



ANNUAL REPORT | 2016



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 many ways 2016 was an eventful year for the Kansas Municipal Energy Agency. The most significant event was changing our system operations to full 24-hour coverage. After a rigorous and thorough review process managed by the newly formed Joint EMP Advisory Committee, the Executive Committee approved to have KMEA staff these operations in-house. In addition to the benefits of performing these services in-house with your own employees rather than contracting for said services (more will be said about this in the pages that follow), the Agency will save over \$350,000 annually from the prior third-party contractor costs. We are glad to say that the in-house 24-hour operations started up without a hitch on September 29th.

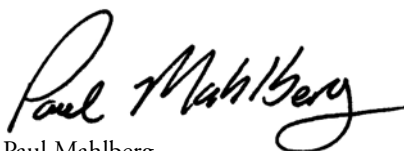
Growth is a good thing and our Agency continues to expand within our EMP projects. The cities of Anthony and Kiowa joined EMP2 and EMP3 respectively during 2016. Each of these groups has seen growth over the years – EMP1, originated in 2006 by five cities, currently is composed of six cities; EMP2, originated in 2007 by nine cities, currently is composed of 13 cities; and EMP3, originated in 2012 by ten cities, is also composed of 13 cities today. We now provide full energy management services for 33 cities.

Other key accomplishments in 2016 included the extension of the WAPA Hydro Power Pool agreement for 47 cities, delivery of energy from our first renewable energy project – Marshall Wind Farm for four of our members, and negotiations and completion of five year energy contracts for a number of our members in EMP3.

The industry continues its transformation in power supply, transmission as well as the organized market areas. We hope to continue the momentum gained in 2016 into year 2017 as we seek out additional power supply opportunities as well as transmission opportunities. Thank you for your continued trust and support.



Duane Banks
KMEA President



Paul Mahlberg
KMEA General Manager

HIGHLIGHTS OF 2016

KMEA “BRINGING IN NEW SERVICES”

KMEA was established in 1980 as a nonprofit joint action agency with a mission of securing economical and reliable supply of electricity for its members. The past 36 years have seen major changes in the wholesale electric industry. Municipal utilities were relegated to contracts with their local investor owned utility or cooperative. Typically, they packaged or bundled all components of our cities’ needs. KMEA created value for our cities by aggregating needs and negotiating contracts with the leverage we have. We have slowly seen individual portions of the market open up to alternate providers. Today the majority of the wholesale electric industry is rife with competition and lower barriers to entry. We continue to aggregate the needs of our cities and negotiate contracts for supply, but additionally we aid in the construction of power plants and transmission lines and recently became a supplier of services for which we once contracted. Today your city with KMEA is vertically integrated with the benefits of self-control.

consistent communications, dedicated staff and the opportunity for expanded services. System Operations staff consists of a five person rotation that handles all day-ahead and real-time communications. We leveraged existing personnel and their extensive knowledge of cities generation and the market to create all the processes needed to be performed and staff our desk. ■

TEAM: TOGETHER EVERYONE ACHIEVES MORE

Working together in a productive way takes so much more than a simple business relationship. KMEA strives to give members opportunities to grow by spending time with one another outside of the normal work setting. Throughout the year members took advantage of some of these activities and built relationships that could not exist under normal circumstances. The more we get to know each other the more we can achieve! ■

2016 GOLF OUTING



Operations Personnel Left to Right: David Rosenthal, Senior System Operator; DJ Smith, System Operator; Kent Balkenbusch, System Operator; Garrett Higgins, System Operator; Paula Campbell, Senior System Operator

Kansas Municipal Energy Agency transitioned real-time operations to “KMEA System Operations – 24 Hour Desk” at noon on September 29, 2016. The KMEA Executive Board and EMP Joint Operations Committee identified many benefits to bringing these services in-house. Benefits include cost savings, self-sufficiency,



2016 ANNUAL JOINT EMP MEETING



2016 ANNUAL CONFERENCE

There was a great turnout for the KMEA Annual Conference November 3rd & 4th. Many municipal utility personnel and elected officials were in attendance, filling the meeting room to capacity. The format was similar to last year's conference, as day one began with the KMGa and KMEA Board of Directors meetings. The general session got underway that afternoon with an entertaining and riveting keynote presentation from Mike Schlappi who shared "Shot Happens", a theme that featured the emotional account of his life following being shot by his best friend. The day two keynote speaker was Mitch Holthus, the voice of the Kansas City Chiefs. Mitch shared his ability to recall all high school mascots in the state of Kansas. He also motivated the conference by explaining the value of long-term employees and what they bring to organizations.



Breakout sessions were presented later in the day by individuals from the electric and gas industries. These presentations included "Market Design" by Richard Dillon, SPP; "Economic Impacts of Environmental Regulations" by Randy Hughes, IPL; "Gas Line Safety" by Leo Haynos, KCC; "RP3" by Rick Aguilar, KMU; "Healthy Gas Distribution System" by Dixie Riedel, KMEA; and "LED Conversion" by Brent Gerling, IPL. ■

MIKE SCHMADERER AND BRUCE MARIHUGH FROM MID-STATES ENERGY | HONORED WITH THE MAX EMBREE AWARD

Mike Schmaderer and Bruce Marihugh of Mid-States Energy were co-recipients of the 2016 Max Embree Award. Max was a long-time resident of the City of Colby and 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. ■



PAT MALLORY | PRESENTED WITH GIL HANSON AWARD

Pat Mallory, City of Colby Representative, 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, recognizes those who have made significant contributions to municipal joint action, their communities, the electric utility industry, and public power. ■



HIGHLIGHTS OF 2016

LIZ FINLEY | PRESENTED WITH THE DEDICATED COMMITMENT TO SERVICE AWARD

This award was newly established this year and was created to recognize an employee of a KMEA member city who has, over a period of years, demonstrated outstanding performance and made significant contributions to their municipal utility.

Liz Finley, City Clerk, City of Altamont was selected to receive the Dedicated Commitment to Service Award. ■



THREE MEMBERS CELEBRATE POWER CENTENNIALS

The City of Sterling, the City of Garden City and the City of Larned (not pictured) each reached the centennial milestone in 2016 representing 100 years in public power. To celebrate this achievement KMEA presented each city with a plaque commemorating this historic occasion at the annual conference. The Centennial Awards were received by Taggart Wall, City Manager, on behalf of Sterling, Cliff Sonnenberg, Electric Superintendent, on behalf of Garden City and Ralph Streit, Electric Production Superintendent, on behalf of Larned. ■



Taggart Wall, City Manager, City of Sterling



Cliff Sonnenberg, Electric Superintendent, City of Garden City

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.

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.

2016 MARKETPLACE HIGHLIGHTS

JANUARY 1 – The city of Kiowa, with peak load of 3.1MW, becomes the 13th member city of EMP3

MARCH – Baldwin City, Gardner, Garnett, and Ottawa begin receiving power from KMEA’s first renewable energy project, Marshall Wind Farm

JUNE 1 – With a peak load of 8.9 MW, the city of Anthony joins EMP2, making the group 13 member cities strong

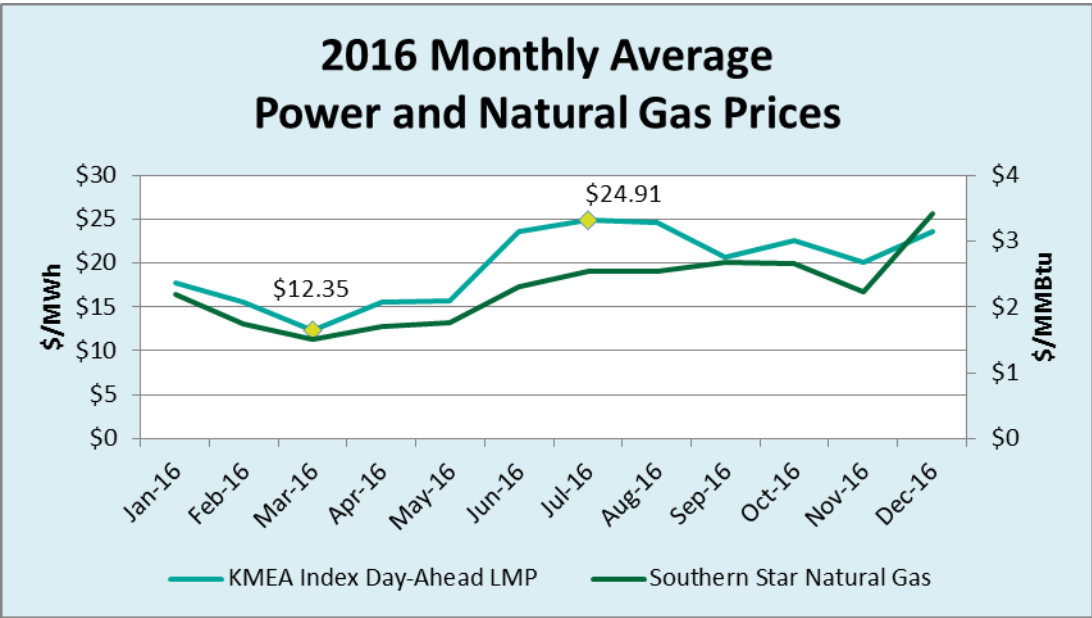
JULY 21 - The 33 cities represented by KMEA in the SPP Integrated Marketplace set the 2016 KMEA coincident peak load at 357.3 MW

SEPTEMBER 29 – KMEA’s System Operations/24 Hour Desk goes live

KMEA never takes for granted that we have been entrusted by our member cities, small or large, with the responsibility of representing them in the Southwest Power Pool (SPP) Integrated Marketplace. In 2016 the number of cities for whom KMEA acts as Market Participant grew by two to 33. On January 1st the city of Kiowa, led by new City Administrator Lou Leone, joined KMEA’s Energy Management Project No. 3 (EMP3). Just in time for summer, months of work with City Administrator Amber Kumer and Power Plant Superintendent Larry Berry culminated on June 1st when the city of Anthony became the 13th member of Energy Management Project No. 2 (EMP2).

Anthony, Kiowa, and all other KMEA cities continued to benefit from affordable wholesale electricity prices in SPP in 2016. Relatively low fuel prices, especially for natural gas, were a major contributing factor. In 2016 the average Southern Star daily index price was \$2.27/MMBtu, which was more than 5% lower than the 2015 average of \$2.41/MMBtu. Correspondingly, the twelve-month average of the KMEA Day-Ahead Locational Marginal Price fell over 6% in 2016 to \$19.77/Megawatt-hour.

In addition to the continuance of favorable natural gas prices, the ever increasing prevalence of wind generation continued to place downward pressure on power prices, especially in western Kansas where the sight of spinning turbines is commonplace. Installed wind generation capacity inside the Southwest Power Pool footprint increased by over 30% year-over year to more than 16,000 MW. Hours when more than 50% of load in SPP is served by wind generation are already a reality. 2016 marked KMEA’s first foray into ownership of wind generation. Beginning in March the Energy Management Project No. 1 (EMP1) cities of Baldwin City, Gardner, Garnett, and Ottawa began receiving up to 7 MW of power from the new Marshall Wind Farm, located in northeast Kansas. ■

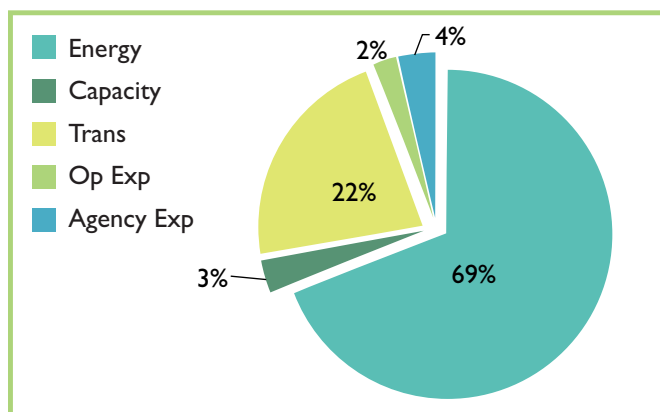


POWER MARKETING PROJECTS

KMEA actively seeks power marketing arrangements that match member cities' short-term 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, has 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. ■

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 GRDA, SPA, and WAPA projects. EMP1 cities also purchase load-following services from KCP&L. KMEA began delivering electricity under EMP1 on June 1, 2006.

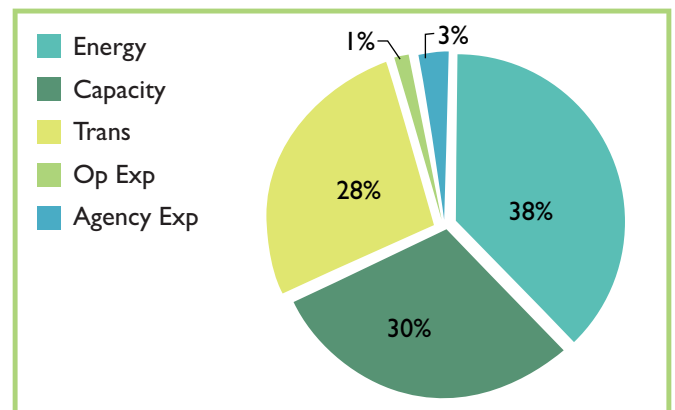


Power Delivered: 2016—170,101 MWh

CITIES: Baldwin City Garnett Ottawa
Gardner Osawatomie Pomona

Energy Management Project No.2

The cities of Anthony, Ashland, Beloit, Garden City, Hoisington, Lincoln, 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.



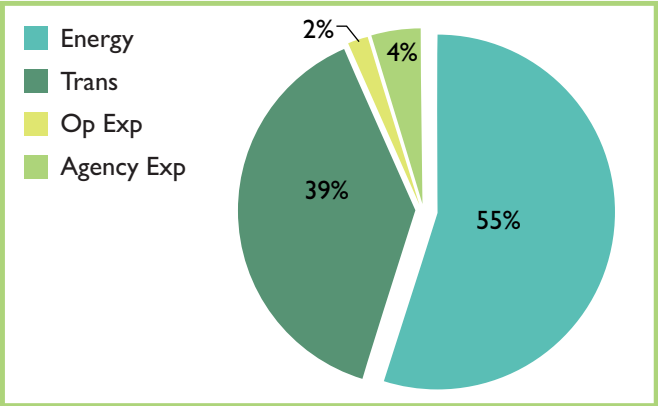
Power Delivered: 2016—513,114 MWh

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

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, the City of Altamont in 2015 and the City of Kiowa in 2016.

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



Power Delivered: 2016— 190,895 MWh

CITIES:

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

Fredonia	Osage City	Washington
Gardner	Osawatomie	Wellington
Garnett	Osborne	Winfield
Girard	Ottawa	
Hoisington	Pratt	

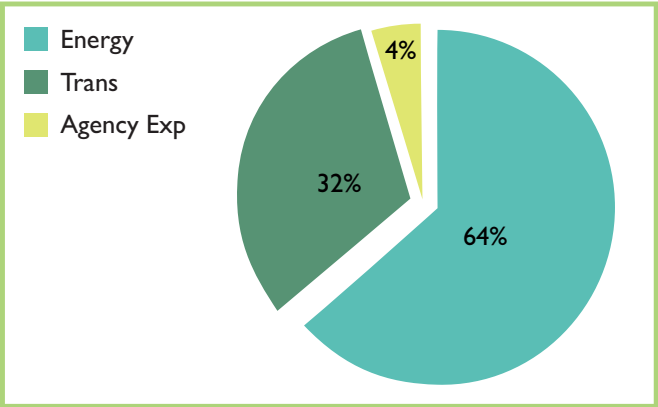
SPA Hydro Power Pool Project

In 1983 a group of KMEA cities authorized the Agency to enter into a contract with the Southwestern Power Administration (SPA) whereby the cities would take their individual entitlements of 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.

GRDA Project

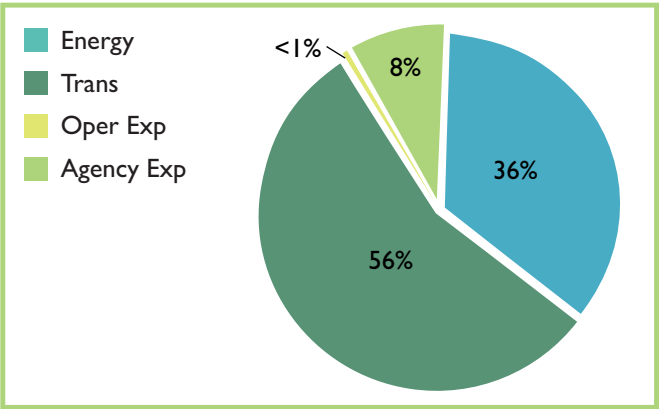
On January 19, 2000, KMEA and the Grand River Dam Authority (GRDA) entered into a 10-year purchase power agreement (PPA) for 39 MWs. The agreement consists of base load capacity and energy which are delivered on long-term firm transmission. In 2005 the agreement was extended through April 30, 2026, and the amount increased to 84 MWs in order to facilitate the addition of eight new KMEA member cities.



Power Delivered: 2016—614,880 MWh

CITIES:

Augusta	Holton	Russell
Baldwin City	Horton	Sharon Springs
Beloit	Larned	Sterling
Ellinwood	Lincoln	Stockton
Erie	Neodesha	Wamego



Power Delivered: 2016—19,870 MWh

CITIES:

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

KMEA PROJECTS

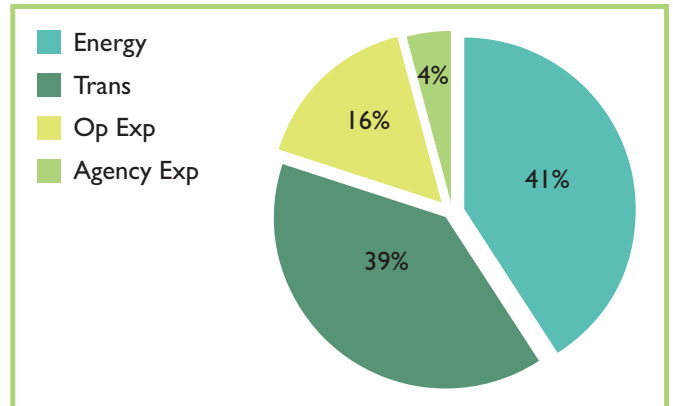
WAPA Hydro Power Pool Project

Under contracts with the Western Area Power Administration (WAPA), 47 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.

KMEA’s first WAPA agreement became effective October 1, 1989. In 1997 KMEA and WAPA agreed to extend the contract to October 1, 2024. In 2010 WAPA began their Power Marketing Initiative (PMI) campaign for all their existing customers. The PMI extension lengthened the existing agreement an additional 30 years to the year 2054. In 2016 all 47 Members in KMEA’s WAPA project executed their 30-year extension. Some of the highlights and changes are as follow:

- WAPA’s commitment to continued cost-based rates
- Potential candidates for a WAPA allocation is dwindling, so beginning in 2024 resource pool re-allocations will take place every ten years for new customers seeking service rather than the current structure which is every five years.
- Although all KMEA WAPA participants signed the WAPA extension agreement in 2016, the new agreements will not be effective until October 1, 2024.

WAPA energy is scheduled to enable the participating 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.



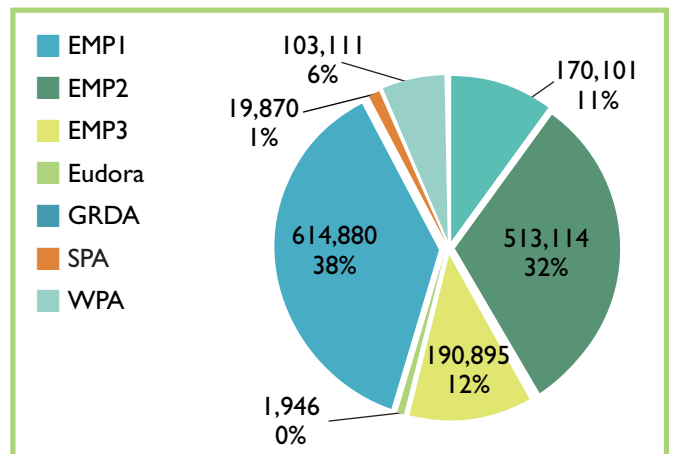
Power Delivered: 2015—103,108 MWh

CITIES:

Arcadia	Garnett	Osage City
Arma	Glascow	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	Troy
Colby	Lindsborg	Wamego
Dighton	Lucas	Washington
Enterprise	Mankato	Waterville
Eudora	Meade	
Garden City	Norton	
Gardner	Oberlin	

Project Megawatt-hour Totals 2016

Project	Megawatt-hours
GRDA	614,880
WAPA Hydro	103,111
SPA Hydro	19,870
EMP1	170,101
EMP2	513,114
EMP3	190,895
Eudora	1,946
Total	1,613,917



KMEA EXECUTIVE COMMITTEE



Back row, left to right: Jonathan Mitchell, City Manager, City of Hoisington; Duane Banks, President, Electric Utility Director, City of Russell, Bob Mills, Director of Utilities, City of Garnett; Matt Rehder, City Administrator, City of Seneca; Ira Harrison, Electric Production Superintendent, City of Holton

Front row, left to right: Dennis Tharp, Utilities Director, City of Ottawa; Tyson McGreer, City Manager, City of Colby; Mike Muirhead, Vice President, Public Utilities Director, City of Garden City

Not pictured: Lane Massey, City Manager, City of Larned



KMEA MEMBER CITIES & BOARD OF DIRECTORS

Alma

1. Michael Slobodnik
2. Jeff Clark
3. Sharon White

Altamont

1. Lizabeth 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. Glenn Rodden
3. Rob Culley

Belleville

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

Beloit

1. Jason Rabe
2. Manny Milbers
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. Jack Bradstreet
2. George VonLeonrod
3. Christine Birney

Enterprise

1. Paul Froelich
2. Deana Payne

Erie

1. Darrell Bauer
2. Jason Thompson

Eudora

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

Fredonia

1. Bill Jones
2. Carolyn Anderson

Garden City

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

Gardner

1. Lance Boyd
2. Gonzalo Garcia
3. Clint Barney

Garnett

1. Joyce Martin
2. Bob Mills
3. W. Gordon Blackie

Girard

1. Brandon Foraker
2. Chris Weiner
3. Chifford Scales

Glasco

1. Mike Dove
2. Kent Studt

Glen Elder

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

Goodland

1. Dustin Bedore
2. Annete Fairbanks
3. Lukas Wolak

Greensburg

1. Sandra Jungemann
2. Kyler Ludwig
3. Mick Kendall

Herington

1. Mike Wendt
2. David Gerhke
3. Kathleen Souza

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. Bernard Kruse

Holton

1. Kerwin McKee
2. Ira Harrison
3. Scott Fredrickson

Horton

1. Wade Edwards
2. James Martin
3. Tim Lentz

Hugoton

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

Iola

1. Mike Phillips
2. Chuch Heffern
3. Brandon Westerman

Jetmore

1. Michael Ort
2. Derek Olson
3. Brian Beil

Johnson City

1. Alan Schweitzer
2. Seth Nelson

Kansas City

1. Don Gray
2. Jerry Ohmes
3. Jerin Purtee

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. Amanda Riedl

Larned

1. Lane Massey
2. Harry Zielke
3. Ralph Streit

Lincoln

1. Jack Crispin JR
2. Jeff Ahring
3. Melodee Larsen

Lindsborg

1. Gregory DuMars
2. Bill Taylor
3. Blaine Heble

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

Neodesha

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

Norton

1. David N Corns
2. Jim Miller
3. Curt Bozarth

Oberlin

1. Pete Kampfer
2. Ladd Wendelin
3. Dan Castle

Osage City

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

Osawatomie

1. Don Cawby
2. Stewart Kasper
3. Mark Govea

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. Jamie Huber
3. Kenny Kreutzer

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. Bruce Deters

Sharon Springs

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

Stafford

1. Dennis Bronson
2. Shawn Burgey
3. Dennis Dye

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. Don Imhoff
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

KMEA MEMBER CITIES SUMMARY

City	Population	kWhs Sold	Peak kW	City	Population	kWhs Sold	Peak kW
Alma	941	13,033,485	3,185	Iola	5,716	96,615,878	24,595
Altamont	1,154	7,803,208	2,368	Jetmore	852	7,908,405	2,600
Anthony	2,269	34,610,321	9,000	Johnson City	1,475	17,021,114	4,368
Arma	1,464	11,048,239	3,102	Kansas City	151,306	2,207,786,860	480,000
Ashland	835	13,177,000	3,300	Kiowa	1,026	9,360,000	3,300
Attica	600	5,818,039	1,955	LaCrosse	1,324	11,284,477	4,200
Augusta	9,274	65,266,615	21,601	Lakin	2,216	15,606,607	4,300
Baldwin City	4,540	31,464,835	9,000	Larned	4,236	38,493,396	11,500
Belleville	1,991	21,513,342	6,550	Lincoln	1,247	12,510,862	4,075
Beloit	3,700	42,563,072	12,574	Lindsborg	3,451	26,984,884	8,412
Burlingame	928	8,298,444	2,500	Lucas	395	5,652,085	1,895
Burlington	2,674	36,000,000	9,218	Mankato	869	7,933,010	2,096
Cawker City	456	6,152,410	1,314	Marion	1,927	16,237,191	5,300
Centralia	500	3,999,640	1,164	Meade	1,721	17,717,000	4,800
Chanute	9,295	278,933,280	55,354	Moundridge	1,753	28,184,957	7,300
Chapman	1,392	10,662,215	3,400	Neodesha	2,486	34,532,000	11,100
Cimarron	2,262	15,697,185	4,388	Norton	2,841	24,634,293	8,774
Coffeyville	10,295	747,515,000	110,980	Oberlin	1,850	13,779,238	5,075
Colby	5,388	63,128,482	18,300	Osage City	2,899	32,041,367	8,323
Dighton	1,100	8,690,037	2,883	Osawatomie	4,385	29,124,735	8,900
Enterprise	950	4,444,603	1,397	Osborne	1,396	13,527,127	4,700
Erie	1,120	9,213,522	2,015	Ottawa	12,600	152,099,700	36,600
Eudora	6,300	48,157,000	12,300	Pomona	832	7,605,000	2,100
Fredonia	2,482	35,279,779	8,626	Pratt	6,835	86,582,000	21,100
Garden City	32,000	282,625,000	68,699	Russell	4,475	107,400,555	24,540
Gardner	19,123	143,314,100	36,700	Seneca	2,000	36,345,681	8,636
Garnett	3,415	26,866,605	8,900	Sharon Springs	756	7,161,404	2,240
Girard	2,780	26,577,808	9,193	St. Francis	1,300	11,164,610	3,250
Glasco	498	3,098,356	892	St. John	1,295	11,173,935	3,300
Glen Elder	435	3,890,104	1,121	Stafford	1,002	9,654,522	2,739
Goodland	4,565	44,477,216	13,300	Sterling	2,303	20,142,041	5,857
Greensburg	850	11,623,087	3,008	Stockton	1,200	13,219,975	4,096
Herington	2,526	20,227,966	5,836	Troy	1,010	6,884,356	2,090
Hill City	1,594	12,947,145	4,857	Wamego	4,875	45,780,973	13,300
Hillsboro	2,993	22,123,905	7,056	Washington	1,087	12,730,653	3,762
Hoisington	2,706	20,646,871	6,120	Waterville	671	4,540,652	1,544
Holton	3,316	47,143,588	12,531	Wellington	7,951	102,090,965	28,500
Horton	1,700	13,986,290	3,900	Winfield	12,301	295,249,000	64,376
Hugoton	3,966	38,773,751	10,947	Combined City Data	412,241	5,837,553,053	1,343,177

KMGA CITIES SUMMARY

A MESSAGE FROM KMGA'S PRESIDENT AND GENERAL MANAGER

Randy Frazer and Paul Mahlberg

KMGA was formed 28 years ago with the sole purpose of creating natural gas pooling for municipal cities in the State of Kansas. From its inception, KMGA has remained committed to diversifying our natural gas supply purchases by using a variety of pricing mechanisms which insure our members receive the most competitively priced gas supply. We continued this mission in 2016 by adding eight new gas supply providers. In fact, over the last four years we have added a total of 15 new suppliers bringing the total number to 18.

We continued to bolster the presence of the Gas Agency at our Annual Conference event. In 2016 we had two separate breakout sessions related to the gas industry. In addition, we presented two annual awards for the first time for our member cities. These awards are the Ron Huxman Distinguished Service Award and the Mike Gilliland Honor Award. Both of these individuals were instrumental in the Gas Agency over the years with both serving as President. These inaugural awards were given to Ron and Mike in appreciation for their service to both their communities and KMGA.

In 2016 we added two new members to our Agency – the City of Burrton and the City of Russell. KMGA also added the City of Wellington's power plant and fire department facility to our pool. This growth in membership allows us to provide a high level of services without increasing our membership fees. Early indications are that we will be able to add to our membership in 2017, as well.

The Agency utilized several pricing mechanisms to insure a stable, low priced supply for our members. As reported in greater detail in the pages that follow, KMGA cities benefited from these continued low natural gas prices. As we continue into 2017, we would like to thank you all for your trust and support which helps us remain confident in KMGA's future growth and ability to provide reliable services. We look forward to serving you at the highest level.



Randy Frazer
KMGA President



Paul Mahlberg
KMGA General Manager

KMGA CITIES SUMMARY

RON HUXMAN | HONORED WITH THE INAUGURAL “RON HUXMAN DISTINGUISHED SERVICE AWARD”

The “Ron Huxman Distinguished Service Award” was established this year in honor of Ron. He played a leading role in the day-to-day activities of the Agency as well as serving as its President, Executive Committee member and Joint Board member. The award honors his contributions to KMGA and will be awarded to individuals who have demonstrated exceptional leadership and devoted service to both KMGA and to the municipal natural gas industry. ■



MIKE GILLILAND | HONORED WITH THE INAUGURAL “MIKE GILLILAND HONOR AWARD”

The “Mike Gilliland Honor Award” was established this year in honor of Mike. He played a leading role in the Agency serving multiple terms as President, Vice President and Executive Committee member. The award honors his contributions to KMGA and is to recognize an employee of a KMGA member city who has, over a period of years, demonstrated outstanding performance and made significant contributions to their municipal utility. ■



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 now has 44 members. KMGA procures natural gas supply for 24 municipals that own their distribution system. We also manage supply for 16 power plants, eight individual facilities 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. The Executive Committee, a separate committee from the Board of Directors, 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. 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: Gus Collins, Vice President, Director of Gas/Wastewater Utilities, City of Winfield; Wes Colson, City Superintendent, City of Burlingame; Randy Frazer, President, City Administrator, City of Moundridge

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

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



KMGA MEMBER CITIES & BOARD OF DIRECTORS

Alma

1. Michael Slobodnik
2. Jeff Clark

Anthony

1. Larry Berry
2. Steve Wilkinson

Argonia

1. Alan Brundage
2. Wayne Vineyard

Attica

1. Mike Swonger
2. Bret Ricke

Augusta

1. Bill Webster
2. Jim Sutton

Baldwin City

1. Glenn Rodden
2. Rob Culley

Beloit

- 1.
2. Manny Wilbers

Burlingame

1. Wes Colson
2. David PUNCHES

Burrton

1. Jon Roberts
2. Kim Ryan

Cassoday

1. Joy Nelson
2. Greg Ball

Coffeyville

1. Gene Ratzlaff
2. Kendal Francis

Concordia

1. Jeremy Arnold
2. Larry Uri

Ellinwood

1. Bud Newberry
- 2.

Eskridge

1. Mike Bohn
2. Justin Rush

Gardner

1. Gonzalo Garcia
2. John Krievins

Garnett

1. Joyce Martin
2. Bob Mills

Halstead

- 1.
2. Ethan Reimer

Hesston

1. Gary Emry
2. Scott Robertson

Hoisington

1. Jonathan Mitchell
2. Bernard Kruse

Howard

1. Becky Oakleaf
2. Ernest Tousley

Humboldt

1. Cole Herder
2. Jeremy Bulk

Kechi

1. Larry Kallenberger
2. Laura Hill

LaCygne

1. Devona Herrin
2. Jerome Moore

Larned

1. Ralph Streit
2. Lane Massey

Lyons

1. John Sweet
2. Chris Veatch

McLouth

1. Kim Everley
2. Gary Tullis

Moundridge

1. Randy Frazer
- 2.

Osage City

1. Joseph Lamond
2. Rodney Willis

Ottawa

1. Dennis Tharp
2. Jeff Oleson

Partridge

1. Sam Askew
2. Debbie Baughman

Russell

1. Jon Quinday
2. Duane Banks

Spearville

1. Rakel Halling
2. Tammy Konrade

Sterling

1. John Wagerle
2. Taggart Wall

Uniontown

1. Josh Hartman
2. Amber Kelly

Walton

1. Merlyn Johnson
2. Stephanie Ashby

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 GAS SUPPLY PROJECT CITIES SUMMARY

City	Population	Total MMBtu Purchased
Abbyville	89	3,316
Anthony	2,269	8,751
Argonia	501	17,224
Attica	600	24,600
Augusta	9,274	6,239
Augusta Water	N/A	770
Baldwin City	4,540	1,616
Burlingame	928	40,063
Burrton	901	10,812
Cassoday	129	6,505
Coffeyville	10,295	634,934
Concordia	5,395	1,090
Denison	187	7,921
Ellinwood	2,131	5
Eskridge	534	48,009
Gardner	19,123	639
Garnett	3,415	130,750
Halstead	2,085	174,394
Hesston	3,709	295,907
Hoisington	2,706	282
Howard	687	24,947
Humboldt	1,953	85,760
Kechi	1,909	39,077
LaCygne	1,149	59,790
Lyons	3,739	132,720

City	Population	Total MMBtu Purchased
Manhattan	N/A	14,384
McLouth	880	29,780
Moundridge	1,753	93,749
Mulvane	6,111	4
Osage City	2,899	97,581
Ottawa	12,600	15,143
Partridge	248	7,538
Russell	4,475	17,676
Spearville	773	26,984
Sterling	2,303	311
Sylvia	218	7,153
Uniontown	264	8,773
Walton	235	9,942
Wamego	4,875	1,882
Washington USD	N/A	4,563
Washington-PP	1,087	610
Wellington	7,951	59,013
Wellington FD	N/A	1,361
Winfield	12,301	404,396

COMBINED CITY TOTALS:

Population	137,353
MMBtu Purchased	2,556,964

NATURAL GAS INDUSTRY REVIEW

A REVIEW OF THE NATURAL GAS INDUSTRY IN 2016

In the history of the natural gas industry 2016 will be remembered as an eventful and record setting year.

Excess natural gas at the end of 2015 and warm winter temperatures kept prices low at the start of 2016. The trend of low prices reversed during the summer as natural gas-generated electricity hit record levels. By summer's end expectations for a colder winter drove natural gas prices up.

Mid-continent daily index prices posted a low of \$1.28/MMBtu on March 5th and a high of \$3.73/MMBtu on December 17th. Natural gas futures in the U.S. hit \$3.99/MMBtu on December 28, 2016, the highest level since December 2014.

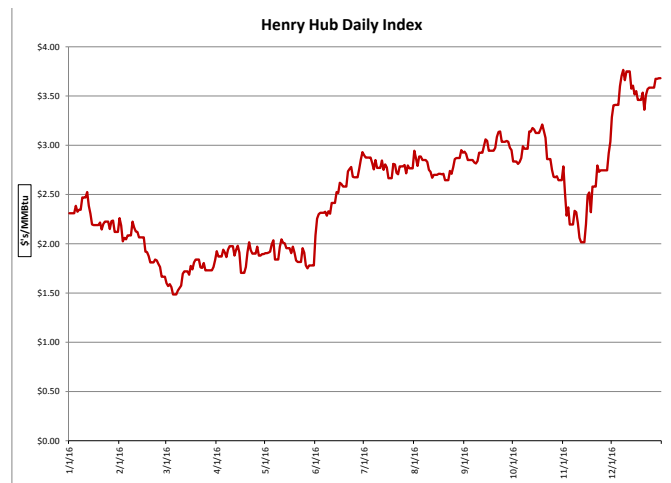
Storage levels at the end of the winter withdrawal season in March were the highest on record. Storage inventory reached an all-time record high level of 4,047 Billion Cubic Feet (Bcf) for the week ending November 11th. Much colder weather in December led to back-to-back weekly withdrawals greater than 200 Bcf, dropping storage levels below the five-year average for the first time all year last.

In August the active natural gas rig count fell to 81. This is the first time in 29 years that the natural gas rig count fell below 100. A year prior the active rig count was 233. The rig count peaked at 1,606 rigs on September 12, 2008.

2016 was the first year the U.S. became a net exporter of natural gas. This came about with exports of liquefied natural gas (LNG) and more cross-the-border pipelines being built to take gas into Mexico.

Natural Gas Prices – Henry Hub

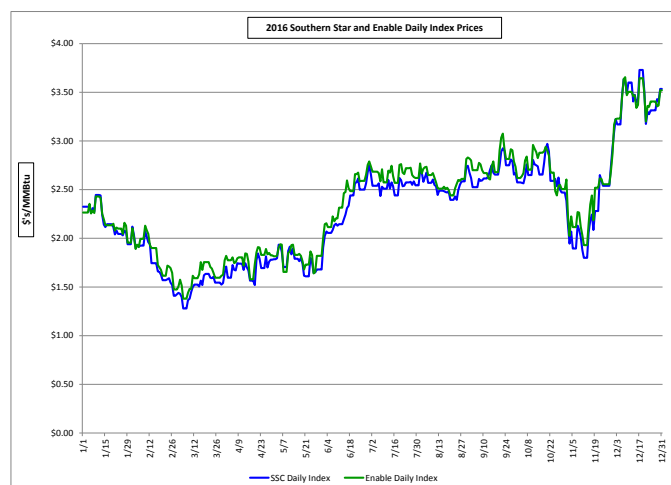
Daily spot prices at the Henry Hub in Louisiana averaged \$2.48 per MMBtu in 2016. The lowest Henry Hub daily spot price was \$1.485 posted on March 5th. On December 8th the highest Henry Hub daily spot price posted at \$3.765.



Natural Gas Prices – Mid-Continent Prices

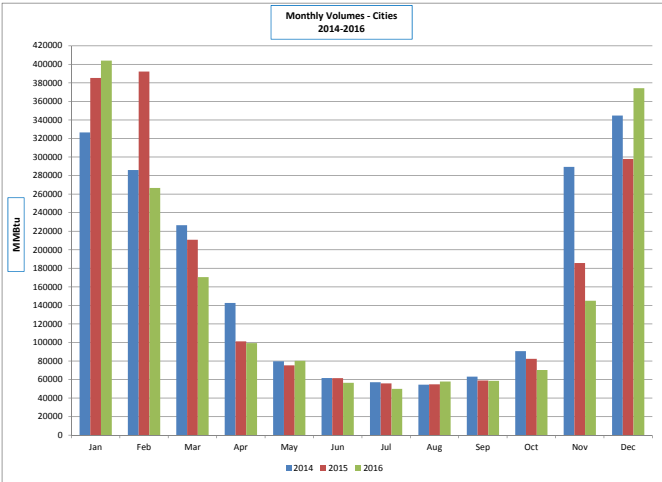
Daily mid-continent index prices averaged \$2.277/MMBtu for 2016. Throughout 2016 Southern Star Central's (SSC) daily index price posted below \$2.00 for 128 days.

Midcontinent pipelines Enable Gas Transmission (EGT) and SSC both posted their lowest daily index price for 2016 on March 5th at \$1.38 and \$1.28 per MMBtu respectively. The highest daily index price for EGT was \$3.655 on Dec 8th. SSC's highest index posted price was on Dec 17th at \$3.73 per MMBtu.



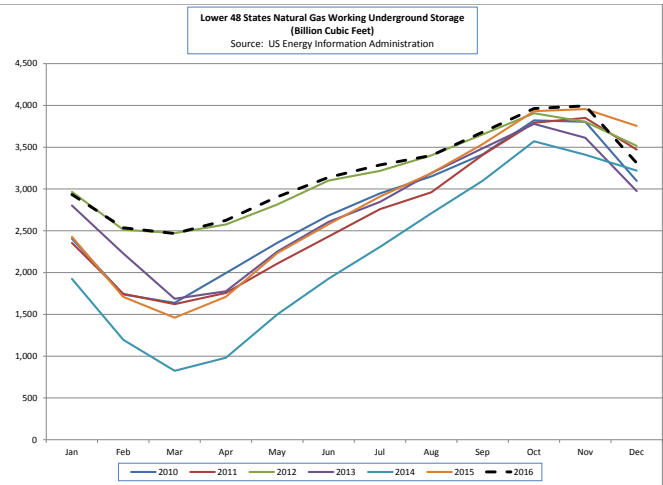
Low Heating Demand Creates Lower Volume of Gas Supply to Cities

Near-record warm temperatures blanketed the United States from coast to coast in 2016, propelling the Lower 48 to its second warmest year on record. The volume of gas supply consumed by KMGAs cities during 2016 was around 7% less than in 2015.



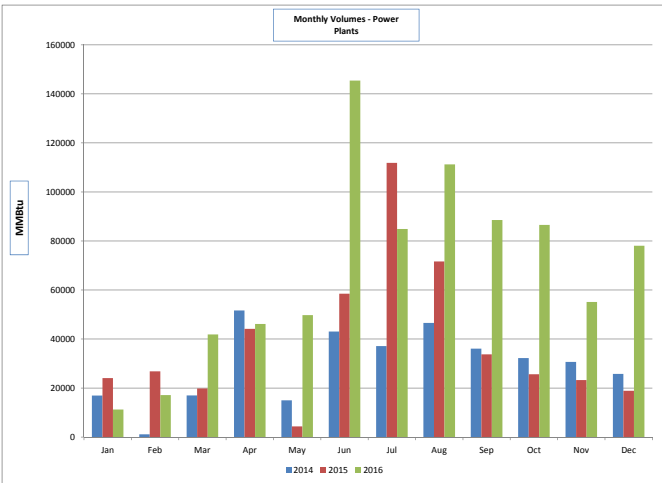
Storage Levels

In November of 2016 natural gas inventories reached their highest level ever at 4,047 Bcf. In December, due to higher demand because of colder weather over the U.S., natural gas inventories fell below their five-year average. ■



Increase to Natural Gas-Fired Generation

Per the Energy Information Administration (EIA), natural gas-fired electric generation exceeded coal-fired generation for the first time on an annual basis in 2016. Natural gas consumed by KMGAs power plants in 2016 recorded a 76% increase in natural gas supply over 2015.



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, 2016 and 2015 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, 2016 and 2015, 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.

Emphasis Of Matter

As discussed in Note 11 to the financial statements, Kansas Municipal Energy Agency ended its participation in the Nearman Power Plant, which resulted in a return of member retained interest and earnings for the participating member cities. Our opinion is not modified with respect to this matter.

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 4 through 11 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 40, 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, 2016 AND 2015

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, 2016 and 2015. 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 78 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 eight 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) Grand River Dam Authority Power Project (GRDA), (4) Energy Management Project No. 1 (EMP1), (5) Energy Management Project No. 2 (EMP2), (6) Energy Management Project No. 3 (EMP3), (7) Eudora Project and (8) 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 2016 - Net Position

As of December 31, 2016 and 2015, Agency assets exceeded its liabilities by \$2,693,000 and \$3,516,000 (net position), respectively. Unrestricted cash and cash equivalents decreased by \$1,479,000 from \$6,565,000 to \$5,086,000. 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, 2016, the principal due within one year is \$68,000, and the principal due beyond one year is \$495,000. The Agency also has \$42,595,000 of debt associated with the financing of the Jameson Energy Center for the City of Garden City.

Current assets minus current liabilities decreased by \$1,179,000; from \$(2,191,000) as of December 31, 2015, to \$(3,370,000) as of December 31, 2016 due to the return of member retained interest and earnings for the participating member cities related to the Nearman project.

Change in net position for 2016 totaled \$(823,000), compared to \$728,000 for 2015. The change in net position in 2016 was different from 2015 primarily due to the return of member

retained interest and earnings for the participating member cities related to the Nearman project.

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 no operating revenues. Also 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		
	2016	2015	2014
Assets & Deferred Outflows			
Utility plant, net	\$955	\$1,009	\$1,029
Restricted funds	6,897	6,739	6,445
Current assets	10,294	11,841	11,993
Noncurrent assets	39,951	41,098	42,183
Deferred outflows of resources	340	177	86
Total Assets & Deferred Outflows	58,437	60,864	61,736
Liabilities & Deferred Inflows			
Long-term obligations, less current portion	42,013	43,173	44,450
Other noncurrent liabilities	—	40	40
Current liabilities	13,664	14,032	14,232
Deferred inflows of resources	67	103	226
Total Liabilities & Deferred Inflows	55,744	57,348	58,948
Net Position	\$2,693	\$3,516	\$2,788

The Agency implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB

KMEA AUDITORS REPORT

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 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

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)

	For the year ended December 31		
	2016	2015	2014
Revenues			
Operating revenues	\$84,770	\$90,322	\$101,160
Interest on investments	2,250	2,305	2,102
Total Revenues	87,020	92,627	103,262
Expenses			
Purchased power	79,919	85,533	95,250
Other expenses	6,909	6,366	6,909
Total Expenses	86,828	91,899	102,159
Return of Member Retained Interest and Earnings	(1,015)	—	—
Change in Net Position	\$(823)	\$728	\$1,103
Net Position – Beginning of Year, As Previously Reported	—	—	2,952
Prior Period Restatements	—	—	(1,267)
Net Position – Beginning of Year	3,516	2,788	1,685
Net Position – End of Year	\$2,693	\$3,516	\$2,788

Fiscal Year 2016 - Change In Net Position

Operating revenues declined by 6% in 2016 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 \$5,552,000 decrease in operating revenues in 2016 was accompanied by a \$5,614,000 decrease in purchased power costs.

Other expenses increased by \$543,000; \$6,366,000 in 2015 compared to \$6,909,000 in 2016. The increase in other expenses was mainly due to an decrease in funds collected from member cities to offset expenses.

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 \$5,071,000 in 2016, revenues decreased by \$5,607,000, resulting in a change in net position for 2016 of \$(823,000).

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.

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

	December 31		
	2016	2015	2014
Operating Income (Loss)	\$140	\$667	\$706
Issuance of note receivable	—	—	(244)
Repayments from note receivable	83	79	26
Repayments from direct financing lease	1,064	1,006	39
Proceeds (Purchases) of investments	—	551	—
Interest received on note, lease and investments	2,250	2,304	2,090
Investment earnings	—	—	14
Issuance of debt	—	—	—
Principal paid on debt	(759)	(738)	(58)
Proceeds from note payable/line of credit	—	—	1,500
Principal paid on note payable/line of credit	(504)	(487)	(159)
Interest paid	(2,198)	(2,244)	(1,189)
Depreciation	81	67	128
Changes in assets and liabilities	(436)	362	(423)
Net additions to plant	(27)	(47)	(11,426)
Net increase (decrease) in cash	(1,321)	1,520	(8,996)
Cash & Cash Equivalents - Beginning of Year	11,002	9,482	18,478
Cash & Cash Equivalents - End of Year	\$9,681	\$11,002	\$9,482

Fiscal Year 2016 - Cash Flow

In comparing the 2016 cash flow statement with that for 2015, the 2016 cash flow statement reflects the return of member retained interest and earnings for the participating member cities related to the Nearman project.

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.

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 2017, 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.

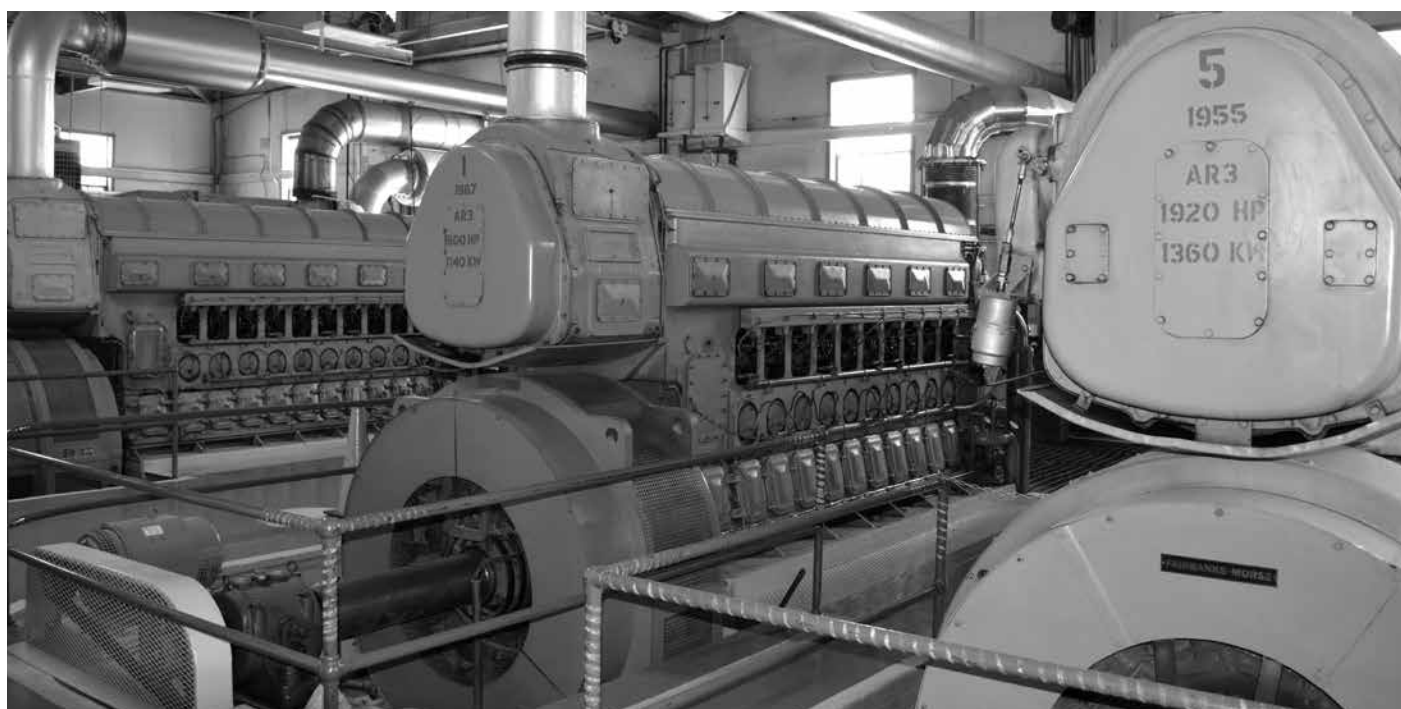
KMEA AUDITORS REPORT

STATEMENT OF NET POSITION (in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	December 31	
	2016	2015
Plant		
Land	\$97	\$97
Structures and equipment, depreciable	1,220	1,220
Electric plant in service, depreciable	443	1,884
Accumulated depreciation	(805)	(2,192)
Total Plant	955	1,009
Restricted Funds		
Cash and investments	6,897	6,739
Current Assets		
Cash and cash equivalents	5,086	6,565
Accounts receivable	5,187	5,261
Prepaid expenses	21	15
Total Current Assets	10,294	11,841
Noncurrent Assets		
Notes receivable	56	139
Direct financing lease	39,895	40,959
Total Current Assets	39,951	41,098
Total Assets	58,097	60,687
Deferred Outflows of Resources – Pension	340	177
Total Assets and Deferred Outflows of Resources	\$58,437	\$60,864
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities Payable From Restricted Funds		
Accounts payable	\$ —	\$40
Other Noncurrent Liabilities		
Long-term obligations, less current portion	42,013	43,173
Current Liabilities		
Accounts payable and other accrued liabilities	9,042	9,481
Customer deposits	716	761
Accrued vacation and sick leave	186	154
Interest payable	1,132	1,117
Current portion of long-term debt	1,145	1,263
Net pension liability	1,443	1,256
Total Current Liabilities	13,664	14,032
Total Liabilities	55,677	57,245
Deferred Inflows of Resources – Pension	67	103
Net Position		
Net investment in capital assets	394	377
Restricted	2,519	2,295
Unrestricted	(220)	844
Net Position	2,693	3,516
Total Liabilities and Net Position	\$58,437	\$60,864

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

	For the Years Ended December 31	
	2016	2015
Operating Revenues		
Project power	\$80,067	\$85,646
Other revenues	4,703	4,676
Total Operating Revenue	84,770	90,322
Operating Expenses		
Purchased power and fuel	79,919	85,533
Administrative and general expense	4,630	4,055
Depreciation and amortization	81	67
Total Operating Expenses	84,630	89,655
Total Operating Revenues	140	667
Nonoperating Revenues (Expenses)		
Return of member retrained interest and earnings	(1,015)	—
Interest on investments	2,250	2,305
Interest expense	(2,198)	(2,244)
Total Nonoperating Revenues	(963)	61
Change in Net Position	(823)	728
Net Position – Beginning of Year	3,516	2,788
Net Position – End of Year	\$2,693	\$3,516



KMEA AUDITORS REPORT

STATEMENT OF CASH FLOWS (in thousands)

For The Years Ended
December 31

	2016	2015
Cash Flows from Operating Activities		
Cash received from members	\$84,844	\$91,140
Cash paid to suppliers	(83,326)	(88,472)
Cash paid to employees	(1,733)	(1,572)
Net Cash Provided By Operating Activities	(215)	1,096
Cash Flows from Investing Activities		
Sale of investments	—	411
Purchase of investments	—	(411)
Issuance of note receivable	—	—
Repayments from note receivable	83	79
Repayments from direct financing lease	1,064	1,006
Interest received on direct financing lease and note receivable	2,243	2,304
Investment earnings	7	—
Net Cash Provided By Investing Activities	3,397	3,389
Cash Flows From Capital and Related Financing Activities		
Return of member retained interest and earnings	(1,015)	—
Proceeds from note payable	—	—
Proceeds from sale of investments	—	551
Principal paid on note payable	(504)	(487)
Principal paid on debt	(759)	(738)
Additions to plant	(27)	(47)
Interest paid	(2,198)	(2,244)
Net Cash Used In Capital & Related Financing Activities	(4,503)	(2,965)
Net Increase (Decrease) in Cash and Cash Equivalents	1,321	1,520
Cash and Cash Equivalents – Beginning of Year	11,002	9,482
Cash and Cash Equivalents – End of Year	\$9,681	\$11,002
Reconciliation of Cash & Cash Equivalents to the Balance Sheet		
Restricted cash and investments	\$6,739	\$6,739
Cash and cash equivalents	5,086	6,565
Less: investments	(2,302)	(2,302)
Total Reconciliation of Cash & Cash Equivalents to the Balance Sheet	\$9,681	\$11,002
Reconciliation of Net Operating Revenues to Net Cash Provided by Operating Activities		
Net operating revenues	\$140	\$667
Adjustments to reconcile net operation revenues to net cash provided by operating activities:		
Depreciation and amortization	81	67
Changes in assets and liabilities:		
Accounts receivable	74	820
Prepaid expenses	(6)	6
Accounts payable and accrued liabilities	(447)	(414)
Net pension liability and related deferred inflows and outflows	(12)	(42)
Customer deposits	(45)	(8)
Net Cash Provided by (Used In) Operating Activities	\$215	\$1,096

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, the Agency had 78 and 77 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, 2016: \$1,100,000 is restricted for the Agency funds held by the Southwest Power Pool; \$178,000 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; \$427,000 is restricted as a reserve fund held by the Agency; and \$4,378,000 is held by a trustee related to the Series 2013 bonds and is restricted in the Garden City project for the Jameson Energy Center.

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 was restricted in the Nearman Project to pay for certain payables. KMEA's participation in the Nearman Power Plant ended December 31, 2015.

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

KMEA AUDITORS REPORT

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 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, 2016 and 2015:

	December 31	
	2016	2015
Deposits held to secure payment of monthly bills	\$716,000	\$761,000

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.

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.

New Accounting Standards

For the year ended December 31, 2016, the Agency implemented GASB Statement No. 72, *Fair Value Measurement and Application*. These statements would require measurement of certain assets at fair value using consistent valuation techniques and enhance disclosures to provide a better understanding about the impact of Fair Value Measurement on a government financial statement position.

The Agency categorizes its fair value measurements applicable for reporting its investments within the fair value hierarchy. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Agency's assets at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
U.S. Government Securities				
Federal National Mortgage Association	\$ —	\$145,000	\$ —	\$145,000
Federal Home Loan Mortgage Corporation	—	1,011,000	—	1,011,000
Corporate Bonds	—	1,146,000	—	1,146,000
Subtotal	—	\$ 2,302,000	—	\$ 2,302,000
Money Market Mutual Funds				\$ 3,997,000
Deposits				5,684,000
Total				\$11,983,000

The following tables set forth by level within the fair value hierarchy, the Agency's assets at fair values as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
U.S. Government Securities				
Federal National Mortgage Association	\$ —	\$144,000	\$ —	\$144,000
Federal Home Loan Mortgage Corporation	—	1,014,000	—	1,014,000
Corporate Bonds	—	1,144,000	—	1,144,000
Subtotal	—	\$ 2,302,000	—	\$ 2,302,000
Money Market Mutual Funds				\$ 4,023,000
Deposits				6,979,000
Total				\$13,304,000

The Agency's recurring fair value measurements as of December 31, 2016 and 2015 include the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Corporate bonds totaling \$2,302,000 in each year and are valued using a matrix pricing technique, which utilizes pricing indices, index spreads and other market reference data (Level 2 inputs).

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.

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.

KMEA AUDITORS REPORT

At December 31, 2016, 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	\$5,684,000	\$5,684,000	\$ —	\$ —	N/A
Investments					
Money market mutual fund	1,922,000	1,922,000	—	—	AAAm
Investments Held with Trustee:					
Federal National Mortgage Association	145,000	—	—	145,000	AA+
Federal Home Loan Mortgage Corporation	1,011,000	—	—	1,011,000	AA+
Corporate bonds	1,146,000	—	—	1,146,000	Ba3
Money market mutual fund	2,075,000	2,075,000	—	—	AAAm
Total Deposits, Including Investments	\$11,983,000	\$9,681,000	\$ —	\$2,302,000	

At December 31, 2015, 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	\$6,979,000	\$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	

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 6% of the Agency's investments were in Federal National Mortgage Association Securities, 44% of the Agency's investments were in Federal Home Loan Mortgage Corporation Securities and 50% 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, 2016 and 2015 was \$1,733,000 and \$1,572,000, respectively; and the Agency's total payroll was \$1,733,000 and \$1,572,000, 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 are 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 1.1% and 1.0% of total payroll for the KPERS fiscal years ended June 30, 2016 and 2015, respectively.

The employer contribution rate was 9.48% for the KPERS fiscal years ended June 30, 2016 and 2015.

Contributions to the pension plan from the Agency were \$155,000 and \$147,000 for the years ended December 31, 2016 and 2015, respectively.

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

At December 31, 2016 and 2015, the Agency reported a liability of \$1,443,000 and \$1,256,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 and December 31, 2014, which was rolled forward to June 30, 2016 and June 30, 2015, respectively.

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, 2016 and June 30, 2015. At December 31, 2016 and 2015, the Agency's proportion was .093258% and .095657%, respectively.

There were no changes in benefit terms during the KPERS plan year ended June 30, 2016 or 2015 that affected the measurement of total pension liability.

KMEA AUDITORS REPORT

For the year ended December 31, 2016 and 2015, the Agency recognized pension expense of \$146,000 and \$105,000. At December 31, 2016 and 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended December 31, 2016		
Differences between expected and actual experiences	\$8,400	\$26,000
Changes of assumptions	—	13,000
Net difference between projected and actual earnings on pension plan investments	171,000	49,000
Changes in proportion and differences between Agency contributions and proportionate share of contributions	81,000	28,000
Agency contributions subsequent to the measurement date of June 30, 2015	80,000	—
Total	\$340,000	\$67,000

	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

At December 31, 2016 and 2015, \$80,000 and \$73,000 were reported, respectively, 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
2017	\$30,000
2018	30,000
2019	82,000
2020	54,000
2021	(3,000)
	\$193,000

Actuarial Assumptions

The total pension liability for the June 30, 2016, measurement date was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. 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 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, 2016, are summarized as follows:

Asset Class	Long-Term Target Allocation (%)	Expected Real Rate of Return (%)
Global equity	47.0	6.80
Fixed income	13.0	1.25
Yield driven	8.0	6.55
Real return	11.0	1.71
Real estate	11.0	5.05
Alternatives	8.0	9.85
Short-term investments	2.0	(0.25)
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, 2016, 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%
\$1,977,000	\$1,443,000	\$989,000

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 \$245,400 and \$236,400 in 2016 and 2015, respectively. As of December 31, 2016 and 2015, accounts receivable from KMGA was \$19,000 and \$21,000, respectively.

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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.

5. Capital Assets

Capital assets consisted of the following amounts as of December 31, 2016:

	2015 Balance	Additions	Deletions	2016 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	1,884,000	27,000	(1,468,000)	443,000
Structures and equipment	1,220,000	—	—	1,220,000
Total capital assets being depreciated	3,104,000	27,000	(1,468,000)	1,663,000
Less: accumulated depreciation	2,192,000	81,000	1,468,000	805,000
Total capital assets being depreciated, net	912,000	(54,000)	—	858,000
Capital assets, net	\$1,009,000	\$(54,000)	\$ —	\$955,000

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

	2014 Balance	Additions	Deletions	2014 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)	—	132,000
Capital assets, net	\$1,029,000	\$(20,000)	\$ —	\$1,009,000

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, 2016, the future minimum lease payments to be received under the lease are as follows:

Year Ending December 31,	Payment
2017	\$ 3,162,000
2018	2,863,000
2019	2,863,000
2020	2,863,000
2021	2,863,000
2022-2026	14,319,000
2027-2031	14,314,000
2032-2036	14,318,000
2037-2041	14,318,000
2042-2046	4,295,000
Total minimum lease payments receivable	76,178,000
Less: unearned income	36,283,000
Present value of minimum lease payments	\$39,895,000

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, 2016, the future minimum lease payments to be received under the note are as follows:

Year Ending December 31,	Payment
2017	\$ 57,000
Total note payments receivable	57,000
Less: interest	1,300
Present value of note payments	\$55,700

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 original lease was payable in semiannual installments of \$49,345, including interest at 5.49%. In December 2016, the lease purchase agreement was renegotiated with a semiannual installment of \$44,817, including interest at 2.75%. 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, 2016 and 2015 was \$669,000 and \$707,000, respectively. Amortization of the leased building under capital assets is included with depreciation expense.

In May 2016, the Agency (EMP1 Project) renewed a line of credit agreement with a financial institution that matures in May 2017. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.75% at December 31, 2016) less .25%. There were no amounts outstanding as of December 31, 2016 or 2015 on this line of credit.

In May 2016, the Agency (EMP2 Project) renewed a line of credit agreement with a financial institution that matures in May 2017. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.75% at December 31, 2016) less .25%. There were no amounts outstanding as of December 31, 2016 or 2015 on this line of credit.

In May 2016, the Agency (EMP3 Project) renewed a line of credit agreement with a financial institution that matures in May 2017. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.75% at December 31, 2016) less .25%. There were no amounts outstanding as of December 31, 2016 or 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

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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 December of 2016, the Agency, on behalf of Garden City, renewed a \$630,000 letter of credit agreement with a financial

institution that expires December 2017. At December 31, 2016, 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 \$1,500,000 on the note, which bears interest at an initial rate of 3.25%. 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, 2016, \$350,000 was payable on the note.

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

	2015 Balance	Additions	Deletions	2016 Balance	Due Within One Year
Lease purchase agreement	\$692,000	\$ —	\$ (69,000)	\$563,000	\$68,000
EMP1LOC	—	—	—	—	—
EMP2LOC	—	—	—	—	—
EMP3LOC	—	—	—	—	—
Garden City note	854,000	—	(504,000)	350,000	346,000
Series 2013	42,055,000	—	(690,000)	41,365,000	715,000
Bond Premium	895,000	—	(15,000)	880,000	16,000
	<u>\$44,436,000</u>	<u>\$ —</u>	<u>\$(1,278,000)</u>	<u>\$43,158,000</u>	<u>\$1,145,000</u>

	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
	<u>\$45,669,000</u>	<u>\$ —</u>	<u>\$(1,233,000)</u>	<u>\$44,436,000</u>	<u>\$1,263,000</u>

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	
2017	\$68,000	\$15,089	\$715,000	\$2,152,000	\$346,000	\$4,000	\$3,300,089
2018	77,000	13,025	740,000	2,123,000	4,000	—	2,957,025
2019	79,000	10,904	770,000	2,094,000	—	—	2,953,904
2020	80,000	8,724	805,000	2,057,000	—	—	2,950,724
2021	83,000	6,484	845,000	2,017,000	—	—	2,951,484
2022 - 2026	176,000	5,997	4,915,000	9,404,565	—	—	14,501,562
2027 - 2031	—	—	6,262,000	8,053,815	—	—	14,313,815
2032 - 2036	—	—	8,020,000	6,297,627	—	—	14,317,627
2037 - 2041	—	—	10,535,000	3,784,439	—	—	14,319,439
2042 - 2046	—	—	7,760,000	828,719	—	—	8,588,719
	<u>\$563,000</u>	<u>\$60,223</u>	<u>\$41,365,000</u>	<u>\$38,812,159</u>	<u>\$350,000</u>	<u>\$4,000</u>	<u>\$81,154,382</u>

During 2016, the Agency incurred \$2,250,000 of interest. During 2015, the Agency incurred \$2,305,000 of interest.

Compensated Absences

See table below for liability as of December 31, 2016 and 2015.

	2015 Balance	Additions	Deletions	2016 Balance	Due Within One Year
Compensated absences	\$154,000	\$32,000	\$ —	\$186,000	\$186,000

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

8. Commitments And Contingencies

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 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, 2016, 2015 and 2014:

	2016	2015	2014
Agency premiums paid for active employees	\$212,399	\$195,183	\$226,556
Retirees premiums paid (remitted by KMEA)	—	—	8,405

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II. Nearman Participation and Subsequent events

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 member interests and retained earnings from the project were distributed to the participating member cities in 2016 based upon each city's contracted capacity. The total amount of the distribution was \$1,015,000 and is included on the Statement of Revenues, Expenses, and Changes in Net Position as Return of member retained interest and earnings. No future distributions are anticipated as a result of the participation ending in the Nearman Power Plant.

Management has evaluated subsequent events through March 7, 2017, which is the date the financial statements were available to be issued.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	December 31		
	2016	2015	2014
Agency's proportion of the net pension liability	0.00093258	0.00095657	0.0008806
Agency's proportionate share of the net pension liability	\$1,443,000	\$1,256,000	\$1,084,000
Agency's covered-employee payroll	\$1,613,000	\$1,641,000	\$1,473,000
Agency's proportionate share of net pension liability as a percentage of its covered-employee payroll	89.46%	79.90%	68.18%
Plan fiduciary net position as a percentage of the total	65.10%	64.95%	66.60%

SCHEDULE OF CONTRIBUTIONS	December 31		
	2016	2015	2014
Required contribution	\$149,000	\$146,000	\$121,000
Contributions made in relation to the require contribution	\$149,000	\$146,000	\$121,000
Contribution deficiency	—	—	—
Agency's covered-employee payroll	\$1,733,000	\$1,572,000	\$1,590,000
Contributions as a percentage of covered-employee payroll	8.60%	9.29%	7.61%

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 rolled forward six months to June 30 of the current year.

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, 2016.

Combining Statement of Net Position

December 31, 2016 (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	—	—	—	—	—	—	—	—	—	1,220	1,220
Electric plant in service, depreciable	105	—	—	—	32	—	—	—	—	306	443
Accumulated depreciation	(105)	—	—	—	(32)	—	—	—	—	(668)	(805)
Total Plant	—	—	—	—	—	—	—	—	—	955	955
Restricted Funds											
Cash and temporary cash investments	178	—	—	638	176	—	—	—	4,378	1,527	6,897
Current Assets											
Cash and cash equivalents	692	69	—	2,041	542	346	275	—	—	1,121	5,086
Accounts receivable	346	71	—	—	720	2,741	1,107	—	—	202	5,187
Prepaid assets	—	—	—	—	—	—	—	—	—	21	21
Interproject receivables (payables)	(65)	(6)	—	1,511	513	(1,225)	(952)	—	—	224	—
Total Current Assets	973	134	—	3,552	1,775	1,862	430	—	—	1,568	10,294
Long-Term Assets											
Notes receivable	—	—	—	—	—	—	—	—	56	—	56
Direct financing lease	—	—	—	—	—	—	—	—	39,895	—	39,895
Total Long-Term Assets	—	—	—	—	—	—	—	—	39,951	—	39,951
Deferred Outflows of Resources - Pension	—	—	—	—	—	—	—	—	—	340	340
Total Assets and Deferred Outflows of Resources	\$1,151	\$134	\$ —	\$4,190	\$1,951	\$1,862	\$430	\$ —	\$44,329	\$4,390	\$58,437
Liabilities, Deferred Inflows and Net Position											
Liabilities Payable from Restricted Funds											
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other Non-Current Liabilities											
Long-term obligations, less current portion	—	—	—	—	—	—	—	—	41,527	486	42,013
Current Liabilities											
Accounts payable and other accrued liabilities	349	55	—	3,781	1,920	1,863	430	—	—	644	9,042
Customer deposits	637	79	—	—	—	—	—	—	—	—	716
Accrued vacation and sick leave	—	—	—	—	—	—	—	—	—	186	186
Interest payable	—	—	—	—	—	—	—	—	1,131	1	1,132
Current portion of long-term debt	—	—	—	—	—	—	—	—	1,064	81	1,145
Net pension liability	—	—	—	—	—	—	—	—	—	1,443	1,443
Total Current Liabilities	986	134	—	3,781	1,920	1,863	430	—	2,195	2,355	13,664
Total Liabilities	\$986	\$134	\$ —	\$3,781	\$1,920	\$1,863	\$430	\$ —	\$2,195	\$2,841	\$55,677
Net Position											
Net investment in capital assets	—	—	—	—	—	—	—	—	—	394	394
Restricted	178	—	—	638	176	—	—	—	—	1,527	2,519
Unrestricted	(13)	—	—	(229)	(145)	(1)	—	—	607	(439)	(220)
Total Net Position	165	—	—	409	31	(1)	—	—	607	1,482	2,693
Total Liabilities, Deferred Inflows and Net Position	\$1,151	\$134	\$ —	\$4,190	\$1,951	\$1,862	\$430	\$ —	\$44,329	\$4,390	\$58,437

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Combining Statement of Revenues, Expenses and Changes in Net Position

December 31, 2016 (Dollars in Thousands)

	Hydropower								Garden	Misc.	Agency
	WAPA	SPA	Nearman	GRDA	EMPI	EMP2	EMP3	Eudora	City	Projects	Total
Revenues											
Project power	\$4,891	\$699	\$ —	\$23,965	\$8,181	\$31,555	\$9,919	\$857	\$ —	\$ —	\$80,067
Other revenues	223	68	—	1,044	522	1,389	683	—	412	362	4,703
Total Plant	5,114	767	—	25,009	8,703	32,944	10,602	857	412	362	84,770
Operating Expense											
Purchased power and fuel	4,862	698	—	22,965	8,182	31,556	9,914	742	—	—	79,919
Administrative and general expense	226	69	—	1,044	522	1,388	688	115	411	167	4,630
Depreciation and amortization	—	—	—	—	—	—	—	—	—	81	81
Total Operating Expenses	5,088	767	—	25,009	8,704	32,944	10,602	857	411	248	84,630
Net Operating Revenues (Expenses)	26	—	—	—	(1)	—	—	—	1	114	140
Return of member retrained interest and earnings	—	—	(1,015)	—	—	—	—	—	—	—	(1,015)
Interest on investments	—	—	—	—	—	—	—	—	2,243	7	2,250
Interest expense	—	—	—	—	—	—	—	—	(2,170)	(28)	(2,198)
Total Operating Expenses	—	—	(1,015)	—	—	—	—	—	73	(21)	(963)
Change in Net Position	26	—	(1,015)	—	(1)	—	—	—	74	93	(823)
Net Position – Beginning of Year	139	—	1,015	409	32	(1)	—	—	533	1,389	3,516
Net Position – End of Year	\$165	\$ —	\$ —	\$409	\$31	\$(1)	\$ —	\$ —	\$607	\$1,482	\$2,693

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 eight major projects: the Western Area Power Administration Hydro Power Pool Project (WAPA), the Southwestern Power Administration Hydro Power Pool Project (SPA), 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. ■

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, 2016 and 2015, 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, 2016 and 2015, 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 3 through 6 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, 2016 AND 2015

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, 2016 and 2015. 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, 2016, KMGA had 39 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, 2016 and 2015, KMGA's net position was \$438,205 and \$386,452 respectively, and current assets exceeded current liabilities by \$438,205 and \$386,452, respectively. KMGA has no long-term debt.

Changes in net position for the year 2016 were \$51,753, compared to \$(54,131) for 2015.

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		
	2016	2015	2014
Assets			
Cash and cash equivalents	\$2,141,738	\$1,628,252	\$1,556,357
Accounts receivable	3,045,330	1,960,509	4,121,816
Total Assets	5,187,068	3,588,761	5,678,173
Liabilities			
Accounts payable and accrued expenses	4,748,863	3,202,309	5,237,590
Net Position	\$438,205	\$386,452	\$440,583

A comparison of the year-end statement of net position shows that the net position has increased in 2016 as a result of revenues exceeding expenses 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		
	2016	2015	2014
Gas Supply Project Margin			
Project revenues	\$8,505,625	\$8,299,021	\$12,435,296
Gas and gas transportation	(8,222,792)	(8,127,201)	(12,285,080)
Total Gas Supply Project Margin	282,833	171,820	150,216
Other operating revenues	25,999	25,440	22,935
Administrative expenses	(257,079)	(251,391)	(236,784)
Changes in Net Position	(51,753)	(54,131)	(63,633)
Total Revenues	8,531,624	8,324,461	12,458,231
Total Expenses	\$(8,479,871)	\$(8,378,592)	\$(12,521,864)

Revenues exceeded expenses in 2016 due to an increase in project margin. As for gas volumes, KMGGA transported (in MMBtus) 2,460,913 in 2014, 2,484,140 in 2015, and 2,556,964 in 2016.

Table 3: Condensed Statements Of Cash Flows

	December 31		
	2016	2015	2014
Net operating revenues (expenses)	\$51,753	\$(54,131)	\$(63,633)
Changes in assets and liabilities	461,733	126,026	292,694
Net Increase (Decrease) in Cash	513,486	71,895	229,061
Cash and Cash Equivalents – Beginning of the Year	1,628,252	1,556,357	1,327,296
Cash and Cash Equivalents – End of Year	\$2,141,738	\$1,628,252	\$1,556,357

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 KMGGA has no debt and has not engaged in other financing activities.

Plant

There were no changes in KMGGA's plant balance.

Economic Outlook

The cost of gas is expected to be stable through 2017. 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 KMGGA'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	
	2016	2015
Plant		
Gas plant in service	\$34,461	\$34,461
Accumulated depreciation	(34,461)	(34,461)
Total Plant	—	—
Current Assets		
Cash and cash equivalents	2,141,738	1,628,252
Accounts receivable	3,045,330	1,960,509
Total Current Assets	5,187,068	3,588,761
Total Assets	\$5,187,068	\$3,588,761
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and other accrued liabilities	\$4,748,863	\$3,202,309
Net Position		
Unrestricted	438,205	386,452
Total Liabilities and Net Position	\$5,187,068	\$3,588,761

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Years Ended December 31	
	2016	2015
Operating Revenues		
Gas supply project	\$8,505,625	\$8,299,021
Other service revenues	776	977
Membership dues	25,223	24,463
Total Operating Revenue	8,531,624	8,324,461
Operating Expenses		
Purchased gas	6,929,417	6,811,901
Gas transportation	1,293,375	1,315,300
Administrative and general	257,079	251,391
Total Operating Expenses	8,479,871	8,378,592
Net Operating Loss	51,753	(54,131)
Changes In Net Position	51,753	(54,141)
Net Position – Beginning of Year	386,452	440,583
Net Position – End of Year	\$438,205	\$386,452

STATEMENT OF CASH FLOWS

	For The Years Ended December 31	
	2016	2015
Cash Flows from Operating Activities		
Cash received from customers	\$7,446,803	\$10,485,768
Cash payments to suppliers for goods and services	(6,933,317)	(10,413,873)
Net Cash Provided By Operating Activities	513,486	71,895
Net Increase in Cash	513,486	71,895
Cash – Beginning of Year	1,628,252	1,556,357
Cash – End of Year	\$2,141,738	\$1,628,252
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities		
Net operating loss	\$51,753	\$(54,131)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(1,084,821)	2,161,307
Accounts payable and accrued expenses	1,546,554	(2,035,281)
Net Cash Provided by Operating Activities	\$513,486	\$71,895

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016, KMGA had 39 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 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, 2016 and 2015, KMGAs 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2015	\$34,461	\$34,461	\$ —
Balance – Dec. 31, 2016	\$34,461	\$34,461	\$ —

5. Related Parties

KKMGA 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, KMGAs secures natural gas supplies for its member cities, which own gas or electric distribution utilities. Due to their common membership and similar purposes, KMGAs entered into a Management Services Agreement with KMEA on August 9, 1990, whereby KMEA employees managed KMGAs 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, KMGAs will continue to rely on KMEA employees to manage and administer KMGAs operations. For the services provided and related expenses incurred, KMEA bills KMGAs at cost. The management services fee was \$245,400 in 2016 and \$236,400 in 2015. As of December 31, 2016 and 2015, accounts payable to KMEA were \$19,593 and \$21,037, respectively.

The Joint Administration Agreement created the Joint Board for Administration, comprised of seven representatives: three each from the KMGAs 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. KMGAs 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

Nextera Energy

MC Power Co.

Gridliance

Jennings Strouss, PLC

Techline

HDR

Lutz, Daily & Brain, LLC

Siemens Energy

Mid States Energy Works, Inc

Westar Energy

Sawvel & Associates, Inc.

MCG Energy Solutions

Sempre US Gas & Power

Sega, Inc

Tradewind Energy

Columbia Capital Management, LLC

Gilmore & Bell, P.C.

Dogwood Energy

Midwest Energy

Piper Jaffrey

Kansas City BPU

JOINT BOARD

Duane Banks – Chairman, KMEA President, Electric Utility Director, City of Russell

Randy Frazer – Alternate Secretary, KMGA President, City Administrator, City of Moundridge

Mike Muirhead – Public Utilities Director, City of Garden City

Rod Willis – City Manager, City of Osage City

Bob Mills – Director of Utilities, City of Garnett

Mike Shook – Director of Electric Utilities, City of Coffeyville

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

Bob Mills – Secretary/Treasurer, Director of Utilities, City of Garnett

Matt Rehder – City Administrator, City of Seneca

Lane Massey – City Manager, City of Larned

Ira Harrison – Electric Production Superintendent, City of Holton

Tyson McGreer – City Manager, City of Colby

Jonathan Mitchell – City Manager, City of Hoisington

Dennis Tharp – Director of Utilities, City of Ottawa

KMGA OFFICERS AND EXECUTIVE COMMITTEE

Randy Frazer – President, City Administrator, City of Moundridge

Gus Collins – Vice President, Director Gas/Wastewater Utilities, City of Winfield

Laura Hill – Secretary/Treasurer, City Clerk, City of Kechi

Wes Colson – City Superintendent, City of Burlingame

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 – System Operator

Gerry Bieker – Manager, Member Services

Paula Campbell – Senior System Operator

Neal Daney – Director, Project and Asset Management

Garrett Higgins – System Operator

Katia Mitchell – Office Manager

Jennifer Moore – Director, Finance and Accounting

Dixie Riedel – Director, Natural Gas

David Rosenthal – Senior System Operator

Neil Rowland – Director, Transmission and Security

Tom Saitta – Director, Electric Operations

John Seck – Director, Resource Planning and Development

Joni Shadonix – Energy Controller, Gas

DJ Smith – System Operator

Gerry Stephenson – Manager, Finance & Accounting



2016 Annual Report
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