(28,561,744)
Prairie State, Jordan Grove	(706,914)	(249,948)	-	(956,862)
Prairie State, Nearfield	(1,359,374)	(298,676)	-	(1,658,050)
Prairie State, Other	(2,663,791)	(391,671)	-	(3,055,462)
Prairie State, Mine	(18,202,268)	(2,814,961)	-	(21,017,229)
Prairie State, Coal Reserves	(3,277,644)	(537,255)	-	(3,814,899)
Office building	(3,020,800)	(273,538)	-	(3,294,338)
Office furniture and equipment	(497,046)	(6,774)	-	(503,820)
Supervisory control and data acquisition equipment	(2,298,641)	(50,018)	6,176	(2,342,483)
Winnetka 138 interconnect	(377,778)	(16,667)	-	(394,445)
Other equipment	(395,489)	(52,196)	52,998	(394,687)
	<u>(277,862,429)</u>	<u>(33,242,456)</u>	<u>1,206,745</u>	<u>(309,898,140)</u>
Total accumulated depreciation				
Net utility plant	<u>\$ 1,026,116,552</u>			<u>\$ 1,010,291,487</u>

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

### 6. Impairment of Capital Asset

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

### 7. Long Term Obligations

IMEA has issued the following revenue bonds:

Date	Purpose	Final Maturity	Interest Rates	Original Issue	Outstanding Amount 4/30/21
Nov. 5, 2007	Refinance 1998 bonds	Feb. 1, 2021	5.00 – 5.20%	\$ 51,360,000	\$ -
July 15, 2009	Debt service and capital improvements *	Feb. 1, 2035	5.33 – 6.13%	294,755,000	231,760,000
Nov. 30, 2010	Debt service and capital improvements *	Feb. 1, 2035	2.47 – 7.29%	140,290,000	99,470,000
April 1, 2015	Refunding 2006 and 2007A bonds	Feb. 1, 2035	4.00 – 5.00%	594,685,000	499,460,000

\* The 2009C and 2010A revenue bonds are taxable Build America Bonds. IMEA receives a 35 percent interest subsidy from the federal government for these bonds. During Federal fiscal years 2021 and 2020, 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 5.7 percent and a 5.9 percent reduction in payments for the federal budget year ended September 30, 2021 and 2020, 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:

	Principal	Interest	Total
Years ending April 30:			
2022	\$ 43,660,000	\$ 46,315,151	\$ 89,975,151
2023	45,675,000	43,938,143	89,613,143
2024	47,750,000	41,419,675	89,169,675
2025	50,005,000	38,706,918	88,711,918
2026	51,725,000	35,867,222	87,592,222
2027 – 2031	298,415,000	131,437,199	429,852,199
2032 – 2035	293,460,000	39,215,014	332,675,014
Total	\$ 830,690,000	\$ 376,899,322	\$ 1,207,589,322

## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

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

IMEA's outstanding revenue bonds contain event of default provisions with possible finance-related consequences. IMEA's management has evaluated the event of default provisions with possible finance-related consequences and in the opinion of IMEA's management; the likelihood is remote that these provisions will have a significant effect on IMEA's financial position or results of operations.

### Committed Line of Credit

On October 29, 2010, IMEA entered into a \$25 million Committed Line of Credit agreement (LOC Agreement) with PNC Bank. Under the LOC Agreement, IMEA may draw funds and/or post standby letters of credit. The LOC Agreement was increased to \$50 million on September 1, 2012 and expires on October 31, 2022. IMEA had \$14.0 million outstanding under the LOC Agreement as of April 30, 2021 and 2020.

Long-term obligation activity for the year ended April 30, 2021 is as follows:

	<u>Balance 5/1/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 4/30/21</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 877,635,000	\$ -	\$ 46,945,000	\$ 830,690,000	\$ 43,660,000
Line of credit agreement	14,000,000	-	-	14,000,000	-
Unamortized premium	49,174,356	-	5,680,443	43,493,913	-
Other liabilities	10,770,552	14,545,223	9,385,636	15,930,139	-
Total	<u>\$ 951,579,908</u>	<u>\$ 14,545,223</u>	<u>\$ 62,011,079</u>	<u>\$ 904,114,052</u>	<u>\$ 43,660,000</u>

Long-term obligation activity for the year ended April 30, 2020 is as follows:

	<u>Balance 5/1/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 4/30/20</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 922,530,000	\$ -	\$ 44,895,000	\$ 877,635,000	\$ 46,945,000
Line of credit agreement	14,000,000	4,000,000	4,000,000	14,000,000	-
Unamortized premium	55,162,166	-	5,987,810	49,174,356	-
Other liabilities	10,416,626	581,654	227,728	10,770,552	-
Total	<u>\$ 1,002,108,792</u>	<u>\$ 4,581,654</u>	<u>\$ 55,110,538</u>	<u>\$ 951,579,908</u>	<u>\$ 46,945,000</u>

### 8. Accounting for Asset Retirement Obligations

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

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



## Illinois Municipal Electric Agency

Notes to Financial Statements  
April 30, 2021 and 2020

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

<u>Balance 5/1/20</u>	<u>Liabilities Incurred (Adjustments)</u>	<u>Accretion</u>	<u>Costs Incurred</u>	<u>Balance 4/30/21</u>
\$ 10,249,034	\$ 4,607,754	\$ 512,453	\$ (44,219)	\$ 15,325,022

<u>Balance 5/1/19</u>	<u>Liabilities Incurred (Adjustments)</u>	<u>Accretion</u>	<u>Costs Incurred</u>	<u>Balance 4/30/20</u>
\$ 9,943,855	\$ 39,714	\$ 497,193	\$ (231,728)	\$ 10,249,034

### 9. Net Position

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

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

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

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

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

April 30, 2021 and 2020

The following calculation supports the net investment in capital assets:

	<u>2021</u>	<u>2020</u>
Utility plant in service	\$ 1,262,248,143	\$ 1,249,924,106
Accumulated depreciation	(341,871,024)	(309,898,140)
Construction work in progress	<u>72,606,814</u>	<u>70,265,521</u>
Subtotal	<u>992,983,933</u>	<u>1,010,291,487</u>
Less capital related debt:		
Current portion of capital related long-term debt	43,660,000	46,945,000
Long-term portion of capital related long-term debt	787,030,000	830,690,000
Unamortized loss on advance refunding	(23,138,307)	(26,200,003)
Unamortized premium	<u>43,493,913</u>	<u>49,174,356</u>
Subtotal	<u>851,045,606</u>	<u>900,609,353</u>
Add unspent debt proceeds:		
Debt service reserve from borrowing	<u>79,603,193</u>	<u>80,868,446</u>
Total net investment in capital assets	<u>\$ 221,541,520</u>	<u>\$ 190,550,580</u>

The following calculation supports the amount of restricted net position:

	<u>2021</u>	<u>2020</u>
Restricted investments	<u>\$ 100,228,823</u>	<u>\$ 102,988,110</u>
Less restricted assets not funded by revenues:		
Debt service reserve account	(76,603,193)	(80,868,446)
Current liabilities payable from restricted assets	<u>(11,386,874)</u>	<u>(12,075,805)</u>
Subtotal	<u>(90,990,067)</u>	<u>(92,944,251)</u>
Total restricted net position as calculated	<u>\$ 9,238,756</u>	<u>\$ 10,043,859</u>

## Illinois Municipal Electric Agency

Notes to Financial Statements

April 30, 2021 and 2020

### 10. Regulatory Assets

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

	<u>Balance</u> <u>5/1/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/21</u>
Regulatory costs for future recovery	\$ 2,519,041	\$ -	\$ 294,198	\$ 2,224,843
Unrealized (gain)/loss on investments	(1,732,690)	-	394,417	(1,338,273)
Other regulatory assets	<u>4,030,666</u>	<u>6,000,000</u>	<u>494,720</u>	<u>9,535,946</u>
Total	<u>\$ 4,817,017</u>	<u>\$ 6,000,000</u>	<u>\$ 1,183,335</u>	<u>\$ 10,422,516</u>

	<u>Balance</u> <u>5/1/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/20</u>
Regulatory costs for future recovery	\$ 2,832,532	\$ -	\$ 313,491	\$ 2,519,041
Unrealized (gain)/loss on investments	1,910,696	-	3,643,386	(1,732,690)
Other regulatory assets	<u>1,525,386</u>	<u>3,000,000</u>	<u>494,720</u>	<u>4,030,666</u>
Total	<u>\$ 6,268,614</u>	<u>\$ 3,000,000</u>	<u>\$ 4,451,597</u>	<u>\$ 4,817,017</u>

### 11. Employee Retirement Plan

IMEA's employees are covered by the Illinois Municipal Electric Agency Pension Plan, a defined contribution pension plan with a 5-year vesting schedule. Benefit provisions and all other requirements are established by the board of IMEA. IMEA contributes 25 percent 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, 2021 and 2020 total contributions were \$950,000 and \$917,800, respectively.

### 12. Contracts and Commitments

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

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

## **Illinois Municipal Electric Agency**

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Notes to Financial Statements

April 30, 2021 and 2020

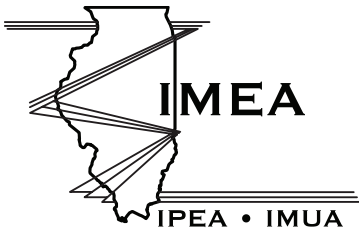
### **13. Significant Customers**

IMEA has two significant customers who were responsible for 49 percent of operating revenue in 2021 and 2020.

### **14. 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.





**Illinois Municipal Electric Agency**

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