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

Balance. Whether it's a business matter, a personal issue or Mother Nature itself, it's a critical component for helping keep things in line, "in synch," if you will.

Webster's Dictionary defines balance in a number of different ways . . . . . an equality of advantage, force, power or weight . . . . . stability . . . . . equilibrium. Just as we need balance in our own work and personal lives, so it is that IMEA needs balance in its energy resources and energy portfolio, a necessary component for meeting both the current and future electric energy needs of its members and customers.

An example of IMEA's constant search for power supply balance came earlier this year when IMEA began purchasing 70 megawatts of wind-generated electricity from NextEra Energy Resources, LLC's new Lee-DeKalb wind farm in northern Illinois. Located near the intersection of Interstates 88 and 39 in Lee and DeKalb counties, the 217-megawatt wind farm began commercial operation in December 2009 and IMEA began taking output January 1.

Our contract with NextEra Energy, a subsidiary of FPL Group (Florida Power & Light), was the result of months of negotiations between IMEA and NextEra. It fulfills a vital part of IMEA's long-term strategic plan by securing a portion of the Agency's energy needs through a renewable resource that is not dependent on fossil fuels.

This state-of-the-art renewable resource complimented IMEA's new energy-efficiency program, which began in 2009. The program provides a series of incentives to both the members and their customers to help them control their energy consumption and therefore, their power bills. Now in its second year, the program has already shown demonstrable benefits to the Agency and its members.

Our wind-purchase agreement and our energy-efficiency program provide further balance and diversity to IMEA's overall energy mix by complimenting our existing and future fossil resources. These include the currently operating Unit I at Trimble County as well as Unit 2, which is anticipated to begin commercial operation in October of this year. They will be joined by IMEA's share of the 1,600-megawatts of coal-fired capacity of both units at the Prairie State Energy Campus, which will come on line in 2012 and 2013.

Such balance is also critical as IMEA moves forward with plans to address the ongoing issues of carbon emissions, climate change legislation and related environmental concerns. Our primary concern with legislation addressing all three of these issues continues to be the potentially adverse economic impact they could have on IMEA, its members and customers, our state's economy and our nation's economy as a whole.

Which brings us full circle back to the need for balance.

Balance . . . it's a necessity born of the need to maintain equilibrium, stability if you will, in IMEA's overall energy infrastructure, both in the short term and in the long run. It's also reflected in IMEA's mission…*balancing the need to provide our member communities with quality energy and utility services in a manner that's reliable, cost-effective and environmentally sensitive.*

With the assistance of a dedicated and talented staff – and backed by the support and commitment of its Board of Directors – IMEA is committed to the goal of continually seeking and maintaining that balance, both in the coming years and beyond.

Del McCord

Del McCord (left)
Chairman of the Board

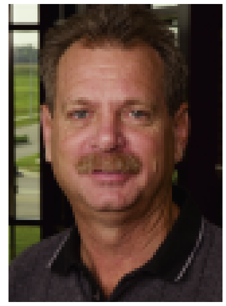
Ronald D Earl

Ronald D. Earl (right)
President & CEO

Executive Board

Chairman
Del McCord
Chatham

Vice Chairman
Bob Coble
Flora



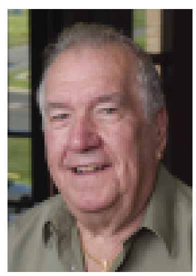
Secretary/
Treasurer
Ron Dintelmann
Freeburg

Immediate
Past Chairman
Greg Hazel
Rantoul

Members at Large

Mayor
Larry
Taylor
Altamont

George
Smith
Marshall



Jerry
Scott
Oglesby

Paul
Jakubczak
Rock Falls

Glynn
Amburgey
St. Charles

Ten Year Comparative Summary of Operations

FOR THE YEARS ENDED APRIL 30,	2010	2009	2008	2007
Operating Revenues:				
Electric Sales to Participating Members	$148,999,323	$146,290,958	$140,222,832	$101,362,681
Electric Sales to Non-Participating Members	0	0	0	0
Electric Sales to Others	8,876,865	2,630,952	3,284	0
Member Assessments	10,000	10,000	10,000	28,500
Other	1,521,276	1,221,779	1,155,131	369,710
Total Operating Revenues	159,407,464	150,153,689	141,391,247	101,760,891
Operating Expenses:				
Purchased Power	105,434,390	95,326,413	92,125,794	54,127,374
Transmission	14,049,221	11,590,389	10,277,107	6,657,441
Trimble County Unit #1:				
Fuel	7,838,048	11,099,921	7,498,448	7,892,265
Operations and Maintenance	5,859,538	4,532,103	4,226,640	3,511,622
Member Payments:				
Fuel Reimbursements	995,589	1,866,252	1,507,892	2,358,657
Capacity Payments	9,281,664	9,263,030	9,527,462	10,159,631
Generation Payments	2,997	4,719	15,297	32,547
Administrative and General	6,114,056	5,774,665	5,112,890	4,474,511
Depreciation Expense	3,291,971	3,433,667	3,245,737	3,129,115
Other Utility Operations	1,107,938	633,090	613,600	598,955
Total Operating Expenses	153,975,412	143,524,249	134,150,867	92,942,118
Net Operating Income	5,432,052	6,629,440	7,240,380	8,818,773
Other Expenses - Net	(3,580,580)	(3,243,851)	(2,546,837)	(1,912,322)
Net Income Before Special Item	$1,851,472	$3,385,589	$4,693,543	$6,906,451
Special Item	$0	$0	$0	$0
Change in Net Assets	$1,851,472	$3,385,589	$4,693,543	$6,906,451
Peak Demand (Non-Coincident kW)	608,019	615,849	626,716	511,245
Kilowatt-Hour Sales to Participating Members(kWh)	2,415,247,557	2,525,506,187	2,661,927,664	2,087,270,895
Kilowatt-Hour Sales to Non-Participating Members(kWh)	0	0	0	0
Kilowatt-Hour Sales to Others(kWh)	121,424,791	38,254,057	0	0
Cost per kWh to Participating Members (Cents/kWh)	6.17	5.79	5.27	4.86
Cost per kWh to Participating Members after Capacity Payments (Cents/kWh)	5.78	5.43	4.91	4.37
Debt Service Coverage	113%	171%	182%	224%
Principal Paid on Revenue Bonds	$3,665,000	$3,485,000	$3,365,000	$2,985,000
Revenue Bonds Outstanding	$1,110,565,000	$792,440,000	$795,925,000	$196,650,000
Member Equity	$63,819,883	$61,968,411	$58,582,822	$53,889,279

2006	2005	2004	2003	2002	2001
$107,605,194	$91,690,145	$87,225,675	$85,588,654	$80,482,374	$77,804,089
863,087	9,149,858	10,632,837	14,367,182	11,112,871	4,385,332
0	207,490	520,398	790,782	984,533	736,179
40,667	37,333	38,000	38,000	39,000	39,000
228,309	104,278	4,366	4,228	4,833	4,275
108,737,257	101,189,104	98,421,276	100,788,846	92,623,611	82,968,875
56,786,957	54,865,563	54,211,119	56,736,392	52,197,870	41,975,543
6,464,926	8,810,941	8,745,400	8,942,325	8,515,171	8,339,916
7,038,616	6,600,569	5,714,501	5,357,536	3,995,696	4,211,363
3,473,196	2,967,968	2,757,950	2,778,374	2,869,633	2,541,954
6,227,758	753,310	567,572	625,864	572,622	1,878,838
10,450,580	10,856,959	10,581,245	10,383,947	9,290,597	8,552,696
121,835	11,225	37,307	39,412	41,515	106,955
3,872,102	3,337,937	3,185,806	2,688,755	2,300,945	2,406,911
3,242,803	3,133,520	3,063,809	3,134,058	3,282,104	3,466,280
855,049	540,232	387,280	293,814	282,229	413,082
98,533,822	91,878,224	89,251,989	90,980,477	83,348,382	73,893,538
10,203,435	9,310,880	9,169,287	9,808,369	9,275,229	9,075,337
(3,191,010)	(3,913,347)	(4,466,622)	(4,515,821)	(4,576,781)	(4,070,284)
$7,012,425	$5,397,533	$4,702,665	$5,292,548	$4,698,448	$5,005,053
$0	$0	$0	$0	($7,962,107)	$0
$7,012,425	$5,397,533	$4,702,665	$5,292,548	($3,263,659)	$5,005,053
539,263	494,631	502,697	498,190	477,545	423,887
2,112,121,734	1,891,104,971	1,799,826,165	1,800,182,386	1,702,081,057	1,697,927,123
32,085,000	327,645,119	363,560,710	434,473,866	355,656,918	163,154,298
0	14,656,000	37,866,000	58,315,000	80,963,000	64,871,000
5.09	4.85	4.85	4.75	4.73	4.58
4.60	4.27	4.26	4.18	4.18	4.08
162%	133%	129%	139%	139%	146%
$6,485,000	$6,170,000	$5,885,000	$5,620,000	$5,260,000	$5,120,000
$60,130,000	$66,615,000	$72,785,000	$78,670,000	$84,290,000	$89,550,000
$46,982,828	$39,970,403	$34,572,870	$29,870,205	$24,577,657	$27,841,316

Balancing IMEA's Energy Future . . . Innovative Combinations of Renewables, Energy Efficiency and High-Technology Conventional Generation Strengthen IMEA's Long-term Energy Outlook

Today's challenging economy, along with rapidly evolving technologies and an uncertain regulatory and legislative outlook, provides difficult choices for the entire electric utility industry, including our municipal systems. As IMEA has moved through this environment, it has constantly sought to make choices that balance the risks and rewards that are intertwined in today's power supply and delivery world. That has certainly been the case in the past year.

IMEA, NextEra Sign Long-term Wind Energy Contract

The Agency's quest for a balanced power supply portfolio took a quantum leap forward earlier this year when IMEA began purchasing 70 megawatts of wind-generated electricity from NextEra Energy Resource LLC's new Lee-DeKalb wind farm in northern Illinois beginning in January. The milestone marks the first major renewable energy purchase in the Agency's 26-year history.

Located near the intersection of Interstates 88 and 39 in Lee and DeKalb counties in northern Illinois, the 217-megawatt wind farm began commercial operation in December 2009 and IMEA began taking output earlier this year.

The value of the contract – which continues through 2030 – is expected to exceed $300 million over the 20-year period. The factors contributing to the selection of the NextEra site include the wind farm's location within the PJM Regional Transmission Organization (RTO) service area, the high wind availability of the site and the current favorable treatment of wind capacity by the PJM RTO, one of two RTOs in which IMEA currently operates.

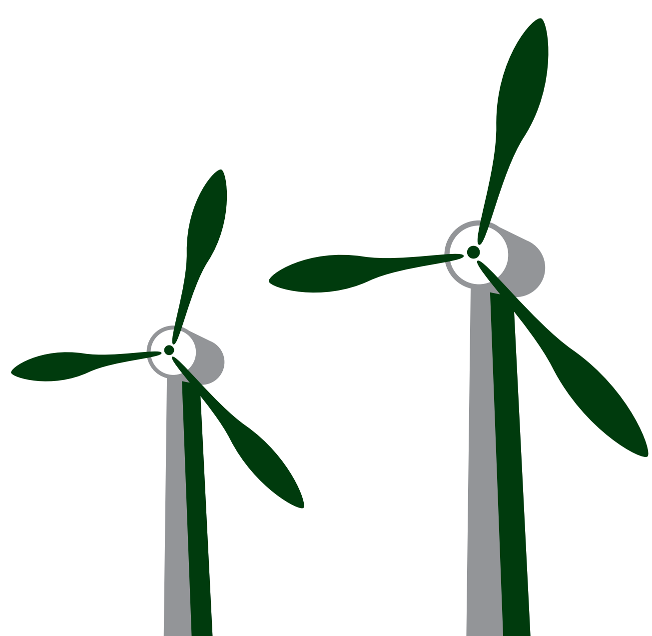
IMEA Energy Efficiency Program Begins Second Year

In April, the IMEA Board of Directors gave approval to a three-year extension of the Agency's Energy Efficiency Program, an initiative which began in 2009 and which already has produced demonstrable energy-saving benefits to the Agency and its members. The program provides funds to go toward the purchase and installation of energy efficient technologies and projects for IMEA members and their electric customers.

The IMEA's energy efficiency program aims to help cities and their customers reduce their electric demand and their electric consumption and therefore reduce the members' wholesale power costs. This allows the members to shift dollars for other needs and to enhance their economic climate by making utility costs more affordable for established and potential businesses.

Among the new features of the expanded program are increased incentive levels, greater flexibility and funding for up to 75 percent of the total cost of certain projects. Examples of member and customer projects that qualify for these incentives include the installation of light-emitting diode (LED) street lights and lighting systems; replacement of inefficient industrial motors with more energy-efficient and variable-speed versions; installation of geothermal or other high-efficiency Heating, Ventilation and Air Conditioning (HVAC) systems; and, the installation of a variety of "smart-grid" and power-factor improvement equipment.

In the program's first year, IMEA approved $321,640 of funding for 23 projects, which included HVAC upgrades for a factory in Flora, the installation of KVAR energy controllers in Princeton, the fitting of T8 and T5 fluorescent fixtures and ballasts in a Rantoul manufacturing plant, installation of LED and induction traffic and streetlights in Chatham and Marshall, and smart grid technology in St. Charles.



All told, member municipalities and their commercial customers this past year initiated projects that are estimated to reduce energy consumption by approximately 117,276,000 kilowatt hours annually and reduce greenhouse gas emissions by 84,673 tons.

In a parallel program, the IMEA established a discount coupon program to encourage the use of compact fluorescent lights (CFLs) in homes. More than 80,000 coupons were provided to the members for their customers' use over the course of the year.

The Agency also contracted with industry-leader Apogee Interactive to provide home energy audit information via their web-based products. These programs are available on the IMEA wesite, as well as a number of the individual member websites.

The positive response and initial successes of the program are very encouraging. The IMEA has allocated $600,000 for electric efficiency initiatives for fiscal year 2010-2011, and anticipates committing a total of more than $2.5 million to electric efficiency initiatives from 2010 through 2013.

To complement the overall benefits anticipated from IMEA's Energy Efficiency Program, the Board also approved a resolution authorizing creation of a separate Demand Response Program (DRP). The program would allow those members and their customers with small, non-utility generators or with the ability to shed load on demand to take part in the program and would share the realized savings among the participants.

Construction Nearly Complete at Trimble County 2, Continuing at Prairie State

Construction continues on two separate coal-fired base-load power plants that will serve a portion of IMEA members' wholesale electric needs as the Agency moves into the middle years of this century.

Construction of Trimble County Unit 2 (TC2) near Louisville, Kentucky, is almost complete, while construction of the Prairie State Energy Campus by the Prairie State Generating Company (PSGC) in southern Illinois near Lively Grove in Washington County continues under a new Engineering, Procurement and Construction (EPC) contract between PSGC and the plant's major contractor, Bechtel Power Corporation. The new agreement with Bechtel caps construction costs, provides greater overall price stability and economic predictability for the project, and reduces the risk associated with future cost changes and construction schedule adjustments.

It also further streamlines the production and construction management processes by enabling Bechtel to better manage various equipment, labor and material costs associated with the project. Under the new EPC, the scheduled in-service date for Unit 1 is anticipated to be the fourth quarter of 2011, while the scheduled in service date for Unit 2 is expected to be the third quarter of 2012.

Both Prairie State and TC2 employ the latest in control technologies for currently regulated pollutants and related emission-reduction requirements. Both projects also are critical to meeting a portion of IMEA members' future electric energy needs.

Overall, construction of TC2 is approximately 99 percent complete, with most of the focus now on the testing and start-up phases. An initial test held in May synchronized the TC2 turbine-generator with the electrical system grid for the first time, moving the 750-megawatt unit closer to its scheduled in-service completion date of October of this year. IMEA has a 12.12 percent ownership interest in TC2, an investment that complements its ownership of Trimble County Unit 1.

At Prairie State, work continues to focus on assembly of the boilers for Units 1 and 2. As of early June, work on the first of the two 800-megawatt supercritical units was approximately 52 percent complete while work on the second unit was approximately 22 percent complete.

IMEA's ownership interest in Prairie State is 15.17 percent, which represents 240 megawatts of the plant's total generating capacity of 1,600 megawatts. As does TC2, the coal-fired power plant employs a super-critical boiler technology, making it one of the most technologically-advanced facilities of its kind in the country.

PSGC is owned by six municipal joint action agencies and two generating and transmission cooperatives, and will serve as a reliable, efficient and low-cost source of electricity for an estimated 2.5 million customers in nine states: Illinois, Indiana, Kentucky, Michigan, Missouri, Pennsylvania, Ohio, Virginia and West Virginia.

Extreme Hot Weather Prompts New Electric Peak

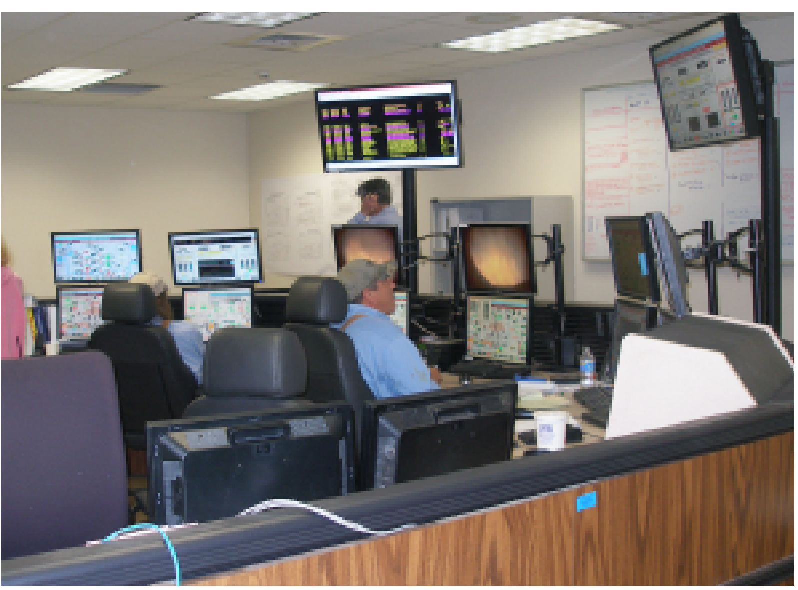
A prolonged period of high heat and humidity throughout much of the state during the early part of August prompted IMEA to record a new all-time electric peak of 609 megawatts on Wednesday, August 11, 2010. That surpasses the previous peak of 605 megawatts established on August 7, 2007.

Natural Gas Plant Planning Provides a Potential Future Power Supply Hedge

While the current economy has temporarily depressed costs for both capacity and energy in both the PJM and MISO markets, past volatility in these markets makes some alternative planning prudent. IMEA also secured options for property within the PJM footprint that could be used for a future natural gas-fired generation facility.

If constructed, the facility would most likely begin as a simple cycle plant of approximately 300MW but would have the capability to be modified into a combined-cycle facility at a later date. Current planning has included tests for water at the site to determine if there is sufficient capacity to support operations and studies related to access to transmission facilities and to a natural gas supply.

The option on the property and planning of the facility will continue into the coming year.



Climate Change Legislation, NESHAP-RICE Requirements Among Ongoing Environmental Concerns

IMEA remains deeply concerned about various proposed versions of climate change legislation currently pending in Congress, including those that embody a national carbon cap-and-trade system or impose limits on greenhouse gas emissions. The latest bills have focused on utility sector greenhouse gas emissions, rather than approaching the problem from an economy-wide perspective. The legislative situation remains fluid, and any final proposal could also contain pieces mixed and matched from a wide variety of bills. Having said that, the current political climate makes it seem unlikely Congress will tackle the issue until 2011. Related to all the proposals, the Agency's primary concern continues to be the potential such legislation has for imposing significant adverse economic impact on IMEA, its members and customers, and our national, state and local economies. In addition, many proposed versions of climate change legislation contain few provisions for protecting the financial and economic interests of consumers. IMEA recognizes the need to address environmental concerns related to global warming. We also believe the need to take action must be tempered with a solution that's equitable, cost-effective and eliminates the negative impact on our industry as well as on our nation's economy as a whole.

IMEA continues to work with the American Public Power Association (APPA), the National Rural Electric Cooperative Association (NRECA) and other organizations in supporting changes to any such legislation that would be less burdensome on consumers and affords a measure of financial protection for all. Specifically, we are addressing the following issues: 1) lack of a "safety valve" or equally stringent cost-containment mechanism that would mitigate price volatility while at the same time, protect consumers; 2) provision for theallocation of emission allowances, or credits, rather than the auction of emission allowances; 3) avoidance of duplicative regulation; 4) establishment of realistic emissions targets and timetables for achieving a reduction in emissions; and, 5) assurance that new power plant entrants to the market, such as TC2 and Prairie State, will have their emissions included in baseline calculations for allowance purposes.

Regarding another pressing environmental matter, IMEA's staff and electric consultants completed a study earlier this year to evaluate various compliance options and costs for members under the new National Emissions Standards for Hazardous Air Pollutants for Compression Ignition Reciprocating Internal Combustion Engines (NESHAP for CI RICE) rule adopted in March of this year by the USEPA. The rule requires that owners/operators of non-emergency diesel engine generators submit an initial notification to the Illinois EPA by August 31 of 2010.

Within IMEA there are 21 members who own and operate some CI RICE (diesel) generation, most of which is under contract to IMEA as a part of its resource mix. Since early spring, IMEA has also held several informational sessions to educate members about the rule and the various compliance options, which include the modification of existing engines to meet the new requirements; the replacement of existing units with newer, lower emission models; operation of the member units under the emergency designation in the rules; or, the retirement of existing diesel units.

As to possible operations under the emergency designation, the Agency is awaiting a response to a letter it sent in early April 2010 to the Regional Office of the USEPA requesting a clarification of the operating procedures for diesel engines under this designation in the new rule.

Finally, Agency staff made presentations similar to those made for the members to several neighboring state joint-action agencies and organizations, including the Kansas Municipal Utilities Association (KMUA) and the Missouri Public Utility Alliance (MPUA).

Naperville's Poole Retires; Curran Named IMEA Board Replacement

Long-time IMEA Board Member and City of Naperville Director of Public Utilities Allan Poole, P.E., BCEE, retired earlier this year following a more than 38-year public power career. A member of several APPA and IMEA advisory boards and committees, Poole is continuing his association with the city on a part-time basis as an independent contractor/project manager for Naperville's $22 million Smart Grid Initiative.

Mark Curran, formerly assistant director of public utilities for the municipality, was named to replace Poole on the IMEA Board. He officially assumed his responsibilities as the new IMEA Board Member representing the City of Naperville at the Agency's June 16 board meeting.

New IMEA Staff Members, Promotion

Two new staff members joined IMEA during the past year, while a third has been promoted.

Rodd Whelpley, 46, of Chatham, joined the Agency June 1 in the newly created position of Program & Communications Administrator. His initial primary responsibilities are for administration of IMEA's Energy Efficiency and Conservation Program. A native of Geneva, Ohio, Whelpley holds dual bachelor's degrees in accountancy and English from Walsh University in Canton, Ohio, and a master's degree in English/Creative Writing from Miami University in Oxford, Ohio.

Chris Jewell, 27, of Ashland, joined IMEA June 21 as Systems Administrator in IMEA's Information Systems Department. He holds a master's degree in Management Information Systems from the University of Illinois-Champaign.

In addition, Glenn Cunningham, formerly Manager-Systems Development, was promoted to Director–Information Systems & Security effective July 1. He replaces Darren Hulskotter, who left the Agency to pursue other opportunities in Texas.

IMEA Continues Management of IPEA, IMUA

IMEA continued its management this past year of both the Illinois Public Energy Agency (IPEA) and the Illinois Municipal Utilities Association (IMUA) under the second year of an extended Management Services Contract (MSC) that continues through the end of this decade.

Formed in 1948, the IMUA is a statewide trade association that provides a wide variety of services to its more than 60 municipal members, including aggressive governmental representation before the Illinois General Assembly and other administrative and regulatory bodies both in Illinois and at the federal level, including Congress. IMUA provides a diverse array of vital training programs and activities for municipal electric, natural gas, telecommunications, water and wastewater treatment utilities. It also administers a voluntary mutual aid program designed to assist members with restoration of energy services and other vital community services in the event of natural disasters, such as storms, floods and tornadoes.

Formed in early 2005, the IPEA is a wholesaler of natural gas to 15 municipal systems and two cooperative natural gas systems throughout Illinois. IMEA provides managerial oversight for the IPEA's day-to-day operations. IPEA has, in its five years of operation, become one of the leading natural gas joint-action agencies in the Midwest, and the 20th largest such system in the country.

IPEA achieved a milestone earlier this year when it recorded the sale of 20 BCF of natural gas this past June.

Summary of IMEA Sales to Members
Fiscal Year Ending April 30, 2010

Participating Members	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population
Altamont	6,153	25,239,916	2,283
Bethany	2,509	9,077,036	1,300
Breese	12,489	52,282,677	4,048
Bushnell	8,728	35,315,287	3,233
Cairo	12,892	74,595,434	3,500
Carlyle	9,917	42,158,341	3,400
Carmi	15,126	59,071,415	5,422
Casey	8,235	34,509,747	2,974
Chatham	22,185	73,712,628	8,632
Fairfield	17,708	73,614,972	5,421
Farmer City	4,734	19,930,445	2,050
Flora	26,098	125,175,043	5,086
Freeburg	10,440	40,289,691	3,872
Greenup	3,705	15,015,830	1,532
Highland	34,755	139,409,006	8,438
Ladd	3,048	13,995,201	1,313
Marshall	14,303	66,337,074	3,777
Mascoutah	14,335	51,878,293	5,659
Metropolis	22,231	92,152,030	6,482
Oglesby	9,708	39,934,777	3,700
Peru	47,908	200,921,012	9,835
Princeton	25,403	108,682,194	7,501
Rantoul	29,070	128,748,003	12,918
Riverton	6,379	21,397,967	3,048
Rock Falls	20,480	69,266,347	9,594
Roodhouse	3,412	12,733,983	2,300
St. Charles	119,704	513,995,010	31,834
Sullivan	15,377	65,076,801	4,326
Waterloo	22,271	88,329,842	9,300
Winnetka	31,842	122,401,555	12,419
Total Full Requirements Sales to Participating Members	581,145	2,415,247,557	
Sales to RECC	26,874	121,424,791	
Total Sales	608,019	2,536,672,348	

Note: Red Bud and Naperville have executed full requirements participating member contracts with service commencing on January 1, 2011, and June 1, 2011, respectively.

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct., PO Box 7398
Madison, WI 53707-7398
tel 608.249.6622
fax 608.249.8532
bakertilly.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Illinois Municipal Electric Agency
Springfield, Illinois

We have audited the accompanying balance sheets of the Illinois Municipal Electric Agency (IMEA) as of April 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of IMEA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMEA as of April 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 10 through 13 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 8, 2010

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, 2010 and 2009. 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 electric power and energy to provide for the current and projected energy needs of the purchasing members. IMEA has thirty two (32) members, each of which is a municipal corporation in the State of Illinois and owns and operates a municipal electric system.

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

The Statements of Revenues, Expenses and Changes in Net Assets present information showing how IMEA's net assets changed during the most recent year due to IMEA's business activity. The Statements of Cash Flows report the cash provided and used by operating activity, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions. The Balance Sheets report year end assets, liabilities and net assets 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 assets 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 Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows report information. A summary of IMEA's Balance Sheets is presented in Table 1. The Statements of Revenues, Expenses and Changes in Net Assets are summarized in Table 2 and Table 3 presents a summary of the Statements of Cash Flows.

Table 1 – Condensed Balance Sheets

	2010	2009	2008
Utility plant	$ 735,751,407	$ 497,275,903	$ 299,850,042
Restricted assets	408,515,640	326,939,181	526,560,840
Current assets	51,929,149	52,051,694	49,042,093
Other Assets	19,303,102	16,717,862	18,096,644
Total Assets	$ 1,215,499,298	$ 892,984,640	$ 893,549,619
Net Assets:			
Invested in capital assets, net of related debt	$ 41,765,895	$ 37,177,929	$ 36,077,224
Unrestricted	22,053,988	24,790,482	22,505,598
Total Net Assets	63,819,883	61,968,411	58,582,822
Non-current liabilities	1,115,358,654	801,833,931	805,582,172
Current liabilities	36,320,761	29,182,298	29,384,625
Total Liabilities	1,151,679,415	831,016,229	834,966,797
Total Net Assets and Liabilities	$ 1,215,499,298	$ 892,984,640	$ 893,549,619

During the year ended April 30, 2010, utility plant increased by $238,475,504. IMEA's capital investments made during the year included total payments of $205,447,674 toward the construction costs associated with the Prairie State project, the Trimble County Unit 2 project, general improvements to Trimble County Unit 1 and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were $892,128 as of April 30, 2010 which is reflected in current liabilities. These capital investments plus the interest charged to construction projects and net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of $3,291,971 was recorded during the year ended April 30, 2010.

For the previous year ended April 30, 2009, utility plant increased by $197,425,861. IMEA's capital investments made during the year included total payments of $176,844,927 toward the construction costs associated with the Prairie State project, the Trimble County Unit 2 project, general improvements to Trimble County Unit 1 and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were $5,116,852 as of April 30, 2009 which is reflected in current liabilities. These capital investments plus the interest charged to construction projects and net of depreciation accounted for a majority of the changes in utility plant. Depreciation expense of $3,433,667 was recorded during the year ended April 30, 2009.

During the fiscal year ended April 30, 2010, IMEA experienced a decrease in the cash and short-term investments held in operating reserve accounts of $8,447,378 from the previous year. This was caused by the need to provide cash collateral for certain IMEA operating arrangements and the continued investment in capital additions to Trimble County Unit 1. The cash collateral provided in the amount of approximately $5,600,000 is expected to be returned to IMEA during the next year. The decrease in cash and short-term investments was mainly offset by the collateral funding included in current assets and an increase in accounts receivable. Accounts receivable increased due to the accrual of the amount due from the US Treasury for the payment of interest on the 2009C Build America Bonds issued during the year. Net assets increased due to current year operations that resulted in net income of $1,851,472. The agency also paid $3,665,000 in principal repayments associated with outstanding revenue bonds.

For the fiscal year ended April 30, 2009, IMEA increased the cash and short-term investments held in operating reserve accounts by $2,624,964 from the previous year due to the members' continued commitment to increase cash reserves held by the Agency. This increase in cash and short-term investments accounted for the majority of the change in current assets. Net assets increased due to current year operations that resulted in net income of $3,385,589. The agency also paid $3,485,000 in principal repayments associated with outstanding revenue bonds.

IMEA issued the Series 2009A, 2009B and 2009C Power Supply System Revenue Bonds ("Series 2009 Bonds") in the total par amount of $321,790,000 on July 15, 2009. The final maturity of the Series 2009 Bonds is February 1, 2035. The Series 2009 Bonds were issued to finance a portion of the project costs of constructing the Prairie State project. The par amount of the Series 2009 Bonds, Series 2007 Bonds, Series 2007 Refunding Bonds and the Series 2006 Bonds are reflected in non-current liabilities. Proceeds of revenue bonds not yet expended are included in restricted assets. Proceeds of revenue bonds expended during the year represented a majority of the payments toward capital investments discussed above.

Table 2 – Condensed Statements of Revenues, Expenses and Change in Net Assets

	2010	2009	2008
Operating revenues	$ 159,407,464	$ 150,153,689	$ 141,391,247
Depreciation expense	3,291,971	3,433,667	3,245,737
Other operating expenses	150,683,441	140,090,582	130,905,130
Total Operating Expenses	153,975,412	143,524,249	134,150,867
Operating Income	5,432,052	6,629,440	7,240,380
Investment income	6,709,710	11,686,569	19,118,772
Interest and amortization expense	(10,199,312)	(14,759,623)	(21,676,674)
Other income/(expense)	(90,978)	(170,797)	11,065
Total Non-Operating Expenses	(3,580,580)	(3,243,851)	(2,546,837)
Change in Net Assets	1,851,472	3,385,589	4,693,543
Net Assets, Beginning of Year	61,968,411	58,582,822	53,889,279
Net Assets, End of Year	$ 63,819,883	$ 61,968,411	$ 58,582,822

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN THE ASSETS

Sales to participating members of $148,999,323 and 2,415,247,557 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2010. This represented an increase of $2,708,365 (2%) in revenue from sales to participating members and a decrease of 110,258,630 kWh (4%) as compared with the previous year. The increase in revenue was caused by an increase in the average cost of power sold to participating members. The decrease in kWh sales was mostly attributable to extremely mild weather conditions experienced in July and August 2009 and a continued soft economic environment. On January 1, 2009, IMEA began supplying the Rural Electric Convenience Cooperative (RECC) with full requirements power supply service under a five year contract. The sales to RECC under this agreement accounted for additional revenue of $8,876,865 which is reflected in sales to others.

Sales to participating members of $146,290,958 and 2,525,506,187 kilowatt hours ("kWh") were recorded during the fiscal year ended April 30, 2009. This represented an increase of $6,068,126 (4%) in revenue from sales to participating members and a decrease of 136,421,477 kWh (5%) as compared with the previous year. The increase in revenue was caused by an increase in the average cost of power sold to participating members. The decrease in kWh sales was attributable to mild August 2008 weather conditions and weaker economic conditions which occurred during the year. The sales to RECC accounted for additional revenue of $2,630,952 which is reflected in sales to others.

During the fiscal year ending April 30, 2010, the IMEA recorded a non-coincident peak demand of 608,019 kW which included both sales to participating members and to RECC. This non-coincident peak demand was approximately 1% lower than the previous year. During the fiscal year ending April 30, 2009, the IMEA recorded a non-coincident peak demand of 615,849 kW which included both sales to participating members and to RECC. This non-coincident peak demand was approximately 2% lower than the previous year.

The average cost of power sold to the participating members during the year ending April 30, 2010 was 6.17 cents per kWh which was approximately 6.5% higher than the previous year. The average cost of power sold to the participating members during the year ending April 30, 2009 was 5.79 cents per kWh which was approximately 9.9% higher than the previous year. These increases were the result of higher purchased power and fuel costs paid by IMEA as well as lower load factors experienced by the members from the decrease in energy sales.

For the year ended April 30, 2010, total operating expenses increased by $10,451,163 (7%) from the previous year due primarily to an increase in purchased power expenses. During this past year, interest income decreased by $4,976,859 primarily as a result of lower interest rates available for investment of funds. Interest expense decreased as a result of more interest being charged to construction projects.

For the year ended April 30, 2009, total operating expenses increased by $9,373,382 (7%) from the previous year due primarily to an industry wide increase in fuel costs which resulted in increased costs for both owned generation and purchased power expenses. During this past year, interest income decreased by $7,432,203 primarily as a result of lower interest rates available for investment of funds. Interest expense decreased as a result of more interest being charged to construction projects.

Table 3 – Condensed Statements of Cash Flows

	2010	2009	2008
Received from power sales	$ 147,246,027	$ 138,448,530	$ 125,387,514
Received from members assessments and dues	10,000	10,000	10,000
Paid to suppliers for purchased power	(118,457,072)	(105,693,458)	(99,405,319)
Paid to suppliers and employees for other services	(25,155,261)	(20,550,748)	(16,915,792)
Cash Flows from Operating Activities	3,643,694	12,214,324	9,076,403
Debt principal and interest paid	(54,056,380)	(44,052,627)	(78,897,109)
Proceeds of the issuance of debt	321,790,000	-	656,720,000
Subsidy received	3,285,234	-	-
Premium received on debt issuance	475,893	-	15,501,516
Payment of bond issuance costs	(3,271,399)	-	(5,639,955)
Funds used in refunding	-	-	(1,398,595)
Acquisition and construction of capital assets	(205,447,674)	(176,844,927)	(190,978,549)
Cash Flows from Capital and Related Financing Activities	62,775,674	(220,897,554)	395,307,308
Cash Flows from Investing Activities	(187,155,810)	(97,762,506)	101,343,389
Net Change in Cash and Cash Equivalents	(120,736,442)	(306,445,736)	505,727,100
Cash and Cash Equivalents - Beginning of Year	229,477,725	535,923,461	30,196,361
Cash and Cash Equivalents - End of Year	$ 108,741,283	$ 229,477,725	$ 535,923,461

See accompanying independent auditor's report.

STATEMENTS OF CASH FLOWS

During the years ended April 30, 2010 and 2009, the increase in operating costs caused an increase in the average cost paid by participating members for power supply. This increase in average cost also caused an increase in the amount received from power sales. The amount paid to suppliers for purchased power increased due to higher power supply costs experienced by IMEA. The acquisition and construction of capital assets includes payments toward construction costs associated with the Prairie State project, Trimble County Unit 2 project, general improvements to Trimble County Unit 1, and other smaller capital acquisitions and improvements. The investment of bond proceeds not yet expended is reflected in the cash flows from investing activities.

DEBT SERVICE COVERAGE

IMEA's bond resolution requires the Agency to maintain a debt service coverage ratio of 110%. Debt service coverage generated from operations during the years ended April 30, 2010 and 2009 was approximately 113% and 171% respectively. These debt service coverage ratios do not include any amounts transferred to or from the Rate Stabilization Account during the year.

SIGNIFICANT EVENTS

POWER SALES CONTRACTS WITH NEW PARTICIPATING MEMBERS

IMEA began providing service to the City of St. Charles under the long-term contract on June 1, 2007 which added approximately 122 MW. In addition, IMEA began providing service to the Village of Riverton under the long-term contract on April 1, 2009 which added approximately 7 MW to IMEA's peak demand. IMEA has also entered into long-term power supply contracts with the City of Red Bud and the City of Naperville. IMEA will begin providing service to Red Bud on January 1, 2011 and Naperville on June 1, 2011 which is expected to add a total of approximately 400 MW to IMEA's peak demand.

IMEA also began supplying full requirements service to RECC on January 1, 2009 under the terms of a five year agreement. Sales to RECC added approximately 27 MW to IMEA's peak demand.

POWER SUPPLY SYSTEM REVENUE BONDS, SERIES 2009

On July 15, 2009, IMEA issued the Power Supply System Revenue Bonds, Series 2009A, 2009B (taxable series) and 2009C (Build America Bond series) in the total amount of $321,790,000. The Series 2009 Bonds were issued to (1) fund project costs including a portion of the costs associated with the Prairie State Project; (2) fund interest during construction; (3) pay the cost of issuance of the Series 2009 Bonds; and (4) fund a deposit to the Debt Service Reserve Fund. The Series 2009 Bonds have interest rates that range from 4.0% to 6.128% and a final maturity date of February 1, 2035.

TRIMBLE COUNTY UNIT 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. The first firing of the Trimble County Unit 2 Project occurred in the second quarter of 2010 and 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 supercritical steam units of approximately 800 MW in size. 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.

RENEWABLE ENERGY RESOURCES

In recognition of the changing legislative and regulatory environment, the IMEA Board of Directors has adopted a policy that directs the agency to acquire approximately 5% of its energy requirements from renewable resources. To implement this policy, IMEA recently entered into a 20 year contract to purchase 70 MW of wind energy from the Lee-Dekalb wind project owned by FPL Energy Illinois Wind, LLC. The contract was effective on January 1, 2010.

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.

BALANCE SHEETS
April 30, 2010 and 2009

ASSETS

	2010	2009
UTILITY PLANT		
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
Total Utility Plant	735,751,407	497,275,903
RESTRICTED ASSETS		
Investments	408,515,640	326,939,181
CURRENT ASSETS		
Cash and investments	24,528,590	33,721,791
Short-term investments	7,540,818	6,794,995
Accounts receivable	11,948,212	10,885,101
Bond interest subsidy receivable	1,661,545	-
Allowance inventory	281,640	-
Prepayments	5,968,344	649,807
Total Current Assets	51,929,149	52,051,694
OTHER ASSETS		
Unamortized debt expense	9,910,527	7,129,687
Deferred asset - Fairfield	9,392,575	9,588,175
Total Other Assets	19,303,102	16,717,862
TOTAL ASSETS	$ 1,215,499,298	$ 892,984,640

NET ASSETS AND LIABILITIES

	2010	2009
NET ASSETS		
Invested in capital assets, net of related debt	$ 41,765,895	$ 37,177,929
Unrestricted	22,053,988	24,790,482
Total Net Assets	63,819,883	61,968,411
NON-CURRENT LIABILITIES		
Revenue bonds	1,101,855,000	788,775,000
Unamortized premium	15,513,955	16,315,396
Unamortized loss on advance refunding	(4,274,701)	(5,000,379)
Other liabilities	2,264,400	1,743,914
Total Non-Current Liabilities	1,115,358,654	801,833,931
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses		
Accounts Payable		
Purchased power and transmission	9,562,425	8,535,889
Jointly-owned facilities	1,359,693	1,360,137
Other	579,934	309,564
Other current liabilities	277,887	259,570
Total Accounts Payable and Accrued Expenses	11,779,939	10,465,160
Current Liabilities Payable from Restricted Assets		
Current maturities of revenue bonds	8,710,000	3,665,000
Accounts payable - jointly-owned facilities	892,128	5,116,852
Interest accrued	14,938,694	9,935,286
Total Current Liabilities Payable from Restricted Assets	24,540,822	18,717,138
Total Current Liabilities	36,320,761	29,182,298
Total Liabilities	1,151,679,415	831,016,229
TOTAL NET ASSETS AND LIABILITIES	$ 1,215,499,298	$ 892,984,640

See accompanying independent auditor's report.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended April 30, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Sales to participating members	$ 148,999,323	$ 146,290,958
Sales to others	8,876,865	2,630,952
Member assessments	10,000	10,000
Other income	1,521,276	1,221,779
Total Operating Revenues	159,407,464	150,153,689
OPERATING EXPENSES		
Purchased power and transmission	119,483,611	106,916,802
Trimble County Unit No. 1		
Fuel	7,838,048	11,099,921
Operations and maintenance	5,859,538	4,532,103
Member Payments		
Fuel reimbursements	995,589	1,866,252
Capacity payments	9,281,664	9,263,030
Generation payments	2,997	4,719
Administration and general	6,114,056	5,774,665
Depreciation	3,291,971	3,433,667
Other utility operations	1,107,938	633,090
Total Operating Expenses	153,975,412	143,524,249
Operating Income	5,432,052	6,629,440
NON-OPERATING REVENUE (EXPENSES)		
Investment income	6,709,710	11,686,569
Capitalized interest	40,691,637	26,177,867
Bond interest subsidy revenue	4,946,780	-
Interest expense	(55,552,822)	(40,748,993)
Amortization expense	(284,907)	(188,497)
Other income (expense)	(90,978)	(170,797)
Total Non-Operating Expenses	(3,580,580)	(3,243,851)
CHANGE IN NET ASSETS	1,851,472	3,385,589
NET ASSETS - Beginning of Year	61,968,411	58,582,822
NET ASSETS - END OF YEAR	$ 63,819,883	$ 61,968,411

See accompanying independent auditor's report.

STATEMENTS OF CASH FLOWS

Years Ended April 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from power sales	$ 147,246,027	$ 138,448,530
Received from member assessments and dues	10,000	10,000
Paid to suppliers for purchased power and transmission	(118,457,072)	(105,693,458)
Paid to suppliers and employees for other services	(25,155,261)	(20,550,748)
Net Cash Flows from Operating Activities	3,643,694	12,214,324
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt principal paid	(3,665,000)	(3,485,000)
Interest paid	(50,391,380)	(40,567,627)
Bond interest subsidy received	3,285,234	-
Acquisition and construction of capital assets	(205,447,674)	(176,844,927)
Proceeds from issuance of debt	321,790,000	-
Premium received on debt issuance	475,893	-
Payment of bond issuance costs	(3,271,399)	-
Net Cash Flows From Capital and Related Financing Activities	62,775,674	(220,897,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	6,709,710	11,686,569
Purchase of long-term investments	(234,280,901)	(217,893,022)
Maturity of long-term investments	40,415,381	108,443,947
Net Cash Flows from Investing Activities	(187,155,810)	(97,762,506)
Net Change in Cash and Cash Equivalents	(120,736,442)	(306,445,736)
CASH AND CASH EQUIVALENTS – Beginning of Year	229,477,725	535,923,461
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 108,741,283	$ 229,477,725
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capitalized interest	$ 40,691,637	$ 26,177,867
Amortization expense	$ (284,907)	$ (188,497)
Credits given on billings	$ (11,088,320)	$ (11,626,255)
Net loss on sale of assets	$ (90,978)	$ (170,797)
Bond interest subsidy accrued but not yet received	$ 1,661,546	$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 5,432,052	$ 6,629,440
Noncash Items Included in Operating Income		
Depreciation	3,291,971	3,433,667
Accretion	25,992	136,271
Changes in assets and liabilities		
Accounts receivable	(1,063,109)	(68,904)
Prepayments	(5,318,538)	(315,735)
Allowance inventory	(281,640)	-
Accounts payable	1,336,611	2,362,773
Other current liabilities	220,355	36,812
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 3,643,694	$ 12,214,324
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS		
Restricted investments	$ 408,515,640	$ 326,939,181
Cash and investments	24,528,590	33,721,791
Short-term investments	7,540,818	6,794,995
Total Cash and Investments	440,585,048	367,455,967
Long-term investments	(331,843,765)	(137,978,242)
TOTAL CASH AND CASH EQUIVALENTS	$ 108,741,283	$ 229,477,725

See accompanying independent auditor's report.

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.

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.

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:

	Years
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.

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 Values of April 30		Associated Risks
	2010	2009	
Illinois Funds	$ 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 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	

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:

Investment Type	Standard & Poor's	Moody's
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.

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:

		Maturity (In Years)		
Investment Type	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	$ 236,940,477	$ 82,860,478	$ 65,721,218

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:

		Maturity (In Years)		
Investment Type	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	210,337,719	210,337,719	-	-
Totals	$ 349,455,135	$ 225,869,462	$ 75,778,249	$ 47,807,424

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 $157,056,137 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.

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.

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.

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.
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.

	2010	2009
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)	500	500
Total Current Cash and Investments	$ 32,069,408	$ 40,516,786
Included in Restricted Investment Accounts:		
Acquisition fund	$ 226,276,483	$ 176,108,283
Debt service	99,237,613	90,793,986
Debt service reserve	83,001,544	60,036,912
Total Restricted Investments	$ 408,515,640	$ 326,939,181

NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2010 follows:

	Balance 5/01/09	Additions/ Reclassifications	Deletions/ Reclassifications	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.

NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2009 follows:

	Balance 5/01/08	Additions/ Reclassifications	Deletions/ Reclassifications	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.

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	$ 1,110,565,000	$ 957,660,535	$ 116,871,485	$ 1,951,354,050

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:

	5/1/09 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	$ 805,498,931	$ 322,799,139	$ 4,229,416	$ 1,124,068,654	$ 8,710,000

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

	5/1/08 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
$ 519,842	$ 292,457	$ 25,992	$ 838,291

Balance 5/01/08	Liabilities Incurred	Accretion	Balance 4/30/09
$ 495,088	$ -	$ 24,754	$ 519,842

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

The following calculation supports the amount of restricted net assets:

	2010	2009
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	(226,276,483)	(176,108,283)
Total Restricted Net Assets Not Funded by Revenues	408,515,640	326,939,181
Current liabilities payable from restricted assets	(15,830,822)	(15,098,800)
Total Restricted Net Assets as Calculated	$ (15,830,822)	$ (15,098,800)

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.

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.

Who We Are

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

Since its creation 26 years ago, the focus of the IMEA has been on the reliable delivery of bulk power and energy to its members at low and stable prices. IMEA combines the power needs of all of its members and secures the electricity necessary to satisfy those needs. The Agency currently sells 29 of its members all their wholesale power needs under long-term power supply contracts.

To accomplish this goal, IMEA has assembled a portfolio of power supply ownership and contracts. These include the ownership of a portion of a large, coal-fired power plant in Kentucky, a long-term power supply contract with the power marketing arm of Ameren Corporation, additional smaller power contracts with other power suppliers, and purchases from the market when that is an economical option. IMEA also uses the power plants owned and operated by our members to meet the memberships' needs from time to time.

IMEA also backs its commitment to power supply excellence with a 24-hour-a-day, seven day-a-week Operations Center staffed by highly skilled power supply professionals. In addition, IMEA provides engineering, communications, economic development, legislative and regulatory oversight services for its members.

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

IMEA Members

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

★ Rural Electric Convenience Cooperative (RECC) – Non-voting power purchaser

Our Staff

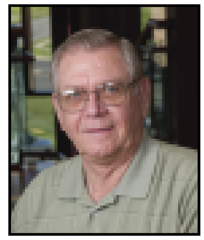
Ronald D. Earl, President & CEO
Tammy Kesterson, Manager-Executive & Administrative Services
Tammy Hall, Administrative Assistant
Sandy Zepp, Secretary/Receptionist
Kevin Wagner, P.E., Vice President-Engineering
Scott Robison, Staff Electrical Engineer
Mike Tintori, Engineering Technician Coordinator
Rob Shuff, Engineering Technician
Troy A. Fodor, Vice President & General Counsel
Bob Thomas, Director-Reliability & Regulatory Compliance
Mike Genin, Director-Gas & Energy Services
Rodd Whelpley, Program & Communications Administrator
Alice Schum, Vice President-Operations
Amanda Ripperda, Manager, Power Supply
Roger Poole, Superintendent, Power Services
Connie Gates, Operations Analyst
Rob Wilson, Power Services Coordinator
Kyle Specketer, Power Services Coordinator
Jeff Stanley, Power Services Coordinator
DeWaine Hoagland, Power Services Coordinator
Bob Childers, Senior Vice President & CFO
Cindy Evans, Senior Accountant
Glenn Cunningham, Director-Information Systems & Security
Chris Jewell, Systems Administrator
Phillip "Doc" Mueller, Senior Vice President-Government Affairs & Management Services
Ed Cobau, Director-State Association Services & Communications

Board of Directors


Mike Collins
Bethany


Dale Detmer
Breese

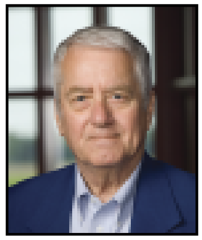

Mike McCleery
Bushnell


Karl Klein
Cairo


John Hodapp
Carlyle


Bob Rothermel
Carmi


Shelby Biggs
Casey


Mayor Mickey Borah
Fairfield


Rick Hardesty
Farmer City


Nancy Sowers
Greenup


Mark Latham
Highland


Patrick Barry
Ladd


Cody Hawkins
Mascoutah


Rick Abell
Metropolis


Mark Curran
Naperville


Jim Potthoff
Peru


Jason Bird
Princeton


David "Louie" Diewald
Red Bud


Rich Pottier
Riverton


Jim Holder
Roodhouse


Doug Carnes
Sullivan

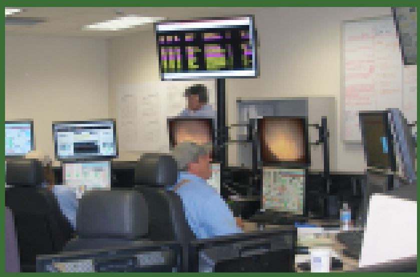

Tim Birk
Waterloo


Brian Keys
Winnetka


David Stuva
RECC

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.



Balancing Our Energy Future

Illinois Municipal Electric Agency
3400 Conifer Drive, Springfield, IL 62711
www.imea.org

Insert to 2010 IMEA Annual Report

Trimble County Data - May, 2009 through April, 2010

The following is a summary of some key service indicators for TC1:

Net Generation	2,931.088 MWhs
Equivalent Availability Factor (EAF)	70.83% (driven by 8 week turbine outage + turbine issues + boiler leaks)
Equivalent Forced Outage Rate (EFOR)	13.06% (driven by turbine issues + boiler tube leaks)
Coal Burned	1,352,604 tons
Net Unit Heat Rate	10,598 Btu/kWh
Average S02 Emission Rate	0.083 lbs/mmBtu
Average N0x Emission Rate	0.072 lbs/mmBtu
Staffing Level (current)	134 full-time employees (continuing to add employees for TC2 and estimate "final" number to be 150)

Safety performance over the 2009-2010 fiscal year returned to the expected standard of excellence.

- ✓ **One** (10/09/2009) employee OSHA recordable injuries from May, 2009 through April, 2010
- ✓ **Zero** employee Lost Time injuries from May, 2009 through April, 2010 = 0
- ✓ **Zero** resident contractor OSHA recordable injuries from May, 2009 through April, 2010
- ✓ **Zero** resident contractor Lost Time injuries from May, 2009 through April, 2010
- ✓ **Two** transient contractor OSHA recordable injuries from May, 2009 through April, 2010
- ✓ **Zero** transient contractor Lost Time injuries from May, 2009 through April, 2010

Due to the biannual planned maintenance outage philosophy, a planned maintenance outage took place in 2009. The 2009 planned outage was an eight-week major outage driven by a complete turbine teardown and inspection. This outage began on September 25 and ended November 24. During this outage, the following major work was completed:

- ✓ The second (and final) phase of the plant distributed control system upgrade took place involving turbine control, boiler control, burner control, etc.,
- ✓ Turbine and generator overhaul (last performed in 2001) which included a generator re-wedge,
- ✓ Boiler inspection (by Alsotm, DTS and Trimble plant personnel),
- ✓ Boiler lower slope replacement with and upgraded design,
- ✓ FGD duct repairs,
- ✓ Flow Accelerated Control inspection of feed water piping,
- ✓ High Energy Piping inspection (steam),
- ✓ Turbine electro-hydraulic control system modification,
- ✓ Boiler oxygen probe replacement,
- ✓ Replacement/upgrade of the ID fan Variable Frequency Drives,
- ✓ Coal Barge Unloader counterweight cable replacement,
- ✓ Emergency Battery replacement,
- ✓ Flash System modification (relocated hydroveyors)
- ✓ Electrostatic Precipitator wash, inspection and repair,
- ✓ Electrical Switchgear inspection and maintenance,
- ✓ Stack inspection and repairs,
- ✓ General boiler inspection and boiler lower slope replacement/upgrade,
- ✓ Safety valve and electromatic relief valve inspection and repair,
- ✓ Eddy current testing of Boiler Heaters 3,4,5 and 6,
- ✓ 1D Boiler Circulating Water Pump overhaul,
- ✓ 1B Boiler Circulating Water Pump rewind,
- ✓ Boiler ash hopper repair (refractory, etc.),
- ✓ Air heater washing,
- ✓ TC2 tie-ins to some of the station common systems and
- ✓ Many, many more maintenance inspect and repair activities.

Plant emission performance continues to be extremely good.

- ✓ Due to modifications made to the flue gas de-sulfurization (FGD) plant in the fall of 2005 which raised its removal efficiency from 93% to 98% (on a typical coal), TC1 was able to continue to significantly "overscrub" S02 during the fiscal year 2009-2010. This resulted in 1,018-tons of unused S02 allowances being transferred to the IMEA.
- ✓ Likewise, with the previous installation of low N0x burners and a selective catalytic reduction (SCR) system, TC1 was also able to significantly "overscrub" N0x during the May-September "ozone" season and beyond. This resulted in providing 236 unused N0x allowances being transferred to the IMEA.
- ✓ On January 1, 2005 TC1 subscribed to a federally enforceable reduction in allowable N0x emissions (1,485 tons) and on January 1, 2006 TC1 subscribed to a federally enforceable reduction in allowable S02 emissions (3,225 tons). In addition to being very crucial to the success of the TC2 air permitting process, TC1's ability to "overscrub" S02 and N0x continues to provide tangible financial value to the IMEA.

Employee hiring for TC2 continues to go well with approximately 35 new employees having been hired to date, 4 of which were hired during the most recent fiscal year. Hiring of the remaining new employees have/will occur in the remainder of 2010 along with several in 2011/12, bringing the total number of employees to approximately 150.