BOARD OF PUBLIC UTILITIES
CITY OF McPHERSON

FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2021 & 2020



LOYD GROUP, LLC

Certified Public Accountants

Board of Public Utilities - McPherson, Kansas

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT ..... 1 - 3

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 4 - 6

FINANCIAL STATEMENTS

Combining Statements of Net Position ..... 7 - 8

Combining Statements of Revenues, Expenses and Changes in Net Position 9

Combining Statements of Cash Flows 10

Notes to Combining Financial Statements ..... 11 - 32

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1 — Schedule of Changes in the Net OPEB Liability - Healthcare 33

Schedule 2 — Schedule of the Total OPEB Liability as a Percentage of Covered Employee Payroll - Healthcare 34

Schedule 3 — Schedule of Changes in the Net OPEB Liability – KPERS Death and Disability 35

Schedule 4 — Schedule of the Total OPEB Liability as a Percentage of Covered Employee Payroll – KPERS Death and Disability 36

Schedule 5 — Schedule of the BPU's Proportionate Share of the Net Pension Liability 37

Schedule 6 — Schedule of Contributions 38

Schedule 7 — Notes to Required Supplementary Information 39

ADDITIONAL INFORMATION

Schedule 8 — Summary Statement of Revenues and Expenses - Electric 40

Schedule 9 — Operating Expenses - Electric 41

Schedule 10 — Summary Statement of Revenues and Expenses - Water 42

Schedule 11 — Operating Expenses - Water 43

ADDITIONAL INFORMATION (UNAUDITED)

Comments and Operating Statistics 44

Information Concerning the Electric Utility System ..... 45 - 51

Information Concerning the Water Utility System ..... 52 - 57

LOYD GROUP, LLC

520 S. Main Street
P.O. Box 7
Galva, KS 67443
620-654-7565
www.loyd-group.com

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, 2021, 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, 2021 and 2020, 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, 2021, 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 one year after the date that the combining financial statements are issued.

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 44-57 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 27, 2022

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 statement consisting of the Summary Statement of Receipts, Expenditures and Unencumbered Cash – regulatory basis, and regulatory-required supplementary information: Summary of Expenditures – Actual and Budget – regulatory basis, and Schedule of Receipts and Expenditures – Actual - regulatory basis. 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, 2021. 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, 2021, 2020, and 2019.

Condensed Statements of Net Position

	2021 ELECTRIC	2021 WATER	2021 TOTALS	2020 TOTALS	2019 TOTALS
ASSETS					
Capital assets	$ 54,278,121	$ 26,201,822	$ 80,479,943	$ 71,375,633	$ 62,002,230
Other assets	54,665,973	35,983,259	90,649,232	64,241,057	68,656,614
Deferred assets	1,398,207	246,743	1,644,950	1,885,271	786,767
TOTAL ASSETS	$ 110,342,301	$ 62,431,824	$ 172,774,125	$ 137,501,961	$ 131,445,611
LIABILITIES					
Long-term debt - revenue bonds	$ -	$ 31,535,361	$ 31,535,361	$ 5,338,340	$ 6,121,983
Long-term debt - notes payable	-	743,545	743,545	774,852	804,944
Postemployment benefit liability OPEB healthcare	358,055	63,185	421,240	294,782	289,476
Postemployment benefit liability OPEB KPERS	221,131	39,024	260,155	337,018	243,900
Net pension liability	3,354,034	591,888	3,945,922	5,896,724	4,502,648
Other liabilities	6,290,470	1,800,546	8,091,016	7,338,195	7,253,943
Deferred liabilities	1,403,762	247,723	1,651,485	95,067	150,663
Total Liabilities	11,627,452	35,021,272	46,648,724	20,074,978	19,367,557
NET POSITION					
Invested in capital assets, net of related debt	54,278,121	3,156,608	57,434,729	65,436,562	55,270,590
Restricted	1,580,088	509,809	2,089,897	1,717,108	1,994,004
Unrestricted	42,856,640	23,744,135	66,600,775	50,273,313	54,813,460
Total Net Position	98,714,849	27,410,552	126,125,401	117,426,983	112,078,054
TOTAL LIABILITIES AND NET POSITION	$ 110,342,301	$ 62,431,824	$ 172,774,125	$ 137,501,961	$ 131,445,611

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2021 ELECTRIC	2021 WATER	2021 TOTALS	2020 TOTALS	2019 TOTALS
Operating revenues:					
Residential	$ 7,729,427	$ 2,594,514	$ 10,323,941	$ 9,142,616	$ 8,865,483
Commercial and industrial	55,112,718	2,358,126	57,470,844	51,145,810	51,448,371
Sales to interconnection	12,680,410	-	12,680,410	4,741,058	5,621,874
Other	489,952	201,456	691,408	508,158	647,635
Total operating revenue	76,012,507	5,154,096	81,166,603	65,537,642	66,583,363
Operating expenses:					
Fuel	8,793,114	-	8,793,114	1,759,357	2,438,382
Purchased power	49,317,273	-	49,317,273	42,587,516	43,343,403
Production	2,429,213	600,710	3,029,923	3,286,042	4,405,131
Distribution and transmission	4,233,806	1,187,720	5,421,526	5,558,848	5,554,745
Administrative and general	2,331,173	410,256	2,741,429	3,236,523	3,054,051
Payment to City of McPherson	1,811,657	54,791	1,866,448	1,882,369	1,734,962
Depreciation and amortization	2,510,337	671,291	3,181,628	3,189,861	3,138,605
Total operating expenses	71,426,573	2,924,768	74,351,341	61,500,516	63,669,279
Operating income	4,585,934	2,229,328	6,815,262	4,037,126	2,914,084
Nonoperating income (expenses)	2,379,388	(496,232)	1,883,156	1,311,803	1,733,729
Increase in net position	6,965,322	1,733,096	8,698,418	5,348,929	4,647,813
Net position, beginning	91,749,527	25,677,456	117,426,983	112,078,054	107,430,241
Net position, ending	$ 98,714,849	$ 27,410,552	$ 126,125,401	$ 117,426,983	$ 112,078,054

Financial Highlights

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.
- In addition to the refinance, new money was bonded to the Water Department in the amount of $26,880,000. 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 2.26. 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.

2020 Compared to 2019

- Gross electric revenue for 2020 decreased 2.75% from 2019. Gross water revenue for 2020 increased 16.59% from 2019.

- Total outstanding bond indebtedness for the water department is $5,900,000 at December 31, 2020.

- The 2020 debt service coverage ratio of the water department is 3.01. 1.25 is required by the bond covenant agreement. For the year 2019 the ratio for the water department was 1.99.

- Debt to Equity ratio for the water department decreased in 2020 to 0.33:1 compared with 0.38:1 in 2019. The Debt to Equity ratio for the electric department decreased in 2020 to 0.12:1 compared with 0.11:1 in 2019.

- Available cash and investments for 2020 decreased 10.16% for the electric department and increased 20.94% in the water department compared to 2019.

- Interest income decreased by 27.29% for the electric department and decreased by 33.35% for the water department in 2020 compared to 2019.

- Capital Assets increased 23.75% in 2020, for the electric department, due to the initial construction phase of the Mohawk Substation. This new substation will be placed in service in 2022. The water department increased 1.05% in 2020.

- The water department will issue new debt and refinance 2012 debt in January of 2021. New debt in the amount of $27,620,000 will be issued for the construction of the South Well Field (SWF) at a *Ture Interest Cost* (TIC) of 2.11%. $4,675,000 of 2012 debt will be refinanced at a TIC of .53%, resulting in a savings of $602,777.08.

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, 2021

ASSETS

	Electric		Water		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets						
Cash and cash equivalents	$ 28,515,441	$ 20,072,929	$ 22,740,972	$ 3,817,182	$ 51,256,413	$ 23,890,111
Certificates of deposit	13,900,000	24,350,000	2,050,000	4,140,787	15,950,000	28,490,787
Construction fund	-	-	10,000,000	-	10,000,000	-
Accounts receivable, customer and other	5,674,209	5,439,290	715,943	720,791	6,390,152	6,160,081
Inventories	2,879,627	2,277,264	227,979	246,475	3,107,606	2,523,739
Prepaid insurance	-	74,390	-	7,184	-	81,574
Accrued interest	1,720	34,283	2,027	2,339	3,747	36,622
Total current assets	50,970,997	52,248,156	35,736,921	8,934,758	86,707,918	61,182,914
Noncurrent assets						
Restricted cash and cash equivalents	1,230,088	1,033,644	146,338	133,464	1,376,426	1,167,108
Restricted certificates of deposit	350,000	450,000	100,000	1,059,213	450,000	1,509,213
Accounts receivable, other	1,733,066	-	-	-	1,733,066	-
Capital assets						
Land	769,786	769,786	5,703,610	5,703,610	6,473,396	6,473,396
Buildings and equipment	108,149,309	105,167,612	30,062,633	29,244,354	138,211,942	134,411,966
Construction in process	17,982,207	11,690,818	2,442,622	175,662	20,424,829	11,866,480
Less accumulated depreciation	(72,623,181)	(70,085,260)	(12,007,043)	(11,290,949)	(84,630,224)	(81,376,209)
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	57,973,097	49,408,422	26,448,160	25,025,354	84,421,257	74,433,776
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	-	-	-	15,450	-	15,450
Deferred outflows related to OPEB healthcare	111,349	22,923	19,650	4,045	130,999	26,968
Deferred outflows related to OPEB KPERS	66,876	75,147	11,802	13,261	78,678	88,408
Deferred outflows related to pensions	961,453	1,220,319	169,668	215,352	1,131,121	1,435,671
Pension contributions subsequent to the measurement date	258,529	270,958	45,623	47,816	304,152	318,774
Total deferred outflows of resources	1,398,207	1,589,347	246,743	295,924	1,644,950	1,885,271
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$110,342,301	$103,245,925	$ 62,431,824	$ 34,256,036	$172,774,125	$137,501,961

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, 2021

LIABILITIES AND NET POSITION

	Electric		Water		Totals	
	2021	2020	2021	2020	2021	2020
LIABILITIES						
Current liabilities						
Accounts payable	$ 4,767,915	$ 4,449,284	$ 259,787	$ 45,704	$ 5,027,702	$ 4,494,988
Current maturities of revenue bonds	-	-	735,000	755,000	735,000	755,000
Accrued interest on revenue bonds	-	-	211,323	50,458	211,323	50,458
Current maturities of notes payable	-	-	31,308	30,092	31,308	30,092
Accrued interest on notes payable	-	-	-	16,391	-	16,391
Customer meter and other deposits	844,118	805,616	-	-	844,118	805,616
Self-insurance claims payable	76,500	38,250	13,500	6,750	90,000	45,000
Accrued payroll	601,404	566,939	94,373	97,611	695,777	664,550
Accrued interest on customer meter deposits	533	6,257	-	-	533	6,257
Due to City of McPherson	-	-	366,725	373,980	366,725	373,980
Total current liabilities	6,290,470	5,866,346	1,712,016	1,375,986	8,002,486	7,242,332
Long-term liabilities						
Long-term debt - revenue bonds	-	-	31,535,361	5,338,340	31,535,361	5,338,340
Long-term debt - notes payable	-	-	743,545	774,852	743,545	774,852
Postemployment benefit liability OPEB healthcare	358,055	250,565	63,185	44,217	421,240	294,782
Postemployment benefit liability OPEB KPERS	221,131	286,465	39,024	50,553	260,155	337,018
Net pension liability	3,354,034	5,012,215	591,888	884,509	3,945,922	5,896,724
Total long-term liabilities	3,933,220	5,549,245	32,973,003	7,092,471	36,906,223	12,641,716
Other liabilities						
Water meter advances	-	-	88,530	95,863	88,530	95,863
TOTAL LIABILITIES	10,223,690	11,415,591	34,773,549	8,564,320	44,997,239	19,979,911
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to OPEB KPERS	69,679	7,301	12,297	1,289	81,976	8,590
Deferred inflows related to pensions	1,334,083	73,506	235,426	12,971	1,569,509	86,477
TOTAL DEFERRED INFLOWS OF RESOURCES	1,403,762	80,807	247,723	14,260	1,651,485	95,067
NET POSITION						
Invested in capital assets, net of related debt	54,278,121	47,542,956	3,156,608	17,893,606	57,434,729	65,436,562
Restricted for debt service	-	-	100,000	100,000	100,000	100,000
Restricted for health insurance	735,970	678,028	129,877	119,652	865,847	797,680
Restricted for customer deposits	844,118	805,616	-	-	844,118	805,616
Restricted for city collections for sewer, refuse, & storm	-	-	279,932	13,812	279,932	13,812
Unrestricted	42,856,640	42,722,927	23,744,135	7,550,386	66,600,775	50,273,313
TOTAL NET POSITION	98,714,849	91,749,527	27,410,552	25,677,456	126,125,401	117,426,983
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$110,342,301	$103,245,925	$ 62,431,824	$ 34,256,036	$172,774,125	$137,501,961

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Electric		Water		Totals	
	2021	2020	2021	2020	2021	2020
OPERATING REVENUE						
Electric						
Metered sales	$ 62,846,626	$ 55,737,772	$ -	$ -	$ 62,846,626	$ 55,737,772
Street lighting	485,471	315,574	-	-	485,471	315,574
Sales to interconnection	12,680,410	4,741,058	-	-	12,680,410	4,741,058
Water						
Sale of water	-	-	5,154,096	4,743,238	5,154,096	4,743,238
Total operating revenue	76,012,507	60,794,404	5,154,096	4,743,238	81,166,603	65,537,642
OPERATING EXPENSE						
Fuel	8,793,114	1,759,357	-	-	8,793,114	1,759,357
Purchased power	49,317,273	42,587,516	-	-	49,317,273	42,587,516
Production	2,429,213	2,698,025	600,710	588,017	3,029,923	3,286,042
Distribution and transmission	4,233,806	4,345,638	1,187,720	1,213,210	5,421,526	5,558,848
Administrative and general	2,331,173	2,742,447	410,256	494,076	2,741,429	3,236,523
Payment to City of McPherson	1,811,657	1,828,568	54,791	53,801	1,866,448	1,882,369
Depreciation and amortization	2,510,337	2,525,079	671,291	664,782	3,181,628	3,189,861
Total operating expense	71,426,573	58,486,630	2,924,768	3,013,886	74,351,341	61,500,516
OPERATING INCOME	4,585,934	2,307,774	2,229,328	1,729,352	6,815,262	4,037,126
NONOPERATING INCOME (EXPENSE)						
Interest income	189,624	731,512	41,766	116,155	231,390	847,667
Revenues from merchandising, jobbing and contract work and miscellaneous income	2,186,572	274,565	240,762	245,308	2,427,334	519,873
Less cost of merchandising	(174,812)	(113,179)	(2,153)	(11,740)	(176,965)	(124,919)
Refuse collection and sewer service fees	86,417	86,059	15,253	15,199	101,670	101,258
Penalties, earned discounts and other	75,507	46,386	-	-	75,507	46,386
Farm rents, net of expense	(2,920)	(22,368)	239,056	141,351	236,136	118,983
Gain (loss) on disposal of capital assets	19,000	21,875	-	1,530	19,000	23,405
Cost of issuance of debt	-	-	(449,194)	-	(449,194)	-
Interest on debt	-	-	(581,722)	(220,850)	(581,722)	(220,850)
Total nonoperating income (expense)	2,379,388	1,024,850	(496,232)	286,953	1,883,156	1,311,803
CHANGE IN NET POSITION	6,965,322	3,332,624	1,733,096	2,016,305	8,698,418	5,348,929
TOTAL NET POSITION, BEGINNING OF YEAR	91,749,527	88,416,903	25,677,456	23,661,151	117,426,983	112,078,054
TOTAL NET POSITION, END OF YEAR	$ 98,714,849	$ 91,749,527	$ 27,410,552	$ 25,677,456	$126,125,401	$117,426,983

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, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Electric		Water		Totals	
	2021	2020	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 78,161,666	$ 61,528,339	$ 5,654,015	$ 5,058,636	$ 83,815,681	$ 66,586,975
Payments to suppliers	(59,672,832)	(46,148,451)	(603,400)	(825,426)	(60,276,232)	(46,973,877)
Payments to employees	(7,615,330)	(7,525,670)	(1,341,937)	(1,318,250)	(8,957,267)	(8,843,920)
Other receipts (payments)	(1,811,657)	(1,828,568)	(54,791)	(53,801)	(1,866,448)	(1,882,369)
Net cash flows from operating activities	9,061,847	6,025,650	3,653,887	2,861,159	12,715,734	8,886,809
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(9,481,012)	(12,138,983)	(3,085,239)	(1,891,444)	(12,566,251)	(14,030,427)
Proceeds from sale of capital assets	19,000	220,189	-	928,040	19,000	1,148,229
Principal payments on bonds	-	-	(791,307)	(735,000)	(791,307)	(735,000)
Principal payments on notes payable	-	-	1,216	(28,923)	1,216	(28,923)
Interest paid on debt	-	-	(472,673)	(251,687)	(472,673)	(251,687)
Net cash flows from capital and related financing activities	(9,462,012)	(11,918,794)	22,190,699	(1,979,014)	12,728,687	(13,897,808)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of certificates of deposit	(15,250,000)	(25,200,000)	(12,150,000)	(6,450,000)	(27,400,000)	(31,650,000)
Proceeds from sale or maturity of certificates of deposit	25,800,000	39,250,000	5,200,000	7,200,000	31,000,000	46,450,000
Interest received	222,187	873,776	42,078	140,552	264,265	1,014,328
Net cash flows from investing activities	10,772,187	14,923,776	(6,907,922)	890,552	3,864,265	15,814,328
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,372,022	9,030,632	18,936,664	1,772,697	29,308,686	10,803,329
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,106,573	12,075,941	3,950,646	2,177,949	25,057,219	14,253,890
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 31,478,595	$ 21,106,573	$ 22,887,310	$ 3,950,646	$ 54,365,905	$ 25,057,219
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	$ 4,585,934	$ 2,307,774	$ 2,229,328	$ 1,729,352	$ 6,815,262	$ 4,037,126
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	2,745,850	2,815,273	716,094	716,930	3,461,944	3,532,203
Other nonoperating income	2,189,764	293,338	492,918	391,648	2,682,682	684,986
(Gain) loss on disposal of capital assets	(19,000)	(21,875)	-	(1,530)	(19,000)	(23,405)
Changes in:						
Accounts and notes receivable	(234,919)	291,964	4,848	(86,460)	(230,071)	205,504
Inventories	(602,363)	133,054	18,496	(4,759)	(583,867)	128,295
Accounts payable	318,631	(182,565)	214,083	30,419	532,714	(152,146)
Accrued expenses	66,991	120,057	(3,743)	46,864	63,248	166,921
Postemployment benefit asset	107,487	4,507	7,439	14,764	114,926	19,271
KPERS liability net of deferred inflows/outflows	(209,420)	281,184	(25,427)	35,653	(234,847)	316,837
Water meter advances	-	-	(7,333)	(4,538)	(7,333)	(4,538)
Customer meter deposits	38,502	57,329	-	-	38,502	57,329
Net cash provided from operating activities	$ 9,061,847	$ 6,025,650	$ 3,653,887	$ 2,861,159	$ 12,715,734	$ 8,886,809

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

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 8,700 electric and 5,900 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	2021	2020
Fuel	$ -	$ 1,567,271	$ 1,567,271	$ 1,086,409
Materials and supplies	227,979	1,312,356	1,540,335	1,437,330
Total	$ 227,979	$ 2,879,627	$ 3,107,606	$ 2,523,739

(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, 2021, for the electric department and the water department of $382,940 and $56,343, respectively, and at December 31, 2020, for the electric department and the water department of $388,254 and $64,401, 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 2021 or 2020.

(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, 2020 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 2012. 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, 2021, there were contract commitments totalling $7,319,045. At December 31, 2020, there were contract commitments totalling $9,915,625.

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, 2021, the BPU has established a liability of $90,000 that is recorded on the statement of net position for claims arising out of the self-insurance program. At December 31, 2020, this liability was $45,000. Management believes claims incurred, but not reported, are insignificant at December 31, 2021.

The BPU implemented a new Health Care Plan Reserve Policy during 2016. 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, 2021 and 2020.

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, 2021 and 2020, the carrying amount of the BPU's deposits, including certificates of deposit, was $79,032,839 and $55,057,219, respectively, and the bank balance was $78,947,265 and $56,273,808, 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 $78,947,265 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, 2021 and 2020, as follows:

	2021	2020
Current assets		
Cash and cash equivalents	$ 51,256,413	$ 23,890,111
Certificates of deposit	15,950,000	28,490,787
Construction fund	10,000,000	-
Noncurrent assets		
Restricted Cash and cash equivalents	1,376,426	1,167,108
Restricted Certificates of deposit	450,000	1,509,213
Total	$ 79,032,839	$ 55,057,219

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

	2021	2020
Total deposits	$ 79,031,839	$ 55,056,219
Cash on hand	1,000	1,000
Total	$ 79,032,839	$ 55,057,219

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	2021	2020
Long Range Electric Supply	$ 20,888,163	$ -	$ 20,888,163	$ 19,085,067
Long Range Water Supply	-	3,117,703	3,117,703	3,117,703
Workers Comp Insurance Fund	263,853	46,562	310,415	308,859
Total	$ 21,152,016	$ 3,164,265	$ 24,316,281	$ 22,511,629

(c) Restricted Assets

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

			Totals	
	Electric	Water	2021	2020
Bond Reserve Fund (part of invested in capital assets)	$ -	$ -	$ -	$ 959,213
Bond Emergency Fund	-	100,000	100,000	100,000
Health Insurance Fund	735,970	129,877	865,847	797,680
Customer Deposit Fund	844,118	-	844,118	805,616
Refuse Fund	-	(530)	(530)	(958)
Sewer Fund	-	12,491	12,491	11,198
Storm Fund	-	4,500	4,500	3,572
Total	$ 1,580,088	$ 246,338	$ 1,826,426	$ 2,676,321

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 $3,117,703 balance at December 31, 2021 and 2020, 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, 2021 and 2020, was $20,888,163 and $19,085,067, respectively.

7. CAPITAL ASSETS

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

	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

The following is a summary of capital assets at December 31, 2020:

	Electric Department				
	Balance December 31, 2019	Additions	Deletions	Transfers	Balance December 31, 2020
Land and improvements	$ 769,786	$ -	$ -	$ -	$ 769,786
Production plants	51,381,334	63,487		-	51,444,821
Transmission and distribution	45,932,449	2,305,487	(1,176,135)	-	47,061,801
General plant	6,638,186	22,804		-	6,660,990
Construction in progress	2,090,388	13,558,837	(3,958,407)	-	11,690,818
	106,812,143	15,950,615	(5,134,542)	-	117,628,216
Less accumulated depreciation	(68,394,598)	(2,815,274)	1,124,612	-	(70,085,260)
Total	$ 38,417,545	$ 13,135,341	$ (4,009,930)	$ -	$ 47,542,956

7. CAPITAL ASSETS (CONT.)

	Water Department				
	Balance December 31, 2019	Additions	Deletions	Transfers	Balance December 31, 2020
Land and improvements	$ 5,703,610	$ -	$ -	$ -	$ 5,703,610
Production plants	10,330,951	-	-	-	10,330,951
Transmission and distribution	16,618,709	814,030	-	-	17,432,739
General plant	1,476,640	4,024	-	-	1,480,664
Construction in progress	28,782	1,073,390	(926,510)	-	175,662
	34,158,692	1,891,444	(926,510)	-	35,123,626
Less accumulated depreciation	(10,574,019)	(716,930)	-	-	(11,290,949)
Total	$ 23,584,673	$ 1,174,514	$ (926,510)	$ -	$ 23,832,677

Depreciation expense for the year ended December 31, 2021, for the electric and water departments is $2,745,850 and $716,094, 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, 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

Depreciation expense for the year ended December 31, 2020, for the electric and water departments is $2,815,274 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 $290,195 and $52,147 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, 2019	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2020
Production plants	$ 36,195,609	$ 1,270,378	$ -	$ 37,465,987
Transmission and distribution	30,000,137	1,266,369	(1,124,612)	30,141,894
General plant	2,198,852	278,527	-	2,477,379
	$ 68,394,598	$ 2,815,274	$ (1,124,612)	$ 70,085,260

	Water Department			
	Accumulated Depreciation December 31, 2019	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2020
Production plants	$ 1,254,314	$ 10,631	$ -	$ 1,264,945
Transmission and distribution	8,903,664	650,775	-	9,554,439
General plant	416,041	55,524	-	471,565
	$ 10,574,019	$ 716,930	$ -	$ 11,290,949

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, 2021 and 2020, 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, 2021 and 2020.

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 2021
Water Utility System				
Refunding and Improvement Revenue Bonds, Series 2021-A	$ 31,555,000	2.00 to 3.50%	10/1/2051	$ 30,795,000
Add Unamortized Bond Premium				1,475,361
				32,270,361
Less Current Maturities				(735,000)
Long-Term Debt - revenue bonds				$ 31,535,361

8. REVENUE BONDS (CONT.)

SUMMARY OF CHANGES IN LONG-TERM DEBT

	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

	Outstanding 2019	Issued	Retired	Refunding	Outstanding 2020
Water Utility System					
Series 2012	$ 6,635,000	$ -	$ 735,000	$ -	$ 5,900,000
Add Unamortized Bond Premium	221,983	-	(28,643)	-	193,340
Total	$ 6,856,983	$ -	$ 706,357	$ -	$ 6,093,340

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

	2021 Water Issue		
Year Ending	Bonds	Interest	Total
2022	$ 735,000	$ 783,303	$ 1,518,303
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 - 2031	3,775,000	2,684,663	6,459,663
2022 - 2036	4,335,000	2,112,763	6,447,763
2037 - 2041	4,805,000	1,652,113	6,457,113
2042 - 2046	5,340,000	1,112,500	6,452,500
2047 - 2051	6,005,000	448,473	6,453,473
Total	$ 30,795,000	$ 11,584,423	$ 42,379,423

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

	Outstanding 2019	Issued	Payments	Outstanding 2020
Land Note Payable - Water Rights	$ 833,867	$ -	$ 28,923	$ 804,944
Total	$ 833,867	$ -	$ 28,923	$ 804,944

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
2022	$ 31,308	$ 30,684	$ 61,992
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 - 2031	206,872	103,086	309,958
2032 - 2036	252,176	57,782	309,958
2037 - 2039	146,098	8,882	154,980
Total	$ 774,853	$ 310,000	$ 1,084,853

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 2020 to 2021 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, 2021 and 2020. Payments to the City from the water department are calculated at $.06 per thousand gallons of water sold for the years ended December 31, 2021 and 2020. The BPU was required to remit $1,811,657 and $1,828,568 in 2021 and 2020, respectively, from the electric department. The BPU was required to remit $54,791 and $53,801 in 2021 and 2020, 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, 2021 were as follows:

	2021			
	Sales	Percent of Total Sales	KWH (000)	Percent of Total KWH
CHS (Refinery)	$ 24,511,252	38.6%	462,945	0.0%
Johns Manville Corp.	8,427,393	13.3%	155,922	0.0%
Pfizer	3,195,100	5.0%	58,097	0.0%
Viega LLC	2,137,798	3.4%	34,804	0.0%
North American Specialty Products	1,134,750	1.8%	20,424	0.0%
Total	$ 39,406,293	62.0%	732,192	0.1%

Electric sales to the BPU's five largest customers for the year ended December 31, 2020 were as follows:

	2020			
	Sales	Percent of Total Sales	KWH (000)	Percent of Total KWH
CHS (Refinery)	$ 21,374,678	38.2%	452,455	44.4%
Johns Manville Corp.	7,122,882	12.7%	149,367	14.6%
Pfizer	2,779,942	5.0%	56,133	5.5%
Moundridge City	1,884,716	3.4%	31,188	3.1%
North American Specialty	1,630,632	2.9%	28,550	2.8%
Total	$ 34,792,850	62.2%	717,693	70.4%

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, 2021, 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, 2021
Total OPEB liability - beginning of year	$ 294,782
Service cost	15,994
Interest cost	8,188
Changes in benefit terms	-
Differences between actual and expected experience	113,786
Changes in assumptions and inputs	12,336
Employer contributions (benefit payments)	(23,846)
Total OPEB liability - end of year	$ 421,240

The BPU saw no benefit changes to the disabilitant's percentage of replacement income due to the changes from FY 19 to FY 20.

The discount rate was changed from 2.74% to 2.06%.

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 $421,240 reported as of December 31, 2021 was measured as of December 31, 2021 (the measurement date), and was determined by an actuarial valuation as of December 31, 2021, 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, 2021. 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, 2021.

The financial information for the year ended December 31, 2021 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, 2021. 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 6.00% 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, 2021, 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 5.00% decreasing 4.00%	Current Healthcare Cost Trend Rate 6.00% decreasing 5.00%	1% Increase 7.00% decreasing 6.00%
Total OPEB Liability	$ 380,163	$ 421,240	$ 470,803

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, 2020, 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	$ 445,557	$ 424,240	$ 397,725

OPEB Expense. For the year ended December 31, 2021, the BPU recognized OPEB expense of $35,579, 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, 2021 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, 2021, 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)	$ 100,877	$ -
Changes in assumptions	30,122	-
Benefit payments subsequent to the measurement date	-	-
Total	$ 130,999	$ -

(1) Economic/demographic (gains) and losses for the period ending December 31, 2021 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	74,014

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, 2021 (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, 2021, the total OPEB liability recognized by the BPU was $260,155. BPU's total OPEB liability was determined by an actuarial valuation as of December 31, 2020, calculated based on the discount rate and actuarial assumptions below, and rolled forward to the measurement date as of June 30, 2021. Any significant changes during this period have been reflected as prescribed by GASB 75.

Actuarial Assumptions. The financial information for the year December 31, 2021, is based upon an actuarial valuation performed as of December 31, 2020, rolled forward to June 30, 2021, using the participant census as of December 31, 2020.

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.)	2.16%

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, 2020, 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, 2021
Net OPEB liability - beginning of year	$ 337,018
Service cost	26,987
Interest on total OPEB liability	7,727
Effect of economic/demographic gains or losses	(83,011)
Effect of assumptions changes or inputs	415
Benefit payments	(28,981)
Net OPEB liability - end of year	$ 260,155

The BPU saw no benefit changes to the disabilitant's percentage of replacement income due to the changes from FY 20 to FY 21.

Changes in assumptions and other inputs from FY 20 to FY 21 reflect the following:

- The discount rate was changed from 2.21% in FY 20 to 2.16% in FY 21.

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, 2021 (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	$ 260,155	$ 260,155	$ 260,155

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, 2021 (measurement date), calculated using the discount rate of 2.16%, 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 (1.16%) or 1 percentage point higher (3.16%) than the current rate.

	1% Decrease 1.16%	Current Single Discount Rate Assumption 2.16%	1% Increase 3.16%
Total OPEB Liability	$ 267,886	$ 260,155	$ 251,399

OPEB Expense. For the year ended December 31, 2021, the BPU recognized OPEB expense of $35,235, 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, 2021, 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	$ 60,139	$ 77,755
Changes in assumptions	18,539	4,221
Total	$ 78,678	$ 81,976

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
2022	$ 521
2023	521
2024	521
2025	521
2026	708
Thereafter	(6,090)

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, 2021.

The actuarially determined employer contribution rates and the statutory contribution rates for local government employees are 8.87% and 8.87%, 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, 2021, 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, 2021. 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, 2021 and 2020, BPU reported a liability of $3,945,922 and $5,896,724 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, which was rolled forward to June 30, 2021. 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, 2021 and 2020, respectively. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2021, BPU's proportion was 0.506% percent, which was a decrease of 0.017% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, rolled forward from June 30, 2021, BPU recognized pension expense of $148,599, 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, 2021, 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	$ 155,754	$ 35,729
Changes of assumptions	776,760	-
Net difference between projected and actual earnings on pension plan investments	-	1,401,186
Changes in proportion and differences between BPU contributions and proportionate share of contributions	198,607	132,594
BPU contributions subsequent to the measurement date	304,152	-
Total	$ 1,435,273	$ 1,569,509

17. DEFINED BENEFIT PENSION PLAN (CONT.)

The deferred outflows of resources related to pensions totaling $304,152, 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, 2021. 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
2022	$ 9,127
2023	27,671
2024	70,621
2025	353,005
2026	(22,037)
	$ 438,388

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, 2020, which was rolled forward to June 30, 2021, 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	7.25 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, 2020, rolled forward to June 30, 2021, and BPU's reporting date of December 31, 2021.

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 at the measurement date of June 30, 2021 was 7.25 percent. The discount rate used to measure total pension liability at the prior measurement date of June 30, 2020 was 7.50%. The actuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study. It covered the three-year period of January 1, 2016 through December 31, 2018 and was dated January 7, 2020.

The projection of cash flows used to determine the discount rate was based on member and employer contributions. In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2021 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for the Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of $1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to $100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 S Sub. For Sub. HB 2052 delayed $64.1 million in Fiscal Year State/School contribution, to be repaid over 20 years in level dollar installments. The first year payment of $6.4 million was received in July 2017 and appropriation for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub For HB 2002) provided for a reduction of $194 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 long-term receivables by the Pension Plan. The 2018 Legislature passed House Sub for Sen Bill 109, which directed on-behalf payments of $56 million in Fiscal year 2018 and $82 million in Fiscal Year 2019. The 2019 Legislative session passed Senate Bill 9 which provided additional contributions to the KPERS school group of $115 million in Fiscal Year 2019. House Sub for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School group in Fiscal Year 2020 of $51 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, assuming certain criteria are met. As a result, the State/School contribution rate was recertified for fiscal Years 2022 and 2023, lowering them respectively to 13.86 and 13.11 percent. The bond proceeds were received on August 26, 2021, and were reflected in the projected cash flows.

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.

The statutory contribution rate for the combined State/School group first became equal to the actuarily required rate (ARC rate) in Fiscal Year 2021. Projections based on the same valuation, and an annual return on investments of 7.25 percent, indicate that the contribution rate will remain fairly stable until 2036.

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:

17. DEFINED BENEFIT PENSION PLAN (CONT.)

1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
$6,490,660	3,945,922	$1,811,839

18. ADVANCE REFUNDING

On January 14, 2021, the BPU entered into an advance refunding transaction whereby it issued $31,555,000 of General Obligation Refunding Bonds, Series 2021-A, with interest rates of 2.00% to 3.50%, to advance refund $6,696,663 of outstanding General Obligation Refunding and Water System Revenue Bonds, Series 2012 with an interest rate of 2.00% to 4.00%. Proceeds from the Series 2012-A Bonds in the amount of $5,958,644 were placed with the BPU's escrow agent, to provide for the principal amount and interest to the call date, October 1, 2027, to advance refund the General Obligation Refunding and Water System Revenue Bonds, Series 2012 maturing on January 14, 2021 to October 01, 2051.

The BPU entered into the refunding transaction for the General Obligation Refunding Bonds Series 2012-A to reduce its total debt service payments over the next 30 years by $602,777 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $588,240.

19. 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
2022	$ 118,164	$ 72,026	$ 190,190
2023	123,719	68,608	192,327
2024	128,120	64,207	192,327
2025	132,676	59,650	192,326
2026	137,395	54,932	192,327
2027 - 2031	763,848	197,787	961,635
2032 - 2035	730,806	54,529	785,335
	$ 2,134,728	$ 571,739	$ 2,706,467

20. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the BPU's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the BPU is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Future potential impacts may include a decrease in certain revenues, reduced customer traffic and the temporary closure of operating hours of our offices.

21. 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, 2021

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability - Beginning of year	$ 294,782	$ 289,476	$ 250,307	$ 228,618	For 2011 to 2017, this data is not yet available.					
Service cost	15,994	15,528	11,846	10,556	For 2011 to 2017, this data is not yet available.					
Interest cost	8,188	8,106	10,556	10,635	For 2011 to 2017, this data is not yet available.					
Changes in benefit terms	-	-	-	-	For 2011 to 2017, this data is not yet available.					
Differences between actual and expected experience	113,786	-	4,155	-	For 2011 to 2017, this data is not yet available.					
Changes in assumptions and inputs	12,336	-	22,024	6,206	For 2011 to 2017, this data is not yet available.					
Benefit payments	(23,846)	(18,328)	(9,412)	(5,708)	For 2011 to 2017, this data is not yet available.					
Net Changes	126,458	5,306	39,169	21,689	For 2011 to 2017, this data is not yet available.					
Total OPEB Liability - End of year	$ 421,240	$ 294,782	$ 289,476	$ 250,307	For 2011 to 2017, this data is not yet available.					

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2012-2017 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, 2021

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB liability	$ 421,240	$ 294,782	$ 289,476	$ 250,307	For 2011 to 2017, this data is not yet available.					
Fiduciary net position	-	-	-	-	For 2011 to 2017, this data is not yet available.					
Net OPEB liability	$ 421,240	$ 294,782	$ 289,476	$ 250,307	For 2011 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%	For 2011 to 2017, this data is not yet available.					
Covered-employee payroll	$ 6,455,320	$ 6,395,186	$ 6,208,918	$ 5,713,429	For 2011 to 2017, this data is not yet available.					
Net OPEB liability as a percentage of covered-employee payroll	6.53%	4.61%	4.66%	4.38%	For 2011 to 2017, this data is not yet available.					

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2012-2017 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, 2021

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability - Beginning of year	$ 337,018	$ 243,900	$ 216,272	$ 211,572	For 2012 to 2017, this data is not yet available.					
Service cost	26,987	22,469	21,891	21,783	For 2012 to 2017, this data is not yet available.					
Interest cost	7,727	8,871	8,927	8,044	For 2012 to 2017, this data is not yet available.					
Changes in benefit terms	-	-	-	-	For 2012 to 2017, this data is not yet available.					
Differences between actual and expected experience	-	-	-	-	For 2012 to 2017, this data is not yet available.					
Effect of economic/demographic gains or losses	(83,011)	68,118	8,380	(5,105)	For 2012 to 2017, this data is not yet available.					
Changes in assumptions and inputs	415	19,713	3,524	(2,522)	For 2012 to 2017, this data is not yet available.					
Benefit payments	(28,981)	(26,053)	(15,094)	(17,500)	For 2012 to 2017, this data is not yet available.					
Net Changes	(76,863)	93,118	27,628	4,700	For 2012 to 2017, this data is not yet available.					
Total OPEB Liability - End of year	$ 260,155	$ 337,018	$ 243,900	$ 216,272	For 2012 to 2017, this data is not yet available.					

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2012-2017 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, 2021

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2021	2020	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB liability	$ 260,155	$ 337,018	$ 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	$ 260,155	$ 337,018	$ 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	$ 5,957,193	$ 6,031,057	$ 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	5.59%	5.59%	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 2012-2017 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, 2021

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
BPU's proportion of the net pension liability (asset)	0.05%	0.06%	0.05%	0.05%	0.05%	0.05%	0.04%	0.04%	0.05%	This data is not yet available.
BPU's proportionate share of the net pension liability (asset)	$ 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	This data is not yet available.
BPU's covered-employee payroll	$ 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	This data is not yet available.
BPU's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.79%	89.41%	67.33%	73.09%	76.89%	83.89%	71.19%	71.29%	88.33%	This data is not yet available.
Plan fiduciary net position as a percentage of the total pension liability	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%	This data is not yet available.

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF CONTRIBUTIONS
For the Year Ended December 31, 2021

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 640,482	$ 634,417	$ 663,059	$ 573,476	$ 507,015	$ 531,672	$ 519,427	$ 459,642	$ 413,780	$ 370,167
Contributions in relation to the contractually required contribution	(640,482)	(634,417)	(663,059)	(573,476)	(507,015)	(531,672)	(519,427)	(459,642)	(413,780)	(370,167)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
BPU's covered-employee payroll	$ 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	$ 5,043,146
Contributions as a percentage of covered-employee payroll	9.38%	9.62%	9.92%	9.40%	8.73%	9.26%	9.29%	8.84%	7.94%	7.34%

Board of Public Utilities - McPherson, Kansas

REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the Year Ended December 31, 2021

Other Post Employment Benefits - Healthcare

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 2.74% in 2020 to 2.06% in 2021.

RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.

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 2.21% in 2020 to 2.16% in 2021.

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
2017	$ 59,948,188	$ 55,733,378	$ 4,214,810	$ 353,581	$ 4,568,391
2018	65,585,841	59,400,616	6,185,225	896,103	7,081,328
2019	62,515,079	60,412,879	2,102,200	1,504,390	3,606,590
2020	60,794,404	58,486,630	2,307,774	1,024,850	3,332,624
2021	76,012,507	71,426,573	4,585,934	2,379,388	6,965,322

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
2017	$ 699,695	$ 42,806,144	$ 2,407,357	$ 3,755,060	$ 2,158,644	$ 1,759,776	$ 2,146,702	$ 55,733,378
2018	2,416,132	45,264,278	2,035,144	3,530,688	2,192,819	1,798,072	2,163,483	59,400,616
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

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
2017	$ 3,651,963	$ 2,665,595	$ 986,368	$ 107,859	$ 1,094,227
2018	3,930,502	2,940,113	990,389	158,436	1,148,825
2019	4,068,284	3,256,400	811,884	229,339	1,041,223
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

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
2017	$ 566,451	$ 1,067,109	$ 371,559	$ 53,258	$ 607,218	$ 2,665,595
2018	644,482	1,255,324	370,612	54,871	614,824	2,940,113
2019	567,204	1,555,804	438,450	52,439	642,503	3,256,400
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

ADDITIONAL INFORMATION
(UNAUDITED)

Board of Public Utilities - McPherson, Kansas

COMMENTS AND OPERATING STATISTICS
(UNAUDITED)

Electric Utility:	2021	2020	Difference Inc. (Dec.)	Percent Inc. (Dec.)
Kilowatt hours (in thousands) -				
Purchased from Evergy	1,055,132	1,039,199	15,933	1.53%
Total generated and purchased	1,055,132	1,039,199	15,933	1.53%
Sales KWH (000) -				
Residential	67,792	65,729	2,063	3.14%
Commercial	94,046	88,476	5,570	6.30%
Industrial	829,697	799,973	29,724	3.72%
Rural	24,089	23,542	547	2.32%
Light Rental	238	247	(9)	-3.64%
Wholesale	17,609	36,923	(19,314)	-52.31%
Street lighting	2,561	2,641	(80)	-3.03%
Water utility	2,521	2,505	16	0.64%
Total sales and station power	1,038,553	1,020,036	18,517	1.82%
System losses	16,579	19,163	(2,584)	-13.48%
Total customers served (2020 - 8806, 2019 - 8740)				
Operating revenue -				
Residential	$ 5,593,993	$ 5,113,841		
Commercial	8,178,168	7,157,233		
Industrial	45,526,591	39,270,625		
Rural	1,919,440	1,672,003		
Wholesale	1,343,373	2,254,080		
Street lighting	489,952	320,196		
Water utility	192,903	175,601		
Evergy interconnection	12,680,410	4,741,058		
Light rental	87,677	89,767		
Total	$ 76,012,507	$ 60,794,404		

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 6.4% of total sales in 2021. Expenses attributable to such sales are allocated on the same percentage as sales.

Water Utility:

The water department serves 5,218 residental, 764 commercial, 15 industrial, and various other city and wholesale customers. Water pumped in 2021 was 996,904,900 gallons which was approximately .93% more than 2020. Gross revenue increased 8.47% 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. One small section of the City is still served at 4,160 volts from two 2,500 kVA substations. 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
2017	7,225	85,364,092	$ 6,616,290	1,418	89,832,345	$ 7,686,648
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
	Industrial			Wholesale		
2017	19	789,012,940	$ 39,193,252	2	36,389,400	$ 2,391,456
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	20	829,696,880	45,526,591	2	17,608,800	1,343,373

Customers, Sales and Revenues (Cont.)

Totals			
Year	Customers Served	Sales (kWh)	Revenue
2017	8,664	1,000,598,777	$ 55,887,646
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

Ten Largest Electric Utility Customers in Recent Years

Customer	kwh	2021	kwh	2020	kwh	2019
CHS	462,945,000	$ 24,511,252	451,710,000	$ 21,306,934	406,665,000	$ 20,919,697
Johns Manville	155,921,500	8,427,393	149,341,500	7,123,996	150,209,500	7,487,284
Pfizer	58,096,500	3,195,100	56,133,000	2,779,942	56,539,000	2,881,332
CertainTeed	13,584,000	841,977	13,658,400	751,326	13,905,600	824,534
City of Moundridge	8,301,600	553,224	31,003,200	1,861,418	31,185,600	1,958,428
Nustar	19,864,800	1,102,171	18,864,000	975,938	18,835,200	1,038,269
Viega	34,804,000	2,137,798	28,525,000	1,628,557	25,298,000	1,534,758
North American Pipe	20,416,800	1,133,942	20,287,200	1,015,263	19,771,200	1,038,545
Ferguson Production	7,856,400	499,220	7,963,200	441,661	7,270,800	423,522
Grain Craft	9,200,160	568,599	10,439,040	566,762	8,055,360	512,264
Total	790,990,760	$ 42,970,676	787,924,540	$ 38,451,797	737,735,260	$ 38,618,632

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
2017	8,664	158	1,005,869	$ 56,311,076
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

(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, 2020, for the System are as follows:

	Residential Electric Service	*Residential All Electric*	*General Service Small*	*General Service Medium*	*General Service Large*
Service Charge	$10.00/month	$10.00/month	$15.00/month	$15.00/month	N/A
Energy Rate	$0.0310/Kwh	May-Oct: $0.310/kWH, Nov-Apr; $0.0310/kWH for first 400 kWH, $0.0260/kWH for over 400 kWH	$0.0415/kWH for first 1,500 kWH, $0.0375/kWH for over 1,500 kWH	$0.0265/kWH for first 10,000 kWH, $0.0235/kWH for over 10,000 kWH	$0.0265/kWH for first 240 kWH/kVa of billing capacity, $0.0235/kWH for over 240 kWH/kVa of billing capacity
Capacity Charge	$0.00923/kWH	$0.00923/kWH	$0.00923/kWH	$2.16/kVA	Prchased capacity chare multiplied by the billing capacity.
Transmission Charge	$0.02142/kWH	$0.02142/kWH	$0.02142/kWH	$5.01/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	$3.80/kVA	$2.75/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 2021, 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:

	2018	2019	2020	2021
Operating Revenue				
Electric				
Metered Sales	$ 59,801,506	$ 56,417,616	$ 55,737,772	$ 62,846,626
Street Lighting	446,061	475,589	315,574	485,471
Sales to Interconnection	5,338,274	5,621,874	4,741,058	12,680,410
Total Operating Revenues	65,585,841	62,515,079	60,794,404	76,012,507
Operating Expenses				
Fuel	2,416,132	2,438,382	1,759,357	8,793,114
Purchased Power	45,264,278	43,343,403	42,587,516	49,317,273
Production	2,035,144	3,837,927	2,698,025	2,429,213
Distribution and Transmission	3,530,688	3,998,941	4,345,638	4,233,806
Administrative and General	2,192,819	2,615,601	2,742,447	2,331,173
Depreciation and Amortization	2,163,483	2,496,102	1,828,568	1,811,657
Payment to City of McPherson	1,798,072	1,682,523	2,525,079	2,510,337
Total Operating Expense	59,400,616	60,412,879	58,486,630	71,426,573
Operating Income	6,185,225	2,102,200	2,307,774	4,585,934
Nonoperating Income (Expense)				
Interest Income	588,329	1,006,128	731,512	189,624
Revenues from Merchandising	253,330	481,436	274,565	2,186,572
Less Cost from Merchandising	(155,470)	(136,335)	(113,179)	(174,812)
Refuse Collection	85,006	85,620	86,059	86,417
Penalties	86,363	64,272	46,386	75,507
Farm Rents	(476)	3,309	(22,368)	(2,920)
Gain (Loss) on Disposal of Assets	39,021	(40)	21,875	19,000
Total Nonoperating Income (Expense)	896,103	1,504,390	1,024,850	2,379,388
Change in Net Position	$ 7,081,328	$ 3,606,590	$ 3,332,624	$ 6,965,322
Income Available for Debt Service	$ 9,244,811	$ 6,102,692	$ 5,161,192	$ 8,776,979
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 include demand type charges and consideration is being given to modifying other customer class rates to reduce reliance on kWH sales for revenue. In general, kWH charges are reduced while demand type charges are increased, resulting in the same revenue.

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 2023 and Jeffrey units in 2030 through 2039. From a power supply perspective, coal has lost some of its favor due to cheap natural gas, abundant renewables, and reduced capacity factor, but feel it is an important part of the mix to insure reliability and price stability. 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 a renewable resource request for proposals (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.

Effective June 2021 the City of Moundridge moved their power supply from BPU to Kansas Municipal Energy Agency (KMEA). The utility never likes losing a customer, but this change freed up substation capacity for the utility's largest customer CHS and reduces maintenance cost on a dedicated 35 kV radial line serving Moundridge. Also, the newer power transformer will be relocated and used to upgrade a distribution substation in McPherson. Even with loss of this customer, 2021 kWH sales increased 1.8% over the previous year.

Deregulation of the electric industry, climate change, distributed generation, 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, purchase energy from alternate sources, 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 2021

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 2021 were up 1.8% 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 2021 operations outside of winter storm Uri were close to average for post integrated market operations with gas fired units starting between 25 and 55 times. Gas turbine #3 at Plant 2 received a major inspection in the spring of 2015 and is currently going through a combustion inspection. Gas turbine #1 at Plant 2 had a major inspection in the spring of 2018 and should be set for several years of operation. The gas turbine at Plant 3 underwent a major inspection in the spring 2019 and should require no major work for several years. 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 2021, this energy source provided 14.4% 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 reduces the utility's carbon footprint, provide stable long-term energy cost with favorable pricing, and resulted in 38.7% of the 2021 energy supply being carbon free.

The BPU owns roughly 20 miles of 115 kV transmission line and four 115 kV ring bus style substations. 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 the 1970'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 continues 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 will be completed by the summer of 2022 and will enhance the utility's ability to provide reliable service to existing customers as well as serve residential and industrial growth for years into the future.

BPU's distribution system consists of approximately 30 miles of 35 kV overhead line, 520 miles of 12.5 kV overhead line, 35 miles of 12.5 kV underground line, and some 5 kV overhead lines. 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 ultimate 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 expense, and the intent is to continue these types of projects as time permits. For the past several years, the distribution system has continued to utilize the last two 5 kV circuits. In 2019, the load on one circuit was moved to 12.5 kV,

and the goal is to complete this transfer on the other circuit by the end of 2022. This project is taking several years and will involve removal of two unit substations and converting significant overhead in blind alleys to underground, but again, will update the system.

In 2020, the utility also converted all residential and small commercial meters to AMI, which allows for remote reading/disconnect/reconnect and monitoring of the service. The balance of the customers were placed on the new system in 2021. This upgrade will improve customer service since the system monitors voltage down to the customer level and notifies the utility when power is out or system voltage is low.

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 2022 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
2021	6,001
2020	5,980
2019	5,941
2018	5,902
2017	5,905

History of Water Usage

Year	Gallons Pumped	Gallons Sold	Bearing Water	Gallons Unaccounted	Percentage Water Loss
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%
2017	988,380,100	904,296,000	11,281,410	72,802,690	7.37%

Wholesale Water Sales

Wholesale Water Sales

Year	Gallons	Revenue
2021	38,271,000	$ 201,456
2020	38,547,000	187,962
2019	39,370,000	167,290
2018	43,641,000	173,652
2017	40,296,000	154,016

Ten Largest Customers

Ten Largest Customers

Customer	Gallons	Total Revenue
Pfizer	87,517	$ 451,641
Johns Manville	42,263	216,093
Viega	32,642	173,590
CHS	27,535	175,480
Rural Water District #4	25,202	128,601
North American Speciality	22,069	78,267
Wald Family Foods	13,125	48,752
Central States Mktg & Mfg Inc	11,476	58,436
Recreation Commission	8,749	29,617
WM Pendlay	8,588	39,307

Rates

2021 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"	$14.50	$21.76
1"	$29.31	$43.97
1 1/2"	$62.10	$93.15
2"	$109.70	$164.54
3"	$255.93	$383.89
4"	$453.27	$679.90
6"	$913.92	$1,370.88
8"	$1,316.11	$1,974.16
10"	$1,974.16	$2,961.25

Residential Unit Charge: (Meters with gallon readings)

	Inside City Limits	Outside City Limits
0-20 units	$3.00/unit	$4.50/unit
21-40 units	$3.59/unit	$5.38/unit
41-60 units	$4.33/unit	$6.50/unit
Over 60 units	$5.19/unit	$7.79/unit

Commercial Customers

	Inside City Limits	Outside City Limits
Base Rate	$3.00/unit	$4.50/unit

Wholesale Customers

	Outside City Limits
All Units	$4.50/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 2021, 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:

	2018	2019	2020	2021
Operating Revenue				
Sale Of Water	$ 3,930,502	$ 4,068,284	$ 4,743,238	$ 5,154,096
Operating Expenses				
Production	644,482	567,204	588,017	600,710
Distribution and Transmission	1,255,324	1,555,804	1,213,210	1,187,720
Administrative and General	370,612	438,450	494,076	410,256
Depreciation and Amortization	614,824	642,503	664,782	671,291
Payments to City of McPherson	54,871	52,439	53,801	54,791
Total Operating Expense	2,940,113	3,256,400	3,013,886	2,924,768
Operating Income	990,389	811,884	1,729,352	2,229,328
Nonoperating Income (Expense)				
Interest Income	115,572	174,209	116,155	41,766
Revenues from Merchandising	137,164	180,784	245,308	240,762
Less Cost from Merchandising	(67,280)	(5,466)	(11,740)	(2,153)
Refuse Collection & Sewer Service Fee	15,008	15,114	15,199	15,253
Farm Rents	228,586	110,825	141,351	239,056
Gain (Loss) on Disposal of Assets	-	923	1,530	-
Cost of issuance of debt	-	-	-	(449,194)
Interest on Debt	(270,614)	(247,050)	(220,850)	(581,722)
Total Nonoperating Income (Expense)	158,436	229,339	286,953	(496,232)
Change in Net Position	$ 1,148,825	$ 1,041,223	$ 2,016,305	$ 1,733,096
Income Available for Debt Service	$ 1,999,522	$ 1,897,139	$ 2,869,447	$ 3,548,016
Debt Service Requirements	$ 947,231	$ 953,619	$ 953,619	$ 1,518,303
Debt Service Coverage Ratio	211.09%	198.94%	300.90%	233.68%

Management's Discussion of Financial Operations

The Board of Public Utilities (BPU) most recent rate increase occurred on January 1, 2022, which was 8%, with the previous two adjustments taking place on January 1, 2020, and January 1, 2021. Combined, these have resulted in an overall increase of 31%, but the utility's water rates still compare favorably with other communities in the area. These increases are required to fund development of a new water supply source, the South Well Field (SWF). One additional 8% rate adjustment, bringing the total to 39%, has been approved 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, 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 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 principle 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 $525,000. The 2022 budget allocated $375,000 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 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 2021

The Board of Public Utilities (BPU) water system consists of 12 groundwater wells, two treatment facilities, and a distribution system with approximately 130 miles of main. The utility sold 909 million gallons of water to 5,997 retail and four wholesale customers in 2021.

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 2021, 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 and plans are being developed for the well houses, pipeline, and treatment facility. Construction should begin in 2023 with completion occurring late 2023 or 2024. Given the dramatic increase in pipe price due to COVID and other recent events, the pipeline may be delayed until prices have stabilized. 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 in 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 the majority 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 the utility 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 pipe 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 interruption, but they also cause significant roadway damage, traffic disruption, and high maintenance cost. 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 2021, the main break rate was 10 breaks per 100 miles per year. 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 2021, approximately $725,000 was spent replacing 1.0 miles of main, and going forward, $375,000-$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 will provide the communication path for the water department AMI metering system which is scheduled to be installed 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.

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.