

Illinois Municipal Electric Agency

Financial Statements and
Supplementary Information

April 30, 2023 and 2022

Illinois Municipal Electric Agency

Table of Contents
April 30, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information (Unaudited)	
Management's Discussion and Analysis	3
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14

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, 2023 and 2022 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, 2023 and 2022 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, 2023

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(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, 2023 and 2022. 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 principals generally accepted in the United States of America. IMEA uses the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

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

IMEA Financial Analysis

An analysis of IMEA's financial position begins with the review of the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. A summary of IMEA's Statements of Net Position is presented in Table 1 and the Statements of Revenues, Expenses and Changes in Net Position are summarized in Table 2.

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(Unaudited)

Table 1
Condensed Statements of Net Position

	2023	2022	2021
Utility plant	\$951,383,076	\$974,101,439	\$992,983,933
Restricted assets	97,716,541	96,473,555	100,228,823
Current assets	157,476,266	129,389,848	121,470,035
Other assets	2,655,475	10,405,221	11,252,128
Deferred outflows of resources	17,577,371	20,281,525	23,138,307
Total Assets and Deferred Outflows of Resources	\$1,226,808,729	\$1,230,651,588	\$1,249,073,226
Net Position:			
Invested in capital assets	\$271,346,000	\$245,077,357	\$221,541,520
Restricted	10,751,876	9,822,774	9,238,756
Unrestricted	117,458,280	98,985,636	84,299,894
Total Net Position	399,556,156	353,885,767	315,080,170
Noncurrent liabilities	751,897,317	799,974,305	860,454,052
Current liabilities	75,355,256	76,791,516	73,539,004
Total Liabilities	827,252,573	876,765,821	933,993,056
Total Net Position and Liabilities	\$1,226,808,729	\$1,230,651,588	\$1,249,073,226

Statements of Net Position

Year Ended April 30, 2023

IMEA's total utility plant decreased by \$22,718,363 during the year ended April 30, 2023. The Agency made total payments of \$11,714,573 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 \$999,073. These capital investments net of depreciation accounted for most of the changes in utility plant. Depreciation expense of \$35,331,150 was recorded during the year.

IMEA had an increase in the cash and short-term investments held in operating reserve accounts of \$25,450,663 from the previous year. Accounts receivable decreased by \$3,110,650 from the previous year. Prepayments increased by \$4,174,424 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 much of the increase in current assets of \$28,086,418.

Proceeds of revenue bonds not yet expended are included in restricted assets. The increase in restricted assets of \$1,242,986 was primarily caused by a rise in the market value of investments being held in restricted accounts.

Net position increased due to current year operations that resulted in net income of \$45,670,389.

Principal repayments associated with the Agency's outstanding revenue bonds totaled \$45,675,000. IMEA is scheduled to repay an additional \$47,750,000 on the outstanding revenue bonds on February 1, 2024, which is included in current liabilities. The Agency also had current year payments of \$2,000,000 with no draws against a line of credit facility available to IMEA bringing the total outstanding draws on the line of credit at \$2,000,000. The total undrawn portion of this line of credit was \$48,000,000.

See accompanying independent auditors' report

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(Unaudited)

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.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$312,710,430	\$313,659,643	\$321,924,607
Depreciation expense	35,331,150	35,262,426	34,256,314
Other operating expenses	201,318,145	203,587,357	219,072,077
Total Operating Expenses	<u>236,649,295</u>	<u>238,849,783</u>	<u>253,328,391</u>
Operating Income	<u>76,061,135</u>	<u>74,809,860</u>	<u>68,596,216</u>
Investment income	3,911,985	689,626	828,019
Interest and amortization expense	(34,290,557)	(36,674,762)	(38,726,115)
Other income/(expense)	(12,174)	(19,127)	0
Total Non-Operating Expenses	<u>(30,390,746)</u>	<u>(36,004,263)</u>	<u>(37,898,096)</u>
Change in Net Position	45,670,389	38,805,597	30,698,120
Net Position, Beginning of Year	<u>353,885,767</u>	<u>315,080,170</u>	<u>284,382,050</u>
Net Position, End of Year	<u>\$399,556,156</u>	<u>\$353,885,767</u>	<u>\$315,080,170</u>

See accompanying independent auditors' report

Illinois Municipal Electric Agency

Management's Discussion and Analysis
April 30, 2023 and 2022
(Unaudited)

Statements of Revenue, Expenses and Changes in Net Position

Year Ended April 30, 2023

Sales to participating members of \$302,769,046 and 3,761,197,824 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2023. This represented a decrease of \$5,647,512 (1.8 percent) in revenue from sales to participating members and a decrease of 94,931,249 kWh (2.5 percent) as compared with the previous year. Energy sales were lower as compared to prior year due to relatively normal temperatures in Illinois during fiscal year 2022, this year saw a mild summer and winter across Illinois.

IMEA recorded a coincident peak demand of 915 MW, which was approximately 0.7 percent lower than the 921 MW experienced in the previous year. The total member non-coincident peak demand was 948 MW, which was approximately 1.0 percent higher than the 939 MW experienced in the previous year.

The average cost of power sold to the participating members with capacity credits of 7.82 cents per kWh was approximately 0.6 percent higher than the 7.77 cents per kWh from the previous year.

Total operating expenses decreased by \$2,200,488 (0.9 percent) from the previous year due primarily to lower purchased power expenses. Purchased power expenses went down 34.9 percent from the previous year due to IMEA having a favorable position in the energy markets during the current fiscal year. Operation and maintenance expenses at generating units went up 18.4 percent from the previous year due to more outage days. Transmission expenses, which are outside of IMEA's control, went up 20.0 percent. This trend of increasing transmission expenses is consistent with the trend IMEA has seen the last several years. Fuel at generating units went up 7.3 percent from previous year due to increased cost of coal at Trimble County Units. Fuel reimbursements increased by 28.7 percent due to member generation being called to generate more than prior year. Non-operating revenues (expenses) increased by \$5,613,517 (15.6 percent) from previous year due primarily to lower interest expense and higher interest income. Interest expense decreased by 5.3 percent primarily due to payments made to reduce outstanding revenue bonds. Interest Income increased by 467.3 percent due to interest rates paid on IMEA's investments being much higher than previous year.

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, 2023 and 2022
(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.

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, 2023 was approximately 136.7 percent and approximately 131.4 percent for the year ended April 30, 2022. IMEA made no transfers during the year ended April 30, 2023 or during the year ended April 30, 2022 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 set a new end date of May 31, 2022 that coincided with the MISO Planning Year. As part of the shortened long-term agreement, IMEA is purchasing capacity and energy from IPM for one year, that began on June 1, 2022 and ends on May 31, 2023 via a market-based transaction. IMEA will evaluate carbon-free resources and market purchases to replace the energy and capacity it procures from this purchase power agreement.

For the Delivery Year that began on June 1, 2022 and ends on May 31, 2023, IMEA will have received excess revenues of approximately \$12,300,000 from credits received from MISO in connection with IMEA's Auction Revenue Rights (ARRs) and Financial Transmission Rights (FTRs), which are treated as offsets to transmission-related expenses ("Excess Transmission Credits"). IMEA used a portion of the Excess Transmission Credits (\$4,750,000) to repay and retire a previously established regulatory asset and the remainder (\$7,550,000) be used to establish a regulatory credit to forgo an otherwise needed Delivery Service rate increase for Fiscal Year ("FY") 2024. The regulatory credit allows the remaining Excess Transmission Credits to be carried forward from FY 2023 to FY 2024, the regulatory credit allows for the Excess Transmission Credits to offset delivery service expenses in FY 2024. The funds in the regulatory credit will be allocated evenly (1/12th) each month of FY 2024.

Renewable and Carbon-Free 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 50 MW of wind from the Green River Wind Farm that was developed by Geronimo Energy, LLC. Two of IMEA's members own and operate run-of-the-river hydroelectric generation that total nearly 10 MW's of carbon-free energy for IMEA. IMEA also entered into contracts for the purchase of approximately 5 MW's of solar energy located within five of IMEA's member electric systems. These resources provide IMEA with carbon-free and/or renewable energy resources totaling nearly 11 percent of IMEA's energy requirements. IMEA is in the process of adding a total of 2.5 MW's of new solar energy located within the electric systems of three members. In addition, IMEA is under contract to purchase 25 MW's of solar energy from a solar project located in Illinois that became operational in 2022. This contract has a June 2025 start date. IMEA continues to evaluate additional carbon-free resources and will seek and evaluate additional opportunities to increase the amount of energy it procures from renewable or carbon-free resources. When the above referenced IPM agreement expires on May 31, 2023, IMEA will not have any carbon-based purchase power agreements in place.

Illinois Municipal Electric Agency

Management's Discussion and Analysis

April 30, 2023 and 2022

(Unaudited)

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.

Illinois Municipal Electric Agency

Statements of Net Position

April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets and Deferred Outflows of Resources		
Utility Plant		
Utility plant in service	\$ 1,277,416,535	\$ 1,270,097,335
Accumulated depreciation	(408,285,469)	(374,859,742)
Construction work in progress	<u>82,252,010</u>	<u>78,863,846</u>
Total utility plant	<u>951,383,076</u>	<u>974,101,439</u>
Restricted Assets		
Cash and investments	<u>97,716,541</u>	<u>96,473,555</u>
Current Assets		
Cash	73,178,975	48,443,267
Investments	30,460,238	29,745,283
Accounts receivable	21,212,642	24,323,292
Bond interest subsidy receivable	1,761,543	1,860,691
Renewable energy credits	3,603,856	1,940,277
Prepayments	26,750,987	22,576,563
Collateral held for others	<u>508,025</u>	<u>500,475</u>
Total current assets	<u>157,476,266</u>	<u>129,389,848</u>
Other Assets		
Regulatory costs for future recovery	1,688,727	1,949,307
Unrealized (gain) loss on investments	641,238	1,288,422
Prairie State, other long term asset	325,510	529,043
Other regulatory assets	<u>-</u>	<u>6,638,449</u>
Total other assets	<u>2,655,475</u>	<u>10,405,221</u>
Total assets	<u>1,209,231,358</u>	<u>1,210,370,063</u>
Deferred Outflows of Resources		
Unamortized loss on advance refunding	<u>17,577,371</u>	<u>20,281,525</u>
Total assets and deferred outflows of resources	<u>\$ 1,226,808,729</u>	<u>\$ 1,230,651,588</u>

See notes to financial statements

Illinois Municipal Electric Agency

Statements of Net Position

April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Position and Liabilities		
Net Position		
Net investment in capital assets	\$ 271,346,000	\$ 245,077,357
Restricted	10,751,876	9,822,774
Unrestricted	<u>117,458,280</u>	<u>98,985,636</u>
Total net position	<u>399,556,156</u>	<u>353,885,767</u>
Noncurrent Liabilities		
Revenue bonds	693,605,000	741,355,000
Other long-term debt, line of credit	2,000,000	4,000,000
Unamortized premium	33,040,821	38,123,916
Other liabilities	<u>23,251,496</u>	<u>16,495,389</u>
Total noncurrent liabilities	<u>751,897,317</u>	<u>799,974,305</u>
Current Liabilities		
Accounts payable and accrued expenses		
Accounts payable:		
Purchased power and transmission	9,439,303	10,891,637
Jointly-owned facilities	6,774,136	8,095,359
Other	178,148	347,995
Collateral due to others	509,154	500,508
Other current liabilities	<u>521,224</u>	<u>478,545</u>
Total accounts payable and accrued expenses	<u>17,421,965</u>	<u>20,314,044</u>
Current liabilities payable from restricted assets:		
Current maturities of revenue bonds	47,750,000	45,675,000
Interest accrued	<u>10,183,291</u>	<u>10,802,472</u>
Total current liabilities payable from restricted assets	<u>57,933,291</u>	<u>56,477,472</u>
Total current liabilities	<u>75,355,256</u>	<u>76,791,516</u>
Total liabilities	<u>827,252,573</u>	<u>876,765,821</u>
Total net position and liabilities	<u>\$ 1,226,808,729</u>	<u>\$ 1,230,651,588</u>

See notes to financial statements

Illinois Municipal Electric Agency

Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Sales to participating members	\$ 302,769,046	\$ 308,416,558
Other income	9,941,384	5,243,085
Total operating revenues	<u>312,710,430</u>	<u>313,659,643</u>
Operating Expenses		
Purchased power	39,802,124	61,138,563
Transmission	54,551,476	45,452,050
Prairie State and Trimble County Units No. 1 and 2:		
Fuel	46,177,615	43,054,514
Operations and maintenance	40,235,969	33,977,666
Member payments:		
Fuel reimbursements	1,502,785	1,167,265
Capacity payments	8,509,177	8,658,668
Generation payments	11,605	17,682
Administration and general	8,773,713	8,527,124
Depreciation	35,331,150	35,262,426
Other utility operations	1,753,681	1,593,825
Total operating expenses	<u>236,649,295</u>	<u>238,849,783</u>
Operating income	<u>76,061,135</u>	<u>74,809,860</u>
Nonoperating Revenues (Expenses)		
Investment income	3,911,985	689,626
Bond interest subsidy revenue	7,037,669	7,399,424
Interest expense	(43,405,360)	(45,817,145)
Amortization expense	2,077,134	1,742,959
Other income (expense)	(12,174)	(19,127)
Total nonoperating revenues (expenses)	<u>(30,390,746)</u>	<u>(36,004,263)</u>
Change in net position	45,670,389	38,805,597
Net Position, Beginning	<u>353,885,767</u>	<u>315,080,170</u>
Net Position, Ending	<u>\$ 399,556,156</u>	<u>\$ 353,885,767</u>

See notes to financial statements

Illinois Municipal Electric Agency

Statements of Cash Flows

Years Ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Received from power sales	\$ 295,940,454	\$ 296,469,873
Paid to suppliers for purchased power and transmission	(82,299,375)	(106,221,596)
Paid to suppliers and employees for other services	(95,221,914)	(82,964,113)
Net cash flows from operating activities	<u>118,419,165</u>	<u>107,284,164</u>
Cash Flows From Noncapital and Related Financing Activities		
Payment of line of credit debt	(2,000,000)	(10,000,000)
Net cash flows from noncapital financing and related activities	<u>(2,000,000)</u>	<u>(10,000,000)</u>
Cash Flows From Capital and Related Financing Activities		
Debt principal paid	(45,675,000)	(43,660,000)
Interest paid	(44,024,543)	(46,401,546)
Bond interest subsidy received	7,136,818	7,492,036
Acquisition and construction of capital assets	(11,714,574)	(12,053,970)
Asset retirement obligation costs incurred	(6,218)	(332,590)
Net cash flows from capital and related financing activities	<u>(94,283,517)</u>	<u>(94,956,070)</u>
Cash Flows From Investing Activities		
Investment income	3,911,985	689,626
Purchase of long-term investments	(164,788,195)	(221,907,390)
Maturity of long-term investments	164,321,000	222,929,000
Net cash flows from investing activities	<u>3,444,790</u>	<u>1,711,236</u>
Net change in cash and cash equivalents	25,580,438	4,039,330
Cash and Cash Equivalents, Beginning	<u>48,880,602</u>	<u>44,841,272</u>
Cash and Cash Equivalents, Ending	<u>\$ 74,461,040</u>	<u>\$ 48,880,602</u>
Noncash Capital and Related Financing Activities		
Recording of other regulatory asset	\$ (6,597,222)	\$ (2,402,778)
Recording of other regulatory liability	\$ 6,909,337	\$ -
Change in asset retirement obligation liability	\$ 222,909	\$ (541,549)
Accretion expense	\$ 793,330	\$ 749,779
Change in unrealized loss on investments	\$ (647,184)	\$ 2,626,695
Amortization expense	\$ 2,077,134	\$ 1,742,959
Credits given on billings	\$ (10,023,568)	\$ (9,843,615)
Net gain on sale of assets	\$ 12,174	\$ 19,127

See notes to financial statements

Illinois Municipal Electric Agency

Statements of Cash Flows

Years Ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 76,061,135	\$ 74,809,860
Noncash items included in operating income:		
Depreciation	35,331,150	35,262,426
Other noncash transactions	(990,487)	(944,177)
Changes in assets and liabilities:		
Accounts receivable	3,110,651	(2,103,068)
Prepayments	(4,174,423)	(1,159,515)
Allowance inventory	(1,663,579)	(568,353)
Accounts payable	(2,776,244)	1,986,991
Change in regulatory asset/liability	13,506,559	-
Other current liabilities	14,403	-
	<u>\$ 118,419,165</u>	<u>\$ 107,284,164</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Restricted cash and investments	\$ 97,716,541	\$ 96,473,555
Cash	73,178,975	48,443,267
Investments	<u>30,460,238</u>	<u>29,745,283</u>
Total cash and investments	201,355,754	174,662,105
Less investments	<u>(126,894,714)</u>	<u>(125,781,503)</u>
Total cash and cash equivalents	<u>\$ 74,461,040</u>	<u>\$ 48,880,602</u>

See notes to financial statements

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

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, 2023, 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, 2023 and 2022

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, 2023 and 2022

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. This impairment was fully depleted in fiscal year 2023.

During fiscal year 2021, IMEA recognized a regulatory asset of \$9,000,000 related to PJM Capacity costs. During fiscal years ended 2023 and 2022, IMEA recognized \$0 and \$6,597,222, respectively, 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, 2023 and 2022

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, 2023 and 2022 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, 2023 and 2022

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved 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
	2023	2022	
The Illinois Funds	\$ 19,722,379	\$ 19,125,525	Credit and interest rate
U.S. agency securities, implicitly guaranteed	70,842,085	26,501,689	Custodial credit, credit, concentration of credit and interest rate
U.S. treasuries	56,711,360	99,370,546	Custodial credit and interest rate
Money market fund	6,915,957	1,566,537	Custodial credit
Checking and savings	47,163,473	28,097,308	Custodial credit
Petty cash	500	500	Not applicable
Total	<u>\$ 201,355,754</u>	<u>\$ 174,662,105</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, 2023 and 2022

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 does not have any deposits exposed to custodial credit risk as of April 30, 2023 and 2022.

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, 2023 and 2022, 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, 2023 IMEA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>Fitch</u>
U.S. agency securities	AA+	Aaa	-
The Illinois funds	-	-	AAAmf

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

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>	<u>Fitch</u>
U.S. agency securities	AA+	Aaa	-
The Illinois funds	-	-	AAAmf

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, 2023 and 2022

As of April 30, 2023 and 2022, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Types	Percentage of Portfolio	
		2023	2022
Federal Home Loan Bank Federal Farm Credit Banks Funding Corporation	U.S. agency securities, implicitly guaranteed	45%	7%
	U.S. agency securities, implicitly guaranteed	10	14

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, 2023 IMEA's investments were as follows:

	Fair Value	Maturity (In Years)		
		Less than 1	1-5	Over 5
U.S. agency securities	\$ 70,842,085	\$ 52,548,447	\$ 18,293,638	\$ -
U.S. treasuries	56,711,360	23,984,436	32,726,924	-
Total	<u>\$ 127,553,445</u>	<u>\$ 76,532,883</u>	<u>\$ 51,020,562</u>	<u>\$ -</u>

IMEA also has \$19,722,379 invested in The Illinois Funds, which are valued at amortized cost. The average maturity of The Illinois Funds is 120 days.

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

	Fair Value	Maturity (In Years)		
		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.

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, 2023 and 2022

The valuation methods for recurring fair value measurements as of April 30, 2023 and 2022 are as follows:

- Market approach – matrix pricing or market collaborative pricing

As of April 30, 2023 IMEA's fair values were rated as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
U.S. agency securities:	\$ 70,842,085	\$ -	\$ 70,842,085
U.S. treasuries	56,711,360	56,711,360	-
Total	<u>\$ 127,553,445</u>	<u>\$ 56,711,360</u>	<u>\$ 70,842,085</u>

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

<u>Investment Type</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
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>

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, 2023 and 2022

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, 2023 and 2022.

	2023	2022
Included in current assets:		
Revenue	\$ 375	\$ -
Operation and maintenance	47,163,100	28,097,306
Renewals and replacements	2,340,315	2,321,310
General reserve	8,634,923	2,269,434
Rate stabilization	45,500,000	45,500,000
General cash (not restricted by indenture)	500	500
Total current cash and investments	\$ 103,639,213	\$ 78,188,550
Included in restricted investment accounts:		
Debt service	\$ 20,935,167	\$ 20,625,246
Debt service reserve	76,781,374	75,848,309
Total restricted cash and investments	\$ 97,716,541	\$ 96,473,555

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

5. Changes in Utility Plant

A summary of changes in utility plant for 2023 follows:

	Balance 5/1/22	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 4/30/23
Utility plant being depreciated electric plant :				
Trimble County Unit No. 1	\$ 132,589,275	\$ 2,831,433	\$ (1,602,593)	\$ 133,818,115
Trimble County Unit No. 2	195,274,859	3,017,696	-	198,292,555
Prairie State Unit No. 1	356,454,071	317,392	-	356,771,463
Prairie State Unit No. 2	327,984,879	951,824	(230,845)	328,705,858
Mobile generation	3,214,845	-	-	3,214,845
Prairie State, Common	150,922,301	538,008	-	151,460,309
Prairie State, Jordan Grove	1,403,200	-	(17,930)	1,385,270
Prairie State, Nearfield	14,275,744	164,696	-	14,440,440
Prairie State, Other	7,833,412	-	-	7,833,412
Prairie State, Mine	44,274,075	1,108,828	(77,467)	45,305,436
Prairie State, Coal Reserves	17,372,369	-	-	17,372,369
Land ¹	5,966,369	-	-	5,966,369
Office building	8,415,705	241,249	-	8,656,954
Office furniture and equipment	530,248	47,336	-	577,584
Supervisory control and data acquisition equipment	2,582,509	35,976	-	2,618,485
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	503,474	14,455	(20,858)	497,071
	<u>1,270,097,335</u>	<u>9,268,893</u>	<u>(1,949,693)</u>	<u>1,277,416,535</u>
Total utility plant in service				
Construction work in progress ¹	78,863,846	12,493,999	(9,105,835)	82,252,010
	<u>1,348,961,181</u>	<u>21,762,892</u>	<u>(11,055,528)</u>	<u>1,359,668,545</u>
Total utility plant				
Less accumulated depreciation electric plant:				
Trimble County Unit No. 1	(74,836,910)	(4,432,065)	1,602,593	(77,666,382)
Trimble County Unit No. 2	(54,521,090)	(5,306,085)	-	(59,827,175)
Prairie State Unit No. 1	(85,081,565)	(8,917,568)	-	(93,999,133)
Prairie State Unit No. 2	(75,725,611)	(8,205,097)	204,506	(83,726,202)
Mobile generation	(2,073,159)	(107,173)	-	(2,180,332)
Prairie State, Common	(35,993,786)	(3,777,414)	-	(39,771,200)
Prairie State, Jordan Grove	(1,436,253)	-	83,264	(1,352,989)
Prairie State, Nearfield	(2,331,180)	(357,938)	-	(2,689,118)
Prairie State, Other	(3,838,804)	(391,671)	-	(4,230,475)
Prairie State, Mine	(26,583,169)	(2,971,992)	77,467	(29,477,694)
Prairie State, Coal Reserves	(4,885,580)	(525,713)	-	(5,411,293)
Office building	(3,846,978)	(276,652)	-	(4,123,630)
Office furniture and equipment	(519,126)	(5,256)	-	(524,382)
Supervisory control and data acquisition equipment	(2,386,816)	(74,644)	-	(2,461,460)
Winnetka 138 interconnect	(427,779)	(16,668)	-	(444,447)
Other equipment	(371,936)	(48,479)	20,858	(399,557)
	<u>(374,859,742)</u>	<u>(35,414,415)</u>	<u>1,988,688</u>	<u>(408,285,469)</u>
Total accumulated depreciation				
Net utility plant	<u>\$ 974,101,439</u>			<u>\$ 951,383,076</u>

¹ Utility plant that is not being depreciated.

Illinois Municipal Electric Agency

Notes to Financial Statements

April 30, 2023 and 2022

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
	<u>1,262,248,143</u>	<u>10,208,049</u>	<u>(2,358,857)</u>	<u>1,270,097,335</u>
Construction work in progress ¹	<u>72,606,814</u>	<u>10,601,626</u>	<u>(4,344,594)</u>	<u>78,863,846</u>
Total utility plant	<u>1,334,854,957</u>	<u>20,809,675</u>	<u>(6,703,451)</u>	<u>1,348,961,181</u>
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)
	<u>(341,871,024)</u>	<u>(35,262,429)</u>	<u>2,273,711</u>	<u>(374,859,742)</u>
Net utility plant	<u>\$ 992,983,933</u>			<u>\$ 974,101,439</u>

¹ Utility plant that is not being depreciated.

Illinois Municipal Electric Agency

Notes to Financial Statements

April 30, 2023 and 2022

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 has been 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 4/30/23</u>
July 15, 2009	Debt service and capital improvements *	Feb. 1, 2035	5.33 – 6.13%	\$294,755,000	\$206,535,000
Nov. 30, 2010	Debt service and capital improvements *	Feb. 1, 2035	2.47 – 7.29	140,290,000	88,700,000
April 1, 2015	Refunding 2006 and 2007A bonds	Feb. 1, 2035	4.00 – 5.00	594,685,000	446,120,000

* 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 2023 and 2022, 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, 2023 and 2022, 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:			
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	56,805,000	29,732,542	86,537,542
2029 – 2033	327,865,000	96,080,586	423,945,586
2034 – 2035	152,990,000	11,967,624	164,957,624
Total	<u>\$ 741,355,000</u>	<u>\$ 286,646,028</u>	<u>\$ 1,028,001,028</u>

Illinois Municipal Electric Agency

Notes to Financial Statements

April 30, 2023 and 2022

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 \$2.0 million outstanding under the LOC Agreement as of April 30, 2023 and \$4.0 million outstanding as of April 30, 2022.

Long-term obligation activity for the year ended April 30, 2023 is as follows:

	<u>Balance</u> <u>5/1/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/23</u>	<u>Due Within One</u> <u>Year</u>
Revenue bonds	\$ 787,030,000	\$ -	\$ 45,675,000	\$ 741,355,000	\$ 47,750,000
Line of credit agreement	4,000,000	-	2,000,000	2,000,000	-
Unamortized premium	38,123,916	-	5,083,095	33,040,821	-
Other liabilities	16,495,389	20,971,082	14,214,975	23,251,496	-
Total	<u>\$ 845,649,305</u>	<u>\$ 20,971,082</u>	<u>\$ 66,973,070</u>	<u>\$ 799,647,317</u>	<u>\$ 47,750,000</u>

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

	<u>Balance</u> <u>5/1/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/22</u>	<u>Due Within One</u> <u>Year</u>
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>

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, 2023 and 2022

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 5/1/22</u>	<u>Liabilities Incurred (Adjustments)</u>	<u>Accretion</u>	<u>Costs Incurred</u>	<u>Balance 4/30/23</u>
<u>\$ 15,866,571</u>	<u>\$ 918,914</u>	<u>\$ 793,330</u>	<u>\$ (1,935,153)</u>	<u>\$ 15,643,662</u>

<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>
<u>\$ 15,325,022</u>	<u>\$ 2,416,776</u>	<u>\$ 749,779</u>	<u>\$ (2,625,006)</u>	<u>\$ 15,866,571</u>

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, 2023 and 2022

The following calculation supports the net investment in capital assets:

	<u>2023</u>	<u>2022</u>
Utility plant in service	\$ 1,277,416,535	\$ 1,270,097,335
Accumulated depreciation	(408,285,469)	(374,859,742)
Construction work in progress	82,252,010	78,863,846
Subtotal	<u>951,383,076</u>	<u>974,101,439</u>
Less capital related debt:		
Current portion of capital related long-term debt	47,750,000	45,675,000
Long-term portion of capital related long-term debt	693,605,000	741,355,000
Unamortized loss on advance refunding	(17,577,371)	(20,281,525)
Unamortized premium	33,040,821	38,123,916
Subtotal	<u>756,818,450</u>	<u>804,872,391</u>
Add unspent debt proceeds:		
Debt service reserve from borrowing	76,781,374	75,848,309
Total net investment in capital assets	<u>\$ 271,346,000</u>	<u>\$ 245,077,357</u>

The following calculation supports the amount of restricted net position:

	<u>2023</u>	<u>2022</u>
Restricted investments	\$ 97,716,541	\$ 96,473,555
Less restricted assets not funded by revenues:		
Debt service reserve account	(76,781,374)	(75,848,309)
Current liabilities payable from restricted assets	(10,183,291)	(10,802,472)
Subtotal	<u>(86,964,665)</u>	<u>(86,650,781)</u>
Total restricted net position as calculated	<u>\$ 10,751,876</u>	<u>\$ 9,822,774</u>

Illinois Municipal Electric Agency

Notes to Financial Statements
April 30, 2023 and 2022

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 include 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</u> <u>5/1/22</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/23</u>
Regulatory costs for future recovery	\$ 1,949,307	\$ -	\$ 260,580	\$ 1,688,727
Unrealized (gain)/loss on investments	1,288,422	-	647,184	641,238
Other regulatory assets	<u>6,638,449</u>	<u>-</u>	<u>6,638,449</u>	<u>-</u>
Total	<u>\$ 9,876,178</u>	<u>\$ -</u>	<u>\$ 7,546,213</u>	<u>\$ 2,329,965</u>

	<u>Balance</u> <u>5/1/21</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>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	<u>9,535,946</u>	<u>-</u>	<u>2,897,497</u>	<u>6,638,449</u>
Total	<u>\$ 10,422,516</u>	<u>\$ 2,626,695</u>	<u>\$ 3,173,033</u>	<u>\$ 9,876,178</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, 2023 and 2022 total contributions were \$1,043,000 and \$1,041,000, 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, 2023 and 2022

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 0 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 2022/2023 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. Notice of Intent

IMEA holds a 15.17% undivided ownership interest in the Prairie State Energy Campus (PSEC) which is operated through the PSGC.

On October 20, 2022, the PSGC received a Notice of Intent (NOI) to file suit from the Sierra Club alleging violations of the Federal Clean Air Act. The NOI to PSGC allowed Sierra Club to file suit on or after December 19, 2022. On March 22, 2023, the Sierra Club filed a suit against PSGC. The Sierra Club alleges that PSEC is in violation of the Federal Clean Air Act because it does not have a Title V permit from the Illinois Environmental Protection Agency (IEPA). PSEC however does have and is believed to be operating legally under its Prevention of Significant Deterioration (PSD) permit from the IEPA. Therefore, IMEA does not believe the suit has merit or that it is likely to have a material impact on the finances or operations of PSEC. However, IMEA cannot be certain that the suit will not result in a material impact on the finances or operations of PSEC.

15. Significant Customers

IMEA has two significant customers who were responsible for 48% and 49% of operating revenue in 2023 and 2022, respectively.

16. 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.