

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Illinois Municipal Electric Agency (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 investor-owned utilities and through IMEA owned generation. The contracts with investor-owned utilities, which obligate IMEA to purchase electric energy for concurrent resale to its members, are in effect through September 2035.

As of April 30, 2010, 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.

IMEA complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", IMEA also complies with the pronouncements of the Financial Accounting Standards Board which do not conflict with GASB pronouncements.

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, LIABILITIES AND NET ASSETS

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, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Allowance Inventory

Inventories consist of emission allowances and are valued at current market value. The emission allowances are obtained from Florida Power and Light through the purchase of renewable energy resources.

Accounts Receivable and Allowance for Doubtful Accounts

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

Prepayments

The amount in prepaid items represents amounts paid which will benefit future periods and the Agency's payment for collateral for operating activities in the PJM transmission market.

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.

Bond Interest Subsidy Receivable

This amount represents the accrued amount receivable under the Build America Bond Program which provides a 35% subsidy for interest expense on the Series 2009 revenue bond issue.

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, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, LIABILITIES AND NET ASSETS (cont.)

Utility Plant (cont.)

Utility plant of IMEA is recorded at cost or the fair market 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 Unit No. 1	20 – 41.5
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

Accrued Sick Leave

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.

Other Liabilities

Other liabilities represent accrued sick leave, accrued property taxes payable, an estimate of the accrued IRS arbitrage liability, and asset retirement obligation, (Note 7).

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond issuance costs, discounts, premiums and losses on advance refundings are deferred and amortized on a weighted average basis over the repayment period of the related debt.

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.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

OTHER REVENUES

Other revenues include revenues from Fairfield under its construction advance from IMEA (Note 9), a management fee paid to IMEA by two state utility associations for co-sharing of staff and facilities.

BOND SUBSIDY REVENUE

The bond subsidy revenue represents 35% of interest expense on the 2009 Build America Bonds.

TAXES

IMEA is exempt from State and Federal income taxes.

RATES

Rates charged to members are evaluated annually by the Board of Directors and were increased on January 1, 2010.

RECLASSIFICATIONS

Certain amounts in the prior year financial statements may have been reclassified in order to conform to the current year's presentation.

NOTE 2 – CASH AND INVESTMENTS

IMEA's cash and investments consist of the following:

	Carrying Value as of April 30		Associated Risks
	2010	2009	
Illinois Fund	\$ 50,950,489	\$ 210,337,719	Credit and interest rate risks
Mutual funds	55,062,375	18,000,332	Credit and interest rate and investments highly sensitive to market rate changes risks
Morgan Stanley and Company repurchase agreement	3,631,953	8,706,586	Custodial credit, credit, interest rate and investment highly sensitive to interest rate changes risks
U.S. treasuries	904,707	-	Custodial credit, credit, concentration of credit, interest rate, and investments highly sensitive to interest rate changes risks
U.S. agency securities	330,035,024	130,410,830	Custodial credit, credit, concentration of credit, interest rate, and investments highly sensitive to interest rate changes risks
Petty cash	500	500	Not applicable
Totals	\$ 440,585,048	\$ 367,455,967	

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS

April 30, 2010 and 2009

NOTE 2 – CASH AND INVESTMENTS (cont.)

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 quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market 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 interest bearing accounts and unlimited for non-interest bearing accounts as of April 30, 2010 and 2009. 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.

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. At April 30, 2010 and 2009, IMEA had no uninsured and uncollateralized deposits. IMEA's investment policy does not require collateralization of deposits but rather restricts the financial institutions that can be used based on the equity and market ratings of the financial institution's debt.

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, 2010 and 2009, 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 policy is to have all investment securities 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, 2010 and 2009 IMEA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>
U.S. agency securities	AAA	Aaa
Mutual funds	AAA	Aaa
Illinois Fund	AAAm	-
Morgan Stanley and Company repurchase agreement	Not rated*	Not rated*

* The repurchase agreement is invested in U.S. treasuries, which are explicitly guaranteed by the U.S. government.

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

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 2 – CASH AND INVESTMENTS (cont.)

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.

At April 30, 2010 and 2009, IMEA's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio	
		2010	2009
Federal Home Loan Mortgage Corporation	US Agency Securities - Implicitly Guaranteed	15%	13%
Federal Farm Credit Banks Funding Corporation	US Agency Securities - Implicitly Guaranteed	8%	10%
Federal Home Loan Bank	US Agency Securities - Implicitly Guaranteed	38%	6%
Fannie Mae	US Agency Securities - Implicitly Guaranteed	13%	6%

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, 2010, IMEA's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 330,035,024	\$ 185,989,988	\$ 78,323,818	\$ 65,721,218
U.S. treasuries	904,707	-	904,707	-
Morgan Stanley and Company repurchase agreement	3,631,953	-	3,631,953	-
Illinois Fund	50,950,489	50,950,489	-	-
Totals	\$ 385,522,173	\$ 236,940,487	\$ 82,860,478	\$ 65,721,218

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 2 – CASH AND INVESTMENTS (cont.)

INTEREST RATE RISK (cont.)

IMEA also has \$55,062,375 invested in mutual funds with underlying investments of U.S. Treasuries and U.S. Agency Securities. The average maturity of the mutual funds is 42 days.

As of April 30, 2009, IMEA's investments were as follows:

Investment Type	Maturity (In Years)			
	Fair Value	Less than 1	1-5	Over 5
U.S. agency securities	\$ 130,410,830	\$ 15,531,743	\$ 67,071,663	\$ 47,807,424
Morgan Stanley and Company repurchase agreement	8,706,586	-	8,706,586	-
Illinois Fund	<u>210,337,719</u>	<u>210,337,719</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 349,455,135</u>	<u>\$ 225,869,462</u>	<u>\$ 75,778,249</u>	<u>\$ 47,807,424</u>

IMEA also had \$18,000,332 invested in mutual funds with underlying investments of U.S. Treasuries and U.S. Agency Securities as of April 30, 2009. The average maturity of the mutual funds was 51 days.

IMEA's investment policy states that investment securities should not mature later than the monies will be needed for the respective use.

INVESTMENTS HIGHLY SENSITIVE TO MARKET CHANGES

At April 30 2010, IMEA held \$379,753,328 in U.S. agencies, U.S. treasuries, mutual funds, and a repurchase agreement, with underlying investments in US treasuries, maturing from 2010 through 2019. These investments can vary in market value depending on the current interest rate. IMEA's normal practice is to hold these investments to maturity but depending on the market they may sell them prior to maturity resulting in a gain or loss depending on the current interest rate. The market value of these investments at April 30, 2010 was \$389,634,059.

At April 30 2009, IMEA held \$151,787,7883 in U.S. agencies, mutual funds, and a repurchase agreement with underlying investments in US treasuries and U.S. agency securities maturing from 2010 through 2016. These investments can vary in market value depending on the current interest rate. IMEA's normal practice is to hold these investments to maturity but depending on the market they may sell them prior to maturity resulting in a gain or loss depending on the current interest rate. The market value of these investments at April 30, 2009 was \$157,117,748.

IMEA's investment policy states that investment securities should not mature later than the monies will be needed for the respective use.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 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, as tenant in common, in the Trimble County Unit No. 1 generating facility from Louisville Gas and Electric Company. The cost of this interest was approximately \$94 million and was financed by the issuance of IMEA's Power Supply System Revenue Refunding Bonds Series 2007C. IMEA's share of the operating costs associated with this facility is included in the accompanying financial statements.

TRIMBLE COUNTY UNIT No. 2

Trimble County Unit 2 is currently being constructed as a new pulverized-coal super-critical unit of 750 MW nominal net rating located adjacent to the existing Trimble County 1. In February 2004, IMEA entered into a Participation Agreement among IMEA, Louisville Gas & Electric Company ("LG&E"), Kentucky Utilities, an affiliate of LG&E, and the Indiana Municipal Power Agency (Collectively referred to as "Co-owners") which provides for the ownership by IMEA of a 12.12% (approximately 91 MW) undivided interest as tenant in common in Trimble County Unit 2. IMEA expects that Trimble County Unit 2 will be available for commercial operation in the third quarter of 2010.

PRAIRIE STATE PROJECT

In June 2007, IMEA entered into the necessary project documents to become a participant in the Prairie State Project. The project documents provide for the purchase of an undivided ownership interest in the Prairie State Project by IMEA and the other project owners. IMEA owns a 15.17% (approximately 240 MW) undivided interest in the project. The final notice to proceed occurred on October 1, 2007 which marked the commencement of construction for the project. The Prairie State Project is planned to be a nominal 1,600 MW plant, utilizing two 800 MW supercritical steam units. IMEA anticipates that one of the Prairie State units will be available for commercial operation in 2011 and the second unit will be available for commercial operation in 2012.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 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.

<u>Fund</u>	<u>Held By</u>	<u>Purpose</u>
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.
Acquisition Fund	Trustee	To maintain unspent bond proceeds that will be used for construction projects.
Debt Service Fund	Trustee	
Debt Service Account		To accumulate principal and interest associated with each bond series.
Debt Service Reserve Account		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, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Included in Current Assets:		
Revenue	\$ 447	\$ 218,389
Operation and maintenance	15,009,886	16,186,321
Renewals and replacements	5,026,178	6,759,732
General reserve	32,397	51,844
Rate stabilization	12,000,000	17,300,000
General cash (not restricted by indenture)	<u>500</u>	<u>500</u>
Total Current Cash and Investments	<u>\$ 32,069,408</u>	<u>\$ 40,516,786</u>
Included in Restricted Investment Accounts:		
Acquisition fund	\$ 226,276,483	\$ 176,108,283
Debt service	99,237,613	90,793,986
Debt service reserve	<u>83,001,544</u>	<u>60,036,912</u>
Total Restricted Investments	<u>\$ 408,515,640</u>	<u>\$ 326,939,181</u>

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS

April 30, 2010 and 2009

NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2010 follows:

	Balance 5/01/09	Additions/ Reclassi- fications	Deletions/ Reclassi- fications	Balance 4/30/10
Utility plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 105,247,374	\$ 696,919	\$ 212,161	\$ 105,732,132
Mobile generation	4,879,804	-	-	4,879,804
Land ¹	700,430	-	-	700,430
Land improvements	-	-	-	-
Office building	8,097,034	118,454	100,280	8,115,208
Office furniture and equipment	434,260	10,049	3,340	440,969
Supervisory control and data acquisition equipment	1,867,238	107,594	-	1,974,832
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	525,790	62,129	46,601	541,318
Total Utility Plant in Service	122,251,930	995,145	362,382	122,884,693
Construction work in progress ¹	426,491,817	241,578,847	699,039	667,371,625
Total Utility Plant	548,743,747	242,573,992	1,061,421	790,256,318
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	(47,046,694)	(2,598,814)	(212,161)	(49,433,347)
Mobile generation	(1,720,595)	(162,660)	-	(1,883,255)
Land improvements	-	-	-	-
Office building	(386,212)	(257,926)	(6,112)	(638,026)
Office furniture and equipment	(176,652)	(76,373)	(3,340)	(249,685)
Supervisory control and data acquisition equipment	(1,611,347)	(110,249)	-	(1,721,596)
Winnetka 138 interconnect	(211,111)	(16,667)	-	(227,778)
Other equipment	(315,233)	(69,558)	(33,567)	(351,224)
Total Accumulated Depreciation	(51,467,844)	(3,292,247)	(255,180)	(54,504,911)
Net Utility Plant	\$ 497,275,903			\$ 735,751,407

¹ – Utility plant that is not being depreciated.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS

April 30, 2010 and 2009

NOTE 5 – CHANGES IN UTILITY PLANT (cont.)

A summary of changes in utility plant for 2009 follows:

	Balance 5/01/08	Additions/ Reclassi- fications	Deletions/ Reclassi- fications	Balance 4/30/09
Utility plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 105,171,252	\$ 129,192	\$ 53,070	\$ 105,247,374
Mobile generation	4,879,804	-	-	4,879,804
Land ¹	701,131	-	701	700,430
Land improvements	-	-	-	-
Office building	8,074,843	25,320	3,129	8,097,034
Office furniture and equipment	582,097	26,445	174,282	434,260
Supervisory control and data acquisition equipment	1,752,279	114,959	-	1,867,238
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	471,979	92,007	38,196	525,790
Total Utility Plant in Service	122,133,385	387,923	269,378	122,251,930
Construction work in progress ¹	226,019,908	200,601,100	129,191	426,491,817
Total Utility Plant	348,153,293	200,989,023	398,569	548,743,747
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	(44,427,999)	(2,671,765)	(53,070)	(47,046,694)
Mobile generation	(1,557,935)	(162,660)	-	(1,720,595)
Land improvements	-	-	-	-
Office building	(128,166)	(275,042)	(16,996)	(386,212)
Office furniture and equipment	(271,095)	(81,944)	(176,387)	(176,652)
Supervisory control and data acquisition equipment	(1,455,988)	(155,359)	-	(1,611,347)
Winnetka 138 interconnect	(194,444)	(16,667)	-	(211,111)
Other equipment	(267,624)	(76,256)	(28,647)	(315,233)
Total Accumulated Depreciation	(48,303,251)	(3,439,693)	(275,100)	(51,467,844)
Net Utility Plant	\$ 299,850,042			\$ 497,275,903

¹ – Utility plant that is not being depreciated.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 6 – LONG TERM OBLIGATIONS

IMEA has issued the following revenue bonds:

Date	Purpose	Final Maturity	Interest Rates	Original Issue	Outstanding Amount 4/30/10
June 23, 2006	Capital improvements	Feb. 1, 2035	4.250 – 5.000%	\$ 139,505,000	\$ 138,420,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2035	4.000 – 5.250%	575,700,000	575,700,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2015	5.340 – 5.460%	29,660,000	29,660,000
Nov. 5, 2007	Refinance 1998 bonds	Feb. 1, 2021	5.000 – 5.250%	51,360,000	44,995,000
Jul. 15, 2009	Debt service and capitalized interest	Feb. 1, 2016	4.000 – 5.000%	10,040,000	10,040,000
Jul. 15, 2009	Debt service and capital improvements	Feb. 1, 2035	5.328 – 6.128%	294,755,000	294,755,000
Jul. 15, 2009	Debt service and capital improvements	Feb. 1, 2015	4.160 - 4.880%	16,995,000	16,995,000

The annual debt service and sinking fund requirements of the remaining bonds to maturity are as follows:

Year	Principal	Interest	Less Interest Subsidy	Total
2011	\$ 8,710,000	\$ 60,761,878	\$ 6,758,197	\$ 62,713,681
2012	8,795,000	60,371,303	6,758,197	62,408,106
2013	19,565,000	59,959,053	6,758,197	72,765,856
2014	31,105,000	58,993,369	6,758,197	83,340,172
2015	32,695,000	57,425,625	6,758,197	83,362,428
2016-2020	192,055,000	259,427,716	31,973,674	419,509,042
2021-2025	216,430,000	204,552,747	26,008,192	394,974,555
2026-2030	264,980,000	138,878,639	17,767,812	386,090,827
2031-2035	336,230,000	57,290,205	7,330,822	386,189,383
Totals	<u>\$ 1,110,565,000</u>	<u>\$ 957,660,535</u>	<u>\$ 116,871,485</u>	<u>\$ 1,951,354,050</u>

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

Long-term obligation activity for the year ended April 30, 2010 is as follows:

	5/01/09 Balance	Additions	Reductions	4/30/10 Balance	Due Within One Year
Revenue bonds	\$ 792,440,000	\$ 321,790,000	\$ 3,665,000	\$ 1,110,565,000	\$ 8,710,000
Unamortized premium	16,315,396	475,894	1,277,335	15,513,955	-
Unamortized loss on advance refunding	(5,000,379)	-	(725,678)	(4,274,701)	-
Other liabilities	1,743,914	533,245	12,759	2,264,400	-
Totals	<u>\$ 805,498,931</u>	<u>\$ 322,799,139</u>	<u>\$ 4,229,416</u>	<u>\$ 1,124,068,654</u>	<u>\$ 8,710,000</u>

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 6 – LONG TERM OBLIGATIONS (cont.)

Long-term obligation activity for the year ended April 30, 2009 is as follows:

	5/01/08 Balance	Additions	Reductions	4/30/09 Balance	Due Within One Year
Revenue bonds	\$ 795,925,000	\$ -	\$ 3,485,000	\$ 792,440,000	\$ 3,665,000
Unamortized premium	17,563,067	-	1,247,671	16,315,396	-
Unamortized loss on advance refunding	(5,774,065)	-	(773,686)	(5,000,379)	-
Other liabilities	1,353,170	390,744	-	1,743,914	-
Totals	\$ 809,067,172	\$ 390,744	\$ 3,958,985	\$ 805,498,931	\$ 3,665,000

NOTE 7 – ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

IMEA adopted Statement of Financial Accounting Standards No. 143 – *Accounting for Asset Retirement Obligations* (SFAS 143). 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 scope of SFAS 143 includes future asset retirement obligation for the closure of an ash pond at the Trimble County plant site and mine closure 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.

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

Balance 5/01/09	Liabilities Incurred	Accretion	Balance 4/30/10
<u>\$ 519,842</u>	<u>\$ 292,457</u>	<u>\$ 25,992</u>	<u>\$ 838,291</u>
Balance 5/01/08	Liabilities Incurred	Accretion	Balance 4/30/09
<u>\$ 495,088</u>	<u>\$ -</u>	<u>\$ 24,754</u>	<u>\$ 519,842</u>

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS

April 30, 2010 and 2009

NOTE 8 – NET ASSETS

GASB No. 34 requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets 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 assets component as the unspent proceeds.

Restricted - This component of net assets 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 assets - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

The following calculation supports the net assets invested in capital assets, net of related debt:

	2010	2009
Utility plant in service	\$ 122,884,693	\$ 122,251,930
Accumulated depreciation	(54,504,911)	(51,467,844)
Construction work in progress	667,371,625	426,491,817
Sub-totals	735,751,407	497,275,903
Less: Capital Related Debt		
Current portion of capital related long-term debt	8,710,000	3,665,000
Long-term portion of capital related long-term debt	1,101,855,000	788,775,000
Unamortized debt issuance costs	(9,910,527)	(7,129,687)
Unamortized loss on advance refunding	(4,274,701)	(5,000,379)
Unamortized premium	15,513,955	16,315,396
Deferred asset – Fairfield	(9,392,575)	(9,588,175)
Sub-totals	1,102,501,152	787,037,155
Add: Unspent Debt Proceeds		
Debt service reserve from borrowing	83,001,544	60,036,912
Debt service account	61,630,712	90,793,986
Capitalized interest account	37,606,901	-
Acquisition fund	226,276,483	176,108,283
Sub-totals	408,515,640	326,939,181
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 41,765,895	\$ 37,177,929

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS

April 30, 2010 and 2009

NOTE 8 – NET ASSETS (cont.)

The following calculation supports the amount of restricted net assets:

	<u>2010</u>	<u>2009</u>
Restricted investments	\$ 408,515,640	\$ 326,939,181
Less: Restricted Assets Not Funded by Revenues		
Debt service reserve account	(83,001,544)	(60,036,912)
Debt service account	(61,630,712)	(90,793,986)
Capitalized interest account	(37,606,901)	-
Construction funds	<u>(226,276,483)</u>	<u>(176,108,283)</u>
Total Restricted Net Assets Not Funded by Revenues	408,515,640	326,939,181
Current liabilities payable from restricted assets	<u>(15,830,822)</u>	<u>(15,098,800)</u>
Total Restricted Net Assets as Calculated	<u>\$ (15,830,822)</u>	<u>\$ (15,098,800)</u>

Generally accepted accounting principals do not allow negative restricted net assets to be reported. Therefore, no restricted net assets are reported if the calculation above results in a negative number.

NOTE 9 – DEFERRED ASSET - FAIRFIELD

A portion of the proceeds of the Power Supply System Revenue Bonds, Series 2006 were advanced to the City of Fairfield to construct a 138KV transmission line and substation facilities. The City of Fairfield will repay the debt service associated with any advanced bond proceeds through monthly rates paid to IMEA. The balance of the deferred asset as of April 30, 2010 and 2009 was \$9,392,575 and \$9,588,175, respectively.

NOTE 10 – EMPLOYEE RETIREMENT PLAN

IMEA's employees are covered by the Illinois Municipal Electric Agency Pension Plan, a defined contribution money purchase 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 contributions to the plan by IMEA, net of applied forfeitures, for the years ended April 30, 2010, 2009 and 2008 were \$648,000, \$610,000, and \$487,000, respectively. Total covered payroll for the respective years was \$2,590,000, \$2,439,000, and \$1,946,000.

ILLINOIS MUNICIPAL ELECTRIC AGENCY

NOTES TO FINANCIAL STATEMENTS April 30, 2010 and 2009

NOTE 11 – CONTRACTS AND COMMITMENTS

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

IMEA has signed construction contracts that continue into subsequent years, with remaining contract amounts approximately \$5,741,965 for Trimble County Unit No. 2 construction and \$291,180,729 for the Prairie State project construction. The value of the services provided and the corresponding liability as of April 30, 2010 and 2009 has been accrued in these 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.

NOTE 12 – SIGNIFICANT CUSTOMERS

IMEA has one significant customer, who was responsible for 20% and 21% of operating revenue in 2010 and 2009, respectively.

NOTE 13 – 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.