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***KANSAS MUNICIPAL GAS AGENCY***

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2023*

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## Independent Auditors' Report

Board of Directors  
Kansas Municipal Gas Agency  
Overland Park, Kansas

### *Opinion*

We have audited the accompanying financial statements of the business-type activities of Kansas Municipal Gas Agency, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Kansas Municipal Gas 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 respective financial position of the business-type activities of Kansas Municipal Gas Agency, as of December 31, 2023, and the respective 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 Gas 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.

### ***Responsibilities Of Management For The Financial Statements***

Kansas Municipal Gas 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 Gas 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.

### ***Auditors' 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 auditors' 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 Gas 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 Gas 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 6 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*

June 10, 2024

# KANSAS MUNICIPAL GAS AGENCY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS For The Years Ended December 31, 2023 And 2022

The management of Kansas Municipal Gas Agency (KMGA) offers readers of KMGA's financial statements this narrative overview of its financial activities for the years ended December 31, 2023 and 2022. We encourage readers to consider the information provided here in conjunction with the accompanying basic financial statements and notes to basic financial statements.

### Overview Of The Reporting Entity

Under authority of the Kansas Interlocal Cooperative Act, twenty-seven Kansas municipalities formed KMGA as a separate legal entity in August 1990. Its main purpose was to assist its member cities in acquiring natural gas for their municipal utility systems. As of December 31, 2023, KMGA had 47 members and 3 affiliate members.

KMGA follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Under the accrual basis of accounting used by KMGA, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

### Financial Highlights

As of December 31, 2023 and 2022, KMGA's net position was \$519,588 and \$517,765, respectively, and current assets exceeded current liabilities and deferred inflows of resources by \$515,959, and \$510,787, respectively. KMGA has no long-term debt.

Changes in net position for the year 2023 were \$1,823 compared to (\$8,910) for 2022.

### Overview Of The Financial Statements

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

## KANSAS MUNICIPAL GAS AGENCY

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### Management's Discussion And Analysis (*Continued*)

Table 1: Condensed Statements of Net Position

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash	\$ 1,331,164	\$ 3,430,906
Accounts receivable	1,286,417	8,141,989
Capital Assets, Net	<b>3,629</b>	6,978
<b>Total Assets</b>	<b>2,621,210</b>	11,579,873
<b>Liabilities</b>		
Accounts payable and accrued expenses	<b>289,479</b>	4,613,088
<b>Deferred Inflows Of Resources</b>	<b>1,812,143</b>	6,449,020
<b>Net Position</b>	<b>\$ 519,588</b>	<b>\$ 517,765</b>

A comparison of the year-end statement of net position shows that the net position has increased in 2023 as a result of revenues exceeding expenses for the year.

Table 2: Condensed Statements Of Changes in Net Position

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Total Revenues</b>	\$ 15,588,363	\$ 27,399,932
<b>Total Expenses</b>	<b>(15,586,540)</b>	(27,408,842)
<b>Change In Net Position</b>	<b>\$ 1,823</b>	<b>\$ (8,910)</b>

Revenues exceeded expenses in 2023 due to a decrease in operating expenses.

Total revenues in 2023 were approximately \$11.8 million lower than 2022 due primarily to decreases in fuel costs.

## KANSAS MUNICIPAL GAS AGENCY

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### Management's Discussion And Analysis (*Continued*)

Table 3: Condensed Statements Of Cash Flows

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Net operating loss	\$ (22,702)	\$ (8,910)
Depreciation	3,349	3,349
Interest received	24,525	—
Changes in assets and liabilities and deferred inflows	(2,104,914)	391,272
<b>Net Increase (Decrease) In Cash</b>	<b>(2,099,742)</b>	<b>385,711</b>
<b>Cash - Beginning Of Year</b>	<b>3,430,906</b>	<b>3,045,195</b>
<b>Cash - End Of Year</b>	<b>\$ 1,331,164</b>	<b>\$ 3,430,906</b>

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

### Capital Assets

There were no additions to KMGA's plant balance during 2022 and 2023.

### Economic Outlook

The Agency is structured where it bills Project participants for the actual cost of gas purchased, therefore Agency revenues and gas costs will increase in proportion to changes in gas prices. Gas prices are projected to remain stable through the end of 2024. The Agency also bills Project participants a membership fee and a markup on delivered gas volume to cover administrative costs. These additional fees are projected to cover administrative costs through the end of 2024.

### Requests For Information

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



# KANSAS MUNICIPAL GAS AGENCY

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## STATEMENT OF NET POSITION

December 31, 2023

### Assets

#### Current Assets

Cash	\$ 1,331,164
Accounts receivable	1,286,417
<b>Total Current Assets</b>	<u>2,617,581</u>

#### Capital Assets

Gas plant in service	16,747
Accumulated depreciation	(13,118)
<b>Total Capital Assets, Net</b>	<u>3,629</u>

<b>Total Assets</b>	<u><u>\$ 2,621,210</u></u>
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### Liabilities And Net Position

#### Current Liabilities

Accounts payable and accrued expenses	\$ 289,479
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#### Deferred Inflows Of Resources

1,812,143

<b>Total Liabilities</b>	<u>2,101,622</u>
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#### Net Position

Net investment in capital assets	3,629
Unrestricted	515,959
<b>Total Net Position</b>	<u>519,588</u>

<b>Total Liabilities, Deferred Inflows And Net Position</b>	<u><u>\$ 2,621,210</u></u>
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# KANSAS MUNICIPAL GAS AGENCY

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## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION December 31, 2023

<b>Operating Revenues</b>	
Natural gas sales	\$ 15,255,668
Membership and other service revenues	308,170
<b>Total Operating Revenues</b>	<u>15,563,838</u>
<b>Operating Expenses</b>	
Natural gas costs	15,255,668
Administration and general expense	327,523
Depreciation	3,349
<b>Total Operating Expenses</b>	<u>15,586,540</u>
<b>Net Operating Loss</b>	(22,702)
<b>Interest Income</b>	<u>24,525</u>
<b>Change In Net Position</b>	1,823
<b>Net Position - Beginning Of Year</b>	<u>517,765</u>
<b>Net Position - End Of Year</b>	<u>\$ 519,588</u>

# KANSAS MUNICIPAL GAS AGENCY

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## STATEMENT OF CASH FLOWS

December 31, 2023

### Cash Flows From Operating Activities

Cash received from members	\$ 17,583,144
Cash paid to suppliers	(19,525,060)
Other operating receipts (payments)	(182,351)
<b>Net Cash Used In Operating Activities</b>	<b><u>(2,124,267)</u></b>

### Cash Flows Provided By Investing Activities

Interest received	<u>24,525</u>
<b>Net Decrease In Cash</b>	<b>(2,099,742)</b>

Cash - Beginning Of Year

3,430,906

Cash - End Of Year

\$ 1,331,164

### Reconciliation Of Net Operating Loss To Net Cash From Operating Activities

Net operating loss	\$ (22,702)
Adjustments to reconcile net operating loss to net cash from operating activities:	
Depreciation	3,349
Changes in assets and liabilities and deferred inflows:	
Accounts receivable	6,855,572
Accounts payable and accrued expenses and deferred inflows	(4,323,609)
Deferred Inflows	<u>(4,636,877)</u>
<b>Net Cash Used In Operating Activities</b>	<b><u><u>\$ (2,124,267)</u></u></b>

# KANSAS MUNICIPAL GAS AGENCY

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2023

### 1. Organization

The Kansas Municipal Gas Agency (KMGA or Agency) is a Kansas interlocal municipal agency created by twenty-seven Kansas municipalities in August 1990, under authority of the Interlocal Cooperation Act (K.S.A. 12-2901, et seq., as amended). The Interlocal Cooperation Agreement creating KMGA established it as a separate legal entity. As of December 31, 2023, KMGA had 47 full-member cities and 3 affiliate-member cities participating on a project basis. A Board of Directors, consisting of one representative from each full member, oversees the property and business of KMGA. KMGA is considered a jointly governed organization and a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

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

### 2. Significant Accounting Policies

KMGA follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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

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

## **KANSAS MUNICIPAL GAS AGENCY**

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### Notes To Basic Financial Statements (*Continued*)

The costs of repairs and minor replacements are charged to operating expense as appropriate. Costs of renewals and betterments are capitalized. Depreciation is computed using the straight-line method based on an estimated five-year useful life.

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

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. At the end of the year, KMGA's deferred inflows consist of amounts charged by KMGA to its member cities to recover the costs of providing services in January and February of the subsequent year.

As discussed in Note 4, all employees used by KMGA are employed by the Kansas Municipal Energy Agency (KMEA) and related costs are charged to KMGA through a management services agreement.

### **3. Cash And Temporary Investments**

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

As of December 31, 2023, KMGA's cash deposits consisted only of cash.

Interest rate risk: The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2023, the Agency did not hold any investments.

## **KANSAS MUNICIPAL GAS AGENCY**

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### Notes To Basic Financial Statements (*Continued*)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency does not have an investment policy which would further limit investment choices from state statute. As of December 31, 2023, the Agency did not hold any investments.

Concentration of credit risk: The Agency places no limit on the amount the Agency may invest in any one issuer. As of December 31, 2023, the Agency did not have more than 5 percent of the Agency's investments in one issuer.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2023, the Agency's deposits were fully collateralized and not exposed to custodial credit risk.

#### **4. Related Parties**

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

The Management Services Agreement was superseded when the two agencies, on May 20, 1998, entered into the Interlocal Cooperation Agreement for Joint Administration, under authority of the Interlocal Cooperation Act (K.S.A. 12-2901, et seq., as amended). Under the Joint Administration Agreement, KMGA will continue to rely on KMEA employees to manage and administer KMGA's operations. For the services provided and related expenses incurred, KMEA bills KMGA at cost. The management services fee was approximately \$320,000 in 2023. As of December 31, 2023, there were no accounts payable to KMEA.

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

## **5. Commitments And Contingencies**

### **Gas Purchase Agreements**

KMGGA and each Gas Supply Project participating city have entered into a Gas Acquisition Management Project Participation Agreement (Agreement) which states that KMGGA may enter into gas purchase agreements on behalf of the participants and that each participant is liable for the gas delivered under the agreement.

Pursuant to the Participation Agreement, KMGGA enters into North American Energy Standards Board (NAESB) contracts with suppliers to purchase gas on behalf of participants at various prices and quantities for a period up to the effective term of the Agreement. The Agency has no risk of loss exposure from these contracts since the Agency has reciprocal contracts with its participants that mirror the agreements with the counterparty.

During 2023, KMGGA entered into a twelve-month Gas Management Agreement. Through this management agreement, KMGGA can offer greater flexibility in reducing price risk exposure for Project participants. The current management agreement expires September 30, 2024.

### **Risk Management**

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