
***KANSAS MUNICIPAL
ENERGY AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2020***

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

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, 2020 and 2019 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, 2020 and 2019, 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, schedule of proportionate share of the net pension liability and schedule of contributions, and the schedule of changes in total OPEB liability and selected ratios on pages 4 through 10 and 44 through 45 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 statements and related note on pages 46 through 48, 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

April 14, 2021

KANSAS MUNICIPAL ENERGY AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS For The Years Ended December 31, 2020 And 2019

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, 2020 and 2019. 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 80 Member cities and provides electricity through nine major Projects. An additional project was added in 2020 to expand the services that KMEA could offer related to designing, fabricating, installing and maintaining medium voltage electrical equipment and controls to its members.

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.

KANSAS MUNICIPAL ENERGY AGENCY

Management's Discussion And Analysis (*Continued*)

The Agency manages nine major long-term electricity supply Projects on behalf of its Members. They are the (1) Western Area Power Administration Hydro Power Pool Project (WAPA), (2) Southwestern Power Administration Hydro Power Pool Project (SPA), (3) 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, (8) Dogwood Project and (9) Garden City Project. An additional project was added in 2020 (Mid States) to expand the services that KMEA could offer related to designing, fabricating, installing and maintaining medium voltage electrical equipment and controls to its members. 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.

KANSAS MUNICIPAL ENERGY AGENCY

Management's Discussion And Analysis (*Continued*)

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, deferred outflows, liabilities and deferred inflows, with the difference between them 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 2020 - Net Position

As of December 31, 2020 and 2019, Agency assets and deferred outflows exceeded its liabilities and deferred inflows by \$2,061,000 and \$1,999,000 (net position), respectively. Unrestricted cash and cash equivalents increased by \$442,000 from \$8,016,000 to \$8,458,000. The Agency has long-term debt in the original amount of \$1,000,000 financed under the lease-purchase of its corporate headquarters building, which closed on December 1, 2008. As of December 31, 2020, the remaining principal due within one year is \$82,000, and the principal due beyond one year is \$171,000. The Agency also has \$39,149,000 of debt associated with the financing of the Jameson Energy Center for the City of Garden City and \$34,636,000 associated with the Dogwood Project. The Agency added a note payable for the acquisition of a company in the amount of \$985,000, and paid \$99,000 on the note during the year, for an ending balance of \$886,000.

Current assets minus current liabilities decreased by \$557,000; from \$(3,398,000) as of December 31, 2019, to \$(3,955,000) as of December 31, 2020.

Change in net position for 2020 totaled \$62,000, compared to \$26,000 for 2019.

KANSAS MUNICIPAL ENERGY AGENCY

Management's Discussion And Analysis (*Continued*)

Fiscal Year 2019 - Net Position

As of December 31, 2019 and 2018, Agency assets and deferred outflows exceeded its liabilities and deferred inflows by \$1,999,000 and \$1,973,000 (net position), respectively. Unrestricted cash and cash equivalents increased by \$1,540,000 from \$6,476,000 to \$8,016,000. The Agency has long-term debt in the original amount of \$1,000,000 financed under the lease-purchase of its corporate headquarters building, which closed on December 1, 2008. As of December 31, 2019, the remaining principal due within one year is \$80,000, and the principal due beyond one year is \$253,000. The Agency also has \$39,972,000 of debt associated with the financing of the Jameson Energy Center for the City of Garden City and \$35,744,000 associated with the Dogwood Project.

Current assets minus current liabilities decreased by \$134,000; from \$(3,264,000) as of December 31, 2018, to \$(3,398,000) as of December 31, 2019.

Change in net position for 2019 totaled \$26,000, compared to \$(429,000) for 2018.

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

	December 31,		
	2020	2019	2018
Assets And Deferred Outflows			
Utility plant, net	\$ 1,204	\$ 805	\$ 816
Restricted funds	11,164	11,138	10,943
Current assets	16,445	14,283	14,603
Noncurrent assets	65,600	67,215	69,249
Deferred outflows of resources	613	295	361
Total Assets And Deferred Outflows	95,026	93,736	95,972
Liabilities And Deferred Inflows			
Long-term obligations, less current portion	72,499	73,977	76,051
Current liabilities	18,325	16,017	17,867
Deferred inflows of resources	66	79	81
Total Liabilities And Deferred Inflows	90,890	90,073	93,999
Ending Net Position	\$ 4,136	\$ 3,663	\$ 1,973

KANSAS MUNICIPAL ENERGY AGENCY

Management's Discussion And Analysis (*Continued*)

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

	For The Year Ended December 31,		
	2020	2019	2018
Revenues			
Operating revenues	\$ 80,090	\$ 75,374	\$ 91,284
Interest on investments	3,610	3,706	3,384
Other revenues	—	—	626
Total Revenues	83,700	79,080	95,294
Expenses			
Purchased power	65,048	63,990	83,676
Other expenses	18,590	15,064	12,047
Total Expenses	83,638	79,054	95,723
Change In Net Position	62	26	(429)
Net Position - Beginning Of Year	1,999	1,973	2,402
Net Position - End Of Year	\$ 2,061	\$ 1,999	\$ 1,973

Fiscal Year 2020 - Change In Net Position

Operating revenues increased by 6.3% in 2020 from the prior year, as the net result of a increase in market energy costs for the Projects.

Because operating revenues basically reflect the pass-through of purchased power costs and other costs, the \$4,716,000 increase in operating revenues in 2020 was accompanied by a \$4,584,000 increase in operating costs.

Since the Agency operates its projects on a cost-plus-administrative fee basis, the major part of any significant increases in operating expenses are billed to the Project participants and reflected as higher operating revenues. As a consequence, while total expenses increased by \$4,584,000 in 2020, revenues increased by \$4,620,000, resulting in a difference to the change in net position between 2020 and 2019 of \$62,000.

Fiscal Year 2019 - Change In Net Position

Operating revenues decreased by 17% in 2019 from the prior year, as the net result of a decrease in market energy costs for the Projects.

Because operating revenues basically reflect the pass-through of purchased power costs, the \$15,910,000 decrease in operating revenues in 2019 was accompanied by a \$19,686,000 decrease in purchased power costs.

KANSAS MUNICIPAL ENERGY AGENCY

Management's Discussion And Analysis (*Continued*)

Other expenses increased by \$3,643,000; \$11,421,000 in 2018 compared to \$15,064,000 in 2019. The increase in other expenses was mainly due to a full year of Dogwood Project expenses in 2019.

Since the Agency operates its projects on a cost-plus-administrative fee basis, the major part of any significant decreases in operating expenses are billed to the Project participants and reflected as lower operating revenues. As a consequence, while total expenses decreased by \$16,669,000 in 2019, revenues decreased by \$16,214,000, resulting in a difference to the change in net position between 2019 and 2018 of \$26,000.

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

	December 31,		
	2020	2019	2018
Operating Income (Loss)	\$ (30)	\$ (98)	\$ (517)
(Additions to) Repayments from direct financing lease	1,893	1,828	(32,063)
Proceeds of investments	—	1,143	20
Interest received on note, lease and investments	3,615	3,706	3,364
Issuance of debt	—	—	36,809
Principal paid on debt	(2,049)	(1,879)	(816)
Interest paid	(3,598)	(3,595)	(2,783)
Depreciation	161	77	75
Changes in assets and liabilities	562	1,762	(188)
Net additions to plant	(86)	(66)	(13)
Net increase in cash	468	2,878	3,888
Cash And Cash Equivalents - Beginning Of Year	19,154	16,276	12,388
Cash And Cash Equivalents - End Of Year	\$ 19,622	\$ 19,154	\$ 16,276

Fiscal Year 2020 - Cash Flow

In comparing the 2020 cash flow statement with that for 2019, the 2020 cash flow statement reflects the cash flow related to the Dogwood Project bonds, Jameson Energy Center bonds, and the addition of the note payable in 2020.

Fiscal Year 2019 - Cash Flow

In comparing the 2019 cash flow statement with that for 2018, the 2019 cash flow statement reflects the ongoing cash flow related to the Dogwood Project and the Jameson Energy Center bonds.

KANSAS MUNICIPAL ENERGY AGENCY

Management's Discussion And Analysis (*Continued*)

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 was depreciated over 20 years.

Economic Outlook

The cost of wholesale electricity is based upon the cost of natural gas and coal and will fluctuate based upon changes in these markets. 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.

KANSAS MUNICIPAL ENERGY AGENCY

STATEMENT OF NET POSITION (Dollars In Thousands)

	December 31,	
	2020	2019
Assets And Deferred Outflows Of Resources		
Plant		
Land	\$ 158	\$ 97
Structures and equipment, depreciable	1,714	1,266
Electric plant in service, depreciable	259	250
Accumulated depreciation	(927)	(808)
Total Plant	1,204	805
Restricted Funds		
Cash and investments	11,164	11,138
Current Assets		
Cash and cash equivalents	8,458	8,016
Accounts receivable	5,429	4,077
Inventory	127	—
Prepaid expenses	396	256
Direct financing lease - current	2,035	1,934
Total Current Assets	16,445	14,283
Noncurrent Assets		
Direct financing lease	65,221	67,215
Total Assets	94,413	93,441
Deferred Outflows Of Resources - OPEB	13	10
Deferred Outflows Of Resources - Pension	600	285
Deferred Outflows Of Resources - Goodwill	379	—
Total Deferred Outflows	613	295
Total Assets And Deferred Outflows Of Resources	\$ 95,026	\$ 93,736
Liabilities, Deferred Inflows Of Resources And Net Position		
Other Noncurrent Liabilities		
Long-term obligations, less current portion	\$ 72,499	\$ 73,977
OPEB liability	155	176
Net pension liability	1,920	1,488
Total Other Noncurrent Liabilities	74,574	75,641
Current Liabilities		
Accounts payable and other accrued liabilities	12,101	10,256
Customer deposits	1,654	1,654
Accrued vacation and sick leave	447	318
Interest payable	1,698	1,717
Current portion of long-term debt	2,425	2,072
Total Current Liabilities	18,325	16,017
Total Liabilities	92,899	91,658
Deferred Inflows Of Resources - OPEB	35	26
Deferred Inflows Of Resources - Pension	31	53
Total Deferred Inflows	66	79
Net Position		
Net investment in capital assets	68	474
Restricted	2,278	1,792
Unrestricted	(285)	(267)
Net Position	2,061	1,999
Total Liabilities, Deferred Inflows Of Resources And Net Position	\$ 95,026	\$ 92,072

KANSAS MUNICIPAL ENERGY AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Dollars In Thousands)

	For The Years Ended December 31,	
	2020	2019
Operating Revenues		
Project power	\$ 64,873	\$ 63,785
Dogwood power	7,192	7,148
Service revenue	4,687	4,441
Other revenues	3,338	—
Total Operating Revenues	80,090	75,374
Operating Expenses		
Purchased power and fuel	65,048	63,990
Dogwood power	7,209	7,161
Administrative and general expense	4,410	4,244
Depreciation and amortization	161	77
Other expenses	3,292	—
Total Operating Expenses	80,120	75,472
Net Operating Expenses	(30)	(98)
Nonoperating Revenues (Expenses)		
Interest on investments and direct financing lease	3,610	3,706
Interest expense	(3,518)	(3,582)
Total Nonoperating Revenues	92	124
Change In Net Position	62	26
Net Position - Beginning Of Year, As Restated	1,999	1,973
Net Position - End Of Year	\$ 2,061	\$ 1,999

KANSAS MUNICIPAL ENERGY AGENCY

STATEMENT OF CASH FLOWS (Dollars In Thousands)

	For The Years	
	Ended December 31,	
	2020	2019
Cash Flows From Operating Activities		
Cash received from members	\$ 78,738	\$ 77,397
Cash paid to suppliers	(75,993)	(73,593)
Cash paid to employees	(2,052)	(2,052)
Net Cash Provided By Operating Activities	693	1,752
Cash Flows From Investing Activities		
(Additions to) payments received on direct financing lease	1,893	1,828
Interest received on direct financing lease	3,606	3,662
Investment earnings	9	44
Net Cash Provided By Investing Activities	5,508	5,534
Cash Flows From Capital And Related Financing Activities		
Proceeds from sale of investments	—	1,143
Principal paid on debt	(2,049)	(1,879)
Additions to plant	(86)	(77)
Interest paid	(3,598)	(3,595)
Net Cash Used In Capital And Related Financing Activities	(5,733)	(4,408)
Net Increase In Cash And Cash Equivalents	468	2,878
Cash And Cash Equivalents - Beginning Of Year	19,154	16,276
Cash And Cash Equivalents - End Of Year	\$ 19,622	\$ 19,154
Reconciliation Of Cash And Cash Equivalents To The Balance Sheet		
Restricted cash and investments	\$ 11,164	\$ 11,138
Cash and cash equivalents	8,458	8,016
Less: Investments	—	—
Total Reconciliation Of Cash And Cash Equivalents To The Balance Sheet	\$ 19,622	\$ 19,154
Reconciliation Of Net Operating Expenses To Net Cash Provided By (Used In) Operating Activities		
Net operating expenses	\$ (30)	\$ (98)
Adjustments to reconcile net operating expenses to net cash provided by (used in) operating activities:		
Depreciation and amortization	161	77
Loss on disposal of capital asset	—	11
Changes in assets and liabilities:		
Accounts receivable	(1,352)	2,023
Prepaid expenses	(140)	43
Accounts payable and accrued liabilities	1,974	(316)
Net pension liability, OPEB and related deferred inflows and outflows	80	41
Customer deposits	—	(29)
Net Cash Provided By Operating Activities	\$ 693	\$ 1,752
Noncash Investing And Financing Activities - Note 12		

KANSAS MUNICIPAL ENERGY AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2020 And 2019

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. During 2020, KMEA expanded its offerings to cities by providing services related to designing, fabricating, installing and maintaining medium voltage electrical equipment and controls to its members. As of December 31, 2020 and 2019, the Agency had 80 and 81 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.

1. 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.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

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, 2020: \$948,000 is restricted for the Agency funds held by the Southwest Power Pool; \$8,000 is restricted for cities participating in the WAPA project; \$638,000 is restricted for the GRDA project funds held by the Southwest Power Pool; \$176,000 is restricted for the EMP1 project funds held by the Southwest Power Pool; \$4,693,000 is held by a trustee related to the Series 2013 bonds and is restricted in the Garden City project for the Jameson Energy Center; and \$4,193,000 is held by a trustee related to the Series 2018 bonds and is restricted for the Dogwood Facility Project; \$8,000 is restricted for a deposit related to Dogwood, and \$500,000 is restricted internally as a reserve fund.

Restricted cash and temporary cash investments are restricted for the following purposes at December 31, 2019: \$953,000 is restricted for the Agency funds held by the Southwest Power Pool; \$8,000 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; \$9,000 is restricted as holding funds for “B” Cities; \$4,682,000 is held by a trustee related to the Series 2013 bonds and is restricted in the Garden City project for the Jameson Energy Center; \$4,164,000 is held by a trustee related to the Series 2018 bonds and is restricted for the Dogwood Facility Project; \$8,000 is restricted for a deposit related to Dogwood, and \$500,000 is restricted internally as a reserve fund.

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

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deposits held to secure payment of monthly bills	\$ 1,654,000	\$ 1,654,000

Paid-time-off (PTO) vests 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. Goodwill, which is included as a deferred outflow of resources, represents the excess of purchase price of the acquired entity over the net of the amounts assigned to assets acquired, including liabilities assumed.

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 – The Agency participates in the Kansas Public Employees’ Retirement System (KPERS) cost-sharing defined benefit plan. 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 KPERS and additions to and deductions from KPERS’ fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

Other Post Employment Benefit Plan (OPEB) – The Agency participates in the Kansas Public Employees Death and Disability Plan, a multiple-employer defined benefit plan. The total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. 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. Services related to designing, fabricating, installing and maintaining medium voltage electrical equipment and controls are recognized over time as services are performed and the customers simultaneously receive the benefits we provide.

The Agency first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The Agency uses GASB Statement No. 72, *Fair Value Measurement and Application* for the presentation of investments. These statements 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.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

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 Agency had no recurring fair value measurements as of December 31, 2020 and 2019. Money Market Mutual Funds are measured at Net Asset Value.

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.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

At December 31, 2020, the carrying value, maturities and credit ratings of deposits and investments are summarized as follows:

	Carrying Value/ Fair Value	Maturities			Credit Rating S & P
		12 Months Or Less	12 - 24 Months	More Than 24 Months	
Deposits	\$ 8,966,000	\$ 8,966,000	\$ —	\$ —	N/A
Money market mutual fund	1,770,000	1,770,000	—	—	AAAm
Amounts held with trustee:					
Deposits	238,000	238,000	—	—	N/A
Money market mutual fund	8,648,000	8,648,000	—	—	AAAm
Total deposits, including investments	\$ 19,622,000	\$ 19,622,000	\$ —	\$ —	

At December 31, 2019, the carrying value, maturities and credit ratings of deposits and investments are summarized as follows:

	Carrying Value/ Fair Value	Maturities			Credit Rating S & P
		12 Months Or Less	12 - 24 Months	More Than 24 Months	
Deposits	\$ 8,532,435	\$ 8,532,435	\$ —	\$ —	N/A
Money market mutual fund	1,775,000	1,775,000	—	—	AAAm
Amounts held with trustee:					
Money market mutual fund	8,846,565	8,846,565	—	—	AAAm
Total deposits, including investments	\$ 19,154,000	\$ 19,154,000	\$ —	\$ —	

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, 2020 and 2019, the Agency's deposits were insured by federal depository insurance and uninsured deposits were fully collateralized in accordance with the Agency's policy.

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, 2020 and 2019 all investments of the Agency are money market funds that do not qualify for concentration risk because they are diversified by nature.

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, 2020 and 2019 was \$2,693,000; and the Agency's total payroll was \$2,053,000.

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.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

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 1.2% of total payroll for the KPERS fiscal years ended June 30, 2020 and 2019.

The employer contribution rate was 9.49% and 8.89% for the KPERS fiscal years ended June 30, 2020 and 2019, respectively.

Contributions to the pension plan from the Agency were \$212,000 and \$181,000 for the years ended December 31, 2020 and 2019, respectively.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

Pension Liabilities, Pension Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

At December 31, 2020 and 2019, the Agency reported a liability of \$1,920,000 and \$1,488,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 and December 31, 2018, which was rolled forward to June 30, 2020 and June 30, 2019, 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, 2020 and June 30, 2019. At December 31, 2020 and 2019, the Agency's proportion was .110761% and .106502%, respectively.

There were no changes in benefit terms during the KPERS plan year ended June 30, 2020 or 2019 that affected the measurement of total pension liability.

For the year ended December 31, 2020 and 2019, the Agency recognized pension expense of \$308,000 and \$236,000. At December 31, 2020 and 2019, 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, 2020		
Differences between expected and actual experience	\$ 32,000	\$ 25,000
Changes of assumptions	116,000	—
Net difference between projected and actual earnings on pension plan investments	224,000	—
Changes in proportion and differences between Agency contributions and proportionate share of contributions	107,000	6,000
Agency contributions subsequent to the measurement date of June 30, 2020	121,000	—
Total	\$ 600,000	\$ 31,000

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements *(Continued)*

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Year Ended December 31, 2019		
Differences between expected and actual experience	\$ 3,000	\$ 37,000
Changes of assumptions	46,000	3,000
Net difference between projected and actual earnings on pension plan investments	35,000	—
Changes in proportion and differences between Agency contributions and proportionate share of contributions	110,000	13,000
Agency contributions subsequent to the measurement date of June 30, 2019	91,000	—
Total	\$ 285,000	\$ 53,000

At December 31, 2020 and 2019, \$121,000 and \$91,000 was 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
2021	\$ 113,000
2022	127,000
2023	108,000
2024	96,000
2025	4,000
	\$ 448,000

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

Actuarial Assumptions

The total pension liability for the June 30, 2020, measurement date was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 Percent
Wage inflation	3.0 Percent
Salary increases, including wage increases and inflation	3.25 to 11.75 Percent
Long-term rate of return, net of investment expense, and including price inflation	7.50 Percent

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016. 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 dated January 7, 2020.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

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, 2020, are summarized as follows:

Asset Class	Long-Term Target Allocation (%)	Long-Term Expected Real Rate Of Return (%)
U.S. equity	23.5	5.20
Global equity	23.5	6.40
Fixed income	11.0	1.55
Yield driven	8.0	4.70
Real return	11.0	3.25
Real estate	11.0	4.45
Alternatives	8.0	9.50
Short-term investments	4.0	0.25
Total	100.0	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

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

The following table presents the net pension liability of the Pension Plan as of June 30, 2020, calculated using the discount rate of 7.50%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

1.00% Decrease 6.50%	Current Discount Rate: 7.50%	1.00% Increase 8.50%
\$ 2,702,508	\$ 1,920,212	\$ 1,262,506

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 \$281,000 and \$270,000 in 2020 and 2019, respectively. As of December 31, 2020 and 2019, accounts receivable from KMGA was \$29,000 and \$26,000, respectively.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

The Joint Administration Agreement created the Joint Board for Administration, comprised of seven representatives: three each from the Agency and KMGGA 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. KMGGA has no employees. The Joint Board is expressly prohibited from adopting annual budgets for the Agency or KMGGA and from authorizing the issuance of any indebtedness of the Agency or KMGGA. 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, 2020:

	2019 Balance	Additions	Deletions	2020 Balance
Capital assets not being depreciated				
Land	\$ 97,000	\$ 61,000	\$ —	\$ 158,000
Total capital assets not being depreciated	97,000	61,000	—	158,000
Capital assets being depreciated				
Plant in service	250,000	9,000	—	259,000
Structures and equipment	1,266,000	448,000	—	1,714,000
Total capital assets being depreciated	1,516,000	457,000	—	1,973,000
Less: Accumulated depreciation	808,000	119,000	—	927,000
Total capital assets being depreciated, net	708,000	338,000	—	1,046,000
Capital assets, net	\$ 805,000	\$ 399,000	\$ —	\$ 1,204,000

Capital assets consisted of the following amounts as of December 31, 2019:

	2018 Balance	Additions	Deletions	2019 Balance
Capital assets not being depreciated				
Land	\$ 97,000	\$ —	\$ —	\$ 97,000
Total capital assets not being depreciated	97,000	—	—	97,000
Capital assets being depreciated				
Plant in service	379,000	8,000	(137,000)	250,000
Structures and equipment	1,221,000	69,000	(24,000)	1,266,000
Total capital assets being depreciated	1,600,000	77,000	(161,000)	1,516,000
Less: Accumulated depreciation	881,000	77,000	150,000	808,000
Total capital assets being depreciated, net	719,000	—	(11,000)	708,000
Capital assets, net	\$ 816,000	\$ 77,000	\$ (11,000)	\$ 805,000

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements *(Continued)*

6. Direct Financing Leases

Jameson Energy Center

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. 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. 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, 2020, the future minimum lease payments to be received under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Garden City Payment</u>
2021	\$ 2,863,000
2022	2,865,000
2023	2,864,000
2024	2,864,000
2025	2,864,000
2026-2030	14,314,000
2031-2035	14,318,000
2036-2040	14,317,000
2041-2044	7,150,000
Total minimum lease payments receivable	64,419,000
Less: unearned income	27,849,000
<u>Present value of minimum lease payments</u>	<u>\$ 36,570,000</u>

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

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

Dogwood Energy Facility

In February of 2018, KMEA completed an Asset Purchase Agreement with Dogwood Energy LLC (Dogwood or the Facility) for the purchase of a 10.1% undivided interest in the Dogwood Energy Facility, a nominal 650 megawatt natural gas-fired combined cycle generating plant located in Pleasant Hill, Missouri. The Facility was originally developed as a joint venture between Aquila, Inc. and Calpine Corporation. In addition to the Agency, the City of Independence, Missouri; Kansas Power Pool (KPP), Missouri Joint Municipal Electric Utility Commission (MJMEUC), and the Unified Government of Wyandotte County (KCBPU) also own 12.3%, 10.3%, 16.4%, 17.0% shares, respectively, of the Facility. Dogwood Energy, LLC maintains the remaining ownership share (33.9%) in the Facility.

The base purchase price to KMEA of the undivided interest was \$32,451,300 which was financed with the Series 2018-A bond proceeds and other debt financing that has since been paid off (Note 7).

Concurrent with the purchase of the undivided interest in Dogwood, the Agency entered into a legal-form lease of 100% its undivided interest through a 20 year agreement with Garden City, Gardner, Lindsborg, Ottawa and Russell (collectively, the Cities). The participation percentages in the undivided interest are 48.39%, 32.26%, 3.23%, 8.06%, and 8.06%, respectively. For accounting purposes, the Agency has classified the leases as one direct financing lease because the terms of the leases are consistent between the Agency and each city and ownership transfers to the Cities with the last lease payment.

Each of the owners has entered into certain project agreements that provide for the joint ownership and operation of the Facility. Under the project agreements, each of the owners is responsible for their respective share of the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the facility. In addition, the owners share in any revenues from sales of unused capacity and energy in the facility. Due to the lease agreement between the Agency and the Cities, all of the costs and benefits of ownership are passed along to the Cities according to their participation percentage and lease agreements.

The lease payments to be received by the Agency from the cities coincide with debt service payments the Agency is required to make on the Series 2018 revenue bonds. The interest rates on the lease are the same as those used in the bonds. Payments of principal and interest on the bonds are made annually through April 2038.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements *(Continued)*

In a separate agreement with the Facility, certain Cities have arranged for the portion of their payment to the Agency that represents interest to be picked up by the Facility from the inception of the lease through a portion of the year 2019. There were no such amounts recorded in 2020. In 2019, total payments picked up by the facility amounted to approximately \$52,000, and are included as Interest on investments on the Agency's Statement of Revenues, Expenses and Changes in Net Position. These payments offset the allocated portion of the interest payments required on the debt. The Agency offset the interest revenue in 2019 by including \$52,000 within Interest expense on the Statement of Revenues, Expenses and Changes in Net Position, which represents the related interest expense that was picked up.

At December 31, 2020, the future minimum lease payments to be received under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Dogwood Payment</u>
2021	\$ 2,671,000
2022	2,672,000
2023	2,672,000
2024	2,672,000
2025	2,670,000
2026-2030	13,383,000
2031-2035	13,364,000
2036-2038	6,054,000
Total minimum lease payments receivable	46,158,000
Less: unearned income	15,472,000
<u>Present value of minimum lease payments</u>	<u>\$ 30,686,000</u>

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements *(Continued)*

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 with a private company 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. In 2019, a new roof was added to the book value of the building. The net book value of the building and land acquired under the lease purchase agreement as of December 31, 2020 and 2019 was \$546,000 and \$606,000, respectively. Amortization of the leased building under capital assets is included with depreciation expense.

In May 2020, the Agency (EMP1 Project) renewed a line of credit agreement with a financial institution that matures in May 2021. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.25% at December 31, 2020) less .25%. Collateral for this line of credit includes property and assets of this project. There were no amounts outstanding as of December 31, 2020 or 2019 on this line of credit.

In May 2020, the Agency (EMP2 Project) renewed a line of credit agreement with a financial institution that matures in May 2021. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.25% at December 31, 2020) less .25%. Collateral for this line of credit includes property and assets of this project. There were no amounts outstanding as of December 31, 2020 or 2019 on this line of credit.

In May 2020, the Agency (EMP3 Project) renewed a line of credit agreement with a financial institution that matures in May 2021. The Agency may draw up to \$1,250,000 on the line of credit, which bears interest at the Prime Rate (3.25% at December 31, 2020) less .25%. Collateral for this line of credit includes property and assets of this project. There were no amounts outstanding as of December 31, 2020 or 2019 on this line of credit.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

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

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

In December of 2019 the Agency, on behalf of Garden City, renewed a \$630,000 letter of credit agreement with a financial institution that expired December 2020. At December 31, 2020, the agency elected to not renew the letter of credit.

During the year ended December 31, 2018, the Agency issued Series 2018-A and 2018-B revenue bonds in the amount of \$32,515,000 and \$810,000, respectively. Series 2018-A Revenue Bonds carry interest rates of 3% to 5% and Series 2018-B Revenue Bonds carry an interest rate of 2.75%. Payments are due in semiannual installments starting October 1, 2018. Series 2018-A Bonds carry mandatory sinking fund payments in each of the years 2036 through 2038. The Series 2018-A Bonds are subject to optional redemption prior to maturity on and after April 1, 2026. The Series 2018-B Bonds are not subject to optional redemption, and were fully paid by December 31, 2019. The proceeds were used to finance the acquisition of an undivided interest in the Dogwood Energy Facility to benefit KMEA Dogwood Project Members. The bonds require each party to adhere to certain covenants.

During 2020, the Agency issued a Note Payable (private placement) with an individual to assist in the acquisition of a business. The original principal balance of the note was \$985,000 and carries an interest rate of 1.48%. Payments of \$16,667 (includes principal and interest) are due monthly through June 2025.

In April of 2019, the Agency renewed a \$3,000,000 letter of credit with a financial institution through July of 2021. The beneficiary is Southwest Power Pool. As of December 31, 2020 and 2019, no amounts were drawn on this letter.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

All of the debt is classified as a direct borrowing, except for the Series 2013 and 2018-A long term bonds. The following is a summary of long-term debt transactions for the Agency for the year ended December 31:

	2019			2020	Due Within One Year
	Balance	Additions	Deletions		
Lease purchase agreement	\$ 333,000	\$ —	\$ (80,000)	\$ 253,000	\$ 82,000
EMP1LOC	—	—	—	—	—
EMP2LOC	—	—	—	—	—
EMP3LOC	—	—	—	—	—
Series 2013	39,140,000	—	(805,000)	38,335,000	845,000
Bond Premium	832,000	—	(18,000)	814,000	18,000
Series 2018-A	32,295,000	—	(1,065,000)	31,230,000	1,110,000
Bond Premium	3,449,000	—	(43,000)	3,406,000	173,000
Note payable	—	985,000	(99,000)	886,000	197,000
	\$ 76,049,000	\$ 985,000	\$ (2,110,000)	\$ 74,924,000	\$ 2,425,000

	2018			2019	Due Within One Year
	Balance	Additions	Deletions		
Lease purchase agreement	\$ 412,000	\$ —	\$ (79,000)	\$ 333,000	\$ 80,000
EMP1LOC	—	—	—	—	—
EMP2LOC	—	—	—	—	—
EMP3LOC	—	—	—	—	—
Series 2013	39,910,000	—	(770,000)	39,140,000	805,000
Bond Premium	849,000	—	(17,000)	832,000	17,000
Series 2018-A	32,515,000	—	(220,000)	32,295,000	1,065,000
Series 2018-B	810,000	—	(810,000)	—	—
Bond Premium	3,482,000	—	(33,000)	3,449,000	105,000
	\$ 77,978,000	\$ —	\$ (1,929,000)	\$ 76,049,000	\$ 2,072,000

Aggregate maturities of long-term debt are as follows:

Year Ending December 31,	2013		2018-A		2018-B		2019		Total
	Lease Purchase Principal	Lease Purchase Interest	Long-Term Bond Principal	Long-Term Bond Interest	Long Term Bond Principal	Long Term Bond Interest	Note Payable Principal	Note Payable Interest	
2021	\$ 82,000	\$ 6,483	\$ 845,000	\$ 2,016,713	\$ 1,110,000	\$ 1,561,500	\$ 197,000	\$ 3,000	\$ 5,821,696
2022	84,000	4,181	890,000	1,974,463	1,165,000	1,506,000	197,000	3,000	5,823,644
2023	87,000	1,815	935,000	1,929,963	1,225,000	1,447,750	197,000	3,000	5,826,528
2024	—	—	980,000	1,883,213	1,285,000	1,386,500	197,000	3,000	5,734,713
2025	—	—	1,030,000	1,834,213	1,350,000	1,322,250	98,000	1,000	5,635,463
2026 - 2030	—	—	5,965,000	8,348,938	7,820,000	5,530,000	—	—	27,663,938
2031 - 2035	—	—	7,615,000	6,702,975	10,000,000	3,367,500	—	—	27,685,475
2036 - 2040	—	—	9,980,000	4,336,688	7,275,000	739,500	—	—	22,331,188
2041 - 2045	—	—	10,095,000	1,358,700	—	—	—	—	11,453,700
	\$ 253,000	\$ 12,479	\$ 38,335,000	\$ 30,385,866	\$ 31,230,000	\$ 16,861,000	\$ 886,000	\$ 13,000	\$ 117,976,345

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

Compensated Absences

See table below for liability as of December 31, 2020 and 2019.

	2019			2020	
	Balance	Additions	Deletions	Balance	Due Within One Year
Compensated absences	\$ 318,000	\$ 447,000	\$ 318,000	\$ 447,000	\$ 447,000

	2018			2019	
	Balance	Additions	Deletions	Balance	Due Within One Year
Compensated absences	\$ 316,000	\$ 318,000	\$ 316,000	\$ 318,000	\$ 318,000

8. Commitments And Contingencies

Purchase Power Contracts

The Agency has entered into several power purchase contracts with counterparties under various terms and conditions for the purpose of providing electric power for the Agency's member cities in accordance with the underlying member agreements.

Counterparty	MW	Agreement	Rate Type	Contract End Date
GRDA	84 Summer & 63 Winter	Energy & Demand		4/30/2026
WAPA	33.9	Energy & Demand		9/30/2054
SPA	5.1	Energy & Demand		5/31/2034
Buckeye	41.7	Energy Only		5/31/2033
Berkshire Hathaway Energy	7.0	Energy Only		6/30/2031
Macquarie	3.0	Energy Only	5x16 Summer	9/30/2023
NextEra	2.0	Energy Only	7x24	12/31/2028
NextEra	2.0	Energy Only	5x16 Summer Peaking	9/30/2020*
Nextera	9.2	Energy Only	7x24	12/31/2027
Nextera	0.8	Energy Only	5x16 Annual	12/31/2027
Nextera	0.3	Energy Only	5x16 Annual	12/31/2027
Nextera	1.3	Energy Only	5x16 Summer	9/30/2027
Nextera	2.2	Energy Only	5x16 Summer	9/30/2027
Nextera	1.0	Energy Only	7x24 Except June-Aug	12/31/2025
Nextera	1.5	Energy Only	7x24 June-Aug	9/30/2025
Nextera	1.0	Energy Only	7x24	9/30/2027
Nextera	1.0	Energy Only	7x24	12/31/2031
Nextera	1.0	Energy Only	5x16 Summer Peaking	9/30/2023
Nextera	0.7	Energy Only	7x24	12/31/2027
Nextera	1	Energy Only	5x16 Summer	9/30/2027
Nextera	1.3	Energy Only	7x24	12/31/2031
Nextera	1.2	Energy Only	5x16 Summer	9/30/2031
NextEra	0.7	Energy Only	7x24	12/31/2028
NextEra	1	Energy Only	5x16 Summer	9/30/2028
NextEra	0.4	Energy Only	7x24	12/31/2028
NextEra	0.4	Energy Only	5x16 Summer	9/30/2028
Nextera	2	Energy Only	5x16 Summer	9/30/2021

*New agreement currently being evaluated

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

Future monetary obligations to counterparties by the Agency, related to the schedule above, are variable as the counterparty has the authority to adjust future rates. The Agency has no risk of loss exposure from these contracts because the Agency has reciprocal contracts with its members that mirror the agreements with the counterparty.

Resource Management Agreement

The Agency updated its agreement with The Energy Authority, Inc. (TEA) during 2020. The agreement is for TEA to provide assistance in helping KMEA derive value from excess Auction Revenue Right (ARR) entitlement nomination capacity after KMEA needs have been addressed. The agreement continues through May 31, 2023, unless terminated by either party with a 120 day advance notice. In accordance with the agreement, TEA is compensated 30% of any net value gains recorded by KMEA, however if there is a net loss, KMEA is reimbursed by TEA for the loss recorded by KMEA such that there is no loss. The benefit to KMEA during 2020 and 2019 for being a party to this agreement was \$1,009,821 and \$461,288, respectively. KMEA has provided the entirety of this benefit to its members either through payments to the member or as a deposit held on behalf of the member.

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.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

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. Health Insurance

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. There are no post-employment benefits provided under this plan. In a separate plan, health coverage is offered 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. Retirees pay 100% of the active premium rates directly to SEHP.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

Funding Policy: SEHP establishes and amends contribution requirements. SEHP coverage is monthly and rates are based on semi-monthly payroll deduction periods. The Agency pays 100% of premium rates for single employee coverage and 80% of premium rates for family coverage that exceeds the single coverage for active employees. The Agency contributed the following amounts to the plan which represented 100% of the contractually required contributions to the plan for fiscal years ending December 31, 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Agency premiums paid for active employees	\$ 365,176	\$ 305,615	\$ 335,005

11. Other Post Employment Benefits

General Information about the OPEB Plan

Plan description: KMEA participates in the Kansas Public Employees Death and Disability Plan, a multiple-employer defined benefit plan. This plan provides long term disability (LTD) and life insurance benefits to eligible employees. Eligible employees consist of individuals who are:

1. Currently active members of KPERS;
2. Employees of an educational institution under the Kansas Board of Regents as defined in K.S.A. 74-4925;
3. Elected Officials

The Plan provides a group life insurance benefit for active members through a fully-insured program with The Standard Insurance Company. The Plan also provides a self-funded long term disability (LTD) benefit and a self-funded life insurance benefit for disabled members. The LTD provides benefits equal to 60 percent (for claims occurring prior to 1/1/2006, 66 2/3 percent). The LTD program is considered an "Other Post Employment Benefits" (OPEB). There are 29 participants in the OPEB Plan from the Agency. There is no stand-alone financial statement related to this LTD OPEB plan.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements *(Continued)*

K.S.A. 74-4927 authorized the KPERS Board to establish a Plan of death and long-term disability benefits to be paid to the members of the retirement system. A single trust, separate from the KPERS pension trust, was established and benefits for both programs are funded by a single contribution rate from participating employers, which currently number over 1,500. Since only the long-term disability program qualifies as an OPEB, the KPERS Death and Disability Plan is administered through a non-qualifying trust per paragraph 4, item (b), of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

Total OPEB Liability

KMEA's total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of December 31, 2019.

Actuarial assumptions and other inputs. The total OPEB liability measured as of June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 Percent
Payroll Growth	3.0 Percent
Actuarial cost method	Entry Age Normal
Discount rate	2.21 Percent

The discount rate decreased to 2.21 Percent from 3.50 Percent in the 2020 measurement

The discount rate was based on the Bond Buyer General Obligation 20-bond Municipal Index. Mortality rates were based on the 2012 Group Long-term Disability Valuation Table. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study dated January 7, 2020.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>	
	<u>For The Years Ended</u>	
	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 176,000	\$ 198,000
Changes for the year		
Service Cost	11,000	11,000
Interest on total OPEB liability	6,000	8,000
Effect of plan changes	—	—
Effect of economic/demographic gains or losses	(14,000)	(14,000)
Effect of assumptions changes or inputs	4,000	1,000
Benefit payments	(28,000)	(28,000)
Balance at end of year	\$ 155,000	\$ 176,000

Sensitivity analysis:

The following presents the total OPEB liability of KMEA, as well as what KMEA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
Total OPEB liability	\$ 156,775	\$ 154,771	\$ 152,570

Note that GASB 75 requires a sensitivity analysis giving consideration to the healthcare trend rates used. As healthcare trend rates do not impact this OPEB plan, this disclosure is not presented.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended December 31, 2019, KMEA recognized OPEB expense of \$17,000. At December 31, 2019, KMEA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows Of Resources	Deferred Outflows Of Resources
Differences between expected and actual experience	\$ (22,000)	\$ —
Changes of assumptions	(4,000)	1,000
Contributions after the measurement date	—	9,000
Total	\$ (26,000)	\$ 10,000

For the year ended December 31, 2020, KMEA recognized OPEB expense of \$13,000. At December 31, 2020, KMEA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows Of Resources	Deferred Outflows Of Resources
Differences between expected and actual experience	\$ (31,000)	\$ —
Changes of assumptions	(4,000)	4,000
Contributions after the measurement date	—	9,000
Total	\$ (35,000)	\$ 13,000

Contributions made after the measurement date will be recognized as a reduction on the OPEB liability in the Agency's financial statements for the subsequent year.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (Continued)

Amounts reported as deferred inflows and deferred outflows of resources related to OPEB, other than contributions made after the measurement date, will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ (4,000)
2022	(4,000)
2023	(4,000)
2024	(4,000)
2025	(4,000)
Thereafter	(11,000)
	<u>\$ (31,000)</u>

12. Acquisition

On July 1, 2020, KMEA acquired 100% of the outstanding shares of Mid-States Energy Works, Inc. (Mid-States). The purpose of the acquisition was to expand the services that KMEA could offer related to designing, fabricating, installing and maintaining medium voltage electrical equipment and controls to its members.

The following table summarizes the consideration paid and the amount of the assets acquired and liabilities assumed as recognized at the acquisition date:

Consideration	
Note Payable	<u>\$ 985,000</u>
Fair Value Of Total Consideration Transferred	<u>\$ 985,000</u>
Recognized Amounts Of Identifiable Assets	
Acquired:	
Inventory	\$ 130,000
Land	61,000
Buildings	194,000
Equipment & Vehicles	176,000
Prepaid Accounts	3,000
Total Identifiable Net Assets	<u>564,000</u>
Goodwill	<u>421,000</u>
	<u>\$ 985,000</u>

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements *(Continued)*

There is no contingent consideration included as a part of this transaction. The assets acquired were initially recorded at their acquisition value, which is a market based entry price. There were no liabilities or employment benefit arrangements acquired as a result of the transaction. All acquisition costs were expensed in 2020, which was the period in which the costs were incurred and the related services were received. The excess purchase price, which is included as Goodwill within the deferred outflows of resources on the statement of net position, is being amortized over 5 years. Amortization expense related to the goodwill was \$42,000 for the year ended December 31, 2020. The acquisition was a noncash investing and financing activity as the assets acquired were obtained through the note payable.

13. COVID-19

During fiscal 2020, the economic conditions of our member cities were impacted by the COVID-19 pandemic. Measures taken that impacted our members include travel restrictions, quarantines, and shelter in place orders. As a result, within our member cities, businesses have been closed and certain business activities curtailed or modified which has impacted the financial condition of member cities. During the COVID-19 pandemic, the services of KMEA have generally been considered essential in nature and have not been materially interrupted, and the member cities have continued to make paying for the services provided by KMEA a priority.

14. Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on the change in net position or total net position.

15. Subsequent Events

On February 12, 2021, the price of natural gas, which is the fuel for the generation of much of KMEA's purchased power, rose to unprecedented levels, as indicated by the daily gas price index. These unprecedented levels continued through February 19, 2021.

KANSAS MUNICIPAL ENERGY AGENCY

Notes To Basic Financial Statements (*Continued*)

On February 17, 2021, KMEA received the first of two invoices from Southwest Power Pool (SPP), the regional transmission organization created through FERC, that covered the spike in natural gas prices. The first invoice, for the period February 10, 2021 through February 16, 2021 amounted to \$9,046,000, and was due and paid on March 3, 2021. On February 24, 2021, KMEA received the second invoice that reflected the spike in natural gas prices for the period February 17, 2021 through February 23, 2021 for \$9,400,000, which was due and paid by KMEA on March 10, 2021.

To address any liquidity concerns caused by these invoices, the full Board of KMEA approved expanding KMEA's lines of credit. KMEA worked with its lender to increase existing lines-of-credit from \$1,250,000 per line to \$2,500,000 per line for a total of \$7,500,000 million for the period March 10, 2021 to May 1, 2021. The lines-of-credit were not used to pay the above mentioned invoices, and through the date of the auditors' report, the lines of credit have not been drawn upon.

At the date of the audit report, KMEA has invoiced its member cities accordingly for the above mentioned invoices from SPP. One City has not paid their amount due to KMEA for the SPP invoices for those two weeks which totals \$134,000.

On March 15, 2021, KMEA received the invoice from Dogwood that included the February activity which included the increased gas costs. The Dogwood invoice was due and paid on March 22, 2021.

On March 3, 2021, KMEA entered into a purchase power contract (Contract) with NextEra Energy Marketing, LLC (NEM) which covers the term March 8, 2021 through December 31, 2030. In accordance with the Contract, NEM made a pre-delivery payment amount of \$10,000,000 to KMEA. Concurrent with this Contract, KMEA signed an agreement (Agreement) with City of Garden City, Kansas (the City) that included the City pledging the gross revenues of the City's electric utility system to the payment obligations established through the Agreement and the City guaranteeing to establish and maintain rates to meet the payment obligations of the Agreement. As part of the Agreement, KMEA passed along the \$10,000,000 to the City. At its conclusion, the Contract and the Agreement are reciprocal and KMEA acted as a conduit.

KANSAS MUNICIPAL ENERGY AGENCY

SCHEDULES OF SELECTED PENSION INFORMATION KANSAS EMPLOYEES' RETIREMENT SYSTEM December 31, 2020

Schedule Of Proportionate Share Of The Net Pension Liability

	June 30,						
	2020	2019	2018	2017	2016	2015	2014
Agency's proportion of the net pension liability	0.00110761	0.00106502	0.00106805	0.00101777	0.00093258	0.00095657	0.0008806
Agency's proportionate share of the net pension liability	\$ 1,920,000	\$ 1,488,000	\$ 1,489,000	\$ 1,474,000	\$ 1,443,000	\$ 1,256,000	\$ 1,084,000
Agency's covered payroll	\$ 2,373,000	\$ 2,090,000	\$ 1,945,000	\$ 1,843,000	\$ 1,613,000	\$ 1,641,000	\$ 1,473,000
Agency's proportionate share of net pension liability as a percentage of its covered payroll	80.91%	71.20%	76.56%	79.98%	79.90%	79.90%	68.18%
Plan fiduciary net position as a percentage of the total pension liability	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

Schedule Of Contributions

	December 31,						
	2020	2019	2018	2017	2016	2015	2014
Required contribution	\$ 212,000	\$ 181,000	\$ 161,000	\$ 160,000	\$ 156,000	\$ 146,000	\$ 121,000
Contributions made in relation to the required contribution	\$ 212,000	\$ 181,000	\$ 161,000	\$ 160,000	\$ 156,000	\$ 146,000	\$ 121,000
Contribution deficiency	—	—	—	—	—	—	—
Agency's covered payroll	\$ 2,693,000	\$ 2,053,000	\$ 2,052,000	\$ 1,924,000	\$ 1,733,000	\$ 1,572,000	\$ 1,590,000
Contributions as a percentage of covered payroll	7.87%	8.82%	7.85%	8.32%	9.00%	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 plan provisions, benefit terms or actuarial assumptions in the plan for the year ended December 31, 2020.

KANSAS MUNICIPAL ENERGY AGENCY

SCHEDULES OF SELECTED OPEB INFORMATION KANSAS EMPLOYEES' RETIREMENT SYSTEM December 31, 2020

Schedule Of Changes In Total OPEB Liability And Related Ratios (in 1,000s)

	<u>(in 1,000s)</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 11	\$ 11	\$ 11
Interest on total OPEB liability	6	8	8
Changes of benefit terms	—	—	—
Effect of economic/demographic gains or (losses)	(14)	(14)	(12)
Effect of assumption changes or inputs	4	1	(1)
Benefit payments	(28)	(28)	(29)
Net change in total OPEB liability	(21)	(22)	(23)
Total OPEB liability, beginning	176	198	221
Total OPEB liability, ending (a)	\$ 155	\$ 176	\$ 198
Covered Payroll	\$ 2,009	\$ 1,915	\$ 1,890
Total OPEB liability as a % of covered payroll	7.70%	9.21%	10.50%

Notes:

The above schedule is 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.

For the year ended December 31, 2020, there were no significant changes to plan provisions or benefit terms. The discount rate decreased in the 2020 measurement to 2.21 percent from 3.50 percent.

KANSAS MUNICIPAL ENERGY AGENCY

COMBINING STATEMENT OF NET POSITION

December 31, 2020

(Dollars In Thousands)

	Hydropower		GRDA	EMP1	EMP2	EMP3	Eudora & Other	Garden City	Dogwood	Mid-States	Miscellaneous Projects	Agency Total
	WAPA	SPA										
Assets												
Plant												
Land	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 61	\$ 97	\$ 158
Structures and equipment, depreciable	—	—	—	—	—	—	—	—	—	448	1,266	1,714
Electric plant in service, depreciable	—	—	—	—	—	—	—	—	—	—	259	259
Accumulated depreciation	—	—	—	—	—	—	—	—	—	(42)	(885)	(927)
Total Plant	—	—	—	—	—	—	—	—	—	467	737	1,204
Restricted Funds												
Cash and temporary cash investments	8	—	638	176	—	—	—	4,693	4,193	—	1,456	11,164
Current Assets												
Cash and cash equivalents	740	32	1,945	687	2,825	168	—	—	951	162	948	8,458
Accounts receivable	229	69	9	536	2,128	1,334	—	—	47	882	195	5,429
Prepaid assets	—	—	—	—	—	—	—	—	222	39	135	396
Interproject receivables (payables)	(82)	(2)	1,811	(144)	(804)	(573)	—	—	(39)	(855)	688	—
Inventory	—	—	—	—	—	—	—	—	—	127	—	127
Direct financing lease	—	—	—	—	—	—	—	866	1,169	—	—	2,035
Total Current Assets	887	99	3,765	1,079	4,149	929	—	866	2,350	355	1,966	16,445
Long-Term Assets												
Notes receivable	—	—	—	—	—	—	—	—	—	—	—	—
Direct financing lease	—	—	—	—	—	—	—	35,703	29,518	—	—	65,221
Total Long-Term Assets	—	—	—	—	—	—	—	35,703	29,518	—	—	65,221
Deferred Outflows Of Resources - Pension												
Deferred Outflows Of Resources - OPEB	—	—	—	—	—	—	—	—	—	—	600	600
Deferred Outflows Of Resources - Goodwill	—	—	—	—	—	—	—	—	—	379	13	379
Total Deferred Outflows	—	—	—	—	—	—	—	—	—	379	613	992
Total Assets And Deferred Outflows Of Resources	\$ 895	\$ 99	\$ 4,403	\$ 1,255	\$ 4,149	\$ 929	\$ —	\$ 41,262	\$ 36,061	\$ 1,201	\$ 4,772	\$ 95,026
Liabilities, Deferred Inflows And Net Position												
Liabilities Payable From Restricted Funds												
Other Noncurrent Liabilities												
Long-term obligations, less current portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 38,282	\$ 33,353	\$ 690	\$ 174	\$ 72,499
Net pension liability	—	—	—	—	—	—	—	—	—	—	1,920	1,920
OPEB Liability	—	—	—	—	—	—	—	—	—	—	155	155
Total Other Noncurrent Liabilities	—	—	—	—	—	—	—	38,282	33,353	690	2,249	74,574
Current Liabilities												
Accounts payable and other accrued liabilities	256	39	3,994	1,223	4,150	929	—	148	235	332	795	12,101
Customer deposits	644	60	—	—	—	—	—	—	950	—	—	1,654
Accrued vacation and sick leave	—	—	—	—	—	—	—	—	—	21	426	447
Interest payable	—	—	—	—	—	—	—	1,234	464	—	—	1,698
Current portion of long-term debt	—	—	—	—	—	—	—	863	1,283	197	82	2,425
Total Current Liabilities	900	99	3,994	1,223	4,150	929	—	2,245	2,932	550	1,303	18,325
Total Liabilities	900	99	3,994	1,223	4,150	929	—	40,527	36,285	1,240	3,552	92,899
Deferred Inflows Of Resources- Pension												
Deferred Inflows Of Resources- OPEB	—	—	—	—	—	—	—	—	—	—	31	31
Total Deferred Inflows	—	—	—	—	—	—	—	—	—	—	66	66
Net Position												
Net investment in capital assets	—	—	—	—	—	—	—	—	—	(421)	489	68
Restricted	8	—	638	176	—	—	—	—	—	—	1,456	2,278
Unrestricted	(13)	—	(229)	(144)	(1)	—	—	735	(224)	382	(791)	(285)
Total Net Position	(5)	—	409	32	(1)	—	—	735	(224)	(39)	1,154	2,061
Total Liabilities, Deferred Inflows And Net Position	\$ 895	\$ 99	\$ 4,403	\$ 1,255	\$ 4,149	\$ 929	\$ —	\$ 41,262	\$ 36,061	\$ 1,201	\$ 4,772	\$ 95,026

KANSAS MUNICIPAL ENERGY AGENCY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

December 31, 2020

(Dollars In Thousands)

	<u>Hydropower</u>		GRDA	EMP1	EMP2	EMP3	Eudora	Garden City	Dogwood	Mid-States	Miscellaneous	Agency
	WAPA	SPA									Projects	Total
Revenues												
Project power	\$ 3,703	\$ 452	\$ 24,076	\$ 4,302	\$ 21,227	\$ 10,399	\$ 714	\$ —	\$ —	\$ —	\$ —	\$ 64,873
Dogwood power	—	—	—	—	—	—	—	—	7,192	—	—	7,192
Service revenue	242	88	1,160	442	1,090	797	126	192	—	—	550	4,687
Other revenues	—	—	—	—	—	—	—	—	—	3,338	—	3,338
Total Revenues	3,945	540	25,236	4,744	22,317	11,196	840	192	7,192	3,338	550	80,090
Operating Expense												
Purchased power and fuel	3,717	452	24,073	4,331	21,357	10,418	700	—	—	—	—	65,048
Dogwood power	—	—	—	—	—	—	—	—	7,209	—	—	7,209
Administrative and general expense	242	88	1,163	413	960	778	140	192	—	—	434	4,410
Depreciation and amortization	—	—	—	—	—	—	—	—	—	85	76	161
Other Expenses	—	—	—	—	—	—	—	—	—	3,292	—	3,292
Total Operating Expenses	3,959	540	25,236	4,744	22,317	11,196	840	192	7,209	3,377	510	80,120
Net Operating Revenues (Expenses)	(14)	—	—	—	—	—	—	—	(17)	(39)	40	(30)
Interest on investments	—	—	—	—	—	—	—	2,043	1,556	—	11	3,610
Interest expense	—	—	—	—	—	—	—	(2,021)	(1,488)	—	(9)	(3,518)
Reimbursement for debt issue costs	—	—	—	—	—	—	—	—	—	—	—	—
Debt issue costs	—	—	—	—	—	—	—	—	—	—	—	—
Total Non Operating Revenues	—	—	—	—	—	—	—	22	68	—	2	92
Change In Net Position	(14)	—	—	—	—	—	—	22	51	(39)	42	62
Net Position - Beginning Of Year	9	—	409	32	(1)	—	—	713	(275)	—	1,112	1,999
Net Position - End Of Year	\$ (5)	\$ —	\$ 409	\$ 32	\$ (1)	\$ —	\$ —	\$ 735	\$ (224)	\$ (39)	\$ 1,154	\$ 2,061

KANSAS MUNICIPAL ENERGY AGENCY

NOTE TO SUPPLEMENTARY INFORMATION

December 31, 2020

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 ten 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, Mid-States Project, the Dogwood 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.