

Stable Power in an Unstable World



2022
Annual Report



Illinois Municipal Electric Agency

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

When it comes to electric energy and capacity markets in Illinois, it often seems that unpredictability is the only thing that is predictable. Exposure to sudden fluctuations in wholesale power costs jeopardize a municipal utility's ability to budget for these costs, which, in turn, hampers the ability to maintain predictable and competitive rates for retail customers. That is why for this year's annual report, we have chosen the theme of **stability** – one of the great benefits that municipal members have secured through their relationship with the Illinois Municipal Electric Agency (IMEA).

To combat market volatility, in 1984, a number of Illinois municipalities that operated their own electric distribution systems decided to take matters into their own hands: They banded together to form the IMEA. Through the governance of its municipal members, the IMEA has developed a diversified portfolio of owned and contracted power sources to hedge against large price increases in the market.

The current period is shaping up to be a perfect example of the wisdom of that strategy. Estimates are that residents served by the investor-owned utility in downstate Illinois could pay as much as 50% more on their electric bill this year than they did last year. That leap is partly due to the unexpected results of the 2022-23 MISO capacity auction for downstate Illinois. The IMEA's decision to invest as owners of baseload generation units coupled with long-term power and capacity purchase agreements will largely insulate the retail customers of IMEA-member utilities from these unprecedented price increases.


The pages that follow will expand on the agency's proven track record of achieving predictable, stable and competitive pricing, but IMEA offers many more value-added services to its members. Here, in broad strokes, are some of the advantages the agency provides:

- IMEA empowers member communities by giving them a direct voice and a vote in our not-for-profit agency.
- IMEA reliably keeps members' rates competitive.
- IMEA provides services that are tailor-made for municipal electric utilities.
- IMEA is working with its municipal members to help effect a reliable, responsible transition to a greener energy future.


No other wholesale electric provider in the state is able to match the level of service IMEA brings to its municipal members because no other fully-staffed wholesale provider was created by those municipalities specifically for those municipalities.

In the unstable world of the electric industry, the IMEA stands out as a bastion of stability for its members because the agency's sole purpose is to serve the needs of its not-for-profit municipal members. This doesn't happen by accident. It happens thanks to strategies designed by IMEA's staff at the direction of the IMEA Board.




Dale Detmer
Chairman of the Board




Kevin M. Gaden
President & CEO

Who We Are

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

Since its creation in 1984, the focus of the IMEA has been on the reliable delivery of bulk power and energy to its members at low and stable prices. IMEA combines the power needs of all of its members and secures the electricity necessary to satisfy those needs. The agency meets the wholesale power needs of its municipal members under long-term power supply contracts.

To accomplish its 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, medium and short-term bilateral purchases of capacity and energy, and purchases from the market when needed. From time to time, IMEA uses the power plants owned and operated by members to help meet the membership's needs. IMEA is working to purchase a growing portion of its capacity and energy from non-carbon emitting generation sources.

IMEA backs its commitment to power supply excellence with a 24-hour-a-day, seven-days-a-week Operations Department staffed by highly skilled power supply professionals. In addition, IMEA provides engineering, legal, communications, economic development, value-added services, and legislative and regulatory oversight services for its members. IMEA's senior officers bring to member municipalities a combined 220 years of experience in all facets of the electric industry.

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

IMEA Members

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



Brad Myers
Carlyle



David Coston
Carmi



Shelby Biggs
Casey



Tyler Lampley
Fairfield



Sue McLaughlin
Farmer City



Mike Ryder
Greenup



Dan Cook
Highland



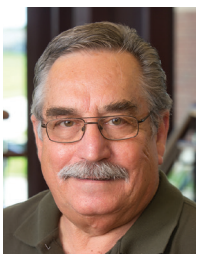
Pat Barry
Ladd



Jesse Carlton
Mascoutah



Brian Groth
Naperville



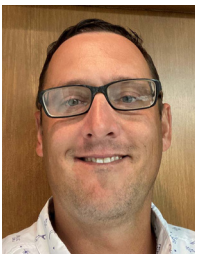
Mayor Dominic Rivara
Oglesby



Justin Miller
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,	2022	2021	2020
Operating Revenues:			
Electric Sales to Participating Members	\$308,416,558	\$316,350,196	\$309,869,429
Electric Sales to Others	0	0	0
Other	5,243,085	5,574,411	3,146,086
Total Operating Revenues	313,659,643	321,924,607	313,015,515
Operating Expenses:			
Purchased Power	61,138,563	80,950,750	78,653,123
Transmission	45,452,050	41,472,038	36,915,843
Prairie State and Trimble County Unit No. 1 and 2:			
Fuel	43,054,514	36,333,821	40,996,590
Operations and Maintenance	33,977,666	40,346,072	35,608,739
Member Payments:			
Fuel Reimbursements	1,167,265	1,952,336	882,295
Capacity Payments	8,658,668	8,550,967	8,824,889
Generation Payments	17,682	31,019	11,715
Administrative and General	8,527,124	8,052,808	8,189,197
Depreciation	35,262,426	34,256,314	33,242,457
Other Utility Operations	1,593,825	1,382,266	1,513,014
Total Operating Expenses	238,849,783	253,328,391	244,837,862
Net Operating Income	74,809,860	68,596,216	68,177,653
Other Expenses - Net	(36,004,263)	(37,898,096)	(37,560,683)
Change in Net Position	\$38,805,597	\$30,698,120	\$30,616,970
Peak Demand (Non-Coincident kW)	938,599	904,631	936,869
Kilowatt-Hour Sales to Participating Members(kWh)	3,856,129,073	3,736,971,363	3,797,095,319
Kilowatt-Hour Sales to Others(kWh)	0	0	0
Debt Service Coverage after Rate Stabilization Transfer	131%	118%	118%
Principal Paid on Revenue Bonds	\$43,660,000	\$46,945,000	\$44,895,000
Revenue Bonds Outstanding	\$787,030,000	\$830,690,000	\$877,635,000
Net Position	\$353,885,767	\$315,080,170	\$284,382,050

2019	2018	2017	2016	2015	2014	2013
\$311,611,949	\$309,866,759	\$310,855,402	\$305,397,433	\$297,920,665	\$313,329,416	\$293,252,375
0	7,050,667	9,604,445	9,250,649	9,487,955	10,202,123	9,191,496
2,184,067	662,443	525,381	3,433,172	4,906,065	3,570,481	2,038,994
313,796,016	317,579,869	320,985,228	318,081,254	312,314,685	327,102,020	304,482,865
76,157,891	89,985,282	92,785,719	92,863,982	93,821,555	112,229,955	121,189,265
29,085,212	30,167,782	33,073,872	21,906,341	13,114,019	14,902,996	19,839,895
43,853,976	42,117,228	39,798,819	41,685,758	43,282,351	37,198,450	35,127,223
35,150,793	36,614,195	36,229,144	36,285,399	36,338,400	32,417,374	20,463,752
1,015,505	1,091,258	1,145,944	823,604	1,119,275	1,431,522	1,423,755
8,897,963	8,930,449	9,027,785	9,183,749	9,202,280	9,163,470	9,204,193
12,371	21,824	22,628	2,728	2,774	6,056	3,357
8,119,671	7,893,267	7,290,386	7,313,294	7,456,187	8,232,434	7,084,137
34,135,909	35,268,987	34,848,247	34,320,066	33,126,911	32,659,266	27,081,063
2,438,502	1,676,021	1,799,987	1,927,742	1,429,914	1,880,493	1,169,848
238,867,793	253,766,293	256,022,531	246,312,663	238,893,666	250,122,016	242,586,488
74,928,223	63,813,576	64,962,697	71,768,591	73,421,019	76,980,004	61,896,377
(38,722,738)	(41,176,746)	(43,957,524)	(45,730,938)	(53,399,018)	(59,430,472)	(46,421,103)
\$36,205,485	\$22,636,830	\$21,005,173	\$26,037,653	\$20,022,001	\$17,549,532	\$15,475,274
944,038	953,778	979,796	939,653	942,161	1,005,629	1,084,464
4,012,316,188	3,922,872,791	4,000,227,863	3,938,284,055	3,974,872,808	4,102,836,932	4,135,520,775
0	78,375,093	114,456,162	110,822,027	120,211,294	123,499,732	115,139,111
124%	110%	110%	113%	110%	110%	113%
\$42,950,000	\$41,095,000	\$39,310,000	\$41,375,000	\$36,960,000	\$35,285,000	\$23,675,000
\$922,530,000	\$965,480,000	\$1,006,575,000	\$1,045,885,000	\$1,087,260,000	\$1,174,390,000	\$1,209,675,000
\$253,765,080	\$217,559,595	\$194,922,765	\$173,917,592	\$147,879,939	\$127,857,938	\$110,308,406

Stability in an Unstable World

On May 16, 1984, dissatisfied with the price volatility they were encountering with for-profit, private-sector energy providers, representatives from 27 municipalities gathered at the first Illinois Municipal Electric Agency (IMEA) Board of Directors meeting to elect a slate of officers and begin to take control of their bulk wholesale power needs. The IMEA's job is to produce or secure power for its municipal members and provide for that power to arrive at the members' delivery points. From there, the locally managed electric systems distribute power to the municipality's retail customers.

Like the cities and villages that govern it, the IMEA is a not-for-profit unit of local government that focuses on providing necessary energy and value-added services for its member municipalities. Since its inception, the agency has grown to serve 32 Illinois municipalities. The agency has evolved to offer services that meet the unique needs of municipal electric utilities in ways that no other wholesale electric provider in the state is able to match. Among the charges that the IMEA Board has given to the agency are to provide reliable power and predictable, stable wholesale rates.



IMEA-member behind-the-meter generation units, if needed or economical. To assure reliability 24-hours-a-day, 365-days-a-year, Operations Department personnel monitor all member municipality delivery points and alert local utility personnel immediately of any voltage dips, power supply interruptions or other system anomalies. In an extreme event that causes a loss of power, IMEA Operations Department 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 service to its customers.

IMEA Empowers Member Communities

The agency fulfills its core mission through power supply contracts and through ownership shares of generation facilities. IMEA backs up its power supply commitment with its always-on-duty Operations Department that constantly monitors – and executes actions in – the day-ahead and real-time energy markets as needed. Each day, Operations Department staff schedules into both of Illinois' Regional Transmission Organization markets the amount of energy forecasted for the next day's consumption and also schedules the next day's anticipated output from IMEA's baseload generation units, IMEA's contracted capacity and energy transactions, including the output from contracted renewable generation units (such as wind and solar), and



The IMEA state-of-the-art operations center is staffed 24-hours-a-day, 365-days-a-year to serve the needs of member municipalities.

*But the agency provides more than wholesale power and first-class operations services. IMEA's relationships with member communities promote local control and precipitate member-driven results. The member municipalities' continued governance of the organization strives to assure that members' power needs are met **reliably, affordably, and responsibly.***

Each community has a voting representative on the IMEA Board of Directors – a seat at the table – driving all major decisions about the community's wholesale power supply services. No other wholesale power provider can match the extent to which the agency's governance structure allows its member communities to set policy directions, and no other power supplier has the resources and expertise to tailor its services specifically for Illinois' municipal electric systems the way that IMEA has since its inception. Thus, IMEA shares its member electric systems' commitment and duty to reliably serve their communities for the long run.

IMEA Reliably Keeps Members' Rates Competitive

Like our member municipal electric systems, IMEA is a not-for-profit entity. Rather than striving for shareholder profits, the agency seeks to offer members predictable, competitive wholesale energy costs and protect municipal members from market fluctuations.

Cost Stability

Thanks to a commitment to stability and a strategy that achieves it, retail customers in IMEA member communities will largely be insulated from price spikes that those in neighboring towns are likely to face in the coming year – especially for those in central and southern Illinois, where residents served by the investor-owned utility could pay as much as 50% more a month on their electric bills than they did last year. That leap is largely due to the unprecedented results of the 2022-23 capacity auction for downstate Illinois, as well as increased energy costs on the spot market.

Each year, the Midcontinent Independent System Operator (MISO), which is the Regional Transmission Organization (RTO) for central and southern Illinois, holds an auction that determines the cost of capacity for its footprint in central and southern Illinois. For the past five years, capacity auction prices in the Illinois region of the MISO footprint were fairly low and consistent. However, a shortage of capacity, combined with other factors, caused the 2022-23 capacity auction price to increase an astounding 47-fold over the prior year.



How IMEA Delivers Electricity to its Municipalities

IMEA is a not-for-profit agency governed by its 32 member municipalities



The foresight of the IMEA Board of Directors flattened that volatility for IMEA member communities. The board has directed the agency to:

- Own generation assets,
- Maintain behind-the-meter generation resources in many member communities, and
- Contract for fixed-price purchases of energy and capacity.

These actions have created a hedge against the type of budget-busting cost fluctuation that occurred in the 2022-23 MISO capacity auction. In the marketplace, the agency's diversified portfolio of owned and contracted power sources is accomplishing the goal it was designed to achieve: Stability.

Predictable and Affordable Costs

IMEA members' wholesale power costs are predictable and competitive. Members can rely on the accuracy of the agency's budget as they plan their own municipal budgets. The average cost of power to member municipalities has been at or below the start-of-the-year IMEA budgeted cost for seven years out of the past 10 (a decade that included two years of the COVID pandemic, which made electric usage nearly impossible to predict accurately). For the decade as a whole, the average cost of power to members has been 0.4% under the start-of-the-year budget.

IMEA has a proven record of holding down the costs it can control in order to assure that wholesale power remains affordable. Excluding transmission and RTO costs (which affect – and are borne by – all market participants and are outside of IMEA control), IMEA's power supply costs are lower now than they were in 2014 and are projected to remain flat through 2026. Even with transmission cost increases, total average costs to members are up just more than 10% over the last decade, an average increase of a little more than 1% per year.

IMEA Provides Value-Added Services that are Tailor-Made for Municipal Electric Utilities

IMEA develops and delivers services and programs made *specifically* for municipal electric utilities. Member municipal systems know that they can lean on IMEA to strengthen their local efforts to provide efficient solutions to the ever-evolving challenges in the electric industry. The agency employs engineers, power market experts, power resource specialists, state and federal regulatory compliance specialists and program administrators who provide services that are only possible through this agency. These services include:

- Offering members support in interpreting and complying with North American Electric Reliability Corporation (NERC) and Federal Energy Regulatory Commission (FERC) standards and regulations, as well as state and federal laws related to operating municipal electric systems.
- Representing member interests through expert participation in the state's two Regional Transmission Organizations' (RTOs).
- Providing regulatory and legal defense for all issues concerning costs and assets, including generation and transmission.
- Paying capacity credits and fuel costs for members with municipally owned behind-the-meter generation assets.
- Creating and administering programs focused on electric efficiency, demand response and electric vehicles, as well as the renewable energy credit purchase and offset program.
- Working with the American Public Power Association and Illinois Municipal Utilities Association to take an active advocacy role on issues affecting state and national energy policy.

- Providing member systems with customized rate surveys, rate comparisons and energy audits.
- Developing specialized rates for large-load, high load-factor commercial/industrial customers to help member municipalities attract or retain high-value commercial or manufacturing facilities that enhance the tax revenue base and increase employment in member communities.
- Managing the Illinois Municipal Utilities Association and the Illinois Public Energy Agency.

Compliance Assistance

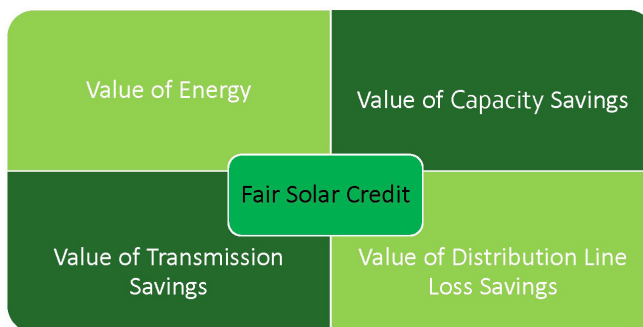
On September 15, 2021, Governor JB Pritzker signed into law a sweeping energy bill known as the Climate and Equitable Jobs Act (CEJA). Along with many benefits and opportunities for the energy industry and energy consumers came some challenges for IMEA member utilities. Among those challenges was a call for municipal utilities to examine and ensure that their policies regarding self-generation and credits for excess electricity complied with the new requirements of the Act – all within 180 days. The Act required that municipal utilities assure their residential and small commercial customers of their right to install solar at their facilities and assure that those customers continue to be compensated for any excess generation at a price that is fair to them, as well as fair to customers who choose not to self-generate.

On behalf of its members, the IMEA worked through the Illinois Municipal Utilities Association (IMUA) to exhaustively study the new law. The association engaged a leading, nationally regarded rate consultant to provide advice that enabled the association to:

- Determine a method of calculating a Fair Solar Credit (FSC) for the value of any solar energy that a self-generating customer might export to a municipal member's distribution system.
- Develop billing methodologies that IMEA municipal utilities could choose to adopt.
- Provide member municipalities with model language for their net billing and interconnection ordinances.

IMUA's recommendations resulted in policies that fairly value any excess solar generation of residential and small commercial customers. At the same time, these policies avoid significantly shifting utility costs away from self-generating customers and onto those who don't. Avoiding that cost shift is especially important for smaller utilities, because it only takes a relatively few solar adopters to start shifting costs to those who are unable (or who choose not) to install solar generation themselves.

The IMEA/IMUA Fair Solar Credit Matrix



The IMEA and IMUA evaluated four unique values for each member municipality to arrive at the Fair Solar Credit for each individual member community. The Fair Solar Credit will be updated annually for those IMEA and IMUA member communities that choose to use it.

Some IMEA and IMUA municipalities used alternate methods to arrive at the solar credit that worked best for their communities, but many IMEA members chose to adopt the IMUA-developed model net billing and interconnection ordinances along with the Fair Solar Credit methodology. The Fair Solar Credit, which was developed individually for each interested municipality, is reviewed and updated annually so that the utilities may continue to provide compensation based on current market conditions.

Assistance with new requirements arising from the Climate and Equitable Jobs Act is one example of the agency's outreach to member municipal utilities in aiding with compliance issues. The IMEA and its member utilities often find themselves 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 and helps members with their compliance efforts as well.

Association and Agency Management

Under management services contracts, IMEA operates the Illinois Municipal Utilities Association (IMUA) and the Illinois Public Energy Agency (IPEA).

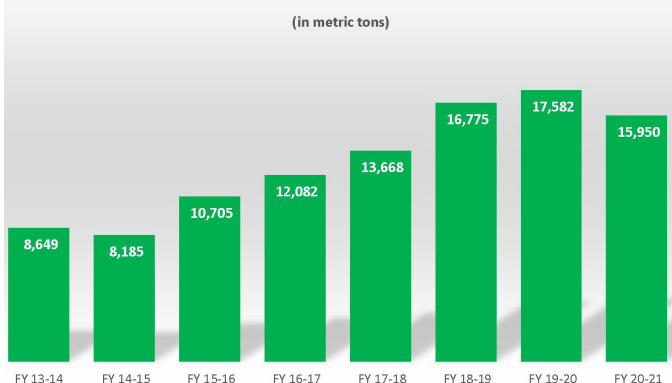
Formed in 1948, the IMUA is a statewide trade association that provides a variety of services to 50 municipal members, including advocacy activities before the Illinois General Assembly and other administrative and regulatory bodies both in Illinois and at the federal level, including Congress. IMUA 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 the restoration of energy services and other vital community services in the event of natural disasters, such as storms, floods and tornadoes.

IMEA provides managerial oversight for the day-to-day operations of the Illinois Public Energy Agency (IPEA). The IPEA, which was formed in 2005, is a wholesaler of natural gas to 12 municipal systems and two cooperative natural gas systems across Illinois. The not-for-profit agency procures and arranges for the delivery of wholesale natural gas to members' city gates. IPEA also provides natural gas hedging opportunities for its members. IPEA has become one of the leading natural gas joint action agencies in the Midwest.

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

Since the agency's **Electric Efficiency Program** began in the 2009-2010 fiscal year, the agency has offered \$12 million for incentives for the purchase and installation of energy efficient technologies for IMEA members and their commercial and industrial electric customers. In recent years, offerings have expanded to include residential smart thermostats and home air conditioning and heat pump systems. As of August 15, 2022, more than 1,020 electric efficiency projects had been completed since the start of the program. For fiscal year 2020-21 (the last year for which a complete set of data is currently available), member municipalities and their commercial and industrial customers are deemed to have reduced energy consumption by just under 41.37 million kWh. The agency estimates that IMEA-incentivized electric efficiency projects reduced carbon emissions by 15,950 metric tons that year.

Annual Incremental CO₂ Reductions Through IMEA Energy Efficiency Programs



Based on a five-year life of the electric efficiency measures incentivized and 0.85 pounds of CO₂ reduction per kWh saved. 1 metric ton = 2,204.62 pounds.

IMEA led Illinois utilities with the introduction of its **Electric Vehicle (EV) Charging Station Initiative** in 2020. In Naperville alone, more than 100 retail customers have installed EV charging stations with the help of IMEA incentives. In late 2021, the IMEA Board of Directors voted to significantly increase the scope and funding of the program. Over the next three years, the agency will make a total of \$750,000 available for municipal members to:

- Own or lease EV fast charging stations for public use,
- Own or lease electric vehicles for city use, or
- Incentivize retail customers to install EV charging stations.

IMEA's **Green Power Choices Renewable Energy Credit (REC) Program** is an IMEA value-added service that represents one more option member municipalities and their retail customers have to reduce their carbon 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 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.



IMEA led Illinois utilities with the introduction of its Electric Vehicle Charging Station Initiative in 2020. In 2021, the IMEA Board of Directors voted to significantly increase the scope and funding of the program.

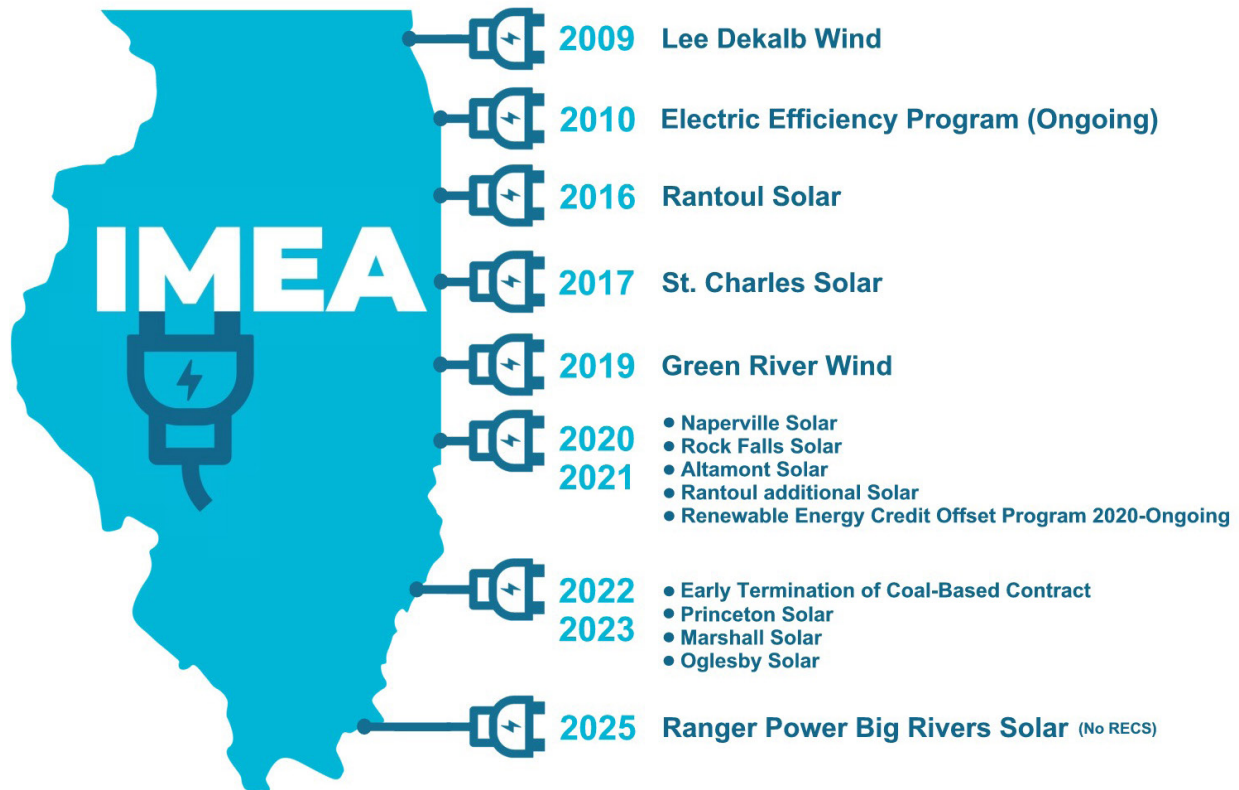
IMEA Works with its Municipal Members to Achieve a Reliable, Responsible Transition to a Greener Energy Future

No question, IMEA's diversified portfolio of owned generation and purchased power has provided reliable and predictably priced wholesale electricity for our member communities. The agency's minority ownership stakes in the Prairie State Generating Company (a mine-mouth power plant with two 800-megawatt, coal-fueled generating units near Marissa, Illinois) and the Trimble County 1 and 2 generating facility (a pulverized coal-fueled unit in Kentucky) have well served – and will continue to serve – much of our member municipalities' baseload power needs for a number of years. These units are fitted with state-of-the-art technologies and are among the most efficient in the nation.



Rakesh Kothakapu, IMEA's Director of Engineering & Markets, attends the ribbon cutting of the Prairie Wolf Solar Project in Coles County, Illinois. The IMEA will purchase 50 MW of capacity from the project under a five-year agreement.

IMEA Investment in Renewable Energy and Carbon Reduction



In addition, IMEA has begun – and will continue – to transition to a greener energy future in which our member communities will thrive while continuing to enjoy the reliability and affordability they have come to expect through their relationship with the agency. Prairie State is slated to reduce its carbon emissions by 45% by the 2035-38 timeframe and will be at zero CO_{2e} emissions by 2045.

In the coming year, the agency anticipates adding three more behind-the-meter renewable energy projects and is aggressively evaluating opportunities to add large-scale renewable resources. This is the next step in the responsible transition to renewables that the agency began in 2009, when it was among the first large-scale purchasers of wind power in the state. Since that time, IMEA has increased its use of carbon-free resources. The percentage of IMEA's members' load that currently comes from generating facilities that are carbon-free, including

wind, solar and municipally owned hydro, is approximately 11%. This is a higher percentage than what the State of Illinois has achieved regarding its renewable portfolio standard goals through the current Illinois Power Agency procurement plan. The timeline above illustrates the agency's commitment to renewable energy to date.

IMEA has been involved in renewable generation and energy efficiency programs because it is the right thing to do for our members, and the market continues to validate the importance of maintaining a diversified portfolio. IMEA's member municipalities have provided a clear vision that has accelerated – and will continue to accelerate – these strategies. At the direction of the IMEA Board of Directors, this transition to less carbon-emitting resources will be achieved with the principles of sustainability, affordability, reliability and stability firmly in mind.

Summary of IMEA Sales to Members

Fiscal Year Ending April 30, 2022

	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population*
Participating Members			
Altamont	6,149	25,703,960	2,216
Bethany	2,410	8,678,248	1,255
Breese	13,188	53,882,918	4,641
Bushnell	8,494	34,141,264	2,718
Cairo	9,766	62,288,742	1,733
Carlyle	8,687	34,257,528	3,253
Carmi	13,892	52,929,986	4,865
Casey	7,710	29,206,512	2,404
Chatham	24,594	85,812,953	14,377
Fairfield	14,869	58,989,309	4,883
Farmer City	4,442	18,060,412	1,828
Flora	23,254	111,270,248	4,803
Freeburg	11,273	42,476,752	4,582
Greenup	4,292	18,703,794	1,365
Highland	33,810	129,840,365	9,991
Ladd	2,879	12,236,270	1,263
Marshall	14,358	68,043,677	3,947
Mascoutah	16,965	60,277,224	8,754
Metropolis	18,362	75,997,657	5,969
Naperville	340,721	1,335,927,747	149,540
Oglesby	13,493	57,446,369	3,712
Peru	49,119	229,280,945	9,896
Princeton	24,888	106,160,419	7,832
Rantoul	36,141	178,627,379	12,371
Red Bud	14,114	52,059,794	3,804
Riverton	7,141	28,171,265	3,532
Rock Falls	19,249	62,236,011	8,789
Roodhouse	3,000	11,849,573	1,578
St. Charles	115,195	520,824,357	33,081
Sullivan	15,389	71,762,455	4,413
Waterloo	24,017	89,094,340	11,013
Winnetka	36,738	129,890,600	12,744
Total Full Requirements Sales to Participating Members	938,599	3,856,129,073	

* Note: Populations are from the 2020 U.S. Census as filed in the Index Department of the Illinois Secretary of State, September 16, 2021.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

Springfield, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended April 30, 2022 and 2021

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

Opinion

We have audited the accompanying financial statements of Illinois Municipal Electric Agency (IMEA), as of and for the years ended April 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the IMEA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMEA as of April 30, 2022 and 2021 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IMEA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that rise substantial doubt about the IMEA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IMEA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the IMEA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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

Baker Tilly US, LLP

Madison, Wisconsin
July 25, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2022 and 2021
(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, 2022 and 2021. 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, 2022 and 2021
 (Unaudited)

Table 1
Condensed Statements of Net Position

	2022	2021	2020
Utility plant	\$974,101,439	\$992,983,933	\$1,010,291,487
Restricted assets	96,473,555	100,228,823	102,988,110
Current assets	129,389,848	121,470,035	120,018,128
Other assets	10,405,221	11,252,128	5,802,455
Deferred outflows of resources	20,281,525	23,138,307	26,200,003
Total Assets and Deferred Outflows of Resources	\$1,230,651,588	\$1,249,073,226	\$1,265,300,183
Net Position:			
Invested in capital assets	\$245,077,357	\$221,541,520	\$190,550,580
Restricted	9,822,774	9,238,756	10,043,859
Unrestricted	98,985,636	84,299,894	83,787,611
Total Net Position	353,885,767	315,080,170	284,382,050
Noncurrent liabilities	799,974,305	860,454,052	904,634,908
Current liabilities	76,791,516	73,539,004	76,283,225
Total Liabilities	876,765,821	933,993,056	980,918,133
Total Net Position and Liabilities	\$1,230,651,588	\$1,249,073,226	\$1,265,300,183

Statements of Net Position

Year Ended April 30, 2022

IMEA's total utility plant decreased by \$18,882,494 during the year ended April 30, 2022. The Agency made total payments of \$12,053,970 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 \$1,281,339. These capital investments net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of \$35,262,426 was recorded during the year.

IMEA had an increase in the cash and short-term investments held in operating reserve accounts of \$4,181,426 from the previous year. Accounts receivable increased by \$2,103,068 from the previous year. Prepayments increased by \$1,159,514 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 an increase in collateral held for others at the end of the year represent the majority of the increase in current assets of \$7,919,813.

Proceeds of revenue bonds not yet expended are included in restricted assets. The decrease in restricted assets of \$3,755,268 was primarily caused by the retirement of the Series 2007C bonds.

Net position increased due to current year operations that resulted in net income of \$38,805,597.

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$43,660,000. IMEA is scheduled to repay an additional \$45,675,000 on the outstanding revenue bonds on February 1, 2023, which is included in current liabilities. The Agency also had current year payments of \$10,000,000 with no draws against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit at \$4,000,000. The total undrawn portion of this line of credit was \$46,000,000.

See accompanying independent auditors' report

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2022 and 2021
(Unaudited)

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 of \$1,451,907.

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.

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.

Illinois Municipal Electric Agency

Management's Discussion and Analysis
 April 30, 2022 and 2021
 (Unaudited)

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

	2022	2021	2020
Operating revenues	\$313,659,643	\$321,924,607	\$313,015,515
Depreciation expense	35,262,426	34,256,314	33,242,457
Other operating expenses	203,587,357	219,072,077	211,595,405
Total Operating Expenses	238,849,783	253,328,391	244,837,862
Operating Income	74,809,860	68,596,216	68,177,653
Investment income	689,626	828,019	3,540,887
Interest and amortization expense	(36,674,762)	(38,726,115)	(41,112,674)
Other income/(expense)	(19,127)	0	11,104
Total Non-Operating Expenses	(36,004,263)	(37,898,096)	(37,560,683)
Change in Net Position	38,805,597	30,698,120	30,616,970
Net Position, Beginning of Year	315,080,170	284,382,050	253,765,080
Net Position, End of Year	\$353,885,767	\$315,080,170	\$284,382,050

Statements of Revenue, Expenses and Changes in Net Position

Year Ended April 30, 2022

Sales to participating members of \$308,416,558 and 3,856,129,073 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2022. This represented a decrease of \$7,933,638 (2.5 percent) in revenue from sales to participating members and an increase of 119,157,710 kWh (3.2 percent) as compared with the previous year. Energy sales were higher as compared to prior year due to load requirements returning to a more normalized level from prior year's due to shut downs across Illinois stemming from the global pandemic related to the COVID-19 virus.

IMEA recorded a coincident peak demand of 921 MW, which was approximately 5.0 percent higher than the 877 MW experienced in the previous year. The total member non-coincident peak demand was 939 MW, which was approximately 3.8 percent higher than the 905 MW experienced in the previous year.

The average cost of power sold to the participating members with capacity credits of 7.77 cents per kWh was approximately 5.7 percent lower than the 8.24 cents per kWh from the previous year.

Illinois Municipal Electric Agency

Management's Discussion and Analysis

April 30, 2022 and 2021

(Unaudited)

Total operating expenses decreased by \$14,478,608 (5.7 percent) from the previous year due primarily to lower purchased power and operation and maintenance expenses at generating units. Purchased power expenses went down 24.5 percent from the previous year. Operation and maintenance expenses at generating units went down 15.8 percent from the previous year due to less outage days. Transmission expenses, which are outside of IMEA's control, went up 9.6 percent. Fuel at generating units went up 18.5 percent from previous year due to increased generation. Fuel reimbursements decreased by 40.2 percent due to member generation not being called to generate as much as prior year, Winter Storm Uri occurred in prior year. Non-operating revenues (expenses) increased by \$1,893,833 (5.0 percent) from previous year due primarily to lower interest expense. Interest expense decreased by 5.1 percent primarily due to payments made to reduce outstanding revenue bonds.

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.

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.

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, 2022 was approximately 131.4 percent and approximately 118.1 percent for the year ended April 30, 2021. IMEA made no transfers during the year ended April 30, 2022 or during the year ended April 30, 2021 into the rate stabilization account, transfers would have reduced debt service coverage.

Significant Events

IMEA reached an agreement 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, with an amended term through May 31, 2026. IMEA and IPM have 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 will purchase 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

Management's Discussion and Analysis
April 30, 2022 and 2021
(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 5.0 MW's of solar energy located within five of IMEA's member electric systems. These contracts provide IMEA with renewable energy resources totaling nearly 11 percent of IMEA's energy requirements. IMEA is in the process of adding 2.5 MW's of new solar energy located within the electric systems of three members. These sites should be on-line by the fall of 2023. 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.

THIS PAGE IS INTENTIONALLY BLANK

Illinois Municipal Electric Agency

Statements of Net Position

April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets and Deferred Outflows of Resources		
Utility Plant		
Utility plant in service	\$ 1,270,097,335	\$ 1,262,248,143
Accumulated depreciation	(374,859,742)	(341,871,024)
Construction work in progress	<u>78,863,846</u>	<u>72,606,814</u>
Total utility plant	<u>974,101,439</u>	<u>992,983,933</u>
Restricted Assets		
Cash and investments	<u>96,473,555</u>	<u>100,228,823</u>
Current Assets		
Cash	48,443,267	44,004,805
Investments	29,745,283	30,002,319
Accounts receivable	24,323,292	22,220,224
Bond interest subsidy receivable	1,860,691	1,953,303
Renewable energy credits	1,940,277	1,371,924
Prepayments	22,576,563	21,417,049
Collateral held for others	<u>500,475</u>	<u>500,411</u>
Total current assets	<u>129,389,848</u>	<u>121,470,035</u>
Other Assets		
Regulatory costs for future recovery	1,949,307	2,224,843
Unrealized (gain) loss on investments	1,288,422	(1,338,273)
Prairie State, other long term asset	529,043	829,612
Other regulatory assets	<u>6,638,449</u>	<u>9,535,946</u>
Total other assets	<u>10,405,221</u>	<u>11,252,128</u>
Total assets	<u>1,210,370,063</u>	<u>1,225,934,919</u>
Deferred Outflows of Resources		
Unamortized loss on advance refunding	<u>20,281,525</u>	<u>23,138,307</u>
Total assets and deferred outflows of resources	<u>\$ 1,230,651,588</u>	<u>\$ 1,249,073,226</u>

See notes to financial statements

Illinois Municipal Electric Agency

Statements of Net Position
April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net Position and Liabilities		
Net Position		
Net investment in capital assets	\$ 245,077,357	\$ 221,541,520
Restricted	9,822,774	9,238,756
Unrestricted	<u>98,985,636</u>	<u>84,299,894</u>
Total net position	<u>353,885,767</u>	<u>315,080,170</u>
Noncurrent Liabilities		
Revenue bonds	741,355,000	787,030,000
Other long-term debt, line of credit	4,000,000	14,000,000
Unamortized premium	38,123,916	43,493,913
Other liabilities	<u>16,495,389</u>	<u>15,930,139</u>
Total noncurrent liabilities	<u>799,974,305</u>	<u>860,454,052</u>
Current Liabilities		
Accounts payable and accrued expenses		
Accounts payable:		
Purchased power and transmission	10,891,637	10,522,621
Jointly-owned facilities	8,095,359	6,707,526
Other	347,995	231,981
Collateral due to others	500,508	500,425
Other current liabilities	<u>478,545</u>	<u>529,577</u>
Total accounts payable and accrued expenses	<u>20,314,044</u>	<u>18,492,130</u>
Current liabilities payable from restricted assets:		
Current maturities of revenue bonds	45,675,000	43,660,000
Interest accrued	<u>10,802,472</u>	<u>11,386,874</u>
Total current liabilities payable from restricted assets	<u>56,477,472</u>	<u>55,046,874</u>
Total current liabilities	<u>76,791,516</u>	<u>73,539,004</u>
Total liabilities	<u>876,765,821</u>	<u>933,993,056</u>
Total net position and liabilities	<u>\$ 1,230,651,588</u>	<u>\$ 1,249,073,226</u>

See notes to financial statements

THIS PAGE IS INTENTIONALLY BLANK

Illinois Municipal Electric Agency

Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Sales to participating members	\$ 308,416,558	\$ 316,350,196
Other income	<u>5,243,085</u>	<u>5,574,411</u>
Total operating revenues	<u>313,659,643</u>	<u>321,924,607</u>
Operating Expenses		
Purchased power	61,138,563	80,950,750
Transmission	45,452,050	41,472,038
Prairie State and Trimble County Units No. 1 and 2:		
Fuel	43,054,514	36,333,821
Operations and maintenance	33,977,666	40,346,072
Member payments:		
Fuel reimbursements	1,167,265	1,952,336
Capacity payments	8,658,668	8,550,967
Generation payments	17,682	31,019
Administration and general	8,527,124	8,052,808
Depreciation	35,262,426	34,256,314
Other utility operations	<u>1,593,825</u>	<u>1,382,266</u>
Total operating expenses	<u>238,849,783</u>	<u>253,328,391</u>
Operating income	<u>74,809,860</u>	<u>68,596,216</u>
Nonoperating Revenues (Expenses)		
Investment income	689,626	828,019
Bond interest subsidy revenue	7,399,424	7,719,529
Interest expense	(45,817,145)	(48,275,473)
Amortization expense	1,742,959	1,829,829
Other income (expense)	<u>(19,127)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(36,004,263)</u>	<u>(37,898,096)</u>
Change in net position	38,805,597	30,698,120
Net Position, Beginning	<u>315,080,170</u>	<u>284,382,050</u>
Net Position, Ending	<u>\$ 353,885,767</u>	<u>\$ 315,080,170</u>

See notes to financial statements

Illinois Municipal Electric Agency

Statements of Cash Flows

Years Ended April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Received from power sales	\$ 296,469,873	\$ 305,918,455
Paid to suppliers for purchased power and transmission	(106,221,596)	(120,582,192)
Paid to suppliers and employees for other services	(82,964,113)	(81,869,344)
Net cash flows from operating activities	<u>107,284,164</u>	<u>103,466,919</u>
Cash Flows From Noncapital and Related Financing Activities		
Payment of line of credit debt	(10,000,000)	-
Net cash flows from noncapital financing and related activities	<u>(10,000,000)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Debt principal paid	(43,660,000)	(46,945,000)
Interest paid	(46,401,546)	(48,964,406)
Bond interest subsidy received	7,492,036	7,818,362
Acquisition and construction of capital assets	(12,053,970)	(17,534,480)
Asset retirement obligation costs incurred	(332,590)	(5,741)
Net cash flows from capital and related financing activities	<u>(94,956,070)</u>	<u>(105,631,265)</u>
Cash Flows From Investing Activities		
Investment income	689,626	828,020
Purchase of long-term investments	(221,907,390)	(138,422,539)
Maturity of long-term investments	222,929,000	72,025,000
Net cash flows from investing activities	<u>1,711,236</u>	<u>(65,569,519)</u>
Net change in cash and cash equivalents	4,039,330	(67,733,865)
Cash and Cash Equivalents, Beginning	<u>44,841,272</u>	<u>112,575,137</u>
Cash and Cash Equivalents, Ending	<u>\$ 48,880,602</u>	<u>\$ 44,841,272</u>
Noncash Capital and Related Financing Activities		
Recording of other regulatory asset	\$ (2,402,778)	\$ 6,000,000
Change in asset retirement obligation liability	\$ (541,549)	\$ (5,075,988)
Accretion expense	\$ 749,779	\$ 512,453
Change in unrealized loss on investments	\$ 2,626,695	\$ 394,417
Amortization expense	\$ 1,742,959	\$ 1,829,829
Credits given on billings	\$ (9,843,615)	\$ (10,534,322)
Net gain on sale of assets	\$ 19,127	\$ -

See notes to financial statements.

Illinois Municipal Electric Agency

Statements of Cash Flows

Years Ended April 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 74,809,860	\$ 68,596,216
Noncash items included in operating income:		
Depreciation	35,262,426	34,256,314
Other noncash transactions	(944,177)	439,161
Changes in assets and liabilities:		
Accounts receivable	(2,103,068)	178,392
Prepayments	(1,159,515)	(698,105)
Allowance inventory	(568,353)	(4,987)
Accounts payable	1,986,991	699,928
	<u>1,986,991</u>	<u>699,928</u>
Net cash flows from operating activities	<u>\$ 107,284,164</u>	<u>\$ 103,466,919</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Restricted cash and investments	\$ 96,473,555	\$ 100,228,823
Cash	48,443,267	44,004,805
Investments	<u>29,745,283</u>	<u>30,002,319</u>
Total cash and investments	174,662,105	174,235,947
Less investments	<u>(125,781,503)</u>	<u>(129,394,675)</u>
Total cash and cash equivalents	<u>\$ 48,880,602</u>	<u>\$ 44,841,272</u>

See notes to financial statements.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2022 and 2021

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, 2022, 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

Notes to Financial Statements
April 30, 2022 and 2021

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 gains and 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, 2022 and 2021

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 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 2021, IMEA recognized a regulatory asset of \$9,000,000 related to PJM Capacity costs. During fiscal year 2022, IMEA recognized \$6,597,222 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, 2022 and 2021

Other Liabilities

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

Long-Term Obligations

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

Revenues and Expenses

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

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

Bond Subsidy Revenue and Receivable

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

The United States Federal Government was subject to the process of sequestration for the budget year ending September 30, 2022 and 2021 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 January 1, 2022. 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, 2022 and 2021

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 87, Leases, No. 91, Conduit Debt Obligations, Statement No. 94, Public-private and Public-Public Partnerships and Availability Payment Arrangements, Statement No. 96, Subscription Based Information Technology Arrangements, Statement No. 99, Omnibus 2022, Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 and Statement No. 101, Compensated Absences. 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
	2022	2021	
The Illinois Funds	\$ 19,125,525	\$ 19,106,934	Credit and interest rate
U.S. agency securities, implicitly guaranteed	26,501,689	50,914,483	Custodial credit, credit, concentration of credit and interest rate
U.S. treasuries	99,370,546	79,112,264	Custodial credit and interest rate
Money market fund	1,566,537	1,448,582	Custodial credit
Checking and savings	28,097,308	23,653,184	Custodial credit
Petty cash	500	500	Not applicable
Total	<u>\$ 174,662,105</u>	<u>\$ 174,235,947</u>	

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, 2022 and 2021

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 \$0 and \$23,485,083 in deposits exposed to custodial credit risk as of April 30, 2022 and 2021, respectively. IMEA does not have any deposits exposed to custodial credit risk as of April 30, 2022. 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, 2022 and 2021, 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, 2022 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, 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

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, 2022 and 2021

As of April 30, 2022 and 2021, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Types	Percentage of Portfolio	
		2022	2021
Federal Home Loan Bank Federal Farm Credit Banks Funding Corporation	U.S. agency securities, implicitly guaranteed	7%	23%
	U.S. agency securities, implicitly guaranteed	14	16

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

Interest Rate Risk

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

As of April 30, 2022 IMEA's investments were as follows:

	Maturity A.(In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 26,501,689	\$ 12,902,237	\$ 13,599,452	\$ -
U.S. treasuries	99,370,546	91,676,850	7,693,696	-
Total	<u>\$ 125,872,235</u>	<u>\$ 104,579,087</u>	<u>\$ 21,293,148</u>	<u>\$ -</u>

IMEA also has \$19,125,525 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 96 days.

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

	Maturity (In Years)			
	Fair Value	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.

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, 2022 and 2021

The valuation methods for recurring fair value measurements as of April 30, 2022 and 2021 are as follows:

- Market approach – matrix pricing or market collaborative pricing

As of April 30, 2022 IMEA's fair values were rated as follows:

Investment Type	Total	Level 1	Level 2
U.S. agency securities:	\$ 26,501,689	\$ -	\$ 26,501,689
U.S. treasuries	99,370,546	99,370,546	-
Total	<u>\$ 125,872,235</u>	<u>\$ 99,370,546</u>	<u>\$ 26,501,689</u>

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

Investment Type	Total	Level 1	Level 2
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>

3. Jointly-Owned Facilities

Trimble County Unit No. 1

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

Trimble County Unit No. 2

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

Prairie State Project

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

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

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2022 and 2021

4. Funds

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

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

The indenture requires that certain cash and investments be segregated. The following are accounts included in current and restricted assets at April 30, 2022 and 2021.

	2022	2021
Included in current assets:		
Revenue	\$ -	\$ 163
Operation and maintenance	28,097,306	23,653,022
Renewals and replacements	2,321,310	2,345,318
General reserve	2,269,434	2,508,121
Rate stabilization	45,500,000	45,500,000
General cash (not restricted by indenture)	500	500
Total current cash and investments	<u>\$ 78,188,550</u>	<u>\$ 74,007,124</u>
Included in restricted investment accounts:		
Debt service	\$ 20,625,246	\$ 20,625,630
Debt service reserve	75,848,309	79,603,193
Total restricted cash and investments	<u>\$ 96,473,555</u>	<u>\$ 100,228,823</u>

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2022 and 2021

5. Changes in Utility Plant

A summary of changes in utility plant for 2022 follows:

	Balance 5/1/21	Additions/ Reclassification	Deletions/ Reclassification	Balance 4/30/22
Utility plant being depreciated electric plant:				
Trimble County Unit No. 1	\$ 131,512,848	\$ 2,865,860	\$ (1,789,433)	\$ 132,589,275
Trimble County Unit No. 2	191,513,011	3,761,848	-	195,274,859
Prairie State Unit No. 1	355,896,457	725,781	(168,167)	356,454,071
Prairie State Unit No. 2	327,582,849	402,030	-	327,984,879
Mobile generation	3,211,378	4,667	(1,200)	3,214,845
Prairie State, Common	150,719,592	296,131	(93,422)	150,922,301
Prairie State, Jordan Grove	1,459,077	-	(55,877)	1,403,200
Prairie State, Nearfield	14,044,070	231,674	-	14,275,744
Prairie State, Other	7,833,412	-	-	7,833,412
Prairie State, Mine	42,615,507	1,737,559	(78,991)	44,274,075
Prairie State, Coal Reserves	17,372,369	-	-	17,372,369
Land ¹	5,966,369	-	-	5,966,369
Office building	8,409,000	6,705	-	8,415,705
Office furniture and equipment	529,259	989	-	530,248
Supervisory control and data acquisition equipment	2,545,037	92,019	(54,547)	2,582,509
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	537,908	82,786	(117,220)	503,474
Total utility plant in service	1,262,248,143	10,208,049	(2,358,857)	1,270,097,335
Construction work in progress ¹	72,606,814	10,601,626	(4,344,594)	78,863,846
Total utility plant	1,334,854,957	20,809,675	(6,703,451)	1,348,961,181
Less accumulated depreciation electric plant:				
Trimble County Unit No. 1	(72,508,690)	(4,117,653)	1,789,433	(74,836,910)
Trimble County Unit No. 2	(49,238,197)	(5,282,893)	-	(54,521,090)
Prairie State Unit No. 1	(76,339,971)	(8,909,761)	168,167	(85,081,565)
Prairie State Unit No. 2	(67,526,825)	(8,198,786)	-	(75,725,611)
Mobile generation	(1,966,229)	(107,150)	220	(2,073,159)
Prairie State, Common	(32,281,831)	(3,777,088)	65,133	(35,993,786)
Prairie State, Jordan Grove	(1,198,011)	(238,242)	-	(1,436,253)
Prairie State, Nearfield	(1,978,148)	(353,032)	-	(2,331,180)
Prairie State, Other	(3,447,133)	(391,671)	-	(3,838,804)
Prairie State, Mine	(23,738,568)	(2,923,592)	78,991	(26,583,169)
Prairie State, Coal Reserves	(4,333,451)	(552,129)	-	(4,885,580)
Office building	(3,570,562)	(276,416)	-	(3,846,978)
Office furniture and equipment	(512,199)	(6,927)	-	(519,126)
Supervisory control and data acquisition equipment	(2,377,248)	(64,115)	54,547	(2,386,816)
Winnetka 138 interconnect	(411,112)	(16,667)	-	(427,779)
Other equipment	(442,849)	(46,307)	117,220	(371,936)
Total accumulated depreciation	(341,871,024)	(35,262,429)	2,273,711	(374,859,742)
Net utility plant	\$ 992,983,933			\$ 974,101,439

¹ Utility plant that is not being depreciated.

Illinois Municipal Electric Agency

Notes to Financial Statements

April 30, 2022 and 2021

A summary of changes in utility plant for 2021 follows:

	Balance 5/1/20	Additions/ Reclassifications	Deletions/ Reclassifications	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	17,372,369	-	-	17,372,369
Land ¹	5,966,369	-	-	5,966,369
Office building	8,404,946	4,054	-	8,409,000
Office furniture and equipment	526,536	2,723	-	529,259
Supervisory control and data acquisition equipment	2,523,321	48,189	(26,473)	2,545,037
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	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 ¹	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
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	<u>\$ 1,010,291,487</u>			<u>\$ 992,983,933</u>

¹ Utility plant that is not being depreciated.

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2022 and 2021

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:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding Amount 4/30/22</u>
July 15, 2009	Debt service and capital improvements *	Feb. 1, 2035	5.33 – 6.13%	\$294,755,000	\$219,400,000
Nov. 30, 2010	Debt service and capital improvements *	Feb. 1, 2035	2.47 – 7.29	140,290,000	94,185,000
April 1, 2015	Refunding 2006 and 2007A bonds	Feb. 1, 2035	4.00 – 5.00	594,685,000	473,445,000

* The 2009C and 2010A revenue bonds are taxable Build America Bonds. IMEA receives a 35% interest subsidy from the federal government for these bonds. During Federal fiscal years 2022 and 2021, 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% reduction in payments for the federal budget year ended September 30, 2022 and 2021, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending April 30:			
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	54,215,000	32,871,461	87,086,461
2028 – 2032	312,790,000	114,171,676	426,961,676
2033 – 2035	224,870,000	23,609,076	248,479,076
Total	<u>\$ 787,030,000</u>	<u>\$ 330,584,171</u>	<u>\$ 1,117,614,171</u>

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2022 and 2021

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, 2025. IMEA had \$4.0 million outstanding under the LOC Agreement as of April 30, 2022 and \$14.0 million outstanding as of April 30, 2021.

Long-term obligation activity for the year ended April 30, 2022 is as follows:

	Balance 5/1/21	Additions	Reductions	Balance 4/30/22	Due Within One Year
Revenue bonds	\$ 830,690,000	\$ -	\$ 43,660,000	\$ 787,030,000	\$ 45,675,000
Line of credit agreement	14,000,000	-	10,000,000	4,000,000	-
Unamortized premium	43,493,913	-	5,369,997	38,123,916	-
Other liabilities	15,930,139	10,210,951	9,645,701	16,495,389	-
Total	<u>\$ 904,114,052</u>	<u>\$ 10,210,951</u>	<u>\$ 68,675,698</u>	<u>\$ 845,649,305</u>	<u>\$ 45,675,000</u>

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

	Balance 5/1/20	Additions	Reductions	Balance 4/30/21	Due Within One Year
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>

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, 2022 and 2021

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 5/1/21</u>	<u>Liabilities Incurred (Adjustments)</u>	<u>Accretion</u>	<u>Costs Incurred/ Written Off</u>	<u>Balance 4/30/22</u>
\$ 15,325,022	\$ 2,416,776	\$ 749,779	\$ (2,625,006)	\$ 15,866,571

<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

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, 2022 and 2021

The following calculation supports the net investment in capital assets:

	<u>2022</u>	<u>2021</u>
Utility plant in service	\$ 1,270,097,335	\$ 1,262,248,143
Accumulated depreciation	(374,859,742)	(341,871,024)
Construction work in progress	<u>78,863,846</u>	<u>72,606,814</u>
Subtotal	<u>974,101,439</u>	<u>992,983,933</u>
Less capital related debt:		
Current portion of capital related long-term debt	45,675,000	43,660,000
Long-term portion of capital related long-term debt	741,355,000	787,030,000
Unamortized loss on advance refunding	(20,281,525)	(23,138,307)
Unamortized premium	<u>38,123,916</u>	<u>43,493,913</u>
Subtotal	<u>804,872,391</u>	<u>851,045,606</u>
Add unspent debt proceeds:		
Debt service reserve from borrowing	<u>75,848,309</u>	<u>79,603,193</u>
Total net investment in capital assets	<u>\$ 245,077,357</u>	<u>\$ 221,541,520</u>

The following calculation supports the amount of restricted net position:

	<u>2022</u>	<u>2021</u>
Restricted investments	<u>\$ 96,473,555</u>	<u>\$ 100,228,823</u>
Less restricted assets not funded by revenues:		
Debt service reserve account	(75,848,309)	(79,603,193)
Current liabilities payable from restricted assets	<u>(10,802,472)</u>	<u>(11,386,874)</u>
Subtotal	<u>(86,650,781)</u>	<u>(90,990,067)</u>
Total restricted net position as calculated	<u>\$ 9,822,774</u>	<u>\$ 9,238,756</u>

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2022 and 2021

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 (gain) 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 5/1/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 4/30/22</u>
Regulatory costs for future recovery	\$ 2,224,843	\$ -	\$ 275,536	\$ 1,949,307
Unrealized (gain)/loss on investments	(1,338,273)	2,626,695	-	1,288,422
Other regulatory assets	9,535,946	-	2,897,497	6,638,449
Total	<u>\$ 10,422,516</u>	<u>\$ 2,626,695</u>	<u>\$ 3,173,033</u>	<u>\$ 9,876,178</u>

	<u>Balance 5/1/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 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	4,030,666	6,000,000	494,720	9,535,946
Total	<u>\$ 4,817,017</u>	<u>\$ 6,000,000</u>	<u>\$ 1,183,335</u>	<u>\$ 10,422,516</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% 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, 2022 and 2021 total contributions were \$1,041,000 and \$950,000, respectively.

12. Contracts and Commitments

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

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

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2022 and 2021

13. Illinois Senate Bill (SB) 2408

In 2021, Illinois passed SB 2408, the Climate and Equitable Jobs Act (CEJA). The CEJA requires a 45% reduction in existing publicly owned Illinois power plant carbon dioxide emissions by January 1, 2035. If such reduction is not met by December 31, 2035 then the plant must retire one or more units or otherwise reduce carbon dioxide emissions by 45% by June 30, 2038. The CEJA further requires all publicly owned coal-fired generating units to permanently reduce carbon dioxide emission to zero by December 31, 2045.

The CEJA does, however, provide that if the reduction of output from or the closing of any plant creates a power grid supply or reliability shortfall in the State of Illinois the plant can continue to operate until the reliability can otherwise be addressed. During the 2021/2022 planning year, Illinois was a net capacity importer. With the announced and required retirements, there is potential that Illinois will need to import even more capacity into the future.

The CEJA has a limited future impact on IMEA's ownership share of the Prairie State Generating Company, LLC (PSGC or Prairie State). The CEJA will not adversely affect IMEA's ability to pay bondholders due to all bonds maturing on February 1, 2035 or to reliably provide members with their power supply requirements. IMEA and the other owners of Prairie State have and continue to develop plans to manage the potential impacts of the CEJA. Potential impacts cannot be gauged with certainty at this time.

14. Significant Customers

IMEA has two significant customers who were responsible for 49% of operating revenue in 2022 and 2021

15. 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**
3400 Conifer Drive
Springfield, IL 62711
217.789.4632
www.imea.org