



To: **Board of Trustees and Attorney**

A regular meeting of the Board of Trustees has been scheduled for April 22, 2024, at 7:00 p.m.

Proposed Agenda:

1. Call to Order
2. Reading and Approval of Minutes
3. Presentation of Check Register
4. Presidents Report
5. Attorneys Report
6. Sunflower EPC Report
7. KEC Report
8. General Managers Report
9. Old Business
10. New Business
 - a. 2023 Financial Audit – Randy Robbins, BSGM
 - b. 2023 Capital Credit Allocation
 - c. Board Policy 203 Review
 - d. SEPC Delegate and Alternate
11. Safety Program Report
12. Executive Session (if requested).
13. Adjourn

Upcoming Events:

KEC Board meeting	Wichita	May 1-2
Sunflower Annual Meeting	Garden City	May 15
LSEC Board Meeting	Dighton	May 20

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**MINUTES OF THE REGULAR MARCH 2024
MEETING OF THE BOARD OF TRUSTEES
OF THE LANE-SCOTT ELECTRIC COOPERATIVE, INC.**

CALL TO ORDER

A regular meeting of the Board of Trustees of the Lane-Scott Electric Cooperative, Inc., was held on Monday, March 25, 2024, in the offices of the cooperative at 410 South High Street, Dighton, Kansas. President Richard Jennison called the meeting to order at 7:00 p.m. In addition to President Richard Jennison, the other trustees in attendance were: Rad Roehl, Harold Hoss, Randy Evans, Eric Doll and James Jordan. Also present Richard McLeon IV, Justin Proctor, and Josh Dan of Guernsey. Craig Ramsey and Joseph Gasper, Attorney appeared remotely. Chad Griffith and Susan Nuss were absent.

COST OF SERVICE AND RATE ANALYSIS

Justin Proctor and Josh Dan presented the 2023 Test Year Cost of Service and Rate Analysis, and highlights are as follows

- The COSS must be defensible and consistent with state and regulatory requirements. It also must be financially sound, non-discriminatory and fair. The LSEC COSS has been prepared in accordance with regulatory standards.
- The board must balance the needs of the members as well as the cooperative.
- The first step is to define the revenue requirement of the coop. 2023 was selected as the test year and the rates were normalized for the test year.
- The future needs were analyzed looking at projected operating expenses, equity objectives, lender requirements, maintenance of sufficient cash, and payment of capital credits. The COSS shows that LSEC will need \$43,229,647 of annual revenue which is an increase of \$1.57 million.
- The ten-year financial forecast was reviewed with the board.
- The classification of rate classes was discussed with the grouping of members with like characteristics in the same class with the goal of reflecting the costs of an average member.
- Costs have both a fixed and variable component. The costs are analyzed to reflect what each rate class requires, and the goal is to allocate the costs to the rate class. The cost allocation of the current rates among the classes was reviewed. The goal of the rate

structure is to move all classes toward a relative rate of return closer to one.

- The proposed rate changes were presented on a percentage basis by class.
- The proposed rate changes to Residential is an increase of 10.75% and GS Small an increase of 12.05% with an increase of the customer charge and energy charge along with the implementation of a demand charge. Irrigation will be increased by 7.48% along with an increase to the annual horsepower charge. GS Large will increase 6.5% along with an increase in the demand charge. The City of Dighton will increase 3.29% with an increase in customer and demand charge and a decrease in the energy charge. Large Industrial will increase 5.5% with an increase in customer and demand charge and a decrease in the energy charge.
- A discussion regarding the implementation of the demand charge and how that will impact members was had with questions on these proposed changes in rate structure. There will need to be education of the members on how to control demand to help with their costs. The relatively low demand charge will allow the members to become accustomed to a more demand driven rate structure.
- The board discussed the proposed rate increase and rate structure as presented to the board and there was no objection to presenting the proposal to the membership for a public meeting.

Justin and Josh left the meeting upon completion of their presentation.

COMMUNICATIONS PRESENTATION

Ann Marie Jennings, member services and communications director provided an update of her activities.

- The Country Living magazine is sent to each member household and to each City of Dighton household. The content for the magazine comes from Ann Marie and from KEC.
- LSEC uses the website, Facebook, email, and other social media for communication. The various electronic communications also allow for the tracking of demographic usage. These communications are very useful during outages to provide information to members.
- SmartHub is used for communication and for billing information.
- Traditional newspaper and radio are also used for advertisement and public service announcements.
- There were two first responder training sessions and a Farm Bureau safety demonstration in 2023.

- Ann Marie also coordinates the scholarship, CoBank grant, food drive, member surveys, military care packages and the youth tours.
- The board election will be conducted in the same manner as last year. The notice will be mailed June 11.
- The cost of the Annual Meeting meal with John Ross catering would be \$20/ plate for whole hog and two dollars less for pulled pork. The board discussed the meal options. *A motion to change the annual meeting to pulled pork rather than the whole hog to be prepared by John Ross Catering was made, duly seconded, and carried.*

Manager McLeon commended Ann Marie on her hard work. He also added that he has received positive comments on the website from other coop managers.

Ann Marie left after her presentation.

MINUTES OF PRIOR MEETING

President Jennison called for action on the minutes of the prior meeting held on February 26, 2024. *Hearing no corrections to the minutes, President Jennison declared the minutes stand approved as printed.*

CASH DISBURSEMENTS

President Jennison called for questions regarding the check list for the month.

There were no questions on the checks.

PRESIDENT'S REPORT

President Jennison had no current items to report.

ATTORNEY'S REPORT

Attorney Gasper commented that the 2024 nominating committee needed to be approved.

A motion to approve the 2024 nominating committee as presented to the board was made, duly seconded, and carried.

Attorney Gasper provided an update on the Salmans v LSEC court dates that have been set.

REPORT OF SUNFLOWER DELEGATE

A copy of the Sunflower report was included in the board packet and emailed to the trustees.

- President Jennison had no additions to the written report.

KEC REPORT

A summary of the winter conference was included in the board packet. Craig Ramsey, KEC representative, had no additions.

MANAGER'S REPORT

Manager McLeon commented on the following matters:

- The credit card statements were presented to the Trustees for review.
- Two new graphics were added in the report. The red line shows that 2024 sales are tracking in a similar pattern as previous years.
- Josalyn is taking over all accounting duties and is increasing her financial duties.
- A question on the safety report where there was discussion on Dighton billing. Manager McLeon answered that the City has a water well outside of the City that has a meter that is directly billed to the City.

RECEIPT OF MANAGER'S REPORT

The board received the Manager's report as indicated herein, and there were no follow-up questions.

SAFETY REPORT

A safety report was included in the board packet.

OLD BUSINESS

There was no old business before the board.

NEW BUSINESS

1. POLICY 524

- The board discussed the proposed changes to policy 524 and Manager McLeon clarified that the amount would be subject to the Manager's discretion.
- *A motion to approve Policy 524 as amended and presented to the board was made, duly seconded and carried.*

2. RUS AUTHENTICATION

- *A motion to approve the resolution and authorize the execution of documents required to make the following changes and authorizations: To authorize Richard McLeon IV as the certifier for Lane-Scott Electric, Cooperative on RDUP Form 674; to authorize Katherine Lewis to provide access to cooperative data for the purpose of complying with RDUP Form 674; to authorize Jocelyn Walker the authority to submit or grant access to cooperative data for the purpose of complying with RDUP Form 674 was made, duly seconded and carried.*

3. BOARD TRAINING

- The board training will be November 11, 2024 in Dighton, likely at the parish center. Trustees are asked to submit any areas of discussion that they would like to discuss.
- A question was raised on the location. Manager McLeon answered that the strategic planning was held off site to minimize distractions but that may not be as important with the training session.

ADJOURNMENT

A motion to adjourn the meeting was made, seconded and carried at 9:25 p.m., on Monday, March 25, 2024.

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Accounts Payable Check Register

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
51243 03/15/2024	CHK	1	DCF- LIEAP	Juanita Dinges left over LIEAP funds	105.18
51244 03/15/2024	CHK	1	KIOWA COUNTY MEDIA CENTER	State basketball sponsor	250.00
51245 03/15/2024	CHK	1	NESS CITY ROTARY CLUB	Dues/ Feb Meals/ EREY	88.50
51246 03/15/2024	CHK	1	WILD WEST CATBACKERS	Sponsor for Golf Tournament	100.00
51247 03/15/2024	CHK	40	KANSAS ELECTRIC COOPERATIVES	Dues/ Oil spill response workshop	7,907.64
51248 03/15/2024	CHK	55	NESS COUNTY NEWS	Advertisment	216.75
51249 03/15/2024	CHK	59	NRECA	Power exchange- Randall Evans	365.00
51250 03/15/2024	CHK	79	POSTMASTER	Marketing mail	320.00
51251 03/15/2024	CHK	105	CITY OF NESS CITY	Water/ sewer	47.58
51252 03/15/2024	CHK	105	CITY OF NESS CITY	Feb Pay Station	613.72
51253 03/15/2024	CHK	107	CINTAS CORPORATION #449	Monthly invoice	404.03
51254 03/15/2024	CHK	117	NESS CITY FARM & FEED	Monthly invoice	76.74
51255 03/15/2024	CHK	198	OTIS ELEVATOR COMPANY	Repairs	3,824.60
51256 03/15/2024	CHK	220	LANDIS+GYR TECHNOLOGY, INC	Flat Fee Feb 2024	1,296.58
51257 03/15/2024	CHK	238	ILLINOIS MUTUAL	Monthly Policy	54.24
51258 03/15/2024	CHK	279	IT1 SOURCE LLC	Freight-out charge (training room tv)	75.00
51259 03/15/2024	CHK	361	ANN M JENNINGS	KEC member services	147.50
51260 03/15/2024	CHK	373	KANSASLAND TIRE CO. INC OF HAYS	10 New tires	3,500.99
51261 03/15/2024	CHK	387	WESTERN FUEL & SUPPLY	Monthly fuel	308.33
51262 03/15/2024	CHK	406	RICHARD MCLEON	NRECA annual meeting/Per diem adjustment	75.61
51263 03/15/2024	CHK	427	DIGHTON HERALD LLC	Advertisment/ state basketball sponsor	105.00
51264 03/15/2024	CHK	473	SCOTT BRIAND	Clothing allowence	124.98
51265 03/15/2024	CHK	1215	POWER SYSTEM ENGINEERING, INC.	Consulting services Feb	897.50
51266 03/15/2024	CHK	1248	COMPLIANCE ONE	Drug and alcohol screenings	394.80
51267 03/15/2024	CHK	25	LANE-SCOTT ELECTRIC COOPERATIVE,	Payroll transfer	53,500.00
3247 03/19/2024	WIRE	1229	SCHABEN SANITATION	Monthly invoices	689.17

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
3249 03/25/2024	WIRE	101	ATMOS ENERGY	Monthly gas invoice	181.43
3250 03/25/2024	WIRE	263	KS DEPT OF REVENUE - SALES TAX	Monthly sales tax	18,855.91
51268 03/26/2024	CHK	1	LANE COUNTY ECO DEVO/ CHAMBER	Chamber membership	100.00
51269 03/26/2024	CHK	15	ERIC DOLL	March Board Meeting	396.90
51270 03/26/2024	CHK	30	HAROLD HOSS	March Board Meeting	390.20
51271 03/26/2024	CHK	63	RICHARD JENNISON	March Board Meeting	367.42
51272 03/26/2024	CHK	79	POSTMASTER	Newsletter postage	125.61
51273 03/26/2024	CHK	105	CITY OF NESS CITY	Franchise Fee	4,476.81
51274 03/26/2024	CHK	126	CARRIE BORELL	Tech Advantage Hotel Reimbursment	846.36
51275 03/26/2024	CHK	135	CITY OF BAZINE	Franchise Fee	1,418.24
51276 03/26/2024	CHK	146	REBECCA CAMPBELL	Clothing Allowance	105.00
51277 03/26/2024	CHK	160	SHULL OIL COMPANY	Monthly fuel	6,879.94
51278 03/26/2024	CHK	164	FAIRBANK EQUIPMENT INC.	Invoice	1,526.03
51279 03/26/2024	CHK	179	RAD ROEHL	March Board Meeting	362.06
51280 03/26/2024	CHK	198	OTIS ELEVATOR COMPANY	Maintenance Service	158.03
51281 03/26/2024	CHK	359	WEBBER-GROSS WELDING, LLC	Truck 143	103.31
51282 03/26/2024	CHK	361	ANN M JENNINGS	Easter Egg Hunt Donation	27.69
51283 03/26/2024	CHK	450	RANDALL G EVANS	March Board Meeting/ NRECA	4,515.78
51284 03/26/2024	CHK	452	DAVIS AG-A/C SERVICE LLC	Truck repairs	4,079.73
51285 03/26/2024	CHK	520	CENTURY BUSINESS TECHNOLOGIES, I	Contract	106.99
51286 03/26/2024	CHK	537	CONSTELLATION NEWENERGY-GAS DI	Monthly gas charges	475.61
51287 03/26/2024	CHK	552	HIGH POINT NETWORKS, LLC	Server upgrade- final invoice	2,691.40
51288 03/26/2024	CHK	557	KATIE RIFFLE	Clothing Allowance	116.46
51289 03/26/2024	CHK	570	JAMES W JORDAN	March Board Meeting	394.22
51290 03/26/2024	CHK	576	NESS COUNTY REGISTER OF DEEDS	Ness County Easement filing	790.00
51291 03/26/2024	CHK	582	IKWCH	Advertisement	500.00

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
51292 03/26/2024	CHK	903	NISC	Monthly invoices	17,948.57
51293 03/26/2024	CHK	1225	CINTAS CORPORATION	Monthly invoice	74.75
51294 03/26/2024	CHK	1300	CRAIG RAMSEY	March board meeting/ NRECA/ KEC	5,746.59
51295 03/27/2024	CHK	546	AEF TRUST	Radio Tower Land Lease	750.00
3251 03/28/2024	WIRE	1290	WEX BANK	Monthly fuel invoices	162.50
3252 03/28/2024	WIRE	183	HIBU INC	Monthly invoice	11.00
3248 03/29/2024	WIRE	1239	CULLIGAN OF DODGE CITY	Monthly water invoice	324.42
3256 04/01/2024	WIRE	1267	AFLAC	Monthly policy invoices	2,239.06
3253 04/02/2024	WIRE	1187	MIDWEST ENERGY	Monthly gas	187.80
3254 04/02/2024	WIRE	530	SNAP-ON CREDIT LLC	Monthly software subscription	50.72
3255 04/02/2024	WIRE	44	NEX-TECH WIRELESS, LLC	Monthly phone and internet	1,009.02
51296 04/02/2024	CHK	1	FIDELITY INVESTMENTS	HSA 250237968	300.00
51297 04/02/2024	CHK	25	LANE-SCOTT ELECTRIC COOPERATIVE,	Payroll transfer	57,000.00
51298 04/02/2024	CHK	37	JETMORE REPUBLICAN	Advertising	160.00
51299 04/02/2024	CHK	40	KANSAS ELECTRIC COOPERATIVES	KCL subscriptions/buis.cards/ Leadership	3,058.40
51300 04/02/2024	CHK	73	STANION WHOLESALE ELEC CO INC	Monthly invoices	22,551.77
51301 04/02/2024	CHK	107	CINTAS CORPORATION #449	Monthly invoice	80.58
51302 04/02/2024	CHK	380	GRAINGER	Monthly invoice	208.72
51303 04/02/2024	CHK	439	BOLINGER, SEGARS, GILBERT & MOSS,	2023 Audit	17,000.00
51304 04/02/2024	CHK	472	C.H. GUERSNEY & COMPANY	Cost of service study	9,336.25
51305 04/02/2024	CHK	773	BRETZ, INC.	Rotate tires on truck 200	141.05
51306 04/02/2024	CHK	1231	KMS&C	Photography workshop	50.00
51307 04/02/2024	CHK	1244	PROTECTIVE EQUIPMENT TESTING	Monthly invoice	997.52
51308 04/02/2024	CHK	1285	TIFCO INDUSTRIES	Monthly invoice	358.79
51309 04/02/2024	CHK	1293	DAL HAWKINSON	Hotel and Uber for San Antonio	672.64
51310 04/03/2024	CHK	46	LANE COUNTY TREASURER	CMV Registration Trucks 2401 & 2402	769.00

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Accounts Payable Check Register

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
3257 04/05/2024	WIRE	468	U.S. BANK	Monthly invoices	23,210.46
3258 04/06/2024	WIRE	1224	NRECA RETIREMENT & SECURITY	NRECA RS- Group Ins	55,166.95
3259 04/08/2024	WIRE	62	NRECA GROUP BENEFITS TRUST	NRECA Group 1 Ins	2,748.28
3260 04/08/2024	WIRE	180	NRECA	NRECA Group 1 Admin Fee	237.63
51311 04/08/2024	CHK	1	LANE COUNTY HISTORICAL SOCIETY	Sponsorship	25.00
51312 04/08/2024	CHK	1	BELLA RIFFLE	Cookies for Board Meeting	48.00
51313 04/08/2024	CHK	1	UTICA MAYDAT COMMITTEE	Sponsorship	250.00
51314 04/08/2024	CHK	3	MJ'S STITCHING & SCREENING	stocking hats	685.72
51315 04/08/2024	CHK	104	HOME OIL CO	Monthly Fuel Invoice	548.89
51316 04/08/2024	CHK	105	CITY OF NESS CITY	Postage and Pay Station	616.67
51317 04/08/2024	CHK	117	NESS CITY FARM & FEED	Part for Truck 2401	51.67
51318 04/08/2024	CHK	172	TYNDALE COMPANY, INC.	Bradstreet-Clothing Allowance	371.62
51319 04/08/2024	CHK	187	S&W SUPPLY DIVISION	Monthly Invoice	57.11
51320 04/08/2024	CHK	238	ILLINOIS MUTUAL	Monthly Premiums	54.24
51321 04/08/2024	CHK	269	ANIXTER INC	Monthly Invoice	2,116.19
51322 04/08/2024	CHK	279	IT1 SOURCE LLC	Monthly Invoice	5,775.12
51323 04/08/2024	CHK	294	AIRGAS USA LLC	NIrogen	145.31
51324 04/08/2024	CHK	298	OVERLEASE K-LAWN	Substation and Yard Spraying	6,629.63
51325 04/08/2024	CHK	306	BORDER STATES INDUSTRIES INC	Monthly Invoice	82,430.82
51326 04/08/2024	CHK	387	WESTERN FUEL & SUPPLY	Monthly Invoice	460.40
51327 04/08/2024	CHK	545	CIRCLE C COUNTRY SUPPLY	Oil and Blades	788.75
51328 04/08/2024	CHK	790	SUNBELT SOLOMON	Transformers	591.33
51329 04/08/2024	CHK	803	ALTEC INDUSTRIES, INC	Monthly Invoice	184.10
51330 04/08/2024	CHK	1225	CINTAS CORPORATION	Monthly Invoice-Ness	141.86
51331 04/08/2024	CHK	1243	TRI-CENTRAL OFFICE SUP-HAYS	Monthly Invoice	12.24
51332 04/08/2024	CHK	1244	PROTECTIVE EQUIPMENT TESTING	Monthly Invoice	301.00

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
51333 04/08/2024	CHK	1248	COMPLIANCE ONE	Monthly Invoice-Drug @ Alcohol testing	394.80
51334 04/08/2024	CHK	1303	LANE COUNTY IMPLEMENT, INC	parts	27.13
Total Payments for Bank Account - 2 :					(106) 450,740.64
Total Voids for Bank Account - 2 :					(0) 0.00
Total for Bank Account - 2 :					(106) 450,740.64
Grand Total for Payments :					(106) 450,740.64
Grand Total for Voids :					(0) 0.00
Grand Total :					(106) 450,740.64



SUNFLOWER ELECTRIC POWER CORPORATION

Board Meeting Summary

March 22, 2024

CURRENT ACTIVITIES

April Board Meeting

The next Board meeting is April 17 in Dodge City. If you need hotels, please contact Rhonda Flax.

ACES Member Conference

Please provide Melissa Hubbard with the names of your co-op attendees to the ACES Member Conference. Sunflower will sponsor two from each Member cooperative.

PRESIDENT'S REPORT

Generation, Power Supply, and Market Affairs

Energy Hedging

Sunflower requested ACES solicit pricing for fixed price energy blocks during the next several months. Evaluated energy blocks showed relatively minor impacts, but they do result in a positive net risk benefit. Blocks would provide some protection against extreme market energy price blowouts (> 95th percentile), but those types of blowouts have occurred during cold weather months in recent years. With natural gas prices projected to remain low, staff recommended not pursuing energy block purchases at this time.

Capacity Sale

A Texas utility expressed interest in purchasing excess capacity for the 2024 summer season (June 1-Sept. 30). The total quantity to be determined by April 1 after the Southwest Power Pool (SPP) notifies the utility of their compliance with the Resource Adequacy Requirement.

Transmission Planning and Policy

Establishing Transmission Engineering Design Group

Al Tamimi created a new engineering design group to align transmission planning, engineering design, and system protection in an effort to take on more transmission capital projects in-house and reduce consultant expenses. Currently, the group has 41 different projects in the queue, and staff estimate an approximate savings of \$11 million by doing project management and design in-house versus hiring consultants. We may still need to hire consultants for some projects, but the group will attempt to handle as much as possible in-house.

SPP visited Kansas Legislature

SPP testified to the Kansas House and Senate Utilities Committee. Some facts shared included:

- For the year 2023, Kansas generation exceeded load and transmission losses in the state by 13,050 GWh (generating 29% more than demand). Kansas generation exceeded load and transmission losses every month.
- Kansas was a net exporter on 346 of 365 days of the year (~95% of days) and the highest energy exporting state at 89%. Transmission costs are increasing in the exporting states.
- The highest exporting days were typically during periods of high wind and low load in the spring, fall, and winter. The highest importing days were shoulder months with low wind and when several coal plants were offline.

SPP – FERC 205 filing for Sunflower’s four Notices to Construct (NTCs)

SPP filed with the Federal Energy Regulatory Commission (FERC) to reallocate the Annual Transmission Revenue Requirement (ATRR) for four Sunflower Byway projects. The total ATRR for these Byway projects is ~\$15.1 million, and ~\$10.1 million (67%) is currently allocated to the Sunflower zone. Future allocation of the ~\$10.1 million under the revised cost allocation proposed for the four projects in the Sunflower zone would, on average, increase regionwide rates by less than 2% and overall rates by less than 0.5%.

SPP Fuel Assurance Policy

SPP recently presented the Performance Based Accreditation (PBA) fuel assurance approach to stakeholders. The PBA would utilize a multiplier during critical periods that incentivizes investments for availability during those periods, either through winterization or enhanced fuel supply arrangements. Essentially, the PBA would be based on a power plant’s equivalent forced outage rate (EFOF) during times the resources are needed. SPP staff recommended all out of management control (OMC) events and only consider the top 3% net load hours (NLH) of the season when calculating the EFOF impact.

GRIP – Project Food Secure

The Department of Energy (DOE) reviewed Sunflower’s “Project Food Secure” concept paper for Grid Resilience and Innovation Partnerships (GRIP) program funding. DOE discouraged Sunflower from submitting a full application. The primary reason is the project’s strong tie to the food/agricultural industry. Discouragement does not prohibit us from proceeding with full application, but to proceed, we need to 1) solicit strong public support from congressional delegates and the governor; 2) change the project name and shift focus to be less on food security and more on grid resilience; and 3) reach out to Midwest Energy for strategies to change the discouragement to successful negotiations.

Many of the Member projects are well aligned for the Kansas GRIP program, which targets the same type of projects but on a smaller scale. The state program focuses on entities selling less than four million MWh annually. The 2024 application period for the state GRIP program is expected to open in early fall.

Technology Services

Grid/Data Analytics Platform Update

The grid/data analytics technical discipline is ever changing, and as the space continues to evolve, both Sunflower and Member staff recognized the need for specialized expertise. Technology services staff determined requirements for a grid/data analytics platform to solicit cost estimates from the vendor community on behalf of Sunflower and the Members. Due to technical capabilities not being standardized and customized solutions being expensive, the team suggested not pursuing vendor options at this time. The recommendation is not to abandon the project but instead proceed with a “walk vs. run” approach leveraging the participating Member and Sunflower subject matter expert teams to investigate other technical solutions, such as edge computing for potential, future platform solutions.

Financial Services

February Preliminary Financials

Member loads were down 4.04% from budget for the month and down 2.71% from budget year to date. The January Member rate was \$18/MWh, unfavorable to budget; the year-to-date Member rate was down \$15/MWh. Large industrial loads were down 2.97% from budget for the month and down 5.73% from budget year to date. O&M expenses were down 5.23% from budget for the month and up 2.83% from budget year to date.

Legal

KCC General Investigation on Transmission Siting - Docket No. 24-GIME-102-GIE

KCC opened a general investigation regarding transmission line siting. KCC staff recommended the investigation focus on the appropriate role of state jurisdictional authorities in the SPP process to develop parameters for consideration in a SPP Request for Proposal for a competitively bid transmission construction project, as well as establishing land use parameters and construction practices to consider when determining the reasonableness of an electric transmission line route in rural areas. KCC staff filed an additional report and recommendation in response to comments from parties on March 15, limiting the scope of the general investigation to establishing land use parameters and construction practices

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to consider when determining the reasonableness of an electric transmission line route in rural areas. Sunflower is participating in the docket and coordinating with Kansas Electric Cooperatives (KEC) and its members.

WESTERN FUELS ASSOCIATION (WFA)

Board Action: The Sunflower Board of Directors approved Erica Schmidt as the WFA board alternate.

Sunflower Electric Power Corp. - March 2024, Member Billing Summary								
WHM - MEMBER REVENUE	Lane-Scott	Pioneer	Pioneer	Prairie Land	Victory	Western	Wheatland	Total
Demand Coincident Peak, kW	21,440	102,360	92,249	67,299	101,028	42,529	98,386	525,291
Demand NCP, kW	21,772	97,451	97,144	76,746	107,161	44,006	101,695	545,975
Wholesale Energy Usage, kWh	13,830,792	75,896,950	59,572,224	42,453,914	62,494,069	26,913,856	58,322,746	339,484,551
RTP Marginal Usage, kWh			1,982		(79,333)			(77,352)
Coincident Peak Load Ratio Share, %	4.10%	19.50%	17.60%	12.80%	19.20%	8.10%	18.70%	100.00%
Coincident Load Factor, %	86.70%	99.70%	86.80%	84.80%	83.10%	85.10%	79.70%	86.90%
Metering Points	10	26	25	28	23	25	34	171
CP Demand Rate, \$/kW	6.97	7.38	6.97	6.97	6.97	6.97	6.97	7.03
NCP Demand Rate, \$/kW	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07
CP Demand Charge, \$	149,436.80	754,990.70	642,975.53	469,074.03	704,165.16	296,427.13	685,750.42	3,702,819.77
NCP Demand Charge, \$	66,840.04	299,174.57	298,232.08	235,610.22	328,984.27	135,098.42	312,203.65	1,676,143.25
Demand Charge, \$	216,276.84	1,054,165.27	941,207.61	704,684.25	1,033,149.43	431,525.55	997,954.07	5,378,963.02
Energy Rate, ¢/kWh	0.6943	1.0323	0.6943	0.6943	0.6943	0.6943	0.6943	0.7699
Energy Charge, \$	96,027.19	783,489.53	413,609.95	294,757.52	433,896.32	186,862.90	404,934.83	2,613,578.24
RTP Marginal Usage Charge, \$			68.22		(2,381.93)			(2,313.71)
HLF Rider Net Charge, \$	7,570.00	4,982.55	(64,626.24)	23,236.25	(3,873.67)	14,730.75	17,980.34	-
EDR Rider Net Charge, \$	2,507.10	(25,070.97)	10,798.63	7,695.61	(11,381.18)	4,878.67	10,572.15	-
ECA Rate (ECA-02), ¢/kWh	1.4680	1.4680	1.4680	1.4680	1.4680	1.4680	1.4680	1.4680
ECA Charge, \$	203,036.03	1,114,167.23	874,520.25	623,223.46	917,412.93	395,095.41	856,177.91	4,983,633.21
Meter Rate, \$/Meter	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
Meter Charge, \$	1,050.00	2,730.00	2,625.00	2,940.00	2,415.00	2,625.00	3,570.00	17,955.00
Schedule 1	2,172.47	11,481.89	10,478.54	7,690.86	11,120.86	4,759.98	12,285.71	59,990.31
Schedule 11 Regional	27,339.21	144,492.60	131,866.01	96,784.67	139,949.14	59,901.47	154,608.13	754,941.23
Schedule 11 Zonal	52,638.95	278,206.27	253,895.01	186,349.34	269,458.28	115,334.38	297,682.71	1,453,564.94
Schedule 12	1,136.46	6,006.38	5,481.51	4,023.22	5,817.51	2,490.03	6,426.87	31,381.98
Schedule 1a	4,494.27	23,753.00	21,677.33	15,910.34	23,006.11	9,847.15	25,415.89	124,104.09
Schedule 9 SEPC	84,907.68	448,752.28	409,537.73	300,585.22	434,641.60	186,036.67	480,168.17	2,344,629.35
Msc. Transmission	1,041.17	5,502.60	5,021.73	3,629.36	5,329.61	2,281.13	5,887.71	28,693.31
Transmission Charge, \$	173,730.21	918,195.02	837,957.86	614,973.01	889,323.11	380,650.81	982,475.19	4,797,305.21
Billing Adjustments, \$ (LRR Rider)		(363,956.33)		-	(5,287.71)		-	(369,244.04)
ECIR Credit, \$			(9,176.14)					(9,176.14)
Community Solar Adjustments, \$		693.89			119.64		2,086.02	2,899.55
Net Charges, \$ *	700,197.37	3,489,396.19	3,006,985.14	2,271,510.10	3,253,391.94	1,416,369.09	3,275,750.51	17,413,600.34
3-2-1 Credits, \$		(6,816.38)	(124.80)	(11,888.21)	(1,949.40)			(20,778.79)
Total Charges, \$	700,197.37	3,482,579.81	3,006,860.34	2,259,621.89	3,251,442.54	1,416,369.09	3,275,750.51	17,392,821.55
Average all-in ¢/kWh	5.063	4.589	5.047	5.323	5.209	5.263	5.617	5.124

8. General Manager / C.E.O. Report

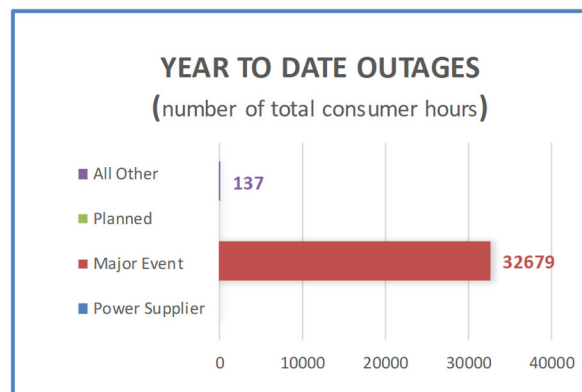
A. Rates and Reliability Dashboard

Rate Summary - Mar	current month (\$/kWh)	ytd average (\$/kWh)	ytd avg dist rev. /kWh	demand charge	monthly charge
Residential	0.1332	0.1283	0.059	-	28.00
Residential - Seasonal	0.2442	0.2231	0.153	-	28.00
Irrigation	0.0829	0.0845	0.015	hp charge	-
C&I 1000kVa or less	0.1066	0.1095	0.040	-	28.00
C&I over 1000 kVa	0.0893	0.0948	0.025	12.80-13.00	65-100
Public Street and Lighting	0.1506	0.1509	0.081	-	varies
Other Sales to Public Authorities	0.1466	0.1412	0.071	-	-
Sales for Resale - Other	0.0679	0.0679	0.008	2.80	150.00
average	0.1277	0.1250	0.0565		

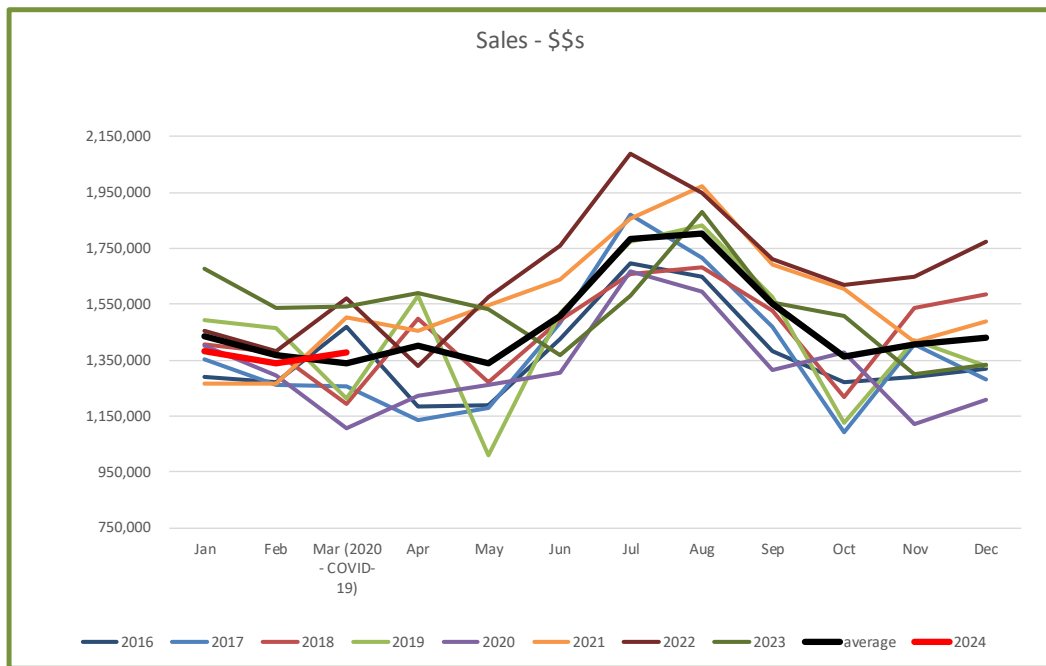
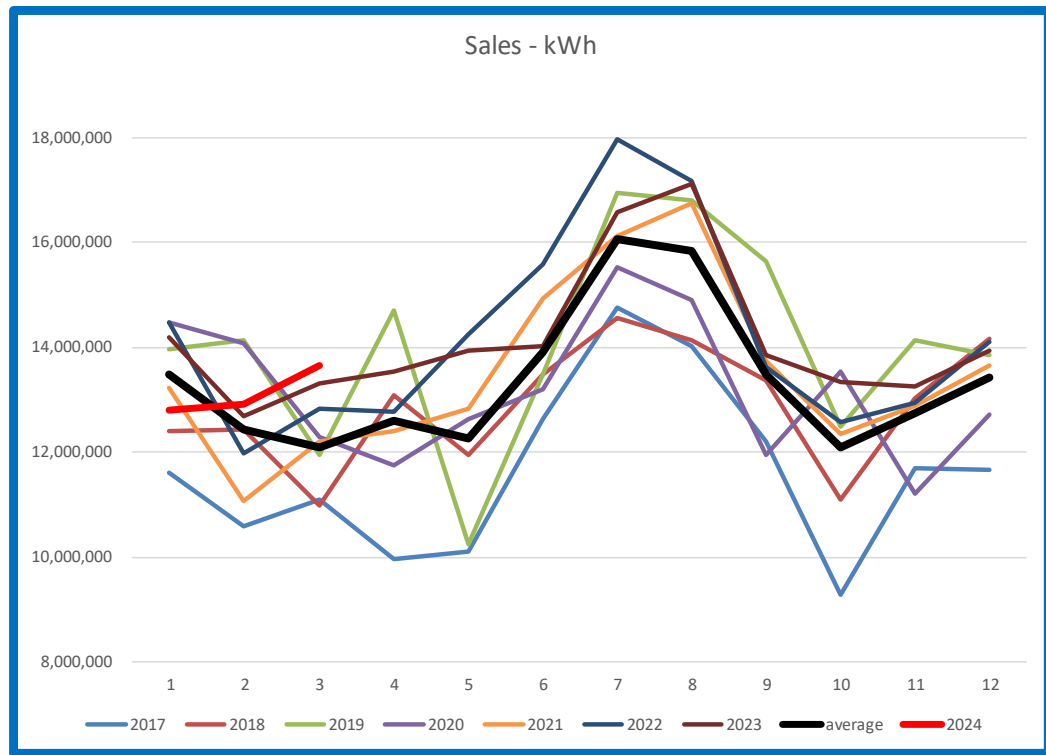
Form 7 Part O. mar-24

	meters	kWh	\$s	\$s/kWh
1 Residential Sales	2,221	1,572,956	209,512	0.1332
2 Residential Seasonal	1,109	167,464	40,888	0.2442
3 Irrigation Sales	338	200,586	16,633	0.0829
4 C&I 1000 kVa or less	1,828	4,232,751	451,189	0.1066
5 C&I over 1000 kVa	173	6,804,061	607,542	0.0893
6 Public Street and Lighting	12	31,816	4,791	0.1506
7 Other Sales to Public Authorities	47	33,888	4,967	0.1466
8 Sales for Resale - RUS Borrowers	0	0	0	
9 Sales for Resale - Other	1	601,200	40,836	0.0679
	5,729	13,644,722	1,376,358	0.1277

Mar-24	meters	kWh	\$s	ratio
Residential Sales	38.8%	11.5%	15.2%	1.32
Residential Seasonal	19.4%	1.2%	3.0%	2.42
Irrigation Sales	5.9%	1.5%	1.2%	0.82
C&I 1000 kVa or less	31.9%	31.0%	32.8%	1.06
C&I over 1000 kVa	3.0%	49.9%	44.1%	0.89
Public Street and Lighting	0.2%	0.2%	0.3%	1.49
Other Sales to Public Authorities	0.8%	0.2%	0.4%	1.45
Sales for Resale - RUS Borrowers	0.0%	0.0%	0.0%	
Sales for Resale - Other	0.0%	4.4%	3.0%	0.67



Total kWh sales are ahead of 2023 and the 2017-2023 average.



- B. GM / CEO Evaluation packet. The packet for my 2024 evaluation is on your desk. If you would like a digital copy of the evaluation to e-mail to Mr. Jennison, let me know and I will get it to you.
- C. Strategic Plan Update. The Cooperative has made a 16% gain in the Strategic Plan. Much of that increase has been in Item #3 Evaluate advanced rate options for the future.

2023-2025 Strategic Plan Updates		2023			2024				2025				last period changes
This Strategic Plan approved by the LSEC Board of Trustees February 6, 2023.		Feb	July	Oct	Jan	Apr	July	Nov	Jan	Apr	July	Nov	
1	Demonstrate leadership in employee and public safety.	42	67	75	77	87	0	0	0	0	0	0	9
A	Continuously review options for safety improvement.	CT	52	75	83	92	100						8
	1 KEC On-Site Regulatory Report 2022		75	100	100	100	100						0
	2 KEC On-Site Regulatory Report 2023		0	25	50	75	99						24
	3 RESAP/Supervisor Self-Assessment 2022		80	100	100	100	100						0
B	Explore improved field communication technology.	CT	23	65	85	85	88						3
	1 Antennae installation at both towers.		82	99	100	100	100						0
	2 Sonic Walls installed.	CB	0	99	99	100	100						0
	3 Radios installed and training completed.		0	50	100	100	100						0
	4 Evaluate area coverage.		10	10	40	40	50						10
C	Develop improved record keeping.	CT	60	63	65	67	73						7
	1 SafetyAmp electronic safety inspection forms		65	69	75	80	80						0
	2 SDS Program - review and explore digital options		75	80	80	80	100						20
	3 OSHA SHARP Program Recommendations		40	40	40	40	40						0
D	Safety Program Continuous Improvement	CT	33	65	65	67	67						1
	1 Safety Demo Trailer.	CT	40	95	95	96	96						0
	2 Evaluate process for data analytics review.		25	35	35	37	38						1
2	Identify, assess, and mitigate cyber security risks.		17	31	36	50	55	0	0	0	0	0	5
A	Research and implement cybersecurity mitigation strategies.	CB	19	67	79	80	86						6
	1 Domain/GIS Server Security upgrades		50	85	95	98	100						2
	2 Veeam Backup		95	100	100	100	100						0
	3 Domain Server Replacement Backup		0	90	100	100	100						0
	4 NRECA Cyber Goals Program		0	35	35	35	50						15
	5 MicroSoft Email Impersonations, Employee Email Account Reviews, and Security Permissions Reviewed		0	100	100	100	100						0
	6 Insight VM - Vulnerability Management Transition		0	100	100	100	100						0
	7 Federated Insurance Wire Transfer Procedure	RM	0	20	100	100	100						0
	8 Identity an Access Management (2-stage or DUO-type) system		5	5	5	5	35						30
B	Identify and make necessary investments in hardware, software, and facilities.	CB	30	35	35	50	65						15
C	Establish a cybersecurity training and awareness regimen for employees and members.	CB	20	35	45	100	100						0
D	Develop a comprehensive policy.	RM	10	15	15	15	15						0
E	Conduct an advanced audit.	CB	5	5	5	5	10						5
3	Evaluate advanced rate options for the future.		5	9	18	36	93	0	0	0	0	0	56
A	Analyze formulary rate structure.	RM	2	3	5	38	100						63
	1 Identify metric to use		4	5	10	50	100						50
	2 Identify level		0	0	0	25	100						75
B	Develop 3-part rate options.	RM	7	15	30	35	85						50
	1 Assure MDM system is gathering / collecting data.	NB	14	20	20	30	70						40
	2 Evaluate 2024 Sunflower bifurcated rate structure.	RM	0	10	40	40	100						60

2023-2025 Strategic Plan Updates		2023			2024				2025				last period changes
This Strategic Plan approved by the LSEC Board of Trustees February 6, 2023.		Feb	July	Oct	Jan	Apr	July	Nov	Jan	Apr	July	Nov	
4	Develop a comprehensive succession plan for the Board, CEO, and staff.	31	53	71	83	87	0	0	0	0	0	0	4
A	Develop job descriptions, education options for employees.	DK	16	55	77	93	94						2
	1 Review and update all employee job descriptions	RM	10	90	100	100	100						0
	2 Implement Leadership training for all supervisors	RM	0	15	100	100	100						0
	3 Implement Myers-Briggs and Emotional Intelligence training for all employees.	DK	0	100	100	100	100						0
	4 Consolidate all training records with HR	DK	0	100	100	100	100						0
	5 Substation Technician Apprenticeship program	CT	0	15	50	50	50						0
	6 Cooper Regulator Training Program	BM	0	0	20	100	100						0
	7 Lineman Apprenticeship Program	CT	65	75	100	100	100						0
	8 Staking Certification Program	DH	67	100	100	100	100						0
	9 SHRM HR Certification program	DK	0	0	25	85	100						15
B	Develop emergency, interim, and long-term plans for CEO and staff.	RM	58	60	60	83	88						5
	1 CEO Plan		100	100	100	100	100						0
	2 Staff Plan		15	20	20	65	75						10
C	Evaluate appropriate human resource needs for the cooperative.	RM	22	33	68	73	82						8
	1 Review and update all work flow processes for efficiency.	all	15	25	40	40	45						5
	2 Review employee benefits package and options	DK	10	15	80	80	100						20
	3 Review potential retirement impacts	RM	40	60	85	100	100						0
D	Evaluate board nomination process, term options and election process as appropriate.	AMJ	30	65	78	83	83						0
	1 Implementation of electronic voting process	AMJ	20	95	100	100	100						0
	2 Board candidate application process	RM	70	100	100	100	100						0
	3 Research Board term options	RM	0	0	35	50	50						0
5	Enhance operational excellence by implementing appropriate technology options and processes.		12	35	45	58	64	0	0	0	0	0	6
A	Evaluate and implement processes for data analytics for decision making.	CB	21	53	73	87	92						4
	1 Mobile Radio Firewalls	CB	25	100	100	100	100						0
	2 Mosaic - GM Dashboard	CB	50	50	50	50	75						25
	3 AppSuite cause codes review	CB	100	100	100	100	100						0
	4 Work Management Suite	CB	5	50	98	98	100						2
	5 HR iVue Connect	CB	5	60	98	98	100						2
	6 AppSuite Document Vault	CB	5	25	40	100	100						0
	7 ASP Trustgrid	CB	5	10	15	100	100						0
	8 InTunes - MSoft mobile mgmt and device security	CB	0	0	95	98	100						2
	9 Employee review / evaluation program	DK	0	40	40	40	50						10
	10 Review data analytics/forecasting for Wage/Salary tables	DK	10	90	90	90	90						0
B	Analyze options for AMI utilization in the future.	DH	8	17	17	37	42						5
	1 Connecting primary fiber to most collectors.		0	0	0	10	15						5
	2 Establish an annual meter (%) exchange program.		0	10	10	10	10						0
	3 Utilizing our distributed automation system.		20	25	25	25	25						0
	4 Better synchronization between AMI and MDM.		20	40	40	40	60						20
	5 Replacing all collectors nearing life end.		0	10	10	100	100						0
C	Develop analysis and options around emerging technologies such as DER and Electric Vehicles.	RM	9	36	46	49	58						9
	1 Review Tariff for Line Extension gaps.	RM	15	80	100	100	100						0
	2 Analyze MDM system for ability to "mine" demand information.	NB	0	20	20	30	60						30
	3 Explore EV charging and DER installation options.	SB	10	20	35	35	40						5
	4 Explore Generac PowerCell technology and training	SB	10	25	30	30	30						0
Overall completion rate (%)			21	39	49	61	77	0	0	0	0	0	16

D. The Credit Card records are available for the Boards review.

E. Departments / Sections (full reports are in the Supplemental file)

1) Accounting and Finance.

- The Sunflower Excess Margin Credit of \$216,962.98 will be credited against wholesale power costs over the remainder of the year.
- We are working with MarksNelson to finalize out property tax filing. We believe that we will receive a minor reduction.

- Irrigation Horsepower charges were down slightly from last year at \$311,240. The addition of the annual horsepower charge in March is the basis for the additional distribution revenue.
 - March Operating Revenue and Wholesale power costs were near normal for the 10-year average producing distribution margins of \$937,971.
 - The excess margin credit and the HP charges raised total Operating Margins to \$273,508 (\$116,524 YTD) with Patronage margins at 319,967 (\$225,758 YTD).
 - Our financial strength remains very good. Key Balance Sheet Metrics are:
 - Equity as a % of Assets – 40.57%
 - Equity as a % of Capitalization – 43.06%
 - Cash Balance - \$7,494,720
 - General Funds Level – 12.04%
 - Current Ratio – 2.49
 - Cash to Debt Ratio – 21.21%
- 2) Operations Report (Dal). Operations encompasses construction, maintenance, and engineering. As usual, they were focused on distribution and substation maintenance and pole change-outs. We have staked and scheduled the remaining 2023 inspection poles for change-out and are finally moving ahead on the Conine and Weskan projects.
- 3) Information Technology and Cybersecurity (Carrie). Carrie completed the Ness City Collector Fiber Firewall connection project and continues making progress on Mosaic, Budget Pro, Work Management, Accounts payable, and purchase Order automation projects. We have also had an uptick in phishing activity and are re-educating employees on various protections.
- 4) Communications (Ann Marie). Ann Marie has been very busy promoting Board nominations and information pieces on the proposed rate adjustment. She is working with the Nominating Committee and continues Annual Meeting preparations in addition to her regular duties.
- 5) Human Resources (Diana). HR helped set up our next employee training session with Chris Robbins, prepared the April employee evaluations packets, updated our COVID Policy to the newest guidance, and prepared and filed numerous required reports.
- 6) Retail Services / Warehouse Report (Scott).
- Retail Non-operating margins YTD = \$-411.41. This is mainly due to \$5,393.17 in expenses from benefit payments and the spreading of fixed expenses. This should be the last major benefit charge to HVAC.

Respectfully submitted,

Richard McLeon, M.B.A.
General Manager / CEO

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.				
UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION KS0042		
		PERIOD ENDED March 2024		
		BORROWER NAME The Lane-Scott Electric Cooperative, Inc.		
INSTRUCTIONS - See help in the online application.				
This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)				
CERTIFICATION We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001. We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII <i>(check one of the following)</i> <input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects. <input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report. Richard McLeon 4/19/2024 DATE				
PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	4,437,536	4,530,905	4,731,997	1,713,422
2. Power Production Expense				
3. Cost of Purchased Power	2,320,358	2,450,770	2,658,734	790,717
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	392,706	357,384	275,172	116,522
7. Distribution Expense - Maintenance	258,399	302,057	291,995	69,753
8. Customer Accounts Expense	65,509	63,949	68,647	20,705
9. Customer Service and Informational Expense	17,056	13,858	18,075	4,804
10. Sales Expense	18,720	20,327	26,340	5,198
11. Administrative and General Expense	477,953	437,155	449,562	180,388
12. Total Operation & Maintenance Expense (2 thru 11)	3,550,701	3,645,500	3,788,525	1,188,087
13. Depreciation and Amortization Expense	483,836	505,765	496,824	168,902
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other				
16. Interest on Long-Term Debt	298,682	291,693	293,817	96,842
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	1,377	1,344	1,330	442
19. Other Deductions	2,074	1,996	5,952	906
20. Total Cost of Electric Service (12 thru 19)	4,336,670	4,446,298	4,586,448	1,455,179
21. Patronage Capital & Operating Margins (1 minus 20)	100,866	84,607	145,549	258,243
22. Non Operating Margins - Interest	85,138	98,604	97,206	34,341
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	27,259	(4,245)	18,072	(1,412)
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	8,810	10,849	20,000	9,504
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	222,073	189,815	280,827	300,676

RUS Financial and Operating Report Electric DistributionRevision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION KS0042		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED March 2024		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	7	6	5. Miles Transmission		
2. Services Retired	24	0	6. Miles Distribution – Overhead	2,038.10	2,031.47
3. Total Services in Place	6,055	6,052	7. Miles Distribution - Underground	8.73	8.92
4. Idle Services (Exclude Seasonals)	273	323	8. Total Miles Energized (5 + 6 + 7)	2,046.83	2,040.39
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	63,264,752		30. Memberships	0	
2. Construction Work in Progress	911,208		31. Patronage Capital	23,325,388	
3. Total Utility Plant (1 + 2)	64,175,960		32. Operating Margins - Prior Years	(204,422)	
4. Accum. Provision for Depreciation and Amort.	22,392,990		33. Operating Margins - Current Year	84,609	
5. Net Utility Plant (3 - 4)	41,782,970		34. Non-Operating Margins	2,590,168	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	360,479	
7. Investments in Subsidiary Companies	248,755		36. Total Margins & Equities (30 thru 35)	26,156,222	
8. Invest. in Assoc. Org. - Patronage Capital	12,333,718		37. Long-Term Debt - RUS (Net)	0	
9. Invest. in Assoc. Org. - Other - General Funds	445,461		38. Long-Term Debt - FFB - RUS Guaranteed	30,835,568	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	221,958		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	0		40. Long-Term Debt Other (Net)	4,220,925	
12. Other Investments	5,501		41. Long-Term Debt - RUS - Econ. Devel. (Net)	0	
13. Special Funds	0		42. Payments – Unapplied	0	
14. Total Other Property & Investments (6 thru 13)	13,255,393		43. Total Long-Term Debt (37 thru 41 - 42)	35,056,493	
15. Cash - General Funds	4,110		44. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	100		45. Accumulated Operating Provisions and Asset Retirement Obligations	0	
17. Special Deposits	25		46. Total Other Noncurrent Liabilities (44 + 45)	0	
18. Temporary Investments	7,268,527		47. Notes Payable	0	
19. Notes Receivable (Net)	0		48. Accounts Payable	1,018,248	
20. Accounts Receivable - Sales of Energy (Net)	1,562,218		49. Consumers Deposits	105,110	
21. Accounts Receivable - Other (Net)	188,234				
22. Renewable Energy Credits	0		50. Current Maturities Long-Term Debt	1,479,345	
23. Materials and Supplies - Electric & Other	845,204		51. Current Maturities Long-Term Debt - Economic Development	0	
24. Prepayments	118,537		52. Current Maturities Capital Leases	0	
25. Other Current and Accrued Assets	139,762		53. Other Current and Accrued Liabilities	1,470,172	
26. Total Current and Accrued Assets (15 thru 25)	10,126,717		54. Total Current & Accrued Liabilities (47 thru 53)	4,072,875	
27. Regulatory Assets	0		55. Regulatory Liabilities	0	
28. Other Deferred Debits	672,096		56. Other Deferred Credits	551,586	
29. Total Assets and Other Debits (5+14+26 thru 28)	65,837,176		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	65,837,176	

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

DIGHTON, KANSAS

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

DIGHTON, KANSAS

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**LANE-SCOTT ELECTRIC COOPERATIVE, INC.
DIGHTON, KANSAS**

**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Lane-Scott Electric Cooperative, Inc.
Dighton, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lane-Scott Electric Cooperative, Inc. which comprise the balance sheets as of December 31, 2023 and 2022, the related statements of income and patronage capital, cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lane-Scott Electric Cooperative, Inc. as of December 31, 2023 and 2022, and the results of its operations 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 Lane-Scott Electric Cooperative, Inc. (the Cooperative) 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 the Cooperative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 judgement 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 the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Cooperative's financial statements as a whole. The schedules of electric plant, accumulated provision for depreciation, other property and investments, patronage capital, FFB, CFC and CoBank mortgage notes, and administrative and general expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2024 on our consideration of the Cooperative'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 Lane-Scott Electric Cooperative, Inc.'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 the Cooperative's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

April 19, 2024

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS

	December 31,	
	2023	2022
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 65,917,645	\$ 63,487,301
Construction Work in Progress	1,113,182	1,368,011
Electric Plant Acquisition Adjustment - Net of Accumulated Amortization	(1,341,684)	(1,441,442)
	\$ 65,689,143	\$ 63,413,870
Less: Accumulated Provision for Depreciation	23,543,489	22,277,843
	\$ 42,145,654	\$ 41,136,027
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 13,706,851	\$ 13,631,217
Other Investments	5,501	5,501
	\$ 13,712,352	\$ 13,636,718
CURRENT ASSETS		
Cash - General	\$ 157,091	\$ 29,960
Temporary Cash Investments	277,133	39,779
Short-Term Investments	6,319,326	5,127,376
Accounts Receivable - Energy (Less allowance for credit losses of \$56,579 and \$39,728 for 2023 and 2022, respectively)	1,411,374	1,957,432
Property Tax Adjustment - Undercollected	69,663	114,686
Power Cost Adjustment - Undercollected		194,847
Materials and Supplies at Average Cost	703,772	508,040
Other Current and Accrued Assets	224,667	25,304
Total Current Assets	\$ 9,163,026	\$ 7,997,424
DEFERRED CHARGES	\$ 845,141	\$ 1,931,548
TOTAL ASSETS	\$ 65,866,173	\$ 64,701,717

EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	\$ 23,654,624	\$ 23,902,703
Other Equities	2,281,875	1,746,785
Total Equities	\$ 25,936,499	\$ 25,649,488
LONG-TERM DEBT		
FFB Mortgage Notes Less Current Maturities	\$ 30,517,501	\$ 29,588,587
CFC Mortgage Notes Less Current Maturities	4,321,496	4,719,010
CoBank Mortgage Notes Less Current Maturities		312,756
Total Long-Term Debt	\$ 34,838,997	\$ 34,620,353
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,932,904	\$ 2,551,000
Accounts Payable - Purchased Power	733,724	707,251
Accounts Payable - Other	326,160	180,119
Power Cost Adjustment - Overcollected	793,424	
Consumer Deposits	106,856	113,757
Accrued Taxes	376,464	416,215
Accrued Interest	267,399	282,633
Accrued Employee Compensated Absences	197,426	180,901
Total Current Liabilities	\$ 4,734,357	\$ 4,431,876
DEFERRED CREDITS	\$ 356,320	\$
TOTAL EQUITIES AND LIABILITIES	\$ 65,866,173	\$ 64,701,717

See accompanying notes to financial statements.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	December 31,				
	2023		2022		Increase (Decrease)
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 3,156,838	17.7	\$ 3,442,083	16.5	\$ (285,245)
Irrigation	1,118,261	6.3	1,509,134	7.2	(390,873)
Small and Large Commercial	13,164,003	73.8	13,819,484	66.1	(655,481)
Building & Lighting	120,268	0.7	125,597	0.6	(5,329)
Sales for Resale	1,147,816	6.4	1,302,712	6.2	(154,896)
Power Cost Adjustment	(988,271)	(5.5)	530,621	2.5	(1,518,892)
Property Tax Adjustment	64,274	0.4	119,660	0.6	(55,386)
Other Sales to Public Authorities	59,159	0.3	64,956	0.3	(5,797)
Total Operating Revenues	<u>\$ 17,842,348</u>	<u>100.0</u>	<u>\$ 20,914,247</u>	<u>100.0</u>	<u>\$ (3,071,899)</u>
OPERATING EXPENSES					
Purchased Power	\$ 10,346,476	58.0	\$ 12,903,008	61.7	\$ (2,556,532)
Distribution - Operation	1,051,121	5.9	1,095,418	5.2	(44,297)
Distribution - Maintenance	1,062,231	6.0	1,133,982	5.4	(71,751)
Customer Accounts	258,175	1.4	256,928	1.2	1,247
Customer Service and Information	69,604	0.4	59,232	0.3	10,372
Selling Expenses	104,865	0.6	74,714	0.4	30,151
Administrative and General	1,952,613	10.9	1,640,676	7.8	311,937
Depreciation	2,054,939	11.5	1,987,794	9.5	67,145
Amortization of Purchase Premium	(99,758)	(0.6)	(99,758)	(0.5)	0
Other Interest	5,374	0.0	269	0.0	5,105
Other Deductions	24,588	0.1	16,024	0.1	8,564
Total Operating Expenses	<u>\$ 16,830,228</u>	<u>94.3</u>	<u>\$ 19,068,287</u>	<u>91.2</u>	<u>\$ (2,238,059)</u>
OPERATING MARGINS - Before Fixed Charges	<u>\$ 1,012,120</u>	<u>5.7</u>	<u>\$ 1,845,960</u>	<u>8.8</u>	<u>\$ (833,840)</u>
FIXED CHARGES					
Interest on Long-Term Debt	<u>\$ 1,216,985</u>	<u>6.8</u>	<u>\$ 1,282,652</u>	<u>6.1</u>	<u>\$ (65,667)</u>
OPERATING MARGINS (LOSS) - After Fixed Charges	<u>\$ (204,865)</u>	<u>(1.2)</u>	<u>\$ 563,308</u>	<u>2.7</u>	<u>\$ (768,173)</u>
G&T Capital Credits	501,621	2.8	684,641	3.3	(183,020)
Other Capital Credits	<u>32,481</u>	<u>0.2</u>	<u>50,306</u>	<u>0.2</u>	<u>(17,825)</u>
NET OPERATING MARGINS	<u>\$ 329,237</u>	<u>1.8</u>	<u>\$ 1,298,255</u>	<u>6.2</u>	<u>\$ (969,018)</u>
NON-OPERATING MARGINS					
Interest Income	\$ 400,256	2.2	\$ 132,044	0.6	\$ 268,212
Non-Operating Income - Other	79,279	0.4	137,786	0.7	(58,507)
Gain on Disposition of Property		0.0	2,946	0.0	(2,946)
	<u>\$ 479,535</u>	<u>2.6</u>	<u>\$ 272,776</u>	<u>1.3</u>	<u>\$ 206,759</u>
NET MARGINS	<u>\$ 808,772</u>	<u>4.4</u>	<u>\$ 1,571,031</u>	<u>7.5</u>	<u>\$ (762,259)</u>
PATRONAGE CAPITAL - BEGINNING OF YEAR	23,902,703		23,208,094		
Transfer to Other Equity - Non-operating Margins	(479,535)		(272,776)		
Transfer to Other Equity			(88,319)		
Patronage Capital Retirements	<u>(577,316)</u>		<u>(515,327)</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 23,654,624</u>		<u>\$ 23,902,703</u>		

See accompanying notes to financial statements.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 808,772	\$ 1,571,031
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation	2,200,138	2,147,277
Electric Plant Acquisition Amortization	(99,758)	(99,758)
Capital Credits	(534,102)	(734,946)
Deferred Charges	1,086,407	947,291
Deferred Credits	356,320	
Power Cost Adjustment	988,271	(530,621)
Property Tax Adjustment	45,023	58,060
Accounts Receivable	546,058	(346,573)
Inventories and Other Current Assets	(395,095)	(11,844)
Payables and Other Current Liabilities	127,153	(345,852)
Net Cash From Operating Activities	\$ 5,129,187	\$ 2,654,065
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (2,810,000)	\$ (2,451,038)
Plant Removal Costs Less Salvage and Other Credits	(300,007)	(213,316)
Investments in Associated Organization	458,468	351,250
Other Investments	(1,191,950)	264,076
Net Cash From Investing Activities	\$ (3,843,489)	\$ (2,049,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
RUS Advance Payment Activity - Net	\$ 1,909,784	\$ 1,861,867
Payments on Long-Term Debt - CFC	(493,514)	(576,431)
Payments on Long-Term Debt - FFB	(951,870)	(856,694)
Payments on Long-Term Debt - CoBank	(863,852)	(850,390)
Other Equities	55,555	57,921
Retirement of Patronage Capital	(577,316)	(515,327)
Net Cash From Financing Activities	\$ (921,213)	\$ (879,054)
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 364,485	\$ (274,017)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	69,739	343,756
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 434,224	\$ 69,739
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 1,233,869	\$ 1,289,690
Income Taxes	\$ 0	\$ 0

See accompanying notes to financial statements.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Lane-Scott Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Sunflower Electric Power Corporation (SEPC) of which the Cooperative is a member. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital in the balance sheets.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Rural Utilities Service (RUS) Uniform System of Accounts (USOA) as prescribed for RUS electric borrowers.

Electric Plant, Other Plant, Maintenance, and Depreciation

All plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of plant are credited to the applicable plant accounts.

When property, which represents a retirement unit, is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and temporary cash investments are considered cash and cash equivalents.

At December 31, 2023 and 2022, cash and cash equivalents consisted of:

	December 31,	
	2023	2022
Money Market Temporary Investments	\$ 277,133	\$ 39,779
Cash and Working Funds	157,091	29,960
Total Cash and Cash Equivalents	<u>\$ 434,224</u>	<u>\$ 69,739</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable

In the normal course of business, the Cooperative recognizes accounts receivable for energy delivered and billed. The Cooperative considers a service delinquent if a payment is not received by the specified due date.

Allowance for Credit Losses

With the adoption of ASC 326 during the year ended December 31, 2023, the term allowance for uncollectible accounts was changed to allowance for credit losses. The allowance for credit losses represents an estimate of the expected credit losses inherent in trade receivables as of the balance sheet date. Additions to the allowance for credit losses, if any, are made by recording charges to expenses in the income statement. Recoveries consist of consumer payments and application of general retirements for members with outstanding balances. The delinquent accounts deemed uncollectible are written off upon approval of the Board of Directors. Changes in the allowance for credit losses during the years ended December 31, 2023 and 2022 were as follows:

	December 31,	
	2023	2022
Balance, Beginning of Year	\$ 39,728	\$ 42,677
Write-Offs	(5,989)	(8,567)
Recoveries	22,840	5,618
Balance, End of Year	<u>\$ 56,579</u>	<u>\$ 39,728</u>

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric Revenues from Contracts with Customers

Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Cooperative recognizes revenue that corresponds to the price of the energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. During 2020, the Cooperative updated their meter reading to read the customers' meters on the last day of the month and includes all billing through December 31 in its customer accounts receivable. Therefore, there is no accrued unbilled revenue for delivered power usage which has not been billed to customers.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The Cooperative's tariffs for electric service include adjustment clauses under which billings to customers are adjusted to reflect changes in the cost of purchased power and property taxes. In order to match power cost and related revenues, these amounts to be billed or credited to consumers in subsequent periods are recognized on the balance sheets as Power Cost Adjustment – Undercollected (Overcollected) and Property Tax Adjustment – Undercollected (Overcollected) and as an increase (decrease) of classified operating revenues on the statements of income and patronage capital. The Cooperative had undercollected (overcollected) power cost of (\$793,424) and \$194,847 at December 31, 2023 and 2022, respectively. Also, the Cooperative had undercollected property taxes of \$69,663 and \$114,686 at December 31, 2023 and 2022, respectively.

The Cooperative does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature. The Cooperative presents its revenues net of any excise or sales taxes.

Federal Income Taxes

The Cooperative is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. More than 85% of the gross income is collected from members.

The Cooperative follows the “uncertain tax positions” provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS) and that all tax benefits are likely to be realized upon settlement with taxing authorities. The Cooperative files income tax returns in the U.S. federal jurisdiction and Kansas. The Cooperative is no longer subject to examinations by federal and state taxing authorities for years before 2020.

There were no penalties or interest recognized during years ended December 31, 2023 and 2022.

Group Concentration of Credit Risk

The Cooperative's headquarters facility is located in Dighton, Kansas. The service area includes members located in all or parts of an eight county area in Southcentral Kansas. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative may require a deposit from new members upon connection which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned to residential accounts along with accrued interest after one year of prompt payments. As of December 31, 2023 and 2022, deposits on hand totaled \$106,856 and \$113,757.

The Cooperative maintains its cash balances in institutions insured by the Federal Deposit Insurance Corporation (FDIC). The cash balances exceeded applicable insurance coverage at times during the year.

Patronage Capital Certificates

Margins are allocated to members annually, based on billings and usage of electricity. Distributions to members are made at the discretion of the Board of Directors in accordance with the bylaws, subject to the restrictions contained in long-term debt obligations.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Patronage capital from associated companies is recorded at the stated amount of the certificates. At the end of each year, the Cooperative receives a final allocation amount from Sunflower Electric Power Corporation. The Cooperative records the allocations as G & T capital credit income. The G & T patronage income recognized for the years ending December 31, 2023 and 2022 was \$501,621 and \$684,641, respectively.

Use of Estimates in the Preparation of Financial Statements

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's financial statement presentation. The reclassifications have no effect on net margins of the prior year.

2. Assets Pledged

All assets are pledged as security for the long-term debt due to and under management of Federal Financing Bank (FFB) and National Rural Utilities Cooperative Finance Corporation (CFC).

3. Plant

The major classes of plant consisted of the following:

	December 31,	
	2023	2022
Transmission Plant	\$ 1,229,543	\$ 1,229,543
Distribution Plant	58,374,077	56,202,132
General Plant	6,314,025	6,055,626
Total Plant in Service	\$ 65,917,645	\$ 63,487,301
Construction Work in Progress	1,113,182	1,368,011
Electric Plant Acquisition Adjustment	(2,937,808)	(2,937,808)
Acquisition Adjustment Amortization	1,596,124	1,496,366
Total Plant	<u>\$ 65,689,143</u>	<u>\$ 63,413,870</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Provision for depreciation of plant is computed using straight-line rates as follows:

Transmission Plant	3.08%
Distribution Plant	3.08% - 8.33%
General Plant	
Structures and Improvements	3.34%
Office Furniture and Fixtures	6.00%
Transportation Equipment	25.00%
Tools, Shop, and Garage Equipment	6.00%
Power-Operated Equipment	10.00%
Communications Equipment	5.00%
Miscellaneous Equipment	6.00% - 20.00%
Laboratory Equipment	6.00%

Depreciation and amortization for the years ended December 31, 2023 and 2022 was \$2,200,138 and \$2,147,277, of which \$2,054,939 and \$1,987,794 was charged to depreciation expense and \$145,199 and \$159,483 was allocated to other accounts. The Cooperative, along with five other Kansas electric cooperatives, formed MKEC during the year ended December 31, 2005 to acquire the assets and customers of Aquila, Inc. – Kansas operations. In April of 2007, the Cooperative took responsibility for the billing and collection associated with the customers within its share of the new territories. On December 31, 2007, the Cooperative also took ownership of the electric plant assets involved in the transaction. The acquired assets, associated accumulated depreciation, and discount for amounts paid below the net book value of the assets were recorded on the books of the Cooperative. The discount was classified as an electric plant acquisition adjustment and is being amortized over a 30-year period supported by an engineering study conducted by an independent engineering consultant.

During the years ended December 31, 2023 and 2022, the Cooperative recognized amortization income of \$99,758 and \$99,758, respectively, associated with the electric plant acquisition adjustment.

The acquired transmission and distribution plant assets are depreciated based on the Acquila, Inc. original depreciation rates that were approved by the Kansas Corporation Commission.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

4. Investments in Associated Organizations

Investments in associated organizations consisted of the following:

	December 31,	
	2023	2022
CFC		
Capital Term Certificates	\$ 221,958	\$ 221,958
Patronage Capital	239,220	229,881
Sunflower Electric Power Corporation		
Patronage Capital	11,998,935	11,909,396
Mid-Kansas Electric Company, Inc.		
Patronage Capital	353,973	381,169
Capital Contribution	57,847	57,847
Contributed Capital	365,193	365,193
Kansas Electric Cooperatives		
Patronage Capital	36,284	42,395
Federated Rural Insurance		
Patronage Capital	184,335	177,392
NISC		
Patronage Capital	70,231	67,237
S&T Telephone		
Patronage Capital	103,289	103,289
Other	75,586	75,460
	<u>\$ 13,706,851</u>	<u>\$ 13,631,217</u>

5. Materials and Supplies

Materials and supplies consisted of the following:

	December 31,	
	2023	2022
Electric Inventory	\$ 510,017	\$ 286,879
Resale Inventory	193,755	221,161
	<u>\$ 703,772</u>	<u>\$ 508,040</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

6. Deferred Charges

Deferred charges consisted of the following:

	December 31,	
	2023	2022
RS Plan Accelerated Funding	\$	\$ 80,350
MKEC Pre-Acquisition Costs	122,725	131,988
Work Plans	64,612	129,224
Winter Storm Deferral	614,039	1,533,977
Cost of Service Study Deferral	16,736	30,907
Other	27,029	25,102
	<u>\$ 845,141</u>	<u>\$ 1,931,548</u>

In 2013, the Cooperative elected to participate in the NRECA R&S Prepayment. The Cooperative's contribution was \$1,607,008 and is being amortized over 10 years. Amortization expense for the years ended December 31, 2023 and 2022 was \$80,350 and \$160,701, respectively.

The pre-acquisition costs are related to the investment in MKEC. The original cost was \$277,870 and is to be amortized over 30 years. Amortization expense was \$9,263 for the years ended December 31, 2023 and 2022.

In February 2021, the Cooperative incurred additional power cost associated with Winter Storm Uri. The Cooperative elected to defer \$3,197,628 in additional power costs and recognize the expense over a period of 42 months. The amount amortized to power cost as of December 31, 2023 and 2022 was \$931,786 and \$938,322, respectively.

7. Return of Capital

Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 30.00% of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year. The equity and margins of the Cooperative represent 39.4% of the total assets at the balance sheet date. The Cooperative retired \$577,316 and \$515,327 during the years ended December 31, 2023 and 2022, respectively.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

8. Patronage Capital

	December 31,	
	2023	2022
Assigned	\$ 27,340,605	\$ 26,052,505
Retired	(4,015,218)	(3,448,057)
Assignable	329,237	1,298,255
	<u>\$ 23,654,624</u>	<u>\$ 23,902,703</u>

9. Other Equities

	December 31,	
	2023	2022
Other Equities	\$ 105	\$ 620
Non Operating Margins	1,951,302	1,471,767
Retired Capital Credits - Gain	330,468	274,398
	<u>\$ 2,281,875</u>	<u>\$ 1,746,785</u>

10. FFB Mortgage Notes

The following is a summary of long-term debt due to FFB and maturing at various times through 2047:

	December 31,	
	2023	2022
Fixed Rate Notes - 1.01% - 4.52%	\$ 32,306,083	\$ 33,257,952
Advance Payments	(566,582)	(2,476,365)
	<u>\$ 31,739,501</u>	<u>\$ 30,781,587</u>
Less: Current Maturities	1,222,000	1,193,000
	<u>\$ 30,517,501</u>	<u>\$ 29,588,587</u>

Principal and interest installments on the above notes are due quarterly. Annual maturities of long-term debt due FFB for the next five years are as follows:

2024	\$ 1,222,000
2025	993,000
2026	1,175,000
2027	1,243,000
2028	1,264,000

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

11. CFC Mortgage Notes

The following is a summary of long-term debt due to CFC and maturing at various times through 2034:

	December 31,	
	2023	2022
Fixed Rate Notes - 4.00% - 4.30%	\$ 4,719,496	\$ 5,213,010
Less: Current Maturities	398,000	494,000
	<u>\$ 4,321,496</u>	<u>\$ 4,719,010</u>

Principal and interest installments on the above notes are due quarterly. Annual maturities of long-term debt due CFC for the next five years are as follows:

2024	\$ 398,000
2025	414,000
2026	431,000
2027	448,000
2028	466,000

12. CoBank Mortgage Notes

The following is a summary of long-term debt due to CoBank and maturing in 2024:

	December 31,	
	2023	2022
Fixed Rate Notes - 1.55%	\$ 312,904	\$ 1,176,756
Less: Current Maturities	312,904	864,000
	<u>\$ 0</u>	<u>\$ 312,756</u>

Principal and interest installments on the above notes are due monthly. The remaining long-term debt due CoBank is due in 2024.

13. Short-Term Borrowing

The Cooperative has a \$4,000,000 line of credit for short-term financing with CFC at a variable interest rate. The Cooperative had \$0 and \$0 outstanding on this line of credit as of December 31, 2023 and 2022, respectively.

The Cooperative has a \$1,000,000 line of credit for short-term financing with CoBank at a variable interest rate. The Cooperative had \$0 and \$0 outstanding on this line of credit as of December 31, 2023 and 2022, respectively.

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LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

14. Deferred Credits

	December 31,	
	2023	2022
Deferred Install Cost on Meters	\$ 356,320	\$ 0

15. Litigation, Commitments and Contingencies

There is no litigation currently pending against the Cooperative which would have a material effect on the financial position of the Cooperative.

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from SEPC until March 31, 2052.

16. Pension Benefits

Narrative Description

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Plan Information

The Cooperative's contributions to the RS Plan in 2023 and 2022 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$651,527 and \$544,296 in 2023 and 2022, respectively. There have been no significant changes that affect the comparability of 2023 and 2022 contributions. Pension expense for the years ended December 31, 2023 and 2022, including amortization of RS prepayment, was \$571,176 and \$704,997, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2023 and January 1, 2022 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The Cooperative also provides a NRECA sponsored 401(k) savings deferred contribution plan for all employees. The Cooperative's contribution for the years ended December 31, 2023 and 2022 was \$75,980 and \$81,913, respectively.

17. Related Parties

The Cooperative is a member of SEPC which provides electric power and energy to its members. The Cooperative obtains all of its wholesale purchased power from SEPC which amounted to \$10,346,476 and \$12,903,008 for the years ended December 31, 2023 and 2022, respectively. Amounts included in accounts payable purchased power as of December 31, 2023 and 2022 were \$733,724 and \$707,251 due to SEPC.

18. Subsequent Events

The Cooperative has evaluated subsequent events through April 19, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Balance 1/1/2023	Transfers & Additions	Retirements	Balance 12/31/2023
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Transmission Plant				
Organization	\$ 494	\$	\$	\$ 494
Land and Land Rights	3,785			3,785
Structures and Improvements	29,361			29,361
Substation Equipment	679,350			679,350
Poles, Towers, and Fixtures	195,639			195,639
Overhead Conductors and Devices	320,914			320,914
Total	<u>\$ 1,229,543</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,229,543</u>
Distribution Plant				
Land and Land Rights	\$ 72,036	\$	\$	\$ 72,036
Structures and Improvements	58,333			58,333
Substation Equipment	10,937,028	156,070	202,678	10,890,420
Poles, Towers, and Fixtures	15,218,898	966,920	190,258	15,995,560
Overhead Conductors and Devices	18,949,619	327,867	109,786	19,167,700
Underground Conduit	14,916			14,916
Underground Conductors and Devices	552,677	70,857	16,118	607,416
Line Transformers	6,189,554	733,760	14,779	6,908,535
Services	1,000,008	69,586	35,992	1,033,602
Meters	3,036,238	480,079	63,583	3,452,734
Installations on Consumer Premises	24,543			24,543
Street Lighting	148,282			148,282
Total	<u>\$ 56,202,132</u>	<u>\$ 2,805,139</u>	<u>\$ 633,194</u>	<u>\$ 58,374,077</u>
General Plant				
Land and Land Rights	\$ 36,728	\$	\$	\$ 36,728
Structures and Improvements	2,722,966	59,748		2,782,714
Office Furniture and Equipment	430,226	42,035		472,261
Transportation Equipment	986,658	2,312		988,970
Tools, Shop, and Garage Equipment	95,079			95,079
Laboratory Equipment	43,844	12,555		56,399
Power Operated Equipment	1,498,239			1,498,239
Communications Equipment	87,756	88,777	1,291	175,242
Miscellaneous Equipment	154,130	54,263		208,393
Total	<u>\$ 6,055,626</u>	<u>\$ 259,690</u>	<u>\$ 1,291</u>	<u>\$ 6,314,025</u>
Total Classified Electric Plant in Service	\$ 63,487,301	\$ 3,064,829	\$ 634,485	\$ 65,917,645
Construction Work in Progress for All Plant	<u>1,368,011</u>	<u>(254,829)</u>		<u>1,113,182</u>
Total Utility Plant	<u>\$ 64,855,312</u>	<u>\$ 2,810,000</u>	<u>\$ 634,485</u>	<u>\$ 67,030,827</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2023

	Balance 1/1/2023	Depreciation Accruals	Retirements and Transfers	Balance 12/31/2023
Transmission Plant	\$ 981,665	\$ 32,366	\$	\$ 1,014,031
Distribution Plant	\$ 17,881,293	\$ 1,867,763	\$ 925,784	\$ 18,823,272
General Plant				
Structures and Improvements	\$ 1,224,282	\$ 89,281	\$	\$ 1,313,563
Office Furniture & Equipment	336,120	35,900		372,020
Transportation Equipment	824,562	52,169		876,731
Shop Equipment	69,905	3,168		73,073
Lab Equipment	24,902	2,829		27,731
Communications Equipment	43,834	8,030	1,292	50,572
Power Operated Equipment	961,902	15,602		977,504
Miscellaneous Equipment	47,984	93,030		141,014
Total General Plant	\$ 3,533,491	\$ 300,009	\$ 1,292	\$ 3,832,208
Total Classified Electric Plant in Service	\$ 22,396,449	\$ 2,200,138	\$ 927,076	\$ 23,669,511
Retirement Work in Progress	(118,606)		7,416	(126,022)
	\$ 22,277,843	\$ 2,200,138	\$ 934,492	\$ 23,543,489
		(1)	(2)	
(1) Charged to Depreciation Expense		\$ 2,054,939		
Charged to Clearing Accounts		145,199		
		\$ 2,200,138		
(2) Cost of Units Retired			\$ 634,485	
Add: Cost of Removal			308,430	
Less: Salvage Value and Other Credits			8,423	
Loss Due to Retirement			\$ 934,492	

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Schedule 3

**OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2023 AND 2022**

	December 31,	
	<u>2023</u>	<u>2022</u>
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Patronage Capital/Memberships		
Sunflower Electric Power Corporation	\$ 11,998,935	\$ 11,909,396
Mid-Kansas Electric Company, Inc.	353,973	381,169
Kansas Electric Cooperatives	36,284	42,395
National Rural Utilities Cooperative Finance Corporation	239,220	229,881
National Information Solutions Cooperative	70,231	67,237
S&T Telephone	103,289	103,289
Federated Rural Electric Insurance	184,335	177,392
Memberships/Other	75,586	75,460
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	221,958	221,958
Other Contributions		
Mid-Kansas Electric Company, Inc. - Contributed Capital	<u>423,040</u>	<u>423,040</u>
Total Investments in Associated Organizations	\$ <u>13,706,851</u>	\$ <u>13,631,217</u>
OTHER INVESTMENTS	\$ <u>5,501</u>	\$ <u>5,501</u>
	<u>\$ 13,712,352</u>	<u>\$ 13,636,718</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Schedule 4

PATRONAGE CAPITAL
DECEMBER 31, 2023

Calendar Year	Capital Credits Assigned	Capital Credits Assignable	Capital Credits Retired	Capital Credits Unretired
1961 - 1998	\$ 2,741,662	\$	\$ 2,741,662	\$
1999	864,531		665,225	199,306
2000	551,489		58,645	492,844
2001	586,236		59,801	526,435
2002	894,126		91,462	802,664
2003				
2004	445,083		37,568	407,515
2005	654,424		53,869	600,555
2006	249,740		19,842	229,898
2007	957,265		68,737	888,528
2008	760,877		43,278	717,599
2009	812,994		49,424	763,570
2010				
2011	1,254,442		56,265	1,198,177
2012	1,397,098		396	1,396,702
2013	1,985,150		520	1,984,630
2014	2,044,950		50	2,044,900
2015	794,168		14	794,154
2016	1,498,558		15,363	1,483,195
2017	1,849,728		10,636	1,839,092
2018	1,503,392		19,184	1,484,208
2019	1,748,693		16,350	1,732,343
2020	392,903		392	392,511
2021	2,054,840		5,234	2,049,606
2022	1,298,256		1,301	1,296,955
2023		329,237		329,237
	<u>\$ 27,340,605</u>	<u>\$ 329,237</u>	<u>\$ 4,015,218</u>	<u>\$ 23,654,624</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Schedule 5

FFB, CFC, AND COBANK MORTGAGE NOTES
DECEMBER 31, 2023

Note Number	Advance Date	Date of Maturity	Interest Rate	Principal Amount	Unadvanced	Principal Repayments	Net Obligation
FFB Mortgage Notes							
FFB-1-1	2/23/2010	12/31/2043	4.52%	\$ 3,237,580	\$	\$ 85,870	\$ 3,151,710
FFB-1-2	9/7/2010	1/3/2045	3.49%	707,247		21,317	685,930
FFB-1-3	1/21/2011	1/3/2045	4.24%	904,432		40,648	863,784
FFB-1-4	9/7/2011	1/3/2045	2.84%	2,571,152		115,557	2,455,595
FFB-1-5	3/13/2012	1/3/2045	2.78%	526,613		17,953	508,660
FFB-2-1	12/19/2013	12/31/2047	3.58%	5,379,171		114,450	5,264,721
FFB-2-2	12/19/2013	12/31/2047	3.58%	2,895,210		61,600	2,833,610
FFB-2-3	9/3/2014	12/31/2047	2.90%	2,199,778		46,804	2,152,974
FFB-2-4	9/3/2015	12/31/2047	2.69%	851,401		23,786	827,615
FFB-2-5	2/8/2016	12/31/2047	2.34%	1,116,492		32,692	1,083,800
FFB-2-6	9/22/2016	12/31/2047	2.09%	855,287		25,911	829,376
FFB-2-7	3/2/2018	12/31/2047	2.96%	643,059		17,307	625,752
FFB-2-8	4/25/2018	12/31/2047	3.08%	2,693,804		71,332	2,622,472
FFB-2-9	4/9/2019	12/31/2047	2.73%	921,106		25,572	895,534
FFB-2-10	7/31/2019	12/31/2047	2.34%	2,306,479		67,583	2,238,896
FFB-2-11	11/22/2019	12/31/2047	2.04%	1,213,758		37,008	1,176,750
FBB-2-12	5/12/2020	12/31/2047	1.09%	3,733,249		128,947	3,604,302
FBB-2-13	7/16/2020	12/31/2047	1.01%	502,134		17,532	484,602
Total FFB				\$ 33,257,952	\$ 0	\$ 951,869	\$ 32,306,083
CFC Mortgage Notes							
9004-013	6/15/2012	11/30/2024	4.00%	\$ 398,354	\$	\$	\$ 398,354
9004-014	6/15/2012	11/30/2025	4.05%	414,321			414,321
9004-015	6/15/2012	11/30/2026	4.15%	430,682			430,682
9004-016	6/15/2012	11/30/2027	4.20%	448,025			448,025
9004-017	6/15/2012	11/30/2028	4.20%	465,886			465,886
9004-018	6/15/2012	11/30/2029	4.20%	485,073			485,073
9004-019	6/15/2012	11/30/2030	4.25%	471,789			471,789
9004-020	6/15/2012	11/30/2031	4.25%	472,394			472,394
9004-021	6/15/2012	11/30/2032	4.30%	491,740			491,740
9004-022	6/15/2012	11/30/2033	4.30%	484,496			484,496
9004-023	6/15/2012	11/30/2034	4.30%	156,736			156,736
Total CFC				\$ 4,719,496	\$ 0	\$ 0	\$ 4,719,496
CoBank Mortgage Notes							
T - 01	3/12/2021	9/20/2024	1.55%	\$ 1,176,756	\$ 0	\$ 863,852	\$ 312,904
Total CoBank				\$ 1,176,756	\$ 0	\$ 863,852	\$ 312,904

Net obligation includes \$1,222,000 due FFB, \$398,000 due CFC, and \$312,904 due CoBank payable within one year classified as current liabilities on the balance sheet.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Schedule 6

ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	December 31,		Increase
	2023	2022	(Decrease)
Administrative and General Salaries	\$ 672,586	\$ 613,210	\$ 59,376
Office Supplies and Expense	150,643	113,700	36,943
Outside Services Employed	85,220	60,990	24,230
Employee Education and Training	425,568	265,658	159,910
Directors' Fees and Expenses	72,060	73,014	(954)
Annual Meeting Expense	196,012	151,987	44,025
Capital Credits Expense	15,492	13,309	2,183
Dues to Associated Organizations	92,902	79,525	13,377
Miscellaneous General Expense	42,463	45,904	(3,441)
Regulatory Commission Expense	1,956	1,600	356
Maintenance of General Plant	197,711	221,779	(24,068)
	<u>\$ 1,952,613</u>	<u>\$ 1,640,676</u>	<u>\$ 311,937</u>

COMPLIANCE AND INTERNAL CONTROL

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, Kansas

We have audited, in accordance with the 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 Lane-Scott Electric Cooperative, Inc. (the Cooperative), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated April 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative'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 the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 19, 2024

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

April 19, 2024

Board of Directors
Lane-Scott Electric Cooperative, Inc.
Dighton, Kansas

We have audited the financial statements of Lane-Scott Electric Cooperative, Inc. (the Cooperative) for the year ended December 31, 2023, and have issued our report thereon dated April 19, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 10, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooperative are described in Note 1 to the financial statements. The Cooperative adopted Accounting Standards Codification (ASC) 326, Measurement of Credit Losses during the year ended December 31, 2023. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the allowance for uncollectible accounts, and lives used to calculate depreciation on distribution plant in service. Management's estimates of the allowance for uncollectible accounts are based on historical activity and current regulatory actions. Management's estimate of the depreciation life used is based on industry accepted guidelines and the lives selected are within those guidelines. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts, and accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the consolidated financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Attached to this letter are the misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 19, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the accompanying information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the accompanying information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction of Use

This information is intended solely for the use of the Board of Directors and management of the Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Balinger, Legars, Gilbert & Moss LLP

Certified Public Accountants

Client: **43976 - Lane-Scott Electric Cooperative, Inc.**
Engagement: **43976 - 2023 Lane-Scott Electric Cooperative, Inc.**
Period Ending: **12/31/2023**
Trial Balance: **017 - Annual Trial balance - 2 Year**
Workpaper: **017 - Adjusting Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 1				
To reclass capitalized meter install cost to a deferred credit.				
586.000.0	METER EXPENSE		356,320.32	
253.000.0	DEFERRED CREDITS - METER INSTALL			356,320.32
Total			356,320.32	356,320.32

10. b. 2023 Capital Credit Allocation

The Allocation of Capital Credits is addressed in the LSEC Bylaws, Article VII, Section 2. **Patronage Capital in Connection with Furnishing Cooperative Services** and in Board Policy 113 **Capital Credits**.

Board Policy 113 addresses Allocations as follows:

OBJECTIVE: *The objective of this Capital Credits Policy ("Policy") is to state the general policy of Lane-Scott Electric Cooperative, Inc., ("Cooperative") for allocating and retiring capital credits.*

POLICY: *The Cooperative shall allocate and retire capital credits in a manner that:*

- 1) is consistent with state and federal law;*
- 2) is consistent with operating on a cooperative basis under federal tax law;*
- 3) is fair and reasonable to the Cooperative's patrons and former patrons;*
- 4) provides the Cooperative with sufficient equity and capital to operate effectively and efficiently; and*
- 5) protects the Cooperative's financial condition. Subject to law, the Cooperative's articles of incorporation, and the Cooperative's bylaws, the allocation and retirement of capital credits are at the sole discretion of the Cooperative's Board of Trustees ("Board").*

EXPECTATIONS:

- A. **Board Approval.** *The Cooperative shall allocate and retire capital credits according to the manner, method, timing, and amount approved by the Board.*
- B. **Operating Margin Allocations.** *As required by the Cooperative's bylaws, for electric energy sales provided by the Cooperative on a cooperative basis during a fiscal year, the Cooperative shall allocate on a patronage basis to each patron during the fiscal year, the Cooperative's operating margins from providing the electric energy sales during the fiscal year. Capital credits allocated and credited to the Cooperative by its affiliated G&T cooperative in connection with the furnishing of electric energy to the Cooperative will be separately allocated on a patronage basis.*
- C. **Operating Margin Loss Allocations.** *For electric energy sales provided by the Cooperative on a cooperative basis, the Cooperative shall offset operating losses with the Cooperative's operating earnings from providing the electric energy sales during the next succeeding future fiscal year(s).*
- D. **Non-Operating Allocations.** *As approved by the Board, the Cooperative may use, retain, or equitably allocate the Cooperative's Non-Operating earnings.*
- E. **Non-Operating Loss Allocations.** *The Cooperative shall offset non-operating losses with the Cooperative's non-operating earnings during any fiscal year.*

The Bylaws and Policy draw a distinction between Operating Margins and Non-Operating Margins. Operating Margins are allocated while Non-Operating Margins allocations are at the discretion of the Board.

The 2023 BSGM Audit report identifies 2023 items as follows:

Line 21. Operating Margins – After Fixed Charges	\$ (204,422)
Line 22. Non-Operating Margins – Interest Income	\$ 400,256
Line 25. Non-Operating Margins – Other <i>plus</i> Gain (Loss) on Disposition of Property	\$ 78,836
Line 26. Generation and Transmission Capital Credits	\$ 501,621
Line 27. Other Capital Credits and Patronage Dividends	\$ 32,481
Line 28. Extraordinary Items	\$ 0

According to Policy:

	Operating Margins Allocated	G&T Capital Credits (allocated separately)	Non-Operating Margins (option to allocate)
Line 21	(202,422)		
Line 22			400,256
Line 25			78,836
Line 26		501,621	
Line 27	32,481		
Line 28			0
Totals	(169,941)	501,621	479,092

The Board has the option to allocate or retain Non-Operating Margins. We request that the Board retain the \$479,092 of non-Operating margins in order to build to equity.

Further, recognizing that this allocation request is prepared in advance of the final audit statement, and that the auditors use estimates in the preparation of Audit Statements, and state “Actual results could differ from those estimates.” (Page 12 of 31) The actual dollar allocation amounts will be taken from the audited financial statements as approved by the Board of Trustees and may vary from the amounts listed below. Any material difference will be reviewed by the staff and the Auditors and presented to the Board of Trustees.

Therefore, the staff requests that the Board approve:

- 1. A carry forward of the 2023 Operating Loss of (\$169,941) to offset future allocations of patronage capital, and**
- 2. An allocation of \$501,621 in 2023 Generation and Transmission Capital Credits, and**
- 3. That the Cooperative retain (no allocation) all Non-Operating Margins (\$479,092).**

10. c. Board Policy 203 Review

This Board Policy deals with Trustee compensation. It has been requested that the Board review Item 9. regarding teleconference calls and consider if this is adequate or should be further defined.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. POLICY

Dated: August 7, 2023

Policy No.: 203

SUBJECT: Directors Compensation and Benefits

POLICY: Directors attending meetings for the Cooperative's benefit shall be compensated at the following rate:

1. Per diem of \$350.00 per meeting day and \$300.00 per travel day.
2. Subsistence allowance of up to \$150.00 per day or actual expenses.
3. Travel in personal cars for business purposes at the allowable IRS limit.
4. Hotel bills at actual cost.
5. Banquet and special luncheon tickets at actual cost.
6. Commercial transportation at actual cost.
7. WHEREAS, joint memberships between husbands and wives are authorized by Article I, Section 3 of the Bylaws, and WHEREAS, it is the policy of the Cooperative to educate it's members and encourage them to be ambassadors for the benefit of the Cooperative, spouses of Directors may attend meetings with Directors and any additional expense will be reimbursed by the Cooperative at actual cost.
8. Directors serving on Sunflower Electric Power Corporation's Board or the board of any other affiliated organization shall be entitled to all such Compensation and Benefits as paid by the Corporation except when the General Manager fulfills the position. The compensation and benefits shall then be turned over to the cooperative.
9. All teleconference calls for Directors shall be paid \$50.00 per call.
10. NRECA Accidental Death and Dismemberment Insurance and Business Travel Accident Insurance shall be carried on all Directors. The cost of this coverage will be paid by the Cooperative.
11. All directors, spouses and dependents may participate in the Cooperative's group health insurance plan at their own expense. When a Director completes his tenure on the board, he/she may continue coverage at their own expense. In the event of the death of an active or past director, his/her spouse may continue coverage at their own expense.

ATTESTED


Secretary

(seal)

Revisions:

December 4, 2017, September 11, 2017, September 14, 2009, August 23, 2004, March 26, 2001, February 28, 1994, January 18, 1993, December 1990, February 1986, January 1985, January 1982, January 1978, August 1974, June 1973, January 1972, September 1966, September 1965, February 1965, January 1959, February 1957, May 1953, and April 1949.

Memorandum

To: Sunflower Electric Power Corporation Member Managers
Sunflower Electric Holdings, Inc. Member Managers

From: Brent A. Mitchell, Secretary

Date: March 26, 2024

Subject: **2024 Annual Meetings**

Attached are forms to be completed by each Member designating its delegate and alternate for Sunflower Electric Power Corporation, Sunflower Electric Holdings, Inc., annual meeting and other Member meetings during the year. The annual meetings are scheduled for **Wednesday, May 15, 2024, hosted by Wheatland Electric Cooperative, Inc., held at 2005 W. Fulton, Garden City, Kansas.** We ask that the Secretary, General Manager, or CEO, as the case may be, of each Member certify to their delegate and alternate choices not less than 15 days prior to the Annual Meeting. Please complete and return your cooperative's form **no later than April 29, 2024** by mail or email.

Your annual meeting delegate and alternate delegate for each company does not need to be the same as your director(s) and alternate director(s) who are designated for the monthly Board of Directors meetings.

The annual meeting notices will be sent to all the Members, delegates, and alternate delegates on or before May 3, 2024. The time of the meeting as well as other pertinent information will be set forth therein.

If you have any questions, please call me at (316) 265-9311.

Hard copies will follow this email.

CERTIFICATION OF DELEGATE AND ALTERNATE DELEGATE

**ANNUAL MEETING OF MEMBERS
OF
SUNFLOWER ELECTRIC POWER CORPORATION**

Wednesday, May 15, 2024

MEMBER SYSTEM NAME: Lane-Scott Electric Cooperative, Inc.

Name of **DELEGATE**: _____

ADDRESS: _____

EMAIL: _____

Name of **ALTERNATE**: _____

ADDRESS: _____

EMAIL: _____

This certifies that the above named persons have been duly authorized to represent this Member System as Delegate and Alternate Delegate for the Annual Meeting of Members of Sunflower Electric Power Corporation, to be held Wednesday, May 15, 2024 and such other meetings of Members called by the Corporation.

Date

Title:

PLEASE RETURN THIS CERTIFICATION TO:

Brent A. Mitchell
Sunflower Electric Power Corporation
PO Box 1020
Hays, KS 67601-1020
mhubbard@sunflower.net

CERTIFICATION OF DELEGATE AND ALTERNATE DELEGATE

ANNUAL MEETING OF MEMBERS
OF
SUNFLOWER ELECTRIC HOLDINGS, INC.

Wednesday, May 15, 2024

MEMBER SYSTEM NAME: Lane-Scott Electric Cooperative, Inc.

Name of **DELEGATE**: _____

ADDRESS: _____

EMAIL: _____

Name of **ALTERNATE**: _____

ADDRESS: _____

EMAIL: _____

This certifies that the above named persons have been duly authorized to represent this Member System as Delegate and Alternate Delegate for the Annual Meeting of Members of Sunflower Electric Holdings, Inc., to be held Wednesday, May 15, 2024 and such other meetings of Members called by the Corporation.

Date

Secretary:

PLEASE RETURN THIS CERTIFICATION TO:

Brent A. Mitchell
Board Counsel
Sunflower Electric Holdings, Inc.
PO Box 1020
Hays, KS 67601-1020
mhubbard@sunflower.net

SAFETY PROGRAM

SAFETY PROJECTS COMPLETED AS OF April 2024

- Rubber gloves changed out.
- Testing and adjusting digital truck inspections, designing facility inspection sheet.
- Ann Jennings's submitted report:
 - If there's a Downed Power Line Think Before You Act- KCL magazine and social media
 - Overhead Line Clearance-continued on LSEC website and SmartHub website.
 - How long will it take to restore power & outage safety tips.
 - How to Report an Outage at LSEC reminder.
 - Overhead lines & kite flying.
 - Plant trees, call 811.
 - Staying safe should be your goal (outdoor activity & lightening).
 - Work Zone awareness.
- Diana Kuhlman submitted reports:
 - Attended Monthly safety meeting.
 - Coordinate Monthly Drug Test.
 - Submitted No -Time Loss Report to Federated and KEC.
 - Updated Medical Certification files.
 - Updated CDL files.
- KEC Safety Meeting: Topics: Hearing Conservation Program and Decibel Testing of Equipment. Accident Investigation. Admin. Violence in Work Place.

SAFETY PROJECTS IN PROGRESS AS OF March 2024

1. SDS Sheets updated and completed.
2. SafetyAmp software inspection forms in progress for main building first aid kit and pole yard.
3. FCC radios: A few dead zones for radios have been found. Looking into tower and repeater options to correct the dead zones.
4. Demo trailer installing reals and pricing a peddle tractor and other supplies to complete the project.
5. RESAP Onsite Observation.
 - Circuits are being identified.
 - The switching procedure for Twin Springs Sub. is in progress.
 - URD cables being identified and labeled.
 - Pad mount and switch cabinet signage in progress of being updated.
 - Written Traffic Control Plan in Development.
 - Working on moving connect for James Bergen grain bin site,

LANE-SCOTT ELECTRIC COOPERATIVE, INC.
SAFETY MEETING
March 21st, 2024

Chris Terhune called the meeting to order at 9:07 a.m.

Minutes were read: Dal Hawkinson made a motion to approve the February 21st minutes, seconded by Dellon Shelton. Minutes were read and approved as printed.

Present: Kasey Jenkinson, Ben Mann, Dal Hawkinson, Chad Rupp, Chris Terhune, Myron Seib, Kevin Bradstreet, Leighton Ayers, Dellon Shelton, Taylor Cable, Nate Burns, Scott Briand, Micheal Pollock, Kathy Lewis, Carrie Borell, Ann Marie Jennings, Diana Kuhlman, Jocelyn Walker, and Katie Riffle,

Absent: Richard McLeon, Blake McVicker, Kalo Mann, Mark McCulloch, and Rebecca Campbell

Guest: None

Truck report of inspections:

105	Taylor Cable	OK
110	Myron Seib	OK
112	Leighton Ayers	OK
117	Chris Terhune	OK
123	Micheal Pollock	OK
132	Taylor Cable	OK
135	Nate Burns	OK
136	Kevin Bradstreet	OK
143	Scott Briand	OK
144	Micheal Pollock	OK
145	Dal Hawkinson	OK
150	Kasey Jenkinson	OK
173	Chad Rupp	OK
191	Michael Pollock	OK
193	Myron Seib	OK
200	Ben Mann	Windshield Chip
201	Dal Hawkinson	OK
304	Myron Seib	OK
305	Myron Seib	OK

Trailer and Equipment report of inspections:

502	Myron Seib	OK
507	Myron Seib	OK
515	Myron Seib	OK
504	Myron Seib	OK
505	Chris Terhune	OK
508	Chris Terhune	OK
509	Chris Terhune	OK
513	Chris Terhune	OK
516	Chris Terhune	OK
700	Chris Terhune	OK
701	Chris Terhune	OK
702	Chris Terhune	OK
512	Scott Briand	OK
514	Scott Briand	OK

Warehouse, building, and pole yard inspections:

Ness City Warehouse	Myron Seib	OK
Ness Pole Yard & Transformer Dock	Myron Seib	OK

Warehouse	Scott Briand	OK
Pole Yard & Transformer Dock	Scott Briand	OK
Office	Diana Kuhlman	OK

Personal Tools: All Passed

Gloves Monthly Test Results: N/A

Line Hoses Annual Test Results: N/A

Sleeves Quarterly Test Results: N/A

Substation and Regulator Report:

- ♦ Ben Mann: Changed out bypass switch in Manning substation. Ness 34.5 Sub, infrared camera is detecting hotspot on OCR switch, will be making repairs soon. Ness 13.8 sub, infrared camera detected two hotspots on OCR switches. Repairs will be done soon. Scada hooked up in Ness 115 substation.
- ♦ **PCB Report:** None to Report

Line Clearance: Walter Rogers would like his trees trimmed. Trees have been cut in Ness City, Healy, and at Kent and Carrie Borell residence.

Accident and Near Misses: None to Report.

Old Business:

- ♦ Chris Terhune: Otis elevator will be scheduling a time to replace hydraulic cylinder packings on elevator.

New Business:

- ♦ Dal Hawkinson: Two small new bucket trucks from Altec will be arriving today. March blizzard damages are closed with FEMA.
- ♦ Carrie Borell: There have been multiple Microsoft cyber and typhoon attempts. The cooperative industry is reporting an uptick in dark web activity, assumed by Russia. We will have access to Mosaic, a data analysis tool. Hopefully, it will be ready for testing by May.
- ♦ Diana Kuhlman: Kasey to get with Diana on office field day observations.
- ♦ Ann Marie Jennings: Open member meetings for proposed rate change will be in Dighton the evening of April 8th and Ness City the evening of the 11th.
- ♦ Chris Terhune: The mother boards for gate openers are being replaced. Contacting Sala for a deal on body harness replacement.
- ♦ Mikey Goddard from KEC: Discussed hearing conservation and decibel testing of equipment. Also discussed was accident investigation, admin, and violence in the workplace.

Meeting adjourned.

Chris Terhune
Safety Coordinator

Carrie Borell
Safety Administrator