
KANSAS MUNICIPAL GAS AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2024

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Independent Auditors' Report

Board of Directors
Kansas Municipal Gas Agency
Overland Park, Kansas

Opinion

We have audited the financial statements of the business-type activities of Kansas Municipal Gas Agency, which comprise the statement of cash receipts and disbursements as of and for the year ended December 31, 2024, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements of the business-type activities of Kansas Municipal Gas Agency, as of December 31, 2024, and for the year then ended in accordance with the cash basis of accounting, as described in Note 2.

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.

Emphasis Of A Matter Regarding Basis Of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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.

RubinBrown LLP

April 10, 2025

KANSAS MUNICIPAL GAS AGENCY

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

As Of And For The Year Ended December 31, 2024

Cash Receipts

Member services	\$ 14,789,776
Interest on cash balances	45,451
Other cash receipts	<u>73,592</u>
	<u>14,908,819</u>

Cash Disbursements

Natural gas supply and transportation costs	14,195,582
Administration and general expense	291,268
Member refunds and other disbursements	<u>105,233</u>
	<u>14,592,083</u>

Increase In Cash	316,736
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Cash - Beginning Of Year	<u>1,331,164</u>
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Cash - End Of Year	<u><u>\$ 1,647,900</u></u>
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KANSAS MUNICIPAL GAS AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2024

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. Today, the Agency consists of 44 Member cities and 3 Affiliate Member cities that own or operate a natural gas local distribution company (LDC) and/or use natural gas in municipal power plant operations.

A Board of Directors governs the business affairs of the Agency. Each Member appoints one Director. The Board elects seven 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 to (1) adopt annual budgets, (2) approve contracts or agreements or to negotiate contracts or agreements of the Agency that provide for the development of any Projects requiring the issuance of Agency debt, (3) approve interest rates or official financing documents of any financings. Full Board of Directors meetings are held in the spring and fall.

2. Significant Accounting Policies

The financial statements of KMGA are presented on the cash basis of accounting; consequently, the only asset recognized is cash, and no liabilities are recognized. Revenues and related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the related obligations are incurred. Noncash transactions are not recognized in the financial statements.

The cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

KANSAS MUNICIPAL GAS AGENCY

Notes To Basic Financial Statements (*Continued*)

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.

Agency Member services include the purchase, management, scheduling, transportation, storage, and balancing of natural gas used by its members. The agency also assists Members, and Affiliate Members, in complying with state and federal regulations and provides informational and technical assistance with respect to natural gas supply and use. In exchange for these Member services, the Agency receives membership dues, administration fees, and actual natural gas supply, transportation and storage costs from Members.

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date that the financial statements were available to be issued.

3. Cash

Cash held on KMGA's behalf is 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, 2024, KMGA only had 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, 2024, the Agency did not hold any investments.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency does not have an investment policy which would further limit investment choices from state statute. As of December 31, 2024, 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, 2024, 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, 2024, 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 manage 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 paid to KMEA was approximately \$282,000 in 2024.

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

5. Commitments And Concentrations

Gas Purchase Agreements

KMGA and each Gas Supply Project participating city have entered into a Gas Acquisition Management Project Participation Agreement (Agreement) which states that KMGA 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, KMGA enters into North American Energy Standards Borad (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 2024, the Agency extended a Gas Management Agreement, which supports nearly all off its Member natural gas supply needs, through April 2026. Through this agreement, the Agency offers flexibility in reducing price risk exposure depending on each Member's needs.

Risk Management

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