McPHERSON AREA
SOLID WASTE UTILITY

FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022



LOYD GROUP, LLC

Certified Public Accountants

MCPHERSON AREA SOLID WASTE UTILITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
McPherson Area Solid Waste Utility
McPherson, Kansas 67460

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of McPherson Area Solid Waste Utility, Kansas (the "Utility") as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Utility'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 Utility as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Utility 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

The Utility'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 the Utility'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 the Utility'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 the Utility'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 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.

Supplementary Information

Our audit was conducted for the purpose of forming and opinion on the financial statements that collectively comprise the Utility's basic financial statements. The Schedule of Operating Expenses is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
May 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The McPherson Area Solid Waste Utility (MASWU) was created through an interlocal cooperation agreement which includes eight cities and one county within McPherson County, Kansas as its members. The MASWU operates as an enterprise fund to assist its members in planning technical and financial matters for comprehensive solid waste management and accomplish the desired objectives of an effective county-wide solid waste management program, including the operation of a cooperative solid waste processing and disposal system, for the benefit of the members. This discussion and analysis of the financial performance of MASWU provides an overview of MASWU's financial activities for the fiscal year ended December 31, 2023. This analysis should be read in conjunction with the financial statements and notes thereto.

The following table summarizes the financial condition and operations of the MASWU as of and for the years ended December 31, 2023, 2022 and 2021.

Condensed Balance Sheet

	December 31,		
	2023	2022	2021
Assets			
Current assets	$ 11,387,512	$ 11,069,379	$ 10,027,972
Capital assets	7,294,939	7,659,156	7,797,303
Total Assets	18,682,451	18,728,535	17,825,275
Deferred Outflow of Resources			
Deferred charges on debt refunding	104,140	114,554	124,968
Total Assets and Deferred Outflow of Resources	$ 18,786,591	$ 18,843,089	$ 17,950,243
Liabilities			
Current Liabilities	$ 3,562,968	$ 2,833,587	$ 2,473,838
Long-term debt	2,085,477	2,290,025	2,549,572
Other liabilities	380,276	305,279	293,378
Total Liabilities	6,028,721	5,428,891	5,316,788
Deferred Inflow of Resources			
Unavailable revenue	2,181,282	2,116,623	2,041,843
Net Position			
Net investment in capital assets, net of related debt	5,019,462	5,124,131	5,012,731
Restricted	3,290,607	2,492,731	2,161,402
Unrestricted	2,266,519	3,680,713	3,417,479
Total Net Position	10,576,588	11,297,575	10,591,612
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 18,786,591	$ 18,843,089	$ 17,950,243

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	December 31,		
	2023	2022	2021
Operating revenues:			
Collections	$ 5,428,746	$ 5,537,186	$ 5,457,382
Intergovernmental revenue - tax assessments	2,065,176	2,081,918	1,954,090
Other	109,027	108,890	108,511
Total operating revenue	7,602,949	7,727,994	7,519,983
Operating expenses:			
Operating expenses	6,688,132	6,196,975	5,141,674
Depreciation and amortization	1,656,681	1,339,095	1,237,129
Total operating expenses	8,344,813	7,536,070	6,378,803
Income from operations	(741,864)	191,924	1,141,180
Nonoperating income (expenses)	20,877	514,039	(41,528)
Change in net position	(720,987)	705,963	1,099,652
Net position, beginnning	11,297,575	10,591,612	9,491,960
Net position, ending	$ 10,576,588	$ 11,297,575	$ 10,591,612

Financial Highlights
2023 Compared to 2022

- Net Position: The Utility's net position decreased by $720,687 or 6.38%. Net Income from Operations was ($741,864), a decrease of $933,788 from 2022.
- Debt: The debt to equity ratio in 2023 is .2:1. Debt to equity is calculated by dividing the total Long-Term Debt (Long-Term Debt including current portion plus other liabilities) by Total Equity.
- Revenues: The Utility's operating revenues decreased by $125,045 or -1.62%.
- Expenses: Operating expenses increased by $808,743 or by 10.73%. Depreciation is computed using the straight-line method using estimated useful lives.
- Significant purchases consisted of completion of a Tractor/Scraper for the landfill.

Financial Highlights
2022 Compared to 2021

- Net Position: The Utility's net position increased by $705,963 or 6.67%. Net Income from Operations was $191,924, a decrease of $949,256 from 2021.

- Debt: The debt to equity ratio in 2022 is .3:1. Debt to equity is calculated by dividing the total Long-Term Debt (Long-Term Debt including current portion plus other liabilities) by Total Equity.

- Revenues: The Utility's operating revenues increased by $208,011 or 2.8%.

- Expenses: Operating expenses increased by $1,157,267 or by 18.1%. Depreciation is computed using the straight-line method using estimated useful lives.

- Significant purchases consisted of completion of Cell #3 construction, side-load truck, front-load truck, roll-off trucks and rear-load truck.

Financial Highlights
2021 Compared to 2020

- Net Position: The Utility's net position increased by $1,099,652 or 11.6%. Net Income from Operations was $1,141,180, an increase of $551,416 from 2020.

- Debt: The debt to equity ratio in 2021 is .3:1. Debt to equity is calculated by dividing the total Long-Term Debt (Long-Term Debt including current portion plus other liabilities) by Total Equity.

- Revenues: The Utility's operating revenues increased by $514,893 or 7.4%.

- Expenses: Operating expenses increased by $36,523 or by .6%. Depreciation is computed using the straight-line method using estimated useful lives.

- Significant purchases consisted of new concrete approaches for the scale at the transfer station, new walking floor trailers, and a new front load truck.

Economic Impacts for the Utility

The Utility has converted several of the cities in the County to residential curbside single stream recycling. The Utility has completed automation of most of the collection routes. Automation allows the Utility to save labor costs, workman compensation expense and improve the turnover of employees. The Utility will continue to analyze collection routes to determine how to best improve serviceability, safety and minimize expenses.

The Utility opened a Subtitle D Landfill in 2014 to handle solid waste from McPherson County.

The operation of the solid waste landfill has helped the Utility control the costs associated with the disposal of solid waste. The first cell is nearly full, and the Utility has constructed another cell in which waste is being placed in. The planning for a future cell has already begun. In 2023 the decision was made to convert from bale fill landfill to a traditional compacted landfill. This transition is scheduled to take place in 2024. The Utility continues to monitor its operations and regulations to best serve the community and operate in an effective and efficient manner.

Contacting McPherson Area Solid Waste Utility (MASWU)

The financial report is intended to provide our members, customers, and creditors, a general overview of the financial matters of the Utility and provide accountability for the revenue it receives. If you have questions about this report or need additional financial information, please contact MASWU, 1431 17th Avenue, McPherson, KS 67460.

FINANCIAL STATEMENTS

McPherson Area Solid Waste Utility

STATEMENTS OF NET POSITION

ASSETS

	December 31, 2023	December 31, 2022
CURRENT ASSETS		
Cash and cash equivalents	$ 6,765,626	$ 6,822,846
Accounts receivable, net of allowance	721,570	704,734
Accrued interest receivable	7,364	182
Intergovernmental receivable	2,181,282	2,116,623
Inventories	87,555	44,099
Prepaid insurance	64,441	72,611
Prepaid expenses	84,394	71,289
Investments - certificates of deposit	1,475,280	1,236,995
Total Current Assets	11,387,512	11,069,379
NONCURRENT ASSETS		
Capital assets, net	7,294,939	7,659,156
Total Assets	18,682,451	18,728,535
DEFERRED OUTLFOW OF RESOURCES		
Deferred charges on debt refunding	104,140	114,554
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 18,786,591	$ 18,843,089

The accompanying notes are an integral part of these financial statements.

McPherson Area Solid Waste Utility

STATEMENTS OF NET POSITION (CONT.)

LIABILITIES AND NET POSITION

	December 31, 2023	December 31, 2022
CURRENT LIABILITIES		
Accounts payable	$ 178,192	$ 125,987
Accrued payroll and payroll taxes	258,052	245,719
Accrued interest payable	26,393	29,429
Current portion of accrued landfill closure and post-closure care costs	2,910,331	2,187,452
Current portion of long-term debt	190,000	245,000
Total Current Liabilities	3,562,968	2,833,587
LONG-TERM LIABILITIES		
Long-term debt, less current portion	2,085,477	2,290,025
Accrued landfill closure and post-closure care costs, less current portion	380,276	305,279
Total Long-Term Liabilities	2,465,753	2,595,304
Total Liabilities	6,028,721	5,428,891
DEFERRED INFLOW OF RESOURCES		
Unavailable revenue	2,181,282	2,116,623
NET POSITION		
Invested in capital assets, net of related debt	5,019,462	5,124,131
Restricted for landfill closure and post-closure payable	3,290,607	2,492,731
Unrestricted	2,266,519	3,680,713
Total Net Position	10,576,588	11,297,575
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 18,786,591	$ 18,843,089

The accompanying notes are an integral part of these financial statements.

McPherson Area Solid Waste Utility

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Years Ended December 31,	
	2023	**2022**
OPERATING REVENUE		
Solid waste collections	$ 4,765,504	$ 4,879,759
Recycling collections	663,242	657,427
Intergovernmental revenue - tax assessments	2,065,176	2,081,918
Capital improvement fees	109,027	108,890
Total Operating Revenue	7,602,949	7,727,994
OPERATING EXPENSE	8,344,813	7,536,070
INCOME FROM OPERATIONS	(741,864)	191,924
NONOPERATING REVENUE (EXPENSE)		
Interest revenues	98,222	56,312
Interest expense	(78,628)	(85,802)
Other revenues	10,742	61,403
Other expense	(10,468)	(9,978)
Gain (loss) on disposal of assets	1,009	492,104
Total Nonoperating Revenue (Expense)	20,877	514,039
CHANGE IN NET POSITION	(720,987)	705,963
TOTAL NET POSITION, BEGINNING OF YEAR	11,297,575	10,591,612
TOTAL NET POSITION, END OF YEAR	$ 10,576,588	$ 11,297,575

The accompanying notes are an integral part of these financial statements.

McPherson Area Solid Waste Utility

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 5,521,024	$ 5,648,796
Tax assessments receipts from customers	2,065,176	2,081,918
Payments to suppliers	(2,140,605)	(2,472,229)
Payments to employees	(3,733,591)	(3,442,473)
Other receipts (payments)	1,283	543,529
Net cash flows from operating activities	1,713,287	2,359,541
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(245,001)	(235,000)
Proceeds from sale of capital assets	1,012	546,781
Purchase of capital assets	(1,293,476)	(1,747,729)
Interest paid on debt	(85,797)	(92,847)
Net cash flows from capital and related financing activities	(1,623,262)	(1,528,795)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) or redemptions of certificates of deposits	(238,285)	(750,334)
Interest income received	91,040	56,279
Net cash flows from investing activities	(147,245)	(694,055)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,220)	136,691
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,822,846	6,686,155
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,765,626	$ 6,822,846
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from operations	$ (741,864)	$ 191,924
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	1,656,681	1,339,096
Other nonoperating revenue (expense)	274	51,425
(Gain) loss on disposal of capital assets	1,009	492,104
Changes in:		
Accounts receivable	(16,836)	(1,590)
Intergovernmental receivable	(64,659)	(74,780)
Inventories	(43,456)	(6,377)
Prepaid assets	(4,935)	(71,602)
Accounts payable	52,205	21,612
Accrued expenses	12,333	11,620
Accrued landfill closure/post-closure care costs	797,876	331,329
Unavailable revenue	64,659	74,780
Net cash from operating activities	$ 1,713,287	$ 2,359,541

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The McPherson Area Solid Waste Utility (MASWU) was created August 16, 1991, through an interlocal cooperation agreement between the cities within McPherson County, Kansas and the McPherson County, Kansas government. The purpose of the MASWU is to assist its members in planning technical and financial matters for comprehensive solid waste management and accomplish the desired objectives of an effective county-wide solid waste management program, including the operation of a cooperative solid waste processing and disposal system, for the benefit of the members. The Utility is managed by a three member Board of Directors. One Board member is appointed by McPherson County, one by the City of McPherson, and one by the other cities within the County.

The following is a summary of the more significant accounting policies applicable to the MASWU.

(a) Basis of Presentation - Fund Accounting

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The MASWU is an enterprise fund which is used to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public, on a continuing basis, be financed or recovered primarily through user charges--or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(b) Basis of Accounting and Budgeting

The MASWU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the MASWU are included on the Statement of Net Position. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred regardless of the timing of cash flows. In reporting its financial activity, the MASWU applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Although the MASWU is required to adopt an annual budget, there is no reporting requirement. Therefore, budgetary information has not been included in this report.

(c) Revenue Recognition

Operating revenues include revenues from the pickup and delivery of refuse from the customer to the destination landfill. Operating revenues also include tax assessments collected by McPherson County on behalf of the Utility (see significant policy “g”). Non-operating revenues are those related to capital and related financing, noncapital financing and investing activities, as well as those that do not meet the definition of operating revenues.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the accompanying Statements of Cash Flows include cash in bank and cash on hand and all highly liquid investments with an original maturity of three months or less.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Accounts Receivable and Revenue

All receivables are recorded net of estimated uncollectible amounts. Charges for solid waste removal are billed monthly, quarterly, or annually depending on the type of customer. The Utility's accounts receivable are considered delinquent after 30 days and a 1.5% late fee on the current month's charges is added for each month the account is delinquent.

(f) Allowance for Doubtful Accounts

An allowance for doubtful accounts is computed based on historical experience with exceptions attributed to certain unique situations. The allowance for doubtful accounts at December 31, 2023 and 2022 was $2,022 and $2,691, respectively.

(g) Intergovernmental Receivable

Special assessments are charged to each McPherson County residential and commercial property owner on November 1 and are due December 20, for the upcoming year, totaling $2,181,282 and $2,116,623 as of December 31, 2023 and 2022, respectively. The billing and collection is done by the County through property tax statements. After collecting the funds, McPherson County remits the amount collected to the MASWU. Since the assessment is made two months in advance of the next year, unavailable revenue is recorded equal to the amount billed. Uncollectible assessments are charged to operations when that determination is made.

(h) Inventories

Inventories are stated at average cost and consist primarily of materials and supplies for the maintenance of equipment.

(i) Prepaid Expenses

Prepaid expenses consist of cost of insurance and service agreements which are expensed monthly. The unexpired portion is shown as an asset. Insurance and service agreements are amortized over the life of the contract.

(j) Capital Assets and Depreciation

Capital assets acquired and placed in service are capitalized and stated at cost. Depreciation of exhaustible capital assets used by the MASWU is charged as an expense against operations. Accumulated depreciation is netted against the capital asset balance and reported on the MASWU's Statements of Net Position. Depreciation has been provided over the estimated useful lives shown below using the straight-line method:

Buildings and improvements	10 - 25 years
Machinery and equipment	2 - 10 years
Office equipment	2 - 7 years

(k) Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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. Significant items subject to such estimates and assumptions include the depreciation of capital assets, landfill closure and post-closure care costs, and reserves for employee benefit obligations, environmental liabilities, and other contingencies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(l) Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Utility only has one item that qualifies for reporting in this category. It is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Utility has only one type of item that qualifies for reporting in this category. The Utility reports unavailable revenue from the special assessments receivable from McPherson County. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

(m) Vacation and Sick Leave

Vacation - Vacation leave shall be accrued from the employee's date of employment as stipulated hereinafter. Vacation leave, if not taken, shall accrue from year to year up to the maximum provided depending upon the employee's years of service. No vacation leave shall be taken until a new employee has completed their first year of employment.

Each permanent full-time employee will accrue vacation leave as follows:

Years of Service	Per Year
Initial year of eligibility	0 days
After 1 year	5 days
After 2 years	10 days
After 5 years	15 days
After 10 years	18 days
After 15 years	20 days

An employee shall be paid for all accumulated unused vacation leave upon termination. The liabilities for accumulated vacation at December 31, 2023 and 2022 of $191,547 and $193,165, respectively, have been accrued in the accompanying financial statements as accrued payroll.

Sick leave - All employees who regularly work 20 hours a week or more shall be entitled to sick leave with pay for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. Full-time employees shall earn one working day of sick leave for each full month of service for a total of 12 days per year with a maximum accrual of 36 days. An employee beginning work on or before the 15th of the month shall get credit for a full month. No employee can use sick leave until completing 90 days of employment. On termination of employment an employee shall not be paid for accumulative sick leave. Accordingly, no provision for accumulated sick leave has been made in the accompanying financial statements.

(n) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

A capital asset is considered impaired when its service to the Utility has declined significantly and unexpectedly. Governments are required to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. The MASWU has not recorded any impairment of long-lived assets in 2023 or 2022.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(o) Postemployment Benefits Other than Pensions

The Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial reports of state and local employers. Management considers the postemployment benefits to be immaterial and no accrual has been recorded in the accompanying financial statements.

(p) Net Position

In the financial statements, equity is displayed in three components as follows:

- Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is generally the MASWU's policy to use restricted resources first.

- Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. COMPLIANCE WITH KANSAS STATUTES

The Utility appears to be in compliance with Kansas Statutes.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the MASWU. The statute requires banks eligible to hold the MASWU's funds have a main or branch bank in the county in which the MASWU is located or in an adjoining county if such institution has been designated an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The MASWU has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the MASWU's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The MASWU has no investment policy that would further limit investment choices.

Concentration of Credit Risk. State statutes place no limit on the amount the MASWU may invest in any one issue as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Risk – deposits. Custodial credit risk is the risk that in the event of bank failure, the MASWU's deposits may not be returned to it. State statutes require the MASWU's deposits in financial institutions to be entirely secured by federal depository insurance or by collateral held under a joint custody receipt issued by a bank with the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2023 and 2022.

Custodial Credit Risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the MASWU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. All investments were adequately secured at December 31, 2023 and 2022.

3. DEPOSITS AND INVESTMENTS (CONT.)

(a) Deposits

At December 31, 2023 and 2022, the carrying amount of the MASWU's deposits, including certificates of deposit, was $8,239,971 and $8,058,906, respectively, and the bank balance was $8,324,052 and $8,159,167, respectively. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, $750,000 was secured by federal depository insurance and the remainder was collateralized with securities held by the pledging financial institutions agents in the MASWU's name and deposit surety bonds.

Reconciliation of Deposits to Cash and Cash Equivalents

	December 31,	
	2023	2022
Book Balance	$ 8,239,971	$ 8,058,906
Cash on hand	935	935
Certificates of Deposit, with original maturity greater than three months	(1,475,280)	(1,236,995)
Total Cash and Cash Equivalents Per Financial Statements	$ 6,765,626	$ 6,822,846

(b) Investments

As of December 31, 2023, the Utility had the following investments.

		Investment Maturities (in Years)		
	Original	Less than		
Investment Type	Cost	1 year	1-2 years	Rating
Certificates of deposit with original maturities greater than three months	$ 1,475,280	$ 320,000	$ 1,155,280	N/A

At December 31, 2023, the Utility's investments consisted of certificates of deposit with original maturities greater than three months, with an original cost of $1,475,280. Original cost approximates fair market value. An investment rating, for certificates of deposit, is not applicable as it pertains to GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

(c) Designated Assets

Certain unrestricted cash and investment amounts that have been designated by Board policy for specific purposes are as follows:

	December 31,	
	2023	2022
Capital Improvement	$ 100,000	$ 100,000
Landfill Closure	100,000	100,000
Contingency Reserve	5,201,140	4,884,533
Total	$ 5,401,140	$ 5,084,533

4. CAPITAL ASSETS

The following is a summary of capital assets at December 31, 2023 and 2022:

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Landfill	$ 5,566,322	$ 11,037	$ -	$ 5,577,359
Land	193,902	-	-	193,902
Land improvements	750,562	-	-	750,562
Buildings	5,262,644	58,208	-	5,320,852
Equipment and furniture	49,923	4,904	-	54,827
Office equipment	151,560	6,494	(1,000)	157,054
Landfill equipment	1,992,311	584,540	(309,022)	2,267,829
Trucks	3,791,434	461,048	(211,674)	4,040,808
Shop equipment and tools	116,778	2,549	-	119,327
Containers	3,216,806	191,839	(4,876)	3,403,769
Recycling equipment	901,757	-	-	901,757
Other fixed assets	252,167	-	(761)	251,406
Transfer station equipment	267,729	-	(5,650)	262,079
Scales	168,740	-	-	168,740
Construction in progress	3,813	7,224	(11,037)	-
	22,686,448	1,327,843	(544,020)	23,470,271
Accumulated depreciation	(15,027,292)	(1,656,681)	508,641	(16,175,332)
Total net	$ 7,659,156	$ (328,838)	$ (35,379)	$ 7,294,939

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Landfill	$ 3,259,755	$ 2,306,567	$ -	$ 5,566,322
Land	193,902	-	-	193,902
Land improvements	404,185	346,377	-	750,562
Buildings	5,254,129	42,515	(34,000)	5,262,644
Equipment and furniture	49,923	-	-	49,923
Office equipment	158,933	19,898	(27,271)	151,560
Landfill equipment	1,978,452	13,859	-	1,992,311
Trucks	3,643,668	652,900	(505,134)	3,791,434
Shop equipment and tools	116,778	-	-	116,778
Containers	3,084,574	157,349	(25,117)	3,216,806
Recycling equipment	1,240,257	-	(338,500)	901,757
Other fixed assets	247,822	4,345	-	252,167
Transfer station equipment	255,647	12,082	-	267,729
Scales	168,740	-	-	168,740
Construction in progress	2,303,760	6,619	(2,306,566)	3,813
	22,360,525	3,562,511	(3,236,588)	22,686,448
Accumulated depreciation	(14,563,222)	(1,339,093)	875,023	(15,027,292)
Total net	$ 7,797,303	$ 2,223,418	$ (2,361,565)	$ 7,659,156

4. CAPITAL ASSETS (CONT.)

	Accumulated Depreciation December 31, 2022	Additions	Deletions	Accumulated Depreciation December 31, 2023
Landfill	$ 2,213,197	$ 499,319	$ -	$ 2,712,516
Land improvements	247,003	52,179	-	299,182
Buildings	4,198,011	197,512	-	4,395,523
Equipment and furniture	49,923	-	-	49,923
Office equipment	121,717	11,451	(1,000)	132,168
Landfill equipment	1,674,972	160,842	(309,023)	1,526,791
Trucks	2,191,009	491,453	(187,331)	2,495,131
Shop equipment and tools	100,749	8,487	-	109,236
Containers	2,866,819	169,159	(4,875)	3,031,103
Recycling equipment	812,636	32,623	-	845,259
Other fixed assets	247,625	1,198	(762)	248,061
Transfer station equipment	191,962	29,051	(5,650)	215,363
Scales	111,669	3,407	-	115,076
Total	$ 15,027,292	$ 1,656,681	$ (508,641)	$ 16,175,332

	Accumulated Depreciation December 31, 2021	Additions	Deletions	Accumulated Depreciation December 31, 2022
Landfill	$ 1,906,092	$ 307,105	$ -	$ 2,213,197
Land improvements	201,015	45,988	-	247,003
Buildings	4,012,652	195,639	(10,280)	4,198,011
Equipment and furniture	49,923	-	-	49,923
Office equipment	139,984	8,922	(27,189)	121,717
Landfill equipment	1,534,770	140,202	-	1,674,972
Trucks	2,321,534	373,760	(504,285)	2,191,009
Shop equipment and tools	92,762	7,987	-	100,749
Containers	2,724,600	153,108	(10,889)	2,866,819
Recycling equipment	1,062,290	72,728	(322,382)	812,636
Other fixed assets	246,709	916	-	247,625
Transfer station equipment	162,630	29,332	-	191,962
Scales	108,261	3,408	-	111,669
Total	$ 14,563,222	$ 1,339,095	$ (875,025)	$ 15,027,292

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 aggregated $1,656,681 and $1,339,095, respectively.

5. LONG-TERM DEBT

Long-term debt at December 31, 2023 and 2022 consists of the following:

	Original Amount Issued	Interest Rate	Maturity	December 31, 2023	December 31, 2022
Installment Loans					
McPherson County					
Note payable - 2016	$ 2,900,000	2.00% to 3.00%	August 1, 2033	$ 2,130,000	$ 2,375,000
Add unamortized bond premium				145,477	160,025
				2,275,477	2,535,025
Less current portion of long-term debt				(190,000)	(245,000)
				$ 2,085,477	$ 2,290,025

SUMMARY OF CHANGES IN LONG-TERM DEBT

	Outstanding December 31, 2022	Issued	Retired	Outstanding December 31, 2023
Installment Loans:				
McPherson County - 2016	$ 2,375,000	$ -	$ (245,000)	$ 2,130,000
Plus unamortized bond premium	160,025	-	(14,548)	145,477
Total	$ 2,535,025	$ -	$ (259,548)	$ 2,275,477

	Outstanding December 31, 2021	Issued	Retired	Outstanding December 31, 2022
Installment Loans:				
McPherson County - 2016	$ 2,610,000	$ -	$ (235,000)	$ 2,375,000
Plus unamortized bond premium	174,572	-	(14,547)	160,025
Total	$ 2,784,572	$ -	$ (249,547)	$ 2,535,025

Aggregate long-term debt is scheduled to mature in the years ending December 31, as follows:

For years ended December 31,	Principal	Interest	Total
2024	$ 190,000	$ 71,250	$ 261,250
2025	200,000	58,200	258,200
2026	200,000	52,200	252,200
2027	210,000	46,200	256,200
2028	215,000	39,900	254,900
2029-2032	1,115,000	102,600	1,217,600
Total obligation	2,130,000	370,350	2,500,350
Plus unamortized premium on bond issue by McPherson County	145,477	-	145,477
	$ 2,275,477	$ 370,350	$ 2,645,827

6. CLAIMS AND JUDGMENTS

The MASWU is subject to various laws and regulations with respect to environmental matters such as air and water quality. The effect of any future changes in environmental laws and/or regulations cannot be estimated. However, compliance with such changes may necessitate substantial expenditures.

During the ordinary course of its operations, the MASWU may be a party to various claims, legal actions and complaints. It is the opinion of the Utility's management and legal counsel that these matters are not anticipated to have a material impact on the MASWU.

The MASWU is exposed to various risks of loss related to property loss, torts, errors and omissions. The MASWU has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2022 to 2023 and there were no settlements that exceeded insurance coverage in the past two years.

7. COMMITMENTS AND CONTINGENCIES

McPherson City Agreement

Effective January 1, 2002, the MASWU entered into an agreement with the City of McPherson, Kansas, to provide for the collection, transportation and disposal of solid waste generated within the city limits of McPherson. The MASWU charges the City $11.01 per month per residence for residential service and the City is responsible for billing and collecting these fees from each residential customer. The MASWU bills business and commercial customers directly and then pays the City 16% of its monthly collections for the right to fund the maintenance of the closed city landfill. This computed to $108,677 and $104,476 for the years ended December 31, 2023 and 2022, respectively.

The agreement above expired on December 31, 2023, but renewed automatically and will continue to renew each year for one year terms unless written notice is given by one of the parties to terminate the agreement. As of the date of this report, neither party has given such notice.

At December 31, 2023, there were no contract commitments.

8. DEFERRED COMPENSATION PLAN

The MASWU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees who qualify under the plan terms and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Utility contributes 6% of gross salary on behalf of eligible participants. The cost of these contributions made by the Utility during the years ended December 31, 2023 and 2022, were $139,240 and $129,295, respectively.

9. LEASE OBLIGATIONS

The MASWU is obligated under certain cancelable leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the MASWU's capital assets. Rent and lease expense for the years ended December 31, 2023 and 2022 was $103,499 and $74,525, respectively.

10. CASH FLOW STATEMENT DISCLOSURES

	December 31, 2023	December 31, 2022
Non-Cash Financing Activities:		
Amortization of defeased bond costs	$ (14,548)	$ (14,548)
Net book value of trade-in	1,012	1,377
Amortization of refunding loss included in interest expense	10,414	10,414

11. ACCRUED LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

The MASWU opened one active Subtitle D landfill cell in 2014. In addition, they are responsible for one closed landfill site. State and federal laws and regulations require the MASWU to place a final cover on its present landfill site when it has discontinued accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill has discontinued accepting waste, the MASWU reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each year end.

	2023	2022
Accrued closure and post-closure care costs for Subtitle D landfill	$ 2,773,239	$ 2,059,988
Other accrued closure costs	123,979	116,937
Accrued post-closure care for closed landfills	393,389	315,806
Total accrued closure and post-closure care costs	$ 3,290,607	$ 2,492,731

Closure/post-closure care costs are calculated from an engineering evaluation. Accrued closure and post-closure care costs for subtitle D landfill at December 31, 2023 and 2022, totaled $2,773,329 and $2,059,988, respectively, and represent the cumulative cost based on the use of 53.72% and 58.50% of the estimated capacity of the operating landfill cell for 2023 and 2022 respectively. The MASWU will recognize the remaining estimated cost of closure and post-closure care of approximately $2,389,541 for the operating landfill cell as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. Based on the current demographic information and engineering estimates of landfill consumption, the MASWU expects to close the cell in approximately 2027. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expansion of the landfill property could also change these estimates.

The $393,389 and $315,806 reported as accrued landfill post-closure care costs at December 31, 2023 and 2022, respectively, represents the remaining liability of the closed landfill. These amounts are based on what it would cost to perform all post-closure care in 2023. The MASWU closed the landfill October 9, 2001. Other closure costs reflect what it would cost to close the construction and demolition portion of the landfill, the household hazardous waste facility, transfer station and the composting facility. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

The MASWU will be required by state and federal laws and regulations to provide financial assurance to finance closure and post-closure care. These regulations require that the MASWU demonstrate financial strength of local governments or members by financial test, or the substitution of a trust fund, letter of credit, surety bond, or insurance policy to meet its estimated closure and post-closure costs to be incurred. Although the MASWU assumed responsibility for the operating and other costs including closure and post-closure costs, McPherson County, as the “owner” of the landfill, must ultimately demonstrate compliance with the financial assurance regulations. The County submitted its financial test information to the Kansas Department of Health and Environment and has received correspondence that the County has met the financial test requirements for the year ended December 31, 2022. The financial test requirement must be complied with on an annual basis and the County is currently preparing the financial test information for the year ended December 31, 2023. Any possible contributions by Utility members required to fund closure and post-closure requirements is not determinable at this time.

13. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report which is the date at which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

McPherson Area Solid Waste Utility

SCHEDULES OF OPERATING EXPENSES

	For the Years Ended December 31,	
	2023	**2022**
OPERATING EXPENSE		
Payroll expenses	$ 3,745,924	$ 3,454,094
Depreciation and amortization	1,656,681	1,339,095
Fuel and maintenance	949,882	1,350,906
Insurance	259,424	247,265
Accrued landfill closure and post-closure care costs adjustment	798,895	332,541
Fees for services	197,288	165,270
McPherson City commercial services	108,676	104,476
Utilities	80,329	88,276
Supplies and tools	181,426	142,179
Disposal fees	102,676	100,362
Rents and leases	103,499	74,525
Office expense	77,622	74,047
Recycling	20,629	14,735
Communication	14,075	12,226
Travel and entertainment	20,690	11,139
Household hazardous waste expense	25,953	17,659
Training and education	1,056	2,965
Bad debts and uncollected assessment expense	88	4,310
Total Operating Expense	$ 8,344,813	$ 7,536,070