

The Capacity to Serve



Illinois Municipal Electric Agency • 2011 Annual Report

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

Most often in our industry, when we talk about capacity, we're speaking of how many megawatts of generation are needed to meet the demand of the people to whom we supply power. For many power suppliers, capacity boils down to an algebra problem. The number of megawatts needed must equal the number of megawatts that are purchased or produced and then sold to users. The idea is to anticipate customers' demands (and to do so within the scope of all the regulations associated with that task) and then procure the power to be transmitted to those customers.

Over the years, IMEA has proven itself skillful at meeting the demand of its member utilities, providing adequate, reliable, affordable and price-predictable power. Indeed, that is our mission, and year after year, season after season, day after day, we accomplish that mission very well.

This year we have expanded our commitment to serve communities in Illinois. The City of Red Bud started taking full requirements service from IMEA on January 1, 2011, and on June 1, 2011 the City of Naperville also began taking full requirements service, boosting IMEA's peak load by approximately 382 MW annually. The IMEA's 2011 total peak load was 1044 MW, with a projected 2012 total peak load of 1053 MW.

No doubt one of the reasons that the cities of Red Bud and Naperville joined IMEA was because of our commitment to provide the required capacity with a carefully planned and increasingly balanced power supply, which includes – or soon will include:

- Ownership of a portion of Trimble County 1, a coal-fired power plant in Kentucky.
- Ownership of a portion of Trimble County 2, a new pulverized-coal supercritical unit located adjacent to Trimble County 1.
- A portion of the Prairie State project, a mine-mouth, coal-fired generating station currently under construction in Illinois and consisting of two supercritical units. The first unit is expected to achieve commercial operation in January 2012.
- A long-term power supply contract with the power marketing arm of Ameren Corporation.
- A 20-year, wind power purchase agreement with NextEra Energy Resources LLC.



- The contractual authority to call on 300 MW of member-owned generation.
- Additional smaller power contracts with other power suppliers, and
- Purchases from the market when that is an economical option.

The Agency also has secured an option for property that could be used for a future natural gas-fired facility.

Procuring and supplying electricity is not our entire mission: At IMEA, we define our capacity to serve our member agencies not merely by our ability to provide a specific quantity of electrons. In addition to helping power up our member communities, we seek to empower them by extending such services as:

- Assistance with their economic development efforts.
- The opportunity to save taxpayer dollars by entering into joint purchases of goods and services.
- Technical and engineering services and assistance.
- Help with compliance issues relating to state, federal and regulatory agency rules.
- An electric efficiency program for their facilities and those of their key customers and citizens.

We also provide training for our member utilities' workforces through the Illinois Municipal Utilities Association, and, through the association, we are advocates for good public policy on power industry issues at the local, state and federal levels.

The following pages of this report will highlight and provide further details about our recent accomplishments. Sometimes, between the narrative and the numbers in an annual report, it's easy to lose sight of an organization's reason for being, especially a not-for-profit organization such as ours. Please be assured that in the day-to-day tasks and challenges of operating this agency, the staff, management and Board of Directors never forget that ours is a commitment to good and responsible service to our member communities. In furtherance of providing the best quality service we can, we will never stop building our capacity.

Del McCord (left)
Chairman of the Board

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



**Rick
Abell**
Metropolis



**Jason
Bird**
Princeton



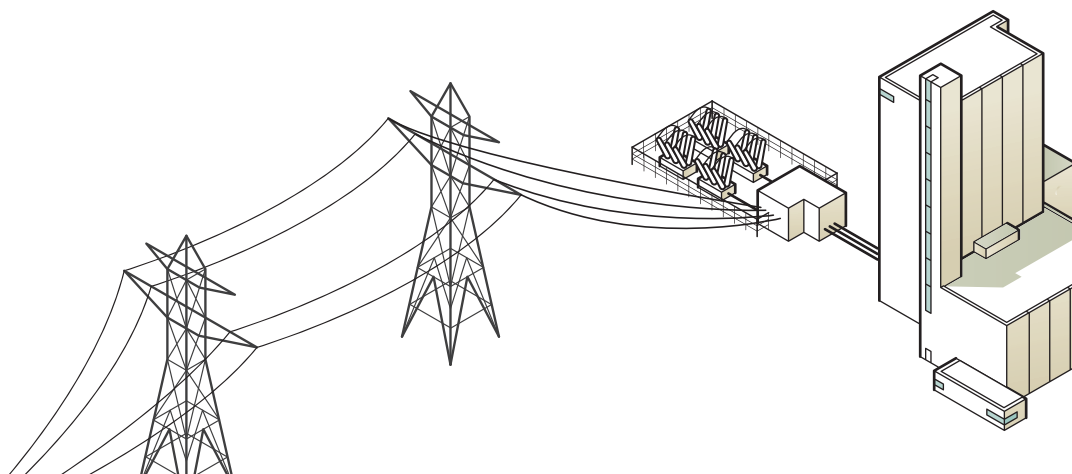
**Glynn
Amburgey**
St. Charles



**Tim
Birk**
Waterloo



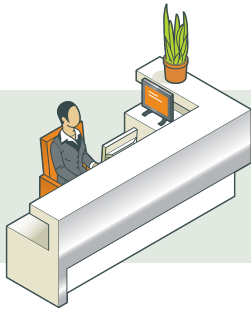
**Brian
Keys**
Winnetka



Ten Year Comparative Summary of Operations

FOR THE YEARS ENDED APRIL 30,	2011	2010	2009	2008
Operating Revenues:				
Electric Sales to Participating Members	\$166,474,951	\$148,999,323	\$146,290,958	\$140,222,832
Electric Sales to Non-Participating Members	0	0	0	0
Electric Sales to Others	9,079,342	8,876,865	2,630,952	3,284
Member Assessments	8,333	10,000	10,000	10,000
Other	1,272,067	1,521,276	1,221,779	1,155,131
Total Operating Revenues	176,834,693	159,407,464	150,153,689	141,391,247
Operating Expenses:				
Purchased Power	99,499,201	105,434,390	95,326,413	92,125,794
Transmission	14,924,800	14,049,221	11,590,389	10,277,107
Trimble County Unit #1 and 2:				
Fuel	14,152,031	7,838,048	11,099,921	7,498,448
Operations and Maintenance	5,786,808	5,859,538	4,532,103	4,226,640
Member Payments:				
Fuel Reimbursements	1,236,692	995,589	1,866,252	1,507,892
Capacity Payments	9,309,573	9,281,664	9,263,030	9,527,462
Generation Payments	5,799	2,997	4,719	15,297
Administrative and General	6,781,113	6,114,056	5,774,665	5,112,890
Depreciation Expense	4,454,531	3,291,971	3,433,667	3,245,737
Other Utility Operations	869,565	1,107,938	633,090	613,600
Total Operating Expenses	157,020,113	153,975,412	143,524,249	134,150,867
Net Operating Income	19,814,580	5,432,052	6,629,440	7,240,380
Other Expenses - Net	(5,667,893)	(3,580,580)	(3,243,851)	(2,546,837)
Net Income Before Special Item	\$14,146,687	\$1,851,472	\$3,385,589	\$4,693,543
Special Item	(\$1,179,024)	\$0	\$0	\$0
Change in Net Assets	\$12,967,663	\$1,851,472	\$3,385,589	\$4,693,543
Peak Demand (Non-Coincident kW)	649,186	608,019	615,849	626,716
Kilowatt-Hour Sales to Participating Members(kWh)	2,591,542,077	2,415,241,184	2,525,506,187	2,661,927,664
Kilowatt-Hour Sales to Non-Participating Members(kWh)	0	0	0	0
Kilowatt-Hour Sales to Others(kWh)	117,881,804	121,424,791	38,254,057	0
Cost per kWh to Participating Members (Cents/kWh)	6.42	6.17	5.79	5.27
Cost per kWh to Participating Members after Capacity Payments (Cents/kWh)	6.06	5.78	5.43	4.91
Debt Service Coverage after Rate Stabilization Transfer	113%	148%	138%	139%
Principal Paid on Revenue Bonds	\$8,710,000	\$3,665,000	\$3,485,000	\$3,365,000
Revenue Bonds Outstanding	\$1,242,145,000	\$1,110,565,000	\$792,440,000	\$795,925,000
Member Equity	\$76,787,546	\$63,819,883	\$61,968,411	\$58,582,822

2007	2006	2005	2004	2003	2002
\$101,362,681	\$107,605,194	\$91,690,145	\$87,225,675	\$85,588,654	\$80,482,374
0	863,087	9,149,858	10,632,837	14,367,182	11,112,871
0	0	207,490	520,398	790,782	984,533
28,500	40,667	37,333	38,000	38,000	39,000
369,710	228,309	104,278	4,366	4,228	4,833
101,760,891	108,737,257	101,189,104	98,421,276	100,788,846	92,623,611
54,127,374	56,786,957	54,865,563	54,211,119	56,736,392	52,197,870
6,657,441	6,464,926	8,810,941	8,745,400	8,942,325	8,515,171
7,892,265	7,038,616	6,600,569	5,714,501	5,357,536	3,995,696
3,511,622	3,473,196	2,967,968	2,757,950	2,778,374	2,869,633
2,358,657	6,227,758	753,310	567,572	625,864	572,622
10,159,631	10,450,580	10,856,959	10,581,245	10,383,947	9,290,597
32,547	121,835	11,225	37,307	39,412	41,515
4,474,511	3,872,102	3,337,937	3,185,806	2,688,755	2,300,945
3,129,115	3,242,803	3,133,520	3,063,809	3,134,058	3,282,104
598,955	855,049	540,232	387,280	293,814	282,229
92,942,118	98,533,822	91,878,224	89,251,989	90,980,477	83,348,382
8,818,773	10,203,435	9,310,880	9,169,287	9,808,369	9,275,229
(1,912,322)	(3,191,010)	(3,913,347)	(4,466,622)	(4,515,821)	(4,576,781)
\$6,906,451	\$7,012,425	\$5,397,533	\$4,702,665	\$5,292,548	\$4,698,448
\$0	\$0	\$0	\$0	\$0	(\$7,962,107)
\$6,906,451	\$7,012,425	\$5,397,533	\$4,702,665	\$5,292,548	(\$3,263,659)
511,245	539,263	494,631	502,697	498,190	477,545
2,087,270,895	2,112,121,734	1,891,104,971	1,799,826,165	1,800,182,386	1,702,081,057
0	32,085,000	327,645,119	363,560,710	434,473,866	355,656,918
0	0	14,656,000	37,866,000	58,315,000	80,963,000
4.86	5.09	4.85	4.85	4.75	4.73
4.37	4.60	4.27	4.26	4.18	4.18
168%	156%	122%	123%	136%	183%
\$2,985,000	\$6,485,000	\$6,170,000	\$5,885,000	\$5,620,000	\$5,260,000
\$196,650,000	\$60,130,000	\$66,615,000	\$72,785,000	\$78,670,000	\$84,290,000
\$53,889,279	\$46,982,828	\$39,970,403	\$34,572,870	\$29,870,205	\$24,577,657



MISSION: The mission of the IMEA is to provide member communities with quality utility services in a reliable, cost-effective and environmentally sensitive manner.

The Capacity to Serve

With the addition of Naperville as a full-requirements member in June 2011, the IMEA must provide more than 1,250 MW of electricity to its members each year. To achieve this commitment, IMEA has assembled a portfolio of ownership stakes in power generation facilities in addition to power purchasing contracts.

The Capacity to Generate and Procure Power for Our Members

Sixty percent of IMEA's power capacity requirements are met by IMEA-owned or member-owned generation resources. Nineteen percent comes from long-term, cost-based contracts, while 21 percent of the Agency's needs are met through short-term market purchases or by IMEA-owned peaker power.

Generation Capacity

On the generation side, IMEA is looking forward to January 2012, when the first of two 800 MW supercritical units at the Prairie State Generating Company will begin commercial operation at this mine-mouth, coal-fired generating station in southern Illinois. IMEA's ownership interest in Prairie State is 15.17 percent, which represents 240 megawatts of the plant's total generating capacity.

The opening of the first Prairie State unit will fall 12 months after the January 21, 2011, commencement of commercial operations at Trimble County 2, a 750 MW super-critical, pulverized coal-fired unit located between Louisville and Cincinnati. IMEA has a 12.12 percent ownership interest in Trimble County 2 and its sister unit, Trimble County 1, a 514 MW coal combustion unit of which the IMEA became part owner in 1991.



The Trimble County 2 turbine.

In addition to those major sources of owned generation, in times of emergency – or when it is economically feasible – the IMEA can call on dozens of member-owned and agency-owned diesel gas generating units.

Looking toward the future, the IMEA has recently renewed an option for property that could be used as the site of a natural gas-fired facility. If constructed, the facility would most likely begin as a simple cycle plant of approximately 300 MW, but would have the capability to be modified into a combined-cycle facility at a later date.



IMEA Chairman Del McCord of Chatham (left) tours the Trimble County 2 Generating plant in June 2011.

Procurement Capacity

In 2009, the IMEA Board of Directors adopted a policy that directs the Agency to acquire approximately five percent of its energy requirements from renewable resources. Toward that goal, IMEA has entered into a long-term contract to purchase 70 MW of wind energy from the Lee-DeKalb wind project owned by FPL Energy Illinois Wind, LLC. The contract runs through 2030.

The IMEA has executed a long-term, cost-based system firm energy contract with a major power marketer for up to 250 MW. That contract runs until 2035. It is the largest of IMEA's procurement contracts, which are supported by 13 coal-fired units, 15 gas-fired units and 5,600 MW of installed capacity. IMEA's in-house legal counsel and its Finance and Information

Systems Department routinely monitor the Agency's power contracts. As a result of their work, Agency members saved millions of dollars in incorrect and unsubstantiated charges over the past year. In addition, IMEA's Operations Department makes purchases and sales in the day-ahead and (when necessary) in the hourly markets in the Midwest Independent System Operator (MISO) and Pennsylvania, Jersey, & Maryland (PJM) Regional Transmission Organizations (RTOs). The use of these markets ensures that member agencies have access to power when demand is high and gives the IMEA the opportunity to sell power to the grid when it is not needed by members.

The Capacity for Operational and Technical Support

IMEA further demonstrates its commitment to power supply excellence by maintaining a 24-hour-a-day, seven-day-a-week, state-of-the-art Operations Center staffed by highly skilled power supply professionals. With the assistance of the IMEA's Information Systems Department, IMEA analysts and power services coordinators monitor the status of every substation owned by IMEA's members. The Operations Department alerts local officials of power dips and outages and works with the members and representatives from investor-owned utilities serving the area to identify the exact location of downed lines or malfunctioning equipment and rectify the problem. In extreme cases, Operations Center staff will alert the coordinators of the Illinois Municipal Utilities Association's Mutual Aid Program to send volunteer crews from other member municipalities and coops to help an IMEA member community restore power. The IMEA Operations Center is one link in the chain that makes Illinois municipal power utilities unparalleled in power delivery reliability.



IMEA set a new coincidental peak of 1,044 MW on July 21, 2011. Earlier that week, the IMEA's coincidental peak first topped the 1,000 MW mark. IMEA operations staff tracked the progress in the state-of-the-art Operations Center.

IMEA electric engineers and technicians supplement the work of IMEA members' engineers and electric department personnel. They assist the members with such tasks as preparing emission reports, stack emission analyses, coordination of preventive maintenance activities, load-flow

studies, power factor improvement recommendations and key account customer support (e.g., meter testing and programming and power quality surveys). For example, IMEA engineers recently aided in troubleshooting the metering of a large industrial customer in Flora. They helped identify current and potential transformer wiring errors. Resolving those problems allowed the utility to start recovering thousands of dollars of lost revenue due to incorrectly monitored usage. Assistance also has been provided with the installation and programming of time-of-use metering at other key industrial customer sites in Flora. Over the past year, IMEA Engineering has worked extensively to track the impact of the U.S. Environmental Protection Agency's new National Emissions Standards for Hazardous Air Pollutants (NESHAP) regulations on member- and Agency-owned diesel generators. Additional work was done to develop specifications and administer a joint bid request for oxidation catalyst equipment to bring member- and Agency-owned Caterpillar units into compliance with the new regulations.

In addition to performing all the legal work the Agency requires, IMEA's on-staff legal counsel serves as a resource to IMEA member communities, often providing assistance on such questions as territorial service rights and retail customer choice under Illinois' deregulation statutes.

The Capacity to Respond to the Regulatory and Legislative Environment

The IMEA finds itself either directly subject to (or concerned with) a number of laws, regulations and standards established by such authorities as the North American Electric Reliability Corporation (NERC), the Federal Energy Regulatory Commission (FERC), the Environmental Protection Agency (EPA), the Illinois General Assembly and the U.S. Congress. In addition to helping ensure its compliance (and, to a certain extent, the compliance of its members) with current laws and regulations, the IMEA supports advocacy efforts for establishing responsible public policy on energy issues.

Regulatory Compliance

Among IMEA's services is a Reliability Compliance Program for ensuring compliance with Reliability Standards established by the North American Electric Reliability Corporation (NERC) and approved by the Federal Energy Regulatory Commission (FERC) for maintaining and improving the reliability of the bulk power system. IMEA's participation in the wholesale power market as a Joint Action Agency providing power supply services to members requires that it be registered with NERC as a Purchasing-Selling Entity and a Resource Planner. IMEA also registers as a Distribution Provider, a Load-Serving Entity and Transmission Owner on behalf of any member that meets the registration criteria associated with those functions.

By serving as a Joint Action Agency/Joint Registration Organization, IMEA works to ensure compliance with 48 Reliability Standards that apply to its registered functions. These standards include more than 200 requirements and sub-requirements that must be routinely monitored and self-certified for compliance status. Instead of individual IMEA members needing to develop familiarity with – and ensure their compliance with – these federal regulations, IMEA provides this as a value-added service to its members. The individual members jointly registered with IMEA definitely have a role in achieving compliance, but the efficiency is greatly improved by IMEA tracking, communicating, facilitating and reporting to meet the compliance monitoring schedules established by the two NERC regions within which IMEA operates, those being the ReliabilityFirst Corporation and Southeastern Electric Reliability Council (SERC) Reliability Corporation.

The Illinois Municipal Action Agency at a Glance

IMEA is ...

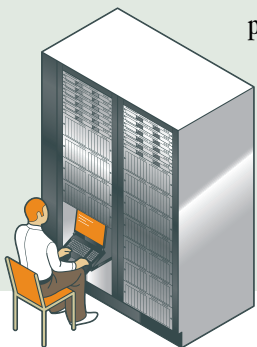
a not-for-profit unit of local government created in 1984 that is currently comprised of 32 municipal electric systems and one electric cooperative from all across Illinois. Each of those communities owns and operates its own electric distribution system. Some operate local power generation plants.

The IMEA's focus is ...

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 sells 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.

The IMEA backs its commitment to power supply excellence...

with a 24-hour-a-day, seven days-a-week Operations Center staffed by highly skilled power supply professionals. In addition, IMEA provides engineering, legal, communications, economic development, legislative and regulatory oversight services and an energy efficiency program for its members.



In addition to ensuring compliance with existing mandatory Reliability Standards, IMEA also tracks numerous proposed Reliability Standards and Rules of Procedure that are under development that could impact the operations of IMEA and its members. IMEA reviews these proposals, interacts with our trade associations (such as the Transmission Access Policy Study Group and the American Public Power Association) and develops comments as needed to influence these developments. It is not uncommon for 50 or more proposals to be in various stages of development at any one time. By tracking and influencing the development of these standards, the IMEA, to some extent, alleviates the need for individual members to have to track and analyze these national-level developments, while providing assurance to IMEA members that their interests are being represented.

IMEA also addresses FERC and NERC program expectations that go beyond mandatory compliance. These include such initiatives as program development, industry alerts and system event analyses. Attention to – and implementation of – these expectations demonstrates IMEA and its members' commitment to compliance and reliability excellence.

Legislative Advocacy

In conjunction with its affiliation with the American Public Power Association (APPA) and through its association with (and management of) the Illinois Municipal Utilities Association (IMUA), the IMEA tracks state and federal legislation and regulations that affect its members, provides regular alerts and engages in timely lobbying efforts. Recent issues included work on:

- The formation of regulations concerning the National Emissions Standards for Hazardous Air Pollutants (NESHAP) for Compression Ignition Reciprocating Internal Combustion Engines,
- The streamlining of the Illinois EPA Air Permit Process, and the
- The revision of the Air Transport Rule

NESHAP Regulations

Early in 2010, the United States Environmental Protection Agency adopted new National Emissions Standards for Hazardous Air Pollutants for Compression Ignition Reciprocating Internal Combustion Engines (NESHAP for CI RICE). The rule, as originally published, required units constructed and put into service prior to June 12, 2006 to be retrofitted with catalytic converters in order to meet new emissions standards or else curtail operations.

In recent years, 21 IMEA member communities have owned and operated some CI RICE (diesel) generation, most of which was under contract to IMEA as a part of its resource mix. Members who discovered their units would not conform to

the new RICE emissions standards had to decide whether to retire, replace or retrofit these units. The IMEA helped its member agencies make that decision, by commissioning an engineering analysis.



Dan Cook, Director of Light and Power for the City of Highland, looks over the controls of one of the city's generation units. In recent years, 21 IMEA member communities have owned and operated some CI RICE (diesel) generation units. Members who discovered their units would not conform to the United States Environmental Protection Agency's new National Emissions Standards for Hazardous Air Pollutants for Compression Ignition Reciprocating Internal Combustion Engines recently had to decide whether to retire the units, replace them or retrofit them.

Apart from using RICE units for generation in times of peak demand, some member communities use these units in emergency situations. Early versions of the NESHAP/RICE regulations jeopardized using existing units in this manner without expensive (and, in some cases, impossible) retrofitting or replacement. IMEA, working through the IMUA and the American Public Power Association (APPA), sought to have the U.S. EPA amend its rules to allow existing RICE units to generate during planned maintenance outages, during low voltage instances, and for system support in cases of inadequate transmission capacity. The IMEA staff worked on a resolution in support of emergency generation and testified before the U.S. EPA to have the original rules amended. In collaboration with other public power agencies, IMEA asked the U.S. EPA to increase the number of non-emergency hours of operation of these units to 100 hours per year for participation in demand response programs. A decision on these requested changes to the NESHAP/CI RICE regulations is expected in November 2011.

The Illinois EPA Air Permit Process

On July 12, 2011, Illinois Governor Pat Quinn signed into law a measure that increases air permitting fees for the Illinois Environmental Protection Agency while streamlining the various permitting processes at the Illinois EPA. Thanks, in part, to the efforts of the IMEA and its lobbying partners, the law as passed and signed reflected a significant reduction from the state EPA's original request for permits to be set at \$29 per ton for covered emissions (from the then-current rate of \$18

per ton). The new law contains a fee of \$21.50 a ton for covered emissions. In addition, for the first time in many years, the new measure shifts money from tax revenues to support EPA (to a maximum of \$2 million annually). These dollars will come from the existing sales tax on consumables used in air pollution control devices. The law outlines a quicker permitting process for those operating commercial and industrial generators. (Many IMEA member communities are in that number.) And the new law provides a mechanism for funding an adequate number of Illinois EPA personnel to run the air permitting process efficiently.

The Federal Air Transport Rule

When the courts struck down the Clean Air Interstate Rule (CAIR) in 2008, the United States EPA, by mandate, set to work replacing the regulation with a measure that became known as the Cross-State Air Pollution Transport Rule, or CSAPR, which is scheduled to take effect on January 1, 2012. CSAPR will govern SO₂ and NO_x allowances. Throughout the rulemaking process, IMEA – through its affiliation with the APPA – was active in its outreach to attempt to attain an equitable distribution of allowances in the future. This issue was critical to assure that the Prairie State Generating Company (in which IMEA holds a 15.17 percent ownership interest) could run at optimum capacity. Initial analysis of the rule, which was finalized in July 2011, indicates that EPA officials were receptive to the concerns of the IMEA and its allies: The final rule's New Unit Set Aside (NUSA) will provide sufficient allowances for Prairie State to operate at a high capacity factor even before the need to buy allowances from the market.



IMEA Member Peru, Illinois recently installed Caterpillar C175 generators. Twenty-one IMEA members have local generation capacity.

Illinois Municipal Action Agency Highlights of the Fiscal Year Ending April 30, 2011

- ◆ The City of Red Bud became a full requirements member on January 1, 2011.
- ◆ Trimble County 2, a 750 MW super-critical, pulverized coal-fired unit located between Louisville and Cincinnati was transferred to commercial status as of January 22, 2011. IMEA has a 12.12 percent ownership interest in Trimble County 2.
- ◆ In July 2010, IMEA and its partners in the Prairie State Project reached an agreement with the power plant's builder capping Engineering Procurement & Construction costs in order to provide price stability and economic predictability for the project.
- ◆ In November 2010, IMEA's Power Supply System Revenue Bonds Series 2010A, 2010B and outstanding parity bonds earned an A1 rating from Moody's, an A+ from Standard & Poor's and an A+ from Fitch, all with a stable outlook. The bonds finance IMEA's share of the construction costs of the Prairie State power plant, due to be operational in early 2012.
- ◆ IMEA hit an all-time coincidental peak of 609 MW on August 11, 2010. (That record has already been eclipsed in Fiscal Year 2012, with a new coincidental peak of 1,044 MW reached on July 21, 2011, which occurred during the first appreciable heat wave following the addition of Red Bud and Naperville as IMEA full requirements members.)
- ◆ Sales to fully participating members were 2,591,542,077 kWh, earning \$166,474,951.
- ◆ Average cost of power sold to members was 6.42 cents per kWh.
- ◆ Total operating revenues were \$176,834,693 (up \$17,427,229 from 2010).
- ◆ Total net assets were \$76,787,546 (up \$12,967,663 from 2010).



The Capacity to Provide Value-Added Services

In addition to providing its member communities with operational, technical, regulatory compliance and advocacy support services, IMEA helps its member utilities and their communities in a number of other ways. Among them are:

- Aiding economic development efforts
- Training of utility department personnel through the Illinois Municipal Utilities Association, and
- Overseeing an electric efficiency program for all member agencies.

Economic Development

As the operators of municipal-owned electric systems, rate making authority remains in the hands of the electric officials at IMEA member communities. This provides the community a valuable tool in attracting and retaining commercial and industrial customers for whom the cost of power is a vital concern.

When called upon, IMEA staff work in concert with local city officials and economic development authorities to make the case for locating or expanding business in an IMEA member community. IMEA staff perform rate audits and comparisons and explore available grant opportunities. On request, IMEA staff also consult with members' key industrial and commercial

accounts to explain rate structures or to suggest ways to use electricity more efficiently in order to reduce the key customer's utilities expense. This effort helps retain local businesses and boost local employment. These efforts often pay off. For example, on August 15, 2011, officials from the Village of Riverton, an IMEA member community, held a ceremonial ground breaking for SIC Recycling, a new facility that expects to process 13 million pounds of copper and aluminum each year and employ 25 workers. SIC owners cited the village's commitment to reliable, affordable power as a main reason for locating their new business in Riverton and thanked IMEA's support of Riverton's effort to attract the industry to the village.

Association and Agency Management

Under a Management Services Contract that continues through the end of this decade, IMEA manages the Illinois Public Energy Agency (IPEA) and the Illinois Municipal Utilities Association (IMUA).

Formed in 1948, the IMUA is a statewide trade association that provides a wide variety of services to its nearly 70 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 also provides a diverse array of vital training programs and activities for municipal electric, natural gas, telecommunications, water and wastewater treatment utilities, and the association 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.

The IPEA, which was formed in 2005, is a wholesaler of natural gas to 15 municipal systems and two cooperative natural gas systems across 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.



IMEA has entered into a long-term contract to purchase 70 MW of wind energy from the Lee-DeKalb wind project.



Jim Ford and Adam Yakus of the Village of Riverton show retrofits for LED streetlights in the village. Riverton used an IMEA Electric Efficiency Program incentive to help purchase and install the money saving street lights.

Electric Efficiency Program

The Agency's Energy Efficiency Program began in 2009, with a program that provides funds to go toward the purchase and installation of energy efficient technologies and projects for IMEA Members and their commercial and industrial electric customers. The 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 members to shift dollars for other needs and to enhance their economic climate by making utility costs more affordable for established and potential businesses. Examples of projects that qualify for 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.

With a total of 50 energy efficiency projects completed since the start of the program, member municipalities and their commercial customers are estimated to reduce energy consumption by approximately 8,456,670 kWh annually.

In fiscal year 2011-12, IMEA will manage the Recycle My Fridge refrigerator recycling program for its member utilities. The goal is to provide a service to IMEA members that benefits their residential customers by making it easy for them to save money and rid themselves of secondary refrigerators or freezers. Projections show that as many as 660 units can be retired under this program in fiscal year 2011-12, reducing demand by nearly 200 kW.

Summary of IMEA Sales to Members

Fiscal Year Ending April 30, 2011

Participating Members	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population
Altamont	7,070	26,302,234	2,283
Bethany	2,769	9,601,960	1,300
Breese	13,465	55,297,867	4,048
Bushnell	9,541	37,942,890	3,117
Cairo	13,238	77,959,864	2,831
Carlyle	10,568	45,163,043	3,400
Carmi	16,630	63,344,875	5,240
Casey	9,439	36,923,568	3,000
Chatham	24,056	80,737,316	11,500
Fairfield	19,296	78,300,275	5,421
Farmer City	4,875	21,495,874	2,300
Flora	28,550	134,255,470	5,100
Freeburg	11,341	43,360,912	4,354
Greenup	4,480	16,638,906	1,532
Highland	37,598	147,468,780	9,919
Ladd	3,259	15,092,343	1,295
Marshall	15,450	70,501,853	3,777
Mascoutah	16,375	57,229,772	7,500
Metropolis	23,164	97,599,019	6,482
Oglesby	9,888	40,787,494	3,700
Peru	51,022	210,209,228	9,835
Princeton	25,725	113,265,802	7,660
Rantoul	31,086	136,187,282	12,918
Red Bud	8,713	14,428,869	3,422
Riverton	6,956	23,082,225	3,048
Rock Falls	20,821	77,700,500	9,594
Roodhouse	3,358	12,903,232	2,300
St. Charles	119,836	547,412,581	32,014
Sullivan	16,922	71,680,853	4,326
Waterloo	23,795	93,937,108	10,134
Winnetka	35,596	134,730,082	12,419
Total Full Requirements Sales			
to Participating Members	624,882	2,591,542,077	
Sales to RECC	24,304	117,881,804	
Total Sales	649,186	2,709,423,881	

Note: Naperville has executed a full requirements participating member contract with service commencing on June 1, 2011.



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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, 2011 and 2010, 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, 2011 and 2010, 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 as presented 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 15, 2011

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, 2011 and 2010. 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 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 and the Statements of Revenues, Expenses and Changes in Net Assets. A summary of IMEA’s Balance Sheets is presented in Table 1 and the Statements of Revenues, Expenses and Changes in Net Assets are summarized in Table 2.

Table 1
Condensed Balance Sheets

	2011	2010	2009
Utility plant	\$1,010,776,621	\$735,751,407	\$497,275,903
Restricted assets	290,029,063	408,515,640	326,939,181
Current assets	56,948,779	51,929,149	52,051,694
Other Assets	27,453,157	19,303,102	16,717,862
Total Assets	\$1,385,217,620	\$1,215,499,298	\$892,984,640
Net Assets:			
Invested in capital assets, net of related debt	\$67,473,669	\$41,765,895	\$37,177,929
Unrestricted	9,313,877	22,053,968	24,780,482
Total Net Assets	76,787,546	63,819,863	61,968,411
Non-current liabilities	1,248,158,946	1,115,358,654	801,833,931
Current liabilities	60,273,128	36,320,761	29,182,298
Total Liabilities	1,308,430,074	1,151,679,415	831,016,229
Total Net Assets and Liabilities	\$1,385,217,620	\$1,215,499,298	\$892,984,640

BALANCE SHEETS

During the year ended April 30, 2011, utility plant increased by \$275,025,214. IMEA’s capital investments made during the year included total payments of \$220,167,866 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 \$13,608,011 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 \$4,454,531 was recorded during the year.

See accompanying independent auditors’ report.

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 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.

During the fiscal year ended April 30, 2011, IMEA increased the cash and short-term investments held in operating reserve accounts by \$2,871,456 from the previous year due to the members' continued commitment to increase cash reserves held by IMEA and the return of a portion of the cash collateral provided during the previous year for certain IMEA operating arrangements. Accounts receivable increased by \$1,563,110 due primarily to the accrual of the amount due from the US Treasury for the payment of interest on the 2010A Build America Bonds issued during the year. Other assets increased by \$8,160,055 due to the deferral of certain purchased power costs which will be collected through rates over future years. Net assets increased due to current year operations that resulted in net income of \$12,967,663. The agency also paid \$8,710,000 in principal repayments associated with outstanding revenue bonds.

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 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.

IMEA issued the Series 2010A Power Supply System Revenue Bonds ("Series 2010 Bonds") in the total par amount of \$140,290,000 on November 18, 2010. 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 July 15, 2009. The final maturity of the Series 2010 Bonds and Series 2009 Bonds is February 1, 2035. The Series 2010 Bonds and 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 2010 Bonds, Series 2009 Bonds, Series 2007 Bonds, Series 2007 Refunding Bonds and the Series 2006 Bonds are reflected in noncurrent 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 Changes in Net Assets

	2011	2010	2009
Operating revenues	\$176,834,693	\$159,407,464	\$150,153,689
Depreciation expense	4,454,531	3,291,971	3,433,667
Other operating expenses	152,665,582	150,683,441	140,090,582
Total Operating Expenses	157,020,113	153,975,412	143,524,249
Operating Income	19,814,580	5,432,052	6,629,440
Investment income	4,662,809	6,709,710	11,686,569
Interest and amortization expense	(10,334,613)	(10,199,312)	(14,759,623)
Other income (expense)	3,911	(90,978)	(170,797)
Total Non-Operating Expenses	(5,667,893)	(3,580,580)	(3,243,851)
Change in Net Assets before Special Item	14,146,687	1,851,472	3,385,589
Special Item	(1,179,024)	-	-
Change in Net Assets	12,967,663	1,851,472	3,385,589
Net Assets, Beginning of Year	63,819,883	61,968,411	58,582,822
Net Assets, End of Year	\$76,787,546	\$63,819,883	\$61,968,411

See accompanying independent auditors' report.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN THE ASSETS

Sales to participating members of \$166,474,951 and 2,591,542,077 kilowatt hours (“kWh”) were recorded during the fiscal year ended April 30, 2011. This represented an increase of \$17,475,628 (12%) in revenue from sales to participating members and 176,300,893 kWh (7%) as compared with the previous year. The increase in revenue was caused by the increased kWh sales and an increase in the average cost of power sold to participating members. The increase in kWh sales was mostly attributable to more normal weather conditions experienced in the summer of 2010 as compared to the previous year. IMEA also began service the City of Red Bud on January 1, 2011 which added \$1,017,674 in revenue and 14,428,869 kWh to IMEA sales to participating members. 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 \$9,079,342 which is reflected in sales to others.

Sales to participating members of \$148,999,323 and 2,415,241,184 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 110,265,003 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. Sales to RECC under their five year agreement accounted for additional revenue of \$8,876,865 which is reflected in sales to others.

During the fiscal year ending April 30, 2011, IMEA recorded a coincident peak demand of 609,230 kW and a non-coincident peak demand of 649,186 kW which included both sales to participating members and to RECC. The coincident peak demand was approximately 4% higher and the non-coincident peak demand was approximately 7% higher than the previous year. During the fiscal year ending April 30, 2010, IMEA recorded a coincident peak demand of 587,951 kW and a non-coincident peak demand of 608,019 kW. This coincident peak demand was approximately 8% higher and the non-coincident peak demand was approximately 1% lower than the previous year.

The average cost of power sold to the participating members during the year ending April 30, 2011 was 6.42 cents per kWh which was approximately 4% higher 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. These increases were the result of higher purchased power and plant operating costs paid by IMEA to serve the participating members.

For the year ended April 30, 2011, total operating expenses increased by \$3,044,701 (2%) from the previous year due primarily to an increase in fuel and O&M expenses necessary to operate both Trimble County Unit 1 and 2. During this past year, interest income decreased by \$2,046,901 primarily as a result of lower acquisition fund balances available for investment. Interest expense increased as a result of the issuance of the Series 2009 Bonds and Series 2010 Bonds.

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 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.

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, 2011 and 2010 was approximately 113% and 148% respectively. IMEA transferred \$2,500,000 into the rate stabilization account at April 30, 2011 which reduced the debt service coverage during this year.

SIGNIFICANT EVENTS

POWER SALES CONTRACTS WITH NEW PARTICIPATING MEMBERS

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. In addition, IMEA began providing service to the City of Red Bud under a long-term contract on January 1, 2011 which added approximately 12 MW to IMEA's peak demand. IMEA will begin providing service to the City of Naperville on June 1, 2011 which is expected to add approximately 370 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 November 18, 2010, IMEA issued the Power Supply System Revenue Bonds, Series 2010A, as Build America Bonds in the total amount of \$140,290,000. The Series 2010 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 2010 Bonds; and (4) fund a deposit to the Debt Service Reserve Fund. The Series 2010 Bonds have interest rates that range from 2.473% to 7.288% and a final maturity date of February 1, 2035.

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 a new pulverized-coal super-critical unit of 750 MW nominal net rating located adjacent to the existing Trimble County Unit 1 which was placed into commercial operation on January 22, 2011. IMEA's owns a 12.12% (approximately 91 MW) undivided interest as tenant in common in the unit.

PRAIRIE STATE PROJECT

IMEA is part of the consortium known as the Prairie State Generating Company, LLC that is developing 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 Prairie State Project is planned to be a nominal 1,600 MW plant, utilizing two supercritical steam units of approximately 800 MW in size. The Prairie State Project includes contiguous coal reserves and the development of a mine portal to supply coal to the power plant. Construction of the power plant was approximately 76.9% complete at April 30, 2011. IMEA anticipates that one of the Prairie State units will be available for commercial operation in the fourth quarter of 2011 and the second unit will be available for commercial operation in the third quarter of 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 entered into a 20 year contract to purchase 70MW 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.

See accompanying independent auditors' report.

BALANCE SHEETS

April 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
UTILITY PLANT		
Utility plant in service	\$ 288,888,858	\$ 122,884,693
Accumulated depreciation	(57,557,532)	(54,504,911)
Construction work in progress	<u>779,445,295</u>	<u>667,371,625</u>
Total Utility Plant	<u>1,010,776,621</u>	<u>735,751,407</u>
RESTRICTED ASSETS		
Investments	<u>290,029,063</u>	<u>408,515,640</u>
CURRENT ASSETS		
Cash and investments	31,215,841	24,528,590
Short-term investments	3,725,023	7,540,818
Accounts receivable	12,223,083	11,948,212
Bond interest subsidy receivable	2,949,784	1,661,545
Allowance inventory	-	281,640
Prepayments	<u>6,835,048</u>	<u>5,968,344</u>
Total Current Assets	<u>56,948,779</u>	<u>51,929,149</u>
OTHER ASSETS		
Unamortized debt expense	10,275,382	9,910,527
Deferred assets	<u>17,187,775</u>	<u>9,392,575</u>
Total Other Assets	<u>27,463,157</u>	<u>19,303,102</u>
TOTAL ASSETS	<u>\$ 1,385,217,620</u>	<u>\$ 1,215,499,298</u>

NET ASSETS AND LIABILITIES

	<u>2011</u>	<u>2010</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 67,473,669	\$ 41,765,895
Unrestricted	<u>9,313,877</u>	<u>22,053,988</u>
Total Net Assets	<u>76,787,546</u>	<u>63,819,883</u>
NON-CURRENT LIABILITIES		
Revenue bonds	1,233,350,000	1,101,855,000
Unamortized premium	14,249,779	15,513,955
Unamortized loss on advance refunding	(3,599,606)	(4,274,701)
Other liabilities	<u>4,156,773</u>	<u>2,264,400</u>
Total Non-Current Liabilities	<u>1,248,156,946</u>	<u>1,115,358,654</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses		
Accounts Payable		
Purchased power and transmission	17,007,350	9,562,425
Jointly-owned facilities	1,671,512	1,359,693
Other	327,348	579,934
Other current liabilities	<u>340,557</u>	<u>277,887</u>
Total Accounts Payable and Accrued Expenses	<u>19,346,767</u>	<u>11,779,939</u>
Current Liabilities Payable from Restricted Assets		
Current maturities of revenue bonds	8,795,000	8,710,000
Accounts payable - jointly-owned facilities	13,608,011	892,128
Interest accrued	<u>18,523,350</u>	<u>14,938,694</u>
Total Current Liabilities Payable from Restricted Assets	<u>40,926,361</u>	<u>24,540,822</u>
Total Current Liabilities	<u>60,273,128</u>	<u>36,320,761</u>
Total Liabilities	<u>1,308,430,074</u>	<u>1,151,679,415</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 1,385,217,620</u>	<u>\$ 1,215,499,298</u>

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended April 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Sales to participating members	\$ 166,474,951	\$ 148,999,323
Sales to others	9,079,342	8,876,865
Member assessments	8,333	10,000
Other income	1,272,067	1,521,276
Total Operating Revenues	176,834,693	159,407,464
OPERATING EXPENSES		
Purchased power and transmission	114,424,001	119,483,611
Trimble County Units No. 1 and 2		
Fuel	14,152,031	7,838,048
Operations and maintenance	5,786,808	5,859,538
Member Payments		
Fuel reimbursements	1,236,692	995,589
Capacity payments	9,309,573	9,281,664
Generation payments	5,799	2,997
Administration and general	6,781,113	6,114,056
Depreciation	4,454,531	3,291,971
Other utility operations	869,565	1,107,938
Total Operating Expenses	157,020,113	153,975,412
Operating Income	19,814,580	5,432,052
NON-OPERATING REVENUE (EXPENSES)		
Investment income	4,662,809	6,709,710
Capitalized interest	46,432,966	40,691,637
Bond interest subsidy revenue	8,046,435	4,946,780
Interest expense	(64,475,400)	(55,552,822)
Amortization expense	(338,614)	(284,907)
Other income (expense)	3,911	(90,978)
Total Non-Operating Expenses	(5,667,893)	(3,580,580)
CHANGE IN NET ASSETS BEFORE SPECIAL ITEM	14,146,687	1,851,472
SPECIAL ITEM - Transfer ownership of mobile generators	(1,179,024)	-
CHANGE IN NET ASSETS	12,967,663	1,851,472
NET ASSETS - Beginning of Year	63,819,883	61,968,411
NET ASSETS - END OF YEAR	\$ 76,787,546	\$ 63,819,883

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years Ended April 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from power sales	\$ 165,440,561	\$ 147,248,027
Received from member assessments and dues	8,333	10,000
Paid to suppliers for purchased power and transmission	(114,979,075)	(118,457,072)
Paid to suppliers and employees for other services	(27,075,449)	(25,155,261)
Net Cash Flows from Operating Activities	<u>23,394,370</u>	<u>3,643,694</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt principal paid	(8,710,000)	(3,665,000)
Interest paid	(60,761,880)	(50,391,380)
Bond interest subsidy received	6,758,196	3,285,234
Acquisition and construction of capital assets	(220,167,866)	(205,447,674)
Proceeds from issuance of debt	140,290,000	321,790,000
Premium received on debt issuance	-	475,893
Payment of bond issuance costs	(1,083,751)	(3,271,399)
Net Cash Flows From Capital and Related Financing Activities	<u>(143,675,301)</u>	<u>62,775,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	4,882,808	6,709,710
Purchase of long-term investments	(178,156,912)	(234,280,901)
Maturity of long-term investments	279,530,379	40,415,381
Net Cash Flows from Investing Activities	<u>106,036,275</u>	<u>(187,155,810)</u>
Net Change in Cash and Cash Equivalents	(14,244,656)	(120,736,442)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>108,741,283</u>	<u>229,477,725</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 94,496,627	\$ 108,741,283
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capitalized interest	\$ 46,432,966	\$ 40,691,637
Amortization expense	\$ (338,614)	\$ (284,907)
Credits given on billings	\$ (11,110,927)	\$ (11,088,320)
Net gain (loss) on sale of assets	\$ 3,911	\$ (90,978)
Bond interest subsidy accrued but not yet received	\$ 2,949,784	\$ 1,661,546
Transfer of ownership of mobile generators	\$ (1,179,024)	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 19,814,580	\$ 5,432,052
Noncash Items Included in Operating Income		
Depreciation	4,454,531	3,291,971
Accretion	60,725	25,992
Changes in assets and liabilities		
Accounts receivable	(274,873)	(1,063,109)
Prepayments	(866,705)	(5,318,538)
Allowance inventory	281,640	(281,640)
Accounts payable	(135,528)	1,336,611
Other current liabilities	60,000	220,355
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 23,394,370	\$ 3,643,694
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS		
Restricted investments	\$ 290,029,063	\$ 408,515,640
Cash and investments	31,215,841	24,528,590
Short-term investments	3,725,023	7,540,818
Total Cash and Investments	<u>324,969,927</u>	<u>440,585,048</u>
Long-term investments	(230,473,300)	(331,843,765)
TOTAL CASH AND CASH EQUIVALENTS	\$ 94,496,627	\$ 108,741,283

See accompanying notes to financial statements.

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, 2011, 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. As of April 30, 2011, IMEA decided to no longer sell the emissions credits due to low market value.

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 MISO and PJM transmission markets.

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 and 2010 revenue bond issues.

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 Units No. 1 and 2	20 – 53
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 and 2010 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.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*. IMEA has not determined the impact of this standard on the financial statements and application of this standard may restate portions of these financial statements.

RECLASSIFICATIONS

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

NOTE 2 – CASH AND INVESTMENTS

IMEA's cash and investments consist of the following:

	Carrying Value as of April 30		Associated Risks
	2011	2010	
Illinois Fund	\$ 45,278,144	\$ 50,950,489	Credit and interest rate risks
Mutual funds	47,926,333	55,062,375	Credit and interest rate risks
Morgan Stanley and Company repurchase agreement	-	3,631,953	Custodial credit, credit, and interest rate
U.S. treasuries	8,440,662	904,707	Custodial credit, credit, concentration of credit, and interest rate,
U.S. agency securities	223,324,288	330,035,024	Custodial credit, credit, concentration of credit, and interest rate
Petty cash	500	500	Not applicable
Totals	<u>\$ 324,969,927</u>	<u>\$ 440,585,048</u>	

IMEA's Trust Indenture authorizes IMEA to deposit funds only in banks insured by the Federal Deposit Insurance Corporation (FDIC). IMEA may also make investments in U.S. Government and federal agency obligations, investment grade bonds, commercial paper rated at the highest classification established by at least two standard rating services, money market mutual funds, repurchase agreements and The Illinois Funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on 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, 2011 and 2010. 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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010 IMEA's investments were rated as follows:

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

* The repurchase agreement was 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, 2011 and 2010, IMEA's investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>	
		<u>2011</u>	<u>2010</u>
Federal Home Loan Mortgage Corporation	US Agency Securities - Implicitly Guaranteed	19%	15%
Federal Farm Credit Banks Funding Corporation	US Agency Securities - Implicitly Guaranteed	13%	8%
Federal Home Loan Bank	US Agency Securities - Implicitly Guaranteed	22%	38%
Fannie Mae	US Agency Securities - Implicitly Guaranteed	14%	13%

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, 2011, IMEA's investments were as follows:

<u>Investment Type</u>	<u>Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>Over 5</u>
U.S. agency securities	\$ 223,324,288	\$ 127,215,256	\$ 33,942,726	\$ 62,166,306
U.S. treasuries	8,440,662	8,070,204	370,458	-
Totals	\$ 231,764,950	\$ 135,285,460	\$ 34,313,184	\$ 62,166,306

IMEA also has \$47,926,333 invested in a mutual fund and \$47,278,144 in the Illinois Fund with underlying investments of U.S. Treasuries and U.S. Agency Securities as of April 30, 2011. The average maturity of the mutual fund is 46 days and the Illinois Fund is 18 days.

As of April 30, 2010, IMEA's investments were as follows:

<u>Investment Type</u>	<u>Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>Over 5</u>
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	-
Totals	\$ 334,571,684	\$ 185,989,988	\$ 82,860,478	\$ 65,721,218

IMEA also had \$55,062,375 invested in a mutual fund and \$50,950,489 in the Illinois Fund with underlying investments of U.S. Treasuries and U.S. Agency Securities as of April 30, 2010. The average maturity of the mutual funds was 42 days and the Illinois Fund was 34 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, 2011 and 2010 IMEA did not hold any investments that are highly sensitive to market changes.

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 a new pulverized-coal super-critical unit of 750 MW nominal net rating located adjacent to the existing Trimble County Unit 1 which was placed into commercial operation on January 22, 2011. IMEA's owns a 12.12% (approximately 91 MW) undivided interest as tenant in common in the unit.

PRAIRIE STATE PROJECT

IMEA is part of the consortium known as the Prairie State Generating Company, LLC that is developing 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 Prairie State Project is planned to be a nominal 1,600 MW plant, utilizing two supercritical steam units of approximately 800 MW in size. The Prairie State Project includes contiguous coal reserves and the development of a mine portal to supply coal to the power plant. Construction of the power plant was approximately 76.9% complete at April 30, 2011. IMEA anticipates that one of the Prairie State units will be available for commercial operation in the fourth quarter of 2011 and the second unit will be available for commercial operation in the third quarter of 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.

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

The indenture requires that certain cash and investments be segregated. The following are accounts included in current and restricted assets at April 30, 2011 and 2010.

	2011	2010
Included in Current Assets:		
Revenue	\$ 160	\$ 447
Operation and maintenance	15,343,904	15,009,886
Renewals and replacements	4,989,973	5,026,178
General reserve	106,327	32,397
Rate stabilization	14,500,000	12,000,000
General cash (not restricted by indenture)	500	500
Total Current Cash and Investments	\$ 34,940,864	\$ 32,069,408
Included in Restricted Investment Accounts:		
Acquisition fund	\$ 130,653,980	\$ 226,276,483
Debt service	67,744,526	99,237,613
Debt service reserve	91,630,557	83,001,544
Total Restricted Investments	\$ 290,029,063	\$ 408,515,640

NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2011 follows:

	Balance 5/01/10	Additions/ Reclassi- fications	Deletions/ Reclassi- fications	Balance 4/30/11
Utility plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 105,732,132	\$ 1,889,685	\$ (296,411)	\$ 107,325,406
Trimble County Unit No. 2	-	166,236,209	-	166,236,209
Mobile generation	4,879,804	298,435	(2,274,635)	2,903,604
Land ¹	700,430	-	-	700,430
Office building	8,115,208	20,726	(2,405)	8,133,529
Office furniture and equipment	440,969	19,712	-	460,681
Supervisory control and data acquisition equipment	1,974,832	84,664	-	2,059,496
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	541,318	50,165	(21,980)	569,503
Total Utility Plant in Service	122,884,693	168,599,596	(2,595,431)	288,888,858
Construction work in progress ¹	667,371,625	273,480,165	(161,406,495)	779,445,295
Total Utility Plant	790,256,318	282,039,881	(3,962,046)	1,068,334,153
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	(49,433,347)	(2,662,720)	296,410	(51,799,657)
Trimble County Unit No. 2	-	(1,117,703)	-	(1,117,703)
Mobile generation	(1,883,255)	(143,704)	1,095,609	(931,350)
Office building	(638,026)	(259,934)	-	(897,960)
Office furniture and equipment	(249,685)	(77,943)	-	(327,628)
Supervisory control and data acquisition equipment	(1,721,596)	(103,113)	-	(1,824,709)
Winnetka 138 interconnect	(227,778)	(16,667)	-	(244,445)
Other equipment	(351,224)	(72,747)	9,891	(414,080)
Total Accumulated Depreciation	(54,504,911)	(4,454,531)	1,401,910	(57,557,532)
Net Utility Plant	\$ 735,751,407			\$ 1,010,776,621

¹ – Utility plant that is not being depreciated.

NOTE 5 – CHANGES IN UTILITY PLANT (Cont.)

A summary of changes in utility plant for 2010 follows:

	Balance 5/01/09	Additions/ Reclassi- fications	Deletions/ Reclassi- fications	Balance 4/30/10
Utility plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 105,247,374	\$ 696,919	\$ 212,161	\$ 105,732,132
Mobile generation	4,879,804	-	-	4,879,804
Land ¹	700,430	-	-	700,430
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	<u>548,743,747</u>	<u>242,573,992</u>	<u>1,061,421</u>	<u>790,256,318</u>
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)
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	<u>(51,467,844)</u>	<u>(3,292,247)</u>	<u>(255,180)</u>	<u>(54,504,911)</u>
Net Utility Plant	<u>\$ 497,275,903</u>			<u>\$ 735,751,407</u>

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 4/30/11
June 23, 2006	Capital improvements	Feb. 1, 2035	4.250 – 5.000%	\$ 139,505,000	\$ 135,270,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2035	4.000 – 5.250%	575,700,000	573,570,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2015	5.340 – 5.460%	29,660,000	29,660,000
Nov. 5, 2007	Refinance 1996 bonds	Feb. 1, 2021	5.000 – 5.250%	51,360,000	41,585,000
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, 2015	4.160 - 4.880%	16,995,000	16,995,000
Jul. 15, 2009	Debt service and capital improvements	Feb. 1, 2035	5.328 – 6.128%	294,755,000	294,755,000
Nov. 30, 2010	Debt service and capital improvements	Feb. 1, 2035	2.473 – 7.288%	140,290,000	140,290,000

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

Year	Principal	Interest	Less Interest Subsidy	Total
2012	\$ 8,795,000	\$ 64,784,263	\$ 6,758,197	\$ 66,821,066
2013	23,675,000	68,784,973	6,758,197	85,701,776
2014	35,285,000	67,717,649	6,758,197	96,244,452
2015	36,960,000	66,016,019	6,758,197	96,217,822
2016	41,375,000	64,235,859	6,758,197	98,852,662
2017-2021	222,480,000	288,195,040	30,958,906	479,716,134
2022-2026	249,540,000	224,103,645	24,548,837	449,094,808
2027-2031	313,730,000	144,774,412	15,858,439	442,645,973
2032-2036	310,305,000	45,295,565	4,956,121	350,644,444
Totals	\$ 1,242,145,000	\$ 1,033,907,425	\$ 110,113,288	\$ 2,165,939,137

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

Long-term obligation activity for the year ended April 30, 2011 is as follows:

	5/01/10 Balance	Additions	Reductions	4/30/11 Balance	Due Within One Year
Revenue bonds	\$ 1,110,565,000	\$ 140,290,000	\$ 8,710,000	\$ 1,242,145,000	\$ 8,795,000
Unamortized premium	15,513,955	-	1,264,176	14,249,779	-
Unamortized loss on advance refunding	(4,274,701)	-	(675,095)	(3,599,606)	-
Other liabilities	2,264,400	1,892,859	486	4,156,773	-
Totals	\$ 1,124,068,654	\$ 142,182,859	\$ 9,299,567	\$ 1,256,951,946	\$ 8,795,000

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

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

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 and mine reclamation at the Prairie State Generating facility. Other asset retirement obligations are not significant to these financial statements. IMEA used estimated cash flows to determine the obligation.

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

Balance 5/01/10	Liabilities Incurred	Accretion	Balance 4/30/11
\$ 838,291	\$ 1,705,451	\$ 27,292	\$ 2,571,034
Balance 5/01/09	Liabilities Incurred	Accretion	Balance 4/30/10
\$ 519,842	\$ 292,457	\$ 25,992	\$ 838,291

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:

	<u>2011</u>	<u>2010</u>
Utility plant in service	\$ 288,888,858	\$ 122,884,693
Accumulated depreciation	(57,557,532)	(54,504,911)
Construction work in progress	779,445,295	667,371,625
Sub-totals	<u>1,010,776,621</u>	<u>735,751,407</u>
Less: Capital Related Debt		
Current portion of capital related long-term debt	8,795,000	8,710,000
Long-term portion of capital related long-term debt	1,233,350,000	1,101,855,000
Unamortized debt issuance costs	(10,275,382)	(9,910,527)
Unamortized loss on advance refunding	(3,599,606)	(4,274,701)
Unamortized premium	14,249,779	15,513,955
Deferred asset – Fairfield	(9,187,775)	(9,392,575)
Sub-totals	<u>1,233,332,016</u>	<u>1,102,501,152</u>
Add: Unspent Debt Proceeds		
Debt service reserve from borrowing	91,630,557	83,001,544
Debt service account	32,395,521	61,630,712
Capitalized interest account	35,349,006	37,606,901
Acquisition fund	130,653,980	226,276,483
Sub-totals	<u>290,029,064</u>	<u>408,515,640</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 67,473,669</u>	<u>\$ 41,765,895</u>

The following calculation supports the amount of restricted net assets:

	<u>2011</u>	<u>2010</u>
Restricted investments	\$ 290,029,064	\$ 408,515,640
Less: Restricted Assets Not Funded by Revenues		
Debt service reserve account	(91,630,557)	(83,001,544)
Debt service account	(32,395,521)	(61,630,712)
Capitalized interest account	(35,349,006)	(37,606,901)
Construction funds	<u>(130,653,980)</u>	<u>(226,276,483)</u>
Total Restricted Net Assets Not Funded by Revenues	290,029,064	408,515,640
Current liabilities payable from restricted assets	<u>(32,131,361)</u>	<u>(15,830,822)</u>
Total Restricted Net Assets as Calculated	<u>\$ (32,131,361)</u>	<u>\$ (15,830,822)</u>

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

NOTE 9 – DEFERRED ASSET

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 this deferred asset as of April 30, 2011 and 2010 was \$9,187,775 and \$9,392,575, respectively.

Deferred assets also include amounts chargeable to members for settlements of power costs.

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, 2011, 2010 and 2009 were \$681,000, \$648,000, and \$610,000, respectively. Total covered payroll for the respective years was \$2,722,000, \$2,590,000, and \$2,439,000.

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 \$1,574,150 for Trimble County Unit No. 2 construction and \$103,573,499 for the Prairie State project construction. The value of the services provided and the corresponding liability as of April 30, 2011 and 2010 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% of operating revenue in both 2011 and 2010.

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.

NOTE 14 – SUBSEQUENT EVENTS

On June 1, 2011, IMEA began providing service to the City of Naperville. This service is expected to add approximately 370 MW to IMEA's peak demand.

IMEA has implemented new delivery service rates effective July 1, 2011. The new rates are projected to increase the average cost per kWh by 1% for members with delivery voltage of 100kV and above, and 4% for members with delivery voltage of less than 100kV.

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 across Illinois. Each of those communities owns and operates its own electric distribution system. Some operate local power generation plants.

Since its creation 27 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 sells its municipal members and one co-op 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 portions of large, coal-fired power plants in Kentucky and Illinois, 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, energy efficiency, 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.

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
- Tanner Jones, Electrical Engineer
- Mike Tintori, Engineering Technician Coordinator
- Rob Shuff, Engineering Technician
- Troy A. Fodor, Vice President & General Counsel
- Bob Thomas, Director-Reliability & Regulatory Compliance
- Phillip "Doc" Mueller, Senior Vice President-
Government Affairs & Management Services
- Ed Cobau, Director-State Association Services & Communications
- Mike Genin, Director-Gas & Energy Services
- Rodd Whelpley, Program & Communications Administrator



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

- Alice Schum, Vice President-Operations
- Amanda Ripperda, Manager-Power Supply
- Roger Poole, Supervisor-Power Services
- Connie Gates, Power Services Coordinator
- Rob Wilson, Financial Settlements Analyst
- Jeff Stanley, Power Services Coordinator
- DeWaine Hoagland, Power Services Coordinator
- Sean McCarthy, Power Services Coordinator
- Tony Nardi, Power Services Coordinator
- Bob Childers, Senior Vice President & CFO
- Cindy Evans, Senior Accountant
- Glenn Cunningham, Director-Information Systems & Security
- Chris Jewell, Systems Administrator

Board of Directors



Mayor Larry Taylor
Altamont



Mike Collins
Bethany



Dale Detmer
Breese



Mike McCleery
Bushnell



Karl Klein
Cairo



John Hodapp
Carlisle



Bob Rothermel
Carmi



Shelby Biggs
Casey



Mayor Mickey Borah
Fairfield



Rick Hardesty
Farmer City



Nancy Sowers
Greenup



Mark Latham
Highland



Patrick Barry
Ladd



Cory Sheehy
Marshall



Cody Hawkins
Mascoutah



Mark Curran
Naperville



Dominic Rivara
Oglesby



Jim Potthoff
Peru



David "Louie" Diewald
Red Bud



Rich Pottier
Riverton



Mayor David H. Blanton
Rock Falls



Jim Holder
Roodhouse



Doug Carnes
Sullivan



David Stuva
RECC

In Appreciation of Ronald D. Earl

When Ron Earl came to Illinois from the Chattanooga Power Board and took the position of General Manager of the IMEA on January 1, 1998, the Agency served 24 municipal electric systems with their wholesale power needs. Peak demand that year was 358 MW with sales of 1.57 billion kWhs and total operating revenues of \$70 million. IMEA was based at its headquarters building on Spring Street near downtown Springfield, Illinois – a 9,000-square-foot facility that had been a speculative building when the Agency took it over and completed its construction in 1990. IMEA's generation ownership was 12.12%, or 60 MW, of Louisville Gas & Electric's Trimble County Unit 1 (TC1). The Operations Department totaled three people and was staffed from 8:00 a.m. to 5:00 p.m. Monday through Friday.

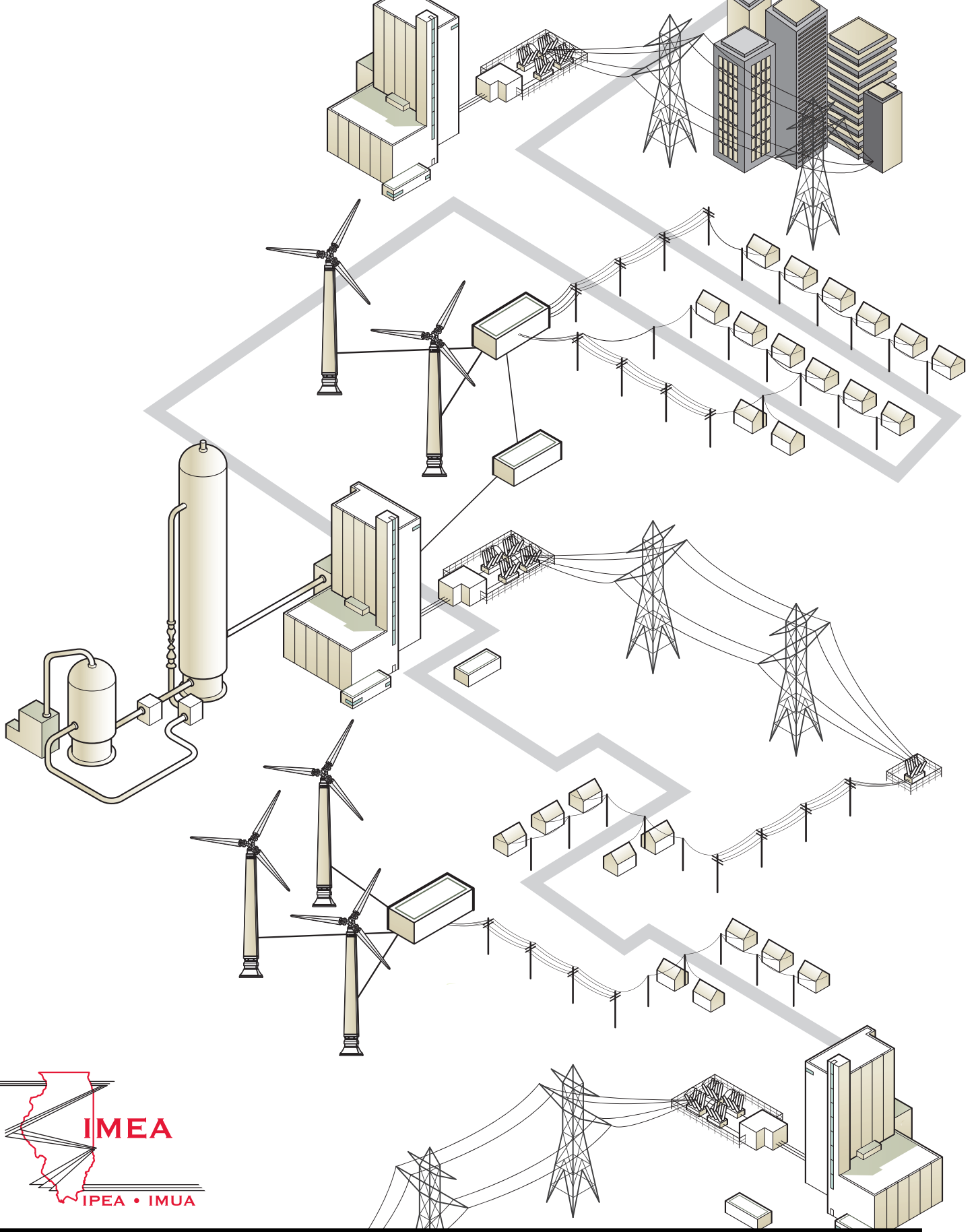


As Earl retires on January 1, 2012 from his current position as President & CEO of not only the IMEA, but the Illinois Public Energy Agency (IPEA) and the Illinois Municipal Utilities Association (IMUA), we find these changes:

- Full requirements contracts now serve 32 municipal systems and one electric cooperative
- Peak demand in Summer 2011 reached 1,044 MW
- Operating revenues are expected to hit \$300 million on 4.5 billion kWhs of sales
- IMEA will celebrate its fourth anniversary in its 33,000-square-foot, state-of-the-art headquarters, with ground-source heating and cooling and a hardened Operations Center that is staffed 24-hours-a-day by a team of eight highly-trained professionals
- IMEA generation ownership includes not only TC1, but a like amount of the brand new TC2, and 240 MW of Prairie State 1 and 2, which will come online later this fiscal year and next fiscal year
- IMEA now manages the IPEA, which serves 15 municipal gas systems and two cooperative gas systems and which Earl helped create in 2005, and, since 2004, IMEA also manages the Illinois Municipal Utilities Association, which provides safety training and government relations

Earl has served on the board of the American Public Power Association, the Transmission Access Policy Study Group, the advisory committee to the Midwest Independent System Operator and the members committee of the PJM Interconnection, as well as having co-chaired the owners committee for the Trimble County Generating station. He has also been Vice-chair of the Prairie State Generating Company.

This is, of necessity, an incomplete list. Those who have had the privilege to work with him on the IMEA, IPEA and IMUA boards, as well as his employees and his public power colleagues from across the nation, know him to be a committed advocate of the municipal power model. His vision of a larger, more vibrant IMEA was successfully realized over his 14 years in Illinois. IMEA is better for his tenure. Ron has earned our respect and our heart-felt thanks.



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