Kansas Power Pool

Independent Auditor's Reports and Financial Statements

December 31, 2022 and 2021

Kansas Power Pool
December 31, 2022 and 2021

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Kansas Power Pool
Wichita, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kansas Power Pool (KPP) as of and for the years ended December 31, 2022 and 2021 and the related notes to the financial statements, which collectively comprise KPP's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of KPP, as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 KPP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KPP's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KPP's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KPP'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 and pension information 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 GAAS, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2023 on our consideration of KPP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KPP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KPP's internal control over financial reporting and compliance.

FORVIS, LLP

Oklahoma City, Oklahoma
April 19, 2023

Kansas Power Pool

Management's Discussion and Analysis

Years Ended December 31, 2022 and 2021

This section of Kansas Power Pool's (KPP) annual financial report presents management's discussion and analysis of KPP's financial performance for the years ended December 31, 2022 and 2021. Please read it in conjunction with the accompanying financial statements, which follow this section.

Overview of the Financial Statements

Financial Statements

KPP's report includes three financial statements. These statements provide both long-term and short-term information about the overall status of KPP and are presented to demonstrate the extent KPP has met its operating objectives efficiently and effectively using all the resources available and whether KPP can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of the financial statements is the balance sheets. These statements present information that includes all of KPP's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Increases and decreases in net position may serve as a useful indicator of whether the financial position of KPP as a whole is improving or deteriorating and to identify financial strengths and weaknesses and assess liquidity.

The second statement is the statements of revenues, expenses, and changes in net position, which report how KPP's net position changed during the fiscal year and can be used to assess KPP's operating results in its entirety and analyze how KPP's operations are financed.

The third statement is the statements of cash flows, which report the inflows and outflows of KPP's cash.

Notes to Financial Statements

The accompanying notes to financial statements provide information essential to gain a full understanding of KPP's financial statements. The notes to financial statements begin immediately following the financial statements.

Nature of Operations

KPP is a Municipal Energy Agency organized under K.S.A. 12-885 through and including K.S.A. 12-8, 111, of the state of Kansas to provide a means of municipal electric systems in Kansas to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. KPP is not a discretely presented component unit of the state of Kansas, nor is it included in the financial statements of the state of Kansas.

KPP provides electric power services under its operating agreement and a power purchase contract for wholesale electric energy, both of which are adopted by each member city. The term of the operating agreement is governed by termination language in the Power Purchase Contract; but the member shall remain responsible for its respective shares of any obligations made on its behalf prior to its notice of cancellation and shall be entitled to its respective shares of any entitlements obtained for which it has paid when due, subject to the terms under which the entitlements were obtained.

KPP's 2022 membership includes 23 cities that are considered long-term members in that each has signed an exclusive 20-year power purchase contract with KPP, the term of which is the later of 20 years from the First Supplemental Power Purchase Contract date or the date upon which the principal, premium, and interest on all bonds are paid in full and the bonds are retired. An additional member city that previously signed a 20-year power purchase contract with KPP, with the term being from the First Supplemental Power Purchase Contract date, signed the long-term member contract January 2023. The net result is that each member pools any existing power purchase contracts with KPP resources, except for agreements with the Western Area Power Administration, which are retained by the cities that have them. Each generating member also assigns its internal generating units to KPP's resource pool if the units meet KPP requirements as designated network resources under Southwest Power Pool reliability standards.

During 2022, the Board of Directors voted to formally change the name of "Kansas Power Pool" to "KPP Energy." The name change requires all member cities of the agency to sign a second amendment to the agreement creating the agency as well as passage of a resolution by the city council or commission. As of April 2023, all but one member of KPP has executed the required documents.

Mark Chesney, CEO since November 2012, retired January 31, 2022. Colin Hansen began his tenure as CEO with KPP on February 1, 2022. Prior to joining KPP, Colin served for 22 years as Executive Director of Kansas Municipal Utilities (KMU), the statewide trade association for municipal electric, natural gas, water, wastewater, and telecommunications utilities. Colin is responsible for the strategic direction, administration, and overall management of KPP.

The existing 50 MW contract with a supplier for 59 MW of capacity ended December 2022. KPP is underway in executing a long-term power supply plan intended not only to replace the capacity from that contract but also to achieve a lower cost structure following that replacement. Said power supply plan will result in the installation of low heat rate, high-capacity factor, dual-fueled, quick-start technology well suited to overcome the intermittent characteristics of renewable energy resources within the Southwest Power Pool. Tax-exempt bonds are intended for use in financing the project. Accordingly, KPP should be poised to acquire more capital assets while reducing cost.

In July 2015, KPP issued additional debt to acquire another 20 MWs of the Dogwood Energy Facility, bringing its ownership total from this natural gas, combined cycle generating source to 62 MW. In June 2016, KPP began taking 25 MW of energy from a newly constructed wind farm in north central Kansas, bringing its renewable capacity contracts to approximately 15% of its total energy portfolio. By doing this, KPP was able to terminate an existing 15.5 MW contract for energy from an inefficient coal-fired generating plant at the end of 2015. KPP's energy resources include power generated from coal, wind, hydro, natural gas, and fuel oil. This mix of fuels provides KPP with a hedge against price spikes for any one fuel type.

KPP applied the practice of locational arbitrage within the Southwest Power Pool Integrated Marketplace beginning in May 2015. Locational arbitrage is the practice of bringing in more revenue in certain locations where transmission congestion occurs by offering excess energy on a real-time basis rather than selling it in the day ahead market at a lower rate. KPP takes energy at the source of two wind farms where transmission congestion occurs at certain times of the day.

KPP is the sole purchaser of the output of the Greensburg wind project, which completed 10 years of commercial operation in the summer of 2020. Consequently, and because the project developer now no longer receives the Production Tax Credit, KPP has been free to implement changes in market operations practices, which have provided for additional market and transmission cost and price benefits to KPP.

In June 2017, KPP began the sale of 50 MW of excess capacity to the Omaha Public Power District, which continued through May 2022, with the capacity amount decreasing to 25 MW in June 2019. In June 2020, KPP extended the existing contract to May 2023 and increased the sale of capacity amount to 50 MW during this one-year period.

KPP built an interconnection substation and facilities to MKEC 115KV transmission line, located northeast of Cunningham, Kansas. The Substation provides the city of Kingman 100% connection to the high voltage transmission grid easing the need for internal generation to support the load of Kingman. This connection also allows the city of Kingman the ability to generate back to the Southwest Power Pool Integrated Marketplace. The Kingman substation was placed in service in September 2022.

The city of Marion has worked the last several years converting their electric system from 4160 V to 12470 V. This project will complete the voltage conversion on the remaining three circuits of the city and retire the old 4160 V distribution facilities. This will benefit the city by decreasing losses, along with better performance of the electric system. Materials for the line construction and substation have been delivered. This project is expected to be completed in May 2023.

KPP completed a 1 MW/4 MWH battery storage project with the assistance of Kelson Energy. It is located in the city of Minneapolis, a KPP member. The city is connected on a long low-voltage Evergy transmission line. In the past, this has caused the city to experience low voltage issues during periods of high load and long restoration periods in the wake of storms. The project provides Minneapolis with voltage support and faster black start capabilities of their internal generation. KPP offers the unit into the Southwest Power Pool Integrated Marketplace. Generally, several times a week, KPP nets more than $20/MWH fully charging SESC during low price periods and discharging when the market prices increase. KPP has worked with Tenaska and Kelson to qualify the unit into the Southwest Power Pool Integrated Marketplace for regulation services beginning March 1, 2023. During the summer of 2022, when the load in Minneapolis was approximately 4.5 MW, rather than running a 1 MW diesel generator for eight hours to prevent low distribution voltage, Minneapolis used SESC and saved KPP members more than $3,000 per day in diesel generator costs (in addition to the savings on market energy costs during these high load times).

KPP is working with eight members to install automated metering infrastructure (AMI) technology. Each city is in various stages of the project. Material shortages have created large delays and back logs in meter manufacturing. Three cities have all of their meters and equipment installed; the other cities are waiting on meters. KPP's members are installing all of the equipment and working with their customer information system software vendors to integrate the meter readings for customer billing. This will allow these cities the ability to automate meter reading, monitor system performance, and open up ways to work with customers on billing and payment options.

The City of Waterville and KPP will be replacing the substation that connects them to the Evergy system. This project will consist of replacing old equipment that has reached the end of its useful life. The project will consist of installing pad mounted equipment, which is safer to work around and less prone to outages from storms and wildlife. The city and KPP can do this project at a savings compared to Evergy cost of construction. Waterville will operate the substation, taking over the responsibility from Evergy. Materials have been specified and ordered. Regulators remain a longer term delivery item. Construction will begin in 2023.

In addition to these five projects, KPP also issued additional debt in June 2021 to acquire, construct, and equip a new electrical substation to service the city of Mulvane. This will include new transmission lines, electrical interconnections, transformers, and switchgear, together with any alterations or additional improvements deemed a part of the project. Currently, the transformer is being designed with an expected delivery date of July 2023.

In February 2021, extreme cold temperatures throughout the Midwest caused a disruption in the supply of natural gas due to frozen and damaged pumps and pipelines. For a brief period, natural gas prices and related prices increased exponentially and KPP's costs to provide power to its members similarly increased. KPP utilized approximately $18,000,000 from its accounts, including its money market and Emergency Stabilization Fund (ESF) to pay such costs. In response to this emergency, the State of Kansas established the City Utility Low-Interest Loan Program administered by the State Treasurer. Such loans are only available to municipalities (including municipal energy agencies) to pay the costs of gas and electricity during February 2021. KPP has replenished the balance of the money market and ESF with a loan from the State of Kansas' City Utility Low-Interest Loan Program. KPP received the loan in the amount of $18,000,000 bearing interest at an initial variable rate of 0.25% and to be repaid to the state in monthly payments over five years. KPP intends to generate revenues to repay the loan through additional surcharges from its members. The surcharge is expected to remain through July 2023, and the State of Kansas loan is expected to be paid in full at this time.

Each member city taking wholesale electric service through KPP is represented by a voting delegate to the KPP Membership Committee. Voting delegates and their alternates are appointed by the governing bodies of the respective member cities.

KPP is governed by a nine-member Board of Directors, elected by the Membership Committee, serving staggered four-year terms. The Board meets monthly to review and direct the general activity of KPP's staff. KPP's staff is headed by a CEO/general manager selected by the Board. The staff is comprised of seven members in addition to the CEO/general manager who handle the daily operations of KPP. KPP also retains or contracts with consultants in specialized areas of the electric utility industry.

KPP's annual budget process is closely inter-related with its wholesale rate-setting process, both of which involve the direct participation of the Board and the Membership Committee. KPP's staff first prepare peak demand and energy numbers using forecasts for each member city, which are calculated with anticipated unit costs to project KPP expenditures for the new fiscal year. Wholesale rates are then calculated to provide the revenue levels necessary to cover expenses and to meet the financial objectives set by the Board with regard to debt service coverage and net position. KPP's staff make a presentation of these financial components to the membership at an annual rate forum. At a subsequent meeting, the Board approves the budget and recommends to the Membership Committee approval of the wholesale rates to be applied the following year. The wholesale rates are finalized by a vote of the Membership Committee.

At the end of FY 2022, KPP's unrestricted cash balance covered 159.8 days of operating expenses. KPP has exceeded its financial objective of reaching 90 days' expense coverage by 2020. At the end of FY 2022, KPP reached a debt service coverage ratio of 1.35 before moving funds in excess of the 1.3 bond rating agency target into its rate stabilization fund.

KPP has many value-added services offered to its members at no additional cost. These services include an annual Electric Utility Analysis Report on the member's electric utility, Electric Cost of Service Study and Rate Design, Long-Term Capital Improvement Planning, Project Management Services, Electric Distribution Assessments, Pole Testing Analysis, an Energy Efficiency Rebate Program, Cybersecurity Training and Events, Budget and Financial Reporting Assistance, and Education and Ordinance Preparation for Distributed Generation Projects. KPP's staff also advocates and assists members with federal, state, and local grant opportunities. In addition, KPP promotes each member's community by joining area chambers or community foundations and makes monetary donations to each.

The following tables summarize the financial condition and operations of KPP:

Assets and Deferred Outflows of Resources

	2022	2021	2020
Cash	$ 31,290,733	$ 27,302,983	$ 21,576,304
Cash and cash equivalents, restricted	250,537	250,582	137,975
Investments, restricted	10,271,023	14,914,518	4,960,378
Accounts receivable	7,211,578	5,554,270	5,971,595
Capital assets, net	43,288,989	40,263,230	37,369,726
Other assets	8,615,734	8,719,932	7,633,784
Total assets	100,928,594	97,005,515	77,649,762
Deferred outflows of resources	6,086,890	13,862,334	1,350,849
Total assets and deferred outflows of resources	$ 107,015,484	$ 110,867,849	$ 79,000,611

Liabilities, Deferred Inflows of Resources, and Net Position

	2022	2021	2020
Accounts payable and accrued expenses	$ 4,829,483	$ 4,117,907	$ 3,394,696
Long-term debt, net	55,410,840	67,072,569	40,604,397
Net pension liability	896,829	514,201	843,665
Total liabilities	61,137,152	71,704,677	44,842,758
Deferred inflows of resources	12,837,076	12,596,611	11,364,431
Total liabilities and deferred inflows of resources	73,974,228	84,301,288	56,207,189
Net position – investment in capital assets	3,215,918	4,240,885	5,130,827
Net position – restricted	4,301,948	1,596,664	1,317,687
Net position – unrestricted	25,523,390	20,729,012	16,344,908
Total liabilities, deferred inflows of resources, and net position	$ 107,015,484	$ 110,867,849	$ 79,000,611

Revenues, Expenses, and Changes in Net Position

	2022	2021	2020
Operating revenues	$ 80,141,308	$ 67,916,133	$ 54,135,640
Operating expenses	(68,652,363)	(58,496,290)	(46,772,520)
Administrative and general expenses	(3,058,230)	(2,855,704)	(2,649,386)
Nonoperating expense, net	(1,506,020)	(1,791,000)	(1,488,757)
Deferred inflows of resources – emergency stabilization	(450,000)	(1,000,000)	-
Change in net position	$ 6,474,695	$ 3,773,139	$ 3,224,977

KPP's investment in capital assets, net of accumulated depreciation, as of December 31 was as follows:

	2022	2021	2020
Depreciable Assets			
Vehicles	$ 48,971	$ 48,971	$ 48,971
Furniture, fixtures, and equipment	585,390	493,789	449,574
Kingman Direct Connect	4,640,927	-	-
Solomon Energy Storage	1,917,273	-	-
Dogwood	47,046,499	46,106,678	44,743,592
Total depreciable assets	54,239,060	46,649,438	45,242,137
Construction Work in Progress	3,718,971	6,111,702	2,760,478
Less Accumulated Depreciation	14,669,042	12,497,910	10,632,889
Total capital assets, net	$ 43,288,989	$ 40,263,230	$ 37,369,726

See *Note 3* for additional information.

Revenue Bonds

In conjunction with the purchase of the Dogwood Energy Facility, KPP issued the 2012A revenue bonds for approximately $29,135,000. In addition, KPP issued the 2012B and 2012C revenue bonds to fund certain construction projects for member cities for approximately $3,180,000 and $1,455,000, respectively. The 2012A revenue bonds were retired during 2022. The 2012B and 2012C bonds were retired during 2021.

During 2013, KPP issued the 2013A revenue bonds to fund certain construction projects for member cities for approximately $6,550,000. These bonds were retired during 2021.

During 2015, KPP issued the 2015A revenue bonds to acquire an additional 20 MW of the Dogwood Energy Facility for $14,860,000.

During 2017, KPP issued the 2017A revenue bonds for approximately $9,800,000 for advance refunding of approximately $8,535,000 of the 2012A revenue bonds. These bonds were issued through a private placement.

During 2020, KPP issued the 2020A and 2020B revenue bonds for approximately $5,875,000 for advance refunding of approximately $5,345,000 of the 2012A revenue bonds. KPP also issued the 2020C revenue bonds for approximately $1,115,000 for advance refunding of approximately $1,040,000 of the 2013A revenue bonds. These bonds were issued through a private placement.

During 2021, KPP issued the 2021A revenue bonds to finance certain construction projects for approximately $14,570,000. During 2021, KPP also issued the 2021B and 2021C revenue bonds for approximately $8,375,000 for advance refunding of approximately $4,615,000 of the 2012A revenue bonds, approximately $975,000 of the 2012B revenue bonds, approximately $645,000 of the 2012C revenue bonds, and approximately $2,465,000 of the 2013A revenue bonds.

All bond issues are rated A3 by Moody's, except for the 2017A, 2020A, 2020B, and 2020C revenue bonds, which are not rated.

See *Note 6* for additional information.

Operations

Revenues from operations were approximately $80,141,000 for the year ended December 31, 2022. The increase in operating revenue of approximately $12,225,000 (18.00%) from 2021 is primarily a result of the Winter Storm Uri surcharge and higher than normal commodity prices during summer 2022. Operating expenses, which consist mainly of transmission costs, purchased power, depreciation, and payments to the facilitator for scheduling and other administrative functions, totaled approximately $68,652,000 in the same period.

Revenues from operations were approximately $67,916,000 for the year ended December 31, 2021. The increase in operating revenue of $13,780,000 (25.46%) from 2020 is primarily a result of the Winter Storm Uri surcharge. Operating expenses, which consist mainly of transmission costs, purchased power, depreciation, and payments to the facilitator for scheduling and other administrative functions, totaled approximately $58,496,000 in the same period.

Contacting KPP's Financial Management

Questions about this report or requests for additional financial information should be directed to:

Kansas Power Pool
General Manager
100 N. Broadway, Suite L110
Wichita, KS 67202

Kansas Power Pool

Balance Sheets

December 31, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021
Current Assets		
Cash	$ 24,206,014	$ 21,276,574
Cash, board-designated for emergency stabilization	7,084,719	6,026,409
Cash and cash equivalents, restricted	250,537	250,582
	31,541,270	27,553,565
Investments, restricted	10,271,023	14,914,518
Accounts receivable	7,211,578	5,554,270
Prepaid expenses and other	3,321,073	3,169,136
Materials and supplies	422,721	415,600
Total current assets	52,767,665	51,607,089
Capital Assets, Net of Accumulated Depreciation	43,288,989	40,263,230
Other Assets	326,863	435,488
Regulatory Assets		
Costs recoverable from future billings	812,148	1,004,088
Unrecovered development costs	3,732,929	3,695,620
Total regulatory assets	4,545,077	4,699,708
Total assets	100,928,594	97,005,515
Deferred Outflows of Resources		
Deferred loss on refunding	1,073,745	1,311,683
Deferred power costs	4,684,006	12,352,290
Pensions	329,139	198,361
Total deferred outflows of resources	6,086,890	13,862,334
Total assets and deferred outflows of resources	$ 107,015,484	$ 110,867,849

Liabilities, Deferred Inflows of Resources, and Net Position

	2022	2021
Current Liabilities		
Current portion of bonds payable and state of Kansas loan	$ 5,485,734	$ 6,819,874
Accounts payable	105,587	32,920
Accounts payable – power bills	3,426,503	3,002,822
Accrued expenses	1,157,558	629,894
Accrued interest	139,835	452,271
Total current liabilities	10,315,217	10,937,781
Long-Term Debt		
Revenue bonds payable	43,630,000	47,715,000
State of Kansas loan	3,543,697	9,371,645
Unamortized bond premiums and discounts, net	2,751,409	3,166,050
Total long-term debt	49,925,106	60,252,695
Net Pension Liability	896,829	514,201
Total liabilities	61,137,152	71,704,677
Deferred Inflows of Resources		
Emergency stabilization fund	12,787,000	12,337,000
Pensions	50,076	259,611
Total deferred inflows of resources	12,837,076	12,596,611
Net Position		
Net investment in capital assets	3,215,918	4,240,885
Restricted – expendable for debt services	4,301,948	1,596,664
Unrestricted	25,523,390	20,729,012
Total net position	33,041,256	26,566,561
Total liabilities, deferred inflows of resources, and net position	$ 107,015,484	$ 110,867,849

Kansas Power Pool

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues	$ 80,141,308	$ 67,916,133
Operating Expenses		
Purchased power	50,978,726	40,688,522
Transmission expense	13,150,849	13,711,474
Dogwood operating costs	1,813,600	1,710,762
Amortization of unrecovered development costs	538,056	520,511
Depreciation	2,171,132	1,865,021
Total operating expenses	68,652,363	58,496,290
Administrative and General Expenses		
Salaries and benefits	1,355,951	1,173,381
Legal expenses	189,315	182,474
Consulting fees	84,423	90,930
Outside services	347,785	405,973
Insurance	225,613	177,487
Dues and memberships	221,175	218,078
Miscellaneous	463,233	437,922
Rent	62,110	60,834
Payment in lieu of taxes	108,625	108,625
Total administrative and general expenses	3,058,230	2,855,704
Operating Income	8,430,715	6,564,139
Nonoperating Revenues (Expenses)		
Investment and interest income	237,595	28,739
Interest expense on debt	(2,036,848)	(1,937,278)
Amortization of bond premiums and discounts, net	414,641	225,099
Net costs recoverable	(121,408)	(107,560)
Total nonoperating revenues (expenses)	(1,506,020)	(1,791,000)
Deferred Inflows of Resources – Emergency Stabilization	(450,000)	(1,000,000)
Change in Net Position	6,474,695	3,773,139
Net Position, Beginning of Year	26,566,561	22,793,422
Net Position, End of Year	$ 33,041,256	$ 26,566,561

Kansas Power Pool

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Receipts from members	$ 78,484,000	$ 68,333,458
Payments to suppliers	(59,511,845)	(71,104,568)
Payments to employees	(1,310,216)	(1,192,879)
Net cash provided by (used in) operating activities	17,661,939	(3,963,989)
Noncapital Financing Activities		
Principal payments on noncapital bonds	(610,000)	(780,000)
Proceeds from issuance of noncapital debt	-	18,000,000
Principal payments on noncapital debt	(7,672,088)	(5,383,481)
Payments of issuance costs on noncapital bonds	-	(66,488)
Proceeds from discounts of noncapital debt	-	301,943
Proceeds from revolving line of credit	-	6,000,000
Payments on revolving line of credit	-	(6,000,000)
Interest payments on line of credit and noncapital debt	(25,639)	(40,860)
Interest payments on noncapital bonds	(147,600)	(168,089)
Net cash provided by (used in) noncapital financing activities	(8,455,327)	11,863,025
Capital and Related Financing Activities		
Capital expenditures	(5,196,891)	(4,758,525)
Proceeds from issuance of revenue bonds	-	14,570,000
Payments of issuance costs on revenue bonds	-	(439,533)
Proceeds from discounts of capital debt	-	2,650,224
Principal payments on revenue bonds	(2,965,000)	(2,250,000)
Interest payments on revenue bonds	(1,938,106)	(1,185,871)
Net cash provided by (used in) capital and related financing activities	(10,099,997)	8,586,295
Investing Activities		
Interest and investment income	237,595	28,739
Proceeds from sales and maturities of investments	24,003,391	10,430,762
Purchases of investments	(19,359,896)	(21,105,546)
Net cash provided by (used in) investing activities	4,881,090	(10,646,045)
Increase in Cash and Cash Equivalents	3,987,705	5,839,286
Cash and Cash Equivalents, Beginning of Year	27,553,565	21,714,279
Cash and Cash Equivalents, End of Year	$ 31,541,270	$ 27,553,565

See Notes to Financial Statements

	2022	2021
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating income	$ 8,430,715	$ 6,564,139
Depreciation and amortization	2,709,188	2,385,532
Amortization of payment in lieu of taxes	108,625	108,625
Net pension liability	382,628	(329,464)
Changes in		
Accounts receivable	(1,657,308)	417,325
Accounts payable and accrued expenses	1,024,012	409,371
Deferred inflows of resources	(209,535)	232,180
Deferred outflows of resources	7,537,505	(12,280,999)
Prepaid expenses and other current assets	(88,526)	(821,146)
Unrecovered development costs	(575,365)	(649,552)
Net cash provided by (used in) operating activities	$ 17,661,939	$ (3,963,989)
Noncash Capital and Financing and Noncapital Financing Activities		
Advance refunding of Series 2012A, Series 2012B, Series 2021C, and Series 2013A bonds through issuance of Series 2021B and Series 2021C bonds in a trusted escrow account		
Proceeds received from Series 2021B and Series 2021C bonds issuance less costs to issue	$ -	$ 8,375,000
Retirement of certain Series 2012A, Series 2012B, Series 2012C, and Series 2013A bonds	$ -	$ (8,700,000)
Deferred outflows of resources from advance refunding	$ -	$ 459,104

Kansas Power Pool

Notes to Financial Statements

December 31, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kansas Power Pool (KPP) is a Municipal Energy Agency organized under K.S.A. 12-885, through and including K.S.A. 12-8,111, of the state of Kansas to provide a means for municipal electric systems in Kansas to jointly plan, finance, acquire, and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. Although an instrumentality of the state of Kansas, KPP is not a discretely presented component unit of the state of Kansas, nor is it included in the financial statements of the state of Kansas. The Board is made up of a representative of the member cities.

KPP provides electric power services under its operating agreement and a power purchase contract for wholesale electric energy, both of which are adopted by each member city. The term of the operating agreement is governed by termination language in the power purchase contract, but the member shall remain responsible for its respective shares of any obligations made on its behalf prior to its notice of cancellation and shall be entitled to its respective shares of any entitlements obtained for which it has paid when due, subject to the terms under which the entitlements were obtained.

KPP bills participants and other power purchasers monthly for power used and services provided. The terms generally require payment within 10 days of the billing date. KPP does not require participants or other power purchasers to collateralize the obligation related to power and services billed.

KPP's accounts are substantially maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission and in conformity with accounting principles generally accepted in the United States of America (GAAP).

KPP is no longer under the regulatory purview of the Kansas Corporation Commission for rate-setting purposes, which is done by the Board of Directors.

Basis of Accounting and Presentation

The accompanying financial statements of KPP have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. KPP considers electric revenues and costs that are directly related to purchase, transmission, and distribution of electricity to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating revenues and expenses. KPP first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

KPP's accounting policies also follow the regulated operations provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to customers. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate-making purposes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

KPP considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted of a money market account with a local financial institution.

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments at December 31, 2022 and 2021 consisted of money market mutual funds with a broker and bond funds.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Accounts receivable are stated at the amount billed to members. Accounts receivable are ordinarily due 10 days from the billing date. Delinquent receivables are written off based on individual credit evaluation and specific circumstances. At December 31, 2022 and 2021, there was no allowance for doubtful accounts.

Materials and Supplies

Materials and supplies are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of a deposit with Southwest Power Pool (SPP) as collateral for purchases through SPP and payments in lieu of taxes (PILOT) in relation to

Dogwood Energy Facility (Dogwood) and are being amortized over the life of the PILOT, which is 15 years. At December 31, 2022 and 2021, the deposit with SPP was approximately $3,114,000 and $2,983,000, respectively. At December 31, 2022 and 2021, the amortized balance of the PILOT was approximately $431,000 and $540,000, respectively. Amortization of the PILOT was approximately $109,000 in 2022 and 2021.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. KPP generally capitalizes assets with costs of $2,500 or more and an expected useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Estimated useful lives for capital asset additions range from
3 to 35 years.

On December 22, 2011, KPP entered into an asset purchase agreement with Dogwood Energy, LLC to acquire a 7% undivided ownership interest in Dogwood, a natural gas combined-cycle facility located in Pleasant Hill, Cass County, Missouri. The Dogwood combined-cycle unit is a modern and efficient clean generating source and is one of the lowest cost energy resources available to buy and operate. The capacity of the facility is 650 MW. The purchase was financed through the issuance of revenue bonds in April 2012. See *Note 6* for additional reference.

On July 29, 2015, KPP entered into an asset purchase agreement with Dogwood Energy, LLC to acquire an additional 3.3% undivided ownership interest in Dogwood. The purchase was financed through the issuance of revenue bonds in July 2015. See *Note 6* for additional reference.

Costs Recoverable from Future Billings

Certain income and expense items that would be recognized during the current period are deferred and not included in the determination of the change in net position until such costs are expected to be recovered through rates charged to customers, in accordance with the regulated operations provisions of GASB 62. At December 31, 2022 and 2021, costs recoverable from future billings are comprised of costs incurred in relation to KPP's debt issuance and excess deferred power costs from Winter Storm Uri.

Unrecovered Development Costs

Costs that are recoverable through future rates or directly from the member cities are deferred in accordance with GASB 62. The unrecovered development costs are amortized on a straight-line basis over the period in which they are recovered in rates or reduced when payment is received.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. KPP has a deferred outflow for bond refunding, which is the difference in the carrying value of a refunded debt and its reacquisition price. This amount is deferred or amortized to interest expense over the shorter of the life of the refunded or new debt. In addition, KPP has deferred outflows related to pensions.

In February 2021, virtually all of the 14-state SPP region, including KPP's members' service territory, experienced Winter Storm Uri, which resulted in record low temperatures causing a substantial increase in energy usage throughout the region resulting in extraordinarily high natural gas prices. As a result of Winter Storm Uri, the Board approved deferring approximately $19,000,000 in extraordinary power costs related to the storm under GASB 62. The Board also approved collecting a storm surcharge of 0.01 cent per KWH starting in February 2021 and will continue to re-evaluate the storm surcharge as of the recovery plan as necessary. The unamortized balance of the Winter Storm Uri deferred power costs was approximately $4,684,000 and $12,352,000 at December 31, 2022 and 2021, respectively. KPP recognized approximately $7,668,000 and $6,625,000 of revenue and related expense related to the amortization of the Winter Storm Uri deferred power costs for the years ended December 31, 2022 and 2021, respectively.

Compensated Absences

KPP's policies permit employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability for vacation benefits are recognized when earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash, determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Deferred Inflows of Resources

KPP reports an acquisition of net position that is applicable to a future period as deferred inflows of resources in a separate section of its balance sheet. KPP designs its electric service rates to recover costs of providing power supply services to its member cities. In order to minimize possible future rate increases, each year, KPP determines an emergency stabilization amount to be charged or credited to revenues, which typically will consist of cash flow in excess of 130% of KPP's minimum debt service requirements on its revenue bonds for the most recent fiscal year. During 2022 and 2021, there was an increase in the emergency stabilization of $450,000 and $1,000,000, respectively. Emergency stabilization deferrals or withdrawals are approved by the Board annually. The deferred inflows of resources related to the emergency stabilization were $12,787,000 and $12,337,000 as of December 31, 2022 and 2021, respectively. In addition, KPP has deferred inflows of resources related to pensions.

Net Position

Net position of KPP is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to KPP. Unrestricted net position is the remainder that does not meet the definition of net investment in capital assets or restricted expendable net position.

Revenues

Revenues are recognized in the month power is delivered. Costs of power are recognized in the month incurred.

Defined Benefit Pension Plan

KPP's full-time employees are eligible to participate in the Kansas Public Employee Retirement System Plan (KPERS), a cost-sharing multi-employer defined benefit pension plan. 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 KPERS and additions to/deductions from KPERS' 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.

In 2020, KPP entered into an agreement with KPERS to add in a 401(a) plan. KPP matches up to 4% of all full-time employees' salaries. The amount expensed to the 401(a) plan in 2022 and 2021 was approximately $24,000 and $19,000, respectively.

Income Taxes

As a quasi-municipal organization, the income of KPP is generally exempt from federal and state income taxes under applicable sections of the Internal Revenue Code (IRC) and a similar provision of state law.

Revision

A certain immaterial revision has been made to the 2021 financial statements to net certain bond premiums with the related debt within net investment in capital assets on the accompanying balance sheet. The revision had no impact on total net position or change in net position.

Note 2: Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits (including CDs) may not be returned to it. KPP's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies, or instrumentalities of the state of Kansas; or bonds of any city, county, school district, or special road district of the state of Kansas.

At December 31, 2022 and 2021, approximately $532,000 and $445,000, respectively, of KPP's bank balances were exposed to custodial credit risk as the deposits held with Dogwood are not collateralized with securities in KPP's name.

Investments

KPP may legally invest in the following:

- Direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities
- Direct and general obligations of the state of Kansas provided that the obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency
- CDs issued by any bank or trust company organized under the laws of the U.S. and insured by the Federal Deposit Insurance Corporation (FDIC)
- Bank repurchase agreements

KPP may also invest, to a limited extent, in corporate bonds and equity securities.

At December 31, 2022 and 2021, KPP held $5,222,533 and $14,914,518, respectively, in a Federated Government Obligations Fund money market mutual fund. This money market mutual fund has a weighted-average duration of 13 days. In addition, at December 31, 2022, KPP held $5,048,490 of Federal Home Loan Bank (FHLB) bonds, with a cost of $5,169,361 and maturity of September 8, 2023. These bonds have a yield of 3.375%.

Interest Rate Risk – The money market mutual fund and FHLB bonds are classified as an investment with a maturity of less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2022 and 2021, KPP was invested in a money market mutual fund, which invests in short-term U.S. Treasury and government agency securities, including repurchase agreements collateralized in full by U.S. Treasury and government agency securities and are currently rated AAA by S&P and Aaa by Moody's NRSRO. The FHLB bonds carry an AA+ rating by S&P and Aaa by Moody's NRSRO.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty KPP will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for KPP's investments at December 31, 2022 and 2021, are exposed to custodial credit risk because they are held by the counterparty in other than KPP's name.

Concentration of Credit Risk – At December 31, 2022 and 2021, 49% and 51% of KPP's investments were in the Federal Home Loan Bank Bonds and Federated Government Obligations Fund money market mutual fund, respectively.

Fair Value Hierarchy

KPP categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

KPP's recurring fair value measurements as of December 31, 2022 and 2021 are its money market mutual funds and bonds, which are valued using quoted market prices (Level 1 inputs).

Summary of Carrying Values

The carrying values of deposits and investments are included in the accompanying balance sheets as follows at December 31:

	2022	2021
Carrying value		
Deposits	$ 31,541,270	$ 27,553,565
Investments	10,271,023	4,960,378
	$ 41,812,293	$ 32,513,943
Included in the following balance sheet captions		
Cash	$ 24,206,014	$ 21,276,574
Cash and cash equivalents, restricted	250,537	250,582
Cash, board-designated for emergency stabilization	7,084,719	6,026,409
Investments, restricted	10,271,023	14,914,518
	$ 41,812,293	$ 42,468,083

Note 3: Capital Assets

Capital assets activity for the years ended December 31 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
2022				
Vehicles	$ 48,971	$ -	$ -	$ 48,971
Construction work in progress	6,111,702	4,165,469	(6,558,200)	3,718,971
Furniture, fixtures, and equipment	493,789	91,601	-	585,390
Kingman Direct Connect	-	4,640,927	-	4,640,927
Solomon Energy Storage	-	1,917,273	-	1,917,273
Dogwood	46,106,678	939,821	-	47,046,499
	52,761,140	11,755,091	(6,558,200)	57,958,031
Less accumulated depreciation				
Vehicles	(46,424)	(2,547)	-	(48,971)
Furniture, fixtures, and equipment	(462,438)	(61,742)	-	(524,180)
Kingman Direct Connect	-	(75,959)	-	(75,959)
Solomon Energy Storage	-	(49,538)	-	(49,538)
Dogwood	(11,989,048)	(1,981,346)	-	(13,970,394)
	(12,497,910)	(2,171,132)	-	(14,669,042)
Capital assets, net	$ 40,263,230	$ 9,583,959	$ (6,558,200)	$ 43,288,989
2021				
Vehicles	$ 48,971	$ -	$ -	$ 48,971
Construction work in progress	2,760,478	3,351,224	-	6,111,702
Furniture, fixtures, and equipment	449,574	44,215	-	493,789
Dogwood	44,743,592	1,363,086	-	46,106,678
	48,002,615	4,758,525	-	52,761,140
Less accumulated depreciation				
Vehicles	(46,424)	-	-	(46,424)
Furniture, fixtures, and equipment	(402,559)	(59,879)	-	(462,438)
Dogwood	(10,183,906)	(1,805,142)	-	(11,989,048)
	(10,632,889)	(1,865,021)	-	(12,497,910)
Capital assets, net	$ 37,369,726	$ 2,893,504	$ -	$ 40,263,230

Note 4: Unrecovered Development Costs

Unrecovered development costs represent costs incurred on behalf of member cities to be recovered in future periods. At December 31, unrecovered development costs consisted of the following:

	2022	2021
City of Clay Center	$ 2,239,039	$ 2,451,653
Rice and Neshap	22,525	230,850
City of Erie	54,505	130,907
City of Luray	204,689	227,858
AMI projects	999,427	441,681
City of Marion	212,744	212,671
	$ 3,732,929	$ 3,695,620

Amortization of unrecovered development costs of $538,056 and $520,511 was expensed during the years ended December 31, 2022 and 2021, respectively.

Note 5: Line of Credit

KPP has a $12,000,000 revolving line of credit expiring in July 2023 to finance accounts receivable of municipality utility billings. There were no funds drawn on the line of credit at December 31, 2022 and 2021. The line is secured by all deposit accounts of KPP. Interest is paid at the Secured Overnight Financing Rate plus 1.36448% for 2022 and at the One-Month London InterBank Offered Rate plus 1.25% for 2021. Interest is payable quarterly. The interest rate at December 31, 2022 and 2021 was 5.18% and 1.34%, respectively.

Note 6: Revenue Bonds

Electric Utility Revenue Bond Indentures and Covenants

During 2021, KPP issued bonds for the purpose of financing certain capital projects and for the purpose of advance refunding a portion of the 2012A, 2012B, 2012C, and 2013A revenue bonds. During 2020, KPP issued bonds for the purpose of advance refunding a portion of the 2012A and 2013A revenue bonds. During 2017, KPP issued bonds for the purpose of advance refunding a portion of the 2012A revenue bonds. During 2015, KPP issued bonds for the purpose of acquiring an additional 3.3% undivided ownership interest in Dogwood. During 2013, KPP issued bonds for the purpose of financing the acquisition, construction, installation, and improvements to its members' electric generation facilities. During 2012, KPP issued bonds for the purpose of acquiring interest in Dogwood and financing the acquisition, construction, installation, and improvements to its members' electric generation facilities.

The bond indentures and their supplements require the use of revenue, cost of issuance, operations and maintenance, principal and interest, reserve, junior lien indebtedness, rebate, and surplus accounts, which have been combined for financial reporting purposes. These accounts are held in trust by a bank and managed pursuant to the terms of the indenture agreement. The indentures provide that gross revenues from operations will be deposited into the revenue account and transfers will be made to the other accounts for current requirements on a monthly basis. For the years ended December 31, 2022 and 2021, required accounts were maintained in accordance with the bond indentures.

The bond indentures provide that KPP will fix, establish, maintain, and collect such rates, fees, and charges for the use of, and services furnished by or through, KPP facilities that will provide in each year net revenues of at least 110% of the maximum required for debt service to be paid by KPP in such year on all revenue bonds at the time outstanding. For the years ended December 31, 2022 and 2021, the schedule of rates in effect provided revenues in excess of the minimum requirements.

Bond premiums and discounts are capitalized and amortized over the terms of the respective bonds using the effective interest method. During 2022 and 2021, amortization of approximately $415,000 and $225,000, respectively, for premiums and discounts, net was recorded.

During 2021, KPP issued $2,720,000 of Series 2021B bonds through a public offering with an average interest rate of 4.98% to advance refund $975,000 of outstanding Series 2012B bonds and $2,465,000 of Series 2013A bonds with an average interest rate of 3.32%. The net proceeds of $3,801,102 (after payment of $66,488 in underwriting fees and other issuance costs) were placed in an escrow with a trustee agent to provide future debt service payments on the Series 2012B and Series 2013A bonds. As a result, a portion of the Series 2012B and Series 2013A bonds are considered defeased and the liability for those bonds has been removed from the financial statements of KPP. No bonds remain outstanding from this advance refunding as of December 31, 2021.

The advance refunding of the 2012B and 2013A bonds resulted in the recognition of an accounting loss of approximately $116,000 for the year ended December 31, 2021. This loss refunding is shown as a deferred outflow of resources on the accompanying balance sheets and is being amortized using the straight-line method over the respective remaining lives of the old debt issuance. Amortization expense for the years ended December 31, 2022 and 2021, was approximately $19,000 and $5,000, respectively. KPP reduced its aggregate debt service payments over the next eight years by approximately $177,000 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt of approximately $175,000).

During 2021, KPP issued $5,655,000 of Series 2021C bonds through a public offering with an average interest rate of 1.03% to advance refund $4,615,000 of outstanding Series 2012A bonds and $645,000 of outstanding Series 2012C bonds with an average interest rate of 4.92%. The net proceeds of $5,736,071 (after payment of $122,817 in underwriting fees and other issuance costs) were placed in an escrow with a trustee agent to provide future debt service payments on the Series 2012A and Series 2012C bonds. As a result, a portion of the Series 2012A and Series 2012C bonds are considered defeased and the liability for those bonds has been removed from the financial statements of KPP. Accordingly, a portion of the Series 2012A bonds, aggregating $4,615,000 at December 31, 2021, remains outstanding but is excluded from KPP's balance sheets.

The advance refunding of the 2012A and 2012C bonds resulted in the recognition of an accounting loss of approximately $343,000 for the year ended December 31, 2021. This loss refunding is shown as a deferred outflow of resources on the accompanying balance sheets and is being amortized using the straight-line method over the respective remaining lives of the old debt issuance. Amortization expense for the years ended December 31, 2022 and 2021 was approximately $37,000 and $9,000, respectively. KPP reduced its aggregate debt service payments over the next eight years by approximately $281,000 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt of approximately $278,000).

During 2020, KPP issued $1,965,000 of Series 2020A bonds and $3,910,000 of Series 2020B bonds through a private placement with an average interest rate of 2.66% to advance refund $5,345,000 of outstanding Series 2012A bonds with an average interest rate of 5.00%. The net proceeds of $5,782,257 (after payment of $92,743 in underwriting fees and other issuance costs) were placed in an escrow with a trustee agent to provide future debt service payments on the Series 2012A bonds. As a result, a portion of the Series 2012A bonds are considered defeased and the liability for those bonds has been removed from the financial statements of KPP. Accordingly, a portion of the Series 2012A bonds, aggregating $3,475,000 at December 31, 2021, remains outstanding but is excluded from KPP's balance sheets.

The advance refunding of the 2012A bonds resulted in the recognition of an accounting loss of approximately $366,000 for the year ended December 31, 2020. This loss refunding is shown as a deferred outflow of resources on the accompanying balance sheets and is being amortized using the straight-line method over the respective remaining lives of the old debt issuance. Amortization expense for the years ended December 31, 2022 and 2021 was approximately $47,000. KPP reduced its aggregate debt service payments over the next eight years by approximately $354,000 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt of approximately $319,000).

During 2020, KPP also issued $1,115,000 of Series 2020C bonds through a private placement with an average interest rate of 2.66% to advance refund $1,040,000 of outstanding Series 2013A bonds with an average interest rate of 4.00%. The net proceeds of $1,095,876 (after payment of $19,124 in underwriting fees and other issuance costs) were placed in an escrow with a trustee agent to provide future debt service payments on the Series 2013A bonds. As a result, a portion of the Series 2013A bonds are considered defeased and the liability for those bonds has been removed from the financial statements of KPP. No bonds remain outstanding from this advance refunding as of December 31, 2021.

The advance refunding of the 2013A bonds resulted in the recognition of an accounting loss of approximately $86,000 for the year ended December 31, 2020. This loss refunding is shown as a deferred outflow of resources on the accompanying balance sheets and is being amortized using the straight line method over the respective remaining lives of the old debt issuance. Amortization expense for the years ended December 31, 2022 and 2021 was approximately $8,000. KPP reduced its aggregate debt service payments over the next 10 years by approximately $58,000 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt of approximately $51,000).

During 2017, KPP issued $9,800,000 of Series 2017A bonds through a private placement with an average interest rate of 3.25% to advance refund $8,535,000 of outstanding Series 2012A bonds with an average interest rate of 5.00%. The net proceeds of $9,571,606 (after payment of $228,394 in underwriting fees and other issuance costs) plus an additional $10,428 of Series 2012A bond sinking fund monies were placed in an escrow with a trustee agent to provide all future debt service payments on the Series 2012A bonds. As a result, the Series 2012A bonds are considered defeased and the liability for those bonds has been removed from the financial statements of KPP. No bonds remain outstanding from this advance refunding as of December 31, 2021.

The advance refunding of the Series 2012A bonds resulted in the recognition of an accounting loss of approximately $903,000 for the year ended December 31, 2017. This loss on refunding is shown as a deferred outflow of resources on the accompanying balance sheets and is being amortized using the straight-line method over the respective remaining lives of the old debt issuance. Amortization expense for the years ended December 31, 2022 and 2021 was approximately $63,000. KPP reduced its aggregate debt service payments over the next 14 years by approximately $490,000 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt of $449,145).

During 2016, KPP defeased a portion of its outstanding Series 2013A bonds in the total principal amount of $1,145,000. Proceeds from the defeasance of these bonds were used to purchase securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest, and redemption premiums on the defeased bonds. This advance refunding transaction resulted in an extinguishment of debt since KPP was legally released from its obligation on a portion of the Series 2013A bonds at the time of the defeasance. No bonds remain outstanding from this advance refunding as of December 31, 2021. As a result of the advance refunding, KPP recognized a net loss on advance refunding of approximately $183,000, which is included in deferred outflows of resources in the accompanying balance sheets, of which approximately $32,000 of amortization expense was recognized during the years ended December 31, 2022 and 2021. The debt service requirements as of December 31, 2022 are as follows:

Bonded Debt Service to Maturity

Fiscal Year Ending December 31,	Public Placement Bonds Principal	Public Placement Bonds Interest	Notes from Direct Placements Principal	Notes from Direct Placements Interest	Total to be Paid
2023	$ 3,900,000	$ 1,187,280	$ 185,000	$ 487,532	$ 5,759,812
2024	3,385,000	1,081,124	200,000	482,008	5,148,132
2025	3,505,000	987,886	200,000	476,028	5,168,914
2026	1,940,000	885,297	1,905,000	470,048	5,200,345
2027	1,925,000	789,353	1,955,000	419,706	5,089,059
2028–2032	10,105,000	2,525,748	11,910,000	1,047,378	25,588,126
2033–2037	3,800,000	1,010,200	-	-	4,810,200
2038–2041	2,800,000	285,600	-	-	3,085,600
	$ 31,360,000	$ 8,752,488	$ 16,355,000	$ 3,382,700	$ 59,850,188

Kansas Power Pool

Notes to Financial Statements

December 31, 2022 and 2021

Revenue Bonds Outstanding

Electric Utility Revenue Bonds	Original Amount Issued	Interest Rate	Issue Date	Final Maturity	Principal Balance 2022	Principal Balance 2021
Public Placement Bonds						
Series 2012A	$ 29,135,000	3.00%–5.00%	4/10/2012	2028	$ -	$ 1,395,000
Series 2015A	$ 14,860,000	3.00%–5.00%	7/20/2015	2031	9,975,000	10,765,000
Series 2021A	$ 14,750,000	4.00%–5.00%	6/24/2021	2041	14,250,000	14,570,000
Series 2021B	$ 2,720,000	3.00%–5.00%	9/1/2021	2027	1,775,000	2,380,000
Series 2021C	$ 5,655,000	0.46%–2.16%	9/1/2021	2030	5,360,000	5,655,000
Notes from Direct Placements						
Series 2017A	$ 9,800,000	3.00%	9/7/2017	2031	9,585,000	9,695,000
Series 2020A	$ 1,965,000	2.60%–2.92%	2/27/2020	2028	1,930,000	1,940,000
Series 2020B	$ 3,910,000	2.60%–2.92%	2/27/2020	2027	3,745,000	3,790,000
Series 2020C	$ 1,115,000	2.60%–2.92%	2/27/2020	2030	1,095,000	1,100,000
					$ 47,715,000	$ 51,290,000

Changes in Revenue Bonds Outstanding

	Balance, December 31, 2021	Issued	Retired	Balance, December 31, 2022	Due Within One Year	Due After One Year
Public Placement Bonds						
Series 2012A	$ 1,395,000	$ -	$ (1,395,000)	$ -	$ -	$ -
Series 2015A	10,765,000	-	(790,000)	9,975,000	815,000	9,160,000
Series 2021A	14,570,000	-	(320,000)	14,250,000	545,000	13,705,000
Series 2021B	2,380,000	-	(605,000)	1,775,000	685,000	1,090,000
Series 2021C	5,655,000	-	(295,000)	5,360,000	1,855,000	3,505,000
Notes from Direct Placements						
Series 2017A	9,695,000	-	(110,000)	9,585,000	110,000	9,475,000
Series 2020A	1,940,000	-	(10,000)	1,930,000	10,000	1,920,000
Series 2020B	3,790,000	-	(45,000)	3,745,000	60,000	3,685,000
Series 2020C	1,100,000	-	(5,000)	1,095,000	5,000	1,090,000
	51,290,000	-	(3,575,000)	47,715,000	$ 4,085,000	$ 43,630,000
Premiums and discounts	3,166,050	-	(414,641)	2,751,409		
	$ 54,456,050	$ -	$ (3,989,641)	$ 50,466,409		

	Balance, December 31, 2020	Issued	Retired	Balance, December 31, 2021	Due Within One Year	Due After One Year
Public Placement Bonds						
Series 2012A	$ 7,335,000	$ -	$ (5,940,000)	$ 1,395,000	$ 1,395,000	$ -
Series 2012B	1,290,000	-	(1,290,000)	-	-	-
Series 2012C	765,000	-	(765,000)	-	-	-
Series 2013A	2,465,000	-	(2,465,000)	-	-	-
Series 2015A	11,535,000	-	(770,000)	10,765,000	790,000	9,975,000
Series 2021A	-	14,570,000	-	14,570,000	320,000	14,250,000
Series 2021B	-	2,720,000	(340,000)	2,380,000	605,000	1,775,000
Series 2021C	-	5,655,000	-	5,655,000	295,000	5,360,000
Notes from Direct Placements						
Series 2017A	9,800,000	-	(105,000)	9,695,000	110,000	9,585,000
Series 2020A	1,945,000	-	(5,000)	1,940,000	10,000	1,930,000
Series 2020B	3,835,000	-	(45,000)	3,790,000	45,000	3,745,000
Series 2020C	1,105,000	-	(5,000)	1,100,000	5,000	1,095,000
	40,075,000	22,945,000	(11,730,000)	51,290,000	$ 3,575,000	$ 47,715,000
Premiums and discounts	529,397	2,952,166	(315,513)	3,166,050		
	$ 40,604,397	$ 25,897,166	$ (12,045,513)	$ 54,456,050		

Debt Service Coverage

The bond indenture requires KPP to maintain minimum cash flow to service debt at a ratio of 1.1 to 1.0, as defined in the bond indenture. Below is a summary of KPP's cash flow available to service debt for the years ended December 31:

	2022	2021
Change in net position	$ 6,474,695	$ 3,773,139
Depreciation	2,171,132	1,865,021
Interest expense on debt	2,036,848	1,937,278
Amortization of bond premiums and discounts, unrecovered development costs, and issuance costs	244,823	402,972
Amortization of PILOT	108,625	108,625
Pension expense (credit)	42,315	(22,974)
Unrealized losses on investments	97,969	-
Emergency stabilization	450,000	1,000,000
	$ 11,626,407	$ 9,064,061
Current year debt service requirement	$ 8,623,016	$ 6,211,692
Debt service coverage ratio	1.35	1.46

Note 7: State of Kansas Loan

During 2021, KPP received an unsecured $18,000,000 loan from the state of Kansas with interest at 0.25% at December 31, 2022 and 2021 and maturity date of May 2026. Required loan payments, including principal and interest, are $126,336 and $301,916 and are due monthly at December 31, 2022 and 2021, respectively. The loan was issued by the state of Kansas to provide municipalities assistance with funding excess power costs due to Winter Storm Uri.

The debt service requirements as of December 31, 2022 are as follows:

Fiscal Year Ending December 31,	Principal	Interest
2023	$ 1,400,734	$ 115,298
2024	1,441,644	74,388
2025	1,480,677	35,355
2026	621,376	4,210
	$ 4,944,431	$ 229,251

Total principal payments made during the years ended December 31, 2022 and 2021 were approximately $7,672,000 and $5,383,000, respectively.

Note 8: Defined Benefit Plan

Plan Description

KPP contributes to KPERS, a cost-sharing multi-employer defined benefit pension plan administered by the Kansas Public Employees Retirement System. KPERS provides retirement, disability, and death benefits to plan members and beneficiaries. Membership is mandatory for all employees in covered positions, which is defined as one that is covered by Social Security, not seasonal or temporary, and requires at least 1,000 hours of work per year. Eligible employees become members effective with their employment date. KPP participates in the local group, one of four groups for which separate actuarial valuations are performed and collective pension amounts are determined, with separate employer allocation percentages determined for each group.

KPP's covered payroll approximated $953,000 and $866,000 for the years ended December 31, 2022 and 2021, respectively.

Actuarial valuations are performed annually. The latest actuarial valuation, December 31, 2021, was rolled forward to the June 30, 2022 measurement date for the December 31, 2022 financial statements. Actuarial valuations were also performed at December 31, 2020, which were rolled forward to the measurement date of June 30, 2021 for the December 31, 2021 financial statements.

Benefits Provided

KPERS provides retirement, disability, and death benefits to plan members or their beneficiaries. 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. 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. His or her monthly retirement benefits are 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 Kansas legislature and the governor of the state of Kansas. Retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Plan member contribution rates are established by Kansas state law and are paid by the employee according to the provisions of Section 414(h) of the IRC. Kansas state law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation. The contributions and assets are deposited in KPERS established by K.S.A. 74-4921 and are funded on an actuarial reserve basis.

For the fiscal year beginning 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 KPERS' fiscal year ended June 30, 2022.

The actuarially determined employer contribution and statutory contribution rates were 8.90% and 8.87% for KPERS' fiscal years ended June 30, 2022 and 2021, respectively.

Employee contribution rates as a percentage of eligible compensation were 6.0% for KPERS' fiscal years ended June 30, 2022 and 2021, respectively.

KPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for KPERS. That annual report may be obtained by writing: Kansas Public Employees Retirement System, 611 S. Kansas Ave., Suite 100, Topeka, Kansas 66603, or by calling 1.888.275.5737.

KPP's contributions to KPERS for the years ended December 31, 2022 and 2021 were $85,696 and $85,063, respectively.

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

At December 31, 2022 and 2021, KPP reported liabilities of $896,829 and $514,201, respectively, for its proportionate share of the net pension liability. The net pension liability at December 31, 2022 and 2021 was measured at June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations at December 31, 2021 and 2020 rolled forward to June 30, 2022 and 2021, respectively. KPP's proportion of the net pension liability was based on the ratio of KPP's contributions to KPERS to total employer and nonemployer contributions of the local group for the fiscal years ended June 30, 2022 and 2021. At June 30, 2022 and 2021, KPP's proportion was 0.045885% and 0.044040%, respectively.

For the years ended December 31, 2022 and 2021, KPP recognized pension expense of approximately $85,000 and $59,000, respectively. At December 31, 2022 and 2021, KPP 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
2022		
Differences between expected and actual experience	$ 34,504	$ 1,635
Net difference between projected and actual earnings on pension plan investments	77,219	-
Changes in actuarial assumptions	145,809	-
Changes in proportion	28,438	48,441
KPP's contributions made subsequent to the measurement date of the net pension liability	43,169	-
Total	$ 329,139	$ 50,076
2021		
Differences between expected and actual experience	$ 20,860	$ 4,785
Net difference between projected and actual earnings on pension plan investments	-	187,665
Changes in actuarial assumptions	104,025	-
Changes in proportion	32,860	67,161
KPP's contributions made subsequent to the measurement date of the net pension liability	40,616	-
Total	$ 198,361	$ 259,611

At December 31, 2022, KPP reported $43,169 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and prior to year-end that was recognized as a reduction of the net pension liability at December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2022 related to pensions will be recognized in pension expense as follows:

2023	$ 63,035
2024	59,300
2025	24,676
2026	85,014
2027	3,869
	$ 235,894

Actuarial Assumptions

Contributions for the years ended December 31, 2022, 2021, and 2020 equaled the required contribution for each of the three years.

Actuarial methods and assumptions used to determine the total pension liability in the December 31, 2021 actuarial valuation were as follows:

Valuation date	December 31, 2021
Actuarial assumptions	
Investment rate of return, net	7.00%
Projected salary increases	3.50% to 12.00%
Wage inflation	2.75%
Other	RP 2014 Combined Mortality Table for Males and/or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2016

The actuarial assumptions used in the December 31, 2021 actuarial valuation were based on the results of an actuarial experience study conducted for the three-year period ended December 31, 2018.

Actuarial methods and assumptions used to determine the total pension liability in the December 31, 2020 actuarial valuation were as follows:

Valuation date	December 31, 2020
Actuarial assumptions	
Investment rate of return, net	7.25%
Projected salary increases	3.50% to 12.00%
Wage inflation	2.75%
Other	RP 2014 Combined Mortality Table for Males and/or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2016

The actuarial assumptions used in the December 31, 2020 actuarial valuation were based on the results of an actuarial experience study conducted for the three-year period ended December 31, 2017.

Long-Term Expected Rate of Return

The long-term expected rate of return on 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 and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in KPERS' target asset allocation as of the June 30, 2022 and 2021 measurement dates are as follows:

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
June 30, 2022		
U.S. equities	23.50%	5.20%
Non-U.S. equities	23.50%	6.40%
Private real estate	11.00%	4.45%
Real return	11.00%	3.25%
Fixed income	11.00%	1.55%
Private equity	8.00%	9.50%
Yield driven	8.00%	4.70%
Short-term investments	4.00%	0.25%
Total	100.00%	
June 30, 2021		
U.S. equities	23.50%	5.20%
Non-U.S. equities	23.50%	6.40%
Private real estate	11.00%	4.45%
Real return	11.00%	3.25%
Fixed income	11.00%	1.55%
Private equity	8.00%	9.50%
Yield driven	8.00%	4.70%
Short-term investments	4.00%	0.25%
Total	100.00%	

Discount Rate

The discount rate of 7.00% and 7.25% was used to measure the total pension liability at June 30, 2022 and 2021, respectively. The projections of cash flows used to determine this discount rate assumed that plan member contributions will be made at the contractually required rate. KPP does not necessarily contribute the full actuarially determined rate. Based on legislation in 1993, the employer contribution rates certified by the KPERS Board of Trustees may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on these assumptions, KPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of KPP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

KPP's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents KPP's proportionate share of the net pension liability using a discount rate 1% higher and 1% lower than the current rate at June 30, 2022:

	1% Decrease	Current Discount Rate	1% Increase
KPP's net pension liability	$ 1,310,425	$ 912,214	$ 580,447

Funding Status and Funding Progress

The required supplementary information presents certain 10-year trend information for as many years for which the information measured in conformity with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, is available. A copy of the actuarial report referred to in this note may be obtained by writing: Kansas Public Employees Retirement System, 611 S. Kansas Ave., Suite 100, Topeka, Kansas 66603, or by calling 1.888.275.5737.

Note 9: Commitments and Contingencies

Power Supply

To meet the power and energy requirements of the members in 2022, KPP obtained power and energy from the following resources: power purchased under long-term firm energy contracts, unit-contingent energy contracts, and interruptible contracts; Member Capacity; integrated market purchases; and power delivered pursuant to KPP's ownership interest in the Dogwood Energy Facility. In addition to pooled resources, KPP also has power purchase agreements with suppliers, including a 59 MW power purchase contract with Westar Energy (now Evergy, year ended December 31, 2022), an agreement to purchase 12.5 MW from the Greensburg Wind Farm, and a power purchase contract for 25 MW of wind generation from the Marshall County Wind Farm. KPP now has 67 MW of generation from its ownership in the Dogwood Facility and contracts with Tenaska Power Services to supply short-term market energy.

Litigation

In the normal course of business, KPP, from time to time, is subject to allegations that may or do result in litigation. KPP evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 10: Subsequent Events

Subsequent events have been evaluated through April 19, 2023, which is the date the financial statements were available to be issued.

Required Supplementary Information

Kansas Power Pool

Schedules of Proportionate Share Information and Employer Contributions

Schedule of Proportionate Share Information

	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014*
KPP's proportion of the net pension liability*	0.045885%	0.044040%	0.048923%	0.048208%	0.050234%	0.043142%	0.039490%	0.037406%	0.031076%
KPP's proportionate share of the net pension liability*	$ 912,214	$ 514,201	$ 843,665	$ 679,418	$ 711,822	$ 636,215	$ 621,998	$ 491,157	$ 382,487
KPP's covered payroll	$ 908,457	$ 847,396	$ 938,476	$ 897,640	$ 893,272	$ 897,654	$ 638,000	$ 615,000	$ 504,000
KPP's proportionate share of the net pension liability as a percentage of its covered payroll	100.41%	60.68%	89.90%	75.69%	79.69%	70.88%	97.49%	79.86%	75.89%
Plan fiduciary net position as a percentage of the total pension liability	70.66%	66.30%	66.30%	75.02%	74.22%	72.15%	68.55%	71.98%	72.56%

* The amounts presented for each fiscal year were determined as of June 30, KPP's measurement date.

Schedule of Employer Contributions

	2022**	2021**	2020**	2019**	2018**	2017**	2016**	2015**	2014**
Contractually required contributions	$ 85,696	$ 85,063	$ 81,510	$ 97,704	$ 74,104	$ 72,005	$ 63,049	$ 51,919	$ 48,970
Contributions in relation to the contractually required contribution	85,696	85,063	81,510	97,704	74,104	72,005	63,049	51,919	48,970
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
KPP's covered payroll**	$ 953,429	$ 866,152	$ 871,132	$ 959,645	$ 879,844	$ 848,000	$ 679,000	$ 654,000	$ 552,200
Contributions as a percentage of covered payroll	8.99%	9.82%	9.36%	10.18%	8.42%	8.49%	9.29%	7.94%	8.87%

** The amounts presented for each fiscal year are as of the fiscal year-end (December 31).

Note to Schedules

These schedules are intended to show a 10-year trend. Additional years will be reported as they become available.

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Kansas Power Pool
Wichita, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kansas Power Pool (KPP), which comprise the balance sheet as of December 31, 2022 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated April 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KPP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KPP's internal control. Accordingly, we do not express an opinion on the effectiveness of KPP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KPP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Oklahoma City, Oklahoma
April 19, 2023