

Power Forward
Illinois Municipal Electric Agency
Annual Report 2012

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

Our mission is unchanged: IMEA provides member communities with quality utility services in a reliable, cost-effective and environmentally sensitive manner. It's a solid mission, one that is vital and will be vital to the well being of our member communities for as long as anyone can see. Even so, 2012 proved to be a year of change and of powering forward to meet that mission.

One such change was new leadership in the office of President & CEO. On January 1, 2012, Kevin Gaden succeeded Ron Earl, who had served as President & CEO for 14 years. Gaden brings with him 25 years' management experience in the public power industry, knowledge and insights that fit the needs of the Agency and that complement the strengths of a long serving staff. The pages that follow reflect a year of great accomplishment – with record sales, as well as increased assets and retained earnings. One victory of fiscal year 2011-2012 that is difficult to quantify is the smooth transition to new leadership: a credit to the board, the staff and to Gaden himself.

Another key newcomer – the City of Naperville – officially joined the IMEA team on June 1, 2011. As expected, the impact of being able to serve this city of nearly 142,000 people with nearly 1.5 billion kWh of energy each year was immediate and profound, as is reflected in this year's financial statements. With the addition of Naperville, IMEA became one of the 10 largest joint action agencies in the country. This is quite an accomplishment for IMEA's members over the past 28 years of our existence.

And there is no doubt our future became literally a bit brighter on June 6, 2012, when the first of two 800 MW supercritical units at the Prairie State Generating Company began commercial operation. IMEA is one of eight Midwestern-based public power utilities with an interest in the output of this facility. IMEA's share is 15.17 percent,

which represents more than 120 MWs of Unit 1's generating capacity. A second 800 MW unit at Prairie State is set to go on line in late 2012, giving IMEA a 240 MW undivided interest in the Prairie State project. Prairie State gives the IMEA and its co-owners a secure source of base-load power with at least 30 years' worth of coal reserves, with the aim of providing municipal customers steady, affordable rates for decades.

New leadership. A new member. A new generating facility. Fiscal year 2011-2012 was indeed a very good year. But it was no accident. We owe the successes of this year to the forward thinking of IMEA's past boards of directors who made the optimistic – but still difficult – decisions to commit to finding good leadership, to bringing on new members, to taking an ownership responsibility for a share of our power supply.

Thinking ahead and powering forward is more than just a slogan at IMEA. It's our way of business. Since its inception in 1984, the Agency has looked to the future in order to ensure it has the wherewithal to meet the challenge of our mission. As we continue to serve our member communities, our duty and our promise is that we will never cease to plan for growth, to anticipate future needs, to analyze – to the best of our abilities – future contingencies and consequences.

We hope that the electric utilities we serve think of IMEA's services and personnel as bench players who are ready to step on the court and augment the services that the local utility provides for its industrial, commercial and residential customers. We are more than happy to be the sixth man on the winning team that is Illinois municipal power. We won't forget that our job – our reason for being – is to help our communities power forward.



Kevin M. Gaden (left)
President & CEO

Del McCord (right)
Chairman of the Board

Executive Board



Chairman
Del McCord
Chatham



Vice Chairman
Rick Abell
Metropolis



**Secretary/
Treasurer**
Tim Birk
Waterloo



**Immediate
Past Chairman**
Greg Hazel
Rantoul

Members at Large



**Mayor Larry
Taylor**
Altamont



**Dale
Detmer**
Breese



**Cory
Sheehy**
Marshall



**Jason
Bird**
Princeton



**Brian
Keys**
Winnetka



Ten Year Comparative Summary of Operations

FOR THE YEARS ENDED APRIL 30,	2012	2011	2010	2009
Operating Revenues:				
Electric Sales to Participating Members	\$269,710,862	\$166,474,951	\$148,999,323	\$146,290,958
Electric Sales to Non-Participating Members	0	0	0	0
Electric Sales to Others	9,081,678	9,079,342	8,876,865	2,630,952
Member Assessments	0	8,333	10,000	10,000
Other	1,867,134	1,272,067	1,521,276	1,221,779
Total Operating Revenues	280,659,674	176,834,693	159,407,464	150,153,689
Operating Expenses:				
Purchased Power	167,998,413	99,499,201	105,434,390	95,326,413
Transmission	23,747,840	14,924,800	14,049,221	11,590,389
Trimble County Unit #1 and 2:				
Fuel	23,540,732	14,152,031	7,838,048	11,099,921
Operations and Maintenance	8,331,479	5,786,808	5,859,538	4,532,103
Member Payments:				
Fuel Reimbursements	2,083,846	1,236,692	995,589	1,866,252
Capacity Payments	9,334,291	9,309,573	9,281,664	9,263,030
Generation Payments	17,866	5,799	2,997	4,719
Administrative and General	7,320,757	6,781,113	6,114,056	5,774,665
Depreciation Expense	7,796,362	4,454,531	3,291,971	3,433,667
Other Utility Operations	970,795	869,565	1,107,938	633,090
Total Operating Expenses	251,142,381	157,020,113	153,975,412	143,524,249
Net Operating Income	29,517,293	19,814,580	5,432,052	6,629,440
Other Expenses - Net	(11,471,707)	(5,667,893)	(3,580,580)	(3,243,851)
Net Income Before Special Item	\$18,045,586	\$14,146,687	\$1,851,472	\$3,385,589
Special Item	\$0	(\$1,179,024)	\$0	\$0
Change in Net Assets	\$18,045,586	\$12,967,663	\$1,851,472	\$3,385,589
Peak Demand (Non-Coincident kW)	1,063,494	649,186	608,019	615,849
Kilowatt-Hour Sales to Participating Members(kWh)	3,910,906,019	2,591,542,077	2,415,241,184	2,525,506,187
Kilowatt-Hour Sales to Non-Participating Members(kWh)	0	0	0	0
Kilowatt-Hour Sales to Others(kWh)	112,278,126	117,881,804	121,424,791	38,254,057
Cost per kWh to Participating Members (Cents/kWh)	6.89	6.42	6.17	5.79
Cost per kWh to Participating Members after Capacity Payments (Cents/kWh)	6.66	6.06	5.78	5.43
Debt Service Coverage after Rate Stabilization Transfer	119%	113%	148%	138%
Principal Paid on Revenue Bonds	\$8,795,000	\$8,710,000	\$3,665,000	\$3,485,000
Revenue Bonds Outstanding	\$1,233,350,000	\$1,242,145,000	\$1,110,565,000	\$792,440,000
Member Equity	\$94,833,132	\$76,787,546	\$63,819,883	\$61,968,411

2008	2007	2006	2005	2004	2003
\$140,222,832	\$101,362,681	\$107,605,194	\$91,690,145	\$87,225,675	\$85,588,654
0	0	863,087	9,149,858	10,632,837	14,367,182
3,284	0	0	207,490	520,398	790,782
10,000	28,500	40,667	37,333	38,000	38,000
1,155,131	369,710	228,309	104,278	4,366	4,228
141,391,247	101,760,891	108,737,257	101,189,104	98,421,276	100,788,846
92,125,794	54,127,374	56,786,957	54,865,563	54,211,119	56,736,392
10,277,107	6,657,441	6,464,926	8,810,941	8,745,400	8,942,325
7,498,448	7,892,265	7,038,616	6,600,569	5,714,501	5,357,536
4,226,640	3,511,622	3,473,196	2,967,968	2,757,950	2,778,374
1,507,892	2,358,657	6,227,758	753,310	567,572	625,864
9,527,462	10,159,631	10,450,580	10,856,959	10,581,245	10,383,947
15,297	32,547	121,835	11,225	37,307	39,412
5,112,890	4,474,511	3,872,102	3,337,937	3,185,806	2,688,755
3,245,737	3,129,115	3,242,803	3,133,520	3,063,809	3,134,058
613,600	598,955	855,049	540,232	387,280	293,814
134,150,867	92,942,118	98,533,822	91,878,224	89,251,989	90,980,477
7,240,380	8,818,773	10,203,435	9,310,880	9,169,287	9,808,369
(2,546,837)	(1,912,322)	(3,191,010)	(3,913,347)	(4,466,622)	(4,515,821)
\$4,693,543	\$6,906,451	\$7,012,425	\$5,397,533	\$4,702,665	\$5,292,548
\$0	\$0	\$0	\$0	\$0	\$0
\$4,693,543	\$6,906,451	\$7,012,425	\$5,397,533	\$4,702,665	\$5,292,548
626,716	511,245	539,263	494,631	502,697	498,190
2,661,927,664	2,087,270,895	2,112,121,734	1,891,104,971	1,799,826,165	1,800,182,386
0	0	32,085,000	327,645,119	363,560,710	434,473,866
0	0	0	14,656,000	37,866,000	58,315,000
5.27	4.86	5.09	4.85	4.85	4.75
4.91	4.37	4.60	4.27	4.26	4.18
139%	168%	156%	122%	123%	136%
\$3,365,000	\$2,985,000	\$6,485,000	\$6,170,000	\$5,885,000	\$5,620,000
\$795,925,000	\$196,650,000	\$60,130,000	\$66,615,000	\$72,785,000	\$78,670,000
\$58,582,822	\$53,889,279	\$46,982,828	\$39,970,403	\$34,572,870	\$29,870,205



Our Mission

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

Power Forward

In the power business there is no such thing as a finished goods inventory. There are no storerooms for electrons, sitting around waiting for when they might be needed. This minute's electricity is produced, procured and delivered this minute. And that process is repeated for every one of the 525,600 minutes of each and every year.

One would think that in a business in which the product is perpetually in motion there would be little time – and perhaps little call – for planning too far ahead. But the 32 municipalities and one rural electric cooperative that comprise the membership of the Illinois Municipal Electric Agency have joined forces to provide electricity for their communities not just for this minute, this month or this year, but for generations to come. For these 33 not-for-profit public utilities, the IMEA is the means by which they plan and secure the energy needs for future generations. IMEA is formed, literally, to help them put the power forward.

Generating and Procuring Power for Members

The IMEA is a joint action agency formed in 1984 by its member municipalities in accordance with the provisions of the Illinois Municipal Code. Its stated purpose is to jointly plan, finance, own and operate facilities for the generation and transmission of electric power in order to provide for the current and projected energy needs of the purchasing members.

In fiscal year 2011-12, IMEA's load to participating members, which excludes sales to RECC, was a little less than 3,911,000 MWh, but projections show that the load may grow to as much as 4,470,000 MWh by 2016.

For fiscal year 2011-12, 46 percent of IMEA's power capacity requirements were met by IMEA-owned or member-owned generation resources. Twelve percent came from long-term, cost-based contracts; 11 percent from other long-term power contracts; and 31 percent of the Agency's needs were met through short-term market purchases.

Generating Power Now and in the Future

Since the close of fiscal year 2011-12, the Prairie State Generating Company began commercial operation. On June 6, 2012, the first of two 800 MW supercritical units at the Prairie State Generating Company began commercial operation at this mine mouth, coal-fired generating station in southern Illinois.

IMEA is one of eight Midwestern-based public power utilities with an interest in the output of this facility. IMEA's share is 15.17 percent, which represents more than 120 megawatts of Unit 1's generating capacity. A second 800 MW unit at Prairie State is set to go on line in late 2012, giving IMEA more than 240 megawatts of undivided interest in the project.

The commercial operation of Prairie State Unit 1 marks a major milestone for IMEA, which committed to the Prairie State project in 2007. Prairie State gives the IMEA and its co-owners a secure source of base-load power with at least 30 years' worth of coal reserves, with the aim of providing municipal customers with steady, affordable rates for decades.



The Prairie State Generating Company broke ground on October 1, 2007.

The Prairie State campus features an investment of more than \$1 billion worth of best available control technology to create the cleanest coal-fueled power plant in Illinois and one of the cleanest in the world. This responsible and forward thinking design means that the plant is in compliance with all existing emissions regulations. Very few generators in the U.S. can make this claim.



The first unit of the Prairie State Generating Company began commercial operation in June 2012.

The opening of the first Prairie State unit falls on the heels of 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-fired unit of which the IMEA became part owner in 1991.

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

Though coal-fired units such as the ones at Trimble County and Prairie State are a significant source of IMEA's base-load power for now and into the future, the Agency has committed to a diversified energy portfolio. 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 70MW of wind energy from the Lee-DeKalb wind project owned by FPL Energy Illinois Wind, LLC. The contract runs through 2030.



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Long-Term Purchasing Contracts

The IMEA has executed a long-term, cost-based system firm energy contract with a major regional power supplier for up to 250 MW. That contract runs until 2035. It is the largest of IMEA's procurement contracts, which are supported by a mix of coal units, natural gas-fired units and more than 4,200 MW of installed capacity.

In addition, IMEA's Operations Department makes purchases and sales in the day-ahead and in the hourly markets in the Midwest Independent System Operator (MISO) and the 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.

Operational and Technical Support

Many IMEA departments work together to offer Members state-of-the-art operational and technical services.

Operations

IMEA maintains a 24-hour-a-day, seven-day-a-week, state-of-the-art Operations Center staffed by highly skilled power supply professionals. The Operations Department alerts local officials of power dips and outages and works with the Members and representatives from regional transmission-owning utilities serving the area to identify the exact location of downed lines or malfunctioning equipment and rectify the problem. In extreme conditions, IMEA Operations Center staff will alert the coordinators of the Illinois Municipal Utilities Association's Mutual Aid Program to send crews from other member municipalities and cooperatives to help an IMEA Member community restore power. The IMEA Operations Center is a key player on a team that makes Illinois municipal power utilities unparalleled in power delivery reliability.

Information Systems

IMEA's Information Systems Department helps Operations Center analysts and power services coordinators monitor the status of every substation owned by IMEA's Members.



The IMEA Team in Action

Cost Saving Digi Boxes Net Better Reliability

This year, the Finance and Information Systems Department began deploying new technology – called Digi Boxes – at all IMEA-Member substations. The new boxes replace wired communication servers with cellular services to handle the communication between the substations and the Operations Department. The new equipment is more reliable and eliminates many points of failure over the old technology. IMEA expects to realize \$330,000 of cost savings annually when all the Digi Boxes are installed.

6 **Engineering**

IMEA electrical 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 (such as meter testing and programming and power quality surveys). Over the past year, IMEA engineers have worked extensively to assist in the installation of diesel generators or the retrofitting of existing generators to meet the U.S. Environmental Protection Agency's new National Emissions Standards for Hazardous Air Pollutants (NESHAP) regulations, which are set to go into effect in May 2013.

Legal

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.

Moving Forward in a Challenging 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, the Illinois General Assembly and the U.S. Congress.

In addition to helping to ensure its compliance (and, in some disciplines, the compliance of its Members) with current laws and regulations, the IMEA supports advocacy efforts for establishing responsible public policy on energy issues.

Reliability and Regulatory Compliance

IMEA is registered with the North American Electric Reliability Corporation (NERC) under two of NERC's eight Regional Entities: Reliability First Corporation (RFC) and Southeast Electric Reliability Corporation (SERC). IMEA is registered with RFC and SERC as a Purchasing-Selling Entity (of energy, capacity and interconnected operations services) and as a Resource Planner (responsible for having a long-term plan for resource adequacy). IMEA is also registered as a Distribution Provider, Load-Serving Entity and Transmission Owner on behalf of certain municipal members depending on whether they are interconnected to the grid at 100 kV or above and serve a peak load greater than 25 MW. This is referred to as a Joint Registration Organization (JRO) Member.

RFC and SERC have individual Compliance Monitoring and Enforcement Program schedules that require IMEA to periodically submit Self-Certifications and/or Data Submittals that address IMEA's status of compliance with numerous NERC reliability standards that apply to one or more of IMEA's registered functions. Lead responsibility for compliance typically falls to the IMEA Operations Center, IMEA's Engineering Department and/or individual JRO Members. In addition to scheduled compliance submittals, IMEA diligently monitors NERC, RFC and SERC requests for additional compliance information.

Each NERC standard contains requirements and sub-requirements that specify the details that need to be met for compliance. The purpose of these requirements is to achieve NERC's statutory mandate to ensure the reliability of the bulk electric system. On top of complying with reliability standards that have been approved by NERC and FERC, IMEA must continually monitor NERC, RFC and SERC development of new reliability standards and revision of existing reliability standards. Each reliability standard proposal must be evaluated for potential impacts on IMEA and its members. In addition to

Highlights of the Fiscal Year Ending April 30, 2012

Naperville became a full requirements member on June 1, 2011. That city's energy usage for 11 months in 2011-2012 was 1,357,769,920 kWh, or just less than 33.75% of all energy used by IMEA's 32 participating municipal members and the Rural Electric Convenience Cooperative (RECC).

With the addition of Naperville, IMEA has become one of the 10 largest joint action agencies in the U.S.

Kevin Gaden began work as IMEA's new President & CEO on January 1, 2012.

IMEA hit an all time coincidental peak of 1,043.5 MW on July 21, 2011. (That record has already been eclipsed in Fiscal Year 2013, with a new coincidental peak of 1,052.8 MW reached on July 6, 2012.)

Sales to fully participating members and RECC were 4,023,184,145 kWh, bringing in \$278,792,540.

Average cost of power sold to members was 6.89 cents per kWh, delivered to the city.

Total net assets were \$94,833,132 (up \$18,045,586 from 2011).

individual standards, there are also interpretations and guidance that must be evaluated. It is not unusual to have several dozen regulatory compliance proposals in various states of development at any one time. In addition to reviewing these proposals for potential impact on IMEA and member interests and compliance obligations, IMEA interacts with the American Public Power Association (APPA), Transmission Access Policy Study Group (TAPS) and other industry groups to collaborate on influencing these reliability standards developments.

Once a proposed reliability standard is approved by NERC and FERC, IMEA must monitor the implementation period in order to assure compliance processes are in place by the required effective date. A good example of this is that IMEA and JRO Members have had to comply with three different versions of the Critical Infrastructure Protection (cyber security) reliability standards. A fourth version of these cyber security standards takes effect in 2014, and a fifth version will likely take effect in 2015. IMEA and its JRO Members evaluate each pending version of these standards in order to anticipate impacts and secure possible resources needed to achieve compliance.



The IMEA Team in Action

Practice Makes Perfect – IMEA Prepares for NERC Checkup with a Mock Audit

IMEA's registration with North American Electric Reliability Corporation requires that it undergo a Compliance Audit every six years to assure that the agency is adhering to all applicable reliability standards. IMEA is scheduled for such an audit in 2013. In addition to daily program initiatives to ensure compliance and audit readiness, IMEA used consulting services in 2010 to assess whether any gaps existed in its Compliance Program. IMEA used regulatory compliance consulting services to conduct a mock audit of IMEA's Compliance Program in 2012 to assist in preparing for the 2013 NERC audit. Both of these exercises are standard industry practices to promote a culture of compliance and reliability excellence, and to minimize the potential for financial penalties for non-compliance.

Legislative Advocacy

In conjunction with its affiliation with the American Public Power Association (APPA) and through its relationship with 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, and
- Advocacy to prevent a threat to tax-exempt financing.

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 the 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 the units, replace them or retrofit them. The IMEA helped its member communities make that decision by commissioning an engineering analysis.

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 for emergencies without expensive (and, in some cases, impossible) retrofitting or replacement. IMEA, working through the IMUA and the 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.

Rule amendments favorable to IMEA's position were released in June 2012 and were immediately challenged. In August 2012, IMEA, APPA and other Midwestern electric utility associations – as part of the EPA's commenting process – urged the EPA to retain the favorable amendments. A decision is expected in late 2012.

Tax Exempt Financing

From March 12 to 14, 2012, representatives from 18 different IMEA member municipalities, ranging from board members and mayors to aldermen, city managers and trustees, attended the annual American Public Power Association Legislative Rally in Washington, D.C. The largest-ever Illinois delegation joined the more than 650 municipal officials from across the country in participating in the event.



Discussing federal policy and its impact on Prairie State are left to right, Kevin M. Gaden, President & CEO of IMEA, IMUA and IPEA; Duncan Kincheloe, CEO of the Missouri Joint Municipal Electric Utility Commission; Raj Rao, President of the Indiana Municipal Power Agency and former U.S. Representative from Missouri Dick Gephardt.

A highlight of the event for the Illinois delegation was the opportunity to visit Illinois' members of Congress and their key staff members on Capitol Hill. IMEA representatives met at the offices of Illinois Senators Dick Durbin and Mark Kirk, as well as those of U.S. Representatives Judy Biggert, Jerry Costello, Randy Hultgren, Adam Kinzinger, Tim Johnson, Don Manzullo, Bobby Schilling, Aaron Schock and John Shimkus. One of the major discussion topics was protecting the use of tax-exempt bonding to fund municipal projects. President Barack Obama, as part of his budget proposal, proposed to cap the municipal bond interest exemption at 28 percent for certain high income earners. The result of such an action, APPA believes, would be higher financing costs for bond issuers. Congress has yet to act on any such proposal. But IMEA and APPA remain vigilant against this and any other threats to tax-exempt financing.

Stepping Forward with 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 with member systems
- Training of utility department personnel through the Illinois Municipal Utilities Association, and
- Delivery of an electric efficiency program for all member systems.

Economic Development

It's no surprise that municipalities that have maintained their own electric utility departments – some for more than 100 years – sometimes leverage their outstanding reliable and predictably priced electric service to aid with their economic development efforts. In all economies, IMEA member municipalities attract business. For example, in Rantoul, Easton Bell Sports has broken ground on the construction of a

new 813,000-square-foot warehouse, distribution and light assembly facility, creating and retaining more than 340 jobs in the community. And in Peru, a new company has opened a silica sand treatment center, which will provide sand for an existing Peru industry, as well as for the natural gas production industry. This, along with expansions at Eakas Corporation and Unytite Corporation, has helped provide more than 100 new jobs in Peru.

When asked, IMEA staff assist member municipalities with their economic development efforts. In the City of Roodhouse, officials worked with the IMEA to facilitate remediation of environmental issues that threatened development at a downtown site. These efforts resulted in contracts being signed with Dollar General, which has plans to soon build on the site. Subsequently, the city has been contacted by several investors who have shown interest in developing nearby properties.

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 more than 60 municipal members, including active 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 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.



IMUA Trainer Terry Coker (lower-right foreground in white shirt with arms raised) issues some last-minute instruction at a recent IMUA pole top training rescue seminar, just one of the many education and training offerings available to members of the association, which is managed by IMEA.

The IPEA, which was formed in 2005, is a wholesaler of natural gas to 13 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 seven years of operation, become one of the leading natural gas joint action agencies in the Midwest.



The IMEA Team in Action **Recycle My Fridge Tallies Big Energy Savings for Residents of IMEA Communities**

Electric Efficiency Program

The Agency's Electric 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 helps 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.

As of July 2012, 98 energy efficiency projects had been completed since the start of the program. Member municipalities and their commercial customers are estimated to have reduced energy consumption by more than 12.2 million kWh annually.

In August 2011, IMEA began a \$200,000 commitment to the Recycle My Fridge program, aimed at taking residents' secondary refrigerators off the grid. The IMEA administers the program in conjunction with the Appliance Recycling Centers of America (ARCA), Inc. Residents served by an IMEA-member utility can easily get rid of an old refrigerator or freezer taking up space in the basement or garage and receive a \$35 prepaid card for doing so.

Residents of owner-occupied homes served by an IMEA member can schedule an appointment to have their refrigerators or freezers picked up from inside their homes, free of charge, by calling 877-341-2313 (toll free) or by visiting the program's Web site at www.RecycleMyFridge.org.



From August 2011 through April 2012, residents in IMEA-member communities recycled 527 refrigerators and freezers, realizing an estimated annual energy savings of more than 873,000 kWh.

The Illinois Municipal Electric 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 long-term purchase power agreements.

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.

Putting forth a wealth of experience ...

IMEA's six senior officers have a combined 150 years' experience in all facets of the electric industry – from engineering to marketing to project management to finance to regulation.

Summary of IMEA Sales to Members

Fiscal Year Ending April 30, 2012

Participating Members	Non-Coincident Peak Demand (kW)	Energy Usage (kWh)	Population
Altamont	6,405	24,963,839	2,319
Bethany	2,894	9,602,089	1,352
Breese	13,677	53,937,943	4,442
Bushnell	9,754	36,003,693	3,117
Cairo	12,500	72,240,441	2,831
Carlyle	10,367	43,477,131	3,281
Carmi	16,756	60,486,214	5,240
Casey	9,107	33,815,208	2,769
Chatham	24,760	79,708,242	11,500
Fairfield	19,164	76,510,111	5,154
Farmer City	5,321	20,670,329	2,037
Flora	28,190	129,925,720	5,070
Freeburg	11,733	43,393,637	4,354
Greenup	4,202	16,421,362	1,513
Highland	37,401	140,559,343	9,919
Ladd	3,395	14,751,189	1,295
Marshall	15,268	68,893,432	3,933
Mascoutah	16,815	57,641,593	7,483
Metropolis	22,825	90,403,168	6,537
Naperville	387,937	1,357,769,920	141,853
Oglesby	10,496	37,873,181	3,791
Peru	52,187	191,987,087	10,295
Princeton	26,888	110,359,183	7,660
Rantoul	35,152	149,522,510	12,941
Red Bud	12,741	50,460,601	3,698
Riverton	7,039	22,346,395	3,455
Rock Falls	21,728	69,471,304	9,266
Roodhouse	3,468	12,110,859	1,814
St. Charles	129,994	543,756,300	32,974
Sullivan	16,829	69,664,055	4,440
Waterloo	23,933	91,322,249	9,881
Winnetka	39,559	130,857,691	12,187
Total Full Requirements Sales			
to Participating Members	1,038,485	3,910,906,019	
Sales to RECC	25,009	112,278,126	
Total Sales	1,063,494	4,023,184,145	

Note: IMEA began serving Naperville with full requirements service on June 1, 2011. Energy usage for Naperville reflects 11 months of service from IMEA in fiscal year 2011-2012.



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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, 2012 and 2011, 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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 11, 2012



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, 2012 and 2011. 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. IMEA 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

	2012	2011	2010
Utility plant	\$1,122,692,824	\$1,010,776,621	\$735,751,407
Restricted assets	173,261,805	290,029,063	408,515,640
Current assets	70,343,910	56,948,779	51,929,149
Other Assets	24,044,320	27,463,157	19,303,102
Total Assets	\$1,390,342,859	\$1,385,217,620	\$1,215,499,298
Net Assets:			
Invested in capital assets, net of related debt	\$56,272,056	\$67,473,669	\$41,765,895
Unrestricted	38,561,076	9,313,877	22,053,988
Total Net Assets	94,833,132	76,787,546	63,819,883
Non-current liabilities	1,233,394,943	1,248,156,946	1,115,358,654
Current liabilities	62,114,784	60,273,128	36,320,761
Total Liabilities	1,295,509,727	1,308,430,074	1,151,679,415
Total Net Assets and Liabilities	\$1,390,342,859	\$1,385,217,620	\$1,215,499,298

BALANCE SHEETS

During the year ended April 30, 2012, utility plant increased by \$111,916,203. IMEA’s capital investments made during the year included total payments of \$87,247,937 toward the construction costs associated with the Prairie State project, general improvements to Trimble County Units 1 & 2 and other smaller capital acquisitions and improvements. Total current liabilities associated with these capital improvements were \$3,275,660 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 \$7,796,362 was recorded during the year.

See accompanying independent auditors’ report.

For the previous 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.

During the fiscal year ended April 30, 2012, IMEA increased the cash and short-term investments held in operating reserve accounts by \$3,749,335 from the previous year due to the members' continued commitment to increase cash reserves held by the Agency. Accounts receivable increased by \$8,521,789 due primarily to the addition of the City of Naperville as a full requirements purchaser on June 1, 2011. Other assets decreased by \$3,418,837 due to the amortization of certain deferred costs. Net assets increased due to current year operations that resulted in net income of \$18,045,586. Principal repayments associated with the Agency's outstanding revenue bonds totaled \$8,795,000. The Agency also made draws totaling \$10,500,000 against a line of credit facility available to IMEA. The total undrawn portion of this line of credit was \$14,500,000 as of April 30, 2012.

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.

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 on 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 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 non-current liabilities. Proceeds of revenue bonds not yet expended are included in restricted assets. Proceeds of revenue bonds expended during the year represented a majority of the payments toward capital investments discussed above.

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

	2012	2011	2010
Operating revenues	\$280,659,674	\$176,834,693	\$159,407,464
Depreciation expense	7,796,362	4,454,531	3,291,971
Other operating expenses	243,346,019	152,565,582	150,683,441
Total Operating Expenses	251,142,381	157,020,113	153,975,412
Operating Income	29,517,293	19,814,580	5,432,052
Investment income	6,540,210	4,662,809	6,709,710
Interest and amortization expense	(18,026,032)	(10,334,613)	(10,199,312)
Other income (expense)	14,115	3,911	(90,978)
Total Non-Operating Expenses	(11,471,707)	(5,667,893)	(3,580,580)
Change in Net Assets before Special Item	18,045,586	14,146,687	1,851,472
Special Item	-	(1,179,024)	-
Change in Net Assets	18,045,586	12,967,663	1,851,472
Net Assets, Beginning of Year	76,787,546	63,819,883	61,968,411
Net Assets, End of Year	\$94,833,132	\$76,787,546	\$63,819,883

See accompanying independent auditors' report.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Sales to participating members of \$269,710,862 and 3,910,906,019 kilowatt hours (“kWh”) were recorded during the fiscal year ended April 30, 2012. This represented an increase of \$103,235,911 (62%) in revenue from sales to participating members and 1,319,363,942 kWh (51%) as compared with the previous year. The increase in revenue and kWh sales was mainly attributable to IMEA beginning to provide full requirements service to the City of Naperville on June 1, 2011. IMEA began supplying the Rural Electric Convenience Cooperative (RECC) with full requirements power supply service in 2009. The sales to RECC under this agreement accounted for additional revenue of \$9,081,678 which is reflected in sales to others.

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 increase 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 began service to the City of Red Bud on January 1, 2011 which also increased IMEA sales to participating members. Sales to RECC under their power sales contract accounted for additional revenue of \$9,079,342 which is reflected in sales to others.

During the fiscal year ending April 30, 2012, IMEA recorded a coincident peak demand of 1,043,518 kW which was approximately 71% higher than the 609,230 kW experienced in the previous year. The total member non-coincident peak demand was 1,063,494 kW which included both sales to participating members and to RECC. This non-coincident peak demand was approximately 64% higher than the previous year. Consistent with the increase in energy sales, the primary reason for the increase in peak demand was that IMEA began serving full requirements to the City of Naperville on June 1, 2011.

The average cost of power sold to the participating members during the year ending April 30, 2012 was 6.89 cents per kWh which was approximately 7% higher 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.

For the year ended April 30, 2012, total operating expenses increased by \$94,122,268 (60%) from the previous year due primarily to the increased demand and energy sales discussed above. During this past year, interest income increased by \$1,877,401 due to unrealized gains on investments made in previous years.

For the year ended April 30, 2011, total operating expenses increased by \$3,044,701 (2%) from the previous year. During this year, interest income decreased by \$2,046,901 primarily as a result of lower acquisition fund balances available for investment.

DEBT SERVICE COVERAGE

IMEA's bond resolution requires the Agency to maintain a debt service coverage ratio of 110%. Debt service coverage during the years ended April 30, 2012 and 2011 was approximately 119% and 113% respectively. IMEA transferred \$2,100,000 during the year ended April 30, 2012 and \$2,500,000 during the year ended April 30, 2011 into the rate stabilization account which reduced the debt service covered during these years.

SIGNIFICANT EVENTS

POWER SALES CONTRACTS WITH NEW PARTICIPATING MEMBERS

IMEA began providing service to the City of Red Bud under a long-term contract on January 1, 2011 which added approximately 13 MW to IMEA's peak demand. As discussed above, IMEA also began providing full requirements service to the City of Naperville on June 1, 2011 which added approximately 388 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, which was placed into commercial operation on January 22, 2011, is a new pulverized-coal super-critical unit of 750 MW nominal net rating located adjacent to the existing Trimble County Unit 1. 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 99% complete at April 30, 2012. The first unit was placed into commercial operation on June 6, 2012 and IMEA anticipates that the second unit will be available for commercial operation in the fourth 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.

BALANCE SHEETS

As of April 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
UTILITY PLANT		
Utility plant in service	\$ 291,709,305	\$ 288,888,858
Accumulated depreciation	(64,168,292)	(57,557,532)
Construction work in progress	<u>895,151,811</u>	<u>779,445,295</u>
Total Utility Plant	<u>1,122,692,824</u>	<u>1,010,776,621</u>
RESTRICTED ASSETS		
Investments	<u>173,261,805</u>	<u>290,029,063</u>
CURRENT ASSETS		
Cash and investments	35,921,789	31,215,841
Short-term investments	2,768,410	3,725,023
Accounts receivable	21,259,892	12,223,083
Bond interest subsidy receivable	2,434,764	2,949,784
Allowance inventory	169,455	-
Prepayments	<u>7,789,600</u>	<u>6,835,048</u>
Total Current Assets	<u>70,343,910</u>	<u>56,948,779</u>
OTHER ASSETS		
Unamortized debt expense	9,514,989	10,275,382
Deferred assets	<u>14,529,331</u>	<u>17,187,775</u>
Total Other Assets	<u>24,044,320</u>	<u>27,463,157</u>
TOTAL ASSETS	<u>\$ 1,390,342,859</u>	<u>\$ 1,385,217,620</u>

NET ASSETS AND LIABILITIES

	<u>2012</u>	<u>2011</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 56,272,056	\$ 67,473,669
Unrestricted	<u>38,561,076</u>	<u>9,313,877</u>
Total Net Assets	<u>94,833,132</u>	<u>76,787,546</u>
NON-CURRENT LIABILITIES		
Revenue bonds	1,209,675,000	1,233,350,000
Other long-term debt - letter of credit	10,500,000	-
Unamortized premium	13,023,658	14,249,779
Unamortized loss on advance refunding	(2,976,451)	(3,599,606)
Other liabilities	<u>3,172,736</u>	<u>4,156,773</u>
Total Non-Current Liabilities	<u>1,233,394,943</u>	<u>1,248,156,946</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses		
Accounts Payable		
Purchased power and transmission	15,253,241	17,007,350
Jointly-owned facilities	2,343,189	1,671,512
Other	199,629	327,348
Other current liabilities	<u>360,792</u>	<u>340,557</u>
Total Accounts Payable and Accrued Expenses	<u>18,156,851</u>	<u>19,346,767</u>
Current Liabilities Payable from Restricted Assets		
Current maturities of revenue bonds	23,675,000	8,795,000
Accounts payable - jointly-owned facilities	3,275,660	13,608,011
Interest accrued	<u>17,007,273</u>	<u>18,523,350</u>
Total Current Liabilities Payable from Restricted Assets	<u>43,957,933</u>	<u>40,926,361</u>
Total Current Liabilities	<u>62,114,784</u>	<u>60,273,128</u>
Total Liabilities	<u>1,295,509,727</u>	<u>1,308,430,074</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 1,390,342,859</u>	<u>\$ 1,385,217,620</u>

See accompanying notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended April 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Sales to participating members	\$ 269,710,862	\$ 166,474,951
Sales to others	9,081,678	9,079,342
Member assessments	-	8,333
Other income	1,867,134	1,272,067
Total Operating Revenues	<u>280,659,674</u>	<u>176,834,693</u>
OPERATING EXPENSES		
Purchased power and transmission	191,746,253	114,424,001
Trimble County Units No. 1 and 2		
Fuel	23,540,732	14,152,031
Operations and maintenance	8,331,479	5,786,808
Member Payments		
Fuel reimbursements	2,083,846	1,236,692
Capacity payments	9,334,291	9,309,573
Generation payments	17,866	5,799
Administration and general	7,320,757	6,781,113
Depreciation	7,796,362	4,454,531
Other utility operations	970,795	869,565
Total Operating Expenses	<u>251,142,381</u>	<u>157,020,113</u>
Operating Income	<u>29,517,293</u>	<u>19,814,580</u>
NON-OPERATING REVENUE (EXPENSES)		
Investment income	6,540,210	4,662,809
Capitalized interest	41,883,832	46,432,966
Bond interest subsidy revenue	9,855,675	8,046,435
Interest expense	(69,396,491)	(64,475,400)
Amortization expense	(369,048)	(338,614)
Other income (expense)	14,115	3,911
Total Non-Operating Expenses	<u>(11,471,707)</u>	<u>(5,667,893)</u>
CHANGE IN NET ASSETS BEFORE SPECIAL ITEM	18,045,586	14,146,687
SPECIAL ITEM - Transfer ownership of mobile generators	-	(1,179,024)
CHANGE IN NET ASSETS	18,045,586	12,967,663
NET ASSETS - Beginning of Year	<u>76,787,546</u>	<u>63,819,883</u>
NET ASSETS - END OF YEAR	<u>\$ 94,833,132</u>	<u>\$ 76,787,546</u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from power sales	\$ 259,032,935	\$ 165,440,561
Received from member assessments and dues	-	8,333
Paid to suppliers for purchased power and transmission	(191,055,923)	(114,979,075)
Paid to suppliers and employees for other services	(40,373,565)	(27,075,449)
Net Cash Flows from Operating Activities	<u>27,603,447</u>	<u>23,394,370</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from line of credit draws	12,000,000	-
Payment of line of credit debt	(1,500,000)	-
Net Cash Flows from Noncapital Financing and Related Activities	<u>10,500,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt principal paid	(8,795,000)	(8,710,000)
Interest paid	(70,764,777)	(60,761,880)
Bond interest subsidy received	10,370,694	6,758,196
Acquisition and construction of capital assets	(87,247,937)	(220,167,866)
Proceeds from issuance of debt	-	140,290,000
Payment of arbitrage rebate liability	(1,224,557)	-
Payment of bond issuance costs	-	(1,083,751)
Net Cash Flows From Capital and Related Financing Activities	<u>(157,661,577)</u>	<u>(143,675,301)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	6,540,209	4,662,808
Purchase of long-term investments	(121,262,617)	(178,156,912)
Maturity of long-term investments	223,274,000	279,530,379
Net Cash Flows from Investing Activities	<u>108,551,592</u>	<u>106,036,275</u>
Net Change in Cash and Cash Equivalents	(11,006,538)	(14,244,656)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>94,496,627</u>	<u>108,741,283</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 83,490,089	\$ 94,496,627
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capitalized interest	\$ 41,883,832	\$ 46,432,966
Amortization expense	\$ (369,048)	\$ (338,614)
Credits given on billings	\$ (11,436,003)	\$ (11,110,927)
Net gain (loss) on sale of assets	\$ 14,115	\$ 3,911
Bond interest subsidy accrued but not yet received	\$ 2,434,764	\$ 2,949,784
Transfer of ownership of mobile generators	\$ -	\$ (1,179,024)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 29,517,293	\$ 19,814,580
Noncash items included in operating income		
Depreciation	7,796,362	4,454,531
Other non-cash transactions	2,489,318	60,725
Changes in assets and liabilities		
Accounts receivable	(9,036,807)	(274,873)
Prepayments	(954,551)	(866,705)
Allowance inventory	(169,455)	281,640
Accounts payable	(2,038,713)	(135,528)
Other current liabilities	-	60,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 27,603,447	\$ 23,394,370
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS		
Restricted investments	\$ 173,261,805	\$ 290,029,063
Cash and investments	35,921,789	31,215,841
Short-term investments	2,768,410	3,725,023
Total Cash and Investments	<u>211,952,004</u>	<u>324,969,927</u>
Long-term investments	<u>(128,461,915)</u>	<u>(230,473,300)</u>
TOTAL CASH AND CASH EQUIVALENTS	\$ 83,490,089	\$ 94,496,627

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, 2012, IMEA had 32 member municipalities, all of which have executed long-term power sales contracts for the purchase of full requirements power and energy from IMEA. The termination date for all of the power sales contracts with participating members is September 30, 2035. These members participate in the IMEA owned generation facilities and pay rates sufficient to meet the obligations of IMEA's bond resolution.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when exchange takes place. IMEA uses the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

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

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES AND NET ASSETS

Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Allowance Inventory

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount billed to members and non-members. Allowance for doubtful accounts is not considered necessary as IMEA 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 IMEA'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:

	<u>Years</u>
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, vacation benefits, 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 July 1, 2011.

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, Statement No. 61, The Financial Reporting Entity: Omnibus, Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 64 Derivative Instruments: Applications of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53, GASB 65, Items Previously Reported as Assets and Liabilities, and GASB 66, Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62. Application of these standards 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
	2012	2011	
Illinois Fund	\$ 33,557,767	\$ 45,278,144	Credit and interest rate risks
Mutual funds	49,074,973	47,926,333	Credit and interest rate risks
U.S. treasuries	25,326,143	8,440,662	Custodial credit and interest rate
U.S. agency securities	103,992,621	223,324,288	Custodial credit, credit, concentration of credit, and interest rate
Petty cash	500	500	Not applicable
Totals	\$ 211,952,004	\$ 324,969,927	

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 time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts as of December 31, 2011. Coverage as of December 31, 2010 included \$250,000 for interest bearing accounts and unlimited amounts for noninterest bearing accounts. 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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011 IMEA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>
U.S. agency securities	AA+	Aaa
Mutual funds	AAA	Aaa
Illinois fund	AAAm	-

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.

As of April 30, 2012 and 2011, IMEA's investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>	
		<u>2012</u>	<u>2011</u>
Federal Home Loan Mortgage Corporation	US Agency Securities - Implicitly Guaranteed	18%	19%
Federal Farm Credit Banks Funding Corporation	US Agency Securities - Implicitly Guaranteed	15%	13%
Federal Home Loan Bank	US Agency Securities - Implicitly Guaranteed	15%	22%
Fannie Mae	US Agency Securities - Implicitly Guaranteed	1%	14%

IMEA's investment policy states that no more than 50% of the total portfolio may be invested in one type of investment with the exception of the US government and its Agencies.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of April 30, 2012, 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	\$ 103,992,621	\$ 10,918,440	\$ 28,461,955	\$ 64,612,226
U.S. treasuries	25,326,143	25,326,143	-	-
Totals	\$ 129,318,764	\$ 36,244,583	\$ 28,461,955	\$ 64,612,226

IMEA also has \$49,074,973 invested in a mutual fund and \$33,557,767 in the Illinois Fund with underlying investments of U.S. Treasuries and U.S. Agency Securities as of April 30, 2012. The average maturity of the mutual fund is 46 days and the Illinois Fund is 36 days.

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 had \$47,926,333 invested in a mutual fund and \$45,278,144 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 funds was 46 days and the Illinois Fund was 18 days.

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

NOTE 3 – JOINTLY-OWNED FACILITIES

TRIMBLE COUNTY UNIT NO. 1

Pursuant to an ownership agreement entered into in September 1990, IMEA acquired an undivided 12.12% ownership interest, as tenant in common, in the Trimble County Unit No. 1 generating facility from Louisville Gas and Electric Company. The cost of this interest was approximately \$94 million and was financed by the issuance of IMEA's Power Supply System Revenue Refunding Bonds Series 2007C. IMEA's share of the operating costs associated with this facility is included in the accompanying financial statements.

TRIMBLE COUNTY UNIT NO. 2

Trimble County Unit 2 is 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 99% complete at April 30, 2012. The first unit was placed into commercial operation on June 6, 2012 and IMEA anticipates that the second unit will be available for commercial operation in the fourth 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, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Included in Current Assets:		
Revenue	\$ 1,208,592	\$ 160
Operation and maintenance	18,475,819	15,343,904
Renewals and replacements	2,362,779	4,989,973
General reserve	42,509	106,327
Rate stabilization	16,600,000	14,500,000
General cash (not restricted by indenture)	<u>500</u>	<u>500</u>
Total Current Cash and Investments	<u>\$ 38,690,199</u>	<u>\$ 34,940,864</u>
Included in Restricted Investment Accounts:		
Acquisition fund	\$ 45,689,347	\$ 130,653,980
Debt service	32,754,063	67,744,526
Debt service reserve	<u>94,818,395</u>	<u>91,630,557</u>
Total Restricted Investments	<u>\$ 173,261,805</u>	<u>\$ 290,029,063</u>

NOTE 5 – CHANGES IN UTILITY PLANT

A summary of changes in utility plant for 2012 follows:

	<u>Balance 05/01/11</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 4/30/12</u>
Utility plant being depreciated				
Electric plant –				
Trimble County Unit No. 1	\$ 107,325,406	\$ 2,669,556	\$ (1,024,870)	\$ 108,970,092
Trimble County Unit No. 2	166,236,209	896,836	(85,638)	167,047,407
Mobile generation	2,903,604	213,056	-	3,116,660
Land ¹	700,430	-	-	700,430
Office building	8,133,529	2,248	-	8,135,777
Office furniture and equipment	460,681	64,589	-	525,270
Supervisory control and data acquisition equipment	2,059,496	83,211	-	2,142,707
Winnetka 138 interconnect	500,000	-	-	500,000
Other equipment	569,503	88,737	(87,278)	570,962
Total Utility Plant in Service	288,888,858	4,018,233	(1,197,786)	291,709,305
Construction work in progress ¹	<u>779,445,295</u>	<u>118,656,282</u>	<u>(2,949,766)</u>	<u>895,151,811</u>
Total Utility Plant	<u>1,068,334,153</u>	<u>122,674,515</u>	<u>(4,147,552)</u>	<u>1,186,861,116</u>
Less: Accumulated depreciation				
Electric plant –				
Trimble County Unit No. 1	(51,799,657)	(2,687,040)	1,024,870	(53,461,827)
Trimble County Unit No. 2	(1,117,703)	(4,488,723)	85,638	(5,520,788)
Mobile generation	(931,350)	(98,622)	-	(1,029,972)
Office building	(897,960)	(261,080)	-	(1,159,040)
Office furniture and equipment	(327,628)	(89,819)	-	(417,447)
Supervisory control and data acquisition equipment	(1,824,709)	(90,832)	-	(1,915,541)
Winnetka 138 interconnect	(244,445)	(16,666)	-	(261,111)
Other equipment	(414,080)	(63,580)	75,094	(402,566)
Total Accumulated Depreciation	<u>(57,557,532)</u>	<u>(7,796,362)</u>	<u>1,185,602</u>	<u>(64,168,292)</u>
Net Utility Plant	<u>\$1,010,776,621</u>			<u>\$ 1,122,692,824</u>

¹ – Utility plant that is not being depreciated.

NOTE 5 – CHANGES IN UTILITY PLANT (Cont.)

A summary of changes in utility plant for 2011 follows:

	Balance 05/01/10	Additions/ Reclassifications	Deletions/ Reclassifications	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	442,079,761	(164,001,926)	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	<u>\$ 735,751,407</u>			<u>\$1,010,776,621</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 4/30/12
June 23, 2006	Capital improvements	Feb. 1, 2035	4.250 – 5.000%	\$ 139,505,000	\$ 131,980,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2035	4.000 – 5.250%	575,700,000	571,355,000
Sept. 6, 2007	Capital improvements	Feb. 1, 2015	5.340 – 5.460%	29,660,000	29,660,000
Nov. 5, 2007	Refinance 1998 bonds	Feb. 1, 2021	5.000 – 5.250%	51,360,000	38,275,000
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
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	40,575,000	62,131,468	6,613,675	96,092,793
2018-2022	227,390,000	276,281,248	29,833,750	473,837,498
2023-2027	260,945,000	209,810,655	22,995,038	447,760,617
2028-2032	329,060,000	126,556,002	13,863,939	441,752,063
2033-2035	238,085,000	27,589,289	3,015,901	262,658,388
Totals	\$ 1,233,350,000	\$ 969,123,162	\$ 103,355,091	\$ 2,099,118,071

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

COMMITTED LINE OF CREDIT

On October 29, 2010, IMEA entered into a \$25 million Committed Line of Credit agreement (LOC Agreement) with PNC Bank. Under the LOC Agreement, IMEA may draw funds and/or post standby letters of credit. The LOC Agreement expires on October 29, 2013. As of April 30, 2012, IMEA had \$10.5 million outstanding under the LOC Agreement.

Long-term obligation activity for the year ended April 30, 2012 is as follows:

	Balance 5/01/11	Additions	Reductions	Balance 4/30/12	Due Within One Year
Revenue bonds	\$ 1,242,145,000	\$ -	\$ 8,795,000	\$ 1,233,350,000	\$ 23,675,000
Letter of credit Agreement	-	12,000,000	1,500,000	10,500,000	-
Unamortized premium	14,249,779	-	1,226,121	13,023,658	-
Unamortized loss on advance refunding	(3,599,606)	-	(623,155)	(2,976,451)	-
Other liabilities	4,156,773	28,304	1,012,341	3,172,736	-
Totals	\$ 1,256,951,946	\$ 12,028,304	\$ 11,910,307	\$ 1,257,069,943	\$ 23,675,000

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

	Balance 5/01/10	Additions	Reductions	Balance 4/30/11	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

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:

<u>Balance 5/01/11</u>	<u>Liabilities Incurred</u>	<u>Accretion</u>	<u>Balance 4/30/12</u>
\$ 2,571,034	\$ 76,346	\$ 54,809	\$ 2,702,189
<u>Balance 5/01/10</u>	<u>Liabilities Incurred</u>	<u>Accretion</u>	<u>Balance 4/30/11</u>
\$ 838,291	\$ 1,705,451	\$ 27,292	\$ 2,571,034

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>2012</u>	<u>2011</u>
Utility plant in service	\$ 291,709,305	\$ 288,888,858
Accumulated depreciation	(64,168,292)	(57,557,532)
Construction work in progress	895,151,811	779,445,295
Sub-totals	<u>1,122,692,824</u>	<u>1,010,776,621</u>
Less: Capital Related Debt		
Current portion of capital related long-term debt	23,675,000	8,795,000
Long-term portion of capital related long-term debt	1,209,675,000	1,233,350,000
Unamortized debt issuance costs	(9,514,989)	(10,275,382)
Unamortized loss on advance refunding	(2,976,451)	(3,599,606)
Unamortized premium	13,023,658	14,249,779
Deferred asset – Fairfield	(8,973,775)	(9,187,776)
Sub-totals	<u>1,224,908,443</u>	<u>1,233,332,015</u>
Add: Unspent Debt Proceeds		
Debt service reserve from borrowing	94,818,395	91,630,557
Debt service account	961,306	32,395,520
Debt service account - capitalized interest	17,018,627	35,349,006
Acquisition fund	45,689,347	130,653,980
Sub-totals	<u>158,487,675</u>	<u>290,029,063</u>
Total Net Assets Invested in Capital Assets, Net of Related Debt	<u>\$ 56,272,056</u>	<u>\$ 67,473,669</u>

The following calculation supports the amount of restricted net assets:

	<u>2012</u>	<u>2011</u>
Restricted investments	\$ 173,261,805	\$ 290,029,063
Less: Restricted Assets Not Funded by Revenues		
Debt service reserve account	(94,818,395)	(91,630,557)
Debt service account	(961,306)	(32,395,520)
Debt service account - capitalized interest	(17,018,627)	(35,349,006)
Acquisition funds	<u>(45,689,347)</u>	<u>(130,653,980)</u>
Total Restricted Net Assets Not Funded by Revenues	158,487,675	290,029,063
Current liabilities payable from restricted assets	<u>(20,282,933)</u>	<u>(32,131,361)</u>
Total Restricted Net Assets as Calculated	<u>\$ (5,508,803)</u>	<u>\$ (32,131,361)</u>

Generally accepted accounting principles 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, 2012 and 2011 was \$8,973,775 and \$9,187,775, respectively.

Deferred assets also include amounts chargeable to members for settlements of power costs which amounted to \$5,555,556 and \$8,000,000 for the years ended April 30, 2012 and 2011 respectively

NOTE 10 – EMPLOYEE RETIREMENT PLAN

IMEA's employees are covered by the Illinois Municipal Electric Agency Pension Plan, a defined contribution money purchase pension plan with a 5 year vesting schedule. Benefit provisions and all other requirements are established by the board of IMEA. IMEA contributes 25% of eligible employee earnings on behalf of each employee. Employees that terminate service prior to being fully vested, forfeit the unvested portion of their account balance which is applied to future contributions to the plan. Total contributions to the plan by IMEA, net of applied forfeitures, for the years ended April 30, 2012, 2011 and 2010 were \$705,000, \$681,000, and \$648,000, respectively. Total covered payroll for the respective years was \$2,822,000, \$2,722,000, and \$2,590,000.

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 of \$31,487,434 for the Prairie State project construction. The value of the services provided and the corresponding liability as of April 30, 2012 and 2011 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 two significant customers, who were responsible for 49% and 20% of operating revenue 2012 and 2011, respectively.

NOTE 13 – RISK MANAGEMENT

IMEA is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 14 – SUBSEQUENT EVENTS

IMEA rates were evaluated by the Board of Directors and were revised effective May, 1 2012.

Prairie State Unit 1 (Note 3) was placed into commercial operation on June 6, 2012.

Board of Directors



Mike Collins
Bethany



Mike McCleery
Bushnell



Karl Klein
Cairo



John Hodapp
Carlyle



Bob Rothermel
Carmi



Shelby Biggs
Casey



Mayor Mickey Borah
Fairfield



Rick Hardesty
Farmer City



Bob Coble
Flora



Dennis Herzing
Freeburg



Dan Scales
Greenup



Mark Latham
Highland



Patrick Barry
Ladd



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



Tom Bruhl
St. Charles



Doug Carnes
Sullivan



David Stuva
RECC

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 28 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 portion 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 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.

IMEA Members

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

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



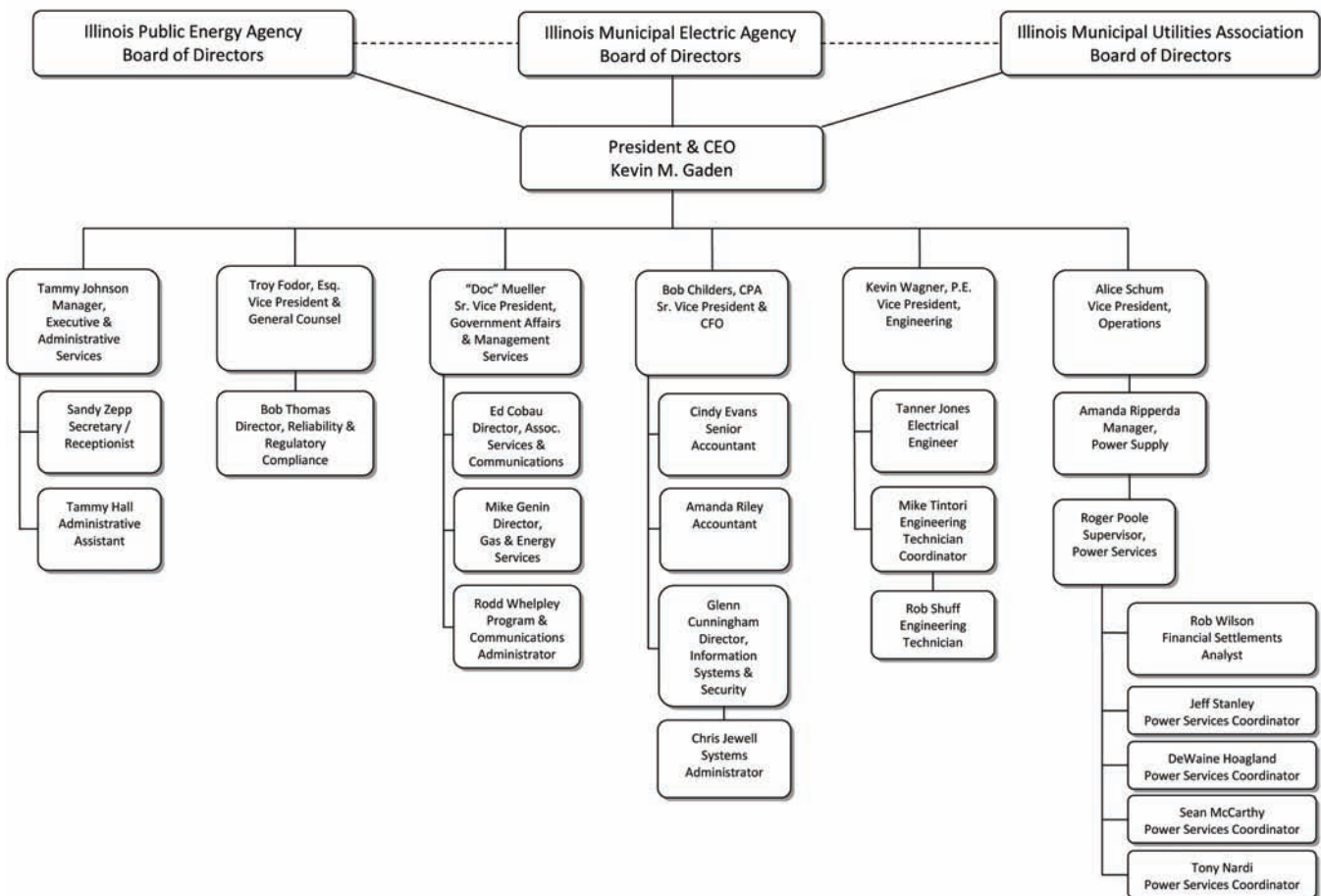
Meet Kevin Gaden, IMEA's New President & CEO



On September 28, 2011, the IMEA Board of Directors voted to hire Kevin M. Gaden as the new President & CEO of the Illinois Municipal Electric Agency. Gaden's hiring was the result of a nationwide search which began shortly after former President & CEO Ronald D. Earl announced his retirement in the spring of 2011. Gaden took the helm of IMEA (and also assumed duties of President and CEO of the Illinois Public Energy Agency and the Illinois Municipal Utilities Association, which IMEA manage) on January 1, 2012.

Prior to joining IMEA, Gaden held positions of increasing responsibility at the Nebraska Municipal Power Pool (NMPP) since 1987. Gaden left Nebraska after most recently having served as the Director of Wholesale Electric Operations for the Municipal Energy Agency of Nebraska, known as MEAN (which is one of four entities that comprise the NMPP). He also served as the Board Chair for the Public Power Generation Agency (a partnership of five public power utilities that commissioned the 220 MW coal-fired Whelan Energy Center #2 Generation Station in Nebraska). He has extensive experience in electric power supply planning, utility operations and finance. He also served as the managing agent for the Whelan Energy Center #2 and led contract negotiations on several long-term power purchasing contracts. Under his leadership, MEAN tripled in size over a 12-year period.

The IMEA Team





Cover images are of the Prairie State Generating Company near Lively Grove, Illinois.

Images courtesy of the Prairie State Generating Company.

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