

★ Illinois Electric Cooperative ★ Annual Meeting 2023

Treasurer's Report

The past few years have been challenging for everyone, including your cooperative. High inflation and rising interest rates have caused the cost of doing business to increase substantially. We have worked diligently to curtail expenses while still providing the quality of service you have come to expect. Because of our efforts, I'm pleased to report that your cooperative remains in a relatively strong financial position. Sustaining financial stability while continuing to make the investments necessary for reliable service is no small feat. We have been successful in managing rising costs and keeping rate increases to a minimum during challenging times. I can assure you we will remain focused on continuing to provide safe, affordable, and reliable service to all our members.

Net operating margins for 2022, excluding non-cash capital credits, were on par with prior years at \$3.2 million. Of those margins, your cooperative retired approximately \$1 million to current and former members. Margins at this level are necessary to meet specific financial ratios required by our lenders, primarily the United States Department of Agriculture Rural Utilities Service. Lower margins would put us at risk of losing the capital necessary to fund ongoing construction projects that are essential in providing reliable service.

As of December 31, 2022, net utility plant was at \$116 million. While that was an increase of \$7 million from the previous year, long-term debt increased by a lesser amount, \$3.7 million. This is the result of using a combination of debt and cash from operations to fund system improvements. Although we've seen an increase in long-term interest expense,

borrowing from the USDA Rural Utility Service guarantees the lowest possible rates. It's a little more effort to borrow from the federal government, but the lower rates help to hold down the costs of maintaining the distribution system.

On the balance sheet, total equities are \$54.8 million, representing 37% of total assets. Equity has been stable but is lower than most cooperatives nationally.

Continuing to provide safe and reliable service will require ongoing investment in the electric system. Unfortunately, we see no increased revenue from our investment due to virtually no growth in the low-population-density areas we serve. It causes the need for modest, but regular rate increases. As we move forward, I assure you that we will do everything possible to keep future increases to a minimum.

We hope you can attend the 2023 Annual Meeting. We look forward to seeing you and answering any questions you may have.

*Jim Freeman,
Treasurer*

Join us for our 2023 Annual Meeting on Saturday, June 10th at the Winchester Grade School! We'll be giving four \$500 and twenty \$100 door prizes. You could also win one of eleven \$500 prizes for your favorite charity. Each member will receive a \$15 credit at our drive-through registration from 8:00-10:00 a.m.

Working to improve the quality of life in the communities we serve since 1936.

www.e-co-op.com

Audited, Condensed Balance Sheets, December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Utility Plant	\$145,761,007	\$135,268,243
Less Accumulated Depreciation	<u>(29,096,279)</u>	<u>(25,597,114)</u>
Net Utility Plant	116,664,728	109,671,129
Other Assets and Investments	<u>19,000,328</u>	<u>18,480,384</u>
Current Assets		
Cash and Cash Equivalents	2,840,171	2,889,413
Accounts and Notes Receivable	4,884,059	4,416,517
Current Portion of Notes Receivable	351,671	336,706
Inventory	3,028,338	2,190,423
Other	<u>292,876</u>	<u>318,737</u>
Total Current	11,397,115	10,151,796
Deferred Debits	<u>168,566</u>	<u>320,743</u>
Total Assets	<u><u>\$147,230,737</u></u>	<u><u>\$138,624,052</u></u>
Liabilities and Equities		
Patronage Capital	\$31,298,935	\$29,303,430
Other	<u>23,541,634</u>	<u>21,492,553</u>
Total Equities	54,840,569	50,795,983
Long-term Debt, Net of Current Maturities	74,684,850	70,969,267
Accumulated Provision for Post Retirement Benefit Obligation	2,975,274	3,433,651
Current Liabilities		
Current Maturities of Long-term Debt	3,491,845	4,384,255
Notes and Accounts Payable	9,834,199	7,776,483
Other	<u>1,224,615</u>	<u>1,082,634</u>
Total Current Liabilities	14,550,659	13,243,372
Deferred Credits	<u>179,385</u>	<u>181,779</u>
Total Equities and Liabilities	<u><u>147,230,737</u></u>	<u><u>138,624,052</u></u>

Audited, Consolidated Statement of Operations, Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Total	39,731,546	36,458,291
Cost of Power	18,430,702	16,798,391
Operations and Maintenance	6,841,798	6,466,753
Consumer Accounts	652,829	622,934
Administrative and General	3,187,704	2,889,634
Depreciation	5,112,466	4,658,321
Other Interest	<u>226,375</u>	<u>99,010</u>
Total Operating Expenses	<u>34,451,874</u>	<u>31,535,043</u>
Operating Margin Before Fixed Charges	5,279,672	4,923,248
Interest on Long-Term Debt	<u>1,995,732</u>	<u>1,739,490</u>
Operating Margins After Fixed Charges	3,283,940	3,183,758
Capital Credits	<u>1,195,252</u>	<u>1,144,953</u>
Net Operating Margins	4,479,192	4,328,711
Non-Operating Margins	<u>272,293</u>	<u>1,230,876</u>
Total Margins	<u>\$4,751,485</u>	<u>\$5,559,587</u>



Journeyman Lineman Josh Davis and Apprentice Lineman Kaiden Davis working on a pole replacement in Pike County.

Proxy

I, _____, a member of Illinois Electric
(please print)
Cooperative, do hereby appoint _____ to be my Proxy
(please print)
for all matters to come before the membership at the Annual Meeting of
Members to be held June 10, 2023.

Signature

Date

This institution is an equal opportunity provider and employer.