KANSAS MUNICIPAL ENERGY AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Contents

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Kansas Municipal Energy Agency
Overland Park, Kansas

Opinion

We have audited the accompanying financial statements of the business-type activities of Kansas Municipal Energy Agency as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Kansas Municipal Energy Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of Kansas Municipal Energy Agency, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

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

Emphasis Of Matter

As discussed in Note 1 to the financial statements, as of January 1, 2022, Kansas Municipal Energy Agency implemented the provisions of Governmental Accounting Standards Board Statement Number 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities Of Management For The Financial Statements

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

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

Auditor's Responsibilities For The Audit Of The Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kansas Municipal Energy Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the schedule of proportionate share of the net pension liability and schedule of contributions on page 39 and the schedule of changes in total OPEB liability and selected ratios on page 40 to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RubinBrown LLP

April 20, 2023

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, 2022 and 2021. 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 86 Member cities and provides electricity, lineman services, and construction 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 the spring and fall.

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.

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.

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

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

Overview Of The Financial Statements

This report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows and Notes to Basic Financial Statements. The Statement of Net Position presents information on all of the Agency's assets, 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.

Fiscal Year 2022 - Net Position

As of December 31, 2022, Agency assets and deferred outflows exceeded its liabilities and deferred inflows by $2,055,000 (net position). Unrestricted cash and cash equivalents increased by $425,000 from $13,930,000 to $14,355,000. 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, 2022, the remaining principal due within one year is $81,000. The Agency also has $41,670,000 of debt associated with the financing of the Jameson Energy Center for the City of Garden City and $32,151,000 associated with the Dogwood Project. The Agency has a note payable for the acquisition of a company in the amount of $490,000 and added a note payable during 2022 for $325,000 related to an equipment purchase. The Agency also arranged for payments that total $779,000 to be paid over a remaining three and a half year period related to the Uri storm event in 2021.

Current assets minus current liabilities decreased by $1,286,000; from $891,000 as of December 31, 2021, to $(395,000) as of December 31, 2022.

Change in net position for 2022 totaled $18,000, compared to $(25,000) for 2021.

The change in the noncurrent assets and deferred inflows from the prior year is explained by the implementation of GASB 87, *Leases*, during 2022. Please refer to note 1 for additional information about the impact of the implementation of GASB 87.

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

	December 31,	
	2022	**2021**
Assets And Deferred Outflows		
Current assets	$ 23,758	$ 26,056
Noncurrent assets	104,976	77,470
Deferred outflows of resources	1,898	1,374
Total Assets And Deferred Outflows	130,632	104,900
Liabilities And Deferred Inflows		
Current liabilities	25,229	25,165
Noncurrent liabilities	75,456	77,019
Deferred inflows of resources	27,892	679
Total Liabilities And Deferred Inflows	128,577	102,863
Ending Net Position	$ 2,055	$ 2,037

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

	For The Years Ended December 31, 2022	2021
Revenues		
Operating revenues	$ 112,876	$ 120,610
Interest on investments, notes and lease receivable	2,638	3,125
Total Revenues	115,514	123,735
Total Expenses	115,496	123,760
Change In Net Position	18	(25)
Net Position - Beginning Of Year	2,037	20,600
Net Position - End Of Year	$ 2,055	$ 20,575

Fiscal Year 2022 - Change In Net Position

Operating revenues decreased by 6% in 2022 from the prior year, as the net result of a decrease in market energy costs. In February 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 for about one week, and were the primary reason for the decrease in Revenues and Expenses from 2021.

Capital Assets

The Agency's headquarters building was purchased on December 1, 2008 for $1,000,000. During the next seven months, the Agency added renovations and improvements costing $320,000. The Agency anticipates that the building will be able to accommodate any additional staff into the foreseeable future. The headquarters building was originally built in 1979. The building is being depreciated over 20 years.

Additions during the 2022 year of $360,000 related to purchasing equipment from a city for use in construction and lineman services. Remaining additions during 2022 and all additions during 2021 were less than $50,000.

In accordance with the implementation of GASB 87, *Leases*, the Agency added a Right to Use Asset of $205,000 and added the Dogwood Plant for $29,572,000. Please see note 1 to the financial statements for additional information related to the impact of GASB 87 implementation.

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 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, 2022

Assets And Deferred Outflows Of Resources

Current Assets		
Cash and cash equivalents	$	14,355
Accounts receivable		5,898
Inventory		223
Prepaid expenses		484
Note and lease receivable - current		2,798
Total Current Assets		23,758
Noncurrent Assets		
Restricted cash and cash equivalents		8,814
Note and lease receivable		66,523
Capital Assets, Net		29,235
February 2021 winter storm and other noncurrent assets		404
Total Noncurrent Assets		104,976
Total Deferred Outflows		1,898
Total Assets And Deferred Outflows Of Resources	$	130,632

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities		
Accounts payable and other accrued liabilities	$	10,210
Customer deposits		9,819
Accrued paid time off		525
Interest payable		1,169
Current portion of lease liability		55
Current portion of long-term debt		3,451
Total Current Liabilities		25,229
Noncurrent Liabilities		
Long-term obligations, less current portion		72,013
OPEB liability		78
Net pension liability		3,269
Lease liability		96
Total Noncurrent Liabilities		75,456
Total Deferred Inflows		27,892
Net Position		
Net investment in capital assets		(895)
Restricted		1,943
Unrestricted		1,007
Net Position		2,055
Total Liabilities, Deferred Inflows Of Resources And Net Position	$	130,632

KANSAS MUNICIPAL ENERGY AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(Dollars In Thousands)
For The Year Ended December 31, 2022

Operating Revenues	
Electric energy sales	$ 102,877
Construction and lineman services	3,362
Membership services revenue	4,892
Lease and other revenues	1,745
Total Operating Revenues	112,876
Operating Expenses	
Electric energy costs	102,877
Administrative and general expense	5,764
Depreciation and amortization	2,088
Construction, lineman services, and other expenses	2,321
Total Operating Expenses	113,050
Net Operating Expense	(174)
Nonoperating Revenues (Expenses)	
Interest on investments, notes and lease receivable	2,638
Interest expense	(2,446)
Total Nonoperating Revenues	192
Change In Net Position	18
Net Position - Beginning Of Year	2,037
Net Position - End Of Year	$ 2,055

KANSAS MUNICIPAL ENERGY AGENCY

STATEMENT OF CASH FLOWS
(Dollars In Thousands)
For The Year Ended December 31, 2022

Cash Flows From Operating Activities	
Cash received from members	$ 116,610
Cash paid to suppliers	(110,929)
Cash paid to employees and for related benefits	(4,457)
Net Cash Provided By Operating Activities	1,224
Cash Flows From Investing Activities	
Payments received on direct financing lease	1,921
Interest received on direct financing lease	2,591
Investment earnings	47
Net Cash Provided By Investing Activities	4,559
Cash Flows From Capital And Related Financing Activities	
Principal paid on debt	(1,658)
Interest paid	(1,847)
Net Cash Used In Capital And Related Financing Activities	(3,505)
Net Increase In Cash And Cash Equivalents	2,278
Cash And Cash Equivalents - Beginning Of Year	20,891
Cash And Cash Equivalents - End Of Year	$ 23,169
Reconciliation Of Cash And Cash Equivalents To The Statement Of Net Position	
Cash and cash equivalents	$ 14,355
Restricted cash and cash equivalents	8,814
Total Reconciliation Of Cash And Cash Equivalents To The Statement of Net Position	$ 23,169
Reconciliation Of Net Operating Expense To Net Cash From Operating Activities	
Net operating expense	$ (174)
Adjustments to reconcile net operating expense to net cash from operating activities:	
Depreciation and amortization	2,088
Changes in assets and liabilities:	
Accounts receivable	3,734
Inventory	(100)
Prepaid expenses	73
Other assets	(404)
Accounts payable and accrued liabilities and customer deposits	(2,244)
Accrued paid time off	117
Lease deferred inflows	(1,738)
Lease liability	(54)
Net pension liability, OPEB and related deferred inflows and outflows	(74)
Net Cash Provided By Operating Activities	$ 1,224

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, 2022, the Agency had 86 member municipalities. 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 the presentation of its accounts in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (FERC), however the Agency is not a public utility generally subject to rate regulation by the FERC under the Federal Power Act. In addition, in 2018, the Agency's Board of Directors elected to take advantage of legislation that allowed the Agency to be exempt from the state of Kansas Corporation Commission ("KCC") jurisdiction. Although the presentation of accounts by the Agency differ in certain respects from those applied by other 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 has contracted with wholesale electricity suppliers and transmission providers on behalf of its members. 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.

Electric energy sales 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, 2022:

Series 2018 Bond Debt Service	$ 4,381
Series 2021 Bond Debt Service	1,563
Bond Debt Service	5,944
Amounts subject to Executive Committee approval	927
Amounts offset by liabilities	6,871
Transmission deposits	1,943
Total Restricted Cash and Cash Equivalents	$ 8,814

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

Land, structures and equipment, and electric plant in service are stated at cost. The costs of repairs and minor additions and replacements are charged to operating expense as appropriate. Costs of renewals and betterments are capitalized. Depreciation and amortization is computed on the straight-line method based on the estimated useful lives of capital assets or right to use lease, ranging from 3 to 20 years.

Customer deposits consist of refundable deposits from member cities for the following purposes as of December 31, 2022:

Transmission credits held at the request of member cities	$ 6,224
Working capital	2,204
Tranmission deposits	658
Start-up capital	250
Lineman services and projects	301
Settlements and other	182
Total Customer Deposits	$ 9,819

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. The Agency had the following deferred outflows of resources at December 31, 2022:

Deferred Outflows Of Resources - OPEB	$ 3
Deferred Outflows Of Resources - Pension	1,638
Deferred Outflows Of Resources - Deferred Amount On Refunding	46
Deferred Outflows Of Resources - Goodwill	211
Total Deferred Outflows	$ 1,898

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. The Agency had the following deferred inflows of resources at December 31, 2022:

Deferred Inflows Of Resources - Dogwood Receivable	$ 27,834
Deferred Inflows Of Resources - OPEB	51
Deferred Inflows Of Resources - Pension	7
Total Deferred Inflows	$ 27,892

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.

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 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.

Capital Assets, net of accumulated depreciation	$	29,235
Less: debt related to the acquisition or construction of those assets		30,130
Net Investment in Capital Assets	$	(895)

Net Position - Restricted consists of net position with constraints placed on the use either by external groups such as creditors or from laws or regulations.

Total Restricted Cash and Cash Equivalents	$	8,814
Less: amounts offset by liabilities		6,871
Restricted Net Position	$	1,943

Net Position - Unrestricted represents all other net position that does not meet the definition of "restricted" or "Net investment in capital 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.

The Agency had no recurring fair value measurements as of December 31, 2022. Money Market Mutual Funds are measured at Net Asset Value.

New Accounting Standard - The Agency implemented GASB Statement No. 87, *Leases* as of January 1, 2022. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term. As of the beginning of the year, the Agency recognized a right to use asset and related liability of $205,000. The Agency also followed the transitional guidance provided in GASB 87 related to two agreements that were reported as direct financing leases in the prior year. One of the agreements is now reported as a financed sale of an asset, and the previously reported direct financing lease receivable has been renamed as a note receivable, and there was no change to the total balances from the end of 2021 to the beginning of 2022. The second agreement resulted in no changes to the lease receivable balance reported as of December 31, 2021, and following the transition guidance for GASB 87, the Agency began reporting a capital asset and deferred inflow of resources for $29,572,000 as of January 1, 2022. All related balances through December 31, 2022 reflect one year of activity.

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.

At December 31, 2022, the carrying value, maturities and credit ratings of deposits and investments are summarized as follows:

	Carrying Value/ Fair Value	Maturities 12 Months Or Less	12 - 24 Months	More Than 24 Months	Credit Rating S & P
Deposits	$ 14,355,000	$ 14,355,000	$ —	$ —	N/A
Amounts held with trustee:					
Deposits	1,085,000	1,085,000	—	—	N/A
Money market mutual fund	7,729,000	7,729,000	—	—	AAAm
Total deposits and money market mutual funds	$ 23,169,000	$ 23,169,000	$ —	$ —	

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, 2022, 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, 2022, 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, 2022 was $3,362,000.

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.

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' ACFR.

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 year ended June 30, 2022.

The employer contribution rate was 8.9% for the KPERS fiscal year ended June 30, 2022.

Contributions to the pension plan from the Agency were $318,000 for the year ended December 31, 2022.

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

At December 31, 2022, the Agency reported a liability of $3,269,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022.

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 the KPERS plan year ended June 30, 2022. At December 31, 2022, the Agency's proportion was .164412%.

There were no significant changes in benefit terms during the KPERS plan year ended June 30, 2022 that affected the measurement of total pension liability.

For the year ended December 31, 2022, the Agency recognized pension expense of $598,000. At December 31, 2022, 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, 2022		
Differences between expected and actual experience	$ 124,000	$ 6,000
Changes of assumptions	522,000	—
Net difference between projected and actual earnings on pension plan investments	277,000	—
Changes in proportion and differences between Agency contributions and proportionate share of contributions	536,000	1,000
Agency contributions subsequent to the measurement date of June 30, 2022	179,000	—
Total	$ 1,638,000	$ 7,000

At December 31, 2022, $179,00, was reported 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
2023	$ 412,000
2024	394,000
2025	265,000
2026	363,000
2027	18,000
	$ 1,452,000

Actuarial Assumptions

The total pension liability for the June 30, 2022, measurement date was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 Percent
Payroll growth	3.00 Percent
Long-term rate of return, net of investment expense, and including price inflation	7.00 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.

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, 2022, 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 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Of The Agency's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following table presents the net pension liability of the Pension Plan as of June 30, 2022, calculated using the discount rate of 7.00%, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

1.00% Decrease 6.00%	Current Discount Rate: 7.00%	1.00% Increase 8.00%
$ 4,695,000	$ 3,269,000	$ 2,080,000

Pension Plan Fiduciary Net Position

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

4. Transactions With Affiliates

The Agency is closely related to the Kansas Municipal Gas Agency (KMGA). KMGA is an interlocal municipal agency created to secure natural gas supplies for its member cities, which own gas or electric distribution utilities. In a comparable manner, the Agency secures electricity for its member cities, which own electric distribution utilities. Due to their common membership and similar purposes, the Agency entered into a Management Services Agreement with KMGA 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 $352,000 in 2022. As of December 31, 2022, accounts receivable from KMGA was $30,000.

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

5. Capital Assets

Capital assets consisted of the following amounts as of December 31, 2022:

	2021 Balance (As Adjusted)	Additions	Deletions	2022 Balance
Capital assets not being depreciated				
Land	$ 158,000	$ —	$ —	$ 158,000
Total capital assets not being depreciated	158,000	—	—	158,000
Capital assets being depreciated				
Lease Right To Use Asset	205,000	—	—	205,000
Plant in service	259,000	15,000	(21,000)	253,000
Structures and equipment	1,745,000	360,000	—	2,105,000
Dogwood plant	29,572,000	—	—	29,572,000
Total capital assets being depreciated	31,781,000	375,000	(21,000)	32,135,000
Less: Accumulated depreciation	1,081,000	2,004,000	27,000	3,058,000
Total capital assets being depreciated, net	30,700,000	(1,629,000)	6,000	29,077,000
Capital assets, net	$ 30,858,000	$ (1,629,000)	$ 6,000	$ 29,235,000

6. Note and Lease Receivable

<u>Jameson Energy Center – Note Receivable</u>

The Agency has a 30-year agreement to receive payments from Garden City to ultimately transfer the Jameson Energy Center to Garden City. For accounting purposes, the Agency has classified the transaction as a financed sale of the Jameson Energy Center.

The payments to be received by the Agency coincide with debt service payments the Agency is required to make on the related revenue bonds. The interest rates on the note receivable are the same as those used in the bond. Payments of principal and interest on the bonds are made annually through July 2045. 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, 2022, the future minimum payments to be received under the note are as follows:

Year Ending December 31,	Garden City Payment
2023	$ 2,587,000
2024	2,588,000
2025	2,589,000
2026	2,588,000
2027	2,586,000
2028-2032	12,939,000
2033-2037	12,944,000
2038-2042	12,941,000
2043-2045	3,880,000
Total minimum payments receivable	55,642,000
Less: unearned income	14,725,000
Present value of minimum payments	$ 40,917,000

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

Dogwood Energy Facility – Lease Receivable

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%, and 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.

Concurrent with the purchase of the undivided interest in Dogwood, the Agency entered into a legal-form lease of 100% of 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 legal form leases as one lease receivable because the terms of the agreements are consistent between the Cities and the Agency has a right to receive the payments, and the Agency controls that right.

Each of the owners has entered into certain project agreements that provide for the joint 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, and 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 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 receivable are the same as those used in the bonds. Payments of principal and interest on the bonds are made annually through April 2038. Payments received above the minimum amounts listed in the table below are variable and therefore, excluded from the measure of the receivable balance. The total amount of inflows of resources recognized in the reporting period from leases include revenue of $1,740,000, which is included in leases and other revenues on the statement of revenues, expenses, and changes in net position. The amount of inflows of resources through December 31, 2022 related to the Dogwood facility that were not included in the measurement of lease receivable are $12,767,000 and represent the variable operating costs charged, including fuel, and renewals and replacements of the Facility.

At December 31, 2022, the future minimum payments to be received under the agreement are as follows:

Year Ending December 31,		Dogwood Payment
2023	$	2,672,000
2024		2,672,000
2025		2,670,000
2026		2,669,000
2027		2,670,000
2028-2032		13,391,000
2033-2037		13,362,000
2038-2042		823,000
Total minimum payments receivable		40,929,000
Less: unearned income		12,525,000
Present value of minimum payments	$	28,404,000

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

In December of 2008, the Agency entered into a $1,000,000 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. In December 2016, the purchase agreement was renegotiated with a semiannual installment of $44,817, including interest at 2.75%. The obligation 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, 2022 was $426,000. Amortization of the building is included with depreciation expense.

The Agency entered into a line of credit agreement with a financial institution that matures in July 2023. The Agency may draw up to $4,000,000 on the line of credit, which bears interest at the bank's Index Rate less 0.25%, which resulted in an initial rate of 3.75% per year, subject to change based on the bank's discretion. Collateral for this line of credit includes property and assets of the projects. There were no amounts outstanding as of December 31, 2022 on this line of credit.

During 2021, the Agency defeased debt through an advance refunding by issuing Series 2021 revenue refunding serial bonds in the amount of $41,670,000 issued at par. At December 31, 2022, the amount of defeased debt still outstanding but not reported on the statement of net position was $37,200,000. Payments are due in annual installments starting in 2023, with a payment of interest only during 2022. Interest rates range from 0.89% to 3.19%. The bonds are subject to redemption prior to maturity at par on or after July 1, 2031. The Agency has a Power Sales Contract related to the 2021 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.

During the year ended December 31, 2018, the Agency issued Series 2018-A revenue bonds in the amount of $32,515,000. Series 2018-A Revenue Bonds carry interest rates of 3% to 5%. 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 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.

During 2021, KMEA worked with GRDA to allow the participating cities of GRDA three payment options related to the extraordinary costs of the February 2021 winter storm event. The three payment options are: 1) a one-time lump sum payment at no carrying cost; 2) over twelve months with no carrying costs, or 3) over 53 months with carrying costs at a 3.0% interest rate. As the amounts due to GRDA were for operations and are normally included in accounts payable, KMEA reclassified the amounts to be made over 53 months out of accounts payable and into long-term liabilities as part of a GRDA Note Payable. The agreement with GRDA was signed on October 12, 2021 and began billing under the payment options began in November 2021. The GRDA Note Payable is a non-cash financing activity.

The Agency has a $5,000,000 a letter of credit with a financial institution that is due on demand The beneficiary is Southwest Power Pool. As of December 31, 2022, no amounts were drawn on this letter.

In May of 2022, the Agency entered into a note payable (private placement) with Osage City to assist in the purchase of equipment from the city. The original principal balance of the note was $325,000, and it carries no interest. Payments are due in 60 equal installments of $5,417 through May 2027.

All of the debt is classified as a direct borrowing, except for the Series 2021 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:

	2021 Balance	Additions	Reductions	2022 Balance	Due Within One Year
Building purchase agreement	$ 166,000	$ —	$ (85,000)	$ 81,000	$ 81,000
GRDA Note Payable	957,000	—	(178,000)	779,000	236,000
Series 2018-A	30,120,000	—	(1,165,000)	28,955,000	1,225,000
Bond Premium	3,313,000	—	(117,000)	3,196,000	143,000
Series 2021	41,670,000	—	—	41,670,000	1,505,000
Note payable - Osage City	—	325,000	(32,000)	293,000	64,000
Note payable	687,000	—	(197,000)	490,000	197,000
	$ 76,913,000	$ 325,000	$ (1,774,000)	$ 75,464,000	$ 3,451,000

	2021 Balance (As Adjusted)	Additions	Reductions	2022 Balance	Due Within One Year
Lease ROU liability	$ 205,000	$ —	$ 54,000	$ 151,000	$ 55,000

Aggregate maturities of long-term debt are as follows:

Year Ending December 31,	Building Purchase Principal	Building Purchase Interest	GRDA Note Principal	GRDA Note Interest	2018 Long-Term Bond Principal	2018 Long-Term Bond Interest
2023	$ 81,000	$ 2,000	$ 236,000	$ 19,000	$ 1,225,000	$ 1,417,000
2024	—	—	217,000	13,000	1,285,000	1,354,000
2025	—	—	217,000	6,000	1,350,000	1,288,000
2026	—	—	109,000	1,000	1,415,000	1,219,000
2027	—	—	—	—	1,485,000	1,147,000
2028 - 2032	—	—	—	—	8,630,000	4,513,000
2033 - 2037	—	—	—	—	11,020,000	2,067,000
2038 - 2042	—	—	—	—	2,545,000	64,000
2043 - 2047	—	—	—	—	—	—
	$ 81,000	$ 2,000	$ 779,000	$ 39,000	$ 28,955,000	$ 13,069,000

(Continued)

Year Ending December 31,	2021 Long Term Bond Principal	2021 Long Term Bond Interest	Note Payable - Osage Principal	Note Payable - Osage Interest	Note Payable Principal	Note Payable Interest	Total
2023	$ 1,505,000	$ 1,077,000	$ 64,000	$ 3,000	$ 197,000	$ 3,000	$ 5,829,000
2024	1,515,000	1,060,000	65,000	3,000	194,000	3,000	5,709,000
2025	1,540,000	1,039,000	65,000	1,000	99,000	1,000	5,606,000
2026	1,560,000	1,015,000	65,000	—	—	—	5,384,000
2027	1,585,000	987,000	34,000	—	—	—	5,238,000
2028 - 2032	8,435,000	4,410,000	—	—	—	—	25,988,000
2033 - 2037	9,545,000	3,261,000	—	—	—	—	25,893,000
2038 - 2042	11,055,000	1,714,000	—	—	—	—	15,378,000
2043 - 2047	4,930,000	163,000	—	—	—	—	5,093,000
	$ 41,670,000	$ 14,726,000	$ 293,000	$ 7,000	$ 490,000	$ 7,000	$ 100,118,000

Aggregate payments of the lease liability are as follows:

Ending December 31,	Principal	Interest	Total
2023	$ 55,000	$ 3,000	$ 58,000
2024	57,000	2,000	59,000
2025	39,000	—	39,000
	$ 151,000	$ 5,000	$ 156,000

Compensated Absences

See table below for liability as of December 31, 2022.

	2021 Balance	Additions	Deletions	2022 Balance	Due Within One Year
Accrued paid time off	$ 408,000	$ 117,000	$ —	$ 525,000	$ 525,000

Subsequent Event

On April 6, 2023, the Agency issued a Power Project Revenue Bond in the amount of $5,350,000 with an interest rate of 4.00%. Payments of interest and principal will begin in December of 2024 and will run through 2044. As of the date of the audit report, proceeds from the Bond are held in a corporate trust account and will be used for the construction of an Energy Project for the City of Oberlin, Kansas. The Agency has also entered into an agreement with the City of Oberlin where payments received by the Agency from the City of Oberlin will coincide with the debt service payments the Agency is required to make on the bond.

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
Macquarie	3	Energy Only	5x16 Summer	09/30/23
NextEra	1	Energy Only	5x16 Summer Peaking	09/30/23
NextEra	2	Energy Only	5x16 Summer Peaking	09/30/24
NextEra	1.5	Energy Only	5X16 Annual	12/31/24
NextEra	1.5	Energy Only	7x24 June-Aug	09/30/25
NextEra	1.5 Summer 1 Winter	Energy Only	7x24 Except June-Aug	12/31/25
GRDA	84 Summer	Energy & Demand		04/30/26
NextEra	1	Energy Only	7x24	09/30/27
NextEra	2.8	Energy Only	5x16 Summer	09/30/27
NextEra	1.3	Energy Only	5x16 Summer	09/30/27
NextEra	1	Energy Only	5x16 Summer	09/30/27
NextEra	9.2	Energy Only	7x24	12/31/27
NextEra	0.7	Energy Only	7x24	12/31/27
NextEra	0.8	Energy Only	5x16 Annual	12/31/27
NextEra	0.3	Energy Only	5x16 Annual	12/31/27
NextEra	1	Energy Only	5x16 Summer	09/30/28
NextEra	0.4	Energy Only	5x16 Summer	09/30/28
NextEra	2	Energy Only	7x24	12/31/28
NextEra	0.7	Energy Only	7x24	12/31/28
NextEra	0.4	Energy Only	7x24	12/31/28
NextEra	0.5	Energy Only	5x16 Jun-Aug	08/31/29
NextEra	1.5	Energy Only	5x16 Summer	09/30/29
NextEra	2	Energy Only	7x24	12/31/29
NextEra	0.6	Energy Only	7x24	12/31/29
NextEra	15	Energy Only	7x24	12/31/30
NextEra	1.2	Energy Only	5x16 Summer	09/30/31
NextEra	1.3	Energy Only	7x24	12/31/31
NextEra	1	Energy Only	7x24	12/31/31
NextEra	10 thru 2025	Energy Only	7x24	12/31/32
Buckeye	41.7	Energy Only		05/31/33
BHE Wind	7	Energy Only		04/30/36
SPA	5.1	Energy & Demand		05/31/34
WAPA	33.9	Energy & Demand		09/30/54

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 has agreements with The Energy Authority, Inc. (TEA) to help KMEA derive value from excess Auction Revenue Right (ARR) entitlement nomination capacity, after KMEA member needs have been addressed. The current agreement, updated in 2020, ends May 31, 2023. In February 2023, the Agency entered into a new agreement that ends May 31, 2026, but includes additional one-year renewal periods unless terminated by either party with a 120-day advance notice. In accordance with the agreements, TEA is compensated for a portion of any gains recorded by KMEA and any losses by KMEA are reimbursed in full by TEA. The 2022 benefit to KMEA for being a party to this agreement was $4,724,000. KMEA has provided most of this benefit to its members through payments to member cities and/or as transmission credits, held as customer deposits, at the request of member cities.

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. 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.

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, 2022, 2021 and 2020:

	2022	2021	2020
Agency premiums paid for active employees	$ 579,492	$ 472,549	$ 365,176

10. 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 32 participants in the OPEB Plan from the Agency. There is no stand-alone financial statement related to this LTD OPEB plan.

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, 2022, and was determined by an actuarial valuation as of December 31, 2021.

Actuarial assumptions and other inputs. The total OPEB liability measured as of June 30, 2022 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	3.54 Percent

The discount rate increased to 3.54 Percent from 2.16 Percent in the 2022 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 most recent valuation were based on the results of an actuarial experience study dated January 7, 2020.

Changes In The Total OPEB Liability

	Total OPEB Liability For The Year Ended December 31, 2022
Balance at beginning of year	$ 134,000
Changes for the year	
Service Cost	17,000
Interest on total OPEB liability	3,000
Effect of plan changes	—
Effect of economic/demographic gains or losses	(17,000)
Effect of assumptions changes or inputs	(3,000)
Benefit payments	(28,000)
Balance at end of year	$ 106,000

The current portion of the OPEB liability of $28,000 at December 31, 2022 is included in accounts payable and other liabilities on the statement of net position.

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:

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Total OPEB liability	$ 107,000	$ 106,000	$ 104,000

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.

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

For the year ended December 31, 2022, KMEA recognized OPEB expense of $13,000. At December 31, 2022, 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	$ (46,000)	$ —
Changes of assumptions	(5,000)	3,000
Contributions after the measurement date	—	—
Total	$ (51,000)	$ 3,000

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.

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:

Year Ended December 31,	Amount
2023	$ (7,000)
2024	(7,000)
2025	(7,000)
2026	(7,000)
2027	(6,000)
Thereafter	(14,000)
	$ (48,000)

SCHEDULES OF SELECTED PENSION INFORMATION
KANSAS EMPLOYEES' RETIREMENT SYSTEM
December 31, 2022

Schedule Of Proportionate Share Of The Net Pension Liability

	June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Agency's proportion of the net pension liability	.00164412	0.00145597	0.00110761	0.00106502	0.00106805	0.00101777	0.00093258	0.00095657
Agency's proportionate share of the net pension liability	$ 3,269,000	$ 1,747,000	$ 1,920,000	$ 1,488,000	$ 1,489,000	$ 1,474,000	$ 1,443,000	$ 1,256,000
Agency's covered payroll	$ 3,362,000	$ 2,922,000	$ 2,373,000	$ 2,090,000	$ 1,945,000	$ 1,843,000	$ 1,613,000	$ 1,641,000
Agency's proportionate share of net pension liability as a percentage of its covered payroll	97.21%	59.80%	80.91%	71.20%	76.56%	79.98%	79.90%	79.90%
Plan fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%

Schedule Of Contributions

	December 31,							
	2022	2021	2020	2019	2018	2017	2016	2015
Required contribution	$ 318,144	$ 279,413	$ 212,000	$ 181,000	$ 161,000	$ 160,000	$ 156,000	$ 146,000
Contributions made in relation to the required contribution	$ 318,144	$ 279,413	$ 212,000	$ 181,000	$ 161,000	$ 160,000	$ 156,000	$ 146,000
Contribution deficiency	—	—	—	—	—	—	—	—
Agency's covered payroll	$ 3,574,654	$ 3,150,086	$ 2,472,000	$ 2,053,000	$ 2,052,000	$ 1,924,000	$ 1,733,000	$ 1,572,000
Contributions as a percentage of covered payroll	8.90%	8.87%	8.58%	8.82%	7.85%	8.32%	9.00%	9.29%

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 or benefit terms; however the actuarial assumptions in the plan for the discount rate decreased to 7.0% from 7.25% for the year ended December 31, 2022.

SCHEDULES OF SELECTED OPEB INFORMATION
KANSAS EMPLOYEES' RETIREMENT SYSTEM
December 31, 2022

Schedule Of Changes In Total OPEB Liability And Related Ratios

	(In 1,000s)				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	**$ 17**	$ 13	$ 11	$ 11	$ 11
Interest on total OPEB liability	**3**	3	6	8	8
Changes of benefit terms	**—**	—	—	—	—
Effect of economic/demographic gains or (losses)	**(17)**	(9)	(14)	(14)	(12)
Effect of assumption changes or inputs	**(3)**	—	4	1	1
Benefit payments	**(28)**	(28)	(28)	(28)	(29)
Net change in total OPEB liability	**(28)**	(21)	(21)	(22)	(23)
Total OPEB liability, beginning	**134**	155	176	198	221
Total OPEB liability, ending (a)	**$ 106**	$ 134	$ 155	$ 176	$ 198
Covered Payroll	**$ 2,865**	$ 2,824	$ 2,009	$ 1,915	$ 1,890
Total OPEB liability as a % of covered payroll	**3.69%**	4.73%	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, 2022, there were no significant changes to plan provisions or benefit terms. The discount rate increased in the 2022 measurement to 3.54 percent from 2.16 percent.