KYMEA



A DECADE OF PARTNERSHIP

Powering Kentucky Communities
2026 Annual Report

2026 Annual Report

DEDICATED ANNIVERSARY STATEMENT

"Ten years ago, Kentucky's municipal utilities made a bold decision—to work together in pursuit of a stronger energy future. This report celebrates the leadership, partnership, and vision that transformed that decision into one of Kentucky's most successful public power collaborations."



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Message From Our CEO and Board Chair

CHARTING THE PATH FORWARD FOR KYMEA

In 2015, ten Kentucky municipal utilities came together with a shared vision: to secure a stronger energy future through collaboration, local control, and long-term planning. What began as an ambitious idea became the Kentucky Municipal Energy Agency (KYMEA), a partnership built on the belief that communities working together could achieve more than any one community could accomplish alone. Ten years later, that vision has become a reality.

Today, KYMEA proudly serves eleven member communities and provides wholesale power to more than 50,000 customer meters across Kentucky. Over the past decade, the Agency has evolved from a newly formed joint public agency into a sophisticated power supplier with a diverse portfolio of generation resources, market participation capabilities, and strategic partnerships designed to serve communities for decades to come.

The success of KYMEA is rooted in the principles that guided its creation. Municipal electric systems have always been accountable to the customers and communities they serve. Through KYMEA, member cities strengthened that local control while gaining the advantages of shared resources, economies of scale, professional expertise, and long-term planning. By working together, members created opportunities that would have been difficult to achieve independently.

The Agency's first decade was marked by significant milestones. From planning and organization during its early years to the successful transition of all-requirements power supply service in 2019, KYMEA has continually focused on delivering reliable and affordable energy to its members. Throughout changing market conditions, evolving regulations, economic challenges, and unprecedented industry disruption, the Agency remained focused on protecting the interests of the communities it serves.

At the same time, KYMEA has positioned itself for the future through a deliberate and balanced approach to resource planning. The Agency's portfolio has grown to include traditional generation resources, market purchases, renewable energy, and new investments designed to enhance both reliability and sustainability.

One of the most notable achievements of the past year was the completion and commencement of operations at Ashwood Solar I. This landmark project represents KYMEA's first utility-scale solar facility and reflects the Agency's commitment to maintaining a diversified energy portfolio. Ashwood Solar I demonstrates how thoughtful investment and long-term planning can create value for member communities while supporting evolving energy needs.

Equally important is the continued development of Energy Center I, a project that represents one of the largest investments in KYMEA's history. When completed, Energy Center I will provide dispatchable generation capacity that enhances reliability, increases operational flexibility, and strengthens the Agency's ability to manage future market volatility. Together, Ashwood Solar I and Energy Center I reflect KYMEA's balanced approach to resource planning: combining renewable energy resources with firm, reliable generation to meet the needs of member communities.



While infrastructure investments are an important part of KYMEA's story, the Agency's greatest achievement is the strength of the partnership itself. For ten years, member communities have worked together to make decisions that prioritize long-term value over short-term interests. That collaborative approach has allowed the Agency to pursue opportunities, overcome challenges, and build a stronger foundation for the future.

The electric utility industry continues to evolve at a rapid pace. Load growth, technological advancement, changing customer expectations, environmental considerations, and increasing reliability demands are reshaping the energy landscape across the nation. Meeting these challenges will require thoughtful planning, continued investment, and a commitment to innovation. Fortunately, KYMEA enters its second decade from a position of strength.

The Agency benefits from experienced leadership, engaged member communities, a growing and diversified resource portfolio, and a governance model that keeps decisions close to the customers being served. These advantages will remain critical as KYMEA continues to evaluate new opportunities and respond to the changing needs of Kentucky's municipal electric systems.

As we reflect on the past ten years, we recognize that KYMEA's success belongs to many people: the elected officials whose vision helped create the Agency, the utility leaders who guided its development, the board members who provided leadership, and the dedicated employees who work every day to serve our member communities. Most importantly, it belongs to the communities themselves, whose commitment to collaboration made this partnership possible.

What began as a bold vision in 2015 has become a proven model of public power partnership. Ten years later, KYMEA continues to demonstrate the value of local control, regional cooperation, and long-term thinking.

As we celebrate this milestone, we do so with gratitude for the past, confidence in the present, and optimism for the future. The first decade established a strong foundation. The next decade will build upon it. Together, our members have accomplished much over the last ten years. Together, we will continue powering Kentucky communities for generations to come.

KYMEA'S VISION, MISSION, AND VALUES

Keeping the lights on is the number one priority for electric utilities, and the challenge is greater than ever with threats ranging from weather to cyber attacks. We ensure that public power is within reach and efficiently provided for the benefit of our members.

MISSION

Through collaboration and operational excellence, we provide reliable, affordable, and sustainable energy services to the communities we serve.

VISION

We shall positively impact our communities as a trusted leader of power supply and energy-related services.



CORE VALUES

Respect

Encouraging constructive dialogue that promotes a culture of inclusiveness, and recognizing our differences while valuing the perspective, talents, and experiences of others.

Fiscal Responsibilities

An obligation to be accountable to the fiscal policies of the Agency with budgetary discipline and affordable rates while practicing long-term planning and prudent use of debt.

Integrity

To conduct business in an honest, transparent, just, compliant, and environmentally responsible manner by holding ourselves to high ethical and accountability standards.

Member Focused

We are committed to listening and responding positively to our members and their customers.

Operational Excellence

We seek to achieve and maintain the highest level of excellence by performing in a productive and proficient manner, and adhering to best practices while providing a quality workforce.

BOARD OF DIRECTORS



Josh Callihan
Chairman
Barbourville Utility Commission
General Manager



Kevin Howard
Vice Chairman
City of Berea Municipal Utilities
Utilities Director



Ron Herd
Immediate Past Chairman & Treasurer
Corbin Utilities Commission
General Manager



Brad Porter
Secretary
City of Madisonville,
Electric Department
Electric Superintendent



Gary Zheng
Director
Frankfort Plant Board
General Manager



Ethan Smith
Director
City of Providence Utilities
Electric Superintendent



Philip King
Director
Bardwell City Utilities
Mayor



Christina Lewis
Director
Benham Power Board
Clerk



Aaron Sparkman
Director
City of Paris Combined Utilities
Electric Superintendent



Sabrina Hazen
Director
City Of Falmouth Utilities
Mayor



Steff Thomas
Director
City Of Olive Hill
City Clerk/Treasurer

Board Governance

Kentucky Municipal Energy Agency's Board of Directors sets the policies that govern the Agency's operations. The eleven-member Board of Directors meets monthly. Each member utility appoints a Director and an Alternate Director to serve as their representative on the Board. Directors volunteer their time to represent their local utility and give their communities a voice in its power supply decisions. The Board also provides direction and guidance to staff for the management, administration and regulation of KYMEA's business affairs. The Board of Directors approves decisions to purchase, construct, or acquire power supply needed to serve its member communities. KYMEA Directors have faithfully served the public power needs of Kentucky for many years, and the Agency relies on their experience to continue bringing the most reliable energy solutions to the Commonwealth.

OUR STAFF



Doug Buresh
President & CEO



Heather Overby
VP of Finance & Accounting/CFO



Rob Leesman
VP of Market Analytics/COO



Ethan Teveldal
Energy Center I Plant Manager



Michelle Hixon
Director Administrative Services & Communications



Molly Roesler
Controller



Chase Brand
IT/OT Systems Administrator

A Decade of Partnership

THE STORY OF KYMEA

Every milestone in KYMEA's first decade traces back to one shared conviction: Kentucky's municipal utilities could accomplish more together than any one community could achieve alone. What began as a commitment to local control grew into a lasting partnership built around reliable service, affordable wholesale power and thoughtful planning.





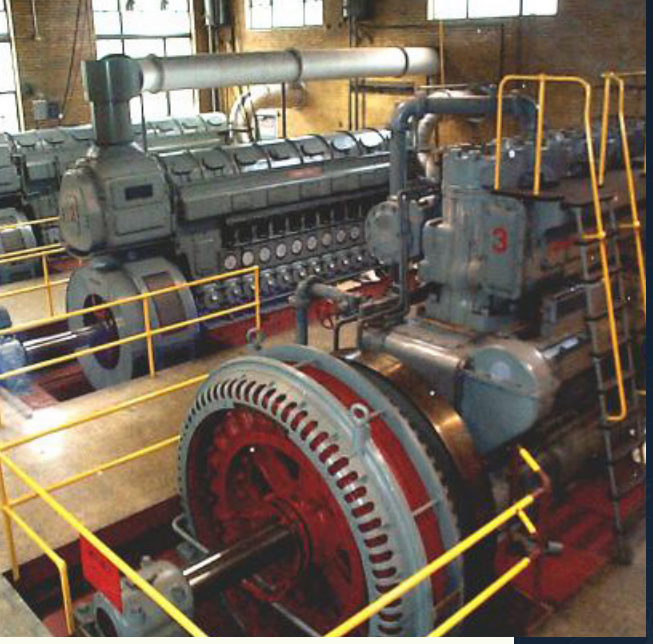


2015-2017

2015 | A shared vision becomes an agency: Following 18 months of study and collaboration, ten Kentucky municipal electric utilities entered into an Interlocal Cooperation Agreement in September 2015, establishing KYMEA as a joint public agency. The Agency adopted its bylaws on September 24, 2015, laying the groundwork for member-directed governance.

2016 | Turning vision into commitments: Eight communities signed All Requirements Power Sales Contracts, and KYMEA assembled its initial wholesale portfolio through agreements with Big Rivers Electric Corporation, Illinois Power Marketing Company and Paducah Power System. Berea joined KYMEA as its eleventh member.

2017 | Delivering early value: KYMEA began arranging transmission service for Benham and Paris in May, demonstrating how members could use the Agency's shared expertise even before the All Requirements Project began full power deliveries.



2018-2019





2020-2021

2018 | The pieces come together: KYMEA hired its first president and CEO and leadership team, established permanent offices in Louisville and continued building the resources and expertise needed to serve its members. Agreements brought locally available Paris diesel generation and members' Southeastern Power Administration hydroelectric entitlements into the All Requirements portfolio. In August, KYMEA also signed an initial 20-year agreement for 62.5% of the planned Ashwood Solar I project's output, looking ahead to a more diversified supply mix.

2019 | A new era of municipal power: At midnight on May 1, KYMEA began delivering wholesale electricity to eight All Requirements communities: Barbourville, Bardwell, Corbin, Falmouth, Frankfort, Madisonville, Paris and Providence. After years of planning, these utilities began receiving power through the Agency they had created and saw an immediate 8% reduction in wholesale power rates. The savings showed the value of joint action and marked a step toward stronger local control and long-term cost management.

2020 | Standing with members through uncertainty: At the beginning of its second operating fiscal year, KYMEA approved a 4.19% reduction in member power supply rates. As the COVID-19 pandemic disrupted local economies, the Board established a Rate Relief Plan and a Member Late Payment Protection Plan to give participating communities added stability and flexibility.





2020-2021

2021 | Planning beyond the next contract: KYMEA adopted its IRP2020 Integrated Resource Plan in July. By evaluating existing resources, future supply options, and a range of risk scenarios, the Agency reinforced the disciplined, long-range decision making that would shape the next stage of its power supply portfolio.

2022-2023



2022 | Strengthening supply diversity: A five-year agreement with Duke Energy Indiana added 60 MW of capacity and energy beginning June 1, providing another supply resource and helping KYMEA manage the changing needs of its growing All Requirements Project.

2023 | Renewable plans begin construction: RWE broke ground in July on the 86 MW Ashwood Solar I project in Lyon County. A resource first envisioned years earlier began taking physical shape, reflecting the collaboration required to develop long-term energy infrastructure for KYMEA's member communities.





2024-2025



2024 | Growth and a new generation strategy: Berea and Benham joined KYMEA's All Requirements Power Sales Contracts, extending the benefits of KYMEA's joint public model. A new Hallador Power Company agreement supported near-term and future capacity needs. KYMEA also announced Energy Center I in Madisonville, KY—its first Agency-owned generating facility.

2025 | Landmark projects and a growing membership: Olive Hill became KYMEA's newest All Requirements community. On April 15, the Agency broke ground on the 75 MW Energy Center I project. Ashwood Solar I reached commercial operation, bringing an 86 MW renewable resource into the portfolio. Together, these milestones illustrated how far a decade of coordinated planning had carried the Agency.



2026

2026 | Preparing for the next chapter: Construction advanced at Energy Center I, including installation of all four engines in the engine hall by May and progress toward integrating equipment and plant systems. As its first decade came into focus, KYMEA was moving from its earliest wholesale supply agreements toward a more diversified portfolio that includes Agency-owned generation.

The Value of Public Power:

WHY LOCAL CONTROL MATTERS

Ten years ago, Kentucky municipal utility leaders chose a different way to meet their communities' power needs. They believed that by working together—while preserving the accountability of local public power—they could gain greater influence over wholesale supply decisions and create lasting value for the people they serve.

Local Decisions. Shared Strength.

KYMEA is governed by its municipal members and exists to serve their interests, not private shareholders. Its joint public agency structure gives communities a way to combine purchasing power, technical expertise and long-term planning while maintaining local ownership of their electric utilities. Members set their own community priorities; KYMEA helps them pursue those priorities through shared resources and services.

A Decade of Value Beyond the Rate

Affordability has been central to KYMEA's mission from the beginning. But the value of public power reaches further: responsive governance, disciplined risk management, dependable power supply and opportunities for communities to invest in their own futures. Through a decade of shifting markets, new members and major resource decisions, the Agency's central purpose has remained unchanged—to put Kentucky communities first.

PUBLIC POWER BY THE NUMBERS

The benefits of local ownership extend well beyond Kentucky. National data underscore the affordability of the public power model—and help illustrate why KYMEA's founding communities saw such promise in working together.

Public power is about more than the electricity we deliver. It is about communities having a voice in the decisions that shape their future.

35 States

Public power utilities generally offer lower rates compared to other types of electric utilities. In fact, they have the **lowest overall rates in 35 states.***

Pay Less

Public power residential customers pay $188 to $305 less per year than customers of other utility types.*

13%-21% Less

When analyzing simulated average monthly electricity usage and rates, it is clear that public power customers have the lowest bills, **spending an average of 13%-21% less than those served by other types of utilities.***

Reliability

Reliable service is a hallmark of public power. According to the American Public Power Association, public power customers experienced an average of 1.5 fewer hours without electricity than customers of non-public power utilities, excluding major adverse events, and nearly six fewer hours when major events were included. This performance underscores public power's commitment to keeping communities connected and essential services operating.*

*2026 Public Power Statistical Report by APPA

Energy Center I

THE STRATEGY BEHIND THE INVESTMENT

As existing supply arrangements approach expiration and member needs evolve, KYMEA is preparing for the next phase of its power supply portfolio. Through ongoing strategic discussions, supported by KYMEA's integrated resource planning process, the Board identified reciprocating internal combustion engine (RICE) technology as a strong fit for the Agency's future resource needs. Its modular design, fast-start capability, and use of natural gas will provide additional capacity and operating flexibility while helping KYMEA continue to serve member communities reliably.



"Energy Center I isn't simply a generation project. It's an investment in the next generation of Kentucky's municipal power."









Designed to complement a diverse portfolio

Energy Center I will not replace KYMEA's commitment to resource diversity; it will strengthen that commitment. Its engines are designed for both continuous and peaking operation, allowing the plant to respond to changing conditions and help balance the variable output of Ashwood Solar I. The facility will add operational flexibility alongside the Agency's mix of purchased power, hydroelectricity, solar energy and member-owned resources.



From Concept to Construction

2024 | A plan becomes a project: In August 2024, KYMEA announced plans for Energy Center I, located in Madisonville, KY. The facility was designed around four Wärtsilä 18V50SG engines with a combined net capacity of approximately 75 MW—technology selected to meet both routine operating needs and periods when the system requires a rapid response.

2025 | Breaking ground on the future: Board members, municipal leaders and project partners gathered in Madisonville on April 15, 2025, to celebrate the beginning of construction. The ceremony marked a visible turning point for KYMEA: the Agency that began as a collaborative effort to secure wholesale power was becoming a generation owner and operator.

Throughout 2025, crews transformed the site through preparation, excavation, engineered foundations and the first phases of structural and underground electrical work. Engine hall pilings, concrete foundations and duct banks established the groundwork for the large equipment and systems to follow.

Each stage required careful coordination among engineers, contractors, utility partners and KYMEA staff—an extension of the collaborative approach that defined the Agency's first decade.



Building Readiness for What Comes Next

2026 | Major equipment takes its place: By June 2026, all four generating engines had been placed in the Energy Center I engine hall. Work continued on the systems that make a power plant operational: generators, cooling systems and ventilation equipment, piping, electrical infrastructure, controls and the supporting administration building. By the end of June, the project had advanced from major equipment placement toward systems integration and plant readiness.

An investment that reaches beyond the site: Energy Center I is designed to provide the capacity KYMEA will need as its supply portfolio changes in 2027. Its flexible generation will complement other resources and help the Agency respond to demand, market conditions and renewable availability. Just as importantly, it reflects the practical advantages of municipal utilities working together to undertake projects that may be difficult to pursue independently. The coming year will be focused on completing construction, commissioning and preparing for commercial operation, currently planned for summer 2027. The decision to build, however, belongs in the story of KYMEA's first decade: a long-range commitment made possible by ten years of partnership, planning and trust.





Innovation at Work: A Local Partnership Supporting Global Goals

CARBON-FREE CHOICE PROGRAM

Through KYMEA's Carbon-Free Choice Program, renewable resources such as Ashwood Solar I help municipal utilities meet customers' evolving needs while supporting businesses in advancing their sustainability goals.

In Madisonville, GE Aerospace has partnered with Madisonville Electric Department and KYMEA to match 100% of its facility's electricity consumption with renewable energy attributes through the Carbon-Free Choice program.

The program uses solar and hydroelectric resources within KYMEA's power supply portfolio, including Ashwood Solar I and the members' Southeastern Power Administration hydroelectric allocations. Renewable energy certificates (RECs), tracked through M-RETS and retired on the facility's behalf, document the renewable generation attributes assigned to GE Aerospace and support its renewable electricity and market-based emissions reporting.

GE Aerospace has established a companywide goal of achieving net-zero carbon for Scope 1 and 2 operational emissions by 2030. The Madisonville facility's participation supports that strategy by addressing emissions associated with purchased electricity while complementing efforts to improve energy efficiency and reduce energy waste. "Providing carbon-free credits to industrial and commercial customers transforms environmental compliance into a shared economic catalyst, enabling corporations to meet rigorous net-zero targets while directly funding local climate resilience and clean-energy infrastructure," said Brad Porter, Madisonville Electric Superintendent.

The partnership demonstrates how KYMEA's shared resources translate into locally delivered services. Madisonville Electric Department understands its customers' needs, KYMEA provides access to renewable resources and certificate documentation, and GE Aerospace incorporates that investment into its sustainability efforts.

For KYMEA's municipal members, Ashwood Solar I represents both a clean power supply investment and an opportunity to expand customer service—helping businesses like GE Aerospace make measurable progress toward their environmental goals.





“The Carbon-Free Choice Program is a great example of the flexibility of public power. By working with our members and their customers, KYMEA can develop practical energy solutions that support economic development while helping customers achieve their sustainability goals.”

Doug Buresh,
KYMEA President & CEO



OUR COMMUNITIES

KYMEA's member communities represent the strength and diversity of public power across Kentucky. From small towns to regional economic centers, each community owns and operates its local electric utility with a shared commitment to reliable service, competitive rates, local accountability, and long-term community success.

While every member has its own history, priorities, and energy needs, they are united through KYMEA by a common purpose: working together to create greater value, strengthening local control, and building a more resilient energy future for the people and businesses they serve.

Barbourville

Population: 3,064
Electric Meters: 4,188
Serving Electricity Since 1938

Berea

Population: 16,662
Electric Meters: 5,334
Serving Electricity Since 1917

Bardwell

Population: 713
Electric Meters: 480
Serving Electricity Since 1944

Corbin

Population: 7,911
Electric Meters: 4,273
Serving Electricity Since 1915

Benham

Population: 455
Electric Meters: 276
Serving Electricity Since 1961

Falmouth

Population: 2,200
Electric Meters: 1,050
Serving Electricity Since 1963



31%

Lower Rates Than Five Other KY Suppliers

11

All Requirement Communities

$46.7M

Saved For Our Members Since 2019

52,038

Customer Meters

Frankfort

Population: 28,657
Electric Meters: 21,499
Serving Electricity Since 1946

Paris

Population: 10,130
Electric Meters: 3,148
Serving Electricity Since 1933

Madisonville

Population: 19,428
Electric Meters: 9,086
Serving Electricity Since 1922

Providence

Population: 2,872
Electric Meters: 1,350
Serving Electricity Since 1924

Olive Hill

Population: 1,536
Electric Meters: 1,354
Serving Electricity Since 1926

A Look Back at KYMEA's Power Mix

INITIAL POWER SUPPLY VERSUS CURRENT MIX

When KYMEA was formed in 2015, its member communities shared a common goal: securing reliable, cost-effective power through collaboration. By combining resources and needs, members could improve efficiencies, manage risks, and pursue opportunities beyond their individual reach. This commitment established the foundation of KYMEA's power supply strategy. When service began in 2019, KYMEA relied primarily on purchased power agreements and member resources. Since then, its portfolio has evolved to reflect changing member needs, market conditions, contract terms, and reliability requirements. Throughout this evolution, KYMEA has remained focused on competitive wholesale rates, fiscal responsibility, operational excellence, and strategic, disciplined resource planning.

KYMEA's 2023 Integrated Resource Plan marked a turning point, leading to two significant resource decisions. First, KYMEA initiated development of Energy Center I, a 75 MW natural gas-fired reciprocating internal combustion engine facility. Designed to address capacity needs following the June 2027 expiration of the Duke Energy Indiana contract, Energy Center I will provide flexible, dispatchable generation. Second, KYMEA entered an agreement with Hallador Power Company LLC, beginning in June 2024, providing 35 MW of capacity and energy to support Berea and Benham joining the All Requirements Project. This agreement increases to 100 MW in June 2027, offering additional protection against potential delays in Energy Center I's commercial operation.

Today, KYMEA's diversified portfolio includes purchased power, coal, natural gas, hydroelectricity, solar energy, member-owned diesel generation, and developing Agency-owned generation. This balanced approach helps manage market, operational, contractual, and regulatory risks while maintaining flexibility to meet evolving member needs. KYMEA's first decade began with communities working together to establish a dependable wholesale power portfolio. It concludes with the Agency advancing a broader, more diverse resource mix that strengthens reliability, supports long-term stability, and positions KYMEA to respond to future challenges and opportunities. The Agency will continue to explore additional supply options as existing contracts expire and as load requirements evolve, ensuring that KYMEA remains well-positioned to meet the challenges of the future.

Coal

Big Rivers Electric Corporation
Capacity: 100 MW

Hallador Power Company
Capacity: 35-100 MW

Natural Gas

Paducah Power System
Capacity: 60 MW

Diesel

City Of Paris Power Plant
Capacity: Plant 6 MW





Solar

Ashwood Solar I
Capacity: 86 MW

Hydropower

Southeastern Power Administration
Capacity: 32 MW

Slice of System

Duke Energy Indiana
Capacity: 60 MW

Rate History

A DECADE WHEN ALMOST EVERYTHING WENT UP-EXCEPT KYMEA WHOLESALE POWER

Think about how much prices have changed over the past decade. Groceries cost more. A trip to the gas station costs more. Dinner out costs more. Overall consumer prices have risen about 34%.

KYMEA's wholesale power supply rate tells a very different story. About a decade ago, KYMEA members paid as much as 6.572 cents per kilowatt-hour to their former wholesale power supplier for the power supply portion of their wholesale rate. In 2026, KYMEA's comparable power supply rate was 5.983 cents per kilowatt-hour. That's nearly 9% lower.

Ten Years of Inflation. One Wholesale Rate That Went the Other Way

WHAT A DIFFERENCE A DECADE MAKES

While prices across the economy moved higher, KYMEA's focus on partnership, planning and a diversified power supply portfolio helped move the power supply portion of its wholesale rates in the other direction.

Overall Consumer Prices

+34%

Milk • Eggs • Beef • Gasoline

KYMEA Wholesale Power Supply Rate*

-9%

6.572¢/kWh → 5.983¢/kWh

*Power supply component only. Excludes transmission charges, which are separately incurred regardless of the wholesale power supplier.

Madisonville and Berea

ECONOMIC DEVELOPMENT THROUGH PARTNERSHIP

KYMEA members Berea and Madisonville are working together to create economic opportunities for their communities and across Kentucky.

Through Kentucky Connections, the two cities join other communities in sharing leads, building relationships with developers, and promoting opportunities for retail, industry, and housing. By working together, they can connect businesses with communities that fit their needs and expand their reach in a competitive economic development environment.

Utilities are a leading consideration for businesses choosing where to locate. KYMEA's wholesale rates average 31% below those of other suppliers, helping its member utilities provide competitively priced power and giving communities like Berea and Madisonville an advantage as they recruit new businesses.

At KYMEA's 2026 Annual Member Conference, Madisonville Mayor Kevin Cotton and Berea Mayor Bruce Fraley joined Brad Long to discuss the value of economic development partnerships. Their presentation highlighted increased retailer interest, stronger developer relationships, and the benefits of marketing communities together.

The work of Berea and Madisonville reflects a principle at the heart of KYMEA: communities can accomplish more when they work together. Through collaboration and access to competitively priced power, these members are helping create opportunities for the people and businesses they serve.



MEMBER EVENTS

The 2025 KLC Conference & Expo—Kentucky's premier gathering for city officials—was held on September 23–26 at the Owensboro Convention Center under the theme "Pull up a Chair: Come to the Table," which emphasized collaboration and civic engagement. Participants — including elected officials, city staff, and community partners — experienced a mix of keynote presentations, informal "Table Talks" peer discussions, an interactive 30-foot Doodle Table, a "Picnic on the Pier" opening event, and an Expo Park featuring vendors and collaborative spaces. The conference also featured a community service food-packing event, the President's Banquet with live music, and sessions designed to give attendees fresh tools, policy insights, and connections to drive their cities forward.

Connecting Our Members

Throughout fiscal year 2026, KYMEA members had opportunities to connect, learn, and share ideas through events focused on the needs of their communities and utilities. These gatherings strengthened relationships among member cities and provided valuable connections with leaders from across Kentucky.





Cyber Security Awareness Training

In March 2025, KYMEA partnered with LightChange Technologies to provide its annual complimentary cybersecurity training for members and their municipal staff. The session explored common cyber threats and practical steps employees can take to help protect their organizations, including recognizing phishing attempts, using strong passwords, and enabling multifactor authentication. By learning together, members can strengthen awareness and take valuable information back to their workplaces.



League of Cities Annual Conference and Expo

In September 2025, members participated in the Kentucky League of Cities Annual Conference and Expo, where local government officials and municipal leaders came together to discuss issues affecting Kentucky communities. KYMEA also participated in Kentucky Chamber events throughout the year, providing opportunities to engage with business leaders and stay informed about topics influencing the Commonwealth's economy and future growth.

Mayor Cotton of Madisonville was named Mayor of the Year in 2025 at the KLC Conference & Expo.



Energy Center I Engine Delivery

Members gathered in Madisonville in March for a historic milestone at Energy Center I: the delivery of four Wärtsilä 18 MW engines to the plant site aboard Goldhofer transporters. Watching the engines arrive gave members a firsthand view of the project's progress and an opportunity to share in a significant moment for KYMEA and its member communities. Energy Center I represents a long-term investment in the resources needed to support a reliable and responsive power supply.











Annual Golf Scramble/ Annual Members Conference

The annual Golf Scramble and Members Conference in May brought members, staff, and partners together for fellowship, education, and conversation. This year's gathering held special significance as KYMEA celebrated its 10-year anniversary under the theme "A Decade of Partnership." Members reflected on the vision that brought Kentucky communities together and the collaboration, foresight, and commitment that have guided the Agency through its first decade.

A highlight of the conference was The Founding Vision: How Partnership Became Power, a roundtable featuring founding directors and consultants who helped establish KYMEA. Participants reflected on the early decisions, analysis, planning, and leadership required to create a joint action agency. Their discussion illustrated how member communities worked together to pursue reliable, affordable power while retaining local control.

KYMEA also presented awards recognizing founding directors Josh Callihan, Ron Herd, and Mayor Philip King, along with key founding advisors John Painter, Fred Haddad, Brown Thornton, Tom Trauger, and Charles Musson. The recognition honored their leadership and contributions to building the foundation on which KYMEA stands today.



Madisonville Electric Department
Safety Contest - Diamond status (highest tier of safety recognition)
Group C - 50,000 to 99,999 worker-hours of exposure annually

Mutual Aid Commendation Award





Russ Carter
Assistant Superintendent
Frankfort Electric Department



Scott Hudson
Frankfort Plant Board Electric Superintendent
Frankfort Electric Department

Frankfort Plant Board
Certificate of Excellence in Reliability



Berea Municipal Utilities
Certificate of Excellence in Reliability

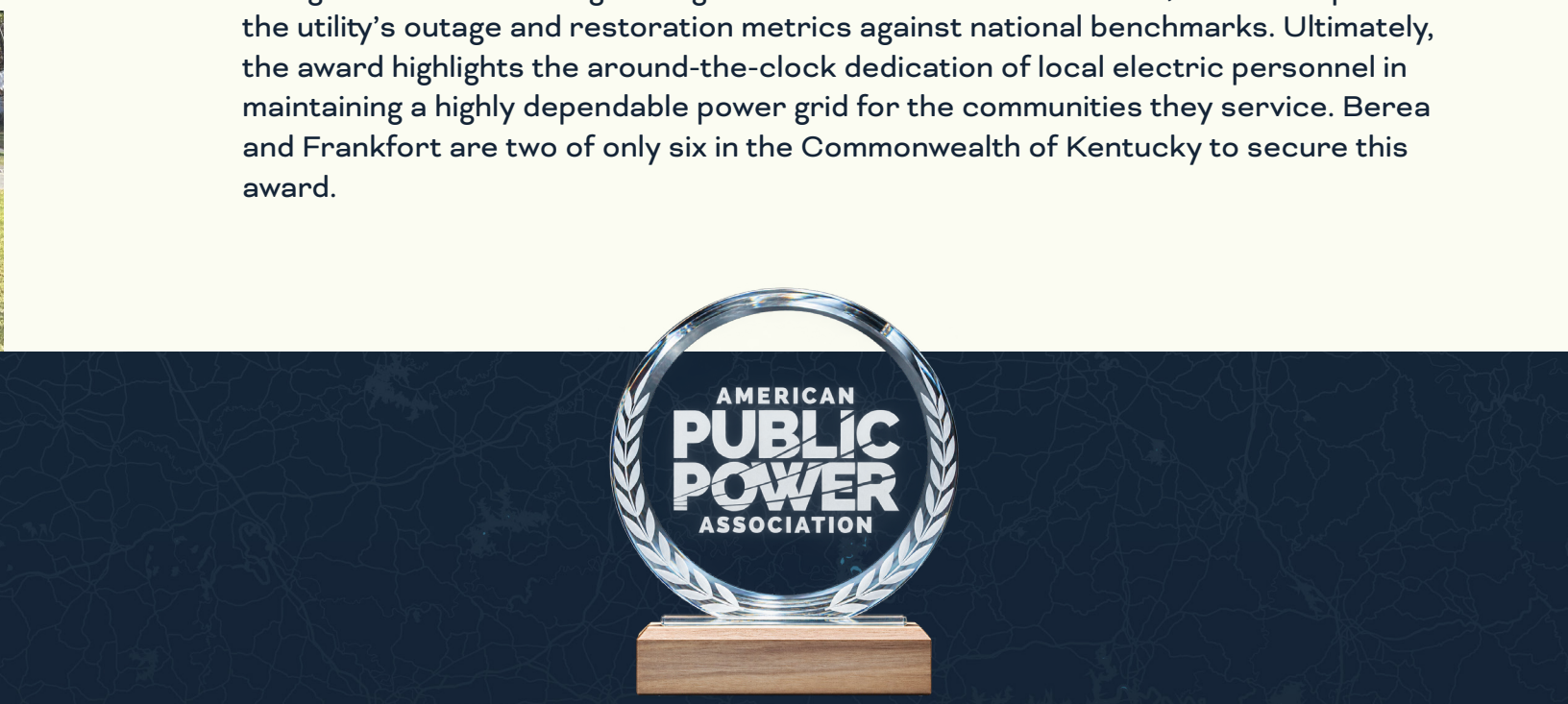
APPA Safety & Reliability Awards

MEMBER AWARDS

The American Public Power Association (APPA) National Awards program celebrates outstanding excellence, operational achievements, and individual leadership within the nation's community-owned, not-for-profit electric utilities. Announced at various 2026 APPA national conferences throughout the year, these awards recognize the performance excellence, safety milestones, and community dedication achieved by public power entities in 2025.

Madisonville Electric Department earned the Safety Award of Excellence at the Diamond level. This award, the APPA's highest tier of recognition, honors low incident rates, safe operating practices, and overall safety program/culture among public power utilities. The award reflects a culture where every team member prioritizes safety from the top down, ensuring that the crew returns home safely each day while keeping their communities powered. Madisonville also received the Mutual Aid Commendation Award that recognizes utilities that have answered the call for assistance and aided another utility in restoring power to its customers.

Both **Berea Municipal Utilities** and the **Frankfort Plant Board** received the 2025 Certificate of Excellence in Reliability from APPA. This prestigious honor is based on rigorous data tracking through the APPA's PowerTRX service, which compares the utility's outage and restoration metrics against national benchmarks. Ultimately, the award highlights the around-the-clock dedication of local electric personnel in maintaining a highly dependable power grid for the communities they service. Berea and Frankfort are two of only six in the Commonwealth of Kentucky to secure this award.



2026 FINANCIAL HIGHLIGHTS

In fiscal year 2026, KYMEA strengthened its financial and operational foundation while advancing major generation and portfolio initiatives. The Agency maintained its disciplined focus on forecasting, planning, risk management, prudent rate setting, and service to its members.

$127.8M
Operating Revenue

$1.8M
Operating Income

$78.7M
Cash & Equivalents

$35.0M
Net Position

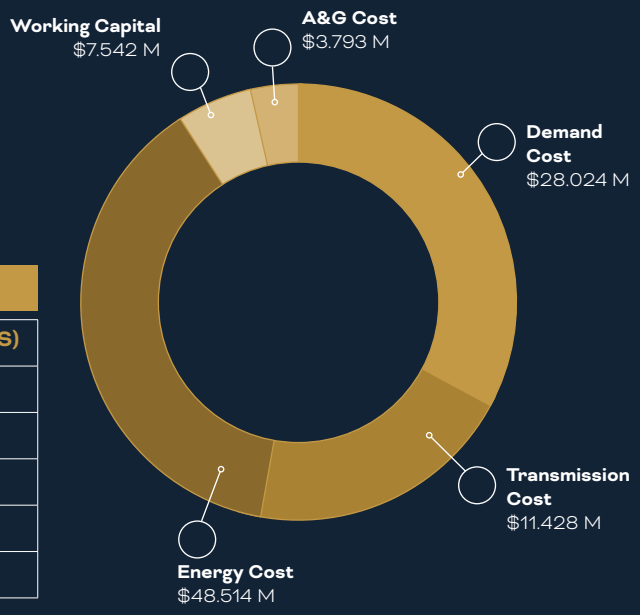
Financial Performance

Operating revenues increased to $127.8 million, primarily because KYMEA had a larger long position and was able to sell more electricity in the Midcontinent Independent System Operator open market at higher average sales prices. Operating expenses were $126.0 million, an increase of $15.9 million, reflecting the related increase in purchased power expenses. Operating income improved to $1.8 million from $0.1 million in 2025.

Net nonoperating expenses were $2.5 million, including $6.3 million of interest and other financing expenses relating to the construction of ECI. As ECI is still under construction and not in operation at this time, no revenue is available to offset this interest expense. This temporary abnormality caused the Agency to report a $0.7 million decrease in net position in FY26.

Total Cost ($ in Thousands)			1,400,534 MWh
LABELS	COST	PERCENT	¢ PER kWh
DEMAND COST	28,024	28.2%	2.001
ENERGY COST	48,514	48.9%	3.464
TRANS COST	11,428	11.5%	0.816
WORKING CAPITAL	7,542	7.6%	0.539
A&G COST	3,793	3.8%	0.271
	99,301	100%	7.090

AR Project Cost Breakdown



	2025	2026
FINANCIAL RESULTS	($ IN THOUSANDS)	($ IN THOUSANDS)
OPERATING REVENUE	110,166	127,764
OPERATING EXPENSES	110,065	126,004
NON-OPERATING EXPENSES	556	2,493
NET INCOME	(454)	(733)
DEFERRED INFLOWS	28,193	31,313

Financial Position & Liquidity

At June 30, 2026, total assets were $218.2 million. Current assets increased to $81.6 million, and capital, lease and subscription assets increased to $99.9 million, primarily because of Energy Center I construction. Total liabilities were $151.9 million, and deferred inflows of resources were $31.3 million.

Liquidity remained strong. KYMEA had no outstanding borrowings under its revolving lines of credit at year-end. The Agency maintained a $25 million revolving line of credit for its All-Requirements members. A separate $50 million line of credit and a $25 million letter of credit related to Energy Center I are also outstanding.

$218.2M

Assets

$99.9M

Capital, Lease & Subscription Assets

$40.7M

Unrestricted Net Position

Building Energy Center I

Energy Center I remained a central strategic investment during FY2026. Capital, lease and subscription assets increased by $64.5 million during the year, primarily from capitalized project costs. Construction of the approximately 75-megawatt natural gas generating facility in Madisonville continued, with a proposed in-service date of June 2027.

The project is financed in part by the $121.98 million Power System Revenue Bonds, Series 2025, issued in March 2025. Principal payments begin in 2029 and continue through 2055. The bonds carry a 4.64% All In True Interest Cost.

~75 MW

Planned Capacity
Natural Gas Generation

June 2027

Proposed In-Service
Construction Continued in 2026

$121.98M

Series 2025 Bonds
4.64% All-In True Interest Cost



Independent Audit

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for maintaining relevant internal controls. The independent auditor issued an unqualified opinion that the financial statements present fairly, in all material respects, KYMEA's financial position, changes in financial position and cash flows as of and for the years ended June 30, 2026 and 2025.

Looking Forward

KYMEA will continue pursuing power and energy resources that support reliability, flexibility and member value, including purchased power agreements, investments in power projects, and a balanced portfolio of renewable, coal and natural gas resources.

Kentucky Municipal Energy Agency

Independent Auditor's Report, Financial Statements, and Supplementary Information

June 30, 2026 and 2025

Kentucky Municipal Energy Agency
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June 30, 2026 and 2025

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Independent Auditor's Report

Board of Directors
Kentucky Municipal Energy Agency
Louisville, Kentucky

Opinion

We have audited the financial statements of Kentucky Municipal Energy Agency (the Agency), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of June 30, 2026 and 2025, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

Lincoln, Nebraska
September 15, 2026

This discussion and analysis of Kentucky Municipal Energy Agency's ("KYMEA" or the "Agency") financial performance provides an overview of the Agency's activities for the fiscal years ended June 30, 2026 and 2025. It should be read in conjunction with the basic financial statements and the accompanying notes.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Heather Overby, Chief Financial Officer, 1700 Eastpoint Parkway, Louisville, KY 40223, 502.640.1304.

Overview of the Financial Statements

KYMEA is a joint agency organized under the Interlocal Cooperation Act of the Commonwealth of Kentucky. KYMEA was created to allow its Members to collaborate effectively to do all things necessary or convenient to serve the current and future electric power and energy requirements of the Members and to provide assistance to the Members related to their electric power and energy utility systems.

In April 2025, KYMEA began construction of a natural gas electric generating facility in Madisonville, Kentucky with a capacity of approximately 75 net megawatts ("Energy Center I" or the "ECI Project"). The ECI Project will include four Wärtsilä W18V50SG reciprocating internal combustion engine ("RICE") generators operating on natural gas. Each RICE generator will have a nominal capacity of 18.8 MW. The ECI Project will be designed for both continuous and peaking service with the capability of multiple quick starts and stops per day. Site development is currently ongoing, with a proposed in-service date for the Project of June 2027. The Project is expected to have an operating life of no less than 30 years.

KYMEA was created in 2015 and began supplying power to Members beginning on May 1, 2019. The Agency also incurred costs for administration, which were billed to the Members.

The financial statements, related notes to the financial statements, and management's discussion and analysis provide information about KYMEA's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of KYMEA based on currently known facts, decisions, or conditions.

Balance Sheet – provides a summary of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of KYMEA, as of the Agency's fiscal year end.

Statement of Revenues, Expenses, and Changes in Net Position – presents the operating results of KYMEA into various categories of operating revenues and expenses, and nonoperating revenues and expenses.

Statement of Cash Flows – reports the cash provided by and used for operating activities, as well as other cash sources and uses.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Summary and Detailed Analyses

The following comparative condensed financial information summarizes the Agency's financial position, operating results and cash flows for the years ended June 30, 2026, 2025, and 2024.

Condensed Balance Sheets

	2026	2025	2024
ASSETS			
Current assets	$ 81,571,037	$ 69,864,157	$ 50,407,681
Other noncurrent assets	36,743,233	105,989,074	8,379,051
Capital, lease, and subscription assets	99,897,964	35,384,567	3,728,958
Total Assets	$ 218,212,234	$ 211,237,798	$ 62,515,690
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current liabilities	$ 21,666,327	$ 16,677,524	$ 10,323,740
Noncurrent liabilities	130,239,913	130,641,326	1,807,494
Total Liabilities	151,906,240	147,318,850	12,131,234
Deferred Inflows of Resources	31,312,828	28,192,919	14,204,381
Net Position			
Net investment in capital assets	(6,064,998)	(1,269,016)	1,805,322
Restricted for debt service	336,221	113,557	-
Unrestricted	40,721,943	36,881,488	34,374,753
Total Net Position	34,993,166	35,726,029	36,180,075
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 218,212,234	$ 211,237,798	$ 62,515,690

Current assets increased $11.7 million from the fiscal year ended June 30, 2025, to the fiscal year ended June 30, 2026. This increase resulted from an increase in cash and cash equivalents from normal operations during the year due to the increase in the deferred inflows of resources from both the rate stabilization fund and depancaking fund. Noncurrent assets decreased by $69.2 million during the same period primarily due to a reduction in investments held in the project reserve fund as those funds were utilized for construction expenditures related to the ECI project during the year. Capital, lease, and subscription assets increased $64.5 million during the same period primarily due to costs capitalized related to the ECI Project.

Current liabilities increased $5.0 million from the fiscal year ended June 30, 2025, to the fiscal year ended June 30, 2026. This increase was related to the timing of purchased power expenses to serve the electricity needs of KYMEA's members and accrued construction costs related to the ECI Project.

Current assets increased $19.5 million from the fiscal year ended June 30, 2024, to the fiscal year ended June 30, 2025. This increase resulted from an increase in cash and cash equivalents from normal operations during the year due to the increase in the deferred inflows of resources from both the rate stabilization fund and depancaking fund. Noncurrent assets increased by $97.6 million during the same period primarily due to issuance of the Power System Revenue Bonds (Energy Center I Project), Series 2025 that will be used to finance the Energy Center I (ECI) Project. Capital, lease, and subscription assets increased $31.7 million during the same period primarily due to costs capitalized related to the ECI Project.

Current liabilities increased $6.4 million from the fiscal year ended June 30, 2024 to the fiscal year ended June 30, 2025. This increase was related to the timing of purchased power expenses to serve the electricity needs of KYMEA's members and accrued construction costs related to the ECI Project. Noncurrent liabilities increased $128.8 million during the same period primarily due to the issuance of the Power System Revenue Bonds (Energy Center I Project), Series 2025.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2026	2025	2024*
Operating Revenues	$ 127,764,129	$ 110,167,084	$ 85,517,795
Operating Expenses	126,004,236	110,064,650	81,171,510
Operating Income	1,759,893	102,434	4,346,285
Net Nonoperating Revenues (Expenses)	(2,492,756)	(556,480)	3,772,584
Changes in Net Position	(732,863)	(454,046)	8,118,869
Net Position - Beginning of Year	35,726,029	36,180,075	28,061,206
Net Position - End of Year	$ 34,993,166	$ 35,726,029	$ 36,180,075

* During fiscal year 2026, the Agency adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The condensed financial statement figures for fiscal year 2024 were not restated to align with the changes brought by this adoption.

Operating revenues increased $17.6 million from the fiscal year ended June 30, 2025, to the fiscal year ended June 30, 2026. This increase is a result of KYMEA's increased long position where it is able to sell electricity through its power purchase agreements in excess of its load. KYMEA sells this electricity in the Midcontinent Independent System Operator open market (off-system sales). Both KYMEA's long position and the sales price per MWh increased during the fiscal year ended June 30, 2026.

Operating expenses increased $15.9 million from the fiscal year ended June 30, 2025, to the fiscal year ended June 30, 2026. The increase in KYMEA's long position discussed above resulted in a corresponding increase in purchased power expenses.

Operating revenues increased $24.6 million from the fiscal year ended June 30, 2024, to the fiscal year ended June 30, 2025. This increase is a result of KYMEA's increased long position where it is able to sell electricity through its power purchase agreements in excess of its load. KYMEA sells this electricity in the Midcontinent Independent System Operator open market (off-system sales). Both KYMEA's long position and the sales price per MWh increased during the fiscal year ended June 30, 2025.

Operating expenses increased $28.9 million from the fiscal year ended June 30, 2024, to the fiscal year ended June 30, 2025. The increase in KYMEA's long position discussed above resulted in a corresponding increase in purchased power expenses.

Significant Capital Asset and Long-Term Financing Activity

The Agency's investment in capital assets at June 30, 2026, 2025, and 2024 totaled $99,897,964, $35,384,567, and $3,728,958, respectively (net of accumulated depreciation and amortization).

Major capital additions during 2026 and 2025 included work related to the ECI Project.

Additional information on the Agency's capital assets can be found in Note 4 of the notes to the financial statements.

In February 2022, the Agency executed a revolving line of credit agreement for advances up to $45,000,000. During the 2026 fiscal year, the maximum borrowing capacity was reduced to $25,000,000. Advances under this agreement bear interest at the daily Secured Overnight Financing Rate (SOFR) plus forty-five basis points, and interest is payable semi-annually. There were no amounts outstanding under this line of credit as of June 30, 2026, 2025, or 2024.

In March 2025, the Agency executed an additional revolving line of credit agreement for advances up to $50,000,000. Advances under this agreement bear interest at the daily SOFR, and interest is payable monthly. There were no outstanding amounts under this line of credit as of June 30, 2026 or 2025.

In March 2025, the Agency issued $121,980,000 of Power System Revenue Bonds (Energy Center I Project), Series 2025. Principal maturity will begin January 1, 2029, and continues until 2055. Proceeds from the issuance of these bonds were issued for the purpose of financing a portion of the costs of acquisition, construction and equipping the ECI Project. The bonds are secured by the net revenues available for debt service of the ECI project.

Additional information on the Agency's lines of credit and long-term obligations can be found in Notes 5 and 6, respectively, of the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

KYMEA will continue to search for additional power and energy resources for its Members, which may include purchased power agreements, investments in power projects and other sources. KYMEA's goal is to establish a portfolio with renewable, coal and natural gas resources to provide more flexibility in response to market changes and future regulations.

Kentucky Municipal Energy Agency
Balance Sheets
June 30, 2026 and 2025

	2026	2025
ASSETS		
Current Assets		
Cash and cash equivalents	$ 67,400,678	$ 58,085,593
Inventory	3,865	-
Accounts receivable	14,161,553	11,774,452
Prepaid expenses and other assets	4,941	4,112
Total Current Assets	81,571,037	69,864,157
Noncurrent Assets		
Cash and cash equivalents - restricted	11,304,324	8,268,018
Investments - restricted	15,042,149	87,377,064
Collateral deposit	8,616,989	8,502,849
Capital assets, net of accumulated depreciation and amortization	99,897,964	35,384,567
Costs recoverable in future periods	1,779,771	1,841,143
Total Noncurrent Assets	136,641,197	141,373,641
Total Assets	$ 218,212,234	$ 211,237,798

Kentucky Municipal Energy Agency
Balance Sheets
June 30, 2026 and 2025 **(Continued)**

	2026	2025
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Accounts payable	$ 18,037,705	$ 14,247,380
Accrued liabilities	58,967	45,363
Accrued interest payable	3,110,767	1,961,434
Compensated absences	215,861	188,874
Current portion of lease liabilities	132,775	126,337
Current portion of subscription liabilities	110,252	108,136
Total Current Liabilities	21,666,327	16,677,524
Noncurrent Liabilities		
Compensated absences, net	224,176	162,180
Long-term debt	128,910,235	129,149,209
Lease liabilities, net	997,547	1,130,322
Subscription liabilities, net	107,955	199,615
Total Noncurrent Liabilities	130,239,913	130,641,326
Deferred Inflows of Resources		
Deferred inflows from rate stabilization	31,312,828	28,192,919
Net Position		
Net investment in capital assets	(6,064,998)	(1,269,016)
Restricted for debt service	336,221	113,557
Unrestricted	40,721,943	36,881,488
Total Net Position	34,993,166	35,726,029
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 218,212,234	$ 211,237,798

Kentucky Municipal Energy Agency
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025
Operating Revenues		
Billings	$ 127,764,129	$ 110,167,084
Total Operating Revenues	127,764,129	110,167,084
Operating Expenses		
Production and purchased power	109,425,572	95,258,091
Transmission	13,297,571	11,957,776
Depreciation and amortization	562,221	515,217
Other operating expenses	2,718,872	2,333,566
Total Operating Expenses	126,004,236	110,064,650
Operating Income	1,759,893	102,434
Nonoperating Revenues (Expenses)		
Interest and other financing expenses	(6,347,368)	(2,448,124)
Investment income	3,854,612	1,891,644
Net Nonoperating Expenses	(2,492,756)	(556,480)
Change in Net Position	(732,863)	(454,046)
Net Position, Beginning of Year	35,726,029	36,180,075
Net Position, End of Year	$ 34,993,166	$ 35,726,029

Kentucky Municipal Energy Agency
Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows From Operating Activities		
Receipts from members	$ 129,824,384	$ 111,274,321
Payments to service providers and others	(121,253,572)	(91,167,480)
Payments to employees	(1,795,822)	(1,490,901)
Collateral deposit remittances	(114,140)	(123,798)
Net Cash Provided by Operating Activities	6,660,850	18,492,142
Cash Flows From Capital and Related Financing Activities		
Advances from lines of credit	-	21,731,684
Payments on lines of credit	-	(21,731,684)
Payment of bond issuance costs	-	(1,871,857)
Proceeds from issuance of revenue bonds	-	129,228,867
Interest payments	(5,375,637)	(545,165)
Principal paid on lease liability	(126,337)	(116,457)
Principal paid on subscription liability	(89,544)	(87,160)
Purchase of capital assets	(64,921,639)	(30,699,337)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(70,513,157)	95,908,891
Cash Flows From Investing Activities		
Purchases of investments	(119,091,684)	(278,453,702)
Proceeds from sales and maturities of investments	191,135,025	191,327,007
Interest received	4,160,357	1,641,275
Net Cash Provided by (Used in) Investing Activities	76,203,698	(85,485,420)
Increase in Cash and Cash Equivalents	12,351,391	28,915,613
Cash and Cash Equivalents, Beginning of Year	66,353,611	37,437,998
Cash and Cash Equivalents, End of Year	$ 78,705,002	$ 66,353,611

Kentucky Municipal Energy Agency
Statements of Cash Flows
Years Ended June 30, 2026 and 2025 **(Continued)**

	2026	2025
Reconciliation to Cash and Cash Equivalents on the Balance Sheets		
Cash and cash equivalents	$ 67,400,678	$ 58,085,593
Cash and cash equivalents - restricted	11,304,324	8,268,018
Total Cash and Cash Equivalents	$ 78,705,002	$ 66,353,611
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,759,893	$ 102,434
Depreciation and amortization	562,221	515,217
Changes in operating assets and liabilities		
Accounts receivable	2,139,417	1,102,072
Prepaid expenses and other assets	(829)	-
Inventories	(3,865)	-
Collateral deposit	(114,140)	(123,798)
Accounts payable	(904,343)	2,805,469
Accrued liabilities	21,500	11,908
Compensated absences	81,087	90,302
Deferred inflows of resources	3,119,909	13,988,538
Net Cash Provided by Operating Activities	$ 6,660,850	$ 18,492,142
Supplemental Noncash Activities		
Accounts payable incurred for capital assets	$ 6,086,995	$ 1,471,489
Amortization of bond issuance premium	238,974	79,658
Tariff receivable related to capital asset purchase	4,461,527	-

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kentucky Municipal Energy Agency ("KYMEA" or the "Agency") is a joint agency organized under the Interlocal Cooperation Act of the Commonwealth of Kentucky. KYMEA was formed in 2015 to allow its Members to collaborate effectively to do all things necessary or convenient to serve the current and future electric power and energy requirements of the Members and to provide assistance to the Members related to their electric power and energy utility systems. The Agency's Members currently consist of the following Kentucky municipalities: Barbourville, Bardwell, Benham, Berea, Corbin, Falmouth, Frankfort, Madisonville, Olive Hill, Paris, and Providence (the "Members").

As of June 30, 2026, all participants have entered into All Requirements Power Sales Contracts ("Contracts"). Under the Contracts, these eleven members purchase all power and energy needed to meet their respective retail requirements, and the Contracts also obligate these members to provide revenue sufficient to allow the Agency to meet its obligations, including those related to power purchases, administration and prospective debt issuance.

In April 2025, KYMEA began construction of a natural gas electric generating facility in Madisonville, Kentucky with a capacity of approximately 75 net megawatts ("Energy Center I" or the "ECI Project"). The ECI Project will include four Wärtsilä W18V50SG reciprocating internal combustion engine ("RICE") generators operating on natural gas. Each RICE generator will have a nominal capacity of 18.8 MW. The ECI Project will be designed for both continuous and peaking service with the capability of multiple quick starts and stops per day. Site development is currently ongoing, with a proposed in-service date for the ECI Project of June 2027. The ECI Project is expected to have an operating life of no less than 30 years.

KYMEA's Board of Directors (the "Board") is comprised of representatives from each of the Members. The Board directs and makes all significant decisions relating to the operations of the Agency.

Reporting Entity

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency, and (3) the entity's fiscal dependency on the Agency. Based upon the above criteria, KYMEA has determined that it has no reportable component units.

Basis of Presentation

KYMEA's activities are accounted for on the economic resources measurement focus and use the accrual basis of accounting. KYMEA's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). KYMEA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). KYMEA first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates

The 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 balance sheet amounts and disclosure of contingent items 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.

Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At June 30, 2026 and 2025, cash equivalents consisted primarily of insured cash sweep funds and money market mutual funds.

Investments and Investment Income

Investments in money market mutual funds are carried at cost, which approximates fair value. Investments in U.S. Treasury obligations, U.S. agency obligations, commercial paper, and corporate bonds are carried at fair value. Fair value is determined using quoted market prices, or yields currently available, on comparable securities of issuers with similar credit ratings.

Investment income consists of interest income and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to the Members. Accounts receivable are due immediately upon issuance of the invoice, which is ordinarily 20 days after the end of the prior month. Management does not believe an allowance for doubtful accounts is necessary at June 30, 2026 and 2025.

Collateral Deposit

KYMEA is a transmission dependent utility of both the Midcontinent Independent System Operator (MISO) and PJM Interconnection LLC (PJM), regional transmission organizations whose purpose is to ensure the reliability of their respective integrated, regional electrical transmission systems, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system, and to maintain and improve electric system reliability.

The collateral deposit represents funds remitted to these organizations as a form of financial assurance to secure the Agency's performance under the terms and conditions of the respective MISO or PJM Tariffs related to the purchase of transmission service, market services, ancillary services, and related products or services.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. The following estimated useful lives are being used by the Agency:

Equipment	5 to 10 years
Building improvements	15 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the lease asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

KYMEA evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended June 30, 2026 and 2025.

Costs Recoverable in Future Periods

Certain income and expense items which would be recognized during the current period are not included in the determination of the change in net position until such costs are expected to be recovered through rates, in accordance with the provisions of GASB Codification Section Re10, *Regulated Operations*. Costs recoverable from future billings are comprised of charges incurred in relation to the Agency's bond issuance.

Compensated Absences

Agency policies permit employees to accumulate vacation, personal time, and sick leave benefits that may be realized as paid time off or as a cash payment upon retirement. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absences are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

The following is a summary of compensated absence transactions of the Agency for the years ended June 30, 2026 and 2025:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2026	$ 351,054	$ 88,893	$ -	$ 440,037	$ 215,861
2025	$ 260,752	$ 90,302	$ -	$ 351,054	$ 188,874

The change in compensated absences liability is presented as a net amount.

Deferred Inflows for Rate Stabilization

Rates for the Agency's regulated operations are established and approved by the Board of Directors. The Agency applies the provisions of GASB Codification Section Re10, *Regulated Operations*, which provide for reductions in earnings to cover future expenditures (deferred inflows from rate stabilization). Deferred inflows from rate stabilization are comprised of the Board approved amounts collected for rate stabilization.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital, lease, and subscription assets, net of accumulated depreciation and amortization, 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 applicable.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of the net amount of assets and liabilities that do not meet the definition of “restricted” or “net investment in capital assets.”

Classification of Revenues and Expenses

The Agency distinguishes operating revenue and expenses from nonoperating revenue and expenses according to the following criteria. Nonoperating revenues and expenses are any finance-related revenues and expenses, investment income and expenses, resources from the disposal of capital assets and inventory, and subsidies received and provided.

A subsidy represents amounts received from or provided to another party which the Agency does not provide or receive goods or services in exchange. Amounts received from another party are considered a subsidy if it keeps the current or future fees and charges lower than they would otherwise be if the subsidy was not received. Amounts provided to another party are considered a subsidy if it is recoverable through current or future pricing policies.

Income Taxes

KYMEA, as a unit of local government of the Commonwealth of Kentucky, is exempt from federal and state income taxes.

Change in Accounting Principle

In April of 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*, to enhance the financial reporting model's effectiveness in providing information essential to decision-making and assessing a government's accountability. This statement had no impact on beginning net position or the change in net position.

Revisions

Certain immaterial revisions have been made to the 2025 financial statements for the classification of net position. These revisions did not have a significant impact on the financial statement line items impacted.

Note 2. Deposits, Investments, and Investment Income

Deposits

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to $250,000 per official custodian at each covered institution. Additionally, the Agency's deposits at June 30, 2026 are invested through the Insured Cash Sweep® (ICS) service, whereby funds are placed with other ICS Network members by the Agency's primary financial institution in increments less than $250,000.

At June 30, 2026, KYMEA's cash accounts exceeded federally insured limits by approximately $2.2 million.

Investments

KYMEA may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, commercial paper, and equity securities.

At June 30, 2026 and 2025, KYMEA had the following investments:

	June 30, 2026					
		Maturities in Years				Credit
Type	Fair Value	Less than 1	1-5	6-10	More than 10	Ratings S & P
Money market mutual funds	$ 11,304,324	$ 11,304,324	$ -	$ -	$ -	AAA
U.S. Treasury obligations	15,042,149	8,216,168	3,499,491	3,326,490	-	AA+
	$ 26,346,473	$ 19,520,492	$ 3,499,491	$ 3,326,490	$ -	

	June 30, 2025					
		Maturities in Years				Credit
Type	Fair Value	Less than 1	1-5	6-10	More than 10	Ratings S & P
Money market mutual funds	$ 8,268,018	$ 8,268,018	$ -	$ -	$ -	AAA
U.S. Treasury obligations	63,061,716	48,517,736	10,335,425	4,208,555	-	AA+
U.S. agency obligations	13,093,428	13,093,428	-	-	-	AA+
Commercial paper	11,097,687	11,097,687	-	-	-	A-1, A-1+
Corporate bonds	124,233	124,333	-	-	-	AA+
	$ 95,645,082	$ 81,101,202	$ 10,335,425	$ 4,208,555	$ -	

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, KYMEA's investment policy limits authorized investments to certain asset classes. The money market mutual funds are presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As a means of limiting its exposure to credit risk, KYMEA's investment policy limits authorized investments to certain asset classes. KYMEA is limited to investing into federally backed securities, certificates of deposits rated Aa2/AAA or higher, commercial paper rated A-1 or higher, and municipal bonds rated Aa2/AAA or higher. KYMEA does not have a policy regarding credit risk of investments in mutual funds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, KYMEA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk

KYMEA places no limit on the amount that may be invested in any one issuer. At June 30, 2026 and 2025, no individual investments exceeded 5% or more of total investments.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2026	2025
Carrying value		
Deposits	$ 67,400,678	$ 58,085,593
Investments	26,346,473	95,645,082
	$ 93,747,151	$ 153,730,675
Included in the following balance sheet captions		
Cash and cash equivalents	$ 67,400,678	$ 58,085,593
Cash and cash equivalents - restricted	11,304,324	8,268,018
Investments - restricted	15,042,149	87,377,064
	$ 93,747,151	$ 153,730,675

Note 3. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2026 and 2025:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2026				
Investments				
U.S. Treasury obligations	$ 15,042,149	$ 15,042,149	$ -	$ -
Total investments	$ 15,042,149	$ 15,042,149	$ -	$ -
June 30, 2025				
Investments				
U.S. Treasury obligations	$ 63,061,716	$ 63,061,716	$ -	$ -
U.S. agency obligations	13,093,428	-	13,093,428	-
Commercial paper	11,097,687	-	11,097,687	-
Corporate bonds	124,233	124,233	-	-
Total investments	$ 87,377,064	$ 63,185,949	$ 24,191,115	$ -

The Agency's investments in money market mutual funds are carried at cost and thus are not included within the fair value hierarchy.

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2026 and 2025 was as follows:

	July 1, 2025	Increase	Decrease	Transfers	June 30, 2026
Work in progress	$ 32,014,872	$ 64,990,198	$ -	$ (254,503)	$ 96,750,567
Equipment	1,762,915	64,065	-	254,503	2,081,483
Building improvements	260,238	-	-	-	260,238
Lease asset - building	1,698,510	-	-	-	1,698,510
Subscription asset - software	595,598	-	-	-	595,598
Land	1,257,992	21,355	-	-	1,279,347
Accumulated depreciation	(1,287,485)	(294,263)	-	-	(1,581,748)
Accumulated lease amortization	(554,538)	(138,654)	-	-	(693,192)
Accumulated subscription amortization	(363,535)	(129,304)	-	-	(492,839)
Totals	$ 35,384,567	$ 64,513,397	$ -	$ -	$ 99,897,964

	July 1, 2024	Increase	Decrease	Transfers	June 30, 2025
Work in progress	$ 1,159,824	$ 32,170,826	$ -	$ (1,315,778)	$ 32,014,872
Equipment	1,705,129	-	-	57,786	1,762,915
Building improvements	260,238	-	-	-	260,238
Lease asset - building	1,698,510	-	-	-	1,698,510
Subscription asset - software	595,598	-	-	-	595,598
Land	-	-	-	1,257,992	1,257,992
Accumulated depreciation	(1,040,226)	(247,259)	-	-	(1,287,485)
Accumulated lease amortization	(415,884)	(138,654)	-	-	(554,538)
Accumulated subscription amortization	(234,231)	(129,304)	-	-	(363,535)
Totals	$ 3,728,958	$ 31,655,609	$ -	$ -	$ 35,384,567

Note 5. Line of Credit

In March 2019, the Agency executed a revolving line of credit agreement that has subsequently been extended to February 1, 2027 with the maximum advance amount decreasing to $25,000,000. Advances under this agreement bear interest at the daily Secured Overnight Financing Rate (SOFR) plus forty-five basis points, and interest is payable semi-annually. There were no amounts outstanding under this line of credit as of June 30, 2026 and 2025. This agreement is collateralized by substantially all assets of the Agency and secured by a pledge of the revenues from the Agency's Contracts with the Members. On September 26, 2025, the Agency issued a letter of credit in the amount of $25,000,000. The commitment fee on this letter of credit is 0.65% per annum, payable quarterly, and this letter of credit remained outstanding as of June 30, 2026.

In March 2025, the Agency executed a revolving line of credit agreement expiring March 5, 2027 for advances up to $50,000,000. Advances under this agreement bear interest at the daily Secured Overnight Financing Rate (SOFR) and interest is payable monthly. There were no amounts outstanding under this line of credit agreement as of June 30, 2026 and 2025. This agreement is secured by a pledge of revenues from the Energy Center I Project which are derived from the Agency's Contracts with the Members.

Note 6. Long-Term Obligations

The following is a schedule of long-term obligation transactions for the Agency for the years ended June 30, 2026 and 2025:

	July 1, 2025	Increase	Decrease	June 30, 2026	Due Within One Year
Revenue bonds	$ 121,980,000	$ -	$ -	$ 121,980,000	$ -
Bond issuance premiums	7,169,209	-	(238,974)	6,930,235	-
Lease liability	1,256,659	-	(126,337)	1,130,322	132,775
Subscription liability	307,751	-	(89,544)	218,207	110,252
Totals	$ 130,713,619	$ -	$ (454,855)	$ 130,258,764	$ 243,027

	July 1, 2024	Increase	Decrease	June 30, 2025	Due Within One Year
Revenue bonds	$ -	$ 121,980,000	$ -	$ 121,980,000	$ -
Bond issuance premiums	-	7,248,867	(79,658)	7,169,209	-
Lease liability	1,373,116	-	(116,457)	1,256,659	126,337
Subscription liability	394,911	-	(87,160)	307,751	108,136
Totals	$ 1,768,027	$ 129,228,867	$ (283,275)	$ 130,713,619	$ 234,473

The following table summarizes the future principal and interest payments required to be made as of June 30, 2026:

	Revenue Bonds		
Year Ending June 30,	Principal	Interest	Total
2027	$ -	$ 6,099,000	$ 6,099,000
2028	-	6,099,000	6,099,000
2029	1,115,000	6,099,000	7,214,000
2030	2,365,000	6,043,250	8,408,250
2031	2,485,000	5,925,000	8,410,000
2032-2036	14,410,000	27,633,250	42,043,250
2037-2041	18,385,000	23,652,500	42,037,500
2042-2046	23,460,000	18,573,250	42,033,250
2047-2051	29,950,000	12,091,250	42,041,250
2052-2055	29,810,000	3,817,000	33,627,000
	$ 121,980,000	$ 116,032,500	$ 238,012,500

Power System Revenue Bonds - Series 2025

On March 6, 2025, KYMEA issued $121,980,000 of Power System Revenue Bonds, Series 2025. The Bonds bear interest payable semiannually at 5.00%. Principal maturity will begin January 1, 2029, and continues until 2055. Proceeds from the issuance of these bonds were issued for the purpose of financing a portion of the costs of acquisition, construction and equipping the ECI Project, paying capitalized interest, funding a debt service reserve, and paying the costs of issuance of the bonds. The bonds are secured by the net revenues available for debt service of the ECI Project. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer.

Revenue Bonds – Events of Default, Termination Events, and Acceleration Clauses

The Bonds are secured by a pledge of revenues under All Requirements Power Sales Contracts ("AR Contracts") with participating members and are subject to the terms of a Trust Indenture (the "Indenture").

Events of Default

The Indenture and related agreements define events of default that include, but are not limited to:

- Failure to pay principal or interest on the Bonds or parity indebtedness when due;
- Failure by KYMEA to observe or perform any covenant, agreement, or condition, continuing for 90 days after written notice;
- Insolvency or bankruptcy of KYMEA, including the appointment of a receiver or commencement of bankruptcy or similar proceedings not dismissed within specified periods.

Upon the occurrence of an event of default, the Trustee may, and in certain cases must, declare the principal and interest on all outstanding Bonds immediately due and payable (acceleration). The Trustee may also pursue other remedies, including mandamus, suit upon the Bonds, or appointment of a receiver.

Subjective Acceleration Clauses

The Indenture provides that, upon certain events of default (including payment default, covenant breach, or insolvency), the Trustee may declare all principal and interest on the Bonds immediately due and payable at its discretion. This constitutes a subjective acceleration clause.

Intercreditor and Cross-Default Provisions

The Bonds are secured on a parity basis with certain credit facilities. The Intercreditor Agreement provides that a default under the Bonds or related credit facilities may trigger enforcement actions against shared collateral (revenues and contract rights).

Note 7. Lease Liabilities

The Agency leases office space, the terms of which expire in September 2028 with one additional 60-month renewal option. The total amount of the lease asset was $1,698,510 with associated accumulated amortization of $693,192 and $554,538 as of June 30, 2026 and 2025, respectively. The lease asset is being amortized on a straight-line basis over the remaining lease term. There were no payments recorded in the current period that were not included in the measurement of the lease liability, no commitments prior to the commencement of the lease contracts, and no lease impairments as of June 30, 2026 and 2025. Lease payments made during 2026 and 2025 totaled $186,061 ($126,337 principal and $59,724 interest at 4.98%) and $182,275 ($116,457 principal and $65,818 interest at 4.98%), respectively.

The following table summarizes the future lease principal and interest payments as of June 30, 2026:

Year Ending June 30,	Total to be Paid	Principal	Interest
2027	$ 186,062	$ 132,775	$ 53,287
2028	186,061	139,540	46,521
2029	186,062	146,650	39,412
2030	186,061	154,122	31,939
2031	186,061	161,975	24,086
2032-2034	418,637	395,260	23,377
	$ 1,348,944	$ 1,130,322	$ 218,622

Note 8. Subscription Liabilities

The Agency has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. The total amount of subscription assets were $595,598 with associated accumulated amortization of $492,839 and $363,535 as of June 30, 2026 and 2025, respectively. The subscription assets are being amortized over the remaining terms of the agreements. There were no payments recorded in the current period that were not included in the measurement of the subscription liability, no commitments prior to the commencement of the contracts, and no impairments as of June 30, 2026 and 2025. Subscription payments made during 2026 and 2025 totaled $94,108 ($89,544 principal and $4,564 interest at 1.94%) and $93,796 ($87,160 principal and $6,636 interest at 1.94%), respectively.

The following is a schedule by year of payments under the SBITAs as of June 30, 2026:

Year Ending June 30,	Total to be Paid	Principal	Interest
2027	$ 112,699	$ 110,252	$ 2,447
2028	108,404	107,955	449
	$ 221,103	$ 218,207	$ 2,896

Note 9. Retirement Plans

The Agency offers all employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457 (“457 Plan”). The 457 Plan permits employees to defer a portion of their salary until termination, retirement or death.

The Agency also sponsors a defined contribution retirement savings plan, created in accordance with Internal Revenue Code Section 401(a). All full-time employees are eligible to participate in this plan. The Agency contributes 14% of base wages to eligible employees. Eligible employees are those that contribute a minimum of 3% to the 457 Plan. Employer contributions of $207,228 and $112,929 were made for the fiscal years ended June 30, 2026 and 2025, respectively.

Assets and liabilities of the retirement plans are not included in the Agency’s financial statements as all assets are held and managed by a third-party administrator and the retirement plans are not considered to be component units of the Agency under the applicable accounting guidance.

Note 10. Commitments

Purchased Power Agreements

KYMEA expects to supply nearly all of its power requirements through a portfolio of purchased power agreements. The Agency currently has four purchased power agreements in effect, with varying terms, to supply its power requirements beginning May 1, 2019. The first agreement is a 10-year arrangement with Big Rivers Electric Corporation (BREC) for 100 megawatts (MW) of firm base load capacity from BREC's portfolio of owned resources. The second agreement is a five-year contract with Duke Energy Indiana, LLC for an initial nomination of 30 MW, with a one-time increase to 60 MW, of capacity from Duke Energy Indiana's system. The third agreement provides for an initial nomination of 90 MW of peaking capacity from Paducah Power System. The final agreement provides for an initial nomination of 35 MW for the period from June 1, 2024 through May 31, 2027, with a one-time increase to 100 MW beginning June 1, 2027 through May 31, 2029 from Hallador Power Company, LLC.

In 2018, KYMEA negotiated a power purchase agreement with Ashwood Solar I LLC for 86 MW of capacity and energy to be generated by a project in Lyon County, Kentucky (the "Ashwood Solar I Project"). The Ashwood Solar I Project is developed and owned by RWE Clean Energy ("RWE"), a subsidiary of RWE AG, and was originally scheduled to achieve commercial operation on December 1, 2022. Due to supply chain disruptions and other delays, the guaranteed commercial operation date was extended to June 1, 2024; however, the facility did not achieve commercial operation until August 25, 2025. KYMEA purchases 100% of the energy produced by the Ashwood Solar I Project pursuant to a long-term power purchase agreement extending through May 31, 2044.

Note 11. Risk Management

KYMEA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to agents and others; and natural disasters. The Agency carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the three preceding years.

Note 12. Segment Information

The Agency has issued revenue bonds to finance capital projects for the ECI Project. Summary financial information for this project for the year ended June 30, 2026 is presented as follows:

CONDENSED BALANCE SHEET - ENERGY CENTER I PROJECT

ASSETS	
Current Assets	$ 7,175,432
Noncurrent Assets	28,126,244
Capital Assets	98,010,167
Total Assets	$ 133,311,843
LIABILITIES	
Current Liabilities	$ 9,224,640
Noncurrent Liabilities	128,910,235
Total Liabilities	138,134,875
NET POSITION	
Net Investment in Capital Assets	(6,604,266)
Restricted for Debt Service	336,221
Unrestricted	1,445,013
Total Net Position	(4,823,032)
Total Liabilities and Net Position	$ 133,311,843

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENERGY CENTER I PROJECT

Operating Revenues	$ -
Operating Expenses	83,382
Operating Loss	(83,382)
Interest and Other Financing Expenses	(6,245,051)
Investment Income	2,961,168
Net Nonoperating Expenses	(3,283,883)
Change in Net Position	(3,367,265)
Net Position - Beginning of Year	(1,455,767)
Net Position - End of Year	$ (4,823,032)

CONDENSED STATEMENT OF CASH FLOWS - ENERGY CENTER I PROJECT

Cash Flows from Operating Activities	$	(413,412)
Cash Flows from Capital and Related Financing Activities		(70,092,723)
Cash Flows from Investing Activities		75,296,083
Net Change in Cash and Cash Equivalents		4,789,948
Cash and Cash Equivalents - Beginning of Year		9,217,351
Cash and Cash Equivalents - End of Year	$	14,007,299

Supplementary Information

Kentucky Municipal Energy Agency
Combining Balance Sheet
June 30, 2026

	All Requirements	Energy Center I Project	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 64,697,703	$ 2,702,975	$ -	$ 67,400,678
Inventory	-	3,865	-	3,865
Accounts receivable	9,702,846	4,468,592	(9,885)	14,161,553
Prepaid expenses and other assets	4,941	-	-	4,941
Total Current Assets	74,405,490	7,175,432	(9,885)	81,571,037
Noncurrent Assets				
Cash and cash equivalents - restricted	-	11,304,324	-	11,304,324
Investments - restricted	-	15,042,149	-	15,042,149
Collateral deposit	8,616,989	-	-	8,616,989
Capital assets, net of accumulated depreciation and amortization	1,887,797	98,010,167	-	99,897,964
Costs recoverable in future periods	-	1,779,771	-	1,779,771
Total Noncurrent Assets	10,504,786	126,136,411	-	136,641,197
Total Assets	$ 84,910,276	$ 133,311,843	$ (9,885)	$ 218,212,234

Kentucky Municipal Energy Agency
Combining Balance Sheet
June 30, 2026 (Continued)

	All Requirements	Energy Center I Project	Eliminations	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Accounts payable	$ 11,936,318	$ 6,111,272	$ (9,885)	$ 18,037,705
Accrued liabilities	58,967	-	-	58,967
Accrued interest payable	5,295	3,105,472	-	3,110,767
Compensated absences	207,965	7,896	-	215,861
Current portion of lease liabilities	132,775	-	-	132,775
Current portion of subscription liabilities	110,252	-	-	110,252
Total Current Liabilities	12,451,572	9,224,640	(9,885)	21,666,327
Noncurrent Liabilities				
Compensated absences, net	224,176	-	-	224,176
Long-term debt	-	128,910,235	-	128,910,235
Lease liabilities, net	997,547	-	-	997,547
Subscription liabilities, net	107,955	-	-	107,955
Total Noncurrent Liabilities	1,329,678	128,910,235	-	130,239,913
Deferred Inflows of Resources				
Deferred inflows from rate stabilization	31,312,828	-	-	31,312,828
Net Position				
Net investment in capital assets	539,268	(6,604,266)	-	(6,064,998)
Restricted for debt service	-	336,221	-	336,221
Unrestricted	39,276,930	1,445,013	-	40,721,943
Total Net Position	39,816,198	(4,823,032)	-	34,993,166
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 84,910,276	$ 133,311,843	$ (9,885)	$ 218,212,234

Kentucky Municipal Energy Agency
Combining Balance Sheet
June 30, 2025

	All Requirements	Energy Center I Project	Eliminations	Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 57,136,260	$ 949,333	$ -	$ 58,085,593
Accounts receivable	11,858,334	5,165	(89,047)	11,774,452
Prepaid expenses and other assets	4,112	-	-	4,112
Total Current Assets	68,998,706	954,498	(89,047)	69,864,157
Noncurrent Assets				
Cash and cash equivalents - restricted	-	8,268,018	-	8,268,018
Investments - restricted	-	87,377,064	-	87,377,064
Collateral deposit	8,502,849	-	-	8,502,849
Capital assets, net of accumulated depreciation and amortization	2,347,574	33,036,993	-	35,384,567
Costs recoverable in future periods	-	1,841,143	-	1,841,143
Total Noncurrent Assets	10,850,423	130,523,218	-	141,373,641
Total Assets	$ 79,849,129	$ 131,477,716	$ (89,047)	$ 211,237,798

Kentucky Municipal Energy Agency
Combining Balance Sheet
June 30, 2025 **(Continued)**

	All Requirements	Energy Center I Project	Eliminations	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Accounts payable	$ 12,504,056	$ 1,832,371	$ (89,047)	$ 14,247,380
Accrued liabilities	45,363	-	-	45,363
Accrued interest payable	9,531	1,951,903	-	1,961,434
Compensated absences	188,874	-	-	188,874
Current portion of lease liabilities	126,337	-	-	126,337
Current portion of subscription liabilities	108,136	-	-	108,136
Total Current Liabilities	12,982,297	3,784,274	(89,047)	16,677,524
Noncurrent Liabilities				
Compensated absences, net	162,180	-	-	162,180
Long-term debt	-	129,149,209	-	129,149,209
Lease liabilities, net	1,130,322	-	-	1,130,322
Subscription liabilities, net	199,615	-	-	199,615
Total Noncurrent Liabilities	1,492,117	129,149,209	-	130,641,326
Deferred Inflows of Resources				
Deferred inflows from rate stabilization	28,192,919	-	-	28,192,919
Net Position				
Net investment in capital assets	783,164	(2,052,180)	-	(1,269,016)
Restricted for debt service	-	113,557	-	113,557
Unrestricted	36,398,632	482,856	-	36,881,488
Total Net Position	37,181,796	(1,455,767)	-	35,726,029
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 79,849,129	$ 131,477,716	$ (89,047)	$ 211,237,798

Kentucky Municipal Energy Agency
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2026

	All Requirements	Energy Center I Project	Total
Operating Revenues			
Billings	$ 127,764,129	$ -	$ 127,764,129
Total Operating Revenues	127,764,129	-	127,764,129
Operating Expenses			
Production and purchased power	109,425,572	-	109,425,572
Transmission	13,297,571	-	13,297,571
Depreciation and amortization	557,777	4,444	562,221
Other operating expenses	2,639,934	78,938	2,718,872
Total Operating Expenses	125,920,854	83,382	126,004,236
Operating Income (Loss)	1,843,275	(83,382)	1,759,893
Nonoperating Revenues (Expenses)			
Interest and other financing expenses	(102,317)	(6,245,051)	(6,347,368)
Investment income	893,444	2,961,168	3,854,612
Net Nonoperating Revenues (Expenses)	791,127	(3,283,883)	(2,492,756)
Change in Net Position	2,634,402	(3,367,265)	(732,863)
Net Position, Beginning of Year	37,181,796	(1,455,767)	35,726,029
Net Position, End of Year	$ 39,816,198	$ (4,823,032)	$ 34,993,166

Kentucky Municipal Energy Agency
Combining Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2025

	All Requirements	Energy Center I Project	Total
Operating Revenues			
Billings	$ 110,167,084	$ -	$ 110,167,084
Total Operating Revenues	110,167,084	-	110,167,084
Operating Expenses			
Production and purchased power	95,258,091	-	95,258,091
Transmission	11,957,776	-	11,957,776
Depreciation and amortization	515,217	-	515,217
Other operating expenses	2,326,386	7,180	2,333,566
Total Operating Expenses	110,057,470	7,180	110,064,650
Operating Income (Loss)	109,614	(7,180)	102,434
Nonoperating Revenues (Expenses)			
Interest and other financing expenses	(118,741)	(2,329,383)	(2,448,124)
Investment income	1,010,848	880,796	1,891,644
Net Nonoperating Revenues (Expenses)	892,107	(1,448,587)	(556,480)
Change in Net Position	1,001,721	(1,455,767)	(454,046)
Net Position, Beginning of Year	36,180,075	-	36,180,075
Net Position, End of Year	$ 37,181,796	$ (1,455,767)	$ 35,726,029

Kentucky Municipal Energy Agency
Combining Statement of Cash Flows
Year Ended June 30, 2026

	All Requirements	Energy Center I Project	Total
Cash Flows From Operating Activities			
Receipts from members	$ 129,824,384	$ -	$ 129,824,384
Payments to service providers and others	(120,915,226)	(338,346)	(121,253,572)
Payments to employees	(1,803,718)	7,896	(1,795,822)
Collateral deposit remittances	(114,140)	-	(114,140)
Receipts from (payments to) other projects	82,962	(82,962)	-
Net Cash Provided by (Used in) Operating Activities	7,074,262	(413,412)	6,660,850
Cash Flows From Capital and Related Financing Activities			
Interest payments	(106,553)	(5,269,084)	(5,375,637)
Principal paid on lease liability	(126,337)	-	(126,337)
Principal paid on subscription liability	(89,544)	-	(89,544)
Transfer of capital projects between funds	6,311	(6,311)	-
Purchase of capital assets	(104,311)	(64,817,328)	(64,921,639)
Net Cash Used in Capital and Related Financing Activities	(420,434)	(70,092,723)	(70,513,157)
Cash Flows From Investing Activities			
Purchases of investments	-	(119,091,684)	(119,091,684)
Proceeds from sales and maturities of investments	-	191,135,025	191,135,025
Interest received	907,615	3,252,742	4,160,357
Net Cash Provided by Investing Activities	907,615	75,296,083	76,203,698
Increase in Cash and Cash Equivalents	7,561,443	4,789,948	12,351,391
Cash and Cash Equivalents, Beginning of Year	57,136,260	9,217,351	66,353,611
Cash and Cash Equivalents, End of Year	$ 64,697,703	$ 14,007,299	$ 78,705,002

Kentucky Municipal Energy Agency
Combining Statement of Cash Flows
Year Ended June 30, 2026 **(Continued)**

	All Requirements	Energy Center I Project	Total
Reconciliation to Cash and Cash Equivalents on the Balance Sheets			
Cash and cash equivalents	$ 64,697,703	$ 2,702,975	$ 67,400,678
Cash and cash equivalents - restricted	-	11,304,324	11,304,324
Total Cash and Cash Equivalents	$ 64,697,703	$ 14,007,299	$ 78,705,002
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	$ 1,843,275	$ (83,382)	$ 1,759,893
Depreciation and amortization	557,777	4,444	562,221
Changes in operating assets and liabilities			
Accounts receivable	2,141,317	(1,900)	2,139,417
Prepaid expenses and other assets	(829)	-	(829)
Inventories	-	(3,865)	(3,865)
Collateral deposit	(114,140)	-	(114,140)
Accounts payable	(567,738)	(336,605)	(904,343)
Accrued liabilities	13,604	7,896	21,500
Compensated absences	81,087	-	81,087
Deferred inflows of resources	3,119,909	-	3,119,909
Net Cash Provided by (Used in) Operating Activities	$ 7,074,262	$ (413,412)	$ 6,660,850
Supplemental Noncash Activities			
Accounts payable incurred for capital assets	$ -	$ 6,086,995	$ 6,086,995
Amortization of bond issuance premium	-	238,974	238,974
Tariff receivable related to capital asset purchase	-	4,461,527	4,461,527

Kentucky Municipal Energy Agency
Combining Statement of Cash Flows
Year Ended June 30, 2025

	All Requirements	Energy Center I Project	Total
Cash Flows From Operating Activities			
Receipts from members	$ 111,274,321	$ -	$ 111,274,321
Payments to service providers and others	(91,516,017)	348,537	(91,167,480)
Payments to employees	(1,490,901)	-	(1,490,901)
Collateral deposit remittances	(123,798)	-	(123,798)
Net Cash Provided by Operating Activities	18,143,605	348,537	18,492,142
Cash Flows From Capital and Related Financing Activities			
Advances from line of credit	-	21,731,684	21,731,684
Payments on lines of credit	-	(21,731,684)	(21,731,684)
Payment of bond issuance costs	-	(1,871,857)	(1,871,857)
Proceeds from issuance of revenue bonds	-	129,228,867	129,228,867
Interest payments	(118,741)	(426,424)	(545,165)
Principal paid on lease liability	(116,457)	-	(116,457)
Principal paid on subscription liability	(87,160)	-	(87,160)
Transfer of capital projects between funds	894,604	(894,604)	-
Purchase of capital assets	(28,437)	(30,670,900)	(30,699,337)
Net Cash Provided by Capital and Related Financing Activities	543,809	95,365,082	95,908,891
Cash Flows From Investing Activities			
Purchases of investments	-	(278,453,702)	(278,453,702)
Proceeds from sales and maturities of investments	-	191,327,007	191,327,007
Interest received	1,010,848	630,427	1,641,275
Net Cash Provided by (Used in) Investing Activities	1,010,848	(86,496,268)	(85,485,420)
Increase in Cash and Cash Equivalents	19,698,262	9,217,351	28,915,613
Cash and Cash Equivalents, Beginning of Year	37,437,998	-	37,437,998
Cash and Cash Equivalents, End of Year	$ 57,136,260	$ 9,217,351	$ 66,353,611

Kentucky Municipal Energy Agency
Combining Statement of Cash Flows
Year Ended June 30, 2025 **(Continued)**

	All Requirements	Energy Center I Project	Total
Reconciliation to Cash and Cash Equivalents on the Balance Sheets			
Cash and cash equivalents	$ 57,136,260	$ 949,333	$ 58,085,593
Cash and cash equivalents - restricted	-	8,268,018	8,268,018
Total Cash and Cash Equivalents	$ 57,136,260	$ 9,217,351	$ 66,353,611
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	$ 109,614	$ (7,180)	$ 102,434
Depreciation and amortization	515,217	-	515,217
Changes in operating assets and liabilities			
Accounts receivable	1,107,237	(5,165)	1,102,072
Collateral deposit	(123,798)	-	(123,798)
Accounts payable	2,444,587	360,882	2,805,469
Accrued liabilities	11,908	-	11,908
Compensated absences	90,302	-	90,302
Deferred inflows of resources	13,988,538	-	13,988,538
Net Cash Provided by Operating Activities	$ 18,143,605	$ 348,537	$ 18,492,142
Supplemental Noncash Activities			
Accounts payable incurred for capital assets	$ -	$ 1,471,489	$ 1,471,489
Amortization of bond issuance premium	-	79,568	79,568



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