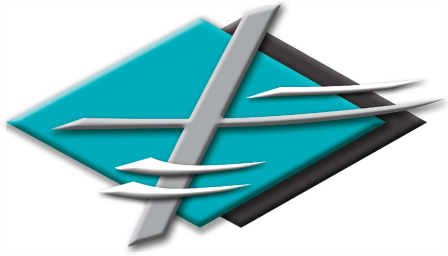
McPHERSON AREA
SOLID WASTE UTILITY

FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 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 year ended December 31, 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, 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 [*identify accompanying supplementary information, such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*] are 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
June 16, 2023

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, 2022. 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, 2022, 2021 and 2020.

Condensed Balance Sheet

	December 31,		
	2022	2021	2020
Assets			
Current assets	$ 11,069,379	$ 10,027,972	$ 10,513,603
Capital assets	7,659,156	7,797,303	6,313,992
Total Assets	18,728,535	17,825,275	16,827,595
Deferred Outflow of Resources			
Deferred charges on debt refunding	114,554	124,968	135,382
Total Assets and Deferred Outflow of Resources	$ 18,843,089	$ 17,950,243	$ 16,962,977
Liabilities			
Current Liabilities	$ 2,833,587	$ 2,473,838	$ 2,416,761
Long-term debt	2,290,025	2,549,572	2,799,119
Other liabilities	305,279	293,378	288,269
Total Liabilities	5,428,891	5,316,788	5,504,149
Deferred Inflow of Resources			
Unavailable revenue	2,116,623	2,041,843	1,966,868
Net Position			
Net investment in capital assets, net of related debt	5,124,131	5,012,731	3,279,873
Restricted	2,492,731	2,161,402	2,002,167
Unrestricted	3,680,713	3,417,479	4,209,920
Total Net Position	11,297,575	10,591,612	9,491,960
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 18,843,089	$ 17,950,243	$ 16,962,977

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	December 31,		
	2022	2021	2020
Operating revenues:			
Collections	$ 5,537,186	$ 5,457,382	$ 4,909,766
Intergovernmental revenue - tax assessments	2,081,918	1,954,090	1,987,702
Other	108,890	108,511	107,622
Total operating revenue	7,727,994	7,519,983	7,005,090
Operating expenses:			
Operating expenses	6,196,975	5,141,674	5,240,536
Depreciation and amortization	1,339,095	1,237,129	1,174,790
Total operating expenses	7,536,070	6,378,803	6,415,326
Income from operations	191,924	1,141,180	589,764
Nonoperating income (expenses)	514,039	(41,528)	(57,417)
Change in net position	705,963	1,099,652	532,347
Net position, beginnning	10,591,612	9,491,960	8,959,613
Net position, ending	$ 11,297,575	$ 10,591,612	$ 9,491,960

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.

Financial Highlights
2020 Compared to 2019

- Net Position: The Utility's net position increased by $532,347 or 5.9%. Net Income from Operations was $589,794, a decrease of $74,062 from 2019.

- Debt: The debt to equity ratio in 2020 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 $101,086 or 1.5%.

- Expenses: Operating expenses increased by $175,148 or by 2.8%. Depreciation is computed using the straight-line method using estimated useful lives.

- Significant purchases consisted of front load, rear load and roll off trucks, equipment for the landfill of a loader, forklift, wheel loader and a loader backhoe.

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 completed construction of the Subtitle D Landfill in 2014 to best handle the solid waste within McPherson County. The operation of the solid waste landfill has helped the Utility control the costs associated with solid waste disposal. In 2020 the Utility began construction of the next cell for the Municipal Solid Waste Landfill which was completed in 2021. The Utility has begun placing waste in this cell. The planning of the next cell is already underway. The Utility continues to monitor its operations and appropriate regulations to best serve the community as well as operate effectively and efficiently.

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, 2022	December 31, 2021
CURRENT ASSETS		
Cash and cash equivalents	$ 6,822,846	$ 6,686,155
Accounts receivable, net of allowance	704,734	703,144
Accrued interest receivable	182	149
Intergovernmental receivable	2,116,623	2,041,843
Inventories	44,099	37,722
Prepaid insurance	72,611	51,623
Prepaid expenses	71,289	20,675
Investments - certificates of deposit	1,236,995	486,661
Total Current Assets	11,069,379	10,027,972
NONCURRENT ASSETS		
Capital assets, net	7,659,156	7,797,303
Total Assets	18,728,535	17,825,275
DEFERRED OUTLFOW OF RESOURCES		
Deferred charges on debt refunding	114,554	124,968
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 18,843,089	$ 17,950,243

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, 2022	December 31, 2021
CURRENT LIABILITIES		
Accounts payable	$ 125,987	$ 104,375
Accrued payroll and payroll taxes	245,719	234,098
Accrued interest payable	29,429	32,341
Current portion of accrued landfill closure and post-closure care costs	2,187,452	1,868,024
Current portion of long-term debt	245,000	235,000
Total Current Liabilities	2,833,587	2,473,838
LONG-TERM LIABILITIES		
Long-term debt, less current portion	2,290,025	2,549,572
Accrued landfill closure and post-closure care costs, less current portion	305,279	293,378
Total Long-Term Liabilities	2,595,304	2,842,950
Total Liabilities	5,428,891	5,316,788
DEFERRED INFLOW OF RESOURCES		
Unavailable revenue	2,116,623	2,041,843
NET POSITION		
Invested in capital assets, net of related debt	5,124,131	5,012,731
Restricted for landfill closure and post-closure payable	2,492,731	2,161,402
Unrestricted	3,680,713	3,417,479
Total Net Position	11,297,575	10,591,612
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 18,843,089	$ 17,950,243

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,	
	2022	**2021**
OPERATING REVENUE		
Solid waste collections	$ 4,879,759	$ 4,800,417
Recycling collections	657,427	656,965
Intergovernmental revenue - tax assessments	2,081,918	1,954,090
Capital improvement fees	108,890	108,511
Total Operating Revenue	7,727,994	7,519,983
OPERATING EXPENSE	7,536,070	6,378,803
INCOME FROM OPERATIONS	191,924	1,141,180
NONOPERATING REVENUE (EXPENSE)		
Interest revenues	56,312	53,253
Interest expense	(85,802)	(91,473)
Other revenues	61,403	7,317
Other expense	(9,978)	(12,793)
Gain (loss) on disposal of assets	492,104	2,168
Total Nonoperating Revenue (Expense)	514,039	(41,528)
CHANGE IN NET POSITION	705,963	1,099,652
TOTAL NET POSITION, BEGINNING OF YEAR	10,591,612	9,491,960
TOTAL NET POSITION, END OF YEAR	$ 11,297,575	$ 10,591,612

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,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 5,648,796	$ 5,501,583
Tax assessments receipts from customers	2,081,918	1,954,090
Payments to suppliers	(2,472,229)	(1,919,044)
Payments to employees	(3,442,473)	(3,140,335)
Other receipts (payments)	543,529	(3,308)
Net cash flows from operating activities	2,359,541	2,392,986
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(235,000)	(235,000)
Proceeds from sale of capital assets	546,781	-
Purchase of capital assets	(1,747,729)	(2,720,440)
Interest paid on debt	(92,847)	(97,548)
Net cash flows from capital and related financing activities	(1,528,795)	(3,052,988)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) or redemptions of certificates of deposits	(750,334)	599,252
Interest income received	56,279	53,322
Net cash flows from investing activities	(694,055)	652,574
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	136,691	(7,428)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,686,155	6,693,583
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,822,846	$ 6,686,155
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from operations	$ 191,924	$ 1,141,180
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	1,339,096	1,237,130
Other nonoperating revenue (expense)	51,425	(5,476)
(Gain) loss on disposal of capital assets	492,104	2,168
Changes in:		
Accounts receivable	(1,590)	(64,887)
Intergovernmental receivable	(74,780)	(74,975)
Inventories	(6,377)	4,092
Prepaid assets	(71,602)	14,652
Accounts payable	21,612	(105,608)
Accrued expenses	11,620	10,500
Accrued landfill closure/post-closure care costs	331,329	159,235
Unavailable revenue	74,780	74,975
Net cash from operating activities	$ 2,359,541	$ 2,392,986

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, 2022 and 2021 was $2,691 and $3,225, 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 $2,116,623 and $2,041,843 as of December 31, 2022 and 2021, 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, 2022 and 2021 of $193,165 and $190,713, 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 2022 or 2021.

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, 2022 and 2021.

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, 2022 and 2021.

3. DEPOSITS AND INVESTMENTS (CONT.)

(a) Deposits

At December 31, 2022 and 2021, the carrying amount of the MASWU's deposits, including certificates of deposit, was $8,058,906 and $7,171,881, respectively, and the bank balance was $8,159,167 and $7,397,717, 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,	
	2022	2021
Book Balance	$ 8,058,906	$ 7,171,881
Cash on hand	935	935
Certificates of Deposit, with original maturity greater than three months	(1,236,995)	(486,661)
Total Cash and Cash Equivalents Per Financial Statements	$ 6,822,846	$ 6,686,155

(b) Investments

As of December 31, 2022, 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	$ 1,236,995	$ 320,000	$ 916,995	N/A

At December 31, 2022, the Utility's investments consisted of certificates of deposit with original maturities greater than three months, with an original cost of $1,236,995. 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,	
	2022	2021
Capital Improvement	$ 100,000	$ 100,000
Landfill Closure	100,000	100,000
Contingency Reserve	4,884,533	4,448,728
Total	$ 5,084,533	$ 4,648,728

4. CAPITAL ASSETS

The following is a summary of capital assets at December 31, 2022 and 2021:

	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

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
Landfill	$ 3,259,755	$ -	$ -	$ 3,259,755
Land	193,902	-	-	193,902
Land improvements	359,438	44,747	-	404,185
Buildings	5,254,129	-	-	5,254,129
Equipment and furniture	49,923	-	-	49,923
Office equipment	146,016	12,917	-	158,933
Landfill equipment	1,978,452	-	-	1,978,452
Trucks	3,438,854	459,470	(254,656)	3,643,668
Shop equipment and tools	116,778	-	-	116,778
Containers	2,909,082	184,839	(9,347)	3,084,574
Recycling equipment	1,258,497	15,710	(33,950)	1,240,257
Other fixed assets	247,822	-	-	247,822
Transfer station equipment	255,647	-	-	255,647
Scales	168,740	-	-	168,740
Construction in progress	296,715	2,007,045	-	2,303,760
	19,933,750	2,724,728	(297,953)	22,360,525
Accumulated depreciation	(13,619,758)	(1,237,125)	293,661	(14,563,222)
Total net	$ 6,313,992	$ 1,487,603	$ (4,292)	$ 7,797,303

4. CAPITAL ASSETS (CONT.)

	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

	Accumulated Depreciation December 31, 2020	Additions	Deletions	Accumulated Depreciation December 31, 2021
Landfill	$ 1,637,427	$ 268,665	$ -	$ 1,906,092
Land improvements	172,092	28,923	-	201,015
Buildings	3,816,511	196,141	-	4,012,652
Equipment and furniture	49,923	-	-	49,923
Office equipment	131,899	8,085	-	139,984
Landfill equipment	1,388,924	145,846	-	1,534,770
Trucks	2,247,688	324,236	(250,390)	2,321,534
Shop equipment and tools	83,965	8,797	-	92,762
Containers	2,602,577	131,348	(9,325)	2,724,600
Recycling equipment	1,006,950	89,290	(33,950)	1,062,290
Other fixed assets	244,779	1,930	-	246,709
Transfer station equipment	132,169	30,461	-	162,630
Scales	104,854	3,407	-	108,261
Total	$ 13,619,758	$ 1,237,129	$ (293,665)	$ 14,563,222

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 aggregated $1,339,095 and $1,237,129, respectively.

5. LONG-TERM DEBT

Long-term debt at December 31, 2022 and 2021 consists of the following:

	Original Amount Issued	Interest Rate	Maturity	December 31, 2022	December 31, 2021
Installment Loans					
McPherson County					
Note payable - 2016	$ 2,900,000	2.00% to 3.00%	August 1, 2033	$ 2,375,000	$ 2,610,000
Add unamortized bond premium				160,025	174,572
				2,535,025	2,784,572
Less current portion of long-term debt				(245,000)	(235,000)
				$ 2,290,025	$ 2,549,572

SUMMARY OF CHANGES IN LONG-TERM DEBT

	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

	Outstanding December 31, 2020	Issued	Retired	Outstanding December 31, 2021
Installment Loans:				
McPherson County - 2016	$ 2,845,000	$ -	$ (235,000)	$ 2,610,000
Plus unamortized bond premium	189,119	-	(14,547)	174,572
Total	$ 3,034,119	$ -	$ (249,547)	$ 2,784,572

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

For years ended December 31,	Principal	Interest	Total
2023	$ 245,000	$ 71,250	$ 316,250
2024	190,000	63,900	253,900
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	2,375,000	434,250	2,809,250
Plus unamortized premium on bond issue by McPherson County	160,025	-	160,025
	$ 2,535,025	$ 434,250	$ 2,969,275

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 2021 to 2022 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 $10.64 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 $104,476 and $98,702 for the years ended December 31, 2022 and 2021, respectively.

The agreement above expired on December 31, 2022, 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, 2022, 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, 2022 and 2021, were $129,295 and $121,815, 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, 2022 and 2021 was $74,525 and $80,339, respectively.

10. CASH FLOW STATEMENT DISCLOSURES

	December 31, 2022	December 31, 2021
Non-Cash Financing Activities:		
Amortization of defeased bond costs	$ (14,548)	$ 27,719
Net book value of trade-in	1,377	(4,267)
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.

	2022	2021
Accrued closure and post-closure care costs for Subtitle D landfill	$ 2,059,988	$ 1,745,282
Other accrued closure costs	116,937	112,625
Accrued post-closure care for closed landfills	315,806	303,495
Total accrued closure and post-closure care costs	$ 2,492,731	$ 2,161,402

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, 2022 and 2021, totaled $2,059,988 and $1,745,282, respectively, and represent the cumulative cost based on the use of 58.50% and 50.77% of the estimated capacity of the operating landfill cell for 2022 and 2021 respectively. The MASWU will recognize the remaining estimated cost of closure and post-closure care of approximately $1,461,074 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 2022. 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 $315,806 and $303,495 reported as accrued landfill post-closure care costs at December 31, 2022 and 2021, 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 2022. 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, 2021. 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, 2022. 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,	
	2022	2021
OPERATING EXPENSE		
Payroll expenses	$ 3,454,094	$ 3,150,836
Depreciation and amortization	1,339,095	1,237,129
Fuel and maintenance	1,350,906	864,216
Insurance	247,265	246,694
Accrued landfill closure and post-closure care costs adjustment	332,541	160,624
Fees for services	165,270	139,551
McPherson City commercial services	130,277	126,710
Utilities	88,276	99,896
Supplies and tools	142,179	92,918
Disposal fees	74,561	82,106
Rents and leases	74,525	80,339
Office expense	74,047	64,762
Recycling	14,735	11,345
Communication	12,226	11,253
Travel and entertainment	11,139	5,769
Household hazardous waste expense	17,659	4,078
Training and education	2,965	-
Bad debts and uncollected assessment expense	4,310	577
Total Operating Expense	$ 7,536,070	$ 6,378,803