





MISSION

KMEA is passionately committed to the success of our members fulfilling their primary mission of providing reliable and cost effective energy to their communities. We pledge our relentless focus and dedication to providing new and innovative solutions to help our members achieve this mission.

VISION

KMEA will remain steadfast in our ongoing commitment of adding value and helping our members navigate the rapidly evolving and complex industry. Our Agency will be actively engaged and responsive to our members' short-term, intermediate, and long-term energy needs with innovative solutions. KMEA will be at the forefront of emerging industry developments that could adversely or positively impact our members, whether market driven, regulatory, or technological. KMEA will be agile, as member needs and market trends dictate, and every employee will bring their drive and expertise to maximize the value we provide our members. We will maintain a member-centric approach; one of continuous improvement, so that we remain the energy solution provider of choice.

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A MESSAGE FROM KMEA'S PRESIDENT AND GENERAL MANAGER

Duane Banks and Paul Mahlberg

In these pages last year words like “historic” and “uncharted” were used to describe the challenges confronted and steps undertaken by KMEA to successfully transition the Agency from the previous market design to the Integrated Marketplace (IM). The preparation and planning required an innovative and strategic approach unlike any other time, as new systems, processes, and skills had to be developed. Last year’s pages were penned only a few months after launching into the IM. It was gratifying to see that seeds sown then, followed by additional refinements along the way, left the Agency well positioned in 2015. More will be said about this in the pages that follow.

Among the key accomplishments in 2015 was launching the new, mobile friendly website, www.kmea.com, which was debuted at the May Annual Meeting. The new website is a quantum leap forward from its predecessor, and you told us so. It is user friendly but, more importantly, it offers tremendous value. As designed, the website is teeming with resources an abundance of information and is now the central warehouse for member information.

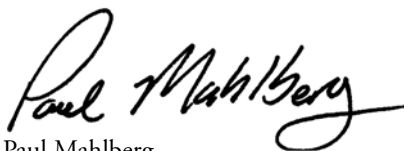
A few months following the website launch ShareFile was introduced. ShareFile is a virtual web-based file cabinet that allows KMEA to post documents for each city in a secure manner. The ShareFile application offers members a wide range of resources including access to contracts, monthly meeting agendas, meeting minutes, presentations, invoices, and more. What commonly required an inquiry to retrieve in the past is now at your fingertips and regularly archived. Additional infrastructure improvements were also made at the Agency in the form of a server upgrade and a fiber optics connection which allows greater bandwidth to enhance communication with SPP.

While 2014 was historically transformative with KMEA’s entry into the SPP Integrated Marketplace, 2015 was a year marked by transformation of a different variety. In 2015 substantial changes occurred in KMEA leadership including General Manager, President, and Executive Committee, those charged with carrying out the day-to-day activities of the Agency. We were both honored and excited to be a part of the leadership transformation in 2015 and look forward to serving you in 2016. In addition to a new President, elections at the May Board of Directors meeting resulted in a significant change in the makeup of the Executive Committee with five new members elected to the nine-member committee.

Overall municipal utilities across the state of Kansas experienced lower energy costs in 2015 due to a number of factors, not the least of which was historically low natural gas prices. Of course new challenges will emerge and the industry will continue to change. However, our commitment to member-focused solutions will not change and this commitment is as strong as ever as we move forward in 2016. We want to thank you for your trust and support.



Duane Banks
KMEA President



Paul Mahlberg
KMEA General Manager

PAUL MAHLBERG SELECTED AS GENERAL MANAGER

The KMEA/KMGA Search Committee, comprised of 10 municipal member utilities, selected Paul Mahlberg to be the next General Manager. He officially assumed his role on August 10, 2015. Prior to joining the KMEA Paul served for 19 years with Independence Power & Light (IPL). For the last six years Paul served as Deputy Director where he managed over 200 employees and was responsible for the complete operation of the utility. Earlier in Paul's career he spent several years with an engineering consulting firm working almost exclusively for municipal utilities and public power districts. Over the span of his career Paul has been involved in a number of different

areas including rate study, economic feasibility analysis, power supply planning and operations.

Paul, the KMEA Staff, and the Executive Committees have had an ambitious start and Paul is committed to serving the membership at the highest level and expanding the ways in which the Agency can bring value to its members. Paul was excited to get started and after only a few days in the office he took to the open road to get out and start meeting with member cities... and he hasn't stopped. His goal is to continue his travels in 2016 and meet with as many cities as possible. ■

2015 ANNUAL CONFERENCE

There was a great turnout for the November 5-6 Annual Conference. The number of municipal utility personnel and elected officials in attendance was up markedly, filling the meeting room to capacity. The format was a departure from previous conferences, as day one began with the KMGA and KMEA Board of Directors meetings. The general session got underway that afternoon with an energetic and entertaining keynote presentation from Lt. Colonel Kevin Sweeney, who shared "Pressure Cooker Confidence", a theme that featured the emotional account of his Desert Storm night combat mission when he successfully landed a plane with two engines ripped off the right wing.

The conference offered a wealth of information and insights, including topical presentations and a tour of the Siemens Energy Wind turbine assembly plant. Among the presenters were Dennis Grennan, Vice President of HDR, with his presentation "Factors to Consider for Owning Generation" and Paul Zummo, Manager of Policy Research & Analytics with APPA, who presented "Integrating Solar Technology." Additionally, Kansas Municipal Utilities (KMU) Director, Colin Hansen provided a legislative and regulatory update. ■





DUANE BANKS | HONORED WITH THE MAX EMBREE AWARD

Duane Banks, Electric Utility Director for the City of Russell, was the 2015 recipient of the Max Embree Award. Max Embree was a long-time resident of the City of Colby who played a leading role in the early years of KMEA. The award honors his memory and is awarded to individuals who have demonstrated exceptional leadership and devoted service to both KMEA and public power. ■

GREG DUMARS | PRESENTED WITH THE GIL HANSON AWARD

Greg DuMars, City Administrator for the City of Lindsborg, was selected by past winners to receive the Gilbert E. Hanson Outstanding Service Award. This award, named in honor of KMEA's first General Manager, Gil Hanson, recognizes those who have made significant contributions to municipal joint action, their communities, the electric utility industry, and public power. ■



TWO MEMBERS CELEBRATE POWER CENTENNIALS IN 2015



The City of Attica and the City of Erie each reached the centennial milestone in 2015 representing 100 years of public power. KMEA recognized the cities at the Annual Conference. To celebrate this achievement KMEA presented each with a plaque commemorating this historic achievement. Jason Wyatt, Attica Superintendent, was on hand at the annual conference to receive the award on behalf of the City of Attica. KMEA was privileged to present the award to Erie Mayor, Darrell Bauer, at a city council meeting. ■

Left Photo: Jason Wyatt, Attica Superintendent, pictured in the center.
Right Photo: Erie mayor, Darrell Bauer, pictured on the right.

POWER SUPPLY AND FINANCE COMMITTEES

Power Supply Committee

Since its beginnings in 2012 the Power Supply Committee has been tasked with reviewing a number of resources, both long-term and short-term, to meet the future energy needs of KMEA's member cities. At the May 2015 Power Supply Committee meeting a new Chairman, Mike Muirhead, and a new Vice Chairman, Bob Mills, were appointed. The Committee has met several times since and they have reviewed a number of power supply options for our members including wind energy as well as considering transmission ownership as an option to help offset future transmission costs. The Power Supply Committee has a renewed focus and enthusiasm as they move forward to ensure the availability of economical and reliable energy resources for the future.

Finance Committee

The Finance Committee, also established in 2012, was successful in staying on task with its established mission. The objectives of the Committee include assisting the Power Supply Committee in the funding of future projects and identifying financial objectives that meet Agency and member needs and interests in a timely and cost effective manner. Additionally, the committee reviews all other financial aspects of the Agency. Among the contributions the committee can claim in 2015 is analyzing and finalizing the 2016 Agency Budget, reviewing RubinBrown's independent audit, and providing recommendations for annual funding of the Agency's Regulatory and Dispute Fund.

KMEA Remains Opportunistic in the Integrated Market Place

The Southwest Power Pool Integrated Marketplace continued to mature throughout 2015. With this maturity came less volatility and more predictable energy prices. Left behind were the fast-paced preparations preceding the launch of the Integrated Marketplace on March 1, 2014. In the midst of a more predictable and mature market environment we continued about the business of systematically improving the level of service KMEA provides to the member cities it represents in the SPP Market. Incremental improvements were made to key internal processes in 2015 such as fine-tuning KMEA's proprietary SPP billing allocation model

and further enhancing our capacity to store and process the vast amounts of data that the SPP Market entails.

We were honored and proud to be chosen by two cities to become their energy provider in 2015. On April 1st the city of Altamont, whose peak load during the year was 2.5 MW, was welcomed as the twelfth member of Energy Management Project #3. On July 1st The City of Pomona, with its peak load of 2.1 MW, joined EMP #1 as the group's sixth member. With the systems and infrastructure that KMEA has put into place both cities were integrated seamlessly and we were immediately able to provide for them the same level of service to which existing member cities are accustomed. With the addition of Altamont and Pomona, the number of cities represented by KMEA in the SPP Market increased to thirty-one.

The Southwest Power Pool itself also experienced significant growth during the year with a northward expansion on October 1, 2015, when the Integrated System (IS) joined the Regional Transmission Organization. Comprised of the Western Area Power Administration's (WAPA) Upper Great Plains Region, Basin Electric Power Cooperative, and Heartland Consumers Power District, the IS added over 200,000 square miles of new territory across five states, approximately 5,000 megawatts of peak load, and almost 7,600 megawatts of generating capacity to the SPP footprint.

KMEA maintained its commitment to participation in the SPP stakeholder process with continued representation on the Change Working Group (CWG), Market Working Group (MWG), Regional Tariff Working Group (RTWG), and the Markets and Operations Policy Committee (MOPC). Furthermore, Neil Rowland, KMEA's Director of Transmission and Security and member of the RTWG, was selected to chair the SPP Z2 Payment Plan Task Force. This group is tasked to develop a strategy to allocate hundreds of millions of dollars in transmission upgrade costs to SPP transmission customers.

In varying degrees all KMEA cities benefited from lower energy prices in the SPP Market in 2015. Driven largely by historically

low gas prices, the relatively low cost of power in the SPP Energy Market lowered energy costs for municipal utilities all across the state of Kansas. The average daily index price of natural gas (Southern Star) in 2015 was \$2.41/MMBtu, down almost forty-five percent from the 2014 average of \$4.35/MMBtu. Combined with relatively mild weather and the increased prevalence of wind generation throughout the SPP footprint, the decrease in fuel prices translated directly into lower market prices for power. Even during the peak summer demand KMEA member cities enjoyed an average energy price of \$24.52/MWh in 2015 as compared to a \$29.86/MWh average just one year earlier. Monthly average SPP prices for many cities were below \$16/MWh at the close of 2015. ■

2015 Marketplace Highlights

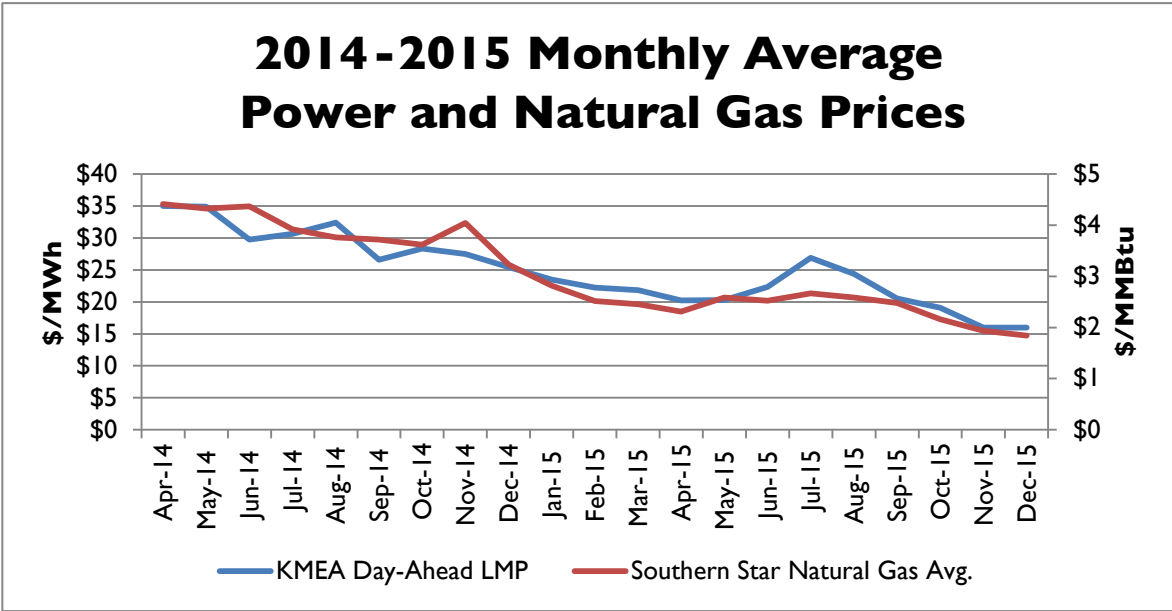
April 1 - Altamont joins EMP3 adding 2.5 MW of peak load to the group and becoming its twelfth member

July 1 - Pomona becomes the sixth member of EMP1 with a peak load of 2.1 MW.

July 13 - The thirty-one cities represented by KMEA in the SPP Integrated Marketplace (IM) set the 2015 KMEA coincident peak load of 349.4 MW

2015 Year-end facts...

- \$21.09 = Average hourly cost of power purchased from Southwest Power Pool (SPP)
- 31 = Number of cities KMEA represents in SPP, up from twenty-nine in 2014
- 362.2 MW = The thirty-one KMEA cities' combined, non-coincident peak load
- \$863K = Net benefit to cities from Day-Ahead congestion and congestion hedges
- 1.6 million MWh = City resources scheduled throughout the year
- \$8 million = Total energy purchased from SPP Integrated Marketplace



POWER MARKETING PROJECTS

KMEA actively seeks power marketing arrangements that match member cities' short and long-term power supply and capacity needs with power supply alternatives. KMEA member cities realize a broad range of supply options and competitive supplier pricing due to the larger market presence that the joint action approach brings. KMEA has championed multiple energy and capacity sales between member cities, providing them with opportunities to optimize their resources. Additionally, KMEA has enabling agreements in place with multiple suppliers enabling us to more quickly evaluate and act on proposals. KMEA, along with member cities, have developed strategies to best utilize transmission rights. In addition to all of this momentum, KMEA has a Power Supply Committee to research and determine new resources available for the membership to assist in securing a stable and economical energy supply for its members in the future. ■

Energy Management Project No.1

Energy Management Project No. 1 (EMP1) was officially created in January 2006 by a set of agreements between KMEA and five member cities: Baldwin City, Gardner, Garnett, Osawatomie and Ottawa. In 2015 the City of Pomona joined EMP1. Under the EMP1 agreement, project cities operationally combined their municipal electric systems to purchase electric power and transmission as a centrally dispatched group, and to manage power supplied from their entitlements in the Nearman, GRDA, SPA, and WAPA projects. EMP1 is also used to jointly purchase load following service from KCP&L. KMEA began delivering electricity under EMP1 on June 1, 2006.

Power Delivered: 2015—145,750 MWh

CITIES: Baldwin City Garnett Ottawa
Gardner Osawatomie Pomona

Energy Management Project No.2

The cities of Ashland, Beloit, Garden City, Hoisington, Lincoln Center, Meade, Osborne, Pratt, Russell, Sharon Springs, Stockton, and Washington saw the potential for achieving substantial benefits

for their municipal electric customers through the following actions: coordinating an interconnected electric system under a central dispatching center, sharing capacity and exchanging electricity, and jointly planning new electric power supplies. By enacting Energy Management Project No. 2 (EMP2), these cities built a project governance structure, established common reliability and metering standards, and set rules for sharing and exchanging power resources and determining project power supply pricing. The project began delivering electricity on November 1, 2007.

Power Delivered: 2015—497,895 MWh

CITIES: Ashland Lincoln Center Russell
Beloit Meade Sharon Springs
Garden City Osborne Stockton
Hoisington Pratt Washington

Energy Management Project No.3

Energy Management Project No. 3 (EMP3) was officially created in 2012 by a set of agreements between KMEA and 10 member cities: Burlingame, Chapman, Girard, Holton, Horton, Neodesha, Osage City, Seneca, Sterling, and Wamego. The City of Jetmore joined EMP3 in 2014 and the City of Altamont in 2015.

The EMP3 project began delivering electricity to the first participating city in May 2013.

Power Delivered: 2015—176,633 MWh

CITIES: Altamont Holton Osage City
Burlingame Horton Seneca
Chapman Jetmore Sterling
Girard Neodesha Wamego

GRDA Project

On January 19, 2000, KMEA and the Grand River Dam Authority (GRDA) entered into a 10-year purchase power agreement (PPA) for 39 MWs. The agreement consists of base

load capacity and energy, which is delivered on long-term firm transmission. In 2005 the agreement was extended to April 30, 2026, and the amount increased to 84 MWs in order to facilitate the addition of eight KMEA member cities.

Power Delivered: 2015—613,368 MWh

CITIES:

Augusta	Holton	Russell
Baldwin City	Horton	Sharon Springs
Beloit	Larned	Sterling
Ellinwood	Lincoln Center	Stockton
Erie	Neodesha	Wamego
Fredonia	Osage City	Washington
Gardner	Osawatomie	Wellington
Garnett	Osborne	Winfield
Girard	Ottawa	
Hoisington	Pratt	

Nearman

KMEA’s participation in Nearman Power Plant ended December 31, 2015. KMEA, on behalf of seven member cities, purchased a 15.96% (37.5 MW) stake in the coal power plant prior to its commercial in-service date in 1982. KMEA cities first received energy from the Nearman Project on March 1, 1983. The cities have been supplied with economical and reliable capacity and energy for the past 22 years. The Plant generated some of the most economic energy in the region in its first decade of production. Recent years have seen the variable costs of production creep above the average market price while capacity factors have receded to a level typically associated with peaking plants rather than base load units. Although our participation has ended, Kansas City –Board of Public Utilities is making upgrades to the unit that will keep it compliant with current standards.

Power Delivered: 2015—20,479 MWh

CITIES:

Baldwin City	Neodesha	Winfield
Fredonia	Osawatomie	
Mulvane	Ottawa	

SPA Hydro Power Pool Project

In 1983 a group of KMEA cities authorized the Agency to enter into a contract with the Southwestern Power Administration

whereby the cities would take their individual entitlements to federal hydroelectric power, which totaled 11.2 MW. Due to power transmission constraints, the individual entitlements were temporarily reassigned to nine project cities (“Class A Cities”) that could economically take the power. In December 2000 the project participants, KMEA and SPA, entered into new contracts that extend the power supply through 2018.

KMEA schedules power and bills participants for their share in the project. Participants annually receive 10,800 MWh of firm energy during peak hours. SPA also offers low-cost supplemental energy when favorable water conditions exist at its hydroelectric facilities. In 2014 six additional member cities began taking SPA power including Holton, Horton, Wamego, Oberlin, St. Francis, and Sharon Springs. On behalf of project participants, KMEA is active in the Southwestern Power Resources Association, an organization of SPA customers.

Members of the SPA project were fortunate in that a wetter than normal year of 2015 more than doubled the amount of energy delivered in 2014. Project members received over eleven times the amount of low cost supplemental energy that they received in 2014.

Power Delivered: 2015—28,076 MWh

CITIES:

Augusta	Horton	Oberlin
Baldwin City	Iola	Osawatomie
Chanute	LaCrosse	Ottawa
Colby	Lindsborg	St. Francis
Garnett	Mulvane	Sharon Springs
Herrington	Neodesha	Wamego
Holton	Norton	Wellington

WAPA Hydro Power Pool Project

Under contracts with the Western Area Power Administration (WAPA), 49 project participants were entitled to firm hydroelectric capacity totaling 33.5 MW in the summer and 28.8 MW in the winter, with associated energy of 103,108 MWh annually. The “B” cities’ individual entitlements were temporarily reassigned to 18 “Class A Cities” that were able to arrange for economical transmission across intervening utility systems. In October 1989 they began receiving hydroelectric power.

WAPA energy is being scheduled to enable the participating



KMEA PROJECTS & EXECUTIVE COMMITTEE

WAPA Hydro Power Pool Project (cont.)

cities to avoid demand charges and replace high-cost, peak-hour energy. KMEA schedules power and handles the billing and accounting for the cities, while serving as a liaison between the Cities and WAPA. In 2014 three additional cities began taking WAPA power. In 1997 the WAPA power supply agreement was extended 20 years through 2024.

Power Delivered: 2015—103,108 MWh

CITIES:	Arcadia	Garnett	Osage City
	Arma	Glasco	Osawatomie
	Ashland	Glen Elder	Osborne
	Baldwin City	Goodland	Ottawa
	Belleville	Herington	Pomona
	Beloit	Hill City	Russell
	Burlingame	Holton	St. Francis
	Cawker City	Horton	Seneca
	Centralia	Jetmore	Sharon Springs
	Chapman	Lakin	Stockton
	Cimarron	Lincoln Center	Troy
	Colby	Lindsborg	Wamego
	Dighton	Lucas	Washington
	Enterprise	Mankato	Waterville
	Eudora	Meade	
	Garden City	Norton	
	Gardner	Oberlin	

Project Megawatt-hour Totals 2015

Project	Megawatt-hours
GRDA Project	613,368
Nearman Project	20,479
WAPA Hydro Power Pool Project	103,108
SPA Hydro	28,076
EMP1	145,750
EMP2	497,895
EMP3	176,633
Eudora	2,963
Total	1,588,272

KMEA EXECUTIVE COMMITTEE



Back row left to right: Bob Mills, Director of Utilities, City of Garnett; Matt Rehder, City Administrator, City of Seneca; Bret Bauer, City Manager, City of Holton

Front row left to right: Mike Muirhead, Vice President, Public Utilities Director, City of Garden City; Duane Banks, President, Electric Utility Director, City of Russell; Lane Massey, City Manager, City of Larned

Not pictured: Jeff Oleson, Secretary/Treasurer, Assistant Director of Utilities, City of Ottawa; Tyson McGreer, City Manager, City of Colby; Jonathan Mitchell, City Manager, City of Hoisington



KMEA MEMBER CITIES SUMMARY

City	Population	kWhs Sold	Peak kW	City	Population	kWhs Sold	Peak kW
Alma	925	13,154,485	3,235	Iola	5,704	99,955,983	25,184
Altamont	1,100	8,010,372	2,765	Jetmore	879	7,992,020	2,800
Anthony	2,314	32,514,247	8,900	Johnson City	1,475	15,474,091	4,208
Arma	1,482	9,396,889	3,139	Kansas City	148,500	2,181,181,000	485,000
Ashland	862	11,227,989	3,604	LaCrosse	1,300	11,075,521	4,500
Attica	622	6,033,214	2,060	Lakin	2,280	15,405,583	4,300
Augusta	9,274	64,277,275	21,569	Larned	4,046	39,278,524	11,500
Baldwin City	4,400	30,446,181	8,986	Lincoln Center	1,266	12,967,298	4,400
Belleville	1,991	20,636,676	6,350	Lindsborg	3,438	26,457,621	8,661
Beloit	3,792	43,871,225	12,500	Lucas	392	5,837,000	1,874
Burlingame	946	7,461,297	2,350	Mankato	870	7,761,331	3,980
Burlington	2,630	36,451,386	9,085	Marion	1,900	16,289,434	5,385
Cawker City	456	5,326,552	1,387	Meade	1,721	17,818,871	4,907
Centralia	512	4,373,000	1,188	Moundridge	1,750	27,510,434	7,000
Chanute	8,094	279,063,293	53,000	Mulvane	6,111	41,838,119	12,050
Chapman	1,393	11,042,037	3,414	Neodesha	2,486	39,096,071	10,553
Cimarron	2,236	15,147,650	4,394	Norton	2,486	25,346,806	8,320
Coffeyville	10,295	777,875,293	129,194	Oberlin	1,850	13,340,332	4,544
Colby	5,438	60,010,152	17,000	Osage City	2,940	34,403,162	8,526
Dighton	1,038	10,319,000	3,044	Osawatimie	4,385	29,124,735	8,800
Enterprise	950	5,014,241	1,451	Osborne	1,300	13,822,693	4,600
Erie	1,150	9,707,193	3,430	Ottawa	12,403	137,946,400	37,700
Eudora	6,300	44,946,153	11,922	Pomona	832	6,931,691	2,100
Fredonia	2,371	34,596,080	8,376	Pratt	6,900	82,241,120	24,396
Garden City	30,948	264,275,437	68,699	Russell	4,600	112,195,133	25,005
Gardner	20,667	135,144,792	37,400	Seneca	2,000	36,841,883	8,821
Garnett	3,402	27,242,386	8,800	Sharon Springs	768	6,881,100	2,034
Girard	2,789	25,274,219	9,100	St. Francis	1,329	10,787,698	3,315
Glasco	498	3,137,429	984	St. John	1,295	11,436,000	3,306
Glen Elder	435	3,864,609	1,038	Stafford	1,054	9,456,516	2,700
Goodland	4,489	53,576,402	12,800	Sterling	2,328	20,273,088	5,933
Greensburg	777	13,016,044	3,067	Stockton	1,200	13,271,000	3,864
Herington	2,526	17,143,186	5,741	Troy	1,010	8,356,770	2,090
Hill City	1,594	13,204,615	4,833	Wamego	4,800	46,227,590	12,800
Hillsboro	2,993	23,632,655	7,779	Washington	1,087	10,856,744	3,660
Hoisington	2,706	20,284,666	5,820	Waterville	616	4,746,723	1,548
Holton	3,500	48,382,896	11,377	Wellington	8,172	100,537,401	27,800
Horton	1,776	15,146,570	3,833	Winfield	12,288	292,998,309	61,348
Hugoton	3,979	37,837,307	11,272	Combined City Data	413,411	5,836,053,888	1,374,398

KMEA MEMBER CITIES & BOARD OF DIRECTORS

Alma

1. Jon Bolinder
2. Michael Slobodnik
3. Sharon White

Altamont

1. Elizabeth Finley
2. Brad Myers
3. Ryan Dickerson

Anthony

1. Steve Wilkinson
2. Larry Berry
3. Amber Kumer

Arma

1. Johnnie Joe Logiudici
2. Scott Popejoy
3. Ray Vail

Ashland

1. Doug Graff
2. Doug Roberts
3. Lucas Regier

Attica

1. Jason Wyatt
2. Angela Alexander
3. Charles Berry

Augusta

1. Jim Sutton
2. Mike Rawlings
3. Josh Shaw

Baldwin City

1. Marilyn Pearse
2. Chis Lowe
3. Rob Culley

Belleville

1. Neal Lewis
2. Russ Piroutek
3. David Svoboda

Beloit

1. Glenn Rodden
2. Ronald Sporleder
3. Henry Eilert

Burlingame

1. Wes Colson
2. Lee Ann Smiley

Burlington

1. Alan Schneider
2. R. Standley Luke

Cawker City

1. Wayne Musgrove
2. Janice Cornely
3. Doug Strathman

Centralia

1. Keith Heideman
2. Dustin Walters
3. Eric Osterhaus

Chanute

1. Larry Gates
2. Jeff Cantrell
3. Rick Willis

Chapman

1. Bobby Kam
2. Austin St. John
3. Tim Jury

Cimarron

1. Jeff Acton
2. Patty Duncan
3. Darrell DuPree

Coffeyville

1. Kendal Francis
2. Gene Ratzlaff
3. Mike Shook

Colby

1. Pat Mallory
2. Tyson McGreer
3. Gary Adrian

Dighton

1. Eugene Wilson
2. George VonLeonrod
3. Christine Birney

Enterprise

1. Vacant
2. Vacant
3. Vacant

Erie

1. Darrell Bauer
2. Scott Ewen
3. Darrell Bauer

Eudora

1. Mike Hutto
2. James Eldon Brown
3. Nathan Jones

Fredonia

1. Allen Miller
2. Carolyn Anderson

Garden City

1. Mike Muirhead
2. Cliff Sonnenberg
3. Kent Pottorf

Gardner

1. Lance Boyd
2. David Francq
3. Lee Moore

Garnett

1. Joyce Martin
2. Bob Mills
3. Preston Peine

Girard

1. Brandon Foraker
2. Ken Bradshaw
3. Chris Franklin

Glasco

1. Mike Dove
2. Kent Studt

Glen Elder

1. Jerri Senger
2. Eldon Behymer
3. Ryan Duskie

Goodland

1. Dustin Bedore
2. Mike Abbey
3. Lukas Wolak

Greensburg

1. Sandra Jungemann
2. Ed Truelove
3. Mick Kendall

Herington

1. Mike Wendt
2. David Gerhke
3. Fred Olsen

Hill City

1. Mort Plunkett
2. Dennis Mersch
3. Greg Deines

Hillsboro

1. Mike Duerksen
2. Larry Paine
3. Bob Watson

Hoisington

1. Jonathan Mitchell
2. Donita Crutcher
3. Randy Miller

Holton

1. Bret Bauer
2. Ira Harrison
3. Scott Fredrickson

Horton

1. Wade Edwards
2. James Martin
3. Brent Shaffer

Hugoton

1. Gary Rowden
2. Charlie Wagner
3. Jan Leonard

Iola

1. Mike Phillips
2. Chuch Heffern
3. Carl Slaugh

Jetmore

1. Grayson Path
2. Derek Olson
3. Brian Beil

Johnson City

1. Alan Schweitzer
2. Wade Tucker

Kansas City

1. Don Gray
2. Bob Adam
3. Jerry Ohmes

Kiowa

1. Lou Leone
2. Marlo Rugg
3. Brandon Farney

LaCrosse

1. Duane Moeder
2. Bruce Jones
3. Roland Holopirek

Lakin

1. Robbie McComb
2. Nick Hansen
3. Cindy Broeckelman

Larned

1. Lane Massey
2. Harry Zielke
3. Austin Battin

Lincoln Center

1. Jack Crispin JR
2. Travis Schwerdtfager
3. Melodee Larsen

Lindsborg

1. Gregory DuMars
2. Bill Taylor
3. Jody Sare

Lucas

1. Craig Langdon
2. Lucas Urban
3. Mitchall Woodruff

Mankato

1. Donald Koester
2. Terry Ortman
3. Thomas Roane

Marion

1. Christian Pedersen
2. Randy Kelsey
3. Marty Fredrikson

Meade

1. Randi Vanderpool
2. Roger Musgrove
3. Dean Cordes

Moundridge

1. Kevin Schmidt
2. Larry Stucky
3. Randy Frazer

Mulvane

1. Kent Hixson
2. Brad Modlin

Neodesha

1. Brandon Hearn
2. Eddy Truelove
3. Bobby Busch

Norton

1. David N Corns
2. Curt Bozarth

Oberlin

1. Pete Kampfer
2. Rob McFee
3. Dan Castle

Osage City

1. Rodney Willis
2. Dennis Combes
3. Dennis Combes

Osawatomie

1. Don Cawby
2. Mark Govea
3. Nick Hampson

Osborne

1. Scott Nuzum
2. Marvin McCormick
3. Jason Kibbe

Ottawa

1. Linda Reed
2. Dennis Tharp
3. Jeff Oleson

Pomona

1. Dean Wineinger
2. Linda Grob
3. Ken Thompson

Pratt

1. Bill Hlavachick
2. Dave Howard
3. Jamie Huber

Russell

1. Duane Banks
2. Jon Quinday
3. Jim Cross

St. Francis

1. Bruce Swihart
2. J.R. Landenberger
3. Scott Schultz

St. John

1. Mel Chesbro
2. Mel Chesbro
3. Kevin Davis

Seneca

1. Jim Mitchell
2. Matthew Rehder
3. Galen Niehues

Sharon Springs

1. Patricia Miller
2. Brad Hatfield
3. Dennis Sharp

Stafford

1. Dennis Bronson
2. Shawn Burgey
3. Frank Smiley

Sterling

1. John Wagerle
2. Taggart Wall
3. John Wagerle

Stockton

1. Kim Thomas
2. Jeff Scott
3. Keith Schlaegel

Troy

1. Sarah Boeh-Cerra
2. Margaret Sutherland
3. Robert Jenkins

Wamego

1. Victor Enns
2. Merl Page

Washington

1. Richard Applegarth
2. Roxanne Schottel
3. Carl Chalfant

Waterville

1. Chuck Tryon
2. Jonathan Oatney
3. Tony Mann

Wellington

1. John Bales
2. Roy A. Eckert
3. Shane Shields

Winfield

1. Gregory Thompson
2. James Ging
3. Beth R. Wilke

KMGA CITIES SUMMARY

A MESSAGE FROM KMGA'S PRESIDENT AND GENERAL MANAGER

J.R. Hatfield and Paul Mahlberg

In 2015 KMGA continued to deliver on its pledge to provide comprehensive assistance to member cities while staying true to its primary mission of obtaining reliable, competitively priced natural gas.

KMGA was highly visible in member communities in 2015. KMEA staff visited 36 member cities throughout the state. By their own admission, few initiatives have quite the impact as meeting with city personnel face to face. KMGA was privileged to meet with so many engaged city staff and was humbled by their hospitality. These visits provide cities a unique opportunity to showcase their communities and facilities. Furthermore, there is no better setting than local communities for KMGA staff to answer questions about a city's natural gas system, discuss services KMGA provides, review rate calculations, and address a host of other items of interest. Because of the value city visits provide, they are an integral piece of KMGA'S plans going forward. We invite you to call on us if you would like us to include your city in our 2016 member visits.

At the November Annual Conference, KMGA also hosted a first-time breakout session for KMGA cities. The purpose of the session was to bring city personnel together to discuss the management of their natural gas distribution systems. Among the topics covered during the session was an overview of KMGA, walking through KMGA's invoicing process, calculating rates for end-use customers, calculation of line losses on city systems, a discussion of data tracked by KMGA that can be provided to each city, and a review of the KMGA management fee structure. The breakout concluded with open discussion time which allowed participants to network with attendees from other member cities. The feedback from those who participated in the session was very positive.

As reported in greater detail in the pages that follow, KMGA cities were beneficiaries of historically low prices, the lowest in over 16 years. Natural gas became the choice of supply for power generation throughout the United States in 2015 and looks very favorable heading into 2016.

Whether our member cities are enjoying the record low prices of 2015 or enduring volatility and the high prices of just a couple of years ago, be assured that KMGA will be a steadying force. We have reason to be optimistic about the future and we appreciate your continued trust and support as we look ahead to 2016.



J.R. Hatfield
KMGA President

Paul Mahlberg
KMGA General Manager

KMGA GAS SUPPLY PROJECT

Kansas Municipal Gas Agency (KMGA) was founded in 1990 under the authority of the Kansas Interlocal Cooperative Act. The Agency was originally created by a group of 27 cities that wanted to join together to form a market pool for purchasing their natural gas in order to give them market power they would not have individually. Since its inception, KMGA has grown in size and currently has 44 members. KMGA procures and manages supply for 24 municipals which own their natural gas distribution system. We also manage supply for 16 power plants, eight individual cities and a Unified School District. Beginning in 1993, KMGA started contracting with KMEA for the provision of management services.

KMGA members are cities that either own or operate a gas distribution utility or use natural gas in other municipal utility operations. A city that joins KMGA becomes an owner as well as a member. Each full member city exercises its ownership with an equal vote on the Board of Directors. A separate committee of the Board of Directors, known as the Executive Committee, consists of seven members and carries on the day-to-day activities of the Agency. The Board of Directors annually

elects officers and Executive Committee members, ratifies the actions taken by the Executive Committee, and adopts the annual budget of the Agency.

The Agency provides comprehensive assistance to cities dealing with natural gas issues affecting their utilities. The Gas Agency's primary mission is to obtain reliable, competitively priced natural gas for its member cities. To protect members from volatile pricing, KMGA's Executive Committee and Board of Directors established a gas purchasing policy for purchasing natural gas for its member cities. The Agency is diversified in its natural gas purchasing, adopting a strategy of hedging, index pricing, and daily market buys.

KMGA also manages pipeline transportation services, monitors gas usage and storage balances, reviews and assists in cities' rate calculation processes, and administers the daily gas nomination and balancing process. Pipelines serving KMGA cities include Atmos Energy, Black Hills Energy, Enable Gas Transmission, Kansas Gas Service, Natural Gas Pipeline, Panhandle Eastern Pipe Line, and Southern Star Central Gas Pipeline. ■

KMGA EXECUTIVE COMMITTEE



Back row left to right: Randy Frazer, Vice President, City Administrator, City of Moundridge; J.R. Hatfield, President, City Administrator, City of Halstead; Gus Collins, Director of Gas/Wastewater Utilities, City of Winfield

Front row left to right: Laura Hill, Secretary/Treasurer, City Clerk, City of Kechi; Rod Willis, City Manager, City of Osage City

Not pictured: Gary Emry, City Administrator, City of Hesston; John Sweet, City Administrator, City of Lyons



KMGA MEMBER CITIES & BOARD OF DIRECTORS

Alma

- 1. Kurtis Jackson
- 2. Michael Slobodnik

Anthony

- 1. Larry Berry
- 2. Steve Wilkinson

Argonia

- 1. Alan Brundage
- 2. Wayne Vineyard

Attica

- 1. Jason Wyatt
- 2. Bret Ricke

Augusta

- 1. Bill Webster
- 2. Jim Sutton

Baldwin City

- 1.
- 2. Rob Culley

Beloit

- 1. Glenn Rodden
- 2. Ronnie Sporleder

Burlingame

- 1. Wes Colson
- 2. David PUNCHES

Cassoday

- 1. Jim Vaught
- 2. Joy Nelson

Coffeyville

- 1. Gene Ratzlaff
- 2. Kendal Francis

Concordia

- 1. Jeremy Arnold
- 2. Larry Uri

Ellinwood

- 1. Bud Newberry
- 2. Dave Lloyd

Eskridge

- 1. Mike Bohn
- 2. Justin Rush

Gardner

- 1. Lee Moore
- 2. John Krievins

Garnett

- 1. Joyce Martin
- 2. Bob Mills

Halstead

- 1. J. R. Hatfield
- 2. Ethan Reimer

Hesston

- 1. Gary Emry
- 2. Scott Robertson

Hoisington

- 1.
- 2. John Carey

Howard

- 1. Becky Oakleaf
- 2. Ernest Tousley

Humboldt

- 1. Cole Herder
- 2. Jerome Bulk

Kechi

- 1. Larry Kallenberger
- 2. Laura Hill

LaCygne

- 1. Devona Herrin
- 2. Jerome Moore

Larned

- 1. Ralph Streit
- 2.

Lyons

- 1. John Sweet
- 2. Brian Vagts

McLouth

- 1. Kim Everley
- 2. Gary Tullis

Moundridge

- 1. Randy Frazer
- 2.

Mulvane

- 1. Brad Modlin
- 2. Kent Hixson

Osage City

- 1. Joseph Lamond
- 2. Rod Willis

Ottawa

- 1. Dennis Tharp
- 2. Jeff Oleson

Partridge

- 1. Sam Askew
- 2. Larry Creason

Spearville

- 1. Bruce Vierthaler
- 2. Tammy Konrade

Sterling

- 1. John Wagerle
- 2. Taggart Wall

Uniontown

- 1. Josh Hartman
- 2. Amber Kelly

Walton

- 1. Merlyn Johnson
- 2.

Wamego

- 1. Merl Page
- 2.

Washington

- 1. Richard Applegarth
- 2. Carl Chalfant

Wellington

- 1. Roger Estes
- 2. Ryan Hain

Winfield

- 1. Gus Collins
- 2. James Ging

AFFILIATE MEMBERS

Abbyville
Altamont
Chanute
Denison
Little River
Sylvia

- 1. Director
- 2. Alternate

* Data as of November



KMGA MEMBER CITIES SUMMARY

City	Population	Total MMBtu Purchased	2015 Peak Day MMBtu
Abbyville	89	3,539	46
Anthony*	2,314	10,121	469
Argonia	497	18,406	260
Attica	622	27,739	353
Augusta*	9,274	4,430	631
Baldwin City*	4,400	2,099	195
Burlingame	946	42,087	547
Cassoday	128	6,984	100
Coffeyville*	10,295	283,271	8,938
Concordia	5,261	1,267	9
Denison	186	8,840	115
Ellinwood*	2,114	65	38
Eskridge	527	51,136	669
Gardner*	20,667	10,436	1,896
Garnett	3,402	143,475	1,814
Halstead	2,083	181,068	1,138
Hesston	3,736	327,882	3,247
Hoisington*	2,706	125	67
Howard	633	28,673	379
Humboldt	1,927	83,932	857
Kechi	1,961	40,818	498
LaCygne	1,125	58,807	534
Lyons	3,737	144,576	1,743
Manhattan	N/A	13,474	Not available

City	Population	Total MMBtu Purchased	2015 Peak Day MMBtu
McLouth	858	27,977	369
Moundridge	1,750	97,544	1,051
Mulvane*	6,111	40	3
Osage City	2,940	102,784	1,342
Ottawa*	12,403	13,932	995
Partridge	241	8,232	114
Spearville	806	29,103	386
Sterling*	2,328	337	Not available
Sylvia	216	7,707	96
Uniontown	264	9,140	130
Walton	233	11,717	223
Wamego*	4,800	1,656	388
Washington*	1,087	590	Not available
Washington USD	1,087	4,959	Not available
Wellington*	8,172	36,653	2,811
Winfield	12,288	572,183	6,712
Winfield Power Plant*	N/A	66,337	4,660

*Natural gas used in electric power generation

COMBINED CITY TOTALS:

Population	134,214
MMBtu Purchased	2,484,141

NATURAL GAS INDUSTRY REVIEW

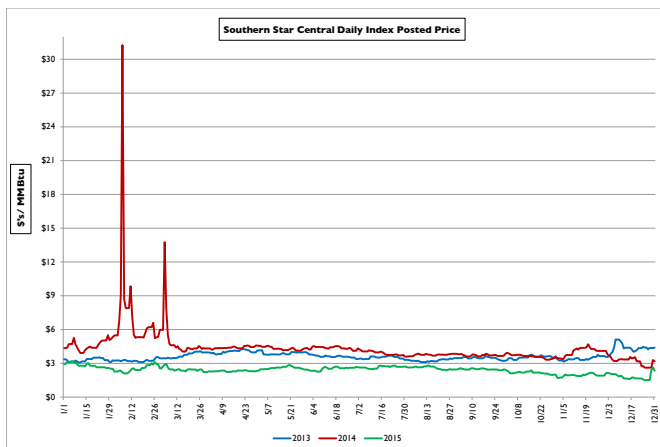
A REVIEW OF THE NATURAL GAS INDUSTRY IN 2015

Throughout 2015 the natural gas industry saw lows, highs, and record setting marks. Natural gas prices reached the lowest level in 16 years. The winter heating season was the warmest since 1950 on a gas weighted heating degree day basis. This resulted in lower demand. Natural gas production continued to increase and marketed production volumes set a record high in September. Energy Information Administration (EIA) reported storage inventory levels reached a record high in November. Natural gas topped coal in overall US power generation in July and continued that trend for the next three months. Natural gas used in US power generation surpassed that used for residential/commercial demand for the first time since 2005 in December.

Natural Gas Prices

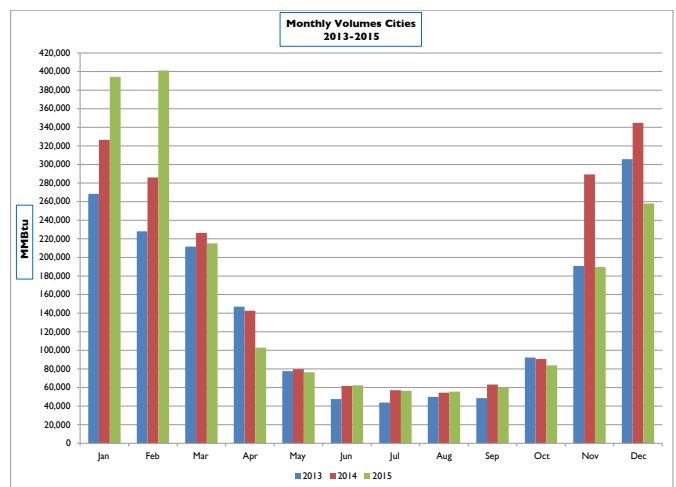
Spot prices at the Henry Hub in Louisiana averaged \$2.61 per MMBtu in 2015, the lowest annual average level since 1999. Daily prices fell below \$2/MMBtu for the first time since 2012.

Midcontinent pipelines Enable and Southern Star Central (SSC) both posted their lowest daily index price for 2015 on Dec 24th; \$1.39 and \$1.505 per MMBtu respectively. These low prices are a far cry from the \$30+ prices we saw in February 2014.



Extremely Low Heating Demand

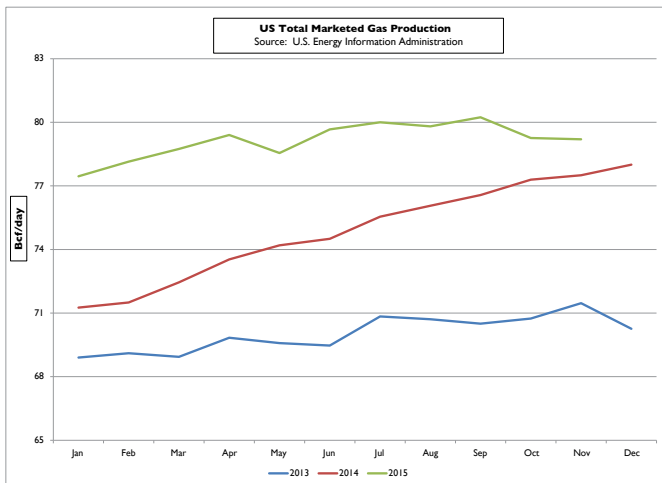
The beginning of the 2015-16 winter heating season was the warmest since 1950. The Northeastern and Midcontinent US saw very warm temperatures in November and December. Typically these areas are large consumers of natural gas this time of the year. KMGa volumes for November were 35% less than last November; December 2015 volumes were about 15% less than the prior year.



Natural Gas Production

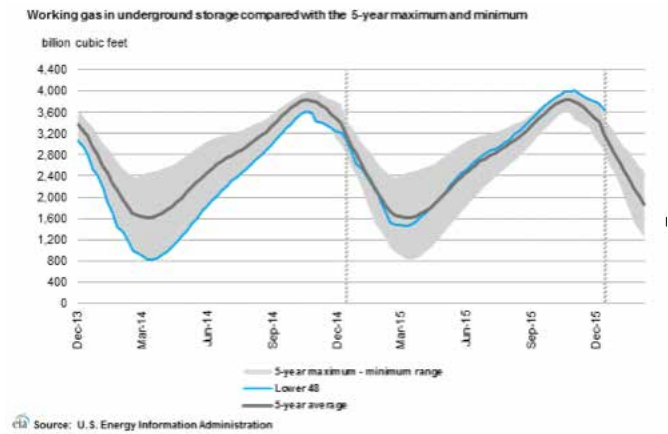
Increased natural gas production played a role in lower prices during 2015. Production in Eastern US continues to grow and is currently 11% higher year-over-year since 2013. Total marketed production hit a record high of 81.1 Bcf/d in September. The 2015 daily average of 79.6 Bcf of natural gas production is an increase of 6.3% from 2014 and 13.5% from 2013.

Increases in drilling efficiency continue to support growing natural gas production despite low natural gas prices and declining rig count. EIA is forecasting production to increase 2% in 2016.



High Storage Levels

Increased natural gas production along with low heating demand has allowed storage levels to reach record highs. Coming out of the withdrawal season (April 1st) storage was at 1,461 Bcf. It took only eight months of storage injections for the inventory level to reach a record high of 4,009 Bcf reported by the EIA on November 20th. Storage levels finished well above the 5-year average for 2015. ■



TO THE BOARD OF DIRECTORS KANSAS MUNICIPAL ENERGY AGENCY OVERLAND PARK, KANSAS

Report On The Financial Statements

We have audited the accompanying basic financial statements of Kansas Municipal Energy Agency, which comprise the statements of net position as of December 31, 2015 and 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the

auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kansas Municipal Energy Agency as of December 31, 2015 and 2014, and the results of its operations and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the Kansas Municipal Energy Agency adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and schedule of contributions on pages 20 through 23 and 37 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Kansas Municipal Energy Agency's basic financial statements. The combining schedules and related note on pages 38 through 39, 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 records and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the combining statements and related note are fairly stated in all material respects, in relation to the financial statements as a whole.

RubinBrown LLP

March 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

The management of Kansas Municipal Energy Agency (KMEA or the Agency) offers readers of the Agency's financial statements this narrative overview of the Agency's financial activities for the years ended December 31, 2015 and 2014. We encourage readers to consider the information provided here in conjunction with the accompanying financial statements and notes to basic financial statements.

Overview Of The Reporting Entity

The Agency, a quasi-municipal corporation, was created by a group of cities in May 1980 under authority of Kansas statutes that allow any two or more cities to create a municipal energy agency for the purpose of securing an adequate, economical and reliable supply of electricity, or other energy, and transmitting the energy to the distribution systems of such cities. Today, the Agency consists of 77 Member cities and provides electricity through nine major Projects.

A Board of Directors governs the business affairs of the Agency. Each Member appoints two Directors. The Board elects nine Directors to serve on the Executive Committee, which acts in place of the Board on a day-to-day basis and has all powers of the Board except (1) to adopt annual budgets, (2) to approve contracts that entail the issuance of bond anticipation notes or revenue bonds and (3) to approve interest rates or official financing documents. Full Board of Directors meetings are held in May and November.

The Agency generally maintains its accounts in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC). As a regulated operation, the accounting principles applied by the Agency differ in certain respects from those applied by nonregulated business. The Agency follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accrual basis of accounting is used, with revenues recorded when earned and expenses recorded when incurred.

The Agency manages nine major long-term electricity supply Projects on behalf of its Members. They are the (1) Western Area Power Administration Hydro Power Pool Project (WAPA), (2) Southwestern Power Administration Hydro Power Pool Project (SPA), (3) Nearman Creek Unit Power Project (Nearman), (4) Grand River Dam Authority Power Project (GRDA), (5) Energy Management Project No. 1 (EMP1), (6) Energy Management Project No. 2 (EMP2), (7) Energy Management Project No. 3 (EMP3), (8) Eudora Project and (9) Garden City Project. The Agency also maintains a separate project for its administrative function and the smaller and short-term projects, which are combined in the supplemental information as Miscellaneous Projects.

Financial Objectives

The Agency was created by its Member cities as a joint action agency to develop projects that provide economical supplies of electric power to the Members' municipal electric utilities. The Agency is similar to a not-for-profit entity in that it charges its Members for the actual expenditures incurred. Any differences between a project's revenue and expense are retained in the project as part of accumulated net position.

In each power supply project, the Agency has contracted with suppliers and transmission providers on behalf of the Members participating in the project. The Agency then contracts with each participating Member for a proportionate share of the power supply on the same terms and at the same costs the Agency is obligated to pay under the supply and transmission contracts, plus an administrative fee for the Agency. The administrative fee is established by the Members on an annual basis and is used to pay Agency administrative costs.

Because of the Agency's conservative approach to budgeting annual expenses and establishing the administrative fee, the Agency has consistently stayed within budget and has excess funds on hand at the end of the year. Though operating without a profit margin, the Agency has protected its financial integrity by contracting with each of its project participants on the same terms as the Agency contracts with suppliers and transmission

providers. This pass-through approach has virtually eliminated financial risks to the Agency.

Overview Of The Financial Statements

This report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows and Notes to Basic Financial Statements. The Statement of Net Position presents information on all of the Agency's assets, liabilities and deferred inflows, with the difference between the two reported as net position. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Agency's net position changed during the most recent fiscal year. The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the statements.

Here, the reader is offered an overview and analysis of summary financial statements. Condensed Statement of Net Position are presented in Table 1. Table 2 provides Condensed Statement of Changes in Net Position. Condensed Statement of Cash Flows are summarized in Table 3.

Fiscal Year 2015 - Net Position

As of December 31, 2015 and 2014, Agency assets exceeded its liabilities by \$3,516,000 and \$2,788,000 (net position), respectively. Unrestricted cash and cash equivalents increased by \$674,000, from \$5,891,000 to \$6,565,000. The Agency has long-term debt of \$1,000,000 financed under the lease-purchase of its corporate headquarters building, which closed on December 1, 2008. As of December 31, 2015, the principal due within one year is \$64,000, and the principal due beyond one year is \$632,000. The Agency also has \$43,804,000 of debt associated with the financing of the Jameson Energy Center for the City of Garden City.

Current assets minus current liabilities increased by \$48,000; from \$(2,239,000) as of December 31, 2014, to \$(2,191,000) as of December 31, 2015.

Change in net position for 2015 totaled \$728,000, compared to \$1,103,000 for 2014. The change in net position in 2015 was different from 2014 primarily due to a decrease in nonoperating revenues. Also in 2014, a prior period restatement associated with GASB Statement No. 68 was recorded.

Fiscal Year 2014 - Net Position

As of December 31, 2014 and 2013, Agency assets exceeded its liabilities by \$2,788,000 and \$2,952,000 (net position), respectively. Unrestricted cash and cash equivalents decreased by \$67,000, from \$5,958,000 to \$5,891,000. The Agency has long-term debt of \$1,000,000 financed under the lease-purchase of its corporate headquarters building, which closed on December 1, 2008. As of December 31, 2014, the principal due within one year is \$62,000, and the principal due beyond one year is \$631,000. The Agency also has \$44,976,000 of debt associated with the financing of the Jameson Energy Center for the City of Garden City.

Current assets minus current liabilities decreased by \$2,455,000; from \$216,000 as of December 31, 2013, to \$(2,239,000) as of December 31, 2014. This decrease was primarily due to increases in interest payable and the current portion of long-term debt.

Change in net position for 2014 totaled \$1,103,000, compared to \$(260,000) for 2013. In 2014, a prior period restatement associated with GASB statement No. 68 was recorded.

**Table 1: Condensed Statement Of Net Position
(in thousands)**

	December 31		
	2015	2014	2013
Assets & Deferred Outflows			
Utility plant, net	\$1,009	\$1,029	\$31,734
Restricted funds	6,739	6,445	15,377
Current assets	11,841	11,993	10,930
Noncurrent assets	41,098	42,183	
Deferred outflows of resources	177	86	
Total Assets & Deferred Outflows	60,864	61,736	58,041
Liabilities & Deferred Inflows			
Long-term obligations, less current portion	43,173	44,450	44,335
Other noncurrent liabilities	40	40	40
Current liabilities	14,032	14,232	10,714
Deferred inflows of resources	103	226	—
Total Liabilities & Deferred Inflows	57,348	58,948	55,089
Net Position	\$3,516	\$2,788	\$2,952

The Agency implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense. As a

KMEA AUDITORS REPORT

result of the implementation, net position as of January 1, 2014 was restated to include the following (in thousands):

Net Position, As Previously Reported, January 1, 2014	\$2,952
Prior Period Adjustments	
Net pension liability (measurement date of June 30, 2013)	(1,324)
Deferred outflows	
Contributions made after the measurement date of June 30, 2013 through December 31, 2013	57
Total prior period adjustment	(1,267)
Net Position, As Restated, January 1, 2014	\$1,685

There were no significant changes in the balance sheet during 2015. During 2015, total assets decreased by \$872,000, and total liabilities decreased by \$1,600,000; resulting in a net \$728,000 increase in net position from \$2,788,000 to \$3,516,000.

The Agency restated 2014 for the impact of implementing GASB 68. During 2014, total assets and deferred outflows increased by \$3,695,000, and total liabilities and deferred inflows increased by \$3,859,000; resulting in a net \$164,000 decrease in net position from \$2,952,000 to \$2,788,000.

Table 2: Condensed Statements Of Revenues, Expenses and Changes in Net Position (in thousands)

	December 31		
	2015	2014	2013
Revenues			
Operating revenues	\$90,322	\$101,160	\$72,390
Interest on investments	2,305	2,102	1
Total Revenues	92,627	103,262	72,391
Expenses			
Purchased power	85,533	95,250	68,180
Other expenses	6,366	6,909	4,471
Total Expenses	91,899	102,159	72,651
Change in Net Position	\$728	\$1,103	\$(260)
Net Position – Beginning of Year, As Previously Reported	—	2,952	2,952
Prior Period Restatements	—	(1,267)	—
Net Position – Beginning of Year, As Restated	2,788	1,685	—
Net Position – End of Year	\$3,516	\$2,788	\$2,952

Fiscal Year 2015 - Change In Net Position

Operating revenues declined by 11% in 2015 from the prior year, as the net result of a decline in market energy costs for the Projects.

Because operating revenues basically reflect the pass-through of purchased power costs, the \$10,838,000 decrease in operating revenues in 2015 was accompanied by a \$9,717,000 decrease in purchased power costs.

Other expenses decreased by \$543,000; \$6,909,000 in 2014 compared to \$6,366,000 in 2015. The decrease in other expenses was mainly due to an decrease in expenditures associated with EMP2 (Garden City).

Since the Agency operates its projects on a cost-plus-administrative fee basis, the major part of any significant increases in operating expenses are billed to the Project participants and reflected as higher operating revenues. As a consequence, while total expenses decreased by \$10,260,000 in 2015, revenues decreased by \$10,635,000, resulting in a change in net position for 2015 of \$728,000.

Fiscal Year 2014 - Change In Net Position

Operating revenues increased by 40% in 2014 from the prior year, as the net result of changes in sales volumes for the Projects. Operating revenues for the EMP2 project increased by 84% due to the addition of the City of Garden City to the project in 2014. Operating revenue also increased due to the full year participation of the EMP3 cities during 2014.

Because operating revenues basically reflect the pass-through of purchased power costs, the \$28,770,000 increase in operating revenues in 2014 was accompanied by a \$27,070,000 increase in purchased power costs.

Other expenses increased by \$2,438,000; \$4,471,000 in 2013 compared to \$6,909,000 in 2014. The increase in other expenses was mainly due to an increase in expenditures associated with EMP3 and EMP2 (Garden City). Other expense also increased due to an increase in interest expense for the Garden City Project (Jameson Energy Center).

Since the Agency operates its projects on a cost-plus-administrative fee basis, the major part of any significant increases in operating expenses are billed to the Project participants and reflected as higher operating revenues. As a consequence, while total expenses increased by \$29,508,000 in 2014, revenues increased by \$30,871,000, resulting in an increase in change in net position for 2014 of \$1,363,000. This increase in the change in net position is mostly due to net revenues for the Agency being positive and net interest associated with the Jameson Energy Center being positive.

Table 3: Condensed Statements Of Cash Flow (in thousands)

	December 31		
	2015	2014	2013
Operating Income (Loss)	\$667	\$706	\$(218)
Issuance of note receivable	—	(244)	—
Repayments from note receivable	79	26	—
Repayments from direct financing lease	1,006	39	—
Proceeds (Purchases) of investments	551	—	(2,857)
Interest received on note, lease and investments	2,304	2,090	1
Investment earnings	—	14	—
Issuance of debt	—	—	43,642
Principal paid on debt	(738)	(58)	(55)
Proceeds from note payable/line of credit	—	1,500	100
Principal paid on note payable/line of credit	(487)	(159)	(100)
Interest paid	(2,244)	(1,189)	(43)
Depreciation	67	128	186
Changes in assets and liabilities	362	(423)	1,466
Net additions to plant	(47)	(11,426)	(30,016)
Net increase (decrease) in cash	1,520	(8,996)	(12,106)
Cash & Cash Equivalents - Beginning of Year	9,482	18,478	6,372
Cash & Cash Equivalents - End of Year	\$11,002	\$9,482	\$18,478

Fiscal Year 2015 - Cash Flow

In comparing the 2015 cash flow statement with that for 2014, the 2015 cash flow statement reflects a decrease in outstanding account payable.

Fiscal Year 2014 - Cash Flow

In comparing the 2014 cash flow statement with that for 2013, the 2013 cash flow statement reflects an operating loss of

\$(218,000) compared to operating income of \$706,000 in 2014. The increase was mainly due to net revenues for the Agency being positive and net interest associated with the Jameson Energy Center being positive.

Plant

The Agency's headquarters building was purchased on December 1, 2008 for \$953,000. During the next seven months, the Agency added renovations and improvements costing \$320,000. When the staff moved into the building in June 2009, the property costs were transferred from construction-work-in-process (CWIP) to utility plant and depreciation began. The Agency anticipates that the building will be able to accommodate any additional staff into the foreseeable future.

The headquarters building was originally built in 1979. The building is being depreciated over 20 years.

Economic Outlook

The cost of wholesale electricity is expected to be stable through 2015, as long as coal and natural gas stay within their recent bands of relatively low prices. Demand for electricity will increase slowly in line with modest growth in the U.S. economy. Over the longer term, the effects of future environmental laws and regulations on electricity demand and cost is uncertain. Because the Agency is structured where it bills Project participants for the actual cost of power delivered, plus a markup to cover administrative costs, Agency revenues and purchase power costs are budgeted to increase in proportion with changes in wholesale electricity prices.

Requests For Information

This financial report is designed to provide our members, investors and creditors with a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kansas Municipal Energy Agency, 6300 West 95th Street, Overland Park, Kansas 66212-1431.

KMEA AUDITORS REPORT

STATEMENT OF NET POSITION (in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	December 31	
	2015	2014
Plant		
Land	\$97	\$97
Structures and equipment, depreciable	1,220	1,220
Electric plant in service, depreciable	1,884	1,837
Accumulated depreciation	(2,192)	(2,125)
Total Plant	1,009	1,029
Restricted Funds		
Cash and investments	6,739	6,445
Current Assets		
Cash and cash equivalents	6,565	5,891
Accounts receivable	5,261	6,081
Prepaid expenses	15	21
Total Current Assets	11,841	11,993
Noncurrent Assets		
Notes receivable	139	218
Direct financing lease	40,959	41,965
Total Current Assets	41,098	42,183
Total Assets	60,687	61,650
Deferred Outflows of Resources – Pension	177	86
Total Assets and Deferred Outflows of Resources	\$60,864	\$61,736

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities Payable From Restricted Funds		
Accounts payable	\$40	\$40
Other Noncurrent Liabilities		
Long-term obligations, less current portion	43,173	44,450
Current Liabilities		
Accounts payable and other accrued liabilities	9,481	9,899
Customer deposits	761	769
Accrued vacation and sick leave	154	156
Interest payable	1,117	1,105
Current portion of long-term debt	1,263	1,219
Net pension liability	1,256	1,084
Total Current Liabilities	14,032	14,232
Total Liabilities	57,245	58,722
Deferred Inflows of Resources – Pension	103	226
Net Position		
Net investment in capital assets	377	336
Restricted	2,295	2,078
Unrestricted	844	374
Net Position	3,516	2,788
Total Liabilities and Net Position	\$60,864	\$61,736

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)

	For the Years Ended December 31	
	2015	2014
Operating Revenues		
Project power	\$85,646	\$95,307
Other revenues	4,676	5,853
Total Operating Revenue	90,322	101,160
Operating Expenses		
Purchased power and fuel	85,533	95,250
Administrative and general expense	4,055	5,076
Depreciation and amortization	67	128
Total Operating Expenses	89,655	100,454
Total Operating Revenues	667	706
Nonoperating Revenues (Expenses)		
Interest on investments	2,305	2,102
Interest expense	(2,244)	(1,705)
Total Nonoperating Revenues	61	397
Change in Net Position	728	1,103
Net Position – Beginning of Year, As Previously Reported	—	2,952
Prior Period Restatements	—	(1,267)
Net Position – Beginning of Year	2,788	1,685
Net Position – End of Year	\$3,516	\$2,788

KMEA AUDITORS REPORT

STATEMENT OF CASH FLOWS (in thousands)

For The Years Ended
December 31

	2015	2014
Cash Flows from Operating Activities		
Cash received from members	\$91,140	\$100,033
Cash paid to suppliers	(88,472)	(98,041)
Cash paid to employees	(1,572)	(1,581)
Net Cash Provided By Operating Activities	1,096	411
Cash Flows from Investing Activities		
Sale of investments	411	413
Purchase of investments	(411)	(411)
Issuance of note receivable	—	(244)
Repayments from note receivable	79	26
Repayments from direct financing lease	1,006	39
Interest received on direct financing lease and note receivable	2,304	2,090
Investment earnings	—	12
Net Cash Provided By Investing Activities	3,389	1,925
Cash Flows From Capital and Related Financing Activities		
Proceeds from note payable	—	1,500
Proceeds from sale of investments	(159)	—
Principal paid on note payable	(487)	(159)
Principal paid on debt	(738)	(58)
Additions to plant	(47)	(11,426)
Interest paid	(2,244)	(1,189)
Net Cash Used In Capital & Related Financing Activities	(2,965)	(11,332)
Net Increase (Decrease) in Cash and Cash Equivalents	1,520	(8,996)
Cash and Cash Equivalents – Beginning of Year	9,482	18,478
Cash and Cash Equivalents – End of Year	\$11,002	\$9,482
Reconciliation of Cash & Cash Equivalents to the Balance Sheet		
Restricted cash and investments	\$6,739	\$6,445
Cash and cash equivalents	6,565	5,891
Less: investments	(2,302)	(2,854)
Total Reconciliation of Cash & Cash Equivalents to the Balance Sheet	\$11,002	\$9,482
Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities		
Net operating revenues	\$667	\$706
Adjustments to reconcile net operation revenues to net cash provided by operating activities:		
Depreciation and amortization	67	128
Changes in assets and liabilities:		
Accounts receivable	820	(1,127)
Prepaid expenses	6	(3)
Accounts payable and accrued liabilities	(414)	682
Net pension liability and related deferred inflows and outflows	(42)	(43)
Customer deposits	(8)	68
Net Cash Provided by Operating Activities	\$1,096	\$411
Non-Cash Transactions		
Direct Financing Lease for Jameson Energy Center	\$ —	\$42,003

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

The Kansas Municipal Energy Agency (KMEA or the Agency), a quasi-municipal corporation, was officially organized under the authority of the laws of Kansas, K.S.A. 12-885 to 12-8,111, inclusive, as amended and supplemented (the Act). The Act allows two or more cities to create a municipal energy agency for the purpose of securing an adequate, economical and reliable supply of electricity and other energy and transmitting the same to the electric distribution systems of such cities. As of December 31, 2015 and 2014, the Agency had 77 and 79 member municipalities, respectively. Two representatives from each member municipality serve on the Agency's Board of Directors. The Agency is considered a jointly governed organization and is a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

I. Significant Accounting Policies

The Agency generally maintains its accounts in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC). As a regulated operation, the accounting principles applied by the Agency differ in certain respects from those applied by nonregulated business. The Agency follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accrual basis of accounting and economic resources measurement focus is used by the Agency. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Revenue is earned at the time electricity or other services are delivered.

The activities of the Agency consist of planning, financing, developing and constructing projects to supply the energy needs of the Agency's members. The Agency presents the combining schedule of net position and the combining schedule of revenues, expenses and changes in net position by project as supplemental information.

For each power supply project, the Agency has contracted with wholesale electricity suppliers and transmission providers on behalf of those members participating in the project. The Agency then contracts with each participant for a proportionate share of the power supply on the same terms and at the same costs the Agency is obligated to pay under the supply and transmission

contracts, plus an administrative fee for the Agency. The administrative fee is established by the members on an annual basis and is used to pay the costs of Agency operations. The Agency has also used portions of the annual administrative fees to create and maintain a working capital account for short-term power supply transactions and transmission service deposits and for a building maintenance reserve for possible major repairs to the headquarters building, which was acquired in December 2008.

Project power revenues and related receivables include amounts billed for Agency services rendered.

Restricted cash and temporary cash investments are restricted for the following purposes at December 31, 2015: \$1,099,000 is restricted for the Agency funds held by the Southwest Power Pool; \$154,493 is restricted for cities participating in the WAPA project; \$638,000 is restricted for the GRDA project funds held by the Southwest Power Pool; \$176,000 is restricted for the EMP1 project funds held by the Southwest Power Pool; \$229,000 is restricted as a reserve fund held by the Agency; \$4,403,000 is held by a trustee related to the Series 2013 bonds and is restricted in the Garden City project for the Jameson Energy Center; \$40,000 is restricted in the Nearman Project to pay for certain payables.

Restricted cash and temporary cash investments are restricted for the following purposes at December 31, 2014: \$1,099,000 is restricted for the Agency funds held by the Southwest Power Pool; \$165,000 is restricted for cities participating in the WAPA project; \$638,000 is restricted for the GRDA project funds held by the Southwest Power Pool; \$176,000 is restricted for the EMP1 project funds held by the Southwest Power Pool; \$4,327,000 is held by a trustee related to the Series 2013 bonds and is restricted in the Garden City project for the Jameson Energy Center; \$40,000 is restricted in the Nearman Project to pay for certain payables.

The Agency considers all accounts receivable to be fully collectible. Consequently, management believes that no allowance for doubtful accounts is necessary.

Land, structures and equipment, and electric plant in service are stated at cost. The costs of repairs and minor additions and replacements are charged to operating expense as appropriate. Costs of renewals and betterments are capitalized. Depreciation

KMEA AUDITORS REPORT

is computed on the straight-line method based on the estimated useful lives of capital assets, ranging from 5 to 28 years.

Customer deposits consist of refundable deposits from member cities for the following purpose as of December 31, 2015 and 2014:

	December 31	
	2015	2014
Deposits held to secure payment of monthly bills	\$761,000	\$769,000

Vacation leave and a portion of sick leave vest and may be carried forward by an employee. These compensated absences are accrued as a liability as they are earned.

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees' Retirement System (KPERS) and additions to and deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position - Restricted represents payments made by member cities to fund certain working capital reserves as well as retained interest earnings related to certain projects.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, less any outstanding debt that is attributable to the acquisition or construction of those assets.

For purposes of the statement of cash flows, the Agency considers highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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

Operating revenues result from exchange transactions with member cities. Nonoperating revenues consist of investment earnings. Expenses associated with operating the Agency are considered operating. The Agency first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Reclassifications

Certain 2014 amounts have been reclassified, where appropriate, to conform to the 2015 financial statement presentation.

New Accounting Standards

For year ended December 31, 2015, the Agency implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense. As a result of the implementation, net position as of January 1, 2014 was restated as follows (in thousands):

Net Position, As Previously Reported, January 1, 2014	\$2,952
Prior Period Adjustments	
Net pension liability (measurement date of June 30, 2013)	(1,324)
Deferred outflows	
Contributions made after the measurement date of June 30, 2013 through December 31, 2013	57
Total prior period adjustment	(1,267)
Net Position, As Restated, January 1, 2014	\$1,685

As a result of the implementation, 2014 information has been retrospectively adjusted as follows:

- On the 2014 Statement of Revenues, Expenses, and Changes in Net Position, administrative and general expense decreased \$43,000, resulting in an increase of net operating revenues and change in net position of \$43,000.
- On the 2014 Statement of Net Position, deferred outflows of resources increased \$86,000, net pension liability increased \$1,084,000 and deferred inflows of resources increased \$226,000.
- On the 2014 Statement of Cash Flows, net operating revenues increased \$43,000 and changes in net pension liability and related deferred inflows and outflows decreased \$43,000.

2. Deposits And Investments

Cash and investments held on KMEA's behalf are governed by KMEA's Operating Funds Investment Policy. All deposits must be covered by Federal depository insurance or be adequately collateralized. Such collateral must be held in KMEA's name by KMEA's custodial banks. As stated in the policy, all investments are to be made in U.S. treasury obligations or any other security backed by the full faith and credit of the U.S. Treasury; U.S. government guaranteed bonds; commercial paper with a rating of at least A1/P1; money market funds rated no less than A; and municipal bonds rated no less than Aa at the time of purchase. In the event funds of the Agency are not required for immediate use, including funds resulting

from proceeds from the sale of any bonds or notes, the Agency's investing is performed in accordance with K.S.A. 12-895, which permits investments in obligations, securities and other investments, subject to any agreement with bondholders or note holders.

Investments are stated at fair value. The fair value of marketable securities is based on quotations, which are generally obtained from national securities exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or national pricing services.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency manages credit risk by assigning each investment classification a minimum rating as outlined in the first paragraph of Note 2.

Interest Rate Risk

The Agency's policy for maturities of investments of proceeds from bonds or notes limits the investment's maturity to a date that does not exceed the expected disbursement of those monies for debt maturities. The policy does not specify maturity guidelines for operating fund investments, only that maturities should not exceed the Agency's time requirements for the use of operating funds.

At December 31, 2015, the carrying value, maturities and credit ratings of deposits and investments are summarized as follows:

	Maturities				Credit Rating S&P
	Fair Value	≤12 Months	12-24 Months	> 24 Months	
Deposits	\$6,979,000	\$6,979,000	\$ —	\$ —	N/A
Investments					
Money market mutual fund	1,921,000	1,921,000	—	—	AAAm
Investments Held with Trustee:					
Federal National Mortgage Association	144,000	—	—	144,000	AA+
Federal Home Loan Mortgage Corporation	1,014,000	—	—	1,014,000	AA+
Corporate bonds	1,144,000	—	—	1,144,000	BB
Money market mutual fund	2,102,000	2,102,000	—	—	AAAm
Total Deposits, Including Investments	\$13,304,000	\$11,002,000	\$ —	\$2,302,000	

KMEA AUDITORS REPORT

At December 31, 2014, the carrying value, maturities and credit ratings of deposits and investments are summarized as follows:

	Fair Value	Maturities			Credit Rating S&P
		≤12 Months	12-24 Months	> 24 Months	
Deposits	\$6,088,000	\$6,088,000	\$ —	\$ —	N/A
Investments					
Money market mutual fund	1,921,000	1,091,000	—	—	AAAm
Investments Held with Trustee:					
Federal National Mortgage Association	142,000	—	—	142,000	AA+
Federal Home Loan Bank	551,000	—	551,000	—	AA+
Federal Home Loan Mortgage Corporation	1,017,000	—	—	1,017,000	AA+
Corporate bonds	1,144,000	—	—	1,144,000	BB
Money market mutual fund	1,473,000	1,473,000	—	—	AAAm
Total Deposits, Including Investments	\$12,336,000	\$9,482,000	\$551,000	\$2,303,000	

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency's policy is to collateralize the demand deposits with securities held by the financial institution's agent and in the Agency's name. At December 31, 2015 and 2014, the Agency's deposits were insured by federal depository insurance and uninsured deposits were fully collateralized in accordance with the Agency's policy. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2015 and 2014, the Agency's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with the amount of investments the Agency has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Agency allows a maximum of 100% of the portfolio to be invested in U.S. Treasury obligations; 100% in U.S. government guaranteed bonds; 35% in commercial paper (5% issuer maximum);

35% money market funds (5% issuer maximum); and 35% in municipal obligations (5% issuer maximum). At December 31, 2015, 16% of the Agency's investments were in Federal Home Loan Mortgage Corporation securities and 18% of the Agency's investments were in Corporate Bonds from Banque Centrale De Tunisia. At December 31, 2014, 9% of the Agency's investments were in Federal Home Loan Bank securities, 16% of the Agency's investments were in Federal Home Loan Mortgage Corporation securities and 18% of the Agency's investments were in Corporate Bonds from Banque Centrale De Tunisia.

3. Pension Plan

Plan Description

Employees of the Agency participate in the Kansas Public Employees Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system. The payroll for employees covered by the System for the years ended December 31, 2015 and 2014 was \$1,572,000 and \$1,590,000, respectively; and the Agency's total payroll was \$1,572,000 and \$1,590,000, respectively.

The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, or by visiting its website at www.kpers.org.

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points". Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Additional information on how eligibility and the benefit amount is determined may be found in the Notes to the Financial Statements of KPERS' CAFR.

Contributions

Member contribution rates are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. The contributions and assets are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis. For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.0% of total payroll for the KPERS fiscal year ended June 30, 2015.

The employer contribution rate was 9.48% for the KPERS fiscal year ended June 30, 2015.

Contributions to the pension plan from the Agency were \$147,000 and \$137,000 for the years ended December 31, 2015 and 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources And Deferred Inflows of Resources Related to Pensions

At December 31, 2015 and 2014, the Agency reported a liability of \$1,256,000 and \$1,084,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 and December 31, 2013, which was rolled forward to June 30, 2015 and June 30, 2014.

The Agency's proportion of the net pension liability was based on the Agency's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for KPERS plan year ended June 30, 2015 and June 30, 2014. At December 31, 2015 and 2014, the Agency's proportion was .095657% and .088057%, respectively.

There were no changes in benefit terms during the KPERS plan year ended June 30, 2015 or 2014 that affected the measurement of total pension liability.

For the year ended December 31, 2015 and 2014, the Agency recognized pension expense of \$105,000 and \$93,000. At December 31, 2015 and 2014, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended December 31, 2015		
Differences between expected and actual experiences	\$ —	\$36,000
Changes of assumptions	—	18,000
Net difference between projected and actual earnings on pension plan investments	—	49,000
Changes in proportion and differences between Agency contributions and proportionate share of contributions	104,000	—
Agency contributions subsequent to the measurement date of June 30, 2015	73,000	—
Total	\$177,000	\$103,000

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended December 31, 2014		
Differences between expected and actual experiences	\$ —	\$31,000
Net difference between projected and actual earnings on pension plan investments	—	195,000
Changes in proportion and differences between Agency contributions and proportionate share of contributions	13,000	—
Agency contributions subsequent to the measurement date of June 30, 2014	73,000	—
Total	\$86,000	\$226,000

At December 31, 2015 and 2014, \$73,000 was reported in each year as deferred outflows of resources related to pensions which result from Agency contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Agency's year as follows for the Plan year ending June 30:

Year	Pension Expense
2016	\$ (15,400)
2017	(15,400)
2018	(15,400)
2019	37,000
2020	10,200
Thereafter	—
	\$1,000

Actuarial Assumptions

The total pension liability for the June 30, 2015, measurement date was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The actuarial

valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	3.0 Percent
Wage Inflation	4.0 Percent
Salary increases, including wage increases and inflation	4.0 - 16.0 Percent
Long-term rate of return, net of investment expense, and including price inflation	8.0 Percent

Mortality rates were based on the RP 2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The actuarial cost method is Entry Age Normal. The amortization method is level percentage of payroll, closed.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study conducted for the three year period ending December 31, 2012.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2015, are summarized as follows:

Asset Class	Long-Term Target Allocation (%)	Expected Real Rate of Return (%)
Global equity	47.0	6.3
Fixed income	13.0	0.8
Yield driven	8.0	4.2
Real return	11.0	1.7
Real estate	11.0	5.4
Alternatives	8.0	9.4
Short-term investments	2.0	(0.5)
Total	100.0	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The table on the following page presents the net pension liability of the Pension Plan as of June 30, 2015, calculated using the discount rate of 8.00%, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

1.00% Decrease 7.00%	Current Discount Rate: 8.00%	1.00% Increase 9.00%
\$1,783,000	\$1,256,000	\$809,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

4. Transactions With Affiliates

The Agency is closely related to the Kansas Municipal Gas Agency (KMGA). KMGA is an interlocal municipal agency created to secure natural gas supplies for its member cities, which own gas or electric distribution utilities. In a comparable manner, the Agency secures electricity for its member cities, which own electric distribution utilities. Due to their common membership and similar purposes, the Agency entered into a Management Services Agreement with KMEA on August 9, 1990, whereby Agency employees managed KMGA's general operations and performed project-specific services.

The Management Services Agreement was superseded when the two agencies, on May 20, 1998, entered into the Interlocal Cooperation Agreement for Joint Administration, under authority of the Interlocal Cooperation Act (K.S.A. 12-2901, et seq., as amended). Under the Joint Administration Agreement, which automatically renews annually unless terminated by either party, KMGA will continue to rely on Agency employees to manage and administer KMGA's operations. For the services provided and related expenses incurred, the Agency bills KMGA at cost. The management services fee was approximately \$236,400 and \$223,200 in 2015 and 2014, respectively. As of December 31, 2015 and 2014, accounts receivable from KMGA was \$21,000 and \$19,900, respectively.

The Joint Administration Agreement created the Joint Board for Administration, comprised of seven representatives: three each from the Agency and KMGA Board memberships, who together select the seventh representative. The Joint Board is empowered to (1) recommend annual budgets respecting the administrative activities of the agencies, (2) employ the General Manager of the agencies, (3) hear employment grievances of Agency employees and (4) recommend changes to the Agency employment policies. KMGA has no employees. The Joint Board is expressly prohibited from adopting annual budgets for the Agency or KMGA and from authorizing the issuance of any indebtedness of the Agency or KMGA. Those powers remain with the respective Boards of the two agencies.

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5. Capital Assets

Capital assets consisted of the following amounts as of December 31, 2015:

	2014 Balance	Additions	Deletions	2015 Balance
Capital assets not being depreciated				
Land	\$97,000	\$ —	\$ —	\$97,000
Work-in-process	—	—	—	—
Total capital assets not being depreciated	97,000	—	—	97,000
Capital assets being depreciated				
Plant in services	1,837,000	47,000	—	1,884,000
Structures and equipment	1,220,000	—	—	1,220,000
Total capital assets being depreciated	3,057,000	47,000	—	3,104,000
Less: accumulated depreciation	2,125,000	67,000	—	2,192,000
Total capital assets being depreciated, net	932,000	(20,000)	—	912,000
Capital assets, net	\$1,029,000	\$(20,000)	\$ —	\$1,009,000

Capital assets consisted of the following amounts as of December 31, 2014:

	2013 Balance	Additions	Deletions	2014 Balance
Capital assets not being depreciated				
Land	\$97,000	\$ —	\$ —	\$97,000
Work-in-process	30,586,000	11,166,000	(41,752,000)	—
Total capital assets not being depreciated	30,683,000	11,166,000	(41,752,000)	97,000
Capital assets being depreciated				
Plant in services	1,828,000	11,000	(2,000)	1,837,000
Structures and equipment	1,220,000	—	—	1,220,000
Total capital assets being depreciated	3,048,000	11,000	(2,000)	3,057,000
Less: accumulated depreciation	1,997,000	128,000	—	2,125,000
Total capital assets being depreciated, net	1,051,000	(117,000)	(2,000)	932,000
Capital assets, net	\$31,734,000	\$11,049,000	\$(41,754,000)	\$1,029,000

6. Direct Financing Lease And Note Receivable

The Agency has a 30-year agreement to lease the Jameson Energy Center to Garden City. For accounting purposes, the Agency has classified the lease as a direct financing lease.

The lease payments to be received coincide with debt service payments the Agency is required to make on the Series 2013 revenue bonds and a portion of the Agency (Garden City) note payable agreement (Note 7). The interest rates on the lease are the same as those used in the bonds and note payable. Payments of principal and interest on the bonds are made annually through July 2044. Payments of principal and interest on the note are made monthly through August 2017. Ownership of the Jameson Energy Center is transferred to Garden City on the date of the final principal and interest payment on the bonds.

At December 31, 2015, the future minimum lease payments to be received under the lease are as follows:

Year Ending December 31,	Payment
2016	\$ 3,305,000
2017	3,162,000
2018	2,863,000
2019	2,863,000
2020	2,862,000
2021-2025	14,319,000
2026-2030	14,314,000
2031-2035	14,318,000
2036-2040	14,318,000
2041-2044	7,158,000
Total minimum lease payments receivable	79,482,000
Less: unearned income	38,523,000
Present value of minimum lease payments	\$40,959,000

Unearned income is amortized to interest income by the interest method using a constant periodic rate over the lease term.

As part of the agreement to lease the Jameson Energy Center, there is a separate note that is payable by Garden City to the Agency. The interest rate on the note receivable is the same as the rate used in the Agency (Garden City) note payable agreement (Note 7). Repayments from Garden City of principal and interest are due monthly through August 2017.

At December 31, 2015, the future minimum lease payments to be received under the note are as follows:

Year Ending December 31,	Payment
2016	\$ 86,000
2017	57,000
Total note payments receivable	143,000
Less: interest	4,000
Present value of note payments	\$139,000

7. Lines Of Credit, Long-Term Debt And Other Long-Term Obligations

In December of 2008, the Agency entered into a \$1,000,000 lease purchase agreement that matures December 2023 to purchase and make certain renovations to a building which is now being used as the Agency's corporate headquarters. The lease is payable in semiannual installments of \$49,345, including interest at 5.49%. The lease is secured by capital assets. The net book value of the building and land acquired under the lease purchase agreement as of December 31, 2015 and 2014 was \$707,000 and \$745,000, respectively. Amortization of the leased building under capital assets is included with depreciation expense.

In May 2015, the Agency (EMP1 Project) entered into a line of credit agreement with a financial institution that matures in May 2016. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.25% at December 31, 2015) less .25%. There were no amounts outstanding as of December 31, 2015 on this line of credit.

In May 2015, the Agency (EMP2 Project) entered into a line of credit agreement with a financial institution that matures in May 2016. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.25% at December 31, 2014) less .25%. There were no amounts outstanding as of December 31, 2015 on this line of credit.

In May 2015, the Agency (EMP3 Project) entered into a line of credit agreement with a financial institution that matures in May 2016. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.25% at December 31, 2015) less .25%. There were no amounts outstanding as of December 31, 2015 on this line of credit.

During the year ended December 31, 2013, the Agency issued Series 2013 revenue bonds in the amount of \$42,725,000 that carry interest rates of 3% to 5.75%. Payments are due in annual installments starting July 1, 2014. Principal payments began on July 1, 2015 and continue until 2044. The bonds carry mandatory sinking fund payments in each of the years 2030 through 2044. The bonds are subject to redemption prior to maturity at par on or after July 1, 2023. These bonds were issued at a premium, which is accounted for under the effective-interest method. The proceeds were used to finance the acquisition and construction of the Jameson Energy Center related to the Garden City project.

The Agency has a Power Sales Contract related to the Series 2013 bonds with the City of Garden City. The bonds require Garden City to maintain certain rate covenants sufficient to meet its obligations to the Agency under the Power Sales Contract.

In November of 2015, the Agency, on behalf of Garden City, renewed a \$630,000 letter of credit agreement with a financial institution that expires December 2016. At December 31, 2015, no amounts were drawn on this letter of credit.

In January of 2014, the Agency, on behalf of Garden City, entered into a note payable agreement with a financial institution that matures in August 2017. The Agency may draw up to

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\$1,500,000 on the note, which bears interest at an initial rate of 3.25%. During the year ended December 31, 2014, \$1,500,000 was drawn on the note. The note is to be paid by Garden City and is secured by the Power Sales Contract between Garden City, Kansas and the Agency. At December 31, 2015, \$854,000 was payable on the note.

The following is a summary of long-term debt transactions for the Agency for the year ended December 31

	2014 Balance	Additions	Deletions	2015 Balance	Due Within One Year
Lease purchase agreement	\$693,000	\$ —	\$(61,000)	\$632,000	\$64,000
Garden City note	1,341,000	—	(487,000)	854,000	494,000
Series 2013	42,725,000	—	(670,000)	42,055,000	690,000
Bond Premium	910,000	—	(15,000)	895,000	15,000
	\$45,669,000	\$ —	\$(1,233,000)	\$44,436,000	\$1,263,000

	2013 Balance	Additions	Deletions	2014 Balance	Due Within One Year
Lease purchase agreement	\$751,000	\$ —	\$(58,000)	\$693,000	\$62,000
Garden City note	—	1,500,000	(159,000)	1,341,000	487,000
Series 2013	42,725,000	—	—	42,725,000	670,000
Bond Premium	917,000	—	(7,000)	910,000	—
	\$44,393,000	\$ 3,000,000	\$(224,000)	\$45,669,000	\$1,219,000

Aggregate maturities of long-term debt are as follows:

Year Ending December 31,	Lease Purchase		Long-Term Bond		Garden City Note		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$64,000	\$34,000	\$690,000	\$2,172,000	\$494,000	\$22,000	\$3,476,000
2017	68,000	30,000	715,000	2,152,000	360,000	4,000	3,329,000
2018	72,000	26,000	740,000	2,123,000	—	—	2,961,000
2019	76,000	22,000	770,000	2,094,000	—	—	2,962,000
2020	80,000	18,000	805,000	2,057,000	—	—	2,960,000
2021 - 2025	272,000	25,000	4,680,000	7,804,000	—	—	12,781,000
2026 - 2030	—	—	5,965,000	8,630,000	—	—	14,595,000
2031 - 2035	—	—	7,615,000	7,077,000	—	—	14,692,000
2036 - 2040	—	—	9,980,000	4,870,000	—	—	14,850,000
2040 - 2044	—	—	10,095,000	2,004,971	—	—	12,099,971
	\$632,000	\$155,000	\$42,055,000	\$40,983,971	\$854,000	\$26,000	\$84,705,000

During 2015, the Agency incurred \$2,259,000 of interest. During 2014, the Agency incurred \$1,705,000 of interest.

Termination Benefits Payable And Compensated Absences

During 2009, two employees provided notice of their retirement which took place in 2010. The Agency agreed to provide both retirees with health insurance coverage typically only offered to current employees until they reach age 65. These agreements were signed by both the Agency and the employees prior to December 31, 2009. Therefore, in accordance with GASB 47, *Accounting for Termination Benefits*, the Agency has recorded a liability. The total payable was estimated based on the current monthly premium for both employees and the number of months until they both reach the age of 65. See table below for liability as of December 31, 2015 and 2014.

	2014 Balance	Additions	Deletions	2015 Balance	Due Within One Year
Termination benefits	\$ —	\$ —	\$ —	\$ —	\$ —
Compensated absences	156,000	—	(2,000)	154,000	154,000
	\$156,000	\$ —	\$(2,000)	\$154,000	\$154,000

	2013 Balance	Additions	Deletions	2014 Balance	Due Within One Year
Termination benefits	\$ 7,000	\$ —	\$(7,000)	\$ —	\$ —
Compensated absences	140,000	16,000	—	156,000	156,000
	\$147,000	\$ 16,000	\$(7,000)	\$156,000	\$156,000

8. Commitments And Contingencies

Electric Plant In Service Assets

The Agency, pursuant to a Participation Sales Agreement with the Board of Public Utilities of Kansas City, Kansas (BPU), must pay for its proportionate share of additional costs incurred by BPU for improvements to the Nearman Project, either by lump sum payments or through increased monthly demand charges.

Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

9. Concentration Of Risk

The electric industry in the United States is evolving from a historically regulated, monopolistic market to a more competitive one. The 1992 Energy Policy Act began the process of deregulation of the electricity industry by permitting the Federal Energy Regulatory Commission to order electric utilities to allow third parties to sell electric power to wholesale customers over their transmission systems. Several states have moved, in varying degrees, to open retail electric service to competition, while others are delaying action pending the results of retail competition in those states that allow it.

The Agency currently applies accounting standards that recognize the economic effects of rate regulation pursuant to GASB statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62) and, accordingly, has recorded regulatory assets and liabilities related to its operations.

In the event the Agency determines that it no longer meets the criteria of GASB 62 related to regulated entities, the accounting impact would be an extraordinary noncash charge to operations of an amount that would be immaterial due to the cost pass-through nature of its sales contracts. Criteria that give rise to the discontinuance include (1) increasing competition that restricts the Agency's ability to establish prices to recover specific costs and (2) a significant change in the manner in which rates are set by regulators from a cost-based regulation to another form of regulation. The Agency periodically reviews these criteria to ensure the continuing application of GASB 62 is appropriate. At this time, the effect of competition and the amount of regulatory assets which could be recovered in such an environment cannot be predicted.

10. Other Postemployment Benefits (OPEB)

Plan Description: The Agency participates in a multiemployer cost-sharing healthcare plan through the State Employee Health Plan (SEHP). The program provides benefits for persons qualified to participate in the program for medical, prescription drug, dental, vision and other ancillary benefits to participating non state employees and their eligible dependents as defined under the provisions of K.A.R. 108-1-3 and 108-1-4. This program extends health coverage to retiring participating non-state employees, totally disabled former participating non-state employees, surviving spouses and/or dependents of participating non-state employees, and active participating non-state employees who were covered under the health plan immediately before going on approved leave without pay.

Funding Policy: SEHP establishes and amends contribution requirements. SEHP coverage is monthly and rates are based on semi-monthly payroll deduction periods. From January through March 2014, retirees paid 100% of active premium

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rates to the Agency who then remitted the funds to the health care provider. Beginning in April, 2014, retirees pay 100% of the active premium rates directly to SEHP. The Agency pays 100% of active premium rates for active employees. The Agency and retirees contributed the following amounts to the plan which represented 100% of the contractually required contributions to the plan for fiscal years ending December 31, 2015, 2014 and 2013:

	2015	2014	2013
Agency premiums paid for active employees	\$195,183	\$226,556	\$312,241
Retirees premiums paid (remitted by KMEA)	—	8,405	31,556

11. Subsequent event

KMEA's participation in the Nearman Power Plant ended December 31, 2015. Seven KMEA member cities purchased power from the Nearman Power Plant since 1983. The retained earnings from the project will be distributed to the participating member cities in 2016.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	December 31	
	2015	2014
Agency's proportion of the net pension liability	0.0009566	0.0008806
Agency's proportionate share of the net pension liability	\$1,256,000	\$1,084,000
Agency's covered-employee payroll	\$1,641,000	\$1,473,000
Agency's proportionate share of net pension liability as a percentage of its covered-employee payroll	79.90%	68.18%
Plan fiduciary net position as a percentage of the total		

SCHEDULE OF CONTRIBUTIONS

	December 31	
	2015	2014
Required contribution	\$146,000	\$121,000
Contributions made in relations to the required contribution	146,000	121,000
Contribution deficiency	—	—
Agency's covered-employee payroll	1,572,000	1,590,000

Notes: Above schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Information provided is based on a measurement date and actuarial valuation as of December 31, 2014 and 2013, rolled forward to June 30, 2015 and 2014.

Changes of Benefit Terms or Assumptions

There were no changes to benefit terms in the plan or changes to assumptions in valuation reports for the year ended December 31, 2015.

Combining Statement of Net Position
December 31, 2015 (Dollars in Thousands)

	Hydropower								Garden City	Misc. Projects	Agency Total
	WAPA	SPA	Nearman	GRDA	EMPI	EMP2	EMP3	Eudora			
Assets											
Plant											
Land	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$97	\$97
Structures and equipment, depreciable	—	—	—	—	—	—	—	—	—	1,221	1,221
Electric plant in service, depreciable	105	—	1,468	—	32	—	—	—	—	278	1,883
Accumulated depreciation	(105)	—	(1,468)	—	(32)	—	—	—	—	(587)	(2,192)
Total Plant	—	—	—	—	—	—	—	—	—	1,009	1,009
Restricted Funds											
Cash and temporary cash investments	154	—	40	638	176	—	—	—	4,403	1,328	6,739
Current Assets											
Cash and cash equivalents	705	119	1,152	1,987	665	215	355	—	—	1,367	6,565
Accounts receivable	340	104	468	29	645	2,597	926	—	—	152	5,261
Prepaid assets	—	—	—	—	—	—	—	—	—	15	15
Interproject receivables (payables)	(71)	(6)	26	1,139	665	(1,248)	(781)	—	(54)	331	—
Total Current Assets	974	217	1,646	3,155	1,975	1,564	500	—	(54)	1,865	11,841
Long-Term Assets											
Notes receivable	—	—	—	—	—	—	—	—	139	—	139
Direct financing lease	—	—	—	—	—	—	—	—	40,959	—	40,959
Total Long-Term Assets	—	—	—	—	—	—	—	—	41,098	—	41,098
Deferred Outflows of Resources - Pension	—	—	—	—	—	—	—	—	—	177	177
Total Assets and Deferred Outflows of Resources	\$1,128	\$217	\$1,686	\$3,793	\$2,151	\$1,564	\$500	\$ —	\$45,447	\$4,379	\$60,864
Liabilities, Deferred Inflows and Net Position											
Liabilities Payable from Restricted Funds											
Accounts payable	\$ —	\$ —	\$40	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$40
Other Non-Current Liabilities											
Long-term obligations, less current portion	—	—	—	—	—	—	—	—	42,606	567	43,173
Current Liabilities											
Accounts payable and other accrued liabilities	352	93	631	3,384	2,119	1,565	500	—	—	838	9,481
Customer deposits	637	124	—	—	—	—	—	—	—	—	761
Accrued vacation and sick leave	—	—	—	—	—	—	—	—	—	154	154
Interest payable	—	—	—	—	—	—	—	—	1,114	3	1,117
Current portion of long-term debt	—	—	—	—	—	—	—	—	1,194	69	1,263
Net pension liability	—	—	—	—	—	—	—	—	—	1,256	1,256
Total Current Liabilities	989	217	631	3,384	2,119	1,565	500	—	2,308	2,320	14,032
Total Liabilities	\$989	\$217	\$671	\$3,384	\$2,119	\$1,565	\$500	\$ —	\$2,308	\$2,887	\$57,245
Net Position											
Net investment in capital assets	—	—	—	—	—	—	—	—	—	378	378
Restricted	154	—	—	638	176	—	—	—	—	1,327	2,295
Unrestricted	(15)	—	1,015	(229)	(144)	(1)	—	—	533	(316)	843
Total Net Position	139	—	1,015	409	32	(1)	—	—	533	1,389	3,516
Total Liabilities, Deferred Inflows and Net Position	\$1,128	\$217	\$1,686	\$3,793	\$2,151	\$1,564	\$500	\$ —	\$45,447	\$4,379	\$60,864

KMEA AUDITORS REPORT

Combining Statement of Revenues, Expenses and Changes in Net Position

December 31, 2015 (Dollars in Thousands)

	Hydropower								Garden	Misc.	Agency
	WAPA	SPA	Nearman	GRDA	EMPI	EMP2	EMP3	Eudora	City	Projects	Total
Revenues											
Project power	\$4,867	\$856	\$4,194	\$28,844	\$6,954	\$30,156	\$8,993	\$782	\$ —	\$ —	\$85,646
Other revenues	217	78	67	1,154	551	1,385	642	1	230	351	4,676
Total Plant	5,084	934	4,261	29,998	7,505	31,541	9,635	783	230	351	90,322
Operating Expense											
Purchased power and fuel	4,890	856	4,194	28,884	6,954	30,159	8,980	656	—	—	85,533
Administrative and general expense	232	78	67	1,154	551	1,382	655	127	233	(424)	4,055
Depreciation and amortization	—	—	—	—	—	—	—	—	—	67	67
Total Operating Expenses	5,122	934	4,261	29,998	7,505	31,541	9,635	783	233	(357)	89,655
Net Operating Revenues (Expenses)	(38)	—	—	—	—	—	—	—	(3)	708	667
Interest on investments	—	—	—	—	—	—	—	—	2,304	1	2,305
Interest expense	—	—	—	—	—	—	—	—	(2,204)	(40)	(2,244)
Net Revenues (Expenses)	(38)	—	—	—	—	—	—	—	97	669	728
Net Position – Beginning of Year	177	—	1,015	409	32	(1)	—	—	436	720	2,788
Net Position – End of Year	\$139	\$ —	\$1,015	\$409	\$32	\$(1)	\$ —	\$ —	\$533	\$1,389	\$3,516

Note to Supplementary Information

In addition to the basic financial statements, the Agency presents a combining statement of net position, and a combining statement of revenues, expenses and changes in net position for its projects within the operation of the Agency.

Major long-term projects undertaken on behalf of Agency's members are accounted for separately, with project-specific financial statements. Currently, the Agency has nine major projects: the Western Area Power Administration Hydro Power Pool Project (WAPA), the Southwestern Power Administration Hydro Power Pool Project (SPA), the Nearman Creek Unit Power Project (Nearman), the Grand River Dam Authority Power Project (GRDA), the Energy Management Project No. 1 (EMP1), the Energy Management Project No. 2 (EMP2), the Energy Management Project No. 3 (EMP3), the Eudora Project and the Garden City Project. The Agency also separately accounts for its administrative costs and its smaller and short-term projects, which is presented as miscellaneous projects.

Interproject transactions occur during the normal course of operations between projects for services and expenses paid by the Agency on each project's behalf. As of December 31, any unsettled receivables and payables are classified as "Interproject receivables/(payables)" on the combining statement of net position. ■

TO THE BOARD OF DIRECTORS KANSAS MUNICIPAL GAS AGENCY OVERLAND PARK, KANSAS

Report On The Financial Statements

We have audited the accompanying basic financial statements of Kansas Municipal Gas Agency, which comprise the statement of net position as of December 31, 2015 and 2014, and the related statement of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Kansas Municipal Gas Agency as of December 31, 2015 and 2014, and the results of its operations and its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 42 through 43 be presented to supplement the basic financial statements. Such information, 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.

RubinBrown LLP

KMGA AUDITORS REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

The management of Kansas Municipal Gas Agency (KMGA) offers readers of KMGA's financial statements this narrative overview of its financial activities for the years ended December 31, 2015 and 2014. We encourage readers to consider the information provided here in conjunction with the accompanying basic financial statements and notes to basic financial statements.

Overview Of The Reporting Entity

Under authority of the Kansas Interlocal Cooperative Act, twenty-seven Kansas municipalities formed KMGA as a separate legal entity in August 1990. Its main purpose was to assist its member cities in acquiring natural gas for their municipal utility systems. As of December 31, 2015, KMGA had 38 members and 6 affiliate members.

KMGA maintains its accounts in accordance with the uniform system of accounts for natural gas utilities prescribed by the Federal Energy Regulatory Commission (FERC). Because the accounting system for regulated utilities is used, the accounting principles applied by KMGA differ in certain respects from those applied by non-utility businesses. KMGA also follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Under the accrual basis of accounting used by KMGA, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

Financial Highlights

As of December 31, 2015 and 2014, KMGA's net position was \$386,452 and \$440,583, respectively, and current assets exceeded current liabilities by \$386,452 and \$440,583, respectively. KMGA has no long-term debt.

Changes in net position for the year 2015 were \$(54,131), compared to \$(63,633) for 2014.

Overview Of The Financial Statements

This report consists of two parts: Management's Discussion

and Analysis (this section) and the basic financial statements: Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to Basic Financial Statements. Here, the reader is offered an overview and analysis of summary financial statements. Condensed Statements of Net Position are presented in Table 1. Table 2 provides Condensed Statements of Changes in Net Position. Condensed Statements of Cash Flows are summarized in Table 3. The Statement of Net Position presents information on all of KMGA's assets and liabilities with the difference between the two reported as net position. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how KMGA's capitalization changed during the most recent fiscal year. The statement of cash flows provides information about KMGA's cash receipts and cash payments made during the reporting period. The notes provide additional information that is essential to a full understanding of the data provided in the statements.

Table 1: Condensed Statements of Net Position

	December 31		
	2015	2014	2013
Assets			
Cash and cash equivalents	\$1,628,252	\$1,556,357	\$1,327,296
Accounts receivable	1,960,509	4,121,816	3,379,243
Total Assets	3,588,761	5,678,173	4,706,539
Liabilities			
Accounts payable and accrued expenses	3,202,309	5,237,590	4,202,232
Net Position	\$386,452	\$440,583	\$504,216

A comparison of the year-end statement of net position shows that the net position has decreased in 2015 as a result of expenses exceeding revenues for the year. (See below Table 2, Condensed Statements of Changes in Net Position).

Table 2: Condensed Statements Of Changes in Net Position

	December 31		
	2015	2014	2013
Gas Supply Project Margin			
Project revenues	\$8,299,021	\$12,435,296	\$8,856,545
Gas and gas transportation	(8,127,201)	(12,285,080)	(8,642,149)
Total Gas Supply Project Margin	171,820	150,216	214,396
Other operating revenues	25,440	22,935	23,587
Administrative expenses	(251,391)	(236,784)	(247,314)
Total Revenues	8,324,461	12,458,231	8,880,132
Total Expenses	\$(8,378,592)	\$(12,521,864)	\$(8,889,463)

Expenses exceeded revenues in 2015 due to a decrease in project margin. As for gas volumes, KMGA transported (in MMBtus) 2,042,265 in 2013, 2,460,913 in 2014, and 2,484,140 in 2015.

Table 3: Condensed Statements Of Cash Flows

	December 31		
	2015	2014	2013
Net operating revenues (expenses)	\$(54,131)	\$(63,633)	\$(9,331)
Changes in assets and liabilities	126,026	292,694	(130,805)
Net Increase (Decrease) in Cash	71,895	229,061	(140,136)
Cash and Cash Equivalents – Beginning of the Year	1,556,357	1,327,296	1,467,432
Cash and Cash Equivalents – End of Year	\$1,628,252	\$1,556,357	\$1,327,296

Cash flows from operating activities are composed primarily of net revenues and changes in assets and liabilities. There are no cash flows from noncapital financing activities because KMGA has no debt and has not engaged in other financing activities.

Plant

There were no changes in KMGA's plant balance.

Economic Outlook

The cost of gas is expected to be stable through 2015. Because the Agency is structured where it bills Project participants for the actual cost of gas delivered, plus a markup to cover administrative costs, Agency revenues and gas costs are budgeted to increase in proportion with changes in gas prices.

Requests For Information

This financial report is designed to provide our members, investors and creditors with a general overview of KMGA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Kansas Municipal Gas Agency, 6300 W. 95th Street, Overland Park, KS 66212.

KMGA AUDITORS REPORT

STATEMENT OF NET POSITION

ASSETS		
	December 31	
	2015	2014
Plant		
Gas plant in service	\$34,461	\$34,461
Accumulated depreciation	(34,461)	(34,461)
Current Assets		
Cash and cash equivalents	1,628,252	1,556,357
Accounts receivable	1,960,509	4,121,816
Total Current Assets	3,588,761	5,678,173
Total Assets	\$3,588,761	\$5,678,173
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and other accrued liabilities	\$3,202,309	\$5,237,590
Net Position		
Unrestricted	386,452	440,583
Total Liabilities and Net Position	\$3,588,761	\$5,678,173

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Years Ended December 31	
	2015	2014
Operating Revenues		
Gas supply project	\$8,299,021	\$12,435,296
Other service revenues	977	—
Membership dues	24,463	22,935
Total Operating Revenue	8,324,461	12,458,231
Operating Expenses		
Purchased gas	6,811,901	10,917,942
Gas transportation	1,315,300	1,367,138
Administrative and general	251,391	236,784
Total Operating Expenses	8,378,592	12,521,864
Net Operating Loss	(54,131)	(63,633)
Changes In Net Position	(54,141)	(63,633)
Net Position – Beginning of Year	440,583	504,216
Net Position – End of Year	\$386,452	\$440,583

STATEMENT OF CASH FLOWS

	For The Years Ended December 31	
	2015	2014
Cash Flows from Operating Activities		
Cash received from customers	\$10,485,768	\$11,715,658
Cash payments to suppliers for goods and services	(10,413,873)	(11,486,597)
Net Cash Provided By Operating Activities	71,895	229,061
Net Increase in Cash	71,895	229,061
Cash – Beginning of Year	1,556,357	1,327,296
Cash – End of Year	\$1,628,252	\$1,556,357
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities		
Net operating loss	\$(54,131)	\$(63,633)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	2,161,307	(742,573)
Accounts payable and accrued expenses	(2,035,281)	1,035,267
Net Cash Provided by Operating Activities	\$71,895	\$229,061

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2015

I. Organization

The Kansas Municipal Gas Agency (KMGA or Agency) is a Kansas interlocal municipal agency created by twenty-seven Kansas municipalities in August 1990, under authority of the Interlocal Cooperation Act (K.S.A. 12-2901, et seq., as amended). The Interlocal Cooperation Agreement creating KMGA established it as a separate legal entity. As of December 31, 2015, KMGA had 38 full-member cities and 6 affiliate-member cities participating on a project basis. A Board of Directors, consisting of one representative from each full member, oversees the property and business of KMGA. KMGA is considered a jointly governed organization and a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

KMGA members are cities that either own or operate a gas distribution utility or use natural gas in other municipal utility operations. KMGA acquires, manages, schedules and balances natural gas supplies used by its members for local distribution and as fuel for electric generation. KMGA also assists members in complying with state and federal regulations, and provides informational and technical assistance with respect to natural gas supply and use.

2. Significant Accounting Policies

KMGA maintains its accounts in accordance with the uniform system of accounts for natural gas utilities prescribed by the Federal Energy Regulatory Commission (FERC) and the Kansas Corporation Commission. Because the accounting system for regulated utilities is used, the accounting principles applied by KMGA differ in certain respects from those applied by non-utility businesses. KMGA follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting and economic resources measurement focus is used by KMGA. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Revenue is earned at the time gas supplies or other services are delivered.

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

Gas plant in service, comprised of office furniture and equipment, is stated at cost. The costs of repairs and minor replacements are charged to operating expense as appropriate. Costs of renewals and betterments are capitalized. Depreciation is computed using the straight-line method based on an estimated five-year useful life.

KMGA considers all accounts receivable to be fully collectible. Consequently, no allowance for doubtful accounts is necessary. Receivables are carried at original invoice amount.

As discussed in Note 5, all employees used by KMGA are employed by the Kansas Municipal Energy Agency (KMEA) and related costs are charged to KMGA through a management services agreement. Vacation leave and a portion of sick leave vest and may be carried forward by these employees. KMGA's portion of the accrued liability for these compensated absences is funded annually through payments to KMEA.

3. Cash And Temporary Investments

Cash and temporary investments held on KMGA's behalf are governed by Kansas statutes. All deposits and investments must be covered by Federal depository insurance or be adequately collateralized. Such collateral must be held in KMGA's name by KMGA's custodial banks. As required by statute, all investments are made in U.S. government obligations, securities collateralized by the U.S. government, and certain municipal obligations.

As of December 31, 2015 and 2014, KMGA's cash deposits consisted only of cash.

Interest rate risk: The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2015 and 2014, the Agency did not hold any investments.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency does not have an investment policy which would further limit investment choices from state statute. As of December 31, 2015 and 2014, the Agency did not hold any investments.

Concentration of credit risk: The Agency places no limit on the amount the Agency may invest in any one issuer. As of December 31, 2015 and 2014, the Agency did not have more than 5 percent of the Agency’s investments in one issuer.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2015 and 2014, the Agency’s deposits were fully collateralized and not exposed to custodial credit risk.

4. Plant

	Gas Plant In Service	Accumulated Depreciation	Total
Balance – Dec. 31, 2014	\$34,461	\$34,461	\$ —
Balance – Dec. 31, 2015	\$34,461	\$34,461	\$ —

5. Related Parties

KMGA is closely related to the KMEA. KMEA is a joint action agency created to secure electricity for its member cities, which own electric distribution utilities. In a comparable manner, KMGA secures natural gas supplies for its member cities, which own gas or electric distribution utilities. Due to their common membership and similar purposes, KMGA entered into a Management Services Agreement with KMEA on August 9, 1990, whereby KMEA employees managed KMGA’s general operations and performed project-specific services.

The Management Services Agreement was superseded when the two agencies, on May 20, 1998, entered into the Interlocal Cooperation Agreement for Joint Administration, under authority of the Interlocal Cooperation Act (K.S.A. 12-2901, et seq., as amended). Under the Joint Administration Agreement, KMGA will continue to rely on KMEA employees to manage and administer KMGA’s operations. For the services provided and related expenses incurred, KMEA bills KMGA at cost. The management services fee was \$236,400 in 2015 and \$223,200 in 2014. As of December 31, 2015 and 2014, accounts payable to KMEA were \$21,037 and \$19,925, respectively.

The Joint Administration Agreement created the Joint Board for Administration, comprised of seven representatives: three each from the KMGA and KMEA Board memberships, who together select the seventh representative. The Joint Board is empowered to (1) recommend annual budgets respecting the administrative activities of the agencies, (2) employ the General Manager of the agencies, (3) hear employment grievances of KMEA employees, and (4) recommend changes to the KMEA employment policies. KMGA has no employees. The Joint Board is expressly prohibited from adopting annual budgets for KMGA or KMEA or authorizing the issuance of any indebtedness of KMGA or KMEA. Those powers remain with the respective Boards of KMGA and KMEA.

6. Commitments And Contingencies

GAS PURCHASE AGREEMENTS

KMGA and each Gas Supply Project participating city have entered into a Gas Acquisition Management Project Participation Agreement, which states that KMGA may enter into gas purchase agreements on behalf of the Project participant and the Project participant is liable for the gas delivered under the agreement. Pursuant to the Participation Agreements, KMGA periodically enters into Gas Acquisition Management Project Purchase Agreements to purchase gas on behalf of Project participants, where the gas quantity purchased is based on aggregating the nominations submitted by the participants. Some purchases are made in the spot market and others are made at fixed prices and quantities over periods of up to twelve months.

RISK MANAGEMENT

KMGA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. Insurance settlements have not exceeded insurance coverage for the past three years. ■

BOARD AND OFFICERS

BUSINESS ASSOCIATES

Columbia Capital Management, LLC
Chubb Group of Insurances
Cretcher-Heartland
Customized Energy Solutions
Gilmore & Bell, P.C.
HDR
HR-Haven, Inc.
Jennings Strouss, PLC
Kansas City Power & Light
Lighedge Solutions, LLC
Lutz, Daily & Brain, LLC
MCG Energy Solutions
Mid States Energy Works, INC
Midwest Energy
Piper Jaffrey
Polsinelli, PC
Rainbow Energy Marketing Corporation
RubinBrown, LLP
Sawvel & Associates, INC
SEGA, INC
Siemens Energy
Sisco, Inc
UMB Bank
Westar

JOINT BOARD

Duane Banks – Chairman, KMEA President, Electric Utility Director, City of Russell
J.R. Hatfield – Alternate Secretary, KMGa President, City Administrator, City of Halstead
Jeff Oleson – Assistant Director of Utilities, City of Ottawa
Mike Muirhead – Public Utilities Director, City of Garden City
Rod Willis – City Manager, City of Osage City
Randy Frazer – City Administrator, City of Moundridge
Lane Massey – City Manager, City of Larned

KMEA OFFICERS AND EXECUTIVE COMMITTEE

Duane Banks – President, Electric Utility Director, City of Russell
Mike Muirhead – Vice President, Public Utilities Director, City of Garden City
Jeff Oleson – Secretary/Treasurer, Assistant Director of Utilities, City of Ottawa
Matt Rehder – City Administrator, City of Seneca
Lane Massey – City Manager, City of Larned
Bret Bauer – City Manager, City of Holton
Tyson McGreer – City Manager, City of Colby
Jonathan Mitchell – City Manager, City of Hoisington
Bob Mills – Director of Utilities, City of Garnett

KMGa OFFICERS AND EXECUTIVE COMMITTEE

J.R. Hatfield – President, City Administrator, City of Halstead
Randy Frazer – Vice President, City Administrator, City of Moundridge
Laura Hill – Secretary/Treasurer, City Clerk, City of Kechi
Gus Collins – Director Gas/Wastewater Utilities, City of Winfield
Gary Emry – City Administrator, City of Hesston
John Sweet – City Administrator, City of Lyons
Rod Willis – City Manager, City of Osage City

KMEA/KMGa Staff

Paul Mahlberg – General Manager
Sam Mills – Managing Director, Electric Operations
Kent Balkenbusch – Compliance and Security Representative
Paula Campbell – Senior Energy Controller, Electric
Neal Daney – Director, Project and Asset Management
Katia Mitchell – Administrative Assistant
Jennifer Moore – Director, Finance and Accounting
Dixie Riedel – Director, Natural Gas
David Rosenthal – Senior Energy Controller, Electric
Neil Rowland – Director, Transmission and Security
Tom Saitta – Director, Electric Operations
John Seck – Director, Resource Planning and Development
Joni Shadonix – Energy Controller, Gas
Gerry Stephenson – Manager, Finance & Accounting





2015 Annual Report
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