BOARD OF PUBLIC UTILITIES
CITY OF McPHERSON

FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2025 & 2024



LOYD GROUP, LLC

Certified Public Accountants

Board of Public Utilities - McPherson, Kansas

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
McPherson Board of Public Utilities

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, 2025, 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, 2025 and 2024, 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, 2025, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BPU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

BPU's management is responsible for the preparation and fair presentation of the combining financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combining financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combining financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BPU's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combining financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combining financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combining financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combining financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BPU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combining financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BPU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in the Net OPEB Liability – Healthcare, Schedule of the Total OPEB Liability as a Percentage of Covered Employee Payroll - Healthcare, Schedule of Changes in the Net OPEB Liability – KPERS Death and Disability, Schedule of the Total OPEB Liability as a Percentage of Covered Employee Payroll - KPERS Death and Disability, Schedule of the BPU's Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Notes to Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
May 1, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The McPherson Board of Public Utilities (the BPU) is a quasi-municipality of the City of McPherson, Kansas. The electric and water funds are reflected as enterprise funds on the City of McPherson, Kansas' financial statements consisting of the Summary Statement of Receipts, Expenditures and Unencumbered Cash, Summary of Expenditures – Actual and Budget, and Summary Statement of Receipts and Expenditures - Actual. This Management Discussion and Analysis of the BPU's financial report presents our discussion and analysis of the BPU's financial performance for the year that ended December 31, 2025. 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, 2025, and 2024.

Condensed Statements of Net Position

	2025 ELECTRIC	2025 WATER	2025 TOTALS	2024 TOTALS	2023 TOTALS
ASSETS					
Capital assets	$ 54,866,212	$ 58,922,224	$ 113,788,436	$ 113,210,530	$ 102,720,072
Other assets	80,957,979	12,663,029	93,621,008	87,532,336	90,946,537
Deferred assets	1,440,699	254,241	1,694,940	1,982,836	2,356,613
TOTAL ASSETS	$ 137,264,890	$ 71,839,494	$ 209,104,384	$ 202,725,702	$ 196,023,222
LIABILITIES					
Long-term debt - revenue bonds	$ -	$ 25,531,863	$ 25,531,863	$ 27,097,738	$ 28,623,612
Long-term debt - notes payable	-	605,145	605,145	641,827	677,084
Postemployment benefit liability OPEB healthcare	349,808	61,730	411,538	528,472	570,267
Postemployment benefit liability OPEB KPERS	146,542	25,861	172,403	221,521	166,759
Net pension liability	5,291,310	933,761	6,225,071	6,588,798	6,546,527
Other liabilities	8,222,667	2,335,124	10,557,791	9,729,960	10,043,759
Deferred liabilities	225,642	83,220	308,862	528,822	2,920,624
Total Liabilities	14,235,969	29,576,704	43,812,673	45,337,138	49,548,632
NET POSITION					
Invested in capital assets, net of related debt	54,866,213	31,093,518	85,959,731	83,777,905	71,868,556
Restricted	1,592,517	215,510	1,808,027	1,813,872	2,024,308
Unrestricted	66,570,191	10,953,762	77,523,953	71,796,787	72,581,726
Total Net Position	123,028,921	42,262,790	165,291,711	157,388,564	146,474,590
TOTAL LIABILITIES AND NET POSITION	$ 137,264,890	$ 71,839,494	$ 209,104,384	$ 202,725,702	$ 196,023,222

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2025 ELECTRIC	2025 WATER	2025 TOTALS	2024 TOTALS	2023 TOTALS
Operating revenues:					
Residential	$ 8,579,025	$ 2,699,748	$ 11,278,773	$ 11,198,261	$ 11,236,117
Commercial and industrial	58,618,176	3,202,247	61,820,423	63,476,554	56,799,068
Sales to interconnection	6,737,073	-	6,737,073	9,458,374	9,153,749
Other	1,302,208	287,637	1,589,845	355,768	591,379
Total operating revenue	75,236,482	6,189,632	81,426,114	84,488,957	77,780,313
Operating expenses:					
Fuel	3,384,914	-	3,384,914	5,192,659	5,766,460
Purchased power	51,616,287	-	51,616,287	51,578,090	47,220,301
Production	3,776,607	770,483	4,547,090	3,778,200	3,688,029
Distribution and transmission	5,252,834	1,371,732	6,624,566	6,633,581	7,128,262
Administrative and general	3,124,354	531,123	3,655,477	3,927,362	3,802,432
Payment to City of McPherson	2,343,657	49,648	2,393,305	2,219,113	1,976,531
Depreciation and amortization	3,219,499	1,413,899	4,633,398	3,749,420	3,717,826
Total operating expenses	72,718,152	4,136,885	76,855,037	77,078,425	73,299,841
Operating income	2,518,330	2,052,747	4,571,077	7,410,532	4,480,472
Nonoperating income (expenses)	3,368,830	(36,760)	3,332,070	3,503,442	6,144,150
Increase in net position	5,887,160	2,015,987	7,903,147	10,913,974	10,624,622
Net position, beginning	117,141,761	40,246,803	157,388,564	146,474,590	135,849,968
Net position, ending	$ 123,028,921	$ 42,262,790	$ 165,291,711	$ 157,388,564	$ 146,474,590

Financial Highlights

2025 Compared to 2024

- Gross electric revenue for 2025 decreased 3.46% from 2024. Comparatively, total electric operating expenses in 2025 decreased .86% from 2024.
- Gross water revenue for 2025 decreased 5.6% from 2024. This is caused by a decrease in usage in 2025.
- Total outstanding bond indebtedness for the Water Department is $25,775,000 on December 31, 2025.
- The 2025 debt service coverage ratio of the water department is 1.89. 1.25 is required by the bond covenant agreement. For the year 2024 the ratio for the water department was 2.14.
- Debt-to-Equity ratio for the water department decreased in 2025 to .70:1 compared with .78:1 in 2024. The Debt-to-Equity ratio for the electric department remained constant at 0.12:1 in 2025 as compared to 2024.
- Available cash and investments for 2025 increased 7.79% for the electric department and increased 2.86% for the Water Department, compared to 2024.
- Continued strong interest rates in 2025 resulted in interest income increasing 6.49% for the Electric Department compared to 2024. The depletion of bond funds due to a major capital project resulted in a decrease to interest income of 36.94% for the Water Department compared to 2024.
- Capital Assets increased 1% in 2025, for the Electric Department.
- Capital Assets increased .03% in 2025, for the Water Department.

2024 Compared to 2023

- Gross electric revenue for 2024 increased 9.6% from 2023. Comparatively, total electric operating expenses in 2024 increased 4.8% from 2023.
- Gross water revenue for 2024 decreased 2.0% from 2023. This is caused by a decrease in usage in 2024.
- Total outstanding bond indebtedness for the Water Department is $27,250,000 on December 31, 2024.
- The 2024 debt service coverage ratio of the water department is 2.14. 1.25 is required by the bond covenant agreement. For the year 2023 the ratio for the water department was 3.87.
- Debt-to-Equity ratio for the water department decreased in 2024 to .78:1 compared with .90:1 in 2023. The Debt-to-Equity ratio for the electric department decreased slightly in 2024 to 0.12:1 compared with 0.15:1 in 2023.
- Available cash and investments for 2024 increased 9.7% for the electric department and decreased 1.6% in the Water Department compared to 2023.
- Continued strong interest rates in 2024 resulted in interest income increasing 26% for the Electric Department compared to 2023. The depletion of bond funds due to a major capital project resulted in a decrease to interest income of 44% for the Water Department compared to 2023.
- Capital Assets decreased 1.1% in 2024, for the Electric Department.
- Capital Assets increased 23.2% in 2024, for the Water Department, due to the continued work on the South Well Field as well as continued main replacement projects. The South Well Field project will finalize in Q1 2025.

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, 2025

ASSETS

	Electric		Water		Totals	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current assets						
Cash and cash equivalents	$ 26,780,545	$ 17,686,844	$ 5,997,987	$ 5,675,656	$ 32,778,532	$ 23,362,500
Certificates of deposit	37,000,000	41,000,000	4,800,000	4,800,000	41,800,000	45,800,000
Accounts receivable, customer and other	7,243,682	6,337,790	1,076,580	1,009,133	8,320,262	7,346,921
Inventories	4,648,332	4,687,444	499,561	518,345	5,147,893	5,205,789
Prepaid insurance	16,690	39,613	-	8,341	16,690	47,954
Accrued interest	327,776	379,158	73,392	83,216	401,168	462,374
Total current assets	76,017,025	70,130,849	12,447,520	12,094,689	88,464,545	82,225,538
Noncurrent assets						
Restricted cash and cash equivalents	1,242,517	1,241,077	115,509	122,795	1,358,026	1,363,872
Restricted certificates of deposit	350,000	350,000	100,000	100,000	450,000	450,000
Accounts receivable, other	1,777,350	1,921,839	-	-	1,777,350	1,921,839
Capital assets						
Land	831,725	831,725	5,703,610	5,703,610	6,535,335	6,535,335
Buildings and equipment	136,873,405	131,927,953	68,557,162	33,481,746	205,430,567	165,409,699
Construction in process	2,136,582	3,343,578	204,418	33,778,579	2,341,000	37,122,157
Less accumulated depreciation	(84,975,500)	(81,799,304)	(15,542,966)	(14,057,357)	(100,518,466)	(95,856,661)
Industrial development property, at cost	1,571,087	1,571,087	-	-	1,571,087	1,571,087
Total noncurrent assets	59,807,166	59,387,955	59,137,733	59,129,373	118,944,899	118,517,328
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to OPEB healthcare	193,925	213,204	34,222	37,625	228,147	250,829
Deferred outflows related to OPEB KPERS	61,710	73,937	10,890	13,048	72,600	86,985
Deferred outflows related to pensions	817,543	1,058,930	144,272	186,870	961,815	1,245,800
Pension contributions subsequent to the measurement date	367,521	339,339	64,857	59,883	432,378	399,222
Total deferred outflows of resources	1,440,699	1,685,410	254,241	297,426	1,694,940	1,982,836
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 137,264,890	$ 131,204,214	$ 71,839,494	$ 71,521,488	$ 209,104,384	$ 202,725,702

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2025

LIABILITIES AND NET POSITION

	Electric		Water		Totals	
	2025	2024	2025	2024	2025	2024
LIABILITIES						
Current liabilities						
Accounts payable	$ 6,355,249	$ 5,641,772	$ 19,965	$ 115,633	$ 6,375,214	$ 5,757,405
Current maturities of revenue bonds	-	-	1,515,000	1,475,000	1,515,000	1,475,000
Accrued interest on revenue bonds	-	-	158,175	182,802	158,175	182,802
Current maturities of notes payable	-	-	18,522	35,257	18,522	35,257
Customer meter and other deposits	964,040	968,652	-	-	964,040	968,652
Self-insurance claims payable	133,875	57,375	23,625	10,125	157,500	67,500
Accrued payroll	748,576	650,963	133,180	118,819	881,756	769,782
Accrued interest on customer meter deposits	20,927	24,144	-	-	20,927	24,144
Due to City of McPherson	-	-	453,791	436,552	453,791	436,552
Total current liabilities	8,222,667	7,342,906	2,322,258	2,374,188	10,544,925	9,717,094
Long-term liabilities						
Long-term debt - revenue bonds	-	-	25,531,863	27,097,738	25,531,863	27,097,738
Long-term debt - notes payable	-	-	605,145	641,827	605,145	641,827
Postemployment benefit liability OPEB healthcare	349,808	449,202	61,730	79,270	411,538	528,472
Postemployment benefit liability OPEB KPERS	146,542	188,292	25,861	33,229	172,403	221,521
Net pension liability	5,291,310	5,600,478	933,761	988,320	6,225,071	6,588,798
Total long-term liabilities	5,787,660	6,237,972	27,158,360	28,840,384	32,946,020	35,078,356
Other liabilities						
Water meter advances	-	-	12,866	12,866	12,866	12,866
TOTAL LIABILITIES	14,010,327	13,580,878	29,493,484	31,227,438	43,503,811	44,808,316
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to transmission/capacity	(245,924)	213,848	-	-	(245,924)	213,848
Deferred inflows related to OPEB healthcare	71,431	-	12,606	-	84,037	-
Deferred inflows related to OPEB KPERS	144,649	124,162	25,528	21,912	170,177	146,074
Deferred inflows related to pensions	255,486	143,565	45,086	25,335	300,572	168,900
TOTAL DEFERRED INFLOWS OF RESOURCES	225,642	481,575	83,220	47,247	308,862	528,822
NET POSITION						
Invested in capital assets, net of related debt	54,866,213	54,303,952	31,093,518	29,473,953	85,959,731	83,777,905
Restricted for debt service	-	-	100,000	100,000	100,000	100,000
Restricted for health insurance	628,477	622,425	110,908	109,840	739,385	732,265
Restricted for customer deposits	964,040	968,652	-	-	964,040	968,652
Restricted for city collections for sewer, refuse, & storm	-	-	4,602	12,955	4,602	12,955
Unrestricted	66,570,191	61,246,732	10,953,762	10,550,055	77,523,953	71,796,787
TOTAL NET POSITION	123,028,921	117,141,761	42,262,790	40,246,803	165,291,711	157,388,564
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 137,264,890	$ 131,204,214	$ 71,839,494	$ 71,521,488	$ 209,104,384	$ 202,725,702

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Electric		Water		Totals	
	2025	2024	2025	2024	2025	2024
OPERATING REVENUE						
Electric						
Metered sales	$ 68,079,089	$ 68,003,933	$ -	$ -	$ 68,079,089	$ 68,003,933
Street lighting	420,320	469,551	-	-	420,320	469,551
Sales to interconnection	6,737,073	9,458,374	-	-	6,737,073	9,458,374
Water						
Sale of water	-	-	6,189,632	6,557,099	6,189,632	6,557,099
Total operating revenue	75,236,482	77,931,858	6,189,632	6,557,099	81,426,114	84,488,957
OPERATING EXPENSE						
Fuel	3,384,914	5,192,659	-	-	3,384,914	5,192,659
Purchased power	51,616,287	51,578,090	-	-	51,616,287	51,578,090
Production	3,776,607	3,067,018	770,483	711,182	4,547,090	3,778,200
Distribution and transmission	5,252,834	5,146,400	1,371,732	1,487,181	6,624,566	6,633,581
Administrative and general	3,124,354	3,195,959	531,123	731,403	3,655,477	3,927,362
Payment to City of McPherson	2,343,657	2,157,813	49,648	61,300	2,393,305	2,219,113
Depreciation and amortization	3,219,499	3,013,413	1,413,899	736,007	4,633,398	3,749,420
Total operating expense	72,718,152	73,351,352	4,136,885	3,727,073	76,855,037	77,078,425
OPERATING INCOME	2,518,330	4,580,506	2,052,747	2,830,026	4,571,077	7,410,532
NONOPERATING INCOME (EXPENSE)						
Interest income	2,858,083	2,683,862	379,158	601,240	3,237,241	3,285,102
Revenues from merchandising, jobbing and contract work and miscellaneous income	369,840	434,184	148,223	180,102	518,063	614,286
Less cost of merchandising	(68,889)	(189,997)	(65,941)	(18,279)	(134,830)	(208,276)
Refuse collection and sewer service fees	84,185	86,885	15,371	15,338	99,556	102,223
Penalties, earned discounts and other	71,735	64,702	-	-	71,735	64,702
Farm rents, net of expense	28,513	15,895	127,474	124,447	155,987	140,342
Loan forgiveness	-	-	-	169,654	-	169,654
Gain (loss) on disposal of capital assets	25,363	21,021	-	-	25,363	21,021
Interest on debt	-	-	(641,045)	(685,612)	(641,045)	(685,612)
Total nonoperating income (expense)	3,368,830	3,116,552	(36,760)	386,890	3,332,070	3,503,442
CHANGE IN NET POSITION	5,887,160	7,697,058	2,015,987	3,216,916	7,903,147	10,913,974
TOTAL NET POSITION, BEGINNING OF YEAR	117,141,761	109,444,703	40,246,803	37,029,887	157,388,564	146,474,590
TOTAL NET POSITION, END OF YEAR	$ 123,028,921	$ 117,141,761	$ 42,262,790	$ 40,246,803	$ 165,291,711	$ 157,388,564

Board of Public Utilities - McPherson, Kansas

COMBINING STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Electric		Water		Totals	
	2025	2024	2025	2024	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 74,564,968	$ 76,070,537	$ 6,413,251	$ 7,024,269	$ 80,978,219	$ 83,094,806
Payments to suppliers	(66,119,221)	(59,889,179)	(2,705,682)	(2,134,399)	(68,824,903)	(62,023,578)
Payments to employees	97,613	(7,585,810)	14,361	(1,336,411)	111,974	(8,922,221)
Other receipts (payments)	(2,343,657)	(2,145,313)	(49,648)	(61,300)	(2,393,305)	(2,206,613)
Net cash flows from operating activities	6,199,703	6,450,235	3,672,282	3,492,159	9,871,985	9,942,394
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(4,075,978)	(2,665,580)	(1,501,255)	(11,911,235)	(5,577,233)	(14,576,815)
Proceeds from sale of capital assets	61,951	25,614	-	-	61,951	25,614
Proceeds from sale of industrial development property	-	(1,201,765)	-	-	-	(1,201,765)
Proceeds from SWF loan	-	-	-	2,738,413	-	2,738,413
Principal payments on bonds	-	-	(1,511,682)	(1,460,257)	(1,511,682)	(1,460,257)
Principal payments on notes payable	-	-	(16,735)	1,369	(16,735)	1,369
Payments to trustee to defease bonds	-	-	-	(2,660,692)	-	(2,660,692)
Interest paid on debt	-	-	(716,547)	(748,658)	(716,547)	(748,658)
Net cash flows from capital and related financing activities	(4,014,027)	(3,841,731)	(3,746,219)	(14,041,060)	(7,760,246)	(17,882,791)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of certificates of deposit	(15,000,000)	(36,350,000)	(4,800,000)	(4,800,000)	(19,800,000)	(41,150,000)
Proceeds from sale or maturity of certificates of deposit	19,000,000	25,350,000	4,800,000	4,800,000	23,800,000	30,150,000
Interest received	2,909,465	2,662,809	388,982	605,109	3,298,447	3,267,918
Net cash flows from investing activities	6,909,465	(8,337,191)	388,982	605,109	7,298,447	(7,732,082)
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,095,141	(5,728,687)	315,045	(9,943,792)	9,410,186	(15,672,479)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,927,921	24,656,608	5,798,451	15,742,243	24,726,372	40,398,851
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 28,023,062	$ 18,927,921	$ 6,113,496	$ 5,798,451	$ 34,136,558	$ 24,726,372
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	$ 2,518,330	$ 4,580,506	$ 2,052,747	$ 2,830,026	$ 4,571,077	$ 7,410,532
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	3,477,133	3,280,658	1,485,609	801,109	4,962,742	4,081,767
Other nonoperating income	510,747	432,690	225,127	301,608	735,874	734,298
(Gain) loss on disposal of capital assets	(25,363)	(21,021)	-	-	(25,363)	(21,021)
Changes in:						
Accounts and notes receivable	(761,403)	(209,604)	(67,449)	147,283	(828,852)	(62,321)
Inventories	39,112	(363,053)	18,784	(118,232)	57,896	(481,285)
Prepaid insurance	22,923	419,158	8,341	72,619	31,264	491,777
Accounts payable	713,477	184,134	(95,668)	(635,972)	617,809	(451,838)
Accrued expenses	170,896	86,432	45,100	27,694	215,996	114,126
Transmission/capacity sales	(459,772)	(2,317,166)	-	-	(459,772)	(2,317,166)
Postemployment benefit asset	(99,397)	(35,529)	(12,302)	1,945	(111,699)	(33,584)
KPERS liability net of deferred inflows/outflows	97,632	336,747	11,993	51,213	109,625	387,960
Water meter advances	-	-	-	12,866	-	12,866
Customer meter deposits	(4,612)	63,783	-	-	(4,612)	63,783
Other assets	-	12,500	-	-	-	12,500
Net cash provided from operating activities	$ 6,199,703	$ 6,450,235	$ 3,672,282	$ 3,492,159	$ 9,871,985	$ 9,942,394

Board of Public Utilities - McPherson, Kansas

NOTES TO COMBINING FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of Accounting and Budgeting

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

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

(b) Cash and Cash Equivalents

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

(c) Revenue Recognition

Operating revenues include revenues from the provision and delivery of electricity and water to customers. Operating expenses consist of costs incurred through the provision and delivery of electricity and water to customers. Meters are read and bills rendered on a cycle basis. Nonoperating revenues are those related to capital and related financing, noncapital financing and investing activities, as well as those that do not meet the definition of operating revenues. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period.

(d) Accounts Receivable and Revenue

Accounts receivable include open trade receivables representing claims for utility services sold or other special services sold in the ordinary course of business. Utility accounts receivable are considered delinquent after 28 days and a 2% late fee on past due 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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	2025	2024
Fuel	$ -	$ 2,854,977	$ 2,854,977	$ 2,735,458
Materials and supplies	499,561	1,793,395	2,292,956	2,470,331
Total	$ 499,561	$ 4,648,372	$ 5,147,933	$ 5,205,789

(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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) Vacation and Sick Leave (continued)

An employee shall be paid for all accumulated unused vacation leave upon termination. The liability for accumulated vacation at December 31, 2025, for the electric department and the water department of $418,123 and $70,142, respectively, and at December 31, 2024, for the electric department and the water department of $376,358 and $65,075, 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".

(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 2025 or 2024.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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, 2025 as a result of unamortized balances of the differences in the carrying value of the refunded debt and the reacquisition prices that were a result of the refund of the water bonds in 2013. These deferred outflows of resources are being amortized as a component of interest expense over the life of the old bonds or the new bonds, whichever is shorter. The BPU has also recorded a deferred outflow for the deferred pension contributions subsequent to the measurement date of the net pension liability. This amount will be recognized as a reduction of the net pension liability in the following year. Finally, there is a deferred outflow related to pensions as actuarially determined and explained in Note 17 and other post-employment benefits as actuarially determined and explained in Notes 15 and 16.

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

2. COMMITMENTS

At December 31, 2025, there were contract commitments totalling $5,485,189. At December 31, 2024, there were contract commitments totalling $3,157,717.

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 $125,000 per individual per year for health care claims. At December 31, 2025, the BPU has established a liability of $157,500 that is recorded on the statement of net position for claims arising out of the self-insurance program. At December 31, 2024, this liability was $67,500. Management believes claims incurred, but not reported, are insignificant at December 31, 2025.

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

4. INDUSTRIAL DEVELOPMENT PROPERTY

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

5. DEPOSITS AND INVESTMENTS

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

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

5. DEPOSITS AND INVESTMENTS (CONT.)

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, 2025 and 2024.

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, 2025 and 2024, the carrying amount of the BPU's deposits, including certificates of deposit, was $76,386,558 and $70,979,372, respectively, and the bank balance was $76,699,522 and $71,111,361, respectively. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, $500,000 was secured by federal depository insurance and $76,199,522 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, 2025 and 2024, as follows:

	2025	2024
Current assets		
Cash and cash equivalent	$ 32,778,532	$ 23,362,500
Certificates of deposit	41,800,000	45,800,000
Noncurrent assets		
Restricted Cash and cash equivalents	1,358,026	1,363,872
Restricted Certificates of deposit	450,000	450,000
Total	$ 76,386,558	$ 70,976,372

A summary of deposits and cash at December 31, 2025 and 2024 is as follows:

	2025	2024
Total deposits	$ 76,385,558	$ 70,975,372
Cash on hand	1,000	1,000
Total	$ 76,386,558	$ 70,976,372

(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	2025	2024
Long Range Electric Supply	$ 29,039,808	$ -	$ 29,039,808	$ 26,380,528
Long Range Water Supply	-	1,210,000	1,210,000	-
Total	$ 29,039,808	$ 1,210,000	$ 30,249,808	$ 26,380,528

5. DEPOSITS AND INVESTMENTS (CONT.)

(c) Restricted Assets

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

	Electric	Water	Totals 2025	Totals 2024
Bond Emergency Fund	$ -	$ 100,000	$ 100,000	$ 100,000
Health Insurance Fund	628,477	110,909	739,386	732,265
Customer Deposit Fund	964,040	-	964,040	968,652
Refuse Fund	-	(1,047)	(1,047)	2,174
Sewer Fund	-	6,688	6,688	9,344
Storm Fund	-	(1,041)	(1,041)	1,437
Total	$ 1,592,517	$ 215,509	$ 1,808,026	$ 1,813,872

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 $1,210,000 and $0 balance at December 31, 2025 and 2024, 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, 2025 and 2024, was $29,039,808 and $26,380,528, respectively.

7. 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 2024 to 2025 and there were no settlements that exceeded insurance coverage in the past three years.

8. CAPITAL ASSETS

The following is a summary of capital assets at December 31, 2025:

	Electric Department				
	Balance December 31, 2024	Additions	Deletions	Transfers	Balance December 31, 2025
Land and improvements	$ 831,725	$ -	$ -	$ -	$ 831,725
Production plants	51,918,625	325,271	-	-	52,243,896
Transmission and distribution	73,330,278	4,677,471	(332,575)	(4,950)	77,670,224
General plant	6,679,050	280,235	-	-	6,959,285
Construction in progress	3,343,578	4,614,237	-	(5,821,233)	2,136,582
	136,103,256	9,897,214	(332,575)	(5,826,183)	139,841,712
Less accumulated depreciation	(81,799,304)	(3,477,133)	300,937	-	(84,975,500)
Total	$ 54,303,952	$ 6,420,081	$ (31,638)	$ (5,826,183)	$ 54,866,212

	Water Department				
	Balance December 31, 2024	Additions	Deletions	Transfers	Balance December 31, 2025
Land and improvements	$ 5,703,610	$ -	$ -	$ -	$ 5,703,610
Production plants	10,464,100	33,427,992	-	-	43,892,092
Transmission and distribution	21,508,059	1,635,217	-	-	23,143,276
General plant	1,509,586	12,208	-	-	1,521,794
Construction in progress	33,778,579	1,331,688	-	(34,905,849)	204,418
	72,963,934	36,407,105	-	(34,905,849)	74,465,190
Less accumulated depreciation	(14,057,357)	(1,485,609)	-	-	(15,542,966)
Total	$ 58,906,577	$ 34,921,496	$ -	$ (34,905,849)	$ 58,922,224

The following is a summary of capital assets at December 31, 2024:

	Electric Department				
	Balance December 31, 2023	Additions	Deletions	Transfers	Balance December 31, 2024
Land and improvements	$ 831,725	$ -	$ -	$ -	$ 831,725
Production plants	51,798,831	155,844	(36,050)	-	51,918,625
Transmission and distribution	69,859,343	3,501,559	(30,624)	-	73,330,278
General plant	6,617,617	61,433	-	-	6,679,050
Construction in progress	4,396,831	2,237,134	-	(3,290,387)	3,343,578
	133,504,347	5,955,970	(66,674)	(3,290,387)	136,103,256
Less accumulated depreciation	(78,580,726)	(3,280,658)	62,080	-	(81,799,305)
Total	$ 54,923,621	$ 2,675,312	$ (4,594)	$ (3,290,387)	$ 54,303,952

8. CAPITAL ASSETS (CONT.)

	Water Department				
	Balance December 31, 2023	Additions	Deletions	Transfers	Balance December 31, 2024
Land and improvements	$ 5,703,610	$ -	$ -	$ -	$ 5,703,610
Production plants	10,470,463	-	(6,362)	-	10,464,101
Transmission and distribution	19,085,793	2,702,086	(279,820)	-	21,508,059
General plant	1,504,123	5,463	-	-	1,509,586
Construction in progress	24,574,893	11,897,476	-	(2,693,790)	33,778,579
	61,338,882	14,605,025	(286,182)	(2,693,790)	72,963,935
Less accumulated depreciation	(13,542,430)	(801,109)	286,182	-	(14,057,357)
Total	$ 47,796,452	$ 13,803,916	$ -	$ (2,693,790)	$ 58,906,578

Depreciation expense for the year ended December 31, 2025, for the electric and water departments is $3,477,133 and $1,485,608, 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 $257,634 and $71,709 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, 2024	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2025
Production plants	$ 41,759,030	$ 1,002,193	$ -	$ 42,761,223
Transmission and distribution	36,729,838	2,257,924	(300,937)	38,686,825
General plant	3,310,436	217,016	-	3,527,452
	$ 81,799,304	$ 3,477,133	$ (300,937)	$ 84,975,500

	Water Department			
	Accumulated Depreciation December 31, 2024	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2025
Production plants	$ 1,297,429	$ 581,218	$ -	$ 1,878,647
Transmission and distribution	12,092,104	852,460	-	12,944,564
General plant	667,824	51,931	-	719,755
	$ 14,057,357	$ 1,485,609	$ -	$ 15,542,966

Depreciation expense for the year ended December 31, 2024, for the electric and water departments is $3,280,659 and $801,110, 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 $267,246 and $65,103 charged to other accounts in the electric department and the water department, respectively, per guidelines of the Federal Regulatory Energy Commision (FERC).

8. CAPITAL ASSETS (CONT.)

	Electric Department			
	Accumulated Depreciation December 31, 2023	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2024
Production plants	$ 40,810,405	$ 984,675	$ (36,050)	$ 41,759,030
Transmission and distribution	34,662,408	2,093,460	(26,030)	36,729,838
General plant	3,107,913	202,524	-	3,310,436
	$ 78,580,726	$ 3,280,659	$ (62,080)	$ 81,799,304

	Water Department			
	Accumulated Depreciation December 31, 2023	Additions	Transfers/ Deletions	Accumulated Depreciation December 31, 2024
Production plants	$ 1,290,697	$ 13,094	$ (6,362)	$ 1,297,429
Transmission and distribution	11,633,068	738,856	(279,820)	12,092,104
General plant	618,664	49,160	-	667,824
	$ 13,542,429	$ 801,110	$ (286,182)	$ 14,057,357

9. 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, 2025 and 2024, 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, 2025 and 2024.

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 2025
Water Utility System				
Refunding and Improvement Revenue Bonds, Series 2021-A	$ 31,555,000	2.00 to 3.50%	10/1/2051	$ 25,775,000
Add Unamortized Bond Premium				1,271,863
				27,046,863
Less Current Maturities				(1,515,000)
Long-Term Debt - revenue bonds				$ 25,531,863

9. REVENUE BONDS (CONT.)

SUMMARY OF CHANGES IN LONG-TERM DEBT

	Outstanding 2024	Issued	Retired	Refunding	Outstanding 2025
Water Utility System					
Series 2021-A	$ 27,250,000	$ -	$ 1,475,000	$ -	$ 25,775,000
Add Unamortized Bond Premium	1,322,738	-	50,875	-	1,271,863
Total	$ 28,572,738	$ -	$ 1,525,875	$ -	$ 27,046,863

	Outstanding 2023	Issued	Retired	Refunding	Outstanding 2024
Water Utility System					
Series 2021-A	$ 28,675,000	$ -	$ 1,425,000	$ -	$ 27,250,000
Add Unamortized Bond Premium	1,373,612	-	50,874	-	1,322,738
Total	$ 30,048,612	$ -	$ 1,475,874	$ -	$ 28,572,738

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

	2022 Water Issue		
Year Ending	Bonds	Interest	Total
2026	1,515,000	632,702	$ 2,147,702
2027	705,000	587,253	1,292,253
2028	730,000	562,578	1,292,578
2029	755,000	537,028	1,292,028
2030	780,000	510,603	1,290,603
2031-2035	4,235,000	2,213,763	6,448,763
2036-2040	4,710,000	1,746,313	6,456,313
2041-2045	5,225,000	1,230,063	6,455,063
2046-2050	5,860,000	592,043	6,452,043
2051	1,260,000	30,870	1,290,870
Total	$ 25,775,000	$ 8,643,216	$ 34,418,216

10. 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 2024	Issued	Payments	Outstanding 2025
Land Note Payable - Water Rights	$ 677,084	$ -	$ 53,417	$ 623,667

	Outstanding 2023	Issued	Payments	Outstanding 2024
Land Note Payable - Water Rights	$ 710,972	$ -	$ 33,888	$ 677,084

10. 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
2026	$ 18,522	$ 25,310	$ 43,832
2027	38,164	23,828	61,992
2028	39,705	22,286	61,991
2029	41,310	20,682	61,992
2030	42,978	19,013	61,991
2031 - 2035	242,384	67,575	309,959
2036 - 2039	200,604	16,366	216,970
Total	$ 623,667	$ 195,060	$ 818,727

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. CITY TRANSFER

The payment of funds to the City of McPherson from the electric department is calculated at the rate of 3.05 mils per kilowatt hours sold for the years ended December 31, 2025 and 2024. Payments to the City from the water department are calculated at $.06 per thousand gallons of water sold for the years ended December 31, 2025 and 2024. The BPU was required to remit $2,343,657 and $2,157,813 in 2025 and 2024, respectively, from the electric department. The BPU was required to remit $49,648 and $61,300 in 2025 and 2024, 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. CONCENTRATION

The BPU has a concentration of sales risk. For the year ended Decmeber 31, 2025, two customers make up $34,484,082 of electric sales, which is 50.8% of sales.

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. There are no assets accumulated in a trust to pay related benefits.

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.

As of December 31, 2025, plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	5
Active plan members	78
Total	83

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.

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

	December 31, 2025
Total OPEB liability - beginning of year	$ 528,472
Service cost	36,178
Interest cost	17,098
Effect of economic/demographic gains or losses	(41,765)
Effect of assumptions changes or inputs	(48,149)
Employer contributions (benefit payments)	(80,296)
Total OPEB liability - end of year	$ 411,538

The BPU saw no benefit changes to the disabilitant's percentage of replacement income due to the changes from FY 24 to FY 25.

The discount rate changed from 3.26% to 4.43%.

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 $411,538 reported as of December 31, 2025 was measured as of December 31, 2025 (the measurement date), and was determined by an actuarial valuation as of December 31, 2024, using the following actuarial assumptions:

Valuation Procedures and Discount Rate

General inflation	3.00%
Salary increases; including wage increases	3.00%
Discount rate	4.43%

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, 2025. 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 4.43% as of December 31, 2025.

The financial information for the year ended December 31, 2025 is based upon a GASB 75 actuarial valuation performed as of December 31, 2025, using the participant census as of December 31, 2025.

The measurement date as selected by the BPU under GASB 75 Standards is December 31, 2025. The results of the valuation were projected to the beginning of year and end of year measurement dates using standard actuarial techniques.

In the December 31, 2025, actuarial valuation, the Entry Age Normal - Level Percent of Pay Actuarial Cost method was applied. The actuarial assumptions included a 4.43% 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 7.00% 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.

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

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, 2025, 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 6.00% decreasing 4.00%	Current Healthcare Cost Trend Rate 7.00% decreasing 5.00%	1% Increase 8.00% decreasing 6.00%
Total OPEB Liability	$ 366,683	$ 411,538	$ 465,532

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, 2025, calculated using the discount rate of 4.43%, 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 (3.43%) or 1 percentage point higher (5.43%) than the current rate.

	1% Decrease 3.43%	Current Discount Rate 4.43%	1% Increase 5.43%
Total OPEB Liability	$ 443,767	$ 411,538	$ 381,699

OPEB Expense. For the year ended December 31, 2025, the BPU recognized OPEB expense of $70,081, 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, 2025 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, 2025, 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)	$ 203,018	$ 39,035
Changes in assumptions	25,129	45,002
Total	$ 228,147	$ 84,037

(1) Economic/demographic (gains) and losses for the period ending December 31, 2025 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
2026	$ 16,805
2027	16,805
2028	16,805
2029	16,805
2030	16,342
Thereafter	60,548

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, 2025 (actuary measurement date):

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	78
Total	83

Total OPEB Liability. At December 31, 2025, the total OPEB liability recognized by the BPU was $172,403. BPU's total OPEB liability was determined by an actuarial valuation as of December 31, 2024, calculated based on the discount rate and actuarial assumptions below, and rolled forward to the measurement date as of June 30, 2025. Any significant changes during this period have been reflected as prescribed by GASB 75.

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

Actuarial Assumptions. The financial information for the year December 31, 2025, is based upon an actuarial valuation performed as of December 31, 2024, rolled forward to June 30, 2025, using the participant census as of December 31, 2025.

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.)	5.20%

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-2021 Full Generational Projection of Future Mortality Improvement.

The actuarial assumptions used in the December 31, 2025, valuation were based on the results of an actuarial experience study conducted during 2019 - 2022.

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, 2025
Net OPEB liability - beginning of year	$ 221,521
Service cost	16,602
Interest on total OPEB liability	8,913
Effect of economic/demographic gains or losses	(42,249)
Effect of assumptions changes or inputs	(9,484)
Benefit payments	(22,900)
Net OPEB liability - end of year	$ 172,403

The BPU saw no benefit changes to the disabilitant's percentage of replacement income due to the changes from FY 24 to FY 25.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.93% in 2024 to 5.20% in 2025.

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, 2025 (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	$ 172,403	$ 172,403	$ 172,403

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, 2025 (measurement date), calculated using the discount rate of 5.20%, 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 (4.20%) or 1 percentage point higher (6.20%) than the current rate.

	1% Decrease 4.20%	Current Single Discount Rate Assumption 5.20%	1% Increase 6.20%
Total OPEB Liability	$ 179,875	$ 172,403	$ 164,956

OPEB Expense. For the year ended December 31, 2025, the BPU recognized OPEB expense of $12,268, 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, 2025, 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	$ 63,649	$ 130,280
Changes in assumptions	8,950	39,897
Total	$ 72,600	$ 170,177

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
2026	$ (13,060)
2027	(12,417)
2028	(12,203)
2029	(14,070)
2030	(21,978)
Thereafter	(23,849)

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

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.

17. DEFINED BENEFIT PENSION PLAN (CONT.)

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, 2025.

The actuarially determined employer contribution rates and the statutory contribution rates for local government employees are 9.71% and 9.71%, 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.

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

17. DEFINED BENEFIT PENSION PLAN (CONT.)

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, 2025, 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, 2025. 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, 2025 and 2024, BPU reported a liability of $6,225,071 and $6,588,798 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2025, which was rolled forward to June 30, 2025. 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, 2025 and 2024, respectively. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2025, BPU's proportion was 0.478% percent, which was an increase of 0.001% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, rolled forward from June 30, 2025, BPU recognized pension expense of $18,775, 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, 2025, 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	$ 802,160	$ -
Changes of assumptions	153,880	-
Net difference between projected and actual earnings on pension plan investments	-	213,790
Changes in proportion and differences between BPU contributions and proportionate share of contributions	5,775	86,782
BPU contributions subsequent to the measurement date	432,378	-
Total	$ 1,394,193	$ 300,572

The deferred outflows of resources related to pensions totaling $432,378, 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, 2025. 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
2026	$ 602,707
2027	97,644
2028	(310)
2029	(38,798)
2030	-
	$ 661,243

17. DEFINED BENEFIT PENSION PLAN (CONT.)

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, 2024, which was rolled forward to June 30, 2025, 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 15.50 percent, including inflation
• Long-term rate of return, compounded annually, net of investment expense, and including price inflation	7.00 percent

Mortality rates were based on the PUB 2010 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-2021.

There were no changes between the measurement date of December 31, 2024, rolled forward to June 30, 2025, and BPU's reporting date of December 31, 2025.

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 29, 2024, 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
Non-U.S. Equities	43.00%	8.20%
Private Equity	11.00%	12.00%
Private Real Estate	15.00%	5.70%
Yield Driven	12.00%	5.30%
Real Return	3.00%	6.80%
Fixed Income	13.00%	2.20%
Short-term Investments	3.00%	0.30%
Total	100.00%	

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

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

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

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

17. DEFINED BENEFIT PENSION PLAN (CONT.)

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

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

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

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

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

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

The 2023 Legislature passed HB 2196, which expanded the Deferred Retirement Option Plan (DROP) in KP&F to include all of that System;s employers as of April 27,2023. Under that same Bill, the Kansas Department of Wildlife and Parks (KDWP) became an affiliated KP&F employer making certain law enforcement positions in the Agency eligible for KP&F future service participation as of July 1, 2023. HB 2100 was also passed, defining and establishing limits on environmental, social and governance factors when entering into contracts (including investment contracts) and when making proxy votes on behalf of the System. This latter change was not expected to materially affect the asset allocation.

The 2024 Legislature passed HP 2711 that increased both the lump sum retiree death benefit from $4,000 to $6,000 and employer contribution rates for State/School for FY 2026 and for Local employers for CY 2025 to fund this benefit improvement. The Bill also increased the employer contribution threshold for the 30% Working After Retirement (WAR) rate from $25,000 to $40,000; and the earnings limit for KP&F retirees from $25,000 to $40,000; while creating at exemption from employer contributions for nurses and direct support workers at Community Development Disability Organizations (CDDOs). Further, the Bill increased the alternative investment cap from 15% to 25% and requires the System to divest all publicly traded securities held in funds by countries of concern.

There was no legislation passed in 2025 impacting plan provisions.

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

17. DEFINED BENEFIT PENSION PLAN (CONT.)

Sensitivity of BPU's proportionate share of the net pension liability to changes in the discount rate. The following presents BPU's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
$9,186,248	6,225,071	$3,738,078

18. LONG-TERM RECEIVABLES

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

Year	Principal	Interest	Total
2026	$ 149,628	$ 59,822	$ 209,450
2027	154,949	54,500	209,449
2028	160,461	48,989	209,450
2029	166,168	43,282	209,450
2030	172,078	37,372	209,450
2031-2035	956,664	90,585	1,047,249
2036	17,402	51	17,453
	$ 1,777,350	$ 334,601	$ 2,111,951

19. SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY - HEALTHCARE
For the Year Ended December 31, 2025

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability - Beginning of year	$ 528,472	$ 570,267	$ 407,011	$ 421,240	$ 294,782	$ 289,476	$ 250,307	$ 228,618	See note at bottom	
Service cost	36,178	35,124	28,708	27,872	15,994	15,528	11,846	10,556	See note at bottom	
Interest cost	17,098	18,186	8,564	8,728	8,188	8,106	10,556	10,635	See note at bottom	
Changes in benefit terms	-	-	-	-	-	-	-	-	See note at bottom	
Differences between actual and expected experience	(41,765)	-	160,295	-	113,786	-	4,155	-	See note at bottom	
Changes in assumptions and inputs	(48,149)	-	5,601	-	12,336	-	22,024	6,206	See note at bottom	
Benefit payments	(80,296)	(95,105)	(39,912)	(50,829)	(23,846)	(18,328)	(9,412)	(5,708)	See note at bottom	
Net Changes	(116,934)	(41,795)	163,256	(14,229)	126,458	5,306	39,169	21,689	See note at bottom	
Total OPEB Liability - End of year	$ 411,538	$ 528,472	$ 570,267	$ 407,011	$ 421,240	$ 294,782	$ 289,476	$ 250,307	See note at bottom	

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2016-2017 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, 2025

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability	$ 411,538	$ 528,472	$ 570,267	$ 407,011	$ 421,240	$ 294,782	$ 289,476	$ 250,307	See note at bottom	
Fiduciary net position	-	-	-	-	-	-	-	-	See note at bottom	
Net OPEB liability	$ 411,538	$ 528,472	$ 570,267	$ 407,011	$ 421,240	$ 294,782	$ 289,476	$ 250,307	See note at bottom	
Fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	See note at bottom	
Covered-employee payroll	$ 7,922,144	$ 7,072,328	$ 6,866,338	$ 6,648,980	$ 6,455,320	$ 6,395,186	$ 6,208,918	$ 5,713,429	See note at bottom	
Net OPEB liability as a percentage of covered-employee payroll	5.19%	7.47%	8.31%	6.12%	6.53%	4.61%	4.66%	4.38%	See note at bottom	

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2016-2017 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, 2025

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability - Beginning of year	$ 221,521	$ 166,761	$ 168,979	$ 260,155	$ 337,018	$ 243,900	$ 216,272	$ 211,572	See note at bottom	
Service cost	16,602	16,121	15,178	26,684	26,987	22,469	21,891	21,783	See note at bottom	
Interest cost	8,913	6,501	6,400	6,061	7,727	8,871	8,927	8,044	See note at bottom	
Changes in benefit terms	-	-	-	-	-	-	-	-	See note at bottom	
Differences between actual and expected experience	-	-	-	-	-	-	-	-	See note at bottom	
Effect of economic/demographic gains or losses	(42,249)	42,982	(16,212)	(63,354)	(83,011)	68,118	8,380	(5,105)	See note at bottom	
Changes in assumptions and inputs	(9,484)	(1,262)	(781)	(48,060)	415	19,713	3,524	(2,522)	See note at bottom	
Benefit payments	(22,900)	(9,582)	(6,805)	(12,507)	(28,981)	(26,053)	(15,094)	(17,500)	See note at bottom	
Net Changes	(49,118)	54,760	(2,220)	(91,176)	(76,863)	93,118	27,628	4,700	See note at bottom	
Total OPEB Liability - End of year	$ 172,403	$ 221,521	$ 166,759	$ 168,979	$ 260,155	$ 337,018	$ 243,900	$ 216,272	See note at bottom	

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2016-2017 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, 2025

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability	$ 172,403	$ 221,521	$ 166,759	$ 168,979	$ 260,155	$ 337,018	$ 243,900	$ 216,272	See note at bottom	
Fiduciary net position	-	-	-	-	-	-	-	-	See note at bottom	
Net OPEB liability	$ 172,403	$ 221,521	$ 166,759	$ 168,979	$ 260,155	$ 337,018	$ 243,900	$ 216,272	See note at bottom	
Fiduciary net position as a percentage of total OPEB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	See note at bottom	
Covered-employee payroll	$ 7,235,238	$ 6,580,909	$ 6,251,057	$ 5,929,407	$ 5,957,193	$ 6,031,057	$ 5,685,724	$ 5,593,278	See note at bottom	
Net OPEB liability as a percentage of covered-employee payroll	2.38%	3.37%	2.67%	2.85%	4.37%	5.59%	4.29%	3.87%	See note at bottom	

Note: For December 31, 2018, GASB 75 was implemented. The information for years 2016-2017 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, 2025

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
BPU's proportion of the net pension liability (asset)	0.06%	0.06%	0.06%	0.06%	0.05%	0.06%	0.05%	0.05%	0.05%	0.05%
BPU's proportionate share of the net pension liability (asset)	$ 6,225,071	$ 6,588,798	$ 6,546,527	$ 6,296,825	$ 3,945,922	$ 5,896,724	$ 4,502,648	$ 4,457,948	$ 4,465,778	$ 4,814,766
BPU's covered-employee payroll	$ 7,959,422	$ 7,696,897	$ 7,377,822	$ 7,000,926	$ 6,827,464	$ 6,595,221	$ 6,687,361	$ 6,098,876	$ 5,808,272	$ 5,739,489
BPU's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78.21%	85.60%	88.73%	89.94%	57.79%	89.41%	67.33%	73.09%	76.89%	83.89%
Plan fiduciary net position as a percentage of the total pension liability	72.75%	70.70%	69.75%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%

Board of Public Utilities - McPherson, Kansas

SCHEDULE OF CONTRIBUTIONS
For the Year Ended December 31, 2025

Kansas Public Employees Retirement System

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 853,224	$ 791,301	$ 696,475	$ 658,517	$ 640,482	$ 634,417	$ 663,059	$ 573,476	$ 507,015	$ 531,672
Contributions in relation to the contractually required contribution	(853,224)	(791,301)	(696,475)	(658,517)	(640,482)	(634,417)	(663,059)	(573,476)	(507,015)	(531,672)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
BPU's covered-employee payroll	$ 7,959,422	$ 7,696,897	$ 7,377,822	$ 7,000,926	$ 6,827,464	$ 6,595,221	$ 6,687,361	$ 6,098,876	$ 5,808,272	$ 5,739,489
Contributions as a percentage of covered-employee payroll	10.72%	10.28%	9.44%	9.41%	9.38%	9.62%	9.92%	9.40%	8.73%	9.26%

Board of Public Utilities - McPherson, Kansas

REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the Year Ended December 31, 2025

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 3.26% in 2024 to 4.43% in 2025.

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 3.93% in 2024 to 5.20% in 2025.

Defined Benefit Pension Plan

Changes in benefit terms:

There are no changes in benefits.

Changes in assumptions:

There are no changes in assumptions.