
RELIABLE POWER

Energizing Communities

2025 ANNUAL REPORT



KENTUCKY MUNICIPAL ENERGY AGENCY



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MESSAGE FROM OUR CEO AND BOARD CHAIR

Charting the Path Forward for KYMEA

For fiscal year 2025, KYMEA kept demand and energy rates steady with 2024, **offering the lowest wholesale rates in Kentucky, a streak that began when the Agency commenced operations in May 2019.**

KYMEA's unrestricted cash hit \$37 million, covering 123 days of cash on hand. The Board aims to keep at least 60 days' cash for working capital, placing the remaining \$8.4 million in a rate stabilization fund to buffer against rising power and fuel costs. This fund is a key investment to maintain stable rates in the future.

Achievements

Operations: In June of 2025, KYMEA welcomed Olive Hill as our newest all-requirements member. On March 12, 2025, KYMEA began receiving power from the 86 MW Ashwood Solar Project. This affordable solar energy complements the Agency's 32 MW SEPA hydro power and other resources. Together, Ashwood and SEPA provide 15% carbon-free resources.

Solid Financial Position: KYMEA maintains strong financial health, evidenced by its A credit rating

from Fitch Ratings and A3 rating from Moody's. The agency successfully completed its inaugural bond issuance, raising \$121 million to fund the first phase of the 75 MW KYMEA Energy Center I (ECI) project, with an additional bond offering planned for 2026. KYMEA also possesses a \$45 million credit line from PNC to support collateral and working capital needs, as well as a \$50 million credit facility from Bank of America dedicated to ECI project development.

The Agency's financial health metrics and key performance indicators provide the Board and management with tools to monitor its financial status. On May 18, 2023, KYMEA received a ruling from FERC on the LG&E/KU depancaked transmission costs; part of this decision was remanded back to FERC by the D.C. Circuit Court. Because FERC's order is not final and remains subject to appeal, the Board established a liability reserve fund to address potential outcomes from future litigation. By the end of FY 2025, the liability reserve fund held \$20.2 million.

In 2025, KYMEA met all financial health metrics targets, ended the fiscal year with \$1 million in net income, transferred \$8.4 million to the rate stabilization fund, and maintained 123 days of cash on hand (DCOH), which was 25 DCOH above the target.



The Agency used deferred inflows accounting for the depancaking liability reserve and rate stabilization funds, delaying revenue recognition until related future activities occur to ensure accurate net income reporting.

KYMEA Energy Center I

On April 24, 2025, KYMEA broke ground on Energy Center I, a 75 MW facility designed to strengthen regional energy reliability, foster innovation, and support long-term growth through strategic collaboration and infrastructure investment.

6+

Years Of Providing
Wholesale Power

123

Days Of Cash On Hand

\$8.4M

Rate Stabilization Fund
Contribution

Doug Buresh
President & CEO

Josh Callihan
Chairman & Director



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 effectively provided** for the benefit of our members.

Our Vision

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

Our Mission

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

Respect

Encouraging constructive dialogue that promotes a culture of inclusiveness, and recognizes 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.

The Board



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



Tim Lyons
Director
Owensboro Municipal Utilities
General Manager



Aaron Sparkman
Director
City of Paris Combined Utilities
Electric Superintendent



Butch Hackney
Director
City of Providence Utilities
Mayor



Philip King
Director
Bardwell City Utilities
Mayor



Steff Thomas
Director
City Of Olive Hill
City Clerk/Treasurer



Gary Zheng
Director
Frankfort Plant Board
General Manager



Sabrina Hazen
Director
City Of Falmouth Utilities
Mayor



Christina Lewis
Director
Benham Power Board
Clerk

Board Governance

Kentucky Municipal Energy Agency’s Board of Directors sets the policies that govern the Agency’s operations. The twelve-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 to give their community 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 must approve all 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**



Rob Leesman
VP of Market Analytics



Doug Buresh
President & CEO



Heather Overby
VP of Finance &
Accounting/CFO



Michelle Hixon
Director
Administrative Services &
Communications



Molly Roesler
Controller

Our Communities

KYMEA exists to serve its members. Members may choose to enter into contracts with KYMEA for power supply or other services. Members also have the flexibility to establish projects for the benefit of one or more members, such as the All Requirements Project (AR Project), which has been created to acquire power supply resources to serve the needs of eleven participating All Requirements members. The business model objective of KYMEA is to provide cost-effective resources and services for the benefit of its members to enable them to achieve objectives they have set for themselves more efficiently and at lower costs than they could achieve individually.



Barbourville

Population: 3,056
Electric Meters: 4,117
Serving Electricity Since 1938



Berea

Population: 16,849
Electric Meters: 5,334
Serving Electricity Since 1917



Bardwell

Population: 712
Electric Meters: 468
Serving Electricity Since 1944



Corbin

Population: 7,962
Electric Meters: 4,234
Serving Electricity Since 1915



Benham

Population: 459
Electric Meters: 269
Serving Electricity Since 1961



Falmouth

Population: 2,202
Electric Meters: 1,050
Serving Electricity Since 1963

25%

Lower Rates Than Five
Other KY Suppliers

11

All Requirement
Communities

\$41.3M

Saved For Our Members
Since 2019

77,000

Customer Meters



Frankfort

Population: 28,610
Electric Meters: 22,369
Serving Electricity Since 1946



Owensboro

Population: 60,957
Electric Meters: 27,051
Serving Electricity Since 1900



Madisonville

Population: 19,507
Electric Meters: 8,125
Serving Electricity Since 1922



Paris

Population: 10,231
Electric Meters: 3,173
Serving Electricity Since 1933



Olive Hill

Population: 1,521
Electric Meters: 1,208
Serving Electricity Since 1926



Providence

Population: 2,877
Electric Meters: 1,338
Serving Electricity Since 1924

NEWEST ALL REQUIREMENT COMMUNITY

Welcome Olive Hill

KYMEA is excited to announce **The City of Olive Hill, as its newest All Requirements Member**, marking a significant step forward in the town's commitment to reliability, and the long-term well-being of its residents.

This partnership strengthens Olive Hill's role in the regional energy landscape while supporting its long-term growth and well-being.

About Olive Hill

Located in Carter County in the foothills of the Appalachian Mountains, Olive Hill is a small town of about 2,000 residents. Established in the early 1800s as a coal and trade hub, it has grown into a welcoming community where tradition and progress meet. Olive Hill is also known for its access to outdoor destinations such as Carter Caves State Resort Park, Grayson Lake, and Daniel Boone National Forest, making it attractive to both residents and visitors.

Energy Solutions Through KYMEA

By joining KYMEA, Olive Hill gains access to the collective resources of municipalities across Kentucky. Membership ensures affordable, reliable electricity for residents and businesses by leveraging shared purchasing power, reducing utility costs, and improving infrastructure.



The partnership also opens the door to energy-saving programs, efficiency initiatives, and advanced metering technologies that benefit the entire community.

Commitment to Sustainability

Olive Hill's leaders are committed to reducing environmental impact and promoting renewable energy. Through KYMEA, the city can integrate solar and hydroelectric power into its energy mix while encouraging conservation programs that support local homes, schools, and businesses. These initiatives help Olive Hill move toward a more sustainable and cost-efficient future.



Community and Growth

Reliable energy is key to Olive Hill's economic development strategy. Membership in KYMEA allows the city to offer competitive energy rates, making it more attractive to businesses and investors. Local companies will also benefit from lower operating costs through KYMEA's programs. At the same time, Olive Hill continues to celebrate its culture and history through events like Old Fashioned Day, keeping its small-town values strong.

Looking Ahead

This new partnership reflects Olive Hill's forward-thinking approach to community development. By collaborating with other KYMEA members, the city is ensuring energy reliability, economic growth, and sustainability for future generations while honoring its proud history and close-knit spirit.



The Value of Public Power



Community Owned

Communities are responsible for public power utilities - the electricity that keeps on giving and serving the Commonwealth. When a community owns public power sources, this in effect opens doors to new local jobs, supplying a meaningful charge to the local economy. The diligent utility staff works hard to light up sports games you love and illuminate grocery store aisles.



Not-for-Profit

Any surplus revenues pool within the community — all of which support the population of that community. These surpluses are invested to improve systems, distributed among local government leaders to reinforce the community; or even impact the customer on a more direct level to lower your next electricity bill. No revenues ever wind up lining the pockets of outside shareholders. This public power utility is yours as much as your neighbor's.



Locally Operated

Municipalities run public power utilities, regulating and governing each through the city council and your board of local representatives. As a resident, your thoughts shape and fuel your community. If your community-owned utility sources public power, your voice counts in decisions made about utilities.



Low Cost

Public power utilities have unique advantages when compared to privately-owned utilities, among which includes tax-exempt financing and overall healthier credit ratings. You can come to rely on operational efficiency in a community-owned utility. Additionally, many gain access to more affordable federal hydropower, giving your community the opportunity to enjoy clean energy at a bargain price.

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**.

14 Cents

In 2023, the average residential rate for public power utilities across the nation was **14 cents per kilowatt-hour**.

13% Less

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



Responsive

Public power utilities are designed with a key focus in mind: making sure customers receive exceptional service and powerhouse beneficial value. A utility delivering electricity that citizens use daily is built to meet community-wide needs. That's why with public power comes responsible environmental stewardship, where power is examined through the lens of sustainability, trustworthy reliability, as well as robust economic development.

KYMEA's Power Mix

As a result of KYMEA's IRP 2023, KYMEA made two pivotal resource decisions. First, to develop a 75 MW reciprocating internal combustion engine (RICE) facility, Energy Center I, equipped by Wärtsilä to address the capacity shortfall when the DEI contract expires in June 2027. Second, KYMEA procured 35 MW of capacity and energy from Hallador Power Company LLC beginning in June 2024 to serve the Berea and Benham load additions, as well as 100 MW beginning in June 2027 to provide a hedge in the event of any delay in the Energy Center I commercial operation.

The KYMEA business model is to provide cost-effective resources for the benefit of its member communities, enabling them to achieve objectives more efficiently and at lower costs than they could achieve individually. The Agency balances competitive wholesale power rates with strong fiscal responsibility and operational excellence.

KYMEA's existing power supply portfolio includes contracts under which the Agency purchases power from multiple resources over various periods of time. This diversity—in terms of counterparty, type, location, and contract term—is an intentional risk mitigation strategy within KYMEA's power supply planning efforts. KYMEA regularly reassesses and adjusts its portfolio in response to market changes and the evolving needs of its member cities and customers. Management will continue to monitor and provide recommendations to the Board for its consideration.

Coal

Big Rivers Electric Corporation
Capacity: 100 MW

Hallador Power Company
Capacity: 35-100 MW

Natural Gas

Paducah Power System
Capacity: 60 MW

Hydropower

Southeastern Power Administration
Capacity: 32 MW

2024-2025 Major Resource Milestones

- 35 MW of Hallador from June 2024 through May 2027 – due to the addition of Benham and Berea joining the All-Requirements Project in 2024 and delays in the commercial operation of the Ashwood Solar I project. This shortfall was addressed by the Hallador contract.
- 100 MW of Hallador from June 2027 through May 2029 – to hedge potential Energy Center I construction delays.
- April 15, 2025, Energy Center I Groundbreaking – a new 75 MW power plant with four Wärtsilä 18V50SG RICE generators that will serve Kentucky’s municipals for decades to come.
- Ashwood Solar I Project – June 25, 2025, a ribbon-cutting ceremony to celebrate the plant going online. This solar project now provides clean, renewable power to KYMEA’s members, diversifying the portfolio and supporting the Agency’s goal of delivering reliable, affordable, and sustainable energy.

These actions represent the next chapter in KYMEA’s success story, marked by its ability to adapt to an ever-changing industry and regulatory landscape. 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.

Diesel

City Of Paris Power Plant
Capacity: Plant 10 MW

Slice of System

Duke Energy Indiana
Capacity: 60 MW

Solar

Ashwood Solar I
Capacity: 86 MW

Ashwood Solar I

Ashwood Solar I stands as one of Kentucky's most significant renewable energy projects, marking the culmination of years of planning, perseverance, and collaboration. Conceived in 2018 as part of KYMEA's mission to provide reliable and cost-effective clean energy to its member communities, the project quickly became a symbol of both challenge and determination. On August 23, 2018, KYMEA entered into a 20-year agreement with RWE Clean Energy, securing 100 percent of the output from the proposed solar farm.

The original schedule targeted December 1, 2022, as the commercial operation date. This timeline reflected KYMEA's urgency in expanding renewable energy sources and reducing reliance on traditional generation. However, like many major infrastructure projects launched in the early 2020s, Ashwood Solar I soon faced delays. The global COVID-19 pandemic created unprecedented challenges, disrupting supply chains, slowing construction, and impacting labor availability. Compounding these difficulties, federal tariffs on photovoltaic modules created procurement uncertainty and extended project execution.

That resilience came into focus on July 26, 2023, when Ashwood Solar I broke ground. The event was more than ceremonial; it was a visible marker of determination and progress. Designed as Kentucky's largest solar installation, the site features more than 226,000 bifacial, fixed-tilt panels across 250 acres. These panels are engineered for efficiency, capable of capturing sunlight on both sides to maximize production. With an estimated annual generation of nearly 176 million kilowatt-hours, Ashwood Solar I will power over 15,000 homes each year.

The economic impacts of the project are equally meaningful. During construction, Ashwood supported over 250 jobs, providing valuable employment opportunities in the region. Over its lifetime, the facility is expected to contribute approximately six million dollars in state property tax revenue, further strengthening Kentucky's economy while advancing sustainability goals. The project also reinforces KYMEA's reputation as a forward-thinking agency committed to environmental stewardship and fiscal responsibility.

On June 25, 2025, years of effort culminated in a ribbon-cutting ceremony attended by KYMEA leaders, RWE representatives, and local officials. This milestone marked the commissioning of Ashwood Solar I and the beginning of a new chapter for KYMEA's 11 all requirements member communities. Today, Ashwood Solar I delivers clean, affordable energy while serving as a symbol of persistence, partnership, and purpose. Its legacy will endure for decades, demonstrating that while the clean energy transition is not without hurdles, milestones like Ashwood are worth the wait.

2023

Groundbreaking held;
members gathered to
celebrate



2024

The Major Power
Transformer is
delivered and
installation begins



2025

Ribbon-cutting
ceremony; Ashwood
Solar I officially
commissioned



Carbon-Free Choice Program

Through the Carbon-Free Choice Program, customers in KYMEA All Requirements Communities, can purchase **carbon-free energy sourced from KYMEA solar and hydroelectric facilities**. The carbon-free energy is sold in blocks per month where one block equal 1,000 kilowatt-hours.

Program Specifics

- The carbon-free energy is available on a first-come, first-served basis.
- There are approximately 233,000 blocks available annually.
- Eligible customers, who are in good standing, purchase the blocks from their local municipal electric provider.
- The rate per block, per month, is subject to change through the rate setting process each July.
- Each block is certified and tracked using the M-RETS tracking system.
- Program participants will receive verification the carbon-free energy was utilized and retired on their behalf.
- Whole blocks must be purchased.
- Minimum participation term is one year.

Objective

The program aims to provide KYMEA members' residents and businesses the opportunity to support, purchase, and consume carbon-free renewable energy. Participants can be residential, commercial, or industrial retail customers of KYMEA member utilities.

How it Works

Customers have the option to purchase carbon-free energy RECs from their respective KYMEA member utility as a carbon offset for their electricity usage. The KYMEA member utility establishes their own retail tariff to be applied to participating retail customers' invoices.

Ashwood Solar I



SEPA Hydroelectric Power



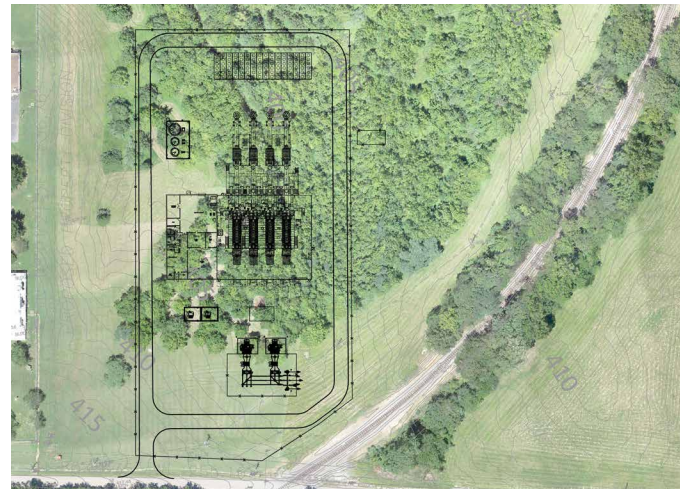
ENERGY CENTER I

Bond Sale

KYMEA takes pride in offering the **lowest rates among wholesale energy providers in Kentucky** and the surrounding regions. Our members, who are financially strong, have consistently made prudent business decisions that benefit both their communities and KYMEA.

KYMEA's strategic plan focuses on financial stability, growth, resource planning, and organizational excellence. Each of these strategic priorities includes specific, realistic, and measurable goals essential for KYMEA to achieve best-in-class status. These goals serve as benchmarks to measure our Agency's success while maintaining a strong commitment to financial excellence.

In preparation for the bond sale, KYMEA presented the ECI business plan to Fitch Ratings and Moody's. Our management team provided comprehensive information about KYMEA and its members, illustrating why ECI is an outstanding investment opportunity. We extend our gratitude to our members; the sound business decisions made within your communities instilled significant confidence in the rating agencies regarding the reliability of ECI as an investment.



Our management team carefully outlined the necessity of the ECI facility and addressed how KYMEA is effectively managing risks associated with construction and delays. This thorough approach has further bolstered investor confidence in our credit rating of A/A3 from Fitch Ratings and Moody's, respectively.

The bond sale took place on February 12, 2025. Leading up to the event, R.W. Baird & Co. collaborated with KYMEA and Bank of America (BoFA) to develop and execute the bond pricing strategy.

On the day of pricing, the bond sale encountered market challenges due to a CPI report indicating a 0.5% month-on-month increase.



This led to a sell-off in the US Treasury market, affecting municipal bonds. In response, Baird facilitated discussions to maintain favorable market levels and recommended wrapping the largest maturity with Assured Guaranty insurance to expand the buyer base and reduce costs.

Through these efforts, KYMEA continues to demonstrate its commitment to financial stability and excellence, positioning us as a leader in the municipal energy sector.

KYMEA Municipal Bond Financing Process





Energy Center I Construction Progress

During Fiscal Year 2025, KYMEA advanced the Energy Center I project, the Agency's first fully owned generation asset. The 75-MW natural gas-fired RICE (reciprocating internal combustion engine) facility will strengthen reliability, provide fast-start capacity, and support renewable integration. Early in the year, KYMEA completed site surveys, interconnection studies, and coordinated permitting with state and local agencies.

A key milestone came on April 15, 2025, with the official groundbreaking ceremony, bringing together KYMEA leadership, member communities, and state officials to highlight the project's importance to system reliability.

After the groundbreaking, site preparation progressed with grading, utility relocation, and road improvements. Foundation work for engine halls and auxiliary systems began in early fall, along with substation integration to ensure smooth transmission interconnection. Project management included monthly reviews, risk assessments, and member updates.

By the end of FY 2025, Energy Center I remained on track for commercial operation in summer 2027. The project is a vital step in KYMEA's long-term resource plan, adding flexible generation to balance solar output and meet peak demand—reinforcing the Agency's commitment to reliability, affordability, and community value.



STRENGTHENING BUSINESS: GOLF, CHAMBER
MEETINGS + CYBERSECURITY TRAINING

Our Annual Member Events

Kentucky League of Cities Convention

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.



Golf Scramble

The Kentucky Municipal Energy Agency hosted its annual golf scramble on May 21, 2025, at the Polo Fields Golf & Country Club in Louisville in conjunction with the Annual Members Conference. The event brought together KYMEA board members, staff, and partners for a day of networking, camaraderie, and friendly competition, serving as a team-building and networking opportunity.





Cybersecuritu Training

Each March, the Kentucky Municipal Energy Agency hosts its annual cybersecurity training, sponsored by LightChange Technologies, to equip member communities with the latest tools and best practices for protecting critical infrastructure. The 2025 session provided practical guidance on emerging threats, healthy online behaviors, and incident response, while fostering collaboration among utility staff and industry experts dedicated to strengthening municipal cybersecurity defenses.



Annual Members Conference

The Kentucky Municipal Energy Agency's Annual Members Conference in 2025 brought together leaders, board members, and staff from across the Commonwealth to share updates, celebrate milestones, and plan for the future. Held in Louisville, the conference highlighted KYMEA's expanding resource portfolio, including progress on the Ashwood Solar I project and the groundbreaking of Energy Center I, while reinforcing the agency's mission of delivering reliable, cost-effective power to its member communities.

In addition to business sessions, the conference provided opportunities for networking and collaboration through various conference events. Attendees left with renewed insight, stronger connections, and a shared commitment to advancing public power in Kentucky.

KYMEA Member Awards

APPA Safety Awards

The 2024 APPA Safety Awards of Excellence recognized 202 public power utilities for exemplary safety performance during the 2024 calendar year.

These awards are structured by utility size (based on worker-hours of exposure) and evaluate both lagging indicators (e.g. incident and injury rates) and the strength of safety programs and culture.

For 2024, APPA implemented a revised scoring methodology, including weighted metrics and adjustments intended to give smaller utilities a fairer opportunity, and also introduced a required application fee. The possible designations remain the American Public Power Association's Diamond, Platinum, and Gold levels. Within that context, Madisonville Electric Department (Kentucky) was honored with the Diamond Safety Award for 2024.

That places them at the highest tier of recognition in their grouping and signals that their safety performance—both in recorded incidents and in the robustness of their safety culture—was outstanding among peers. In practical terms, this reflects a sustained commitment to safety practices, training, inspections, and continuous improvement.

Meanwhile, Owensboro Municipal Utilities (OMU) also earned high recognition, receiving the Diamond Award in their size class (for utilities with 110,000 to 249,999 worker-hours of exposure) for their 2024 safety record.

OMU highlighted that the award underscores their safety culture and the rigor they apply to maintaining an incident-free environment.

Together, these recognitions for Madisonville and OMU show that Kentucky public power utilities are performing very well in comparison to national peers in safety excellence.



Madisonville Electric Department

Safety Award of Excellence, Winner, Group C
(30,000 to 59,999 worker-hours of exposure)



Owensboro Municipal Utilities

Safety Award of Excellence, Winner, Group E
(110,000 to 249,999 worker-hours of exposure)



BENHAM, KENTUCKY

Built on Coal, Powered by Community

Benham, Kentucky is a historic coal town built with purpose and community in mind, whose people continue to **honor their mining heritage while forging a resilient future.**

A City Carved from the Mountains

Tucked away in the rugged beauty of Harlan County, the City of Benham was founded in the early 1900s by Wisconsin Steel, a subsidiary of International Harvester. Unlike many mining camps that sprang up overnight, Benham was intentionally designed. Its planners laid out streets, neighborhoods, schools, and churches with foresight, envisioning not just a place of work but a full community where families could thrive. This thoughtful planning distinguished Benham from countless other coal towns and gave it a unique character that still echoes today.

Coal at the Core

Coal was the reason for Benham's existence, and its influence touched every part of life. The town was strategically positioned to mine and ship some of the region's highest-quality bituminous coal, which played a vital role in fueling America's steel industry. Trains left the mountains daily, carrying coal that would ultimately build skyscrapers, bridges, and factories across the nation. For decades, coal was both the town's heartbeat and its connection to the wider world.



A Town for Its People

What set Benham apart was International Harvester's investment in its workers and their families. Residents lived in well-built homes that included running water and electricity—amenities often unheard of in rural Appalachia at the time. A company hospital, modern school system, and recreational spaces were provided alongside the company store and commissary. This infrastructure offered stability to families who might otherwise have faced the uncertainty and hardship typical of mining life. Beyond wages, the company built a sense of community, helping Benham's people feel proud to call the town their home.

From Boom to Bust

As the decades passed, the fortunes of Benham rose and fell with the coal industry. By the mid-20th century, as national energy needs shifted and demand for coal waned, the once-thriving community began to struggle. Mines closed, jobs were lost, and families moved away in search of work. Yet, even as the population declined, the resilience of those who remained stood out. Neighbors leaned on one another, finding ways to preserve both their livelihoods and their shared sense of identity. The story of Benham became not just one of coal, but of endurance.

Preserving the Past: The Kentucky Coal Museum

In an effort to honor that history, the Kentucky Coal Museum was established in Benham, housed in the former company commissary building. Today, the museum serves as both a tribute and a teaching tool. Visitors can explore exhibits that

include authentic mining equipment, recreated miner's homes, and stories of the men and women who worked underground. The museum captures the grit, danger, and perseverance that defined life in the coal mines, while also celebrating the contributions miners made to America's growth. It has become not only a local landmark but also a destination that connects people from across the country to the history of Appalachia.





Born from Coal. Driven by Resilience.

A Living Community

While Benham is smaller today, its story is far from over. Residents have embraced the challenge of redefining their community, drawing on their shared heritage to create new opportunities in tourism, education, and regional partnerships. The town's legacy of planning and community spirit continues to shape its present. Former miners and their families remain deeply committed to honoring the sacrifices of past generations, while looking toward a future where Benham's story is one of transformation and renewal.

Benham Today

The City of Benham stands as a reminder of how coal shaped not only economies but identities.

It reflects both the possibilities and the struggles that have defined life in Appalachia. More importantly, Benham illustrates the enduring strength of people bound together by shared history. From the clang of trains carrying coal to the quiet halls of the museum, from bustling neighborhoods of the past to the determined spirit of today, Benham's legacy is one of resilience. Though small in size, Benham continues to inspire with its example of how a community can adapt, preserve its heritage, and chart a course for what comes next. Its story—rooted in coal but powered by people—remains a testament to the enduring strength of Kentucky communities.

2025 Financial Highlights

In 2025, KYMEA continued to achieve outstanding financial results. The Agency's high standards, innovative solutions and solid business fundamentals resulted in an increasingly strong entity.

As in prior years, KYMEA continues to place strong emphasis on Days Cash on Hand, Leverage, Fixed Coverage, and Debt Service Coverage ratios to define its success. These key financial metrics are communicated monthly to the Board of Directors as they drive decisions regarding the Agency's future path.

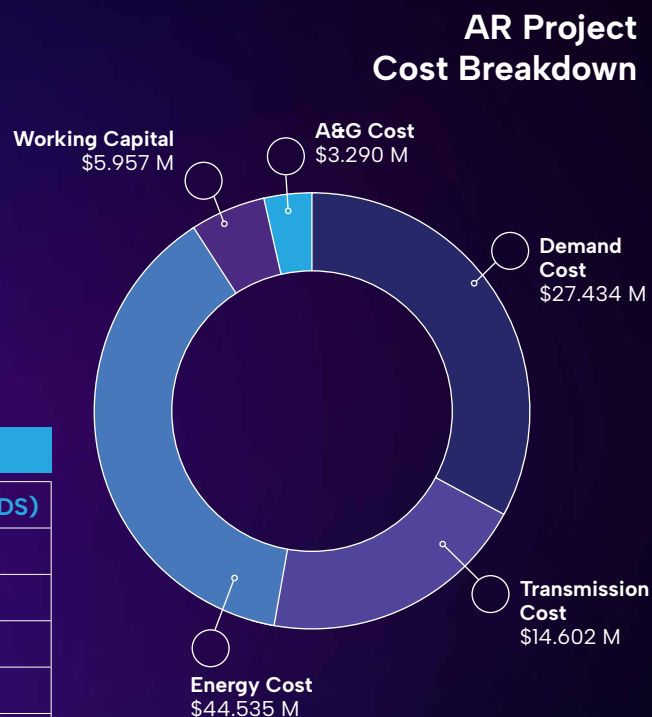
Power purchase agreement expenses, which currently provide KYMEA All Requirements Project energy, are recovered from the AR Project Members each month, with liquidity provided by staggered payment dates. KYMEA's financial position is further supported by a \$45 million line of credit and cash reserves which provide much needed cash liquidity in the event of unforeseen weather, transmission grid, or power market events.

KYMEA management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentations of financial statements that are free from material misstatements, whether due to fraud or error.

KYMEA'S independent auditor's responsibility is to express an opinion on the financial statements based on its audit. The recent audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require the auditor to plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

KYMEA's Board of Directors, who are not employees of KYMEA, periodically meet with the independent auditors and management to discuss the audit scope, audit results, and any recommendations to improve the Agency's internal control structure. The Board of Directors directly engages with the independent auditors.

Total Cost (\$ in Thousands)		1,355,730 mWh	
LABELS	COST	PERCENT	¢ PER kWh
DEMAND COST	27,434	28.6%	2.024
ENERGY COST	44,535	46.5%	3.285
TRANS COST	14,602	15.2%	1.077
WORKING CAPITAL	5,957	6.2%	0.439
A&G COST	3,290	3.4%	0.243
	95,817	100%	7.068



	2024	2025
FINANCIAL RESULTS	(\$ IN THOUSANDS)	(\$ IN THOUSANDS)
OPERATING REVENUE	85,518	110,166
OPERATING EXPENSES	81,102	109,981
NON-OPERATING EXPENSES	3,702	816
NET INCOME	8,118	1,001
DEFERRED INFLOWS	14,204	13,989

Fiscal year 2025 marked another year of exceptional financial performance for KYMEA and its members. Operating revenues—derived from member power sales—once again exceeded operating expenses, the majority of which are related to power supply costs. This resulted in a strong net income for the Agency and reaffirmed KYMEA's strong position as the provider of the lowest-cost wholesale power in Kentucky.

KYMEA achieved these results by maintaining a disciplined focus on its core strengths: forecasting, planning, and analysis. This strategic approach enables the Agency to deliver unparalleled service to its members by identifying and capturing opportunities, mitigating risks, and continuously advocating for member interests through prudent rate setting and sound financial management.

2025 also contained a significant milestone for KYMEA, its first bond sale. As construction on KYMEA Energy Center I progressed, the Agency went to the bond market with a tax-free municipal bond offering that was a new credit for the market to analyze. KYMEA highlighted the diversity of the Agency's power portfolio and the highly analytical and thorough nature of the least-regrets based integrated resource planning process. The unique nature of this credit also made KYMEA's offering stand out. Industry participants have seen deals either within an all-requirements project or as a separate project where only those members which signed up for the project receive that energy. The structure of marrying the two concepts with project participants that have an interest in the project providing power to an all-requirements group has never been done before. KYMEA pioneered a new project paradigm and wrote what one investor called the "best business plan / engineering report he had ever seen". Rating agencies, bond insurers, financial advisors, and investment banks were extremely impressed with what is happening at such a small entity. The resulting 2025 Bond issue, coupled with a \$50 million Line of Credit provided by Bank of America, supplies the necessary funding to construct the Energy Center I facility.

Looking ahead, KYMEA remains well-positioned to build on this success. We take great pride in our mission to provide affordable, reliable energy to our members while preserving the Agency's strong financial foundation and advancing the shared interests of the communities we serve.



Kentucky Municipal Energy Agency

Independent Auditor's Report and Financial Statements

June 30, 2025 and 2024

Kentucky Municipal Energy Agency
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June 30, 2025 and 2024

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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, as of and for the years ended June 30, 2025 and 2024, 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 Kentucky Municipal Energy Agency, as of June 30, 2025 and 2024, 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 Kentucky Municipal Energy 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 Kentucky Municipal Energy 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.

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 Kentucky Municipal Energy 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 Kentucky Municipal Energy 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 auditing standards generally accepted in the United States of America. 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
October 10, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2025 and 2024. It should be read in conjunction with the basic financial statements and the accompanying notes.

Background

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. The Agency’s Members currently consist of the following Kentucky municipalities: Barbourville, Bardwell, Benham, Berea, Corbin, Falmouth, Frankfort, Madisonville, Olive Hill, Owensboro, Paris, and Providence (the “Members”). As of June 30, 2025, eleven of the twelve 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 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.

Summary of the Financial Statements

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 Analysis

The following comparative condensed financial information summarizes the Agency's financial position, operating results and cash flows for the years ended June 30, 2025, 2024, and 2023.

Condensed Balance Sheets

	2025	2024	2023
ASSETS			
Current assets	\$ 69,864,157	\$ 50,407,681	\$ 31,671,663
Other noncurrent assets	105,989,074	8,379,051	4,789,823
Capital, lease, and subscription assets	35,384,567	3,728,958	3,244,182
Total Assets	\$ 211,237,798	\$ 62,515,690	\$ 39,705,668
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	\$ 16,677,524	\$ 10,323,740	\$ 9,667,626
Noncurrent liabilities	130,641,326	1,807,494	1,976,836
Total Liabilities	147,318,850	12,131,234	11,644,462
Deferred Inflows of Resources	28,192,919	14,204,381	-
Net Position			
Net investment in capital assets	783,164	1,805,322	1,280,194
Restricted for debt service	113,557	-	-
Unrestricted	34,829,308	34,374,753	26,781,012
Total Net Position	35,726,029	36,180,075	28,061,206
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 211,237,798	\$ 62,515,690	\$ 39,705,668

Current assets increased \$19.5 million from the fiscal year ending June 30, 2024, to the fiscal year ending 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 ending June 30, 2024, to the fiscal year ending 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.

Current assets increased \$18.8 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. This increase resulted from an increase in unrestricted 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 \$4.1 million during the same period primarily due to an increase in collateral deposits held by regional transmission organizations.

Current liabilities increased \$0.6 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. This increase was related to the timing of purchased power expenses to serve the electricity needs of KYMEA's members. Noncurrent liabilities decreased \$0.2 million during the same period due to the amortization of the lease and subscription based information technology arrangements liabilities.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2025	2024	2023
Operating Revenues	\$ 110,167,084	\$ 85,517,795	\$ 107,329,886
Operating Expenses	110,064,650	81,171,510	102,780,696
Operating Income	102,434	4,346,285	4,549,190
Net Nonoperating Revenues (Expenses)	(556,480)	3,772,584	5,254,410
Change in Net Position	(454,046)	8,118,869	9,803,600
Net Position - Beginning of Year	36,180,075	28,061,206	18,257,606
Net Position - End of Year	\$ 35,726,029	\$ 36,180,075	\$ 28,061,206

Operating revenues increased \$24.6 million from the fiscal year ending June 30, 2024, to the fiscal year ending 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 ending June 30, 2025.

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

Operating revenues decreased \$21.8 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. This decrease is a result of KYMEA's decreased 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 decreased during the fiscal year ending June 30, 2024.

Operating expenses decreased \$21.6 million from the fiscal year ending June 30, 2023, to the fiscal year ending June 30, 2024. During 2023, the Agency received favorable ruling related to the depancaked transmission expenses related to changes in the Louisville Gas and Electric Company and Kentucky Utilities Company (LG&E-KU) depancaking. This settlement lead to the offsetting of these rates against the cost of purchased power during the entire 2024 fiscal year. In addition, the decrease in KYMEA's long position discussed above resulted in a corresponding decrease in purchased power expenses. Both the depancaking settlement and the decreased long position contributed to KYMEA's significant reduction in operating expenses.

Capital Assets

The Agency's investment in capital assets at June 30, 2025, 2024, and 2023 totaled \$35,384,567, \$3,728,958, and \$3,244,182, respectively (net of accumulated depreciation and amortization).

Major capital additions during 2025 included work on the ECI Project.

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

Financing

In February 2022, the Agency executed a revolving line of credit agreement for advances up to \$45,000,000. Advances under this agreement bear interest at the Bloomberg Short-term Yield Index, and interest is payable semi-annually. There were no amounts outstanding under this line of credit as of June 30, 2023, 2024, or 2025.

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 Secured Overnight Financing Rate (SOFR), and interest is payable monthly. There were no outstanding amounts under this line of credit as of June 30, 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.

General Trends and Significant Events

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.

Contact Information

This financial report is designed to provide a general overview of KYMEA's finances. 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.

Kentucky Municipal Energy Agency
Balance Sheets
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 58,085,593	\$ 37,437,998
Accounts receivable	11,774,452	12,965,571
Prepaid expenses and other assets	4,112	4,112
Total Current Assets	69,864,157	50,407,681
Noncurrent Assets		
Cash and cash equivalents - restricted	8,268,018	-
Investments - restricted	87,377,064	-
Collateral deposit	8,502,849	8,379,051
Capital assets, net of accumulated depreciation and amortization	35,384,567	3,728,958
Costs recoverable in future periods	1,841,143	-
Total Noncurrent Assets	141,373,641	12,108,009
Total Assets	\$ 211,237,798	\$ 62,515,690
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 14,247,380	\$ 10,059,469
Accrued liabilities	45,363	33,455
Accrued interest payable	1,961,434	9,531
Compensated absences	188,874	-
Current portion of lease liabilities	126,337	116,457
Current portion of subscription liabilities	108,136	104,828
Total Current Liabilities	16,677,524	10,323,740
Noncurrent Liabilities		
Compensated absences, net	162,180	260,752
Long-term debt	129,149,209	-
Lease liabilities, net	1,130,322	1,256,659
Subscription liabilities, net	199,615	290,083
Total Noncurrent Liabilities	130,641,326	1,807,494
Deferred Inflows of Resources		
Deferred inflows from rate stabilization	28,192,919	14,204,381
Net Position		
Net investment in capital assets	783,164	1,805,322
Restricted for debt service	113,557	-
Unrestricted	34,829,308	34,374,753
Total Net Position	35,726,029	36,180,075
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 211,237,798	\$ 62,515,690

Kentucky Municipal Energy Agency
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Billings	\$ 110,167,084	\$ 85,517,795
Total Operating Revenues	<u>110,167,084</u>	<u>85,517,795</u>
Operating Expenses		
Production and purchased power	95,258,091	68,525,119
Transmission	11,957,776	10,365,521
Depreciation and amortization	515,217	500,037
Other operating expenses	2,333,566	1,780,833
Total Operating Expenses	<u>110,064,650</u>	<u>81,171,510</u>
Operating Income	<u>102,434</u>	<u>4,346,285</u>
Nonoperating Revenues (Expenses)		
Interest expense	(2,448,124)	(137,073)
Investment income	1,891,644	1,386,684
Contributions from new members	-	2,522,973
Net Nonoperating Revenues (Expenses)	<u>(556,480)</u>	<u>3,772,584</u>
Change in Net Position	<u>(454,046)</u>	<u>8,118,869</u>
Net Position, Beginning of Year	<u>36,180,075</u>	<u>28,061,206</u>
Net Position, End of Year	<u><u>\$ 35,726,029</u></u>	<u><u>\$ 36,180,075</u></u>

Kentucky Municipal Energy Agency
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Receipts from members	\$ 111,274,321	\$ 82,350,843
Payments to service providers and others	(91,167,480)	(59,410,216)
Payments to employees	(1,490,901)	(1,239,686)
Collateral deposit remittances	(123,798)	(3,589,228)
Net Cash Provided by Operating Activities	<u>18,492,142</u>	<u>18,111,713</u>
Cash Flows From Noncapital Financing Activities		
Regulatory settlement proceeds	-	4,925,649
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>4,925,649</u>
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	(545,165)	(136,917)
Principal paid on lease liability	(116,457)	(98,213)
Principal paid on subscription liability	(87,160)	(102,220)
Purchase of capital assets	(30,699,337)	(824,732)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>95,908,891</u>	<u>(1,162,082)</u>
Cash Flows From Investing Activities		
Purchases of investments	(278,453,702)	-
Proceeds from sales and maturities of investments	191,327,007	-
Interest income	1,641,275	1,386,684
Net Cash Provided by (Used in) Investing Activities	<u>(85,485,420)</u>	<u>1,386,684</u>
Increase in Cash and Cash Equivalents	28,915,613	23,261,964
Cash and Cash Equivalents, Beginning of Year	<u>37,437,998</u>	<u>14,176,034</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 66,353,611</u></u>	<u><u>\$ 37,437,998</u></u>

Kentucky Municipal Energy Agency
Statements of Cash Flows - Continued
Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation to Cash and Cash Equivalents on the Balance Sheets:		
Cash and cash equivalents	\$ 58,085,593	\$ 37,437,998
Cash and cash equivalents - restricted	8,268,018	-
Total Cash and Cash Equivalents	\$ 66,353,611	\$ 37,437,998
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 102,434	\$ 4,346,285
Depreciation and amortization	515,217	500,037
Changes in operating assets and liabilities		
Accounts receivable	1,102,072	2,124,825
Prepaid expenses and other assets	-	(1,555)
Collateral deposit	(123,798)	(3,589,228)
Accounts payable	2,805,469	479,626
Accrued liabilities	11,908	(641)
Compensated absences	90,302	47,983
Deferred inflows of resources	13,988,538	14,204,381
Net Cash Provided by Operating Activities	\$ 18,492,142	\$ 18,111,713
Supplemental Noncash Activities		
Subscription obligations incurred for subscription assets	\$ -	\$ 4,472
Accounts payable incurred for capital assets	1,471,489	155,609
Amortization of bond issuance premium	79,658	-

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, Owensboro, Paris, and Providence (the "Members").

As of June 30, 2025, eleven of the twelve 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, 2025 and 2024, 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, 2025 and 2024.

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 - 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, 2025 and 2024.

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, 2025 and 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2025	\$ 260,752	\$ 197,467	\$ (107,165)	\$ 351,054	\$ 188,874
2024	\$ 212,769	\$ 130,834	\$ (82,851)	\$ 260,752	\$ -

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

Operating revenues and expenses are defined as revenues and expenses directly related to, or incurred in support of, the future procurement and distribution of power and energy to KYMEA's Members. Operating revenues currently include billings to Members to cover Agency administration costs and off-system energy sales. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Income Taxes

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

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation. The reclassifications had no effect on the change in net position.

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, 2025 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.

Kentucky Municipal Energy Agency
Notes to Financial Statements
June 30, 2025 and 2024

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, 2025, KYMEA had the following investments:

	June 30, 2025					Credit Ratings S & P
	Maturities in Years					
Type	Fair Value	Less than 1	1-5	6-10	More than 10	
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	124,233	-	-	-	AA+
	\$ 95,645,082	\$ 81,101,102	\$ 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, 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:

	<u>2025</u>	<u>2024</u>
Carrying value		
Deposits	\$ 58,085,593	\$ 37,437,998
Investments	95,645,082	-
	<u>\$ 153,730,675</u>	<u>\$ 37,437,998</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 58,085,593	\$ 37,437,998
Cash and cash equivalents - restricted	8,268,018	-
Investments - current	87,377,064	-
	<u>\$ 153,730,675</u>	<u>\$ 37,437,998</u>

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.

Kentucky Municipal Energy Agency
Notes to Financial Statements
June 30, 2025 and 2024

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, 2025:

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	<u>\$ 87,377,064</u>	<u>\$ 63,185,949</u>	<u>\$ 24,191,115</u>	<u>\$ -</u>

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, 2025 and 2024 was as follows:

	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	<u>\$ 3,728,958</u>	<u>\$ 31,655,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,384,567</u>

Summary of Carrying Values

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

	<u>2025</u>	<u>2024</u>
Carrying value		
Deposits	\$ 58,085,593	\$ 37,437,998
Investments	95,645,082	-
	<u>\$ 153,730,675</u>	<u>\$ 37,437,998</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 58,085,593	\$ 37,437,998
Cash and cash equivalents - restricted	8,268,018	-
Investments - current	87,377,064	-
	<u>\$ 153,730,675</u>	<u>\$ 37,437,998</u>

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.

Kentucky Municipal Energy Agency
Notes to Financial Statements
June 30, 2025 and 2024

The following table summarizes the future principal and interest payments required to be made as of June 30, 2025:

Year Ending June 30,	Revenue Bonds		Total
	Principal	Interest	
2026	\$ -	\$ 4,997,792	\$ 4,997,792
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
2031-2035	13,725,000	28,319,500	42,044,500
2036-2040	17,510,000	24,528,000	42,038,000
2041-2045	22,345,000	19,690,500	42,035,500
2046-2050	28,520,000	13,517,250	42,037,250
2051-2055	36,400,000	5,637,000	42,037,000
	<u>\$ 121,980,000</u>	<u>\$ 121,030,292</u>	<u>\$ 243,010,292</u>

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 \$554,538 and \$415,884 as of June 30, 2025 and 2024, 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, 2025 and 2024. Lease payments made during 2025 and 2024 totaled \$182,275 (\$116,457 principal and \$65,818 interest at 4.98%) and \$169,293 (\$98,213 principal and \$71,080 interest at 4.98%), respectively.

The following table summarizes the future lease principal and interest payments as of June 30, 2025:

<u>Year Ending June 30,</u>	<u>Total to Be Paid</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 186,061	\$ 126,337	\$ 59,724
2027	191,975	132,775	59,200
2028	198,213	139,540	58,673
2029	204,794	146,650	58,144
2030	211,736	154,122	57,614
2031-2035	614,316	557,235	57,081
	<u>\$ 1,607,095</u>	<u>\$ 1,256,659</u>	<u>\$ 350,436</u>

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 \$363,535 and \$234,231 as of June 30, 2025 and 2024, 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, 2025 and 2024. Subscription payments made during 2025 and 2024 totaled \$93,796 (\$87,160 principal and \$6,636 interest at 1.94%) and \$110,868 (\$102,220 principal and \$8,648 interest at 1.94%), respectively.

Kentucky Municipal Energy Agency
Notes to Financial Statements
June 30, 2025 and 2024

The following is a schedule by year of payments under the SBITAs as of June 30, 2025:

<u>Year Ending June,</u>	<u>Total to Be Paid</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 112,700	\$ 108,136	\$ 4,564
2027	112,699	110,252	2,447
2028	89,812	89,363	449
	<u>\$ 315,211</u>	<u>\$ 307,751</u>	<u>\$ 7,460</u>

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 10% of base wages to eligible employees. Eligible employees are those that contribute a minimum of 3% to the 457 Plan. Employer contributions of \$112,929 and \$98,507 were made for the fiscal years ended June 30, 2025 and 2024, 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.

KYMEA has also entered into an agreement to purchase 100% of the capacity and energy (estimated at 86MW) from Ashwood Solar, LLC, located in Lyon County, Kentucky, for a period of 20 years. RWE has advised the Agency that Commercial Operation will be achieved in Fall 2025.

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 four 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, 2025 is presented as follows:

CONDENSED BALANCE SHEET - ENERGY CENTER I PROJECT

Assets	
Current Assets	\$ 954,498
Noncurrent Assets	97,486,225
Capital Assets	33,036,993
Total Assets	<u>\$ 131,477,716</u>
Liabilities	
Current Liabilities	\$ 3,784,274
Noncurrent Liabilities	129,149,209
Total Liabilities	<u>132,933,483</u>
Net Position	
Net Investment in Capital Assets	-
Restricted for Debt Service	113,557
Unrestricted	(1,569,324)
Total Net Position	<u>(1,455,767)</u>
Total Liabilities and Net Position	<u>\$ 131,477,716</u>

Kentucky Municipal Energy Agency
Notes to Financial Statements
June 30, 2025 and 2024

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

Operating Revenues	\$ -
Operating Expenses	<u>7,180</u>
Operating Loss	<u>(7,180)</u>
Interest Expense	(2,329,383)
Investment Income	<u>880,796</u>
Net Nonoperating Expenses	<u>(1,448,587)</u>
Change in Net Position	(1,455,767)
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u>\$ (1,455,767)</u>

CONDENSED STATEMENT CASH FLOWS - ENERGY CENTER I PROJECT

Cash Flows from Operating Activities	348,537
Cash Flows from Capital and Related Financing Activities	95,365,082
Cash Flows from Investing Activities	<u>(86,496,268)</u>
Net Change in Cash and Cash Equivalents	9,217,351
Cash and Cash Equivalents - Beginning of Year	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,217,351</u>

Supplementary Information

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
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	-	-	783,164
Restricted for debt service	-	113,557	-	113,557
Unrestricted	36,398,632	(1,569,324)	-	34,829,308
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, 2025

	<u>All Requirements</u>	<u>Energy Center I Project</u>	<u>Total</u>
Operating Revenues			
Billings	\$ 110,167,084	\$ -	\$ 110,167,084
Total Operating Revenues	<u>110,167,084</u>	<u>-</u>	<u>110,167,084</u>
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	<u>110,057,470</u>	<u>7,180</u>	<u>110,064,650</u>
Operating Income (Loss)	<u>109,614</u>	<u>(7,180)</u>	<u>102,434</u>
Nonoperating Revenues (Expenses)			
Interest expense	(118,741)	(2,329,383)	(2,448,124)
Investment income	1,010,848	880,796	1,891,644
Net Nonoperating Revenues (Expenses)	<u>892,107</u>	<u>(1,448,587)</u>	<u>(556,480)</u>
Change in Net Position	<u>1,001,721</u>	<u>(1,455,767)</u>	<u>(454,046)</u>
Net Position, Beginning of Year	<u>36,180,075</u>	<u>-</u>	<u>36,180,075</u>
Net Position, End of Year	<u>\$ 37,181,796</u>	<u>\$ (1,455,767)</u>	<u>\$ 35,726,029</u>

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

	<u>All Requirements</u>	<u>Energy Center I Project</u>	<u>Total</u>
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)
	<u>18,143,605</u>	<u>348,537</u>	<u>18,492,142</u>
Cash Flows From Capital and Related Financing Activities			
Advances from line of credit	-	21,731,684	21,731,684
Payments on line 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)
	<u>543,809</u>	<u>95,365,082</u>	<u>95,908,891</u>
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
Investment income	1,010,848	630,427	1,641,275
	<u>1,010,848</u>	<u>(86,496,268)</u>	<u>(85,485,420)</u>
Net Cash Provided by (Used in) Investing Activities			
	<u>1,010,848</u>	<u>(86,496,268)</u>	<u>(85,485,420)</u>
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	<u>\$ 57,136,260</u>	<u>\$ 9,217,351</u>	<u>\$ 66,353,611</u>

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

	<u>All Requirements</u>	<u>Energy Center I Project</u>	<u>Total</u>
Reconciliation to Cash and Cash Equivalents to the Balance Sheet:			
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	<u>\$ 57,136,260</u>	<u>\$ 9,217,351</u>	<u>\$ 66,353,611</u>
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	<u>\$ 18,143,605</u>	<u>\$ 348,537</u>	<u>\$ 18,492,142</u>
Supplemental Noncash Activities			
Accounts payable incurred for capital assets	\$ -	\$ 1,471,489	\$ 1,471,489
Amortization of bond issuance premium	\$ -	\$ 79,658	\$ 79,658