BOARD OF PUBLIC UTILITIES
CITY OF McPHERSON

FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2022 & 2021



LOYD GROUP, LLC

Certified Public Accountants

Board of Public Utilities - McPherson, Kansas

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INDEPENDENT AUDITOR'S REPORT

Board of Public Utilities
of McPherson, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the combining financial statements of the Board of Public Utilities of McPherson, Kansas (BPU), a part of the primary government of the City of McPherson, Kansas as of and for the year ended December 31, 2022, and the related notes to the combining financial statements, which collectively comprise the BPU's basic financial statements as listed in the table of contents.

As discussed in Note 1, the combining financial statements present only the operations of the electric and water departments and do not purport to, and do not, present fairly the financial position of the City of McPherson, Kansas as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

In our opinion, the accompanying combining financial statements present fairly, in all material respects, the financial position of the BPU 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 *Kansas Municipal Audit and Accounting Guide*. 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 BPU 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

BPU's management is responsible for the preparation and fair presentation of the combining 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 the combining financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combining financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BPU'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 combining 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 combining 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 combining 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 combining 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 BPU'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 combining financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BPU'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, Schedule of Changes in the Net OPEB Liability – Healthcare, Schedule of the Total OPEB Liability as a Percentage of Covered Employee Payroll - Healthcare, Schedule of Changes in the Net OPEB Liability – KPERS Death and Disability, Schedule of the Total OPEB Liability as a Percentage of Covered Employee Payroll - KPERS Death and Disability, Schedule of the BPU's Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Notes to Required Supplementary Information as listed in the table of contents, 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 combining financial statements that collectively comprise BPU's basic financial statements. The Additional Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Additional Information on pages 40-43 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 Additional Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Additional Information (unaudited) on pages 44-58 in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
May 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The McPherson Board of Public Utilities (the BPU) is a quasi-municipality of the City of McPherson, Kansas. The electric and water funds are reflected as enterprise funds on the City of McPherson, Kansas' financial statements consisting of the Summary Statement of Receipts, Expenditures and Unencumbered Cash, Summary of Expenditures – Actual and Budget, and Summary Statement of Receipts and Expenditures - Actual. This Management Discussion and Analysis of the BPU's financial report presents our discussion and analysis of the BPU's financial performance for the year that 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 BPU as of and for the years ended December 31, 2022, and 2021.

Condensed Statements of Net Position

	2022 ELECTRIC	2022 WATER	2022 TOTALS	2021 TOTALS
ASSETS				
Capital assets	$ 55,651,961	$ 30,668,035	$ 86,319,996	$ 80,479,943
Other assets	62,121,885	33,354,311	95,476,196	90,649,232
Deferred assets	2,062,002	363,883	2,425,885	1,644,950
TOTAL ASSETS	$ 119,835,848	$ 64,386,229	$ 184,222,077	$ 172,774,125
LIABILITIES				
Long-term debt - revenue bonds	$ -	$ 30,099,487	$ 30,099,487	$ 31,535,361
Long-term debt - notes payable	-	710,972	710,972	743,545
Postemployment benefit liability OPEB healthcare	345,960	61,051	407,011	421,240
Postemployment benefit liability OPEB KPERS	143,631	25,348	168,979	260,155
Net pension liability	5,352,301	944,524	6,296,825	3,945,922
Other liabilities	7,937,644	2,336,737	10,274,381	7,338,195
Deferred liabilities	352,286	62,168	414,454	1,651,485
Total Liabilities	14,131,822	34,240,287	48,372,109	45,895,903
NET POSITION				
Invested in capital assets, net of related debt	55,651,961	18,440,003	74,091,964	57,434,729
Restricted	1,583,436	513,920	2,097,356	2,089,897
Unrestricted	48,468,629	11,192,019	59,660,648	66,600,775
Total Net Position	105,704,026	30,145,942	135,849,968	126,125,401
TOTAL LIABILITIES AND NET POSITION	$ 119,835,848	$ 64,386,229	$ 184,222,077	$ 172,021,304

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2022 ELECTRIC	2022 WATER	2022 TOTALS	2021 TOTALS	2020 TOTALS
Operating revenues:					
Residential	$ 8,546,355	$ 2,976,743	$ 11,523,098	$ 10,323,941	$ 9,142,616
Commercial and industrial	59,151,865	2,883,597	62,035,462	57,470,844	51,145,810
Sales to interconnection	14,334,431	-	14,334,431	12,680,410	4,741,058
Other	391,161	242,577	633,738	691,408	508,158
Total operating revenue	82,423,812	6,102,917	88,526,729	81,166,603	65,537,642
Operating expenses:					
Fuel	10,259,667	-	10,259,667	8,793,114	1,759,357
Purchased power	52,190,215	-	52,190,215	49,317,273	42,587,516
Production	2,874,261	735,992	3,610,253	3,029,923	3,286,042
Distribution and transmission	4,395,483	1,227,675	5,623,158	5,421,526	5,558,848
Administrative and general	2,755,672	461,572	3,217,244	2,741,429	3,236,523
Payment to City of McPherson	1,883,070	60,578	1,943,648	1,866,448	1,882,369
Depreciation and amortization	2,552,952	685,612	3,238,564	3,181,628	3,189,861
Total operating expenses	76,911,320	3,171,429	80,082,749	74,351,341	61,500,516
Operating income	5,512,492	2,931,488	8,443,980	6,815,262	4,037,126
Nonoperating income (expenses)	1,476,685	(196,098)	1,280,587	1,883,156	1,311,803
Increase in net position	6,989,177	2,735,390	9,724,567	8,698,418	5,348,929
Net position, beginning	98,714,849	27,410,552	126,125,401	117,426,983	112,078,054
Net position, ending	$ 105,704,026	$ 30,145,942	$ 135,849,968	$ 126,125,401	$ 117,426,983

Financial Highlights

2022 Compared to 2021

- Gross electric revenue for 2022 increased 8.4% from 2021. Comparatively, total electric operating expenses in 2022 increased 7.7% from 2021.
- Gross water revenue for 2022 increased 18.4% from 2021. This increase is the result of the 8% rate increase that went into effect January 1st, 2022, as well as an increase in usage.
- Total outstanding bond indebtedness for the Water Department is $30,060,000 on December 31, 2022.
- The 2022 debt service coverage ratio of the water department is 1.93. 1.25 is required by the bond covenant agreement. For the year 2021 the ratio for the water department was 2.24.
- Debt-to-Equity ratio for the water department decreased in 2022 to 1.14:1 compared with 1.28:1 in 2021. The Debt-to-Equity ratio for the electric department increased slightly in 2022 to 0.13:1 compared with 0.12:1 in 2021.
- Available cash and investments (not including new money received for Water Series 2021A Bond) for 2022 increased 3.9% for the electric department and increased 4.7% in the Water Department compared to 2021.

- Strong interest rates in 2022 resulted in Interest income increasing 249% for the Electric Department and 749% for the Water Department compared to 2021. The larger percentage increase in the water department is due to the larger amount of construction funds held for the South Well Field Water Project.

- Capital Assets increased 2.5% in 2022, for the Electric Department. The Mohawk Substation was placed in service in 2022.

- Capital Assets increased 17% in 2022, for the Water Department, due to the initial work on the South Well Field as well as continued main replacement projects. The South Well Field project will continue into 2024.

2021 Compared to 2020

- Gross electric revenue for 2021 increased 25.0% from 2020. Comparatively, total electric operating expenses in 2021 increased 21.9% from 2020. These large variances from the previous period were directly related to the large Winter Storm in February 2021.

- Gross water revenue for 2021 increased 8.7% from 2020. This increase is the direct result of the 8% rate increase that went into effect January 1st, 2021.

- Total outstanding bond indebtedness for the Water Department is $30,795,000 at December 31, 2021.

- The Water Department called the Series 2012 bond early and refinance the remaining $4,675,000.00 at a True Interest Cost of .53% over 6 (six) years, ending October 1, 2026. This resulted in a savings to the Water Department of $602,777.08.

- In addition to the refinance, new money was bonded to the Water Department in the amount of $26,880,000.00. The new money has a True Interest Cost of 2.11% over 30 (thirty) years, ending October 1, 2051.

- The 2021 debt service coverage ratio of the water department is 2.24. 1.25 is required by the bond covenant agreement. For the year 2020 the ratio for the water department was 2.00.

- Debt-to-Equity ratio for the water department decreased in 2021 to 1.28:1 compared with 0.33:1 in 2020. The Debt-to-Equity ratio for the electric department decreased in 2021 to 0.12:1 compared with 0.12:1 in 2020.

- Available cash and investments (not including new money received for Water Series 2021A Bond) for 2021 decreased 5.% for the electric department and increased 15% in the Water Department compared to 2020.

- Interest income in 2021 decreased by 74% for the Electric Department and decreased by 64% for the Water Department compared to 2020.

- Capital Assets increased 14% in 2021, for the Electric Department, due to the continued construction phase of the Mohawk Substation as well as the expansion of the JM Substation. The Mohawk Substation is planned to be placed in service in 2022.

- Capital Assets increase 10% in 2021, for the Water Department, due to the initial work on the South Well Field as well as continued main replacement projects.

Contacting McPherson BPU Management

This financial report is designed to provide our citizens, customers, taxpayers, bondholders, and creditors with a general overview of the BPU's finances and to show accountability for the money it receives. Financial information for the BPU is also presented in the financial statements of the primary government, the City of McPherson, Kansas. If you have questions about this report or need additional financial information, contact the City of McPherson BPU, 401 West Kansas, McPherson, Kansas 67460.

FINANCIAL STATEMENTS

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF NET POSITION
December 31, 2022

ASSETS

	Electric		Water		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets						
Cash and cash equivalents	$ 18,080,297	$ 28,515,441	$ 7,151,326	$ 22,740,972	$ 25,231,623	$ 51,256,413
Certificates of deposit	26,000,000	13,900,000	4,800,000	2,050,000	30,800,000	15,950,000
Construction fund	-	-	20,000,000	10,000,000	20,000,000	10,000,000
Accounts receivable, customer and other	8,774,946	5,674,209	828,333	715,943	9,603,279	6,390,152
Inventories	3,008,102	2,879,627	256,355	227,979	3,264,457	3,107,606
Accrued interest	215,347	1,720	98,424	2,027	313,771	3,747
Total current assets	56,078,692	50,970,997	33,134,438	35,736,921	89,213,130	86,707,918
Noncurrent assets						
Restricted cash and cash equivalents	1,233,436	1,230,088	119,873	146,338	1,353,309	1,376,426
Kansas Municipal Investment Pool-certificates of deposit	2,000,000	-	-	-	2,000,000	-
Restricted certificates of deposit	350,000	350,000	100,000	100,000	450,000	450,000
Accounts receivable, other	2,077,935	1,733,066	-	-	2,077,935	1,733,066
Capital assets						
Land	831,725	769,786	5,703,610	5,703,610	6,535,335	6,473,396
Buildings and equipment	127,297,422	108,149,309	30,876,974	30,062,633	158,174,396	138,211,942
Construction in process	2,947,246	17,982,207	6,851,542	2,442,622	9,798,788	20,424,829
Less accumulated depreciation	(75,424,432)	(72,623,181)	(12,764,091)	(12,007,043)	(88,188,523)	(84,630,224)
Industrial development property, at cost	369,322	369,322	-	-	369,322	369,322
Other assets	12,500	12,500	-	-	12,500	12,500
Total noncurrent assets	61,695,154	57,973,097	30,887,908	26,448,160	92,583,062	84,421,257
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to OPEB healthcare	101,662	111,349	17,940	19,650	119,602	130,999
Deferred outflows related to OPEB KPERS	58,252	66,876	10,280	11,802	68,532	78,678
Deferred outflows related to pensions	1,608,370	961,453	283,830	169,668	1,892,200	1,131,121
Pension contributions subsequent to the measurement date	293,718	258,529	51,833	45,623	345,551	304,152
Total deferred outflows of resources	2,062,002	1,398,207	363,883	246,743	2,425,885	1,644,950
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$119,835,848	$110,342,301	$ 64,386,229	$ 62,431,824	$184,222,077	$172,774,125

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

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2022

LIABILITIES AND NET POSITION

	Electric		Water		Totals	
	2022	2021	2022	2021	2022	2021
LIABILITIES						
Current liabilities						
Accounts payable	$ 6,378,470	$ 4,765,655	$ 193,040	$ 259,787	$ 6,571,510	$ 5,025,442
Current maturities of revenue bonds	-	-	1,385,000	735,000	1,385,000	735,000
Accrued interest on revenue bonds	-	-	205,184	211,323	205,184	211,323
Current maturities of notes payable	-	-	32,572	31,308	32,572	31,308
Customer meter and other deposits	881,591	844,118	-	-	881,591	844,118
Self-insurance claims payable	53,550	76,500	9,450	13,500	63,000	90,000
Accrued payroll	623,126	603,664	103,821	94,373	726,947	698,037
Accrued interest on customer meter deposits	907	533	-	-	907	533
Due to City of McPherson	-	-	353,445	366,725	353,445	366,725
Total current liabilities	7,937,644	6,290,470	2,282,512	1,712,016	10,220,156	8,002,486
Long-term liabilities						
Long-term debt - revenue bonds	-	-	30,099,487	31,535,361	30,099,487	31,535,361
Long-term debt - notes payable	-	-	710,972	743,545	710,972	743,545
Postemployment benefit liability OPEB healthcare	345,960	358,055	61,051	63,185	407,011	421,240
Postemployment benefit liability OPEB KPERS	143,631	221,131	25,348	39,024	168,979	260,155
Net pension liability	5,352,301	3,354,034	944,524	591,888	6,296,825	3,945,922
Total long-term liabilities	5,841,892	3,933,220	31,841,382	32,973,003	37,683,274	36,906,223
Other liabilities						
Water meter advances	-	-	54,225	88,530	54,225	88,530
TOTAL LIABILITIES	13,779,536	10,223,690	34,178,119	34,773,549	47,957,655	44,997,239
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to OPEB KPERS	146,787	69,679	25,904	12,297	172,691	81,976
Deferred inflows related to pensions	205,499	1,334,083	36,264	235,426	241,763	1,569,509
TOTAL DEFERRED INFLOWS OF RESOURCES	352,286	1,403,762	62,168	247,723	414,454	1,651,485
NET POSITION						
Invested in capital assets, net of related debt	55,651,961	54,278,121	18,440,003	3,156,608	74,091,964	57,434,729
Restricted for debt service	-	-	100,000	100,000	100,000	100,000
Restricted for health insurance	701,845	735,970	123,855	129,877	825,700	865,847
Restricted for customer deposits	881,591	844,118	-	-	881,591	844,118
Restricted for city collections for sewer, refuse, & storm	-	-	290,065	279,932	290,065	279,932
Unrestricted	48,468,629	42,856,640	11,192,019	23,744,135	59,660,648	66,600,775
TOTAL NET POSITION	105,704,026	98,714,849	30,145,942	27,410,552	135,849,968	126,125,401
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$119,835,848	$110,342,301	$ 64,386,229	$ 62,431,824	$184,222,077	$172,774,125

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Electric		Water		Totals	
	2022	2021	2022	2021	2022	2021
OPERATING REVENUE						
Electric						
Metered sales	$ 67,702,224	$ 62,846,626	$ -	$ -	$ 67,702,224	$ 62,846,626
Street lighting	387,157	485,471	-	-	387,157	485,471
Sales to interconnection	14,334,431	12,680,410	-	-	14,334,431	12,680,410
Water						
Sale of water	-	-	6,102,917	5,154,096	6,102,917	5,154,096
Total operating revenue	82,423,812	76,012,507	6,102,917	5,154,096	88,526,729	81,166,603
OPERATING EXPENSE						
Fuel	10,259,667	8,793,114	-	-	10,259,667	8,793,114
Purchased power	52,190,215	49,317,273	-	-	52,190,215	49,317,273
Production	2,874,261	2,429,213	735,992	600,710	3,610,253	3,029,923
Distribution and transmission	4,395,483	4,233,806	1,227,675	1,187,720	5,623,158	5,421,526
Administrative and general	2,755,672	2,331,173	461,572	410,256	3,217,244	2,741,429
Payment to City of McPherson	1,883,070	1,811,657	60,578	54,791	1,943,648	1,866,448
Depreciation and amortization	2,552,952	2,510,337	685,612	671,291	3,238,564	3,181,628
Total operating expense	76,911,320	71,426,573	3,171,429	2,924,768	80,082,749	74,351,341
OPERATING INCOME	5,512,492	4,585,934	2,931,488	2,229,328	8,443,980	6,815,262
NONOPERATING INCOME (EXPENSE)						
Interest income	661,974	189,624	354,424	41,766	1,016,398	231,390
Revenues from merchandising, jobbing and contract work and miscellaneous income	791,297	2,186,572	63,621	240,762	854,918	2,427,334
Less cost of merchandising	(145,612)	(174,812)	(12,303)	(2,153)	(157,915)	(176,965)
Refuse collection and sewer service fees	86,458	86,417	15,258	15,253	101,716	101,670
Penalties, earned discounts and other	81,172	75,507	-	-	81,172	75,507
Farm rents, net of expense	1,396	(2,920)	135,875	239,056	137,271	236,136
Gain (loss) on disposal of capital assets	-	19,000	4,000	-	4,000	19,000
Cost of issuance of debt	-	-	-	(449,194)	-	(449,194)
Interest on debt	-	-	(756,973)	(581,722)	(756,973)	(581,722)
Total nonoperating income (expense)	1,476,685	2,379,388	(196,098)	(496,232)	1,280,587	1,883,156
CHANGE IN NET POSITION	6,989,177	6,965,322	2,735,390	1,733,096	9,724,567	8,698,418
TOTAL NET POSITION, BEGINNING OF YEAR	98,714,849	91,749,527	27,410,552	25,677,456	126,125,401	117,426,983
TOTAL NET POSITION, END OF YEAR	$105,704,026	$ 98,714,849	$ 30,145,942	$ 27,410,552	$135,849,968	$126,125,401

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

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Electric		Water		Totals	
	2022	2021	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 79,976,002	$ 76,428,600	$ 6,205,281	$ 5,654,015	$ 86,181,283	$ 82,082,615
Payments to suppliers	(63,028,427)	(59,672,832)	(1,140,034)	(603,400)	(64,168,461)	(60,276,232)
Payments to employees	(7,630,333)	(7,615,330)	(1,329,251)	(1,341,937)	(8,959,584)	(8,957,267)
Other receipts (payments)	(1,883,070)	(1,811,657)	(60,578)	(54,791)	(1,943,648)	(1,866,448)
Net cash flows from operating activities	7,434,172	7,328,781	3,675,418	3,653,887	11,109,590	10,982,668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(4,214,315)	(9,481,012)	(5,226,832)	(3,085,239)	(9,441,147)	(12,566,251)
Proceeds from sale of capital assets	-	19,000	7,571	-	7,571	19,000
Proceeds from issuance of bonds	-	-	-	31,555,000	-	31,555,000
Principal payments on bonds	-	-	(767,573)	(791,307)	(767,573)	(791,307)
Principal payments on notes payable	-	-	1,264	1,216	1,264	1,216
Payments to trustee to defease bonds	-	-	-	(5,958,644)	-	(5,958,644)
Payment of bond issue costs	-	-	-	(461,804)	-	(461,804)
Proceeds from bond premium	-	-	-	1,404,150	-	1,404,150
Interest paid on debt	-	-	(813,986)	(472,673)	(813,986)	(472,673)
Net cash flows from capital and related financing activities	(4,214,315)	(9,462,012)	(6,799,556)	22,190,699	(11,013,871)	12,728,687
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of certificates of deposit	(43,600,000)	(15,250,000)	(56,900,000)	(12,150,000)	(100,500,000)	(27,400,000)
Proceeds from sale or maturity of certificates of deposit	29,500,000	25,800,000	44,150,000	5,200,000	73,650,000	31,000,000
Interest received	448,347	222,187	258,027	42,078	706,374	264,265
Net cash flows from investing activities	(13,651,653)	10,772,187	(12,491,973)	(6,907,922)	(26,143,626)	3,864,265
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,431,796)	8,638,956	(15,616,111)	18,936,664	(26,047,907)	27,575,620
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,745,529	21,106,573	22,887,310	3,950,646	52,632,839	25,057,219
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,313,733	$ 29,745,529	$ 7,271,199	$ 22,887,310	$ 26,584,932	$ 52,632,839
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	$ 5,512,492	$ 4,585,934	$ 2,931,488	$ 2,229,328	$ 8,443,980	$ 6,815,262
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	2,840,478	2,745,850	757,048	716,094	3,597,526	3,461,944
Other nonoperating income	814,711	2,189,764	206,451	492,918	1,021,162	2,682,682
(Gain) loss on disposal of capital assets	-	(19,000)	(4,000)	-	(4,000)	(19,000)
Changes in:						
Accounts and notes receivable	(3,445,606)	(1,967,985)	(112,390)	4,848	(3,557,996)	(1,963,137)
Inventories	(128,475)	(602,363)	(28,376)	18,496	(156,851)	(583,867)
Accounts payable	1,612,815	318,631	(66,747)	214,083	1,546,068	532,714
Accrued expenses	(3,114)	66,991	(7,882)	(3,743)	(10,996)	63,248
Postemployment benefit asset	(12,098)	107,487	(15,810)	7,439	(27,908)	114,926
KPERS liability net of deferred inflows/outflows	205,496	(209,420)	49,941	(25,427)	255,437	(234,847)
Water meter advances	-	-	(34,305)	(7,333)	(34,305)	(7,333)
Customer meter deposits	37,473	38,502	-	-	37,473	38,502
Net cash provided from operating activities	$ 7,434,172	$ 7,328,781	$ 3,675,418	$ 3,653,887	$ 11,109,590	$ 10,982,668

Board of Public Utilities - McPherson, Kansas

NOTES TO COMBINING FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Public Utilities of McPherson, Kansas (the BPU) consists of the municipal electric and water departments that provide services to approximately 8,900 electric and 6,000 water customers. The BPU's operational control and administration is under a three-member appointed Board of Directors (the Board). However, the BPU is owned by and is a part of the primary government of the City of McPherson, Kansas (the City) because the City holds the corporate powers of the BPU. The accompanying financial statements include only those operations related to the electric and water utilities.

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

(a) Basis of Accounting and Budgeting

The Board of Public Utilities maintains its accounts in accordance with accounting principles generally accepted in the United States of America for utility accounting and follows the uniform system of accounts as prescribed by the Federal Energy Regulatory Commission. The Board operates separate electric and water utility departments. General management, administrative offices and personnel are common to both the electric and water departments. Administrative overhead expenses are allocated between the two departments on a percentage approximating their respective gross receipts. Interfund transactions which are material have been eliminated. The BPU accounts for its transactions on the flow of economic resources measurement focus and uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. In reporting its financial activity, the BPU applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. In accordance with accounting principles generally accepted in the United States of America for rate-regulated enterprises, certain costs or credits may be recorded as deferred charges or credits when it is probable, based on historical precedents and Board resolutions, that future rates established by the Board will recover or return such costs or credits. The BPU follows the uniform system of accounts as prescribed by the Federal Energy Regulatory Commission and the Financial Accounting Standards Board (FASB) Codification, Section 980 Regulated Operations.

Although the BPU is required to adopt an annual budget, there is no reporting requirement. Therefore, budgetary information has not been included in this report.

(b) Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statements of cash flows include all highly liquid investments (including restricted assets) with an original maturity of three months or less.

(c) Revenue Recognition

Operating revenues include revenues from the provision and delivery of electricity and water to customers. Operating expenses consist of costs incurred through the provision and delivery of electricity and water to customers. Meters are read and bills rendered on a cycle basis. Nonoperating 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. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period.

(d) Accounts Receivable and Revenue

Accounts receivable include open trade receivables representing claims for utility services sold or other special services sold in the ordinary course of business. Utility accounts receivable are considered delinquent after 28 days and a one-time 2% late fee on the current month's charges is assessed. Other accounts receivable become delinquent after 30 days and interest accrues at an annual rate of 24% until payment is received in full. After three months, interest ceases to accrue on other receivables and the account is turned over for collection.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Accounts Receivable and Revenue (continued)

The BPU utilizes cycle billing and accrues the amount of revenues for sales unbilled at the end of each reporting period. Fuel and purchased power costs in excess of or less than those reflected in base rates are adjusted subsequent to the period in which such excess costs were incurred through cost adjustment clauses.

(e) Allowance for Doubtful Accounts

The BPU considers accounts receivable to be fully collectible. Accordingly, no provision has been established for doubtful accounts. If amounts become uncollectible they will be charged to operations when that determination is made.

(f) Inventories

Inventories are carried at cost substantially valued on an average cost method, except for fuel oil which is carried at last-in first-out. Materials and supplies are essentially repair and replacement items for the maintenance of the two systems. Inventories at December 31 consist of the following:

			Totals	
	Water	Electric	2022	2021
Fuel	$ -	$ 1,447,718	$ 1,447,718	$ 1,530,155
Materials and supplies	256,355	1,560,384	1,816,739	1,540,335
Total	$ 256,355	$ 3,008,102	$ 3,264,457	$ 3,070,490

(g) Capital Assets and Depreciation

Capital assets are stated at actual purchased cost or cost of construction, including payroll-related costs. All completed and purchased utility property is depreciated on the straight-line method over lives recommended for the different classes of assets by the Federal Energy Regulatory Commission (FERC) and independent engineers. The BPU has a policy to capitalize all purchases over $5,000. Repairs and maintenance costs are expensed as incurred. Transformers are capitalized and depreciated immediately upon purchase. Vehicle depreciation is charged to various expense lines based on FERC guidelines.

(h) Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 useful lives of capital assets, allowances for doubtful accounts, inventories, investments, and reserves for employee benefit obligations, environmental liabilities, and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(i) Deferred Charges

Costs incurred in the development of computer software are deferred and amortized over the useful lives of the systems, which is estimated to be five years.

(j) 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 maximum provided, depending upon the employee's years of service. No vacation leave shall be taken until a new employee has completed the probationary period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) Vacation and Sick Leave (continued)

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

Maximum Years of Service	Hours Accrued Per Year	Maximum Accumulation
0 to 5 years	80 working hours	120 working hours
5 to 10 years	120 working hours	180 working hours
10 to 15 years	144 working hours	216 working hours
15 to 25 years	160 working hours	240 working hours
After 25 years	200 working hours	300 working hours

An employee shall be paid for all accumulated unused vacation leave upon termination. The liability for accumulated vacation at December 31, 2022, for the electric department and the water department of $390,845 and $58,889, respectively, and at December 31, 2021, for the electric department and the water department of $382,940 and $56,343, respectively, has been accrued in the accompanying financial statements as accrued payroll.

Sick leave - All employees who work not less than one-half time 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. Part-time employees shall receive the equivalent of a regularly scheduled day for each full month of service. Other employees shall not have paid sick leave. An employee beginning work on or before the 15th of the month shall get credit for a full month. On termination of employment an employee shall not be paid for accumulated sick leave. Accordingly, no provision for accumulated sick leave has been made in the accompanying financial statements.

(k) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Net Position

In the financial statements, net position 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 BPU's policy to use restricted resources first, then unrestricted resources as they are needed.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets* establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service to the utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. This statement requires governments 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 BPU has not recorded any impairment of long-lived assets in 2022 or 2021.

(n) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets in one period that are applicable to future periods. The BPU has recorded a deferred outflow of resources at December 31, 2022 as a result of unamortized balances of the differences in the carrying value of the refunded debt and the reacquisition prices that were a result of the refund of the water bonds in 2013. These deferred outflows of resources are being amortized as a component of interest expense over the life of the old bonds or the new bonds, whichever is shorter. The BPU has also recorded a deferred outflow for the deferred pension contributions subsequent to the measurement date of the net pension liability. This amount will be recognized as a reduction of the net pension liability in the following year. Finally, there is a deferred outflow related to pensions as actuarially determined and explained in Note 17 and other post-employment benefits as actuarially determined and explained in Notes 15 and 16.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BPU has recorded the deferred inflows related to pensions as actuarially determined and explained in Note 17 and other post-employment benefits as actuarially determined and explained in Notes 15 and 16.

2. COMMITMENTS

At December 31, 2022, there were contract commitments totalling $5,992,022. At December 31, 2021, there were contract commitments totalling $7,319,045.

3. RISK MANAGEMENT

The BPU is exposed to various risks of loss related to tort claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The BPU self-insures for health care claims. Under the self-insured plan, the BPU, along with the City of McPherson, is responsible for a potential liability up to $100,000 per individual per year for health care claims. At December 31, 2022, the BPU has established a liability of $63,000 that is recorded on the statement of net position for claims arising out of the self-insurance program. At December 31, 2021, this liability was $90,000. Management believes claims incurred, but not reported, are insignificant at December 31, 2022.

The BPU implemented a new Health Care Plan Reserve Policy during 2017. This was established to provide for claims in excess of expected cost and for incurred but unreported liability. The Plan must maintain a mimimum Health Care Plan Reseve equal to at least four months of expected Plan claim liability and will seek to maintain a range between seven months and ten months.

4. INDUSTRIAL DEVELOPMENT PROPERTY

Industrial development property consists of the accumulated costs in various tracts of land held for system expansion or industrial use.

5. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the BPU. The statute requires that banks eligible to hold the BPU's funds have a main or branch bank in the county in which the BPU 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 BPU has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the BPU'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 BPU has no investment policy that would further limit investment choices. The rating of the BPU's investments is noted below, if applicable.

Concentration of Credit Risk. State statutes place no limit on the amount the BPU 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 BPU's deposits may not be returned to it. State statutes require the BPU's deposits in financial institutions to be entirely covered 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 BPU 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.

(a) Deposits

At December 31, 2022 and 2021, the carrying amount of the BPU's deposits, including certificates of deposit, was $79,834,932 and $79,032,839, respectively, and the bank balance was $81,254,020 and $78,947,265, 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 $80,216,376 was collateralized with securities held by the pledging financial institutions' agents in the BPU's name and deposit surety bonds.

Deposits and investments are shown on the combined balance sheets at December 31, 2022 and 2021, as follows:

	2022	2021
Current assets		
Cash and cash equivalents	$ 25,231,623	$ 51,256,413
Certificates of deposit	30,800,000	15,950,000
Construction fund	20,000,000	10,000,000
Noncurrent assets		
Restricted Cash and cash equivalents	1,353,309	1,376,426
Restricted Certificates of deposit	2,450,000	450,000
Total	$ 79,834,932	$ 79,032,839

A summary of deposits and cash at December 31, 2021 and 2020 is as follows:

	2022	2021
Total deposits	$ 79,833,932	$ 79,031,839
Cash on hand	1,000	1,000
Total	$ 79,834,932	$ 79,032,839

5. DEPOSITS AND INVESTMENTS (CONT.)

(b) Designated Assets

Certain unrestricted cash and cash equivalents and certificates of deposit have been designated by Board policy for specific purposes are as follows at December 31:

			Totals	
	Electric	Water	2022	2021
Long Range Electric Supply	$ 22,388,163	$ -	$ 22,388,163	$ 20,888,163
Long Range Water Supply	-	3,367,703	3,367,703	3,117,703
Workers Comp Insurance Fund	253,396	44,717	298,113	310,415
Total	$ 22,641,559	$ 3,412,420	$ 26,053,979	$ 24,316,281

(c) Restricted Assets

Restricted assets were held in the following funds at December 31:

			Totals	
	Electric	Water	2022	2021
Bond Emergency Fund	$ -	$ 100,000	$ 100,000	$ 100,000
Health Insurance Fund	701,845	123,855	825,700	865,847
Customer Deposit Fund	881,591	-	881,591	844,118
Refuse Fund	-	(6,723)	(6,723)	(530)
Sewer Fund	-	3,395	3,395	12,491
Storm Fund	-	(655)	(655)	4,501
Total	$ 1,583,436	$ 219,872	$ 1,803,308	$ 1,826,427

The BPU is permitted to invest restricted funds in specified types of investments in accordance with their investment policy until the time such funds are required to be disbursed for their designated purposes.

6. RESERVE FUNDS

In September 1983, the Board established a reserve fund in the water department for long-range water supplies. The $3,367,703 balance at December 31, 2022 and 2021, respectively, may be increased or decreased as the Board desires.

In February 1989, the Board established a reserve fund in the electric department for long-range electric requirements. An initial reserve of $1,500,000 was established with an additional $1,500,000 to be added annually for ten years. This reserve is also to be increased by the income earned on the respective investments. Thereafter, this fund may be increased or decreased as the Board desires. The fund balance at December 31, 2022 and 2021, was $22,388,163 and $20,888,163, respectively.

7. CAPITAL ASSETS

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

	Electric Department				
	Balance December 31, 2021	Additions	Deletions	Transfers	Balance December 31, 2022
Land and improvements	$ 769,786	$ 61,939	$ -	$ -	$ 831,725
Production plants	51,514,914	311,697	-	-	51,826,611
Transmission and distribution	49,973,405	18,825,860	-	-	68,799,265
General plant	6,660,990	49,783	(39,227)	-	6,671,546
Construction in progress	17,982,207	4,239,206	-	(19,274,167)	2,947,246
	126,901,302	23,488,485	(39,227)	(19,274,167)	131,076,393
Less accumulated depreciation	(72,623,181)	(2,840,478)	39,227	-	(75,424,432)
Total	$ 54,278,121	$ 20,648,007	$ -	$(19,274,167)	$ 55,651,961

	Water Department				
	Balance December 31, 2021	Additions	Deletions	Transfers	Balance December 31, 2022
Land and improvements	$ 5,703,610	$ -	$ -	$ -	$ 5,703,610
Production plants	10,330,951		-	-	10,330,951
Transmission and distribution	18,251,018	781,366	-	-	19,032,384
General plant	1,480,664	36,546	(3,571)	-	1,513,639
Construction in progress	2,442,622	5,149,458	-	(740,538)	6,851,542
	38,208,865	5,967,370	(3,571)	(740,538)	43,432,126
Less accumulated depreciation	(12,007,043)	(760,619)	3,571	-	(12,764,091)
Total	$ 26,201,822	$ 5,206,751	$ -	$ (740,538)	$ 30,668,035

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

	Electric Department				
	Balance December 31, 2020	Additions	Deletions	Transfers	Balance December 31, 2021
Land and improvements	$ 769,786	$ -	$ -	$ -	$ 769,786
Production plants	51,444,821	70,093		-	51,514,914
Transmission and distribution	47,061,801	703,721	(207,929)	2,415,812	49,973,405
General plant	6,660,990	-		-	6,660,990
Construction in progress	11,690,818	9,196,805	-	(2,905,416)	17,982,207
	117,628,216	9,970,619	(207,929)	(489,604)	126,901,302
Less accumulated depreciation	(70,085,260)	(2,745,850)	207,929	-	(72,623,181)
Total	$ 47,542,956	$ 7,224,769	$ -	$ (489,604)	$ 54,278,121

7. CAPITAL ASSETS (CONT.)

	Water Department				
	Balance December 31, 2020	Additions	Deletions	Transfers	Balance December 31, 2021
Land and improvements	$ 5,703,610	$ -	$ -	$ -	$ 5,703,610
Production plants	10,330,951	-	-	-	10,330,951
Transmission and distribution	17,432,739	818,279	-	-	18,251,018
General plant	1,480,664	-	-	-	1,480,664
Construction in progress	175,662	2,880,835	-	(613,875)	2,442,622
	35,123,626	3,699,114	-	(613,875)	38,208,865
Less accumulated depreciation	(11,290,949)	(716,094)	-	-	(12,007,043)
Total	$ 23,832,677	$ 2,983,020	$ -	$ (613,875)	$ 26,201,822

Depreciation expense for the year ended December 31, 2022, for the electric and water departments is $2,840,479 and $760,620, respectively, as illustrated in the following table. Depreciation expense on the statement of revenues, expenses and changes in net position does not include vehicle depreciation of $255,583 and $44,803 charged to other accounts in the electric department and the water department, respectively, per guidelines of the Federal Regulatory Energy Commision (FERC).

	Electric Department			
	Accumulated Depreciation December 31, 2021	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2022
Production plants	$ 38,741,528	$ 1,119,070	$ -	$ 39,860,598
Transmission and distribution	31,149,842	1,486,086	-	32,635,928
General plant	2,731,811	235,323	(39,227)	2,927,907
	$ 72,623,181	$ 2,840,479	$ (39,227)	$ 75,424,433

	Water Department			
	Accumulated Depreciation December 31, 2021	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2022
Production plants	$ 1,274,999	$ 8,093	$ -	$ 1,283,092
Transmission and distribution	10,208,860	700,611	-	10,909,471
General plant	523,184	51,915	(3,571)	571,528
	$ 12,007,043	$ 760,619	$ (3,571)	$ 12,764,091

Depreciation expense for the year ended December 31, 2021, for the electric and water departments is $2,745,850 and $716,929, respectively, as illustrated in the following table. Depreciation expense on the statement of revenues, expenses and changes in net position does not include vehicle depreciation of $255,583 and $44,803 charged to other accounts in the electric department and the water department, respectively, per guidelines of the Federal Regulatory Energy Commision (FERC).

7. CAPITAL ASSETS (CONT.)

	Electric Department			
	Accumulated Depreciation December 31, 2020	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2021
Production plants	$ 37,465,987	$ 1,275,541	$ -	$ 38,741,528
Transmission and distribution	30,141,894	1,215,877	(207,929)	31,149,842
General plant	2,477,379	254,432	-	2,731,811
	$ 70,085,260	$ 2,745,850	$ (207,929)	$ 72,623,181

	Water Department			
	Accumulated Depreciation December 31, 2020	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2021
Production plants	$ 1,264,945	$ 10,054	$ -	$ 1,274,999
Transmission and distribution	9,554,440	654,420	-	10,208,860
General plant	471,564	51,620	-	523,184
	$ 11,290,949	$ 716,094	$ -	$ 12,007,043

8. REVENUE BONDS

The various bond ordinances require that certain restricted funds be established to ensure the payment of bonds and interest and to enable the BPU to meet future needs arising from unusual maintenance requirements or income shortfalls. The ordinances also require the BPU, among other things, to establish rates and collect charges sufficient to pay the operating maintenance and debt service costs of the utilities and to provide net operating income before depreciation and payment in lieu of taxes, of at least 125% for the water department of the maximum annual debt service due on the outstanding bonds. As of December 31, 2022 and 2021, the BPU exceeded this coverage requirement for water debt. All of the BPU's utility plant facilities are pledged under the terms of the ordinances. The BPU was in compliance with all other requirements of the revenue bond ordinances at December 31, 2022 and 2021.

A schedule of the bonded indebtedness of the BPU and a maturity schedule of retirements is as follows:

SCHEDULE OF INDEBTEDNESS

	Original Amount Issued	Interest Rate	Maturity	Total Outstanding 2022
Water Utility System				
Refunding and Improvement Revenue Bonds, Series 2021-A	$ 31,555,000	2.00 to 3.50%	10/1/2051	$ 30,060,000
Add Unamortized Bond Premium				1,424,487
				31,484,487
Less Current Maturities				(1,385,000)
Long-Term Debt - revenue bonds				$ 30,099,487

8. REVENUE BONDS (CONT.)

SUMMARY OF CHANGES IN LONG-TERM DEBT

	Outstanding 2021	Issued	Retired	Refunding	Outstanding 2022
Water Utility System					
Series 2021-A	$ 30,795,000	$ -	$ 735,000	$ -	$ 30,060,000
Add Unamortized Bond Premium	1,475,361	-	50,874	-	1,424,487
Total	$ 32,270,361	$ -	$ 785,874	$ -	$ 31,484,487

	Outstanding 2020	Issued	Retired	Refunding	Outstanding 2021
Water Utility System					
Series 2012	$ 5,900,000	$ -	$ -	$ (5,900,000)	$ -
Series 2021-A	-	31,555,000	760,000	-	30,795,000
Add Unamortized Bond Premium	193,340	1,526,236	50,875	(193,340)	1,475,361
Total	$ 6,093,340	$ 33,081,236	$ 810,875	$ (6,093,340)	$ 32,270,361

Revenue bonds are scheduled to mature in the years ending December 31, as follows:

	2022 Water Issue		
Year Ending	Bonds	Interest	Total
2023	$ 1,385,000	$ 761,253	$ 2,146,253
2024	1,425,000	719,703	2,144,703
2025	1,475,000	676,953	2,151,953
2026	1,515,000	632,703	2,147,703
2027	705,000	587,253	1,292,253
2028 - 2032	3,895,000	2,560,463	6,455,463
2033 - 2037	4,435,000	2,017,813	6,452,813
2038 - 2042	4,900,000	1,553,512	6,453,512
2043 - 2047	5,465,000	990,120	6,455,120
2048 - 2051	4,860,000	301,350	5,161,350
Total	$ 30,060,000	$ 10,801,121	$ 40,861,121

9. NOTES PAYABLE

On December 3, 2013, the BPU purchased land for the purpose of securing water rights. Of the purchase price, $974,000 was financed by the sellers with a note payable for 25 years at 4% APR. The note requires semi-annual payments of principal and interest of $30,996 through January 1, 2039, with the first payment being due July 1, 2014.

	Outstanding 2021	Issued	Payments	Outstanding 2022
Land Note Payable - Water Rights	$ 774,853	$ -	$ 31,309	$ 743,544
Total	$ 774,853	$ -	$ 31,309	$ 743,544

	Outstanding 2020	Issued	Payments	Outstanding 2021
Land Note Payable - Water Rights	$ 804,944	$ -	$ 30,091	$ 774,853
Total	$ 804,944	$ -	$ 30,091	$ 774,853

9. NOTES PAYABLE (CONT.)

The long-term notes payable are scheduled to mature in the years ending December 31, as follows:

Year Ending	Note Payable - Water Rights Principal	Interest	Total
2023	$ 32,572	$ 29,419	$ 61,991
2024	33,888	28,103	61,991
2025	35,257	26,734	61,991
2026	36,682	25,310	61,992
2027	38,164	23,828	61,992
2028 - 2032	215,230	94,728	309,958
2033 - 2037	262,364	47,594	309,958
2038 - 2039	89,387	3,599	92,986
Total	$ 743,544	$ 279,315	$ 1,022,859

10. CLAIMS AND JUDGMENTS

The BPU 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 BPU is a party to various claims, legal actions and complaints. It is the opinion of the BPU's management and legal counsel that these matters are not anticipated to have a material impact on the Utility.

The BPU is exposed to various risks of loss related to property loss, torts, errors and omissions. The BPU 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 three years.

11. POWER SALES AGREEMENTS

In 1972, the BPU entered into a power sales agreement with Evergy, formally Westar Energy. The agreement, as amended in October 1977 (addendum 1) and September 1978 (addendum 2), provides that the BPU purchase all of its energy requirements from Evergy for resale to its retail and wholesale customers. In return, the BPU is obligated to sell all of its energy production to Evergy. The contract specifies that all sales between the entities be sold at fuel cost plus twelve percent. In addition, Evergy has agreed to pay the BPU an annual capacity charge that obligates the BPU to have its generation available to Evergy at all times. In February 1992, the contract was amended (addendum 3) to specify facility ownership and responsibilities of ownership of the West McPherson Substation. In February 1997, the contract was amended (addendum 4) for the addition of approximately 80 MW of additional gas turbine generating capacity and to extend the contract to 2027. In April 2010, the contract was amended (addendum 5) to extend the contract 12 years to 2039 and also agreed to begin paying transmission charges based on a Federal Energy Regulatory Commission (FERC) approved formula tariff. In January 2014, the contract was amended (addendum 6) requiring that the BPU pay for its load ratio share of the SPP integrated market charges. In November 2016, the BPU entered into a Renewable Energy Purchase Agreement allowing the BPU to purchase up to 29.04% of the Renewable Energy produced by Kingman Wind Energy I, LLC. In September 2018, the BPU entered into a Renewable Energy Purchase Agreement for purchase of the kWH output and firm capacity from 50 MW of wind generation at the Soldier Creek Wind Farm in Nemaha County, Kansas. In April 2020, the BPU signed an addendum for 25 MW of additional capacity at the Soldier Creek Wind Farm bringing the amount of carbon-free energy to approximately 40%.

12. PAYMENT IN LIEU OF TAXES

The payment of funds to the City of McPherson from the electric department is calculated at the rate of 1.75 mils per kilowatt hours sold for the years ended December 31, 2022 and 2021. Payments to the City from the water department are calculated at $.06 per thousand gallons of water sold for the years ended December 31, 2022 and 2021. The BPU was required to remit $1,883,070 and $1,811,657 in 2022 and 2021, respectively, from the electric department. The BPU was required to remit $63,774 and $54,791 in 2022 and 2021, respectively, from the water department. Payments are made quarterly.

As a municipal utility, The Board of Public Utilities is exempt from federal and state income taxes.

13. DEFERRED COMPENSATION PLAN

The BPU 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.

14. PRINCIPAL CUSTOMERS

Electric sales to the BPU's five largest customers for the year ended December 31, 2022 were as follows:

	2022			
	Sales	Percent of Total Sales	KWH (000)	Percent of Total KWH
CHS (Refinery)	$ 24,772,871	36.4%	451,430	41.8%
Johns Manville Corp.	11,132,937	16.3%	204,208	18.9%
Pfizer	3,348,784	4.9%	59,759	5.5%
Viega LLC	2,158,439	3.2%	33,117	3.1%
North American Specialty Products	1,171,237	1.7%	19,866	1.8%
Total	$ 42,584,268	62.5%	768,380	71.1%

Electric sales to the BPU's five largest customers for the year ended December 31, 2021 were as follows:

	2021			
	Sales	Percent of Total Sales	KWH (000)	Percent of Total KWH
CHS (Refinery)	$ 24,511,252	36.0%	462,945	42.9%
Johns Manville Corp.	8,427,393	12.4%	155,922	14.4%
Pfizer	3,195,100	4.7%	58,097	5.4%
Moundridge City	2,137,798	3.1%	34,804	3.2%
North American Specialty	1,134,750	1.7%	20,424	1.9%
Total	$ 39,406,293	57.9%	732,192	67.8%

15. OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS (OPEB)

Plan Description. The BPU administers an Other Post-employment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. The BPU does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan. Due to the application of GASB 75, comparative information is not available.

Individuals who are employed by the BPU and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement from service with the BPU. Coverage during retirement continues in the group medical, prescription drug, and dental insurance plans. Employees covered by the plan make contributions toward the plan premiums.

15. OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (CONT.)

As of December 31, 2022, plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	5
Active plan members	72
Total	77

Funding Policy. The contribution requirement of plan members and the BPU are established and can be amended by the BPU's Board of Directors. Contributions are made to the plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The BPU's annual OPEB cost (expense) consists of the service cost plus interest on total OPEB liability and changes in assumptions and inputs. The service cost is the portion of the Actuarial Present Value of OPEB benefits that is allocated to the current year by the Actuarial Cost method. The following table presents the components of the BPU's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the BPU's total OPEB obligation to the Plan.

	December 31, 2022
Total OPEB liability - beginning of year	$ 421,240
Service cost	27,872
Interest cost	8,728
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions and inputs	-
Employer contributions (benefit payments)	(50,829)
Total OPEB liability - end of year	$ 407,011

The BPU saw no benefit changes to the disabilitant's percentage of replacement income due to the changes from FY 21 to FY 22.

There was no change in the discount rate.

The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2021 generational projection of future mortality improvement.

Total OPEB Liability. The BPU's total OPEB liability of $407,011 reported as of December 31, 2022 was measured as of December 31, 2022 (the measurement date), and was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions:

Valuation Procedures and Discount Rate

General inflation	3.00%
Salary increases; including wage increases	3.00%
Discount rate	2.06%

The actuarial value of assets must be determined based on some recognition of the fair market value of assets. The BPU's obligation is unfunded at December 31, 2022. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

As an unfunded plan, the discount rate reflects the index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. The index rate used to measure the total pension liability was 2.06% as of December 31, 2022.

The financial information for the year ended December 31, 2022 is based upon a GASB 75 actuarial valuation performed as of December 31, 2021, using the participant census as of December 31, 2021.

The measurement date as selected by the BPU under GASB 75 Standards is December 31, 2022. The results of the valuation were projected to the beginning of year and end of year measurement dates using standard actuarial techniques.

15. OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (CONT.)

In the December 31, 2021, actuarial valuation, the Entry Age Normal - Level Percent of Pay Actuarial Cost method was applied. The actuarial assumptions included a 2.06% investment rate of return, which is a blended rate of the expected long-term investment returns on Plan assets and on the BPU's pooled funds and investments. The valuation assumed annual healthcare cost trend rate of 5.50% in the first year and then decreasing by 0.50% until it reaches an ultimate rate of 5.00%. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results.

Sensitivity of Total OPEB Liability to changes in Healthcare Cost Trend Rate. The following presents the total OPEB liability of the BPU as of December 31, 2022, calculated using the current healthcare cost trend rates as well as what the BPU's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates. The reader should note that healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS, but this exhibit is provided as it is a required disclosure under GASB 75.

	1% Decrease 4.50% decreasing 4.00%	Current Healthcare Cost Trend Rate 5.50% decreasing 5.00%	1% Increase 6.50% decreasing 6.00%
Total OPEB Liability	$ 367,322	$ 407,011	$ 454,900

Sensitivity of Total OPEB Liability to changes in the Discount Rate. The following present the total OPEB liability of the BPU as of December 31, 2021, calculated using the discount rate of 2.06%, as well as what the BPU's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.06%) or 1 percentage point higher (3.06%) than the current rate.

	1% Decrease 1.06%	Current Discount Rate 2.06%	1% Increase 3.06%
Total OPEB Liability	$ 430,507	$ 407,011	$ 384,290

OPEB Expense. For the year ended December 31, 2022, the BPU recognized OPEB expense of $47,997, which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2022 the BPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2022, deferred inflows and outflows of resources are as follows:

Category	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience (1)	$ 92,499	$ -
Changes in assumptions	27,102	-
Benefit payments subsequent to the measurement date	-	-
Total	$ 119,601	$ -

(1) Economic/demographic (gains) and losses for the period ending December 31, 2022 should be adjusted by the unamortized balance of the difference between actual and employer contributions.

15. OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS (OPEB) (CONT.)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an expense/(income) item in future years' OPEB expense as follows:

Year ended December 31:	Amount
2022	$ 11,397
2023	11,397
2024	11,397
2025	11,397
2026	11,397
Thereafter	62,616

16. OTHER POST-EMPLOYMENT BENEFIT PLAN - KPERS DEATH AND DISABILITIES

Plan Description. The BPU participates in a single-employer long-term disability other post-employment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits - Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60% of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees. The BPU has the following employees covered by the Plan as of June 30, 2022 (actuary measurement date):

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	72
Total	77

16. OTHER POST-EMPLOYMENT BENEFIT PLAN - KPERS DEATH AND DISABILITIES (CONT.)

Total OPEB Liability. At December 31, 2022, the total OPEB liability recognized by the BPU was $168,979. BPU's total OPEB liability was determined by an actuarial valuation as of December 31, 2021, calculated based on the discount rate and actuarial assumptions below, and rolled forward to the measurement date as of June 30, 2022. Any significant changes during this period have been reflected as prescribed by GASB 75.

Actuarial Assumptions. The financial information for the year December 31, 2022, is based upon an actuarial valuation performed as of December 31, 2021, rolled forward to June 30, 2022, using the participant census as of December 31, 2021.

The measurement date as selected by the BPU under GASB 75 Standards is June 30th. The results of the valuation were projected to the end of year measurement date using standard actuarial techniques.

Price inflation	2.75%
Salary increases, including wage increases	3.00%
Discount rate (based on the 20 year municipal bond rate with an average rating of AA/Aa or better, obtained from the index.)	3.54%

Mortality rates used for the death benefits were based on the Society of Actuaries RPH-2014 annuitant distinct mortality table Adjusted to 2006 with MP-2019 Full Generational Projection of Future Mortality Improvement.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an actuarial experience study conducted during 2016 - 2018.

Annual OPEB Cost and Net OPEB Obligation. The BPU's annual OPEB cost (expense) consists of the service cost plus interest on total OPEB liability and changes in assumptions and inputs. The service cost is the portion of the Actuarial Present Value of OPEB benefits that is allocated to the current year by the Actuarial Cost method. The following table presents the components of the BPU's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the BPU's total OPEB obligation to the Plan.

	December 31, 2022
Net OPEB liability - beginning of year	$ 260,155
Service cost	26,684
Interest on total OPEB liability	6,061
Effect of economic/demographic gains or losses	(63,354)
Effect of assumptions changes or inputs	(48,060)
Benefit payments	(12,507)
Net OPEB liability - end of year	$ 168,979

The BPU saw no benefit changes to the disabilitant's percentage of replacement income due to the changes from FY 21 to FY 22.

The BPU saw no changes in assumptions from FY 21 to FY 22.

Sensitivity of Total OPEB Liability to changes in Healthcare Cost Trend Rate

The following present the total OPEB liability of the BPU as of June 30, 2022 (measurement date), calculated using the current healthcare cost trend rates as well as what the BPU's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates. The reader should note that healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS, but this exhibit is provided as it is a required disclosure under GASB 75.

	1% Decrease	Current Trend Assumption	1% Increase
Total OPEB Liability	$ 168,979	$ 168,979	$ 168,979

16. OTHER POST-EMPLOYMENT BENEFIT PLAN - KPERS DEATH AND DISABILITIES (CONT.)

Sensitivity of Total OPEB Liability to changes in the Discount Rate

The following present the total OPEB liability of the BPU as of June 30, 2022 (measurement date), calculated using the discount rate of 3.54%, as well as what the BPU's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current rate.

	1% Decrease 2.54%	Current Single Discount Rate Assumption 3.54%	1% Increase 4.54%
Total OPEB Liability	$ 175,813	$ 168,979	$ 161,929

OPEB Expense. For the year ended December 31, 2022, the BPU recognized OPEB expense of $22,192, which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2022, BPU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Category	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	$ 52,391	$ 126,032
Changes in assumptions	16,141	46,659
Total	$ 68,532	$ 172,691

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an expense/(income) item in OPEB expense as follows:

Year ended June 30:	Amount
2023	$ (10,554)
2024	(10,554)
2025	(10,554)
2026	(10,368)
2027	(9,725)
Thereafter	(52,404)

17. DEFINED BENEFIT PENSION PLAN

Plan Description. The BPU participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law and administered by KPERS, a body corporate and an instrumentality of the State of Kansas. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available, stand-alone comprehensive annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737, or at the KPERS website at www.kpers.org.

KPERS provides benefit to the following statewide pension groups under one plan, as provided by K.S.A 74 article 49:

- Public employees, which include:
    - State/School Employees
    - Local Employees
- Police and Firemen
- Judges

17. DEFINED BENEFIT PENSION PLAN (CONT.)

Substantially all public employees in Kansas are covered by the pension plan. The State of Kansas and Kansas schools are required to participate, while participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the pension plan for BPU are included in the local employee group.

Benefits provided. Benefits are established by statute and may only be changed by the Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points."

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the internal revenue code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2022.

The actuarially determined employer contribution rates and the statutory contribution rates for local government employees are 8.90% and 8.90%, respectively. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members.

17. DEFINED BENEFIT PENSION PLAN (CONT.)

Employer Allocations. Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Fireman
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for each group as of June 30, 2022, are based on the ratio of the employer's contributions to total employer and nonemployer contributions of the group for the fiscal years ended June 30, 2022. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022 and 2021, BPU reported a liability of $6,296,825 and $3,945,922 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, which was rolled forward to June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. BPU's proportion of the net pension liability was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2022 and 2021, respectively. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2022, BPU's proportion was 0.487% percent, which was a decrease of 0.019% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, rolled forward from June 30, 2022, BPU recognized pension expense of $220,678, which include the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

At December 31, 2022, BPU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 238,171	$ 11,287
Changes of assumptions	1,006,512	-
Net difference between projected and actual earnings on pension plan investments	533,026	-
Changes in proportion and differences between BPU contributions and proportionate share of contributions	114,491	230,476
BPU contributions subsequent to the measurement date	345,551	-
Total	$ 2,237,751	$ 241,763

17. DEFINED BENEFIT PENSION PLAN (CONT.)

The deferred outflows of resources related to pensions totaling $345,551, resulting from BPU contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended December 31,	Amount
2023	$ 486,038
2024	444,208
2025	170,658
2026	532,614
2027	16,921
	$ 1,650,439

BPU contributes 100% of the contributions to the pension plan, therefore, there is no revenue recognized for the support provided by nonemployer contributing entities.

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

• Inflation	2.75 percent
• Salary increases, including wage increases	3.50 to 12.00 percent, including inflation
• Long-term rate of return, compounded annually, net of investment expense, and including price	7.00 percent

Mortality rates were based on the RP-2014 Mortality Tables with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated used Scale MP-2016.

There were no changes between the measurement date of December 31, 2021, rolled forward to June 30, 2022, and BPU's reporting date of December 31, 2022.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPER's investment consultant, are summarized in the following table.

Asset class	Long-term target allocation	Long-term expected real rate of return
U.S. Equities	23.50%	5.20%
Non-U.S. Equities	23.50%	6.40%
Private Equity	8.00%	9.50%
Private Real Estate	11.00%	4.45%
Yield Driven	8.00%	4.70%
Real Return	11.00%	3.25%
Fixed Income	11.00%	1.55%
Short-term Investments	4.00%	0.25%
Total	100.00%	

17. DEFINED BENEFIT PENSION PLAN (CONT.)

Discount rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flowos used to determine the discount rate was based on member and employer contributions as outlined below.

In KPERS, the Local, Kansas Police and Firemen and Judges groups are contributing at the ful actuarial contribution rate, However, he State/School groups do not necessarily do so.

Based on legislation first passed in 1993, the employer contribtion rates certified by KPERS Board may not increase by more than the statutory cap. Subsequent legislation in 2012 set the statutory cap at 0.90 percent for Fiscal Year 2014, 1.00 percent for Fiscal year 2015, 1.10 percent for Fiscal Year 2016 and 1.20 percent for Fiscal Years 2017 and beyond.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the statutorily capped rates.

In 2015, S.B. 4, reduced the previously certified State/School statutory rate from 11.27 percent to 8.65 percent for the alst half of Fiscal Year 2015. That same session, S.B. 228 recertified statutory rates to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of $1.0 billion in pension obligation bonds.

Legislation in the 2016 session (S.B.. 161) provided for the delay of up to $100.0 million in State and School contributions to the Retirement System for Fiscal Year 2016. Concurrently, 2016 H. Sub for S.B. 249 provided that the delayed contributions would be paid in full, with interest at 8.00 percent, by June 30, 2018. However, legislation passed by the 2017 Legislature removed the repayment provision. In addition, 2017 S. Sub for H.B. 2052 delayed $64.0 million in Fiscal Year 2017 contributions, to be paid over 20 years in level dollar installments. The first-year payment $6.4 million was paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 were made for the State/School group at the statutory contribution rate of 12.01 percent for that year.

Additional legislation in the 2017 Session (S. Sub for H.B. 2002) provded for a reduction of $194.0 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as receivables by the System.

The 2018 Legislature passed H. Sub for S.B. 109 that provided additional contributions to the school group of $56.0 million in Fiscal Year 2018 and $82.0 million in Fiscal Year 2019.

The 2019 Legislature passed S.B. 9 that provided additional contributions to the school group of $115.0 million in Fiscal Year 2019. H. Sub for S.B. 25 from the 20109 Legislative session authorized additional funding for the KPERS School Group in Fiscal Year 2020 of $51.0 million.

The 2021 Legislature pass House Bill 2405, which authorizes the State of Kansas to issue bonds with net proceeds of $500 million to fund a portion of the School Group's unfunded actuarial liability, S.B. 159 recertified the State/School contribution rates for Fiscal Years 2022 and 2023. Fiscal Year 2022 was recertified from 14.09 percent to 13.33 percent and Fiscal Year 2023 and 13.86 percent to 13.11 percent. The bond proceeds were received by KPERS on August 26, 2021.

The 2022 Legislature passed S.B. 421, which authorized the state of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million pays off the outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600.0 million was transferred to the System. S.B. 421 authorized two additional transfers totaling $271.0 million in Fiscal Year 2023 (reflected in the projected cash flows of the System).

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

17. DEFINED BENEFIT PENSION PLAN (CONT.)

Sensitivity of BPU's proportionate share of the net pension liability to changes in the discount rate. The following presents BPU's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what BPU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
$9,045,592	6,296,823	$4,006,702

18. LONG-TERM RECEIVABLES

The BPU has entered into an agreement with a local business which is related to debt financing and repayment arrangements. The agreement provides for repayment of the principal, and interest to the BPU over various time periods. This includes a final adjustment of the balance in January 2022 for final project costs of $283,498, which is reflected in the schedule below. A summary of the long-term receivable is as follows:

Year	Principal	Interest	Total
2023	$ 134,734	$ 74,716	$ 209,450
2024	139,526	69,924	209,450
2025	144,489	64,961	209,450
2026	149,628	64,961	214,589
2027	154,949	59,822	214,771
2028 - 2032	861,440	185,809	1,047,249
2033 - 2036	611,333	34,470	645,803
	$ 2,196,099	$ 554,663	$ 2,750,762

19. 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.

REQUIRED SUPPLEMENTARY INFORMATION

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY - HEALTHCARE
For the Year Ended December 31, 2022

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB Liability - Beginning of year	$ 421,240	$ 294,782	$ 289,476	$ 250,307	$ 228,618	For 2013 to 2017, this data is not yet available.				
Service cost	27,872	15,994	15,528	11,846	10,556	For 2013 to 2017, this data is not yet available.				
Interest cost	8,728	8,188	8,106	10,556	10,635	For 2013 to 2017, this data is not yet available.				
Changes in benefit terms	-	-	-	-	-	For 2013 to 2017, this data is not yet available.				
Differences between actual and expected experience	-	113,786	-	4,155	-	For 2013 to 2017, this data is not yet available.				
Changes in assumptions and inputs	-	12,336	-	22,024	6,206	For 2013 to 2017, this data is not yet available.				
Benefit payments	(50,829)	(23,846)	(18,328)	(9,412)	(5,708)	For 2013 to 2017, this data is not yet available.				
Net Changes	(14,229)	126,458	5,306	39,169	21,689	For 2013 to 2017, this data is not yet available.				
Total OPEB Liability - End of year	$ 407,011	$ 421,240	$ 294,782	$ 289,476	$ 250,307	For 2013 to 2017, this data is not yet available.				

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2013-2017 is not available under the measurement requirements of GASB 75.

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF THE TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL - HEALTHCARE

For the Year Ended December 31, 2022

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB liability	$ 407,011	$ 421,240	$ 294,782	$ 289,476	$ 250,307	For 2013 to 2017, this data is not yet available.				
Fiduciary net position	-	-	-	-	-	For 2013 to 2017, this data is not yet available.				
Net OPEB liability	$ 407,011	$ 421,240	$ 294,782	$ 289,476	$ 250,307	For 2013 to 2017, this data is not yet available.				
Fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	For 2013 to 2017, this data is not yet available.				
Covered-employee payroll	$ 6,648,980	$ 6,455,320	$ 6,395,186	$ 6,208,918	$ 5,713,429	For 2013 to 2017, this data is not yet available.				
Net OPEB liability as a percentage of covered-employee payroll	6.12%	6.53%	4.61%	4.66%	4.38%	For 2013 to 2017, this data is not yet available.				

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2013-2017 is not available under the measurement requirements of GASB 75.

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY - KPERS DEATH AND DISABILITY
For the Year Ended December 31, 2022

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB Liability - Beginning of year	$ 260,155	$ 337,018	$ 243,900	$ 216,272	$ 211,572	For 2013 to 2017, this data is not yet available.				
Service cost	26,684	26,987	22,469	21,891	21,783	For 2013 to 2017, this data is not yet available.				
Interest cost	6,061	7,727	8,871	8,927	8,044	For 2013 to 2017, this data is not yet available.				
Changes in benefit terms	-	-	-	-	-	For 2013 to 2017, this data is not yet available.				
Differences between actual and expected experience	-	-	-	-	-	For 2013 to 2017, this data is not yet available.				
Effect of economic/demographic gains or losses	(63,354)	(83,011)	68,118	8,380	(5,105)	For 2013 to 2017, this data is not yet available.				
Changes in assumptions and inputs	(48,060)	415	19,713	3,524	(2,522)	For 2013 to 2017, this data is not yet available.				
Benefit payments	(12,507)	(28,981)	(26,053)	(15,094)	(17,500)	For 2013 to 2017, this data is not yet available.				
Net Changes	(91,176)	(76,863)	93,118	27,628	4,700	For 2013 to 2017, this data is not yet available.				
Total OPEB Liability - End of year	$ 168,979	$ 260,155	$ 337,018	$ 243,900	$ 216,272	For 2013 to 2017, this data is not yet available.				

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2013-2017 is not available under the measurement requirements of GASB 75.

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF THE TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL - KPERS DEATH & DISABILITY

For the Year Ended December 31, 2022

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB liability	$ 168,979	$ 260,155	$ 337,018	$ 243,900	$ 216,272	For 2013 to 2017, this data is not yet available.				
Fiduciary net position	-	-	-	-	-	For 2013 to 2017, this data is not yet available.				
Net OPEB liability	$ 168,979	$ 260,155	$ 337,018	$ 243,900	$ 216,272	For 2013 to 2017, this data is not yet available.				
Fiduciary net position as a percentage of total OPEB	0.00%	0.00%	0.00%	0.00%	0.00%	For 2013 to 2017, this data is not yet available.				
Covered-employee payroll	$ 5,929,407	$ 5,957,193	$ 6,031,057	$ 5,685,724	$ 5,593,278	For 2013 to 2017, this data is not yet available.				
Net OPEB liability as a percentage of covered-employee payroll	2.85%	4.37%	5.59%	4.29%	3.87%	For 2013 to 2017, this data is not yet available.				

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2013-2017 is not available under the measurement requirements of GASB 75.

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF THE BPU'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2022

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
BPU's proportion of the net pension liability (asset)	0.06%	0.05%	0.06%	0.05%	0.05%	0.05%	0.05%	0.04%	0.04%	0.05%
BPU's proportionate share of the net pension liability (asset)	$ 6,296,825	$ 3,945,922	$ 5,896,724	$ 4,502,648	$ 4,457,948	$ 4,465,778	$ 4,814,766	$ 3,980,974	$ 3,706,716	$ 4,602,993
BPU's covered-employee payroll	$ 7,000,926	$ 6,827,464	$ 6,595,221	$ 6,687,361	$ 6,098,876	$ 5,808,272	$ 5,739,489	$ 5,592,263	$ 5,199,578	$ 5,211,338
BPU's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.94%	57.79%	89.41%	67.33%	73.09%	76.89%	83.89%	71.19%	71.29%	88.33%
Plan fiduciary net position as a percentage of the total pension liability	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF CONTRIBUTIONS
For the Year Ended December 31, 2022

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 658,517	$ 640,482	$ 634,417	$ 663,059	$ 573,476	$ 507,015	$ 531,672	$ 519,427	$ 459,642	$ 413,780
Contributions in relation to the contractually required contribution	(658,517)	(640,482)	(634,417)	(663,059)	(573,476)	(507,015)	(531,672)	(519,427)	(459,642)	(413,780)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
BPU's covered-employee payroll	$ 7,000,926	$ 6,827,464	$ 6,595,221	$ 6,687,361	$ 6,098,876	$ 5,808,272	$ 5,739,489	$ 5,592,263	$ 5,199,578	$ 5,211,338
Contributions as a percentage of covered-employee payroll	9.41%	9.38%	9.62%	9.92%	9.40%	8.73%	9.26%	9.29%	8.84%	7.94%

Board of Public Utilities - McPherson, Kansas

REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the Year Ended December 31, 2022

Other Post Employment Benefits - Healthcare

Changes in benefit terms:

There are no changes in benefits.

Changes in assumptions:

There are no changes in assumptions.

Other Post Employment Benefits - KPERS Death and Disabilities

Changes in benefit terms:

There are no changes in benefits.

Changes in assumptions:

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022.

Defined Benefit Pension Plan

Changes in benefit terms:

There are no changes in benefits.

Changes in assumptions:

There are no changes in assumptions.

ADDITIONAL INFORMATION

Board of Public Utilities - McPherson, Kansas

Summary Statement of Revenues and Expenses - Electric
Last Five Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Income (Expense)	Change in Net Position
2018	$ 59,948,188	$ 55,733,378	$ 4,214,810	$ 353,581	$ 4,568,391
2019	62,515,080	60,412,879	2,102,201	1,504,470	3,606,671
2020	60,794,403	58,486,630	2,307,773	1,024,850	3,332,623
2021	76,012,507	71,426,573	4,585,934	2,379,388	6,965,322
2022	82,423,812	76,911,320	5,512,492	1,476,685	6,989,177

Board of Public Utilities - McPherson, Kansas

Operating Expenses - Electric
Last Five Fiscal Years

Fiscal Year	Fuel	Purchased Power	Production	Distribution and Transmission	Administrative and General	Payment to City of McPherson	Depreciation and Amortization	Total Operating Expense
2018	$ 699,695	$ 42,806,144	$ 2,407,357	$ 3,755,060	$ 2,158,644	$ 1,759,776	$ 2,146,702	$ 55,733,378
2019	2,438,382	43,343,403	3,837,927	3,998,941	2,615,601	1,682,523	2,496,102	60,412,879
2020	1,759,357	42,587,516	2,698,025	4,345,638	2,742,447	1,828,568	2,525,079	58,486,630
2021	8,793,114	49,317,273	2,429,213	4,233,806	2,331,173	1,811,657	2,510,337	71,426,573
2022	10,259,667	52,190,215	2,874,261	4,395,483	2,755,672	1,883,070	2,552,952	76,911,320

Board of Public Utilities - McPherson, Kansas

Summary Statement of Revenues and Expenses - Water
Last Five Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Income (Expense)	Change in Net Position
2018	$ 3,651,963	$ 2,665,595	$ 986,368	$ 107,859	$ 1,094,227
2019	4,068,284	3,256,403	811,881	231,184	1,043,065
2020	4,743,238	3,013,886	1,729,352	286,953	2,016,305
2021	5,154,096	2,924,768	2,229,328	(496,232)	1,733,096
2022	6,102,917	3,171,429	2,931,488	(196,098)	2,735,390

Board of Public Utilities - McPherson, Kansas

Operating Expenses - Water
Last Five Fiscal Years

Fiscal Year	Production	Distribution and Transmission	Administrative and General	Payment to City of McPherson	Depreciation and Amortization	Total Operating Expense
2018	$ 566,451	$ 1,067,109	$ 371,559	$ 53,258	$ 607,218	$ 2,665,595
2019	567,204	1,555,807	438,450	52,439	642,503	3,256,403
2020	588,017	1,213,210	494,076	53,801	664,782	3,013,886
2021	600,710	1,187,720	410,256	54,791	671,291	2,924,768
2022	735,992	1,227,675	461,572	60,578	685,612	3,171,429

ADDITIONAL INFORMATION
(UNAUDITED)

Board of Public Utilities - McPherson, Kansas

COMMENTS AND OPERATING STATISTICS
(UNAUDITED)

Electric Utility:	2022	2021	Difference Inc. (Dec.)	Percent Inc. (Dec.)
Kilowatt hours (in thousands) -				
Purchased from Evergy	1,100,089	1,055,132	44,957	4.26%
Total generated and purchased	1,100,089	1,055,132	44,957	4.26%
Sales KWH (000) -				
Residential	69,897	67,792	2,105	3.11%
Commercial	101,109	94,046	7,063	7.51%
Industrial	872,159	829,697	42,462	5.12%
Rural	25,648	24,089	1,559	6.47%
Light Rental	-	238	(238)	-100.00%
Wholesale	6,161	17,609	(11,448)	-65.01%
Street lighting	2,288	2,561	(273)	-10.66%
Water utility	2,610	2,521	89	3.53%
Total sales and station power	1,079,872	1,038,553	41,319	3.98%
System losses	20,217	16,579	3,638	21.94%
Total customers served (2020 - 8806, 2019 - 8740)				
Operating revenue -				
Residential	$ 11,688,729	$ 5,593,993		
Commercial	9,100,950	8,178,168		
Industrial	49,246,359	45,526,591		
Rural	2,172,194	1,919,440		
Wholesale	492,946	1,343,373		
Street lighting	391,161	489,952		
Water utility	225,928	192,903		
Evergy interconnection	9,013,617	12,680,410		
Light rental	91,928	87,677		
Total	$ 82,423,812	$ 76,012,507		

The electric department's operations may be separated into two segments. In accordance with a contract entered into with Kansas Power and Light (Evergy) in 1972, the department purchases all of its energy requirements from Evergy for resale to its retail and wholesale customers. In return, the BPU is obligated to sell all of the System's energy production to Evergy. In February 1997, the BPU signed an addendum extending the current agreement to 2027. In April 2010 the contract was extended to 2039.

Sales, other than Evergy, are segregated between customers inside and outside a three mile limit from the City. These sales approximated 3.19% of total sales in 2022. Expenses attributable to such sales are allocated on the same percentage as sales.

Water Utility:

The water department serves 5,216 residental, 783 commercial and 4 wholesale customers. Water pumped in 2022 was 1,072,794,300 gallons which was approximately 7.61% more than 2021. Gross revenue increased 18.08% from the prior year.

INFORMATION CONCERNING THE ELECTRIC UTILITY SYSTEM

(UNAUDITED)

Description of the Existing Facilities of the System

The System presently owns and operates two generating plants. Power Plant No. 2 consists of three General Electric combustion turbines with a combined aggregate rating of approximately 155 MW. Power Plant No. 3 was brought on line in October 1998 with a nominally rated 80 MW General Electric combustion turbine. This level of generating capability should support the Evergy Agreement and the System customers well into the future.

The System's total generating capacity is 233.8 MW, and its firm generating capability is 208.8 MW, allowing for reserves to match the current requirements by the Southwest Power Pool.

Distribution System

All rural and most urban customers of the System which have been added in recent years are served by 7.2/12.5 kV distribution facilities Several of the principal feeders have been rebuilt in recent years using T-2 ACSR conductor with increased capacity. Underground distribution is used in new subdivisions.

The System presently owns 20 miles of 115 kV transmission line which interconnects with Evergy at two locations, such locations being Evergy's 115 kV West McPherson Substation at the west side of the City and Evergy's 230 kV high voltage transmission line between Salina and Hutchinson at the System's East Substation located southeast of the City. Construction was completed in 1992 on a 115 kV ring bus at the Manville 115 kV substation on the east side of the City. A 115 kV transmission line was constructed tying this substation to the Evergy West McPherson Substation. Currently the entire City is surrounded by a 115 kV transmission loop. Evergy recently rebuilt its transmission line feeding the West McPherson Substation, substantially improving the power quality for System customers.

Customers, Sales and Revenues

The following tables set forth certain statistical data for the System on customers, sales and revenues for the years listed below for major customer classifications and list the total System energy sales and revenues, excluding pool interchange.

Customers, Sales and Revenue by Customer Classification

	Residential			Commercial		
Year	Customers Served	Sales (kWh)	Revenue	Customers Served	Sales (kWh)	Revenue
2018	7,256	94,601,610	$ 7,332,509	1,451	95,031,065	$ 8,129,879
2019	7,302	91,718,014	6,925,984	1,417	100,048,674	8,389,282
2020	7,384	89,270,920	6,703,888	1,401	88,476,257	7,739,762
2021	7,406	91,880,410	7,729,427	1,473	94,046,162	8,178,168
2022	7,405	95,545,608	8,546,355	1,478	101,109,264	9,100,950
	Industrial			Wholesale		
2018	19	800,973,868	$41,643,937	2	38,033,700	$ 2,511,877
2019	19	749,707,360	39,472,208	2	37,157,400	2,369,396
2020	19	799,972,920	39,270,625	2	36,922,500	2,254,080
2021	19	829,696,880	45,526,591	2	17,608,800	1,343,373
2022	19	872,151,840	49,246,359	1	6,160,500	492,945

Customers, Sales and Revenues (Cont.)

Totals			
Year	Customers Served	Sales (kWh)	Revenue
2018	8,728	1,028,640,243	$ 59,618,201
2019	8,740	973,495,741	56,507,349
2020	8,806	1,020,035,644	55,971,389
2021	8,901	1,055,132,000	63,548,091
2022	8,903	1,074,967,212	67,386,610

Ten Largest Electric Utility Customers in Recent Years

Customer	kwh	2022	kwh	2021	kwh	2020
CHS	451,430,000	$ 24,772,871	462,945,000	$ 24,511,252	451,710,000	$ 21,306,934
Johns Manville	204,207,500	11,132,199	155,921,500	8,427,393	149,341,500	7,123,996
Pfizer	59,759,000	3,340,416	58,096,500	3,195,100	56,133,000	2,779,942
CertainTeed	11,623,200	778,625	13,584,000	841,977	13,658,400	751,326
Wald Family Foods	8,691,600	594,766	-	-	-	-
City of Moundridge	-	-	8,301,600	553,224	31,003,200	1,861,418
Nustar	19,120,800	1,145,884	19,864,800	1,102,171	18,864,000	975,938
Viega	33,117,000	2,155,900	34,804,000	2,137,798	28,525,000	1,628,557
North American Pipe	19,862,400	1,170,708	20,416,800	1,133,942	20,287,200	1,015,263
KV Enterprises	11,601,600	581,943	-	-	-	-
Ferguson Production	-	-	7,856,400	499,220	7,963,200	441,661
Grain Craft	10,885,440	671,931	9,200,160	568,599	10,439,040	566,762
Total	830,298,540	$ 46,345,244	790,990,760	$ 42,970,676	787,924,540	$ 38,451,797

System Growth

The growth of the System's customers, electric sales and revenues from sales is shown in the following table:

Year	Customers Served	Peak Demand (MW) (1)	Sales (MWh)	Annual Revenue from Energy Sales
2018	8,728	158	1,033,644	$ 60,247,777
2019	8,740	163	978,631	57,156,870
2020	8,806	161	1,020,036	55,971,389
2021	8,901	158	1,038,552	63,548,091
2022	8,903	166	1,080,097	68,095,627

(1) Includes two small municipal systems (Galva and Moundridge) served as wholesale customers and sales for light rental, street lighting and power for water pumping.

Rates

Current electric rates as of June 1, 2022, for the System are as follows:

	Residential Electric Service	*Residential All Electric*	*General Service Small*	*General Service Medium*	*General Service Large*
Service Charge	$12.50/month	$12.50/month	$17.00/month	$17.00/month	N/A
Energy Rate	$0.0325/Kwh	May-Oct: $0.325/kWH, Nov-Apr; $0.0325/kWH for first 400 kWH, $0.0280/kWH for over 400 kWH	$0.0469/kWH for first 1,500 kWH, $0.0435/kWH for over 1,500 kWH	$0.0220/kWH	$0.0265/kWH for all kWH
Capacity Charge	$0.01105/kWH	$0.01105/kWH	$0.01105/kWH	$2.52/kVA	Prchased capacity charge multiplied by the billing capacity.
Transmission Charge	$0.02462/kWH	$0.02462/kWH	$0.02462/kWH	$5.61/kVA	Transmission Charge multiplied by the billing capacity.
City Transfer Charge	$0.00175/kWH	$0.00175/kWH	$0.00175/kWH	$0.00175/kWH	City Transfer Charge multiplied by kWh usage.
Demand Rate	NA	NA	NA	$4.35/kVA	$2.80/kVa for all kVa of billing capacity
Interruptible Rate Demand multiplier	N/A	N/A	N/A	$0.80	N/A

Financial Reporting

The financial records of the Board are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In 2022, the Board's annual audit has been performed by Loyd Group, LLC, Galva, Kansas. Copies of the audit reports for the past five years are on file in the Treasurer – Comptroller's office and are available for review and shall be considered as a part of the annual report.

Statement of Revenues and Expenses; Historical Debt Service Coverage Ratio

The operating results of the System presented in the following table are derived from the annual financial statements of the BPU. No assurance can be given that operating results for future years will be comparable to operating results for the prior years listed below:

	2019	2020	2021	2022
Operating Revenue				
Electric				
Metered Sales	$ 56,417,616	$ 55,737,772	$ 62,846,626	$ 67,702,224
Street Lighting	475,589	315,574	485,471	387,157
Sales to Interconnection	5,621,874	4,741,058	12,680,410	14,334,431
Total Operating Revenues	62,515,079	60,794,404	76,012,507	82,423,812
Operating Expenses				
Fuel	2,438,382	1,759,357	8,793,114	10,259,667
Purchased Power	43,343,403	42,587,516	49,317,273	52,190,215
Production	3,837,927	2,698,025	2,429,213	2,874,261
Distribution and Transmission	3,998,941	4,345,638	4,233,806	4,395,483
Administrative and General	2,615,601	2,742,447	2,331,173	2,755,672
Depreciation and Amortization	2,496,102	1,828,568	1,811,657	1,883,070
Payment to City of McPherson	1,682,523	2,525,079	2,510,337	2,552,952
Total Operating Expense	60,412,879	58,486,630	71,426,573	76,911,320
Operating Income	2,102,200	2,307,774	4,585,934	5,512,492
Nonoperating Income (Expense)				
Interest Income	1,006,128	731,512	189,624	661,974
Revenues from Merchandising	481,436	274,565	2,186,572	791,297
Less Cost from Merchandising	(136,335)	(113,179)	(174,812)	(145,612)
Refuse Collection	85,620	86,059	86,417	86,458
Penalties	64,272	46,386	75,507	81,172
Farm Rents	3,309	(22,368)	(2,920)	1,396
Gain (Loss) on Disposal of Assets	(40)	21,875	19,000	-
Total Nonoperating Income (Expense)	1,504,390	1,024,850	2,379,388	1,476,685
Change in Net Position	$ 3,606,590	$ 3,332,624	$ 6,965,322	$ 6,989,177
Income Available for Debt Service	$ 6,102,692	$ 5,161,192	$ 8,776,979	$ 8,872,247
Debt Service Requirements	$ -	$ -	$ -	$ -
Debt Service Coverage Ratio	0.00%	0.00%	0.00%	0.00%

Management's Discussion on Financial Operations

On April 19, 2010, the utility signed Addendum No. 5 to the Evergy (formerly Westar) Agreement, extending the current power supply contract until 2039. This action provides the community with a long-term supply which should continue providing the customer with attractive electric rates for several years.

As a result of Addendum No. 5, the Board implemented a rate adjustment, designed by Burns & McDonnell, effective January 1, 2011. The rates contained a variable energy, transmission, and purchase capacity component protecting utility net revenue from these variable costs. They also continue to generate revenues to fully fund the emergency accounts, fund normal annual capital expenditures, and depreciation. The electric side of the utility currently has no outstanding revenue bonds. The rates continue to be among the lowest in the state and region, allowing the System to continue to attract and retain all types of customers.

In 2019, the utility again hired Burns & McDonnell to perform a rate review, not due to a need for additional revenue, but to accommodate distributed generation (DG). The goal was to develop cost of service-based rates for DG customers so they can choose to self-supply energy while ensuring payment for use of the electric system. In December 2019, new rates were adopted for residential and small commercial customers with DG. These rates included demand type charges and consideration was given to modifying other customer class rates to reduce reliance on kWh sales for revenue. In general, kWh charges were reduced while demand type charges were increased, resulting in the same revenue. In 2022, new rates were adopted for medium commercial customers with DG to achieve the same reduced reliance on kWh sales for revenue. Additionally in 2022, new rates were adopted for all customer classes. These adjustments were based on a Burns & McDonnell cost-of-service rate study. The results of the adjustment levelized charges across the customers classes and reduced subsidies across customer classes. No new revenue was created by the new rates.

The present Evergy power plants stipulated in the Agreement to provide base load energy requirements for the System, consist of four coal fired units. Three of these units are at the Jeffrey Energy Center, where the first of these entered commercial service in the spring of 1978. In 1983, the newest unit, number three, began commercial operation. The fourth unit is located at Lawrence, Kansas. Evergy is considering retirement of its coal fleet due to age and the move to renewables. Proposed retirements start with Lawrence in 2024 and Jeffrey units in 2030 through 2039. The Lawrence unit may be converted to natural gas as its primary fuel source as opposed to fully retiring. From a power supply perspective, coal continues to lose some of its favor due to abundant renewables and reduced capacity factor, but feel it is an important part of the mix to assure reliability and price stability. This was highly visible in 2022 when natural gas prices had price spikes not seen in over a decade. A diverse fuel mix helps dampen fuel cost spikes and provides stability to customer rates. The utility will continue to monitor the proposed changes and develop a best path forward when retirement plans are finalized.

In November 2015, the utility sent out renewable resource requests for proposal (RFP). With the Evergy contract resulting in an energy supply mix of roughly 85% coal, which produces a high level of carbon per MWh, the addition of renewable resources is an effort to mitigate exposure to carbon regulation and move to a more carbon free energy mix. Over 20 proposals were received from the RFP. The most favorable prices were received from Evergy, resulting in a 20-year agreement adding 37 MW of wind capacity to the power supply contract. The addition of the wind capacity began in December 2016. As a result, approximately 18% of the 2020 energy supply was from carbon-free wind and the coal portion was reduced to 67%. Wind energy also cost slightly less than coal in 2020.

On September 5, 2018, the utility signed another 20-year Renewable Energy Agreement with Evergy. The new agreement was for 50 MW of capacity with a commercial operation date of December 31, 2020. Given the favorable cost, an addendum for 25 MW of additional capacity was signed on April 29, 2020. This energy supply, from Soldier Creek Wind Farm, is the utility's cheapest, and increased the amount of carbon-free energy in 2021 to 38.7%. The utility started receiving energy from this resource in November 2020.

Wind assets performed better in 2022 compared to 2021. This led to 41.1% of our energy mix coming from renewable resources, which was our lowest cost energy for 2022. Our competitively priced wind energy helped counteract the surge in Other Than Base energy prices that was caused by high natural gas prices. As a result, 2022 energy prices were the highest they have been in recent history, even surpassing 2021 which witnessed a historical increase in February 2021 due to Winter Storm Uri. As natural gas prices continue their recent decease in pricing, the Utility's energy prices will also decrease.

The Utility has substantial growth in 2022. The peak load for 2022 was 168 MW, up from 158 MW in 2021. The main contributor to this growth was the expansion of McPherson's Johns Manville (JM) Plant. Two additional electric feeds were added to JM's service to support their expansion. Another large addition and accomplishment to the Utility was the commissioning of Mohawk Substation. This substation provides increased distribution capacity to the northeast quadrant of McPherson. 2022 kWh sales increased 4.0% over the previous year.

Deregulation of the electric industry, climate change, distributed generation, electric vehicle penetration, energy cost volatility, and environmental compliance bring uncertainty to the entire industry. The BPU has taken a pro-active approach doing all it can to enhance customer relations, guarantee adequate revenue, assure high reliability, maintain a diverse purchase energy mix, and maintain competitive rates. Management has worked diligently to prepare for these issues and feels confident that the System will continue to prosper.

Report On Electric System Conditions
For The Year 2022

The Board of Public Utilities (BPU) operates a vertically integrated electric utility consisting of generation, transmission, and distribution. The utility has approximately 8,900 total customers, which includes one wholesale customer, the City of Galva. Sales in 2022 were up 4.0% over the previous year.

BPU's generation resources consist of four General Electric (GE) gas turbines with a total summer capacity of approximately 234 MW. The three units located at Power Plant 2 were installed from 1973 to 1979 and operate as peaking units, typically running less than 200 hours and 15 starts per year. The newest turbine went commercial in 1998 and is located at Power Plant 3 and typically operates around 200 hours and has less than 35 starts per year. With the new Southwest Power Pool (SPP) Integrated Market, which began in March 2014, the utility's turbines continue to see increased operation over pre- integrated market operations. In 2022 operations were above average for post integrated market operations with gas fired units starting between 98 and 120 times. Gas turbine #3 at Plant 2 received a major inspection in the spring of 2015 and a combustion inspection in 2021. Gas turbine #1 at Plant 2 had a major inspection in the spring of 2018 and will undergo a combustion inspection this spring (2022). The gas turbine at Plant 3 underwent a major inspection in the spring of 2019 as planned with no major issues identified. Unit was reassembled with OEM oversight. Going forward, the utility will continue to perform annual borescope inspections so small problems can be found and addressed before they become major issues.

In November 2015, the utility sent out a Request for Proposal (RFP) for renewable generation resources. At that time approximately 85% of the BPU's energy supply came from coal fired generation which has a high carbon footprint. The three main reasons for considering renewable resources were additional regulation and cost of coal due to the high carbon footprint, the production tax credit for renewable resources being phased out, and current favorable prices for wind generation. Over 20 proposals were received, and in the end, the utility signed an agreement with Evergy (formerly Westar), the utility's long time power supply provider, for 37 MW of wind capacity. The term of the contract is 20 years and the first delivery of energy occurred in December 2016. Pricing was very favorable when compared to other resources and should provide a degree of protection from carbon emission regulation going forward. In 2022, this energy source provided 13.5% of the utility's requirements.

In September 2018, the utility signed another Renewable Energy Agreement with Evergy. The new agreement provides 50 MWs of capacity with a commercial date of December 2020. Due to the favorable pricing an addendum was signed in April 2020 for an additional 25 MWs of capacity from this wind farm. These agreements again reduce the utility's carbon footprint, provide stable long-term energy cost with favorable pricing, and resulted in 41.1% of the 2022 energy supply being carbon free.

The BPU owns roughly 20 miles of 115 kV transmission line and five 115 kV ring bus style substations, with the addition of our newest substation Mohawk Substation. Poles are inspected on a regular schedule and poles found to be structurally deficient are replaced. Recently, with the use of a drone, some of the transmission poles were inspected and degradation was observed in the top section. Because of this, the utility started replacing 115 kV multi-pole structures that were installed in the1970's and completed all planned replacements in 2021. Money was also set aside in recent budgets to replace all electromechanical relays with solid state at the Plant 2 115 kV substation. This project was completed in the spring of 2020.

Electric load continued to grow in the northeast part of town, and consequently, the utility started construction in 2020 on a new 115 kV ring bus style substation with both 35 and 12.5 kV capacity. Construction of the Mohawk

Substation was completed in 2022 and enhanced the utility's ability to provide reliable service to existing customers as well as serve residential and industrial growth for years into the future. As part of Mohawk Substation and the addition of new distribution circuits, one mile of transmission poles was replaced to accommodate the distribution under build. Further investment of optical ground wire (OPGW) was installed from West McPherson Substation to Mohawk Substation and from Mohawk Substation to JM115 Substation. This allowed for the ability to upgrade the primary transmission line relay protection at JM115. Industrial growth continued its steady incline, and most notably was the expansion of McPherson's Johns Manville (JM) Plant. Two additional electric feeds were added to JM's service to support their expansion.

BPU's distribution system consists of approximately 31 miles of 35 kV overhead line, 516 miles of 12.5 kV overhead line, 51 miles of 12.5 kV underground line. Poles located on main feeder lines are inspected for structural integrity on a set schedule. In recent years, several of the arterial lines located in the rural areas have been rebuilt using ACSR T-2 conductor and stronger poles. Both steps are intended to make the lines less vulnerable to ice and wind loading, with the goal being increased reliability. In general, most rural 12.5 kV lines are in sound condition with no significant planned replacements being considered, other than a pole replacement program on single phase lines. The utility is continuing a program to convert sections of overhead to underground inside the city. Areas converted have no alley access for servicing the equipment and significant tree issues. These conversions improve system reliability, enhance worker safety, and reduce operation expenses, and the intent is to continue these types of projects. For the past several years, the Utility focused on removal of the last two 5 kV circuits. The project involved transforming the two 5 kV circuits from overhead to underground, converting the circuit voltage to 12.5 kV, and the removal of two aging substations. This project was completed in 2022.

In 2020, the utility converted all residential and small commercial meters to AMI, which allows for remote reading/disconnect/reconnect and monitoring of the service. The balance of remaining customers was updated to AMI in 2021. This upgrade improved customer service and restoration time through remote monitoring of outages and system voltage sags. Additional savings of AMI were seen through reallocation of workforce duties, for example, absorbing past meter reader roles and responsibilities.

Due to the continual investment in the system, BPU's generation, transmission, and distribution system are well maintained and able to deliver reliable service required by today's customers. Plans are to continue to invest in the system as we move to 2023 and beyond.

INFORMATION CONCERNING THE WATER UTILITY SYSTEM

(UNAUDITED)

Description of the Existing Facilities of the System

The System is maintained and operated by the Water Department, which is managed under the direction of the Board acting through the General Manager. The billings, collections and data processing are accomplished in conjunction with other Utility operations. Appropriate allocation of costs for these services are made to the Water Department.

At the present time, the Water Department and the water production operations employ the following number of people:

Production	2
Transmission & Distribution	6
Administration & Office	3

History of the Area Served

The water department was the first of the City's utilities to be developed. A notation was found under the date (line) of May 30, 1872, stating that water can be found at the new town of McPherson at a depth of 25 feet.

The Board also provides water to four rural districts, which includes the community of Windom, or a total estimated population of 680 persons. It is projected that the Board will continue to provide water for 700 persons in the rural water districts.

It is projected that the Board will provide water to a design population of 17,000 people in 2035.

Number of Customers

Year	Number of Customers
2022	6,003
2021	6,001
2020	5,980
2019	5,941
2018	5,902

History of Water Usage

Year	Gallons Pumped	Gallons Sold	Bearing Water	Gallons Unaccounted	Percentage Water Loss
2022	1,072,794,300	1,020,697,000	11,421,110	41,676,190	3.88%
2021	996,904,900	909,582,000	11,280,420	76,042,480	7.63%
2020	987,741,300	903,195,000	11,273,200	73,273,100	7.42%
2019	961,174,700	879,477,000	11,371,050	70,326,650	7.32%
2018	999,133,500	908,506,000	11,382,910	79,244,590	7.93%

Wholesale Water Sales

Wholesale Water Sales

Year	Gallons	Revenue
2022	43,006,000	$ 242,577
2021	38,271,000	201,456
2020	38,547,000	187,962
2019	39,370,000	167,290
2018	43,641,000	173,652

Ten Largest Customers

Ten Largest Customers

Customer	Gallons	Total Revenue
Pfizer	91,534	$ 508,787
Johns Manville	71,542	436,032
Viega	32,142	179,486
Rural Water District #4	29,444	161,323
CHS	27,948	194,063
North American Speciality	24,448	92,909
Wald Family Foods	14,044	55,871
Recreation Commission	13,551	60,086
Central States Mktg & Mfg Inc	10,662	58,748
WM Pendlay	7,889	28,890

Rates

2022 water rates for the System are listed below:

Base Charge: Based on size of meter.

Meter Size	Inside City Limits	Outside City Limits
5/8"	$15.66	$23.50
1"	$31.66	$47.48
1 1/2"	$67.07	$100.60
2"	$118.47	$177.71
3"	$276.40	$414.60
4"	$489.53	$734.29
6"	$987.03	$1,480.55
8"	$1,421.40	$2,132.10
10"	$2,132.10	$3,198.15

Residential Unit Charge: (Meters with gallon readings)

	Inside City Limits	Outside City Limits
0-20 units	$3.24/unit	$4.86/unit
21-40 units	$3.87/unit	$5.81/unit
41-60 units	$4.68/unit	$7.02/unit
Over 60 units	$5.61/unit	$8.42/unit

Commercial Customers

	Inside City Limits	Outside City Limits
Base Rate	$3.50/unit	$5.25/unit

Wholesale Customers

	Outside City Limits
All Units	$5.25/unit

Connection Charge: Effective January 1, 2018

	Inside City Limits	Outside City Limits
5/8"	$800.00	$1,200.00 plus bore & street repair
1"	$900.00	$1,350.00 plus bore & street repair
1 1/2"	$1,700.00 plus drill cost	$2,550.00 plus bore & street repair
2"	$1,750.00 plus drill cost	$2,625.00 plus bore & street repair
Larger than 2"	Actual Cost	Cost x 1 1/2

Connection charges must be paid in full before service is turned on.

General Note:

In the event the customer orders a disconnection and reconnection of water at the same premise within a period of twelve (12) months, the Board may collect a reconnection charge the sum of such minimum bills as would have accrued during the period of disconnection.

In the interest of water conservation, indiscriminate waste of water by the customer will be grounds for temporary disconnection of water service by the utility. It will be the customers' responsibility to demonstrate corrective measures that will stop excessive waste of the water resource.

Financial Reporting

The financial records of the Board are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In 2022, the Board's annual audit has been performed by Loyd Group, LLC, Certified Public Accountants, Galva, Kansas. Copies of the audit reports for the past five years are on file in the Comptroller's office and are available for review and shall be considered as a part of the annual report.

Statement of Revenues and Expenses; Historical Debt Service Coverage Ratio

The operating results of the System presented in the following table are derived from the annual financial statements of the Utility. No assurance can be given that operating results for future years will be comparable to operating results of the prior years listed below:

	2019	2020	2021	2022
Operating Revenue				
Sale Of Water	$ 4,068,284	$ 4,743,238	$ 5,154,096	$ 6,102,917
Operating Expenses				
Production	567,204	588,017	600,710	735,992
Distribution and Transmission	1,555,804	1,213,210	1,187,720	1,227,675
Administrative and General	438,450	494,076	410,256	461,572
Depreciation and Amortization	642,503	664,782	671,291	60,578
Payments to City of McPherson	52,439	53,801	54,791	685,612
Total Operating Expense	3,256,400	3,013,886	2,924,768	3,171,429
Operating Income	811,884	1,729,352	2,229,328	2,931,488
Nonoperating Income (Expense)				
Interest Income	174,209	116,155	41,766	354,424
Revenues from Merchandising	180,784	245,308	240,762	63,621
Less Cost from Merchandising	(5,466)	(11,740)	(2,153)	(12,303)
Refuse Collection & Sewer Service Fee	15,114	15,199	15,253	15,258
Farm Rents	110,825	141,351	239,056	135,875
Gain (Loss) on Disposal of Assets	923	1,530	-	4,000
Cost of issuance of debt	-	-	(449,194)	-
Interest on Debt	(247,050)	(220,850)	(581,722)	(756,973)
Total Nonoperating Income (Expense)	229,339	286,953	(496,232)	(196,098)
Change in Net Position	$ 1,041,223	$ 2,016,305	$ 1,733,096	$ 2,735,390
Income Available for Debt Service	$ 1,897,139	$ 2,869,447	$ 3,548,016	$ 4,144,721
Debt Service Requirements	$ 953,619	$ 953,619	$ 1,518,303	$ 2,146,253
Debt Service Coverage Ratio	198.94%	300.90%	233.68%	193.11%

Management's Discussion of Financial Operations

The most recent rate increase of the Board of Public Utilities (BPU) occurred on January 1, 2023, which was 8%, with the previous three adjustments taking place on January 1, 2020, January 1, 2021, and January 1, 2022. Combined, these have resulted in an overall increase of 39% (45% increase when compared to 2019 rates, but the utility's water rates still compare favorably with other communities in the area. These increases were required to fund development of a new water supply source, the South Well Field (SWF) and to cover the debt service requirements of the 2021 Bonds issued to pay for the new water supply. The main reason for these increases is the desire to ensure a long-term water supply for the community by developing additional sources outside the local area due to the declining aquifer.

Due to the aquifer decline in and around McPherson, BPU staff has focused considerable time on development of additional water supplies outside the immediate McPherson area. Two potential sources considered were Kanopolis Reservoir and the development of a groundwater well field several miles south of town, the SWF. A site investigation in and around this potential well field was completed in 2012 with property being purchased at the end of 2013. The necessary engineering studies were completed, determining that additional water was available. In late 2017, three water right applications were approved for this site by the Chief Engineer of the Division of Water Resources. During 2018 Burns & McDonnell developed an estimated cost and looked at rate impact for the project. The estimated cost was $27.6 million and was projected to require total rate adjustments of 48%. The average residential customer's bill was expected to increase approximately $17 per month. While the increase is material, there are still several growing communities in the region with higher rates, so the increase should have limited impact on the community. In December 2019, the Board made the decision to move forward with the project and began adjusting rates in January 2020. Given the low interest rates, 2.05%, the Board made the decision in October 2020 to issue $27.6 million in bonds to fund development of the SWF and refinance $5.9 million in outstanding bonds. The refinance resulted in a net present value benefit to the utility of $588,000 and should reduce the size of future rate increases.

The financial challenge with development of the SWF is the inflationary rise in material cost, due to COVID-19, after the original engineering estimate and bond issuance. When the new bonds were issued the refinance portion maintained the same repayment term resulting in a reduction of debt service in 2027 of approximately $850,000 per year. If additional funding is required due to increased costs, an option is to pay interest only on the bonds until 2026 and begin paying principal in 2027. This approach should reduce the pressure on additional rate increases.

For the past several years, the utility has replaced older water mains that have experienced frequent failures. Plans are to continue this approach to keep the system from performing a mass replacement program in the future. The average spend on water main replacement over the last four years was $546,000. The 2023 budget allocated $400,000 for replacement and, depending on new development, up to an additional $250,000 would be available.

Financially, the department is strong and the challenge going forward will be the replacement of an aging distribution system and improvement of the water supply while maintaining comparable rates. Since current rates compare favorably, this should be achievable.

Report on Water System Condition
For the Year 2022

The water system of the Board of Public Utilities (BPU) consists of 12 groundwater wells, two treatment facilities, and a distribution system with approximately 130 miles of main. The utility sold 1.02 billion gallons of water to 6,003 retail and four wholesale customers in 2022.

All the utility's groundwater wells are located in and around the McPherson area, which is part of the McPherson Intensive Groundwater Use Control Area (IGUCA). The IGUCA was formed in 1980 due to concern about the long-term sustainability of the region given the appropriated quantity of water. Aquifer levels for each supply well are monitored by staff and heightened concern exists due to the average decline across the well field of -8.57 feet since 2001. Staff has evaluated supply options, both surface and groundwater, and currently the utility is moving forward with development of additional groundwater supplies south of McPherson, the South Well Field (SWF), which is located outside the IGUCA. Land for well sites was acquired in 2013 and three water rights were approved by the Division of Water Resources in late 2017. The SWF is located in an area that exhibits high recharge rates but there was concern that a chloride plume located north of the site may start to migrate due to the additional pumping. A groundwater model for the area was updated and results indicate that the proposed well field will have no effect on groundwater elevation in the area or an impact on the chloride plume. In 2020, bonds were issued for the new well field and work began on acquiring pipeline right-of-way and engineering. The project will include three water wells, approximately 20 miles of transmission line, and treatment for iron and manganese removal. To date, the water wells have been drilled, well houses are being constructed. Plans for the pipeline and treatment facility have been developed. Construction will begin in 2023 for the pipeline and treatment facilities with completion occurring in 2024. Due to COVID supply chain issues, pipeline prices have increased substantially since the project budget was created in 2019. Prices are expected to decrease by construction and procurement bidding in early 2023. Prices are not expected to be at pre-COVID levels but should be down from their peaks. This new source of water should meet the community’s needs for at least the next 50 years.

The BPU operates two treatment facilities, one for removal of volatile organic compounds (VOC) and one for blending of water sources to reduce nitrate levels. The VOC plant was built in the early 1990's to primarily remove a dry-cleaning solvent and is performing as designed. The facility is in good shape, with minor maintenance and no capital expenditures planned. The blending plant was completed in 2010, lowering the nitrate levels at the point of entry and allowing the utility to return two water wells to production. The facility consists of a 1.5-million-gallon ground storage tank with high service pumps, which re-pressure the water so it can be placed back in the distribution system. Overall, the facility has worked well and will be an integral part of integrating water from the South Well Field.

The water distribution system contains close to 130 miles of pipe ranging in size from 2" to 24" and age from new to over 100 years old. Water main material consists of cast iron, ductile iron, asbestos cement, and PVC, with much of the line being cast iron and PVC. Cast iron was the material of choice prior to 1960 and is predominant in the older sections of town, while PVC is almost exclusively installed today. When water line breaks occur, they are typically on older cast iron pipes or PVC lines that were installed when PVC was just beginning to be used in the industry. The first PVC pipe installed by theutility was thin walled, which has not held up over time due to stresses imposed. When repeated breaks have occurred on this type of pipe, a replacement program has been initiated utilizing new PVC pipe with a substantially thicker wall. There are still locations with thin-walled PVC pipes and, as warranted, plans will be made to replace these sections.

The other area of concern is older sections of pipe that experience high failure rates. Not only do these types of breaks cause water service interruptions, but they also cause significant roadway damage, traffic disruption, and high maintenance costs. Over the last few years effort has been given to replacing sections of older cast iron pipe, and in 2015, a GIS mapping system was initiated which allows line breaks to be visually mapped. This has proven to be a valuable tool in determining where water line replacement dollars should be invested. In 2022, the main break rate was 16 breaks per 100 miles per year. This break rate was an increase from 2021 and primarily contributed to drought conditions that caused the ground to shift. Older cast iron pipes do not react well to this type of ground movement and are very susceptible to circumferential stress breaks. By comparison, about 300 utilities throughout North America saw an average of 14 breaks per 100 miles per year, according to a 2018 study by Utah State University. In 2022, approximately $505,000 was spent replacing 1.0 miles of main with the focus on older cast iron pipe replacement. Going forward with the same focus, $400,000-$625,000 per year is being allocated, depending on spending for new developments.

In 2021 the electric department installed an AMI metering system. This system provided the communication path for the water department AMI metering system which began installation in 2022. The new system will update all meters and provide hourly usage data, leak detection, and the ability to bill usage during the winter months. This improvement should improve metering accuracy and customer service since a person can be notified of a leak before it results in a large bill. Additional savings of AMI were seen through reallocation of workforce duties, for example, absorbing past meter reader roles and responsibilities. The AMI water meter project is scheduled to be completed in 2023.

Overall, the BPU's water system is in good condition, but looking ahead, focus should continue with the development of the South Well Field and keeping the distribution system reliable by replacing pipe that has reached the end of useful life.