



To: **Board of Trustees and Attorney**
Lane-Scott Electric Cooperative, Inc.

A regular meeting of the Board of Trustees has been set for June 1, 2020 at 7:00 p.m.

Proposed Agenda:

1. Call to Order
2. Reading and Approval of Minutes
 - a. May 4, 2020 Regular meeting
 - b. May 18, 2020 Special Meeting
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
 - a. Annual Meeting Update
 - b. Youth Leadership Camp
10. New Business
 - a. BSGM Audit Presentation
 - b. 2020 Equity Study
11. Safety Meeting Report
12. Executive Session, if requested
13. Adjourn

Upcoming Events:

Sunflower Board Meeting	June 18-19	tbd
Lane-Scott Board Meeting	July 6	Dighton, KS
LSEC Annual Meeting	July 14	Dighton, KS

**MINUTES OF THE REGULAR MAY 2020
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, May 4, 2020, in the offices of the cooperative at 410 South High Street, Dighton, Kansas. President Richard Jennison called the meeting to order at 6:58 p.m. In addition to President Richard Jennison, the other trustees in attendance were: Harold Hoss, Ed Gough, Eric Doll, Richard Sorem, Chad Griffith, Paul Seib Jr. and Craig Ramsey. Also present Richard McLeon IV and Joseph Gasper, Attorney. Rad Roehl attended the meeting via Skype.

MINUTES OF PRIOR MEETING

President Jennison called for action on the minutes of the prior meeting held on April 6, 2020. *Hearing no corrections, 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 regarding the checks.

PRESIDENT'S REPORT

President Jennison reported that the Manager Evaluation meeting with Ken Holmes will be May 18 at 5:30.

ATTORNEY'S REPORT

Attorney Gasper discussed the demand from the City of Dighton for payment to Frigid Crème for alleged damages to their coolers. The situation has been discussed with Dale Pike and Manager McLeon will meet with the owner of the business to obtain information necessary to submit the claim to Federated.

Attorney Gasper discussed the substation access with Dale Pike as well. A letter was sent to the City of Dighton that demands no entry to the substations

without written permission of Lane-Scott. Discussions began on the leases of the substations with the City as well.

REPORT OF SUNFLOWER DELEGATE

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

Paul Seib Jr., Lane-Scott's delegate to Sunflower, had no further items to report.

KEC REPORT

Trustee Hoss reported that KEC will have their meeting by Skype Wednesday and Thursday.

MANAGER'S REPORT

Manager McLeon commented on the following matters:

- The credit card statements were presented to the Trustees for review.
- KMEA has taken over the Dighton O&M contract. They currently have one lineman in Dighton and a second is coming from Garden City. A notice was published in the newspaper that Dighton customers will need to contact the City regarding utility services in the City.
- There were seven oil and gas disconnects in January, six in February and twenty-three in March. Most of the disconnects were minimum usage meters and the annual impact of the disconnects is projected at \$10,638.86.
- KIOGA has requested rate reductions. Manager McLeon has discussed with KIOGA and other oil producers the request and explained the costs that Lane-Scott incurs. KEC is working on the KIOGA request.
- On April 14, Lane-Scott wired \$50,027.06 from the bank in Healy to CFC. There was an error and the money was sent to CoBank instead. The mistake was found and the money was transferred from CoBank to CFC.
- Vehicle #105 travelled 507 miles in March with 44 personal miles.
- Carrie continues to improve the cyber security, NISC and IVue systems. The IT/Cyber Security specific portion of the Emergency Management Response Plan and a Disaster Recovery Plan has been developed.
- The new cell tower in Scott County has been energized.
- The Ness City contractor will have all of the poles changed soon.
- The tree trimmers are working in McCracken and should be finished soon as well.
- Nate has been working with the City of Dighton and KMEA on the transition of the O&M agreement.

- Lane-Scott partnered with Walnut Creek Extension for a food drive and donated the money to the Lane and Ness county food pantries.
- Hand Sanitizer was purchased and additional bottles donated by Sunflower from Boot Hill Distillery. About 500 bottles have been distributed to various high-traffic locations in Ness and Lane Counties.
- Covid-19 information and relief sources is being posted on social media and the website.
- The board vacancy is being advertised until the end of May.
- The new email and text communication via SmartHubs Messenger is being used.
- The farm safety message ended on May 1.
- The audit should be completed and presented at the June 1 meeting.
- The March sales of \$1,385,547 were down \$49,502 from the 9 year average. The past due billing is up due to the Covid-19 but it is approximately \$4,600.
- Retail Services posted a loss of \$8,508.82 for the month.
- Generac has approached Lane-Scott about being an authorized dealer and service partner. Manager McLeon just received information regarding this and will report back at a later date once further review has been completed.
- The open balance on Retail Service is down to \$12,405.92. The large portion of this is for Daren York's oil extractor work of \$8,392.27.

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.

There were no additions to the safety report.

OLD BUSINESS

1. Covid-19 Update

- A timeline of the executive and regulatory orders pertaining to Lane-Scott was presented to the board. Lane-Scott has responded well to the challenge and is well positioned to weather the storm.
- The first quarter financials were good despite the lower sales in February and March. The financial effect of the Covid-19 will start to appear in the second quarter with an estimated loss of 5.0%.

- A 5% loss in the second quarter would affect a net revenue loss of \$92,000 with a year end loss of \$299,032. Even with a 10% loss the losses should be able to be absorbed without having to draw down on the line of credit. Capital projects could be deferred if necessary for cash flow. There is approximately \$300,000 left on the W8 loan and those projects should continue. A new construction work plan is expected in the fall and the cost of service study may have to be moved into 2021.
- Manager McLeon reviewed board policies that had to be waived under policy 100 due to various executive orders due to Covid-19. These included 502.2 and 507.

2. Trustee Vacancy

Manager McLeon reviewed the steps and information for the filling of the Trustee Vacancy as contained in the board packet.

3. Annual Meeting

- The checklist for the annual meeting was reviewed.
- A plan “B” if the annual is unable to be held due to Covid-19 restrictions is not finalized but options are being considered.

NEW BUSINESS

1. Scholarship

- The DC youth tour has been cancelled for the year. A portion of the expense for the trips has been paid and is not refundable but the remaining budgeted amount has not been paid. Management has recommended the board consider awarding this amount as a scholarship to the recipients. The youth tour recipients are Jobi Roemer and Carlee Flax and each scholarship would be \$2,500 for them. The leadership camp recipients are Kayler Getz and Annabeth Ratzlaff and each scholarship would be \$1,800. The decision on whether the leadership camp will be held is to be made on May 14.
- The board discussed the recommendation and whether the recipient should be precluded from applying in the future if they receive the scholarship for the recipients who are sophomores.
- *A motion to approve the scholarships in the amount of \$2,500.00 per recipient for Jobi Roemer and Carlee Flax since the DC youth tour was cancelled to be paid to their respective schools in 2021 was made, duly seconded and carried.*
- The scholarship for the leadership camp was tabled until after the decision is made whether the leadership camp will be held.

- The scholarship committee selected Nate Gable and Alysson Foos for \$500 scholarships.
- *A motion to approve the awarding of a \$500 scholarship to Nate Gable and Alysson Foos was made, duly seconded and carried.*

2. FFB W8 Loan Draw

- Management has prepared a FFB Loan Draw request #13 of \$4,018,753.14 for board approval. The 30-year fixed rate was 0.95% April 21, 2020 and the final rate will be set upon approval of the draw. This loan expires August 2020.
- *A motion to approve the FFB draw request in the amount of \$4,018,753.14 from the W8 FFB loan was made, duly seconded and carried.*

A question regarding the substation loading of 98% was raised. Manager McLeon answered that this was not the actual loading and that it is due to accounting.

ADJOURNMENT

A motion to adjourn the meeting was made, seconded and carried at 8:17 p.m., on Monday, May 4, 2020.

**MINUTES OF THE MAY 18, 2020 SPECIAL
MEETING OF THE BOARD OF TRUSTEES
OF THE LANE-SCOTT ELECTRIC COOPERATIVE, INC.**

CALL TO ORDER

A special meeting of the Board of Trustees of the Lane-Scott Electric Cooperative, Inc., was held on May 18, 2020, in the offices of the cooperative at 410 South High Street, Dighton, Kansas. President Richard Jennison called the meeting to order at 5:35 p.m. In addition to President Richard Jennison, the other trustees in attendance were: Rad Roehl, Ed Gough, Eric Doll, Richard Sorem, Chad Griffith, Paul Seib Jr. and Craig Ramsey. Also present Richard McLeon IV and Ken Holmes. Harold Hoss was absent.

EXECUTIVE SESSION

A motion to enter executive session to discuss the manager performance and review of Richard McLeon was made, duly seconded and carried. The board came out of executive session after discussion.

MANAGER SALARY

A motion to set the salary of the Manager Richard McLeon at \$225,000.00 per year effective June 1, 2020 was made, duly seconded and carried.

ADJOURNMENT

A motion to adjourn the meeting was made, seconded and carried at 7:15 p.m., on May 18, 2020.

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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
2027 04/10/2020	WIRE	18	CITY OF DIGHTON	Monthly Invoices	1,437.62
2031 04/13/2020	WIRE	124	GOLDEN BELT TELEPHONE	Monthly Invoice	182.60
2032 04/13/2020	WIRE	1160	S&T TELEPHONE COOP ASSN.	Monthly Invoice	861.87
2028 04/14/2020	WIRE	59	NRECA	Qtrly 401(k) Pension Plan	1,583.25
45580 04/14/2020	CHK	5	JASON BENNETT	Cap. Cr. Estate Retirement	152.31
45581 04/14/2020	CHK	5	KENTON HARKNESS	Cap. Cr. Estate Retirement	11,213.39
45582 04/14/2020	CHK	5	D. DELPHINE NORTON	Cap. Cr. Estate Retirement	2,036.06
45583 04/14/2020	CHK	5	JOYCE PARROTT	Cap. Cr. Estate Retirement	205.46
45584 04/14/2020	CHK	5	DIANA SCHWARTZ	Cap. Cr. Estate Retirement	274.96
45585 04/14/2020	CHK	5	ROBERT E BORTHWICK TRUST	Cap. Cr. Estate Retirement	1,209.97
45586 04/14/2020	CHK	5	JERINDA BENNETT	Cap. Cr. Estate Retirement	228.45
45587 04/14/2020	CHK	5	VICKI BETZ	Cap. Cr. Estate Retirement	72.58
45588 04/14/2020	CHK	5	CATHERINE L CASEY	Cap. Cr. Estate Retirement	73.58
45589 04/14/2020	CHK	5	ROBERT A DAGUE LIVING TRUST	Cap. Cr. Estate Retirement	205.73
45590 04/14/2020	CHK	5	VIVIAN DIRKS	Cap. Cr. Estate Retirement	1,644.35
45591 04/14/2020	CHK	5	DONALD G DAVIS TRUST	Cap. Cr. Estate Retirement	66.89
45592 04/14/2020	CHK	5	ROSEMARY DIEHL	Cap. Cr. Estate Retirement	73.57
45593 04/14/2020	CHK	5	JANET NOTTINGHAM	Cap. Cr. Estate Retirement	22.64
45594 04/14/2020	CHK	5	DEBORAH J GRUVER	Cap. Cr. Estate Retirement	11,213.39
45595 04/14/2020	CHK	5	GARRETT HARPER	Cap. Cr. Estate Retirement	1,438.44
45596 04/14/2020	CHK	5	DOROTHY FILSON	Cap. Cr. Estate Retirement	277.00
45597 04/14/2020	CHK	5	KENNETH HOUSE	Cap. Cr. Estate Retirement	31.32VOID
45598 04/14/2020	CHK	5	MICHAEL B HARKNESS	Cap. Cr. Estate Retirement	11,213.39
45599 04/14/2020	CHK	5	LEIGH A HENDRICKSON	Cap. Cr. Estate Retirement	66.47
45600 04/14/2020	CHK	5	JOY HEMBREE	Cap. Cr. Estate Retirement	82.73
45601 04/14/2020	CHK	5	ELLEN BURNS	Cap. Cr. Estate Retirement	32.93
45602 04/14/2020	CHK	5	DANIEL & ELAINE JOHNSON REV TRUS	Cap. Cr. Estate Retirement	371.76
45603 04/14/2020	CHK	5	MARTIN KLITZKE	Cap. Cr. Estate Retirement	72.57
45604 04/14/2020	CHK	5	RICHARD KERR	Cap. Cr. Estate Retirement	66.44
45605 04/14/2020	CHK	5	DAVID KERR	Cap. Cr. Estate Retirement	66.44

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45606 04/14/2020	CHK	5	FRANKLIN KERR	Cap. Cr. Estate Retirement	66.44
45607 04/14/2020	CHK	5	GAYLEN KERR	Cap. Cr. Estate Retirement	66.44
45608 04/14/2020	CHK	5	MEGAN KATT	Cap. Cr. Estate Retirement	269.75
45609 04/14/2020	CHK	5	RODNEY L MOORE	Cap. Cr. Estate Retirement	76.40
45610 04/14/2020	CHK	5	ALICIA A RUES	Cap. Cr. Estate Retirement	73.57
45611 04/14/2020	CHK	5	TIMOTHY A RUES	Cap. Cr. Estate Retirement	73.57
45612 04/14/2020	CHK	5	THOMAS G RUES	Cap. Cr. Estate Retirement	73.57
45613 04/14/2020	CHK	5	ANTHONY W RUES	Cap. Cr. Estate Retirement	73.58
45614 04/14/2020	CHK	5	YVETTE SCHLEGEL	Cap. Cr. Estate Retirement	2,714.64
45615 04/14/2020	CHK	5	MARY F SLAGLE	Cap. Cr. Estate Retirement	229.07
45616 04/14/2020	CHK	5	LINDA SEKAVEC	Cap. Cr. Estate Retirement	100.70
45617 04/14/2020	CHK	5	WILLIAM R STUTZ JR	Cap. Cr. Estate Retirement	82.73
45618 04/14/2020	CHK	5	MELODY STUTZ	Cap. Cr. Estate Retirement	82.73
45619 04/14/2020	CHK	5	CHERYL STUTZ	Cap. Cr. Estate Retirement	82.73
45620 04/14/2020	CHK	5	GREG STUTZ	Cap. Cr. Estate Retirement	82.74
45621 04/14/2020	CHK	5	DAVE TILLITSON	Cap. Cr. Estate Retirement	32.92
45622 04/14/2020	CHK	5	JOHN TILLITSON	Cap. Cr. Estate Retirement	32.93
45623 04/14/2020	CHK	5	LARRY TILLITSON	Cap. Cr. Estate Retirement	32.93
45624 04/14/2020	CHK	5	ROBERT TILLITSON	Cap. Cr. Estate Retirement	32.93
45625 04/14/2020	CHK	5	MARY LOU TILLITSON	Cap. Cr. Estate Retirement	32.93
45626 04/14/2020	CHK	5	KAITLIN WRIGHT	Cap. Cr. Estate Retirement	269.75
2029 04/15/2020	WIRE	69	SECRETARY OF STATE	KSAS Annual Report Filing	40.00
45627 04/16/2020	CHK	15	ERIC DOLL	April Monthly Mtg	350.00
45628 04/16/2020	CHK	25	LANE-SCOTT ELECTRIC COOPERATIVE,	Payroll Transfer	49,000.00
45629 04/16/2020	CHK	134	SOLIDA TREE SERVICE, INC.	Tree Trimming @ Removal	4,177.00
45630 04/16/2020	CHK	179	RAD ROEHL	April Board Mtg	350.00
45631 04/16/2020	CHK	202	CHAD GRIFFITH	April Board Mtg	350.00
45632 04/16/2020	CHK	361	ANN M JENNINGS	Mileage-Hand Sanitizer and Food Drive	181.70
45633 04/16/2020	CHK	366	DIANA KUHLMAN	Supplies-Lineman Apprecation Day	161.64
45634 04/16/2020	CHK	395	DOLLAR GENERAL - REGIONS 410526	Supplies	132.34

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Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
45635 04/16/2020	CHK	433	BRIGHT IDEAS	Annual Mtg Gift	1,123.82
45636 04/16/2020	CHK	435	CUPPA JOE	Lineman Appreciation-Ness City	18.00
45637 04/16/2020	CHK	436	SPINLAB UTILITY INSTRUMENTATION,	Unit Calibration	436.49
45638 04/16/2020	CHK	790	SOLOMON CORPORATION	Transformers	22,323.88
45639 04/16/2020	CHK	903	NISC	Monthly Invoice-Software	9,816.32
45640 04/16/2020	CHK	1139	LANE COUNTY HOSPITAL	Hawkinson, Jenkinson	14.31
45641 04/16/2020	CHK	1263	RICHARD SOREM	April Board Mtg	350.00
45642 04/16/2020	CHK	1299	DEANNE SHULL	Rolls-Lineman Appreciation Day	30.00
45643 04/16/2020	CHK	1300	CRAIG RAMSEY	April Board Mtg	350.00
45644 04/16/2020	CHK	9999	TANNER APPERSON	INACTIVE REFUND	107.13
45645 04/16/2020	CHK	9999	KARA DYSINGER	INACTIVE REFUND	27.15
45646 04/16/2020	CHK	9999	THAYNE JONES	INACTIVE REFUND	456.63
45647 04/16/2020	CHK	9999	DAVID A KNOLL	INACTIVE REFUND	14.41
45648 04/16/2020	CHK	9999	JARED LANGER	INACTIVE REFUND	46.19
45649 04/16/2020	CHK	9999	QUENTIN ROLO	INACTIVE REFUND	75.46
45650 04/16/2020	CHK	9999	24 ASSET MANAGEMENT CORP	INACTIVE REFUND	206.90
45651 04/17/2020	CHK	5	ROBERT K HOUSE	CAPITAL CREDIT ESTATE RETIRE	31.32
2033 04/20/2020	WIRE	274	VERIZON WIRELESS	Monthly Invoice	359.21
2034 04/20/2020	WIRE	274	VERIZON WIRELESS	Monthly Invoice	347.94
2035 04/20/2020	WIRE	1229	SCHABEN SANITATION	Monthly Invoice	452.03
2030 04/21/2020	WIRE	1239	CULLIGAN OF DODGE CITY	Monthly Invoice	39.06
2036 04/21/2020	WIRE	1271	CARDMEMBER SERVICE	Monthly Invoice	12,305.00
2038 04/22/2020	WIRE	121	FED-EX	Monthly Invoice	126.82
2039 04/24/2020	WIRE	263	KS DEPT OF REVENUE - SALES TAX	Sales Tax	14,851.47
2040 04/24/2020	WIRE	264	KS DEPT OF REVENUE - USE TAX	Use Tax	592.64
2037 04/27/2020	WIRE	101	ATMOS ENERGY	Monthly Invoice	92.91
2041 04/27/2020	WIRE	1290	WEX BANK	Monthly Invoice	65.87
2043 04/27/2020	WIRE	265	HASLER - POSTAGE ACH	Postage	250.00
45652 04/27/2020	CHK	1	LANE COUNTY FOOD BANK	Donation to Food Bank	300.00
45653 04/27/2020	CHK	1	NESS COUNTY FOOD BANK	Donation to Food Bank	300.00

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Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
45654 04/27/2020	CHK	3	MJ'S STITCHING & SCREENING	Basketball T-shirts	217.00
45655 04/27/2020	CHK	60	PAUL SEIB JR	April Board Mtg	350.00
45656 04/27/2020	CHK	105	CITY OF NESS CITY	Franchise Fee	3,901.52
45657 04/27/2020	CHK	107	CINTAS CORPORATION #449	Monthly Invoice - Dighton	725.53
45658 04/27/2020	CHK	134	SOLIDA TREE SERVICE, INC.	Tree Trimming and removal	4,177.00
45659 04/27/2020	CHK	135	CITY OF BAZINE	Franchise Fee	1,182.65
45660 04/27/2020	CHK	150	CHRIS TERHUNE	Def for #136	21.81
45661 04/27/2020	CHK	160	SHULL OIL COMPANY	Monthly Fuel Invoice	4,329.49
45662 04/27/2020	CHK	175	CBC LAWN CARE	Lawn Care	1,176.68
45663 04/27/2020	CHK	226	KANSAS CORPORATION COMMISSION	Qtrly Assesment	308.01
45664 04/27/2020	CHK	253	FARM CREDIT LEASING SERVICES COR	Truck Lease Pymts	14,562.28
45665 04/27/2020	CHK	429	IT1 CONSULTING LLC	SAAS	60.03
45666 04/27/2020	CHK	437	FDH INFRASTRUCTURE SERVICES, LLC	Radio Tower Expense	10,650.00
45667 04/27/2020	CHK	998	LANE COUNTY 4-H COUNCIL	4-H Awards	100.00
45668 04/27/2020	CHK	1234	JF BEAVER	Caps	2,184.43
2042 04/28/2020	WIRE	1187	MIDWEST ENERGY	Monthly Invoice	446.09
45669 05/01/2020	CHK	20	BASIN ELECTRIC POWER COOP	Dispatch Fee for March	2,131.49
45670 05/01/2020	CHK	24	FINNEY COUNTY TREASURER	2nd 1/2 Property TAXes - Finney Co	14,581.49
45671 05/01/2020	CHK	25	LANE-SCOTT ELECTRIC COOPERATIVE,	Payroll Transfer	48,500.00
45672 05/01/2020	CHK	28	GOVE COUNTY TREASURER	2nd 1/2 Property Taxes - Gove Co	5,945.24
45673 05/01/2020	CHK	32	WESCO RECEIVABLES INC	Drill Bits	188.79
45674 05/01/2020	CHK	33	HODGEMAN COUNTY TREASURER	2nd 1/2 Property Taxes-Hodgeman Co	19,232.46
45675 05/01/2020	CHK	46	LANE COUNTY TREASURER	2nd 1/2 Property Taxes - Lane Co	162,551.32
45676 05/01/2020	CHK	50	LOGAN COUNTY TREASURER	2nd 1/2 Property Taxes-Logan Co	541.63
45677 05/01/2020	CHK	56	NESS COUNTY TREASURER	2nd 1/2 Property Taxes - Ness Co	158,708.52
45678 05/01/2020	CHK	68	SCOTT COUNTY TREASURER	2nd 1/2 Property Taxes - Scott Co	43,308.05
45679 05/01/2020	CHK	73	STANION WHOLESALE ELEC CO INC	Monthly Invoice	19,448.48
45680 05/01/2020	CHK	79	POSTMASTER	Postage for Newsletter	110.68
45681 05/01/2020	CHK	107	CINTAS CORPORATION #449	Monthly Invoice - Ness City	71.56
45682 05/01/2020	CHK	134	SOLIDA TREE SERVICE, INC.	Tree Trimming and Removal	7,440.40

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Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
45683 05/01/2020	CHK	167	RUSH COUNTY TREASURER	2nd 1/2 Property Taxes - Rush Co	10,340.90
45684 05/01/2020	CHK	172	TYNDALE COMPANY, INC.	Clothing Allowance - Mark McCullough	768.45
45685 05/01/2020	CHK	184	JOHNSTONE SUPPLY	Monthly Invoice	118.28
45686 05/01/2020	CHK	238	ILLINOIS MUTUAL	May Premiums	98.96
45687 05/01/2020	CHK	317	JOHN DEERE FINANCIAL	Chainsaw chain and oil	77.01
45688 05/01/2020	CHK	361	ANN M JENNINGS	Mileage for Food Drive	84.53
45689 05/01/2020	CHK	383	HUXFORD POLE AND TIMBER CO INC	Monthly Invoice	12,387.01
45690 05/01/2020	CHK	428	WILSON BOHANNAN PADLOCK COMPA	Brass padlocks	298.17
45691 05/01/2020	CHK	437	FDH INFRASTRUCTURE SERVICES, LLC	Radio Tower	1,250.00
45692 05/01/2020	CHK	487	S&S TRAILER SALES INC	Rope for #155	58.09
45693 05/01/2020	CHK	506	K&J FOODS	Monthly Invoice	158.68
45694 05/01/2020	CHK	1231	KMSDA	2020 Membership Dues	200.00
45695 05/01/2020	CHK	1243	TRI-CENTRAL OFFICE SUP-HAYS	Office Supplies	141.36
45696 05/01/2020	CHK	1244	PROTECTIVE EQUIPMENT TESTING	Monthly Invoice	165.21
2047 05/04/2020	WIRE	274	VERIZON WIRELESS	Monthly Invoice	313.74
2048 05/06/2020	WIRE	1224	NRECA RETIREMENT & SECURITY	NRECA RS May Group Ins	35,733.87
2049 05/06/2020	WIRE	62	NRECA GROUP BENEFITS TRUST	NRECA Group 1 -May Group Insurance	2,534.35
2050 05/06/2020	WIRE	180	NRECA	NRECA Grp 1 Admn Fee-May Grp Ins Adm fee	202.45
45697 05/06/2020	CHK	46	LANE COUNTY TREASURER	REGISTRATION FOR UNIT 200	119.92
45698 05/06/2020	CHK	46	LANE COUNTY TREASURER	SALES TAX ON UNIT 200	20,346.26
2045 05/07/2020	WIRE	168	ONLINE INFORMATION SERVICES, INC	Monthly Invoice	69.79
2046 05/07/2020	WIRE	1267	AFLAC	Monthly Premiums	473.54
2044 05/08/2020	WIRE	18	CITY OF DIGHTON	Monthly Invoice	1,582.28
45699 05/08/2020	CHK	15	ERIC DOLL	May Board Mtg	390.25
45700 05/08/2020	CHK	30	HAROLD HOSS	May Baord Mtg	384.50
45701 05/08/2020	CHK	40	KANSAS ELECTRIC COOPERATIVES	KEC dues	6,482.55
45702 05/08/2020	CHK	45	BUMPER TO BUMPER OF DIGHTON	Monthly Invoice	50.44
45703 05/08/2020	CHK	55	NESS COUNTY NEWS	Advertising	304.25
45704 05/08/2020	CHK	60	PAUL SEIB JR	May Board Mtg	387.95
45705 05/08/2020	CHK	63	RICHARD JENNISON	May Board Mtg	364.95

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
45706 05/08/2020	CHK	74	WEBER REFRIGERATION & HEATING I	Monthly Invoice	50.00
45707 05/08/2020	CHK	96	STEPHENS LUMBER - DIGHTON	Monthly Invoice	91.23
45708 05/08/2020	CHK	104	HOME OIL CO	Monthly Fuel Invoice	456.05
45709 05/08/2020	CHK	105	CITY OF NESS CITY	Postage and Pay Station for April	614.65
45710 05/08/2020	CHK	117	NESS CITY FARM & FEED	Monthly Invoice	157.82
45711 05/08/2020	CHK	134	SOLIDA TREE SERVICE, INC.	Tree Trimming and Removal	7,120.23
45712 05/08/2020	CHK	169	AMERICAN ELECTRIC-GARDEN CITY	Monthly Invoice	117.55
45713 05/08/2020	CHK	187	S&W SUPPLY DIVISION	Monthly Invoice	157.12
45714 05/08/2020	CHK	194	POST ROCK	Advertising	300.00
45715 05/08/2020	CHK	202	CHAD GRIFFITH	May Board Mtg	393.13
45716 05/08/2020	CHK	220	LANDIS+GYR TECHNOLOGY, INC	SaaS Monthly Fee	750.00
45717 05/08/2020	CHK	272	LEWIS AUTOMOTIVE GROUP INC	Monthly Invoice	644.91
45718 05/08/2020	CHK	304	STECKLINE COMMUNICATIONS INC	Advertising	100.00
45719 05/08/2020	CHK	306	BORDER STATES INDUSTRIES INC	Monthly Invoice	17,356.29
45720 05/08/2020	CHK	373	KANSASLAND TIRE CO. INC OF HAYS	Monthly Invoice	2,309.92
45721 05/08/2020	CHK	380	GRAINGER	Monthly Invoice	152.00
45722 05/08/2020	CHK	387	WESTERN FUEL & SUPPLY	Fuel	88.58
45723 05/08/2020	CHK	395	DOLLAR GENERAL - REGIONS 410526	Monthly Invoice	81.97
45724 05/08/2020	CHK	427	DIGHTON HERALD LLC	Advertising	458.00
45725 05/08/2020	CHK	433	BRIGHT IDEAS	Annual Mtg Gift	760.86
45726 05/08/2020	CHK	773	BRETZ'S INC	Monthly Invoice	22.05
45727 05/08/2020	CHK	803	ALTEC INDUSTRIES, INC	Parts #112	3,478.47
45728 05/08/2020	CHK	1016	KANSAS ONE-CALL SYSTEM INC	Locate Fee	91.20
45729 05/08/2020	CHK	1030	THE SCOTT COUNTY RECORD	Advertising	147.50
45730 05/08/2020	CHK	1152	ED GOUGH	May Board Mtg	357.48
45731 05/08/2020	CHK	1169	WASHER SPECIALTIES CO.	Monthly Invoice	61.88
45732 05/08/2020	CHK	1172	WESTERN SUPPLY COMPANY	Monthly Invoice	217.89
45733 05/08/2020	CHK	1197	GARDEN CITY WHOLESALE SUPPLY	Monthly Invoice	3,537.91
45734 05/08/2020	CHK	1213	NRECA GROUP ADMIN	Fees-HSA	15.00
45735 05/08/2020	CHK	1225	CINTAS CORPORATION	Monthly Invoice - Dighton	97.95

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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
45736 05/08/2020	CHK	1254	EAGLE RADIO	Advertising	565.00
45737 05/08/2020	CHK	1263	RICHARD SOREM	May Baord Mtg	399.45
45738 05/08/2020	CHK	1285	TIFCO INDUSTRIES	Monthly Invoice	160.44
45739 05/08/2020	CHK	1299	DEANNE SHULL	Cookies for Board Mtg	72.00
45740 05/08/2020	CHK	1300	CRAIG RAMSEY	May Board Mtg	378.75
Total Payments for Bank Account - 2 :					(184) 836,087.18
Total Voids for Bank Account - 2 :					(1) 31.32
Total for Bank Account - 2 :					(185) 836,118.50
Grand Total for Payments :					(184) 836,087.18
Grand Total for Voids :					(1) 31.32
Grand Total :					(185) 836,118.50

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Payroll/Labor Check Register

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Pay Date: 04/01/2020 To 04/29/2020

Empl	Name	Pay Date	Dir Dep/Check	Gross Pay	Hours	Advances	Deductions/ ER Taxes	Txbl Benefits/ ER PTO	Taxes/ ER Benefits	Net Pay	Type
5	KATHERINE E LEWIS	04/14/2020	4968	4,958.76	88.00	0.00	1,287.32	33.00	1,214.39	2,457.05	
							368.52	0.00	2,916.03	985.00	DD
										100.00	DD
										1,372.05	DD
17	DAVID L HOWARD	04/14/2020	4969	4,542.30	97.00	0.00	450.54	37.00	1,381.43	2,710.33	DD
							346.62	0.00	2,128.65		
21	CARRIE M BORELL	04/14/2020	4970	2,599.42	95.00	0.00	310.19	10.93	459.08	1,830.15	DD
							193.92	0.00	1,827.42		
22	REBECCA L CAMPBELL	04/14/2020	4971	2,172.73	88.00	0.00	365.52	5.50	392.25	1,414.96	
							159.27	0.00	1,767.97	300.00	DD
										1,114.96	DD
26	RICHARD A MCLEON	04/14/2020	4972	8,250.00	88.00	0.00	353.27	109.64	2,853.20	5,043.53	DD
							639.50	0.00	3,211.97		
34	KALO M MANN	04/14/2020	4973	3,459.20	90.00	0.00	699.91	44.32	773.01	1,986.28	DD
							267.04	0.00	1,772.52		
35	NATHAN A BURNS	04/14/2020	4974	4,803.13	88.00	0.00	884.35	37.47	1,187.38	2,731.40	DD
							368.49	0.00	2,171.47		
50	KASEY R JENKINSON	04/14/2020	4975	3,766.40	88.00	0.00	667.50	15.73	781.05	2,317.85	DD
							283.55	0.00	2,419.07		
55	BENJAMIN L MANN	04/14/2020	4976	3,766.40	88.00	0.00	648.76	15.48	714.56	2,403.08	DD
							287.49	0.00	1,781.78		
74	DAL S HAWKINSON	04/14/2020	4977	3,635.28	88.00	0.00	512.31	5.49	1,023.86	2,099.11	DD
							272.74	0.00	2,367.11		
81	DEANNE R SHULL	04/14/2020	4978	1,790.80	88.00	0.00	297.78	34.17	337.30	1,155.72	DD
							137.34	0.00	1,001.87		
84	MICHAEL S POLLOCK	04/14/2020	4979	3,308.80	88.00	0.00	711.42	6.81	556.11	2,041.27	
							247.86	0.00	2,238.40	100.00	DD
										25.00	DD
										25.00	DD
										25.00	DD
										1,866.27	DD
85	CHAD A RUPP	04/14/2020	4980	4,606.07	102.00	0.00	516.33	21.67	1,036.25	3,053.49	DD
							344.42	0.00	2,367.11		
89	CHRIS R TERHUNE	04/14/2020	4981	4,254.93	97.00	0.00	477.15	15.83	1,331.03	2,446.75	DD
							320.93	0.00	2,330.76		
91	LARRY D KRAFT	04/14/2020	4982	3,635.28	88.00	0.00	449.02	40.01	703.02	2,483.24	DD
							275.39	0.00	2,367.11		
93	MYRON E SEIB	04/14/2020	4983	3,635.28	88.00	0.00	628.60	26.58	659.19	2,347.49	DD
							274.35	0.00	2,367.11		
99	KEVIN A BRADSTREET	04/14/2020	4984	4,791.96	105.00	0.00	419.42	17.16	1,455.58	2,916.96	DD
							367.90	0.00	1,435.00		

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Payroll/Labor Check Register

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Pay Date: 04/01/2020 To 04/29/2020

Empl	Name	Pay Date	Dir Dep/Check	Gross Pay	Hours	Advances	Deductions/ ER Taxes	Txbl Benefits/ ER PTO	Taxes/ ER Benefits	Net Pay	Type
108	MARK R MCCULLOCH	04/14/2020	4985	3,039.31	89.00	0.00	937.55	19.78	709.45	1,392.31	DD
							232.21	0.00	1,387.57		
117	LEIGHTON J AYERS	04/14/2020		3,635.28	88.00	0.00	653.59	11.73	747.28	2,234.41	
			4986				273.22	0.00	2,367.11	150.00	DD
										2,084.41	DD
129	STACEY L FOOS	04/14/2020	4987	104.02	6.75	0.00	0.00	0.00	7.96	96.06	DD
							8.68	0.00	0.00		
130	ANN MARIE JENNINGS	04/14/2020	4988	1,982.65	88.00	0.00	254.38	6.67	367.12	1,361.15	DD
							143.46	0.00	1,065.52		
131	DIANA KUHLMAN	04/14/2020	4989	1,912.24	88.00	0.00	338.06	4.83	295.87	1,278.31	DD
							144.59	0.00	760.54		
132	DELLON SHELTON	04/14/2020	4990	2,122.56	88.00	0.00	106.13	1.30	534.34	1,482.09	DD
							163.27	0.00	111.40		
5	KATHERINE E LEWIS	04/29/2020		4,958.76	88.00	0.00	1,287.32	33.00	1,214.37	2,457.07	
			4991				368.50	0.00	2,916.03	985.00	DD
										100.00	DD
										1,372.07	DD
17	DAVID L HOWARD	04/29/2020	4992	3,880.80	88.00	0.00	450.54	37.00	1,134.34	2,295.92	DD
							296.00	0.00	2,128.65		
21	CARRIE M BORELL	04/29/2020	4993	2,480.66	92.00	0.00	310.19	10.93	429.50	1,740.97	DD
							184.82	0.00	1,827.42		
22	REBECCA L CAMPBELL	04/29/2020		2,172.73	88.00	0.00	365.52	5.50	392.27	1,414.94	
			4994				157.31	0.00	1,767.97	300.00	DD
										1,114.94	DD
26	RICHARD A MCLEON	04/29/2020	4995	8,250.00	88.00	0.00	353.27	109.64	2,853.22	5,043.51	DD
							639.52	0.00	3,211.97		
34	KALO M MANN	04/29/2020	4996	3,421.60	90.00	0.00	699.91	44.32	763.48	1,958.21	DD
							261.22	0.00	1,772.52		
35	NATHAN A BURNS	04/29/2020	4997	4,803.13	88.00	0.00	809.35	37.47	1,209.64	2,784.14	DD
							368.47	0.00	2,171.47		
50	KASEY R JENKINSON	04/29/2020	4998	4,151.60	94.00	0.00	667.50	15.73	878.70	2,605.40	DD
							313.02	0.00	2,419.07		
55	BENJAMIN L MANN	04/29/2020	4999	4,376.30	96.50	0.00	648.76	15.48	869.16	2,858.38	DD
							334.14	0.00	1,781.78		
74	DAL S HAWKINSON	04/29/2020	5000	3,759.21	90.00	0.00	512.31	5.49	1,067.66	2,179.24	DD
							282.21	0.00	2,367.11		
81	DEANNE R SHULL	04/29/2020	5001	1,790.80	88.00	0.00	297.78	34.17	337.31	1,155.71	DD
							137.35	0.00	1,001.87		
84	MICHAEL S POLLOCK	04/29/2020		3,308.80	88.00	0.00	711.42	6.81	556.11	2,041.27	

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Payroll/Labor Check Register

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Pay Date: 04/01/2020 To 04/29/2020

Empl	Name	Pay Date	Dir Dep/Check	Gross Pay	Hours	Advances	Deductions/ ER Taxes	Txbl Benefits/ ER PTO	Taxes/ ER Benefits	Net Pay	Type
			5002				247.86	0.00	2,238.40	100.00	DD
										25.00	DD
										25.00	DD
										25.00	DD
										1,866.27	DD
85	CHAD A RUPP	04/29/2020	5003	3,635.28	88.00	0.00	516.33	21.67	741.80	2,377.15	DD
							270.14	0.00	2,367.11		
89	CHRIS R TERHUNE	04/29/2020	5004	3,635.28	88.00	0.00	477.15	15.83	1,102.52	2,055.61	DD
							273.53	0.00	2,330.76		
91	LARRY D KRAFT	04/29/2020	5005	3,976.09	93.50	0.00	449.02	40.01	789.39	2,737.68	DD
							301.44	0.00	2,367.11		
93	MYRON E SEIB	04/29/2020	5006	3,635.28	88.00	0.00	628.60	26.58	659.19	2,347.49	DD
							274.35	0.00	2,367.11		
99	KEVIN A BRADSTREET	04/29/2020	5007	3,635.28	88.00	0.00	419.42	17.16	1,024.95	2,190.91	DD
							279.41	0.00	1,435.00		
108	MARK R MCCULLOCH	04/29/2020	5008	2,971.76	88.00	0.00	937.55	19.78	685.54	1,348.67	DD
							227.02	0.00	1,387.57		
117	LEIGHTON J AYERS	04/29/2020		4,131.00	96.00	0.00	653.59	11.73	872.94	2,604.47	
			5009				311.13	0.00	2,367.11	150.00	DD
										2,454.47	DD
129	STACEY L FOOS	04/29/2020	5010	92.46	6.00	0.00	0.00	0.00	7.07	85.39	DD
							7.72	0.00	0.00		
130	ANN MARIE JENNINGS	04/29/2020	5011	1,982.65	88.00	0.00	254.38	6.67	367.12	1,361.15	DD
							143.01	0.00	1,065.52		
131	DIANA KUHLMAN	04/29/2020	5012	1,912.24	88.00	0.00	338.06	4.83	295.89	1,278.29	DD
							144.04	0.00	760.54		
132	DELLON SHELTON	04/29/2020	5013	2,321.55	93.50	0.00	106.13	1.30	604.70	1,610.72	DD
							177.70	0.00	288.12		
Grand Total:				\$ 160,056.06	3,985.25	\$ 0.00	\$ 23,863.20	\$ 1,042.20	\$ 38,377.58	\$ 97,815.28	
							\$ 12,120.67	\$ 0.00	\$ 84,503.70		

LANE-SCOTT ELECTRIC ENERGY SALES STATISTICS FOR APRIL 2020

CLASS OF SERVICE	NO. RECEIVING SERVICE		kWh SOLD		AMOUNT BILLED		Y.T.D AVERAGE		SALE PRICE PER kWh Y.T.D.
	Y.T.D. AVG.	THIS MONTH	THIS MONTH	Y.T.D.	THIS MONTH	Y.T.D.	kWh USED	AMOUNT	
Residential Sales	2,230	2,233	1,547,794	7,020,968	\$191,392	\$796,396	787	\$89.27	11.34
Residential Sales-Seasonal	49	50	7,927	37,754	\$1,914	\$7,994			
Irrigation Sales	334	334	585,125	702,372	\$50,825	\$59,378			
Small Commercial	1,847	1,834	3,867,214	17,508,052	\$406,624	\$1,713,796	2,370	\$232.00	9.79
Large Commercial	185	184	2,515,563	11,506,358	\$294,901	\$1,219,563	15,528	\$1,645.83	10.60
Public Street Lighting	13	13	35,906	143,624	\$4,537	\$17,321			
Public Building Sales	49	49	22,528	106,767	\$3,553	\$15,156			
Non-Domestic	1,058	1,057	148,026	668,946	\$29,650	\$121,945			
City of Dighton	1	1	479,832	2,144,089	\$30,660	\$132,542	536,022	\$33,135.43	6.18
Idle Services on rate 90	31	31		0	\$0	\$945			
Large Industrial	3	3	2,550,990	12,744,180	\$206,469	\$894,874	1,062,015	\$74,572.87	7.02
Irrigation Horsepower Charges	0			0		\$264,332			
Total Energy Sales	5,801	5,789	11,760,905	52,583,110	\$1,220,523	\$5,244,243			9.97
Other Electric Revenue					\$15,048	\$65,772			
Total					\$1,235,571	\$5,310,015			

SUBSTATION DATA

Substation	(NCP)KW	kWh Purchased	Cost Per kWh	kWh Sold	Line Loss	Load Factor-P	Load Factor-S
Beeler-Sub 3	5,394	3,277,764		2,764,278	15.67%	84.40%	71.18%
Dighton-Sub 1 - 7200	1,996	1,085,103		1,253,259	-15.50%	75.51%	87.21%
Dighton-Sub 2 - 14400	4,554	2,595,928		2,556,504	1.52%	79.17%	77.97%
Manning-Sub 4	4,768	2,284,630		1,868,109	18.23%	66.55%	54.42%
LS Seaboard-Sub 5	170	86,176		87,675	-1.74%	70.41%	71.63%
Twin Springs Lo 7.6-Sub 7	217	121,473		113,875	6.25%	77.75%	72.88%
Twin Springs Hi 14.1-Sub 8	217	112,231		104,817	6.61%	71.83%	67.09%
City of Dighton	812	390,507	6.5800	390,507	0.00%	66.79%	66.79%
City of Dighton - WAPA	155	89,325	3.1200	89,325	0.00%	80.04%	80.04%
Alexander 115	1,262	746,646		736,722	1.33%	82.17%	81.08%
Ness City 115	2,724	1,379,781		1,795,834	-30.15%	70.35%	91.56%
Total	22,269	12,169,564	5.6900	11,760,905	3.36%	75.90%	73.35%

RUS/CFC LOAN FUND TRANSACTIONS

MISC.

OTHER STATISTICS

				Y.T.D	M.T.D.
Gross Obligation to RUS	\$ 49,556,407	General Fund Balance	\$56,951	Miles Energized	2044.12
Pymts Applied Against Principal	\$ 18,776,493	MMDA Investments	\$126,703	Density	2.83
Net Obligation to RUS	\$ 30,779,914	Cash Available at Month End	\$183,654	kWh Purchased	55,383,297
CFC Line of Credit	\$ -			kWh Sold (Inc. Office Use)	52,607,373
CoBank Line of Credit	\$ -	CFC Investments - CP, SN, MTN	\$2,976,568	Percent of Line Loss	5.01%
CFC Note #9004-RUS refinance	\$ 6,150,070	CFC CTC's	\$221,958	Idle Services	250
CFC Note #9006-RS Prepymt	\$ 599,129			Oper. Revenue Per kWh Sold	10.09
				Expense Per kWh Sold	9.80
				Income Per Mile	604.45
				Expense Per Mile	612.18

ACCOUNT AGING

	Current	30-89 Days	90 Plus
Irrigation Accounts Receivable	\$7,787	\$7,885	
Electric Accounts Receivable	\$1,091,005	\$9,913	\$25,178
Retail Accounts Receivable	\$23,317	\$4,589	\$3,019

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 <div style="text-align: right;">KS0042</div>
	PERIOD ENDED April 2020
INSTRUCTIONS - See help in the online application.	BORROWER NAME <div style="text-align: right;">The Lane-Scott Electric Cooperative, Inc.</div>

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

(check one of the following)

☐ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ 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.

DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	6,074,629	5,310,015	6,094,855	1,235,571
2. Power Production Expense				
3. Cost of Purchased Power	3,294,333	2,905,494	3,635,833	693,629
4. Transmission Expense	3,190	802	2,498	157
5. Regional Market Expense				
6. Distribution Expense - Operation	434,599	472,238	460,013	105,270
7. Distribution Expense - Maintenance	214,507	261,084	245,113	80,180
8. Customer Accounts Expense	70,981	60,951	75,479	14,767
9. Customer Service and Informational Expense	10,525	7,506	10,935	287
10. Sales Expense	19,457	19,213	25,046	3,488
11. Administrative and General Expense	431,455	448,287	461,568	104,713
12. Total Operation & Maintenance Expense (2 thru 11)	4,479,047	4,175,575	4,916,485	1,002,491
13. Depreciation and Amortization Expense	515,825	538,278	537,726	137,791
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other				
16. Interest on Long-Term Debt	410,288	435,187	428,497	109,890
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	1,109	678	1,211	192
19. Other Deductions	2,413	4,312	5,291	1,004
20. Total Cost of Electric Service (12 thru 19)	5,408,682	5,154,030	5,889,210	1,251,368
21. Patronage Capital & Operating Margins (1 minus 20)	665,947	155,985	205,645	(15,797)
22. Non Operating Margins - Interest	62,720	70,555	13,899	4,312
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	2,657	(18,168)	20,000	(3,984)
26. Generation and Transmission Capital Credits	4			
27. Other Capital Credits and Patronage Dividends	18,032	18,198	20,000	
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	749,360	226,570	259,544	(15,469)

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 April 2020		
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	19	19	5. Miles Transmission		
2. Services Retired	3	17	6. Miles Distribution – Overhead	2,035.31	2,036.59
3. Total Services in Place	6,040	6,039	7. Miles Distribution - Underground	7.15	7.53
4. Idle Services (Exclude Seasonals)	197	250	8. Total Miles Energized (5 + 6 + 7)	2,042.46	2,044.12
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	57,191,988		30. Memberships	0	
2. Construction Work in Progress	313,962		31. Patronage Capital	20,656,353	
3. Total Utility Plant (1 + 2)	57,505,950		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	17,102,789		33. Operating Margins - Current Year	155,985	
5. Net Utility Plant (3 - 4)	40,403,161		34. Non-Operating Margins	70,585	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	138,486	
7. Investments in Subsidiary Companies	243,578		36. Total Margins & Equities (30 thru 35)	21,021,409	
8. Invest. in Assoc. Org. - Patronage Capital	10,309,266		37. Long-Term Debt - RUS (Net)	0	
9. Invest. in Assoc. Org. - Other - General Funds	(4,323)		38. Long-Term Debt - FFB - RUS Guaranteed	29,990,800	
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)	6,208,369	
12. Other Investments	5,501		41. Long-Term Debt - RUS - Econ. Devel. (Net)	150,400	
13. Special Funds	0		42. Payments – Unapplied	4,065,844	
14. Total Other Property & Investments (6 thru 13)	10,775,980		43. Total Long-Term Debt (37 thru 41 - 42)	32,283,725	
15. Cash - General Funds	168,045		44. Obligations Under Capital Leases - Noncurrent	246,459	
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)	246,459	
18. Temporary Investments	3,205,770		47. Notes Payable	0	
19. Notes Receivable (Net)	0		48. Accounts Payable	1,279,957	
20. Accounts Receivable - Sales of Energy (Net)	1,191,169		49. Consumers Deposits	120,841	
21. Accounts Receivable - Other (Net)	105,840				
22. Renewable Energy Credits	0		50. Current Maturities Long-Term Debt	1,329,943	
23. Materials and Supplies - Electric & Other	277,614		51. Current Maturities Long-Term Debt - Economic Development	0	
24. Prepayments	168,845		52. Current Maturities Capital Leases	102,722	
25. Other Current and Accrued Assets	4,698		53. Other Current and Accrued Liabilities	627,934	
26. Total Current and Accrued Assets (15 thru 25)	5,122,106		54. Total Current & Accrued Liabilities (47 thru 53)	3,461,397	
27. Regulatory Assets	0		55. Regulatory Liabilities	0	
28. Other Deferred Debits	711,743		56. Other Deferred Credits	0	
29. Total Assets and Other Debits (5+14+26 thru 28)	57,012,990		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	57,012,990	



SUNFLOWER AND MID-KANSAS BOARD SUMMARY

May 15, 2020

SUNFLOWER ELECTRIC POWER CORPORATION ANNUAL MEMBER AND MONTHLY BOARD MEETINGS

SUNFLOWER BOARD MEETING

Stuart Lowry introduced and welcomed Lee Tafanelli, new CEO of Kansas Electric Cooperatives, Inc.

CURRENT ACTIVITIES

Covid-19

The Board heard updates on the measures Sunflower has taken in response to Covid-19 in order to protect the reliability of services to our Members. Several additional measures were taken within the last month, such as mask requirements; professional disinfection services; expanded temperature checks; receipt of funds from the Small Business Administration's Paycheck Protection Program; distribution of N95 masks to Finney, Ford, and Seward counties; assisting in the formation of a SPP task force to study generator/transmission outages during the fall and winter; and development of the four-phased Covid-19 Return-to-Work Plan.

ICARE2020

The second quarterly Strategy Review Meeting (SRM) was held via Skype on May 12, and the updated performance summary is available in BoardPac. Staff discussed the direction the 2025 vision statement might take and how Sunflower can poise itself to respond to a future scenario of economic decline. Staff were asked to submit draft vision statements and potential initiatives to help mitigate a possible future influenced by economic decline. Once developed, a draft vision statement will be presented to the Board.

The scheduled presentations on strategic initiatives include transmission project costs in June, demarcation in July, and Member leases and interconnections in August.

Project Cost Allocation

The Strategy presentation for the month focused on Project Cost Allocation, which applies to all capital projects and others as well. Large growth in Notice to Construct and Generation Interconnection Agreements drove the need for the new approach to project cost allocation.

The process includes establishing a project number and charging time, materials, and indirect costs to the project. The methodology is applied to Member, customer, and SPP projects. Having this process in place helps Sunflower meet industry regulations and alleviates Members shouldering costs that should be paid by other customers and users. Benefits include cost recovery, consistency in process, accuracy, defensibility with other parties, and efficiency.

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Future Board Meeting Dates

In the past, the Sunflower Board has discussed moving the Sunflower Board meeting, which is now on the third Friday of the month, to a different weekday during the month. Doing this would alleviate late travel on Friday afternoon and into the evening when Members often have community or family events occurring. Staff suggested possible alternatives but also cautioned that moving the date can affect whether financials from the previous month are available. The Board will revisit the topic at a future meeting.

PRESIDENT'S REPORT

Operations

The maintenance outage on the Holcomb unit has been completed, and a majority of the planned maintenance was accomplished. There were no reports of ill staff or contractors on site during the outage, a sign that everyone took the precautionary measures for the pandemic very seriously.

The Sunflower legal team is reviewing the H2 water permits to determine what needs to be done to close out the application.

Staff will continue to monitor the monarch butterfly conservation program and measure risks associated with a potential listing of the species as threatened.

Power Supply and Delivery

Preliminary work on potential solar projects near Liberal and Russell continues. Both 20 MW projects would bring energy, capacity, and transmission benefits. Sunflower has proof of site control on the Russell project and is working to obtain proof of site control on the Liberal project, a step necessary to meet the Generation Interconnection Agreement deadline on April 30.

Transmission Planning and Policy

Staff reviewed developments in the FERC docket pertaining to the zonal uplift of GridLiance's facilities into Zone 11 in the Oklahoma panhandle. During settlement negotiations, parties were unable to agree on a dollar amount that would justify the benefit to zone 11 relative to the cost increase the zone will bear. The judge declared an impasse, and a hearing is scheduled to begin on August 31.

There are many drivers for the increases in transmission costs, and Sunflower staff continue to challenge the increases and promote solutions at SPP, such as the Byway Cost Allocation Waiver (a process that considers regional benefits of transmission and allocates cost accordingly) and decoupling Schedules 9 & 11 to create larger pricing zones.

Sunflower is supporting independent research that will analyze the benefits of transmission in western Kansas to the SPP region. The research could be communicated to various policy groups that are considering who actually benefits from new transmission in western Kansas.

External Affairs and Member Services

The 2019 Sunflower Annual Report is available on the website and will be mailed to Members' headquarters.

The Sunflower Electric Economic Development website went live during Economic Development Week. The site includes five target industries, an inventory of sites, and is a channel to connect with and assist local communities. The website can be accessed at

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<https://www.sunflowerecodevo.com/>. Sunflower staff will visit Member staff to demonstrate the website and other facets of the program.

Sunflower is contacting entities to find sponsors interested in funding a study on six subsets of Kansas agriculture. The goal is to learn what may be hindering companies from locating in Kansas.

Corporate Services

Sunflower is engaging Cooperative Billing Solutions for a facility study on the Great Bend Broadway Office and system control.

Financials

Member sales were down 6% from budget for the month. Pumping Load is projected to be down significantly this year, with several pumping stations indicating they would either remain off line for the remainder of the year or operate at lower levels.

SUNFLOWER ELECTRIC POWER CORPORATION, ANNUAL MEETING

The Sunflower Board held elections for company officials:

Wes Campbell, Wheatland, was elected as chairman; Kenny Wehkamp, Victory was elected as vice chairman.

Directors elected include:

Richard McLeon, director, and Kathy Lewis, alternate, representing Lane-Scott; Steven Epperson, director, and Lindsay Campbell, alternate, representing Pioneer; Chuck Look, director, and Kirk Girard alternate, representing Prairie Land; Shane Laws, director, and Angela Unruh, alternate, representing Victory; Tom Ruth, director, and Stacey Malsam, alternate, representing Western; and Bruce Mueller, director, and Trey Grebe, alternate, representing Wheatland.

Elected officers are Stuart Lowry, President and CEO; Kyle Nelson, Senior Vice President and COO, H. Davis Rooney, Vice President, CFO, and Treasurer; Brent Mitchell, Board Counsel and Secretary; Bill Branch, Vice President and CIO; Jana Horsfall, Vice President, Corporate Services; Clare Gustin, Vice President, External Affairs and Member Services; Al Tamimi, Vice President Transmission Planning and Policy; and Corey Linville, Vice President, Power Supply and Delivery.

Staff recommended an amendment to the bylaws to specifically state that the Board can conduct its business via virtual meetings.

Board action: The Sunflower Board approved the amendment to the bylaws as presented.

SUNFLOWER ELECTRIC HOLDINGS, INC., ANNUAL MEETING

The Sunflower Electric Holdings Board held election of company officials.

Frank Joy, Western, was elected as chairman; Martie Floyd, Pioneer, was elected as vice chairman.

Directors elected include:

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Wes Campbell, director, and William Barnes, representing Wheatland; and Jerry Gallagher, director, and Kirk Girard, alternate, representing Prairie Land.

Elected officers are Stuart Lowry, President and CEO; H. Davis Rooney, Vice President, CFO, and Treasurer; and Brent Mitchell, Board Counsel and Secretary.

Richard McLeon

From: Kansas Electric Cooperatives <kec@kselectric.ccsend.com> on behalf of Kansas Electric Cooperatives <kec@kec.org>
Sent: Friday, May 8, 2020 7:16 AM
To: Richard McLeon
Subject: KEC May Board Meeting Summary

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KEC Board Meeting Summary

To: KEC Trustees, Alternate Trustees, and Member System Managers

From: Shana Read, Director of Education and Training

KEC Meetings

Aug. 1-3

Summer Meeting
Marriott,
Overland Park

Oct. 7-8

Marriott, Wichita

Dec. 2-3

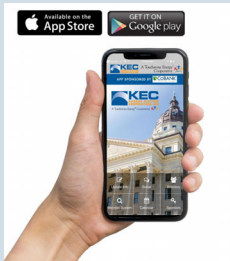
Marriott, Wichita

Jan. 23-26, 2021

Annual Meeting
Capitol Plaza, Topeka

KEC App

[View the](#)



[instructions for the KEC App](#)



Summary of the KEC Board Meeting

May 7, 2020, Conference Call

Meeting Summary

In official action, the KEC Board of Trustees

1. **Set the non-member on-site safety meeting pricing at \$2,200, and the extra member meeting pricing at \$1,607.**
2. **Recommended that LCS&C staff take a three-prong approach to make up for missed safety meetings due to the pandemic.** The recommendation included that staff complete six on-site safety visits for each member this year with the remaining meetings be filled in from the online web conference training, that staff cancel the 2020 scheduled workshops, and that the RESAP observations be moved back one year.
3. **Appointed Lee Tafarielli as the KEC voting delegate and Terry Hobbs as the alternate voting delegate to the NRECA, CFC, and Federated Region 7 meetings.**

KEC Board Meeting Summary

Two of the KEC standing committees met via conference call the day prior to the board meeting. The **Communications Committee** met to review activities of the Communications and the Education and Training departments. The **Loss Control, Safety and Compliance Committee** met to establish safety meeting pricing for 2021 and to discuss strategies to make up for the significant number of missed meetings due to the pandemic.

During the Board Meeting, participants heard department reports from KEC staff. Detailed reports can be reviewed in BoardPaq. Highlights include the work of LCS&C staff to produce and post 40 of the department's training sessions to the members only section of the KEC website; the work by Doug Shepherd on electric cooperative valuations which will save members \$14.5 million this year alone when compared to IOU valuations; the continued work in government relations to communicate with state and federal officials on issues of concern to electric cooperatives, including a recent membership call with Congressman Roger Marshall; the work of KEC's communications staff to create pandemic related materials; and the effort to adjust to the

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cancellation of this summer's Youth Tour and Cooperative Youth Leadership Camp. Pat Morse reported on NRECA Board activities.

Next Meeting

The next scheduled KEC Board of Trustees Meeting is Aug. 3 at the Overland Park Marriott, following the adjournment of the KEC Summer Meeting. The status of the KEC Summer Meeting is currently being reviewed by KEC staff with the KEC Executive Committee.

Well Wishes

Bruce Graham, retiring KEC CEO, receives a bound volume of his eight years of *Kansas Country Living* columns as a retirement gift at the close of the May Board Meeting.

To keep in touch with Bruce going forward, you may contact him at bgraham5806@gmail.com. His cell number will remain 785-224-0564.



Kansas Electric Cooperatives, PO Box 4267, Topeka, KS 66604

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Richard McLeon

From: Shana Read <kec@kselectric.ccsend.com> on behalf of Shana Read <sread@kec.org>
Sent: Wednesday, May 6, 2020 2:30 PM
To: Richard McLeon
Subject: Cooperative Youth Leadership Camp: Cancelled due to COVID-19

Follow Up Flag: Follow up
Flag Status: Flagged

May 6, 2020



2020 Cooperative Youth Leadership Camp Cancelled due to COVID-19

We have been monitoring the COVID-19 situation in regards to camp very closely, and it was determined this week that it would be in the best interests of the student winners and chaperones to cancel CYLC this summer. I will send out communications to your winners and their parents shortly to deliver this sad news.

What's Next for the Co-ops and the Camp Winners?

I will reach out to all of our camp vendors to requests refunds. Some places are still not open, but I will work with our with our vendors once their furloughed staff return. KEC will do our best to refund what we can from each cooperative's original \$750 deposit per student. **We suggest that each cooperative reach out to your winner(s) and offer them some sort of scholarship.**

Online Leadership Opportunity

We are also working with one of our keynote speakers to develop a leadership webinar, which will be offered exclusively to this year's camp winners. More details on that online opportunity will follow.

Answers to questions we anticipate following the cancellation of camp

- **What about the Ambassadors?** For those students who had been selected by their peers during the 2019 CYLC to return to the 2020 camp as Ambassadors, those six students will be given the opportunity to return to the 2021 CYLC as Ambassadors.
- **Could we just take all of the 2020 winners AND all of the 2021 winners next summer?** Logistically, we are not able to double the size of our program. There is a limited number of beds at the camp, and we fill those spots every year.
- **Can my co-op decide to send this year's winner(s) to camp next year?** Yes. You may choose to fill your camp winner spot for the 2021 camp with this year's winner, or you may invite them to reapply. That choice is up to each cooperative. (NOTE: we are unable to offer additional spots at camp).
- **How can we keep this year's winners involved with our cooperative?** There will be many options to engage with your winners once the COVID-19 situation has passed. We would

encourage cooperatives to get your students involved with any community service events sponsored by your cooperative, attend your annual meeting, visit with the board, or even record a short message regarding how the pandemic has affected them. There may also be other opportunities through the Co-ops Vote program. Following the cancellation of the DC Youth Tour, several cooperatives honored their winners on their Facebook pages.

Dates for next year's Youth Programs

- The Electric Cooperative Youth Tour is scheduled for **June 17-24, 2021**.
- The Cooperative Youth Leadership Camp is schedule for **July 16-22, 2021**.

If you have any questions, please [email](#), or call/text Shana at 785-224-7313.

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8. General Manager's Report

A. Administration

- 1) Hineman Tower. We are waiting for the engineering report on the tower. I have asked that the report include and estimated cost to 1) rebuild the tower, and 2) replace the tower should it be condemned. We are also asking Landis & Gyr to prepare a tower location study should we need to relocate.
- 2) City of Dighton.
 - a. We have received written permission from the City to work directly with KMEA regarding City of Dighton O&M.
 - b. We have begun discussions with Dale Pike, City Attorney, regarding entering a lease agreement for the north substation.
 - c. We have settled with the Frigid Crème for \$250.00 and a Release and Confidentiality statement. The basis of the settlement was avoidance of future costs to determine actual liability.
 - d. LSEC received notice from Sunflower on Tuesday, May 26th that their billing calculations for the City of Dighton have been underbilled by approximately \$101,839.39 since April 2019. During that time, they have also overbilled LSEC by approximately \$146,274.53. The problem was the way Sunflower is calculating the billing and failure to adjust for a metering change. The City voiced their concerns to Sunflower over a year ago that their billing was too low. I have asked Sunflower to propose to us how they intend to fix the error. Their kWh usage is below:

2017	2018	2019	2020	average	factor	YTD %
823,771	798,462	767,443	596,003	746,420	0.08351	8.4%
647,505	713,985	707,388	548,890	654,442	0.07322	15.7%
664,988	671,886	691,662	519,364	636,975	0.07127	22.8%
623,330	644,580	531,409	479,832	569,788	0.06375	29.2%
677,436	776,201	542,122		665,253	0.07443	36.6%
957,105	1,035,681	580,004		857,597	0.09595	46.2%
1,189,693	1,139,818	839,953		1,056,488	0.11821	58.0%
970,722	1,001,228	775,826		915,925	0.10248	68.3%
838,017	814,381	716,474		789,624	0.08835	77.1%
700,430	690,648	568,425		653,168	0.07308	84.4%
691,239	727,056	550,593		656,296	0.07343	91.8%
807,796	800,517	598,935		735,749	0.08232	100.0%
9,592,032	9,814,443	7,870,234	2,144,089	8,937,725	1.00000	
2,759,594	2,828,913	2,697,902	2,144,089	2,607,625	29.2%	

3) COVID-19

- a. Oil and Gas Disconnects. We had 4 more accounts disconnect in April bringing the total to 40 accounts. Most were minimum usage so (based on previous billings) the annual impact of these disconnects is projected at \$10,771.02.
- b. Disconnection Prohibitions. We have had it better than most. Currently we only have 14 members claiming the COVID-19 Prohibition. The total past due amount is \$2,728.73. Our current rule is that we will offer up to 12 months to make payment (added to you current billing) and there is a late fee. The KCC has ordered utilities under their

jurisdiction to waive late fees, but we aren't under their jurisdiction. I do not intend to waive late fees as that is an administrative expense.

COVID-19 Disconnection Prohibitions

5/29/2020

	<i>Member</i>	<i>current</i>	<i>30 day</i>	<i>60 day</i>	<i>90 day</i>	<i>total past due</i>
1	Blackburn, Scott	164.29	185.56	272.42	28.39	486.37
		139.33	169.24	193.69	17.26	380.19
						866.56
2	Dinges, Brad	16.16	15.46	-	-	15.46
		151.66	133.20	-	-	133.20
		10.00	499.80	-	-	499.80
		23.72	15.46	-	-	15.46
		15.87	15.71	-	-	15.71
		27.99	27.44	-	-	27.44
						707.07
3	Foos, Steven	86.64	83.84	-	-	83.84
4	Jacobs, Sandra	68.29	66.72	-	-	66.72
5	King, Brian	64.77	28.94	-	-	28.94
6	Parker, Ashley	96.21	6.21	-	-	6.21
7	Rafter Seven Ranch	18.83	24.63	-	-	24.63
8	Stevens, Rick	103.64	67.04	-	-	67.04
		24.48	25.59	-	-	25.59
						302.97
9	Sullivan, Kristie	86.98	65.34	69.34	-	134.68
10	Schneider, Lisa	78.46	64.42	-	-	64.42
11	Stover, Cordell	64.52	60.53	71.97	-	132.50
12	Simpson, Isaiah	44.36	108.23	-	-	108.23
13	Webstr, Kali	164.67	174.83	-	-	174.83
14	Zortman, Andrea	123.70	132.92	104.55	-	237.47
		1,574.57	1,971.11	711.97	45.65	2,728.73

- 4) Generac. I am still collecting data from Generac and Cooperatives that work with them. So far there have been very few issues identified as problematic (at those were at one cooperative). The product is great, the pricing in the NRECA program is very good, but I am still working through the financial side of what costs and margins we can expect.
- 5) NRECA Regional Meetings. All Regional Meetings have been cancelled and they are planning a "Virtual Regional Meetings Week". Also, all Director training is currently offered on-line at a discounted rate. Training classes are limited to 20 participants per class. This is new territory for everyone.
- 6) Credit Card Statement. The Credit Card records are available for the Boards review.
- 7) Mileage Log. Vehicle #105 traveled 6 miles in April with 6 miles personal miles.

B. Information Technology / Cybersecurity highlights

- 1) We have begun cybersecurity awareness training for all employees. This is an on-line program.
- 2) Installed Phishing software to capture and notify employees of potential phishing e-mails.
- 3) Working with NRECA to resolve new website issues.

C. Operations.

- 1) Border States Update: They have been on COVID-19 lock-down so we have not progressed.
- 2) All “reject” poles have been changed out by our contractors.
- 3) We continue working with members on clearance projects.
- 4) We are working toward our last draw on FFB Loan W8. I expect to have the final amounts ready for the August Board meeting.

D. Member Services

- 1) Website. Ann Marie and Carrie have been working with Touchstone Energy on this over-due project. COVID-19 has contributed to some of the de-bugging issues as TDSE employees are working from home and unable to resolve some administrator issues.
- 2) Member Satisfaction Survey. We have postponed the Survey until fall to avoid skewed COVID-19 responses. However, Sunflower is participating in the NRECA Member Satisfaction Survey and has invited LSEC to participate in it for free. We are planning on both.
- 3) Crisis Communications messages have been essential during this period and we continue to update our members and communities regularly.

E. Finance.

- 1) All in all – not too bad considering COVID-19. Operating margins were -\$15,797. April sales of \$1,235,571 were down \$49,740 from our 9-year average and down \$360,026 from April 2019. Year to Date: Residential sales are lagging due to milder weather, C&I over 1000 kVA is down due to low production from travel restrictions, and Sales for Resale (Dighton) is down from then billing error and mild weather. Sales figures are below:

YTD Sales Summary

	2017	2018	2019	2020	average	YTD %
Residential - 440.10	863,907	925,021	923,374	796,397	877,175	30.2%
Residential - Seasonal	129,910	145,503	146,905	130,885	138,301	34.6%
Irrigation	81,815	113,602	22,697	59,378	69,373	9.3%
C&I 1000kVa or less	81,815	113,602	22,697	59,378	69,373	9.3%
C&I over 1000 kVA	530,484	845,837	1,132,314	894,875	850,878	33.5%
Public Street and Lighting	19,114	19,199	18,954	17,322	18,647	32.5%
Other Sales to Public Authorities	14,261	16,944	17,175	15,156	15,884	30.8%
Sales for Resale - Other	204,250	211,448	200,836	132,542	187,269	26.9%
Total Sales	5,006,559	5,473,810	5,748,398	4,979,914	5,405,968	31.6%

- 2) Budget. Despite lower sales and being \$522,790 below YTD 2019, we are only \$32,974 (12.7%) below budget ahead of budget for FY 2020.
- 3) Billing Past Due (May)
 - a. 30 day – \$ 12,174.07
 - b. 60 day – \$ 774.64
 - c. 90 day – \$ 25,178.33

F. Select Non-Operating Margins

- 1) Retail Services. Initial figures have posted a \$8,345.04 loss in April.
 - a. Resale Hours. There were 207 hours worked and 145 billed (70%).

- b. Resale Outstanding Balances. The open balance (60-90 days) is down to \$3,295.61 from \$12,405.92 last month. Mr. York paid the \$8,392.27 he owed last month so the biggest “current” piece is the Black Dog at \$1,977.84. They made a payment of \$150.00 on May 12th.
 - c. Bartlett Grain. We just signed a contract with Bartlett Grain for a \$14,985.47 job for bunker aeration and belt electrical.
- 2) Interest earned. We earned \$4,312 in interest in April (\$70,555 year to date).

Respectfully submitted,

Richard

Richard McLeon, MBA
General Manager

Dighton / Lane-Scott

Meter Reporting Issue

April 9, 2019 thru April 30, 2020

This was an issue that arose when the revenue meter at the South Dighton substation was replaced on April 9th 2019. When updating the multipliers in the meter interrogation software, the change to channel 1 was missed so the multiplier remained at a 0.16 instead of being 0.25. This caused the billing to the City of Dighton to be billed less than they should have. Since the South Dighton meter is a deduction from the Dighton 115/14.4 meter, the Lane-Scott billing was overstated by a similar amount. The transmission billing since it is based upon the prior year's demand load ratio share (LRS) was correct for all of 2019 based upon the 2018 data, but we recalculated the LRS for 2019 to be applied to the 2020 billings going forward and calculated for January through April as shown below.

Lane-Scott Only:

Working through this correction exercise we also discovered that the Dighton WAPA allocation was being incorrectly handled on the Lane-Scott billing as well and have made that correction going forward and calculated and included the correction back to June 1, 2019 when the WAPA allocation began.

-rjc

City of Dighton April 2019 through April 2020 Correction

	Total Difference
City of Dighton - WHM	
Demand Charge	\$ 42,333.01
ECA Charge	\$ 29,551.95
Energy Charge	\$ 22,456.72
Meter Charge	
Schedule 1	\$ 113.91
Schedule 11 Regional	\$ 1,406.70
Schedule 11 Zonal	\$ 2,764.78
Schedule 12	\$ 65.77
Schedule 1a	\$ 343.66
Schedule 9 SEPC	\$ 2,881.83
Misc. Transmission	\$ (78.94)
Total Correction	\$101,839.39

Lane-Scott WHM April 2019 through April 2020 Correction

Lane-Scott Electric Cooperative, Inc.	Total Difference
WHM-17	
Demand Charge	(42,007.83)
ECA Charge	(49,174.20)
Energy Charge	(36,384.29)
Meter Charge	
Retail HLF Charge	
Schedule 1	(284.22)
Schedule 11 Regional	(3,510.00)
Schedule 11 Zonal	(6,898.65)
Schedule 12	(164.07)
Schedule 1a	(857.54)
Schedule 9 SEPC	(7,190.71)
Misc. Transmission	\$196.99
Total Correction	(\$146,274.53)

Richard McLeon

From: NRECA Education and Training <mktg@nreca.coop>
Sent: Tuesday, May 26, 2020 3:39 PM
To: Richard McLeon
Subject: NRECA Adjusting 2020 Regional Meetings

Follow Up Flag: Follow up
Flag Status: Flagged

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NRECA Adjusting 2020 Regional Meetings

The NRECA Regional Meetings are an anticipated highlight on the electric cooperative calendar. Unfortunately, due to the unusual and uncertain circumstances of COVID-19 coronavirus, we must take a new approach to safely convening our membership this fall.

NRECA is canceling the 2020 slate of five in-person regional meetings, scheduled between Sept. 9 and Oct. 29. In lieu of these in-person meetings, NRECA is planning a virtual "Regional Meetings Week" that will contain general sessions and accommodate the member resolutions process, including regional committee meetings and regional business meetings. I discussed this change in the regional meetings today with the NRECA board of directors, which concurs with the approach.

Our highest priorities are to deliver a quality regional meeting experience for members and to ensure the integrity of a widely attended, participatory resolutions process. Each NRECA region's committee and business meetings will be conducted during the week, along with joint general sessions for all regions. This format will preserve regions' traditionally paired or stand-alone committee and business meetings. NRECA will post the resolutions compendium and collect and publish all membership submissions of amendments or proposed new resolutions prior to the regional meetings.

NRECA leadership will work with the NRECA board of directors to identify an appropriate date for the 2020 regional meetings. We will send more details on the date and format of the virtual regional meetings soon.

Best regards,

A handwritten signature in black ink, appearing to read 'Jim Mathison'.

CHECKLIST FOR ANNUAL MEETING

STATUS	TO DO MONTH	ASSIGNED TO	ITEM
X	February	AJ	Get menu from caterer
X - Cutting Board & Scrapper	March	AJ	Order door prizes
X	March	Board	Board approves date for annual meeting
X	March	Board	Board selects caterer
X - Confirmed John Ross	March	AJ	Hire caterer
X	March	RC	Print list for directors to choose nominating committee
X - Nominating meeting will be June 1 @ 6:30pm	April	Board	Board appoints nominating committee. (from board minutes: not less than 30 nor more than 120 days before the date of meeting of members)
X	April	AJ	Newsletter: Publish notice of nominating committee meeting in May newsletter
X -Sent with May info.	May	AJ	Newsletter: Annual Meeting Notice Graphic for June Newsletter
X	May	RC	Notify members of appointment to nominating committee & verify that they will serve
X	May	RC	Print list for nominating committee to choose trustees. Choose trustee districts that are up for re-election
X	May	RC	Give a reminder call to nominating committee members the day before meeting
X	May	Gaspar	Prepare form to be signed by nominating committee. Ask him to keep to one page if possible for posting on doors
<i>Done tonight</i>	May	RMc	Have minutes of nominating committee signed by secretary
<i>Done tomorrow</i>	May	RC	Post minutes of nominating committee meeting at headquarters
<i>Due by June 5th</i>	May	RMc	Prepare Annual Year in Review to be included in Brochure and July Newsletter. Due the end of May.
<i>Chad Rupp, Dee Shull & Craig Ramsey - 15 yrs</i>	May	AJ	Determine if there are any Employee or Trustee awards & order them. Employee & Trustee: 15 years – Engraved Watch/Prints \$350 - \$375 range. Employee: 30 years – Plaque & \$500 Gift Certificate to place of their choice. **See list on page 2.
<i>Due by June 5th</i>	May	AJ	Prepare annual meeting brochure: Kel provides financial & property tax info, GM Annual Report.
	June	AJ	Contact Howard Richards for sound system
<i>After Board Meeting - Pending Board Decision</i>	June	AJ	Prepare mail-in ballot to be a part of the member brochure - <i>Due June 5th</i>
		AJ & CB	Online Voting Option
		AJ	Communicate to members changes that occur due to Coronavirus
		AJ & RMc	Logistics of meeting set-up due to Coronavirus restrictions if necessary
<i>Due by June 12th</i>	June	AJ	E-mail labels for annual meeting brochure
<i>Due by June 5th</i>	June	AJ	Send annual meeting brochure to printer
	June	All	Get annual meeting prizes from vendors
<i>Due by June 10th</i>	June	AJ	Newsletter: Manager Article "Year in Review" & Save the date graphic for July newsletter
<i>Due by June 10th</i>	June	AJ	Newsletter: Nominating Committee Report for July newsletter

9. b. Youth Leadership Camp

On May 6th, KEC notified us that the Youth Leadership Camp for 2020 has been cancelled. Our deposit will be refunded at 100% or \$1,800.00. After our expenses, we would have about \$1,500.00 per student. Our winners are: Kayler Getz, a junior from Quinter, KS and Anabeth Ratzlaff, a sophomore who attends school in Ingalls, KS.

Due to logistics of having double the number of attendees next year, we are only able to send two delegates in 2021.

KEC recommends sending sophomore or junior students on these trips, so they can speak at annual meetings and act as a co-op ambassador within the community for the next year. However, this year they are more than willing for these juniors to attend as seniors next year, if that is what we should decide to do.

We feel that our options are:

1. Award a \$1,500 scholarship to each winner with the opportunity to apply (not guaranteed) for YLC or Youth Tour next year.
2. Hold next year's YLC spots for them without having to reapply, and without having a contest next year for the camp (the funds from this year would be held and applied for next year).
3. Give each the option of either taking the \$1,500 scholarship or attending YLC next year.

Staff recommends Option #3, giving the recipients the opportunity to choose.

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LANE-SCOTT ELECTRIC COOPERATIVE, INC.

DIGHTON, KANSAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

LANE-SCOTT ELECTRIC COOPERATIVE, INC.
DIGHTON, KANSAS
working draft for discussion purposes only
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
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CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lane-Scott Electric Cooperative, Inc. (the Cooperative) which comprise the balance sheet as of December 31, 2019, and the related statement of income and patronage capital, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

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, 2019, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The financial statements of Lane-Scott Electric Cooperative, Inc. as of December 31, 2018 were audited by other auditors whose opinion dated June 28, 2019 expressed an unmodified opinion on those statements. As discussed in Note 22, the Cooperative has restated its 2018 financial statements during the current year to appropriately account for the investments in Mid Kansas Electric Company in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2018 financial statements before the restatement.

As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 22 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 financial statements of Lane-Scott Electric Cooperative, Inc. other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements taken as a whole.

Emphasis of a Matter

Changes in Accounting Principle

As discussed in Note 21 to the financial statements, the Cooperative adopted new accounting guidance, ASU 2014-09, *Revenue from Contracts with Customers, Topic 606*, which provides a new framework for the recognition of revenue. The Cooperative elected to retrospectively change its method of revenue recognition by recognizing revenue from power delivered but not yet billed. Our opinion is not modified with respect to that matter.

Other Matters

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of electric plant, accumulated provision for depreciation, other property and investments, patronage capital, FFB and CFC 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2020 on our consideration of Lane-Scott Electric Cooperative, Inc.'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 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 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 Lane-Scott Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

_____, 2020

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Exhibit A

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BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

ASSETS

	December 31,	
	2019	2018
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 56,940,682	\$ 55,057,307
Construction Work in Progress	2,924,099	355,770
Electric Plant Acquisition Adjustment - Net of Accumulated Amortization	(1,740,715)	(1,840,473)
	\$ 58,124,066	\$ 53,572,604
Less: Accumulated Provision for Depreciation	17,765,151	16,495,564
	\$ 40,358,915	\$ 37,077,040
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 12,108,211	\$ 11,127,153
Other Investments	5,501	5,501
	\$ 12,113,712	\$ 11,132,654
CURRENT ASSETS		
Cash - General	\$ 330,748	\$ 320,557
Temporary Cash Investments	2,672,836	974,573
Accounts Receivable - Energy (Less allowance for uncollectibles of \$40,807 and \$39,191 for 2019 and 2018, respectively)	1,390,602	1,685,430
Unbilled Revenue	264,930	278,230
Property Tax Adjustment - Undercollected	179,807	
Materials and Supplies at Average Cost	341,360	374,002
Other Current and Accrued Assets	4,680	14,530
Total Current Assets	\$ 5,184,963	\$ 3,647,322
DEFERRED CHARGES	\$ 778,909	\$ 948,413
TOTAL ASSETS	\$ 58,436,499	\$ 52,805,429

EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	\$ 21,618,403	\$ 19,660,473
Other Equities	474,141	417,562
Total Equities	\$ 22,092,544	\$ 20,078,035
LONG-TERM DEBT		
FFB Mortgage Notes Less Current Maturities	\$ 26,245,398	\$ 22,317,622
CFC Mortgage Notes Less Current Maturities	6,345,346	6,880,945
Capital Lease Obligations Less Current Maturities	338,945	174,223
Other Long-Term Debt	150,400	150,400
Total Long-Term Debt	\$ 33,080,089	\$ 29,523,190
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,348,000	\$ 1,286,000
Accounts Payable - Purchased Power	841,960	950,751
Accounts Payable - Other	239,473	226,234
Power Cost Adjustment - Overcollected	120,622	
Consumer Deposits	112,413	125,591
Accrued Taxes	421,450	414,524
Accrued Interest	25,284	25,382
Accrued Employee Compensated Absences	154,664	175,722
Total Current Liabilities	\$ 3,263,866	\$ 3,204,204
TOTAL EQUITIES AND LIABILITIES	\$ 58,436,499	\$ 52,805,429

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, 2019 AND 2018

	December 31,				Increase (Decrease)
	2019		2018		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 2,882,053	16.1	\$ 3,042,127	17.0	\$ (160,074)
Irrigation	936,183	5.2	1,017,829	5.7	(81,646)
Small and Large Commercial	12,684,904	70.8	12,382,701	69.3	302,203
Building & Lighting	108,505	0.6	112,976	0.6	(4,471)
Sales for Resale	985,566	5.5	1,152,236	6.4	(166,670)
Power Cost Adjustment	(120,622)	(0.7)			(120,622)
Property Tax Adjustment	179,807	1.0			179,807
Unbilled Revenue	(13,300)	(0.1)	17,564	0.1	(30,864)
Other Sales to Public Authorities	261,494	1.5	140,275	0.8	121,219
Total Operating Revenues	\$ 17,904,590	100.0	\$ 17,865,708	100.0	\$ 38,882
OPERATING EXPENSES					
Purchased Power	\$ 10,467,955	58.5	\$ 10,698,587	59.9	\$ (230,632)
Transmission - Operation	6,366	0.0	7,585	0.0	(1,219)
Distribution - Operation	1,308,661	7.3	1,335,652	7.5	(26,991)
Distribution - Maintenance	687,659	3.8	747,446	4.2	(59,787)
Customer Accounts	221,834	1.2	205,976	1.2	15,858
Customer Service and Information	30,105	0.2	33,716	0.2	(3,611)
Selling Expenses	55,317	0.3	81,169	0.5	(25,852)
Administrative and General	1,411,037	7.9	1,270,909	7.1	140,128
Depreciation	1,699,268	9.5	1,617,088	9.1	82,180
Amortization of Purchase Premium	(99,758)	(0.6)	(99,758)	(0.6)	0
Other Interest	3,355	0.0	2,163	0.0	1,192
Other Deductions	14,349	0.1	10,931	0.1	3,418
Total Operating Expenses	\$ 15,806,148	88.3	\$ 15,911,464	89.1	\$ (105,316)
OPERATING MARGINS - Before Fixed Charges	\$ 2,098,442	11.7	\$ 1,954,244	10.9	\$ 144,198
FIXED CHARGES					
Interest on Long-Term Debt	\$ 1,316,760	7.4	\$ 1,211,651	6.8	\$ 105,109
OPERATING MARGINS - After Fixed Charges	\$ 781,682	4.3	\$ 742,593	4.2	\$ 39,089
G&T Capital Credits	983,794	5.5	540,015	3.0	443,779
Other Capital Credits	60,703	0.3	70,803	0.4	(10,100)
NET OPERATING MARGINS	\$ 1,826,179	10.1	\$ 1,353,411	7.6	\$ 472,768
NON-OPERATING MARGINS (LOSS)					
Interest Income	\$ 256,084	1.4	\$ 195,137	1.1	\$ 60,947
Non-Operating Loss - Other	(48,526)	(0.3)	(37,424)	(0.2)	(11,102)
Loss on Disposition of Property	11,398	0.1	9,831	0.1	1,567
	\$ 218,956	1.2	\$ 167,544	0.9	\$ 51,412
NET MARGINS	\$ 2,045,135	11.4	\$ 1,520,955	8.5	\$ 524,180
PATRONAGE CAPITAL - BEGINNING OF YEAR	19,660,473		18,181,795		
Transfer to Other Equity	(69,860)				
Transfer to Other Equity - Unbilled Revenue	13,300		(17,564)		
Patronage Capital Retirements	(30,645)		(24,713)		
PATRONAGE CAPITAL - END OF YEAR	\$ 21,618,403		\$ 19,660,473		

See accompanying notes to financial statements.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

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Exhibit C

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 2,045,135	\$ 1,520,955
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation	1,980,540	1,867,245
Electric Plant Acquisition Amortization	(99,758)	(99,758)
Capital Credits	(1,100,492)	(610,818)
Deferred Charges	169,504	141,404
Power Cost Adjustment	120,622	
Property Tax Adjustment	(179,807)	
Accounts Receivable	294,828	(292,649)
Unbilled Revenue	13,300	(17,564)
Inventories and Other Current Assets	42,492	10,426
Payables and Other Current Liabilities	(122,960)	261,538
Net Cash From Operating Activities	\$ 3,163,404	\$ 2,780,779
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (4,994,266)	\$ (3,552,806)
Plant Removal Costs Less Salvage and Other Credits	(168,391)	(169,003)
Investments in Associated Organization	119,434	412,164
Net Cash From Investing Activities	\$ (5,043,223)	\$ (3,309,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
RUS Advance Payment Activity - Net	\$ (194,674)	\$ (3,821,245)
Payments on Long-Term Debt - CFC	(553,599)	(548,272)
Advances on Long-Term Debt - FFB	4,813,000	3,689,453
Payments on Long-Term Debt - FFB	(587,550)	(517,593)
Advances on Capital Lease Obligation	244,422	
Payments on Capital Lease Obligations	(102,700)	(137,796)
Other Equities	19	(340)
Retirement of Patronage Capital	(30,645)	(24,713)
Net Cash From Financing Activities	\$ 3,588,273	\$ (1,360,506)
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 1,708,454	\$ (1,889,372)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,295,130	3,184,502
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,003,584	\$ 1,295,130
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 1,317,050	\$ 1,212,221
Income Taxes	\$ 0	\$ 0

See accompanying notes to financial statements.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

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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) and Mid-Kansas Electric Cooperative, Inc. (MKEC) each 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. Other plant represents the original cost of construction of water and wireless plant. 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. As of December 31, 2019 and 2018, temporary cash investments included \$2,672,836 and \$974,573 invested with CFC, First State Bank and First National Bank.

At December 31, 2019 and 2018, cash and cash equivalents consisted of:

	December 31,	
	2019	2018
CFC Commercial Paper / Select Notes	\$ 2,520,971	\$ 775,385
Money Market Accounts	151,865	199,188
Total Temporary Investments	\$ 2,672,836	\$ 974,573
Cash and Working Funds	330,748	320,557
Total Cash and Cash Equivalents	\$ 3,003,584	\$ 1,295,130

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

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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 Uncollectible Accounts

The Cooperative provides an allowance for doubtful accounts to recognize the portion of receivables considered uncollectible. The Cooperative accrues amounts monthly to the allowance. The allowance is estimated based on historical trends, aging of receivables, and review of potential bad debts. The Board of Directors reviews accounts written off monthly. All payments received on an account after the account is written off are considered a recovery of the bad debt.

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. The Cooperative has calculated that its unbilled revenue for power usage which has not been billed to customers at December 31, 2019 and 2018 amounted to \$264,930 and \$278,230, respectively.

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. In order to match power cost and related revenues these amounts to be billed to consumers in subsequent periods are included with the revenue accrual described above.

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.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

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NOTES TO FINANCIAL STATEMENTS

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 2016.

There were no penalties or interest recognized during years ended December 31, 2019 and 2018.

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, 2019 and 2018, deposits on hand totaled \$112,413 and \$125,591.

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.

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, 2019 and 2018 was \$757,009 and \$378,396, respectively.

At the end of each year, the Cooperative receives a final allocation amount from Mid-Kansas Electric Cooperative, Inc. The Cooperative records the allocations as G & T capital credit income. The G & T patronage income recognized for the years ending December 31, 2019 and 2018 was \$226,785 and \$161,619, 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 amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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NOTES TO FINANCIAL STATEMENTS

2. Assets Pledged

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

3. Plant

The major classes of plant consisted of the following:

	December 31,	
	2019	2018
Transmission Plant	\$ 1,229,543	\$ 1,229,543
Distribution Plant	49,819,793	48,197,214
General Plant	5,891,346	5,630,550
Total Plant in Service	\$ 56,940,682	\$ 55,057,307
Construction Work in Progress	2,924,099	355,770
Electric Plant Acquisition Adjustment	(2,937,808)	(2,937,808)
Acquisition Adjustment Amortization	1,197,093	1,097,335
Total Plant	\$ 58,124,066	\$ 53,572,604

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

Transmission Plant	1.83% - 3.08%
Distribution Plant	1.10% - 14.67%
General Plant	
Structures and Improvements	3.16% - 3.34%
Office Furniture and Fixtures	6.00% - 20.00%
Transportation Equipment	11.56% - 20.00%
Tools, Shop, and Garage Equipment	4.65% - 6.00%
Power-Operated Equipment	6.97% - 10.00%
Communications Equipment	2.33% - 5.00%
Miscellaneous Equipment	6.00% - 20.00%
Laboratory Equipment	4.98% - 6.00%

Depreciation and amortization for the years ended December 31, 2019 and 2018 was \$1,980,540 and \$1,867,245, of which \$1,699,268 and \$1,617,088 was charged to depreciation expense and \$281,272 and \$250,157 was allocated to other accounts.

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NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018, 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.

4. Investments in Associated Organizations

Investments in associated organizations consisted of the following:

	December 31,	
	2019	2018
CFC		
Capital Term Certificates	\$ 221,958	\$ 222,260
Patronage Capital	198,527	185,178
Sunflower Electric Power Corporation		
Patronage Capital	10,300,247	9,543,238
Mid-Kansas Electric Company, Inc.		
Patronage Capital	513,484	286,699
Capital Contribution	57,847	57,847
Contributed Capital	365,193	391,938
Kansas Electric Cooperatives		
Patronage Capital	39,652	47,597
Federated Rural Insurance		
Patronage Capital	179,399	170,093
NISC		
Patronage Capital	61,707	57,553
S&T Telephone		
Patronage Capital	109,656	105,800
Other	60,541	58,950
	<u>\$ 12,108,211</u>	<u>\$ 11,127,153</u>

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NOTES TO FINANCIAL STATEMENTS

5. Materials and Supplies

Materials and supplies consisted of the following:

	December 31,	
	2019	2018
Electric Inventory	\$ 199,062	\$ 225,456
Resale Inventory	142,298	148,546
	<u>\$ 341,360</u>	<u>\$ 374,002</u>

6. Deferred Charges

Deferred charges consisted of the following:

	December 31,	
	2019	2018
RS Plan Accelerated Funding	\$ 562,453	\$ 723,154
MKEC Pre-Acquisition Costs	159,774	169,036
Work Plans	25,101	37,651
Other	31,581	18,572
	<u>\$ 778,909</u>	<u>\$ 948,413</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, 2019 and 2018 was \$160,701.

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 \$9,262 for the years ended December 31, 2019 and 2018.

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 38% of the total assets at the balance sheet date. The Cooperative retired \$30,645 and \$24,713 during the years ended December 31, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS

8. Patronage Capital

	December 31,	
	2019	2018
Assigned	\$ 21,119,585	\$ 19,847,673
Retired	(2,296,101)	(2,265,456)
Assignable	2,794,919	2,094,483
	<u>\$ 21,618,403</u>	<u>\$ 19,676,700</u>

9. Other Equities

	December 31,	
	2019	2018
Other Equities	\$ 324	\$ 305
Unassigned Unbilled Revenue	264,930	278,230
Retired Capital Credits - Gain	208,887	139,027
	<u>\$ 474,141</u>	<u>\$ 417,562</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,	
	2019	2018
Fixed Rate Notes - 2.04% - 4.52%	\$ 30,952,317	\$ 26,726,867
Advance Payments	(4,015,919)	(3,821,245)
	<u>\$ 26,936,398</u>	<u>\$ 22,905,622</u>
Less: Current Maturities	691,000	588,000
	<u>\$ 26,245,398</u>	<u>\$ 22,317,622</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:

2020	\$ 691,000
2021	699,000
2022	734,000
2023	815,000
2024	832,000

Unadvanced loan funds of \$4,555,483 are available to the Cooperative through loan commitments with FFB as of December 31, 2019.

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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,	
	2019	2018
Fixed Rate Notes - 3.60% - 4.30%	\$ 6,881,346	\$ 7,434,945
Less: Current Maturities	536,000	554,000
	<u>\$ 6,345,346</u>	<u>\$ 6,880,945</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:

2020	\$ 536,000
2021	556,000
2022	576,000
2023	494,000
2024	398,000

12. Capital Lease Obligations

The Cooperative leases vehicles from Farm Credit Leasing. The economic substance of the leases is that the Cooperative is financing the acquisition of the assets through the leases over their terms, and accordingly, they are reflected in the Cooperative's plant assets and long-term liabilities.

The following is an analysis of the book value of the leased assets included in plant at December 31, 2019, which are being depreciated over the life of the respective assets at straight-line rates:

	December 31,	
	2019	2018
Cost	\$ 946,513	\$ 702,091
Less: Accumulated Depreciation	544,477	386,597
	<u>\$ 402,036</u>	<u>\$ 315,494</u>

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NOTES TO FINANCIAL STATEMENTS

The following is a schedule by years of the future minimum payments required under the leases with their present values at December 31, 2019:

2020	\$	163,165
2021		109,850
2022		76,732
2023		36,951
2024 - 2026		114,905
	\$	501,603
Less: Current Maturities		121,000
Less: Amount Representing Interest		41,658
Present Value of Net Capital Lease Payments	\$	338,945

13. Other Long-Term Debt

The following is a summary of other long-term debt:

	December 31,	
	2019	2018
USDA Agriculture Rural Development Grant	\$ 150,400	\$ 150,400
Less: Current Maturities		
	\$ 150,400	\$ 150,400

14. 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, 2019 and 2018, 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, 2019 and 2018, respectively.

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 and MKEC until March 31, 2052. Effective January 1, 2020, MKEC merged with SEPC with SEPC being the surviving corporation.

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NOTES TO FINANCIAL STATEMENTS

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 2019 and 2018 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 \$518,457 and \$549,430 in 2019 and 2018, respectively. There have been no significant changes that affect the comparability of 2019 and 2018 contributions. Pension expense for the years ended December 31, 2019 and 2018, including amortization of RS prepayment, was \$679,157 and \$710,130, 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, 2019 and January 1, 2018 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.

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, 2019 and 2018 was \$76,921 and \$79,393, respectively.

17. Related Parties

The Cooperative is a member of SEPC and MKEC both of which provide electric power and energy to their members. The Cooperative obtains all of its wholesale purchased power from these two entities which amounted to \$10,467,955 and \$10,698,587 for the years ended December 31, 2019 and 2018, respectively. Amounts included in accounts payable purchased power as of December 31, 2019 and 2018 were \$702,535 and \$748,351 due to SEPC and \$139,425 and \$202,400 due to MKEC, respectively.

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NOTES TO FINANCIAL STATEMENTS

18. Subsequent Events

The Cooperative has evaluated subsequent events through _____, 2020, the date which the financial statements were available to be issued.

19. Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2021. The Cooperative is evaluating the impact of the new standard on the financial statements.

20. Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU-2014-09, Revenue from Contracts with Customers, Topic 606, which provides a new framework for the recognition of revenue. The Cooperative implemented the guidance on January 1, 2019. Results and disclosures for reporting periods beginning after December 31, 2018 are presented in accordance with Topic 606. The implementation of this new accounting standard increased disclosures regarding revenues related to contracts with customers, which are disclosed under Electric Revenues from Contracts with Customers in Note 1.

21. Change in Accounting Principle

With the implementation of the new revenue recognition standard disclosed in Note 20, the Cooperative began recording unbilled revenue for delivered power usage which has not been billed to customers. The recording of unbilled revenue increased the December, 2018 beginning balance to Other Equities (Deficits) by \$260,666 and increased Operating Revenues by \$17,564 for the year ended December 31, 2018.

	2018
Beginning Other Equities (Deficits), Previously Reported	\$ 139,672
Prior Period Adjustment - Change in Accounting Principle	260,666
Beginning Other Equities (Deficits), as Restated	<u><u>\$ 400,338</u></u>

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NOTES TO FINANCIAL STATEMENTS

22. Correction of Error in Previously Issued Financial Statements

As a result of the current period audit, it was determined that the Cooperative had not recorded any amounts of the investment related to the formation of MKEC since 2007. The correction to record the original equity contribution and the income or loss for the partnership since 2007 increased the December, 2018 beginning balance to Patronage Capital by \$574,864 and increased Operating Revenues by \$161,619 for the year ended December 31, 2018.

	<u>2018</u>
Beginning Patronage Capital, Previously Reported	\$ 17,606,930
Prior Period Adjustment - Correction of Error	<u>574,865</u>
Beginning Patronage Capital, as Restated	<u><u>\$ 18,181,795</u></u>

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ACCOMPANYING INFORMATION

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

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ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

	Balance 1/1/2019	Transfers & Additions	Retirements	Balance 12/31/2019
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	\$ 1,229,543	\$ 0	\$ 0	\$ 1,229,543
Distribution Plant				
Land and Land Rights	\$ 93,383	\$ (54,061)	\$	\$ 39,322
Structures and Improvements	109,158	(50,825)		58,333
Substation Equipment	8,145,796	20,543		8,166,339
Poles, Towers, and Fixtures	13,867,295	244,838	97,570	14,014,563
Overhead Conductors and Devices	16,237,325	1,435,577	71,981	17,600,921
Underground Conduit	14,916			14,916
Underground Conductors and Devices	323,597	58,067		381,664
Line Transformers	5,621,679	87,686	49,005	5,660,360
Services	883,378	51,665	15,416	919,627
Meters	2,727,862	106,540	43,479	2,790,923
Installations on Consumer Premises	24,543			24,543
Street Lighting	148,282			148,282
Total	\$ 48,197,214	\$ 1,900,030	\$ 277,451	\$ 49,819,793
General Plant				
Land and Land Rights	\$ 32,629	\$ 4,099	\$	\$ 36,728
Structures and Improvements	2,488,983	233,983		2,722,966
Office Furniture and Equipment	404,941	29,735	35,650	399,026
Transportation Equipment	1,086,683	244,422		1,331,105
Tools, Shop, and Garage Equipment	87,035	7,208	5,826	88,417
Laboratory Equipment	54,950		11,106	43,844
Power Operated Equipment	1,331,241		190,544	1,140,697
Communications Equipment	74,896	718	18,573	57,041
Miscellaneous Equipment	69,192	5,742	3,412	71,522
Total	\$ 5,630,550	\$ 525,907	\$ 265,111	\$ 5,891,346
Total Classified Electric Plant in Service	\$ 55,057,307	\$ 2,425,937	\$ 542,562	\$ 56,940,682
Construction Work in Progress for All Plant	355,770	2,568,329		2,924,099
Total Utility Plant	\$ 55,413,077	\$ 4,994,266	\$ 542,562	\$ 59,864,781

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Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance 1/1/2019	Depreciation Accruals	Retirements and Transfers	Balance 12/31/2019
Transmission Plant	\$ 848,646	\$ 31,622	\$	\$ 880,268
Distribution Plant	\$ 12,857,415	\$ 1,545,614	\$ 454,816	\$ 13,948,213
General Plant				
Structures and Improvements	\$ 1,050,318	\$ 84,771	\$ (17,456)	\$ 1,152,545
Office Furniture & Equipment	257,412	25,866	35,303	247,975
Transportation Equipment	433,640	124,878		558,518
Shop Equipment	74,613	3,348	19,156	58,805
Lab Equipment	11,865	2,320	(3,939)	18,124
Communications Equipment	46,636	2,389	14,644	34,381
Power Operated Equipment	872,348	156,395	190,544	838,199
Miscellaneous Equipment	45,255	3,337	887	47,705
Total General Plant	\$ 2,792,087	\$ 403,304	\$ 239,139	\$ 2,956,252
Total Classified Electric Plant in Service	\$ 16,498,148	\$ 1,980,540	\$ 693,955	\$ 17,784,733
Retirement Work in Progress	(2,584)		16,998	(19,582)
	\$ 16,495,564	\$ 1,980,540	\$ 710,953	\$ 17,765,151
		(1)	(2)	
(1) Charged to Depreciation Expense		\$ 1,699,268		
Charged to Clearing Accounts		281,272		
		\$ 1,980,540		
(2) Cost of Units Retired			\$ 542,562	
Add: Cost of Removal			170,821	
Less: Salvage Value and Other Credits			(2,430)	
Loss Due to Retirement			\$ 710,953	

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Schedule 3

OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2019 AND 2018

	December 31,	
	2019	2018
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Patronage Capital/Memberships		
Sunflower Electric Power Corporation	\$ 10,300,247	\$ 9,543,238
Mid-Kansas Electric Company, Inc.	513,484	286,699
Kansas Electric Cooperatives	39,652	47,597
National Rural Utilities Cooperative Finance Corporation	198,527	185,178
National Information Solutions Cooperative	61,707	57,553
S&T Telephone	109,656	105,800
Federated Rural Electric Insurance	179,399	170,093
Memberships/Other	60,541	58,950
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	221,958	222,260
Other Contributions		
Mid-Kansas Electric Company, Inc. - Contributed Capital	423,040	449,785
Total Investments in Associated Organizations	\$ 12,108,211	\$ 11,127,153
OTHER INVESTMENTS	\$ 5,501	\$ 5,501
	<u>\$ 12,113,712</u>	<u>\$ 11,132,654</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

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PATRONAGE CAPITAL

DECEMBER 31, 2019

Calendar Year	Capital Credits Assigned	Capital Credits Assignable	Capital Credits Retired	Capital Credits Unretired
1961 - 1987	\$ 1,702,538	\$	\$ 1,702,538	\$
1988	152,942		121,976	30,966
1989				
1990				
1991				
1992				
1993	195,407		18,568	176,839
1994	136,050		13,347	122,703
1995	19,540		1,796	17,744
1996				
1997	101,027		8,097	92,930
1998	438,890		34,660	404,230
1999	865,737		73,047	792,690
2000	552,138		42,329	509,809
2001	586,850		42,529	544,321
2002	894,931		63,013	831,918
2003				
2004	445,392		24,419	420,973
2005	654,896		34,655	620,241
2006	249,907		12,799	237,108
2007	957,875		44,540	913,335
2008	761,198		26,680	734,518
2009	813,194		26,129	787,065
2010				-
2011	1,254,464			1,254,464
2012	1,397,098			1,397,098
2013	1,985,150			1,985,150
2014	2,044,951			2,044,951
2015	794,168			794,168
2016	1,498,600		2,710	1,495,890
2017	1,274,870	574,865	959	1,848,776
2018	1,341,772	161,619	1,310	1,502,081
2019		2,058,435		2,058,435
	<u>\$ 21,119,585</u>	<u>2,794,919</u>	<u>\$ 2,296,101</u>	<u>\$ 21,618,403</u>
	Net Income	\$ 2,045,135		
	Unassigned Unbilled Revenue	13,300		
	Current Year Allocation	<u>\$ 2,058,435</u>		

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Schedule 5

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FFB AND CFC MORTGAGE NOTES
DECEMBER 31, 2019

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%	\$ 3,973,000	\$	\$ 515,895	\$ 3,457,105
FFB-1-2	9/7/2010	1/3/2045	3.49%	900,000		137,405	762,595
FFB-1-3	1/21/2011	1/3/2045	4.24%	1,128,000		167,676	960,324
FFB-1-4	9/7/2011	1/3/2045	2.84%	3,206,718		476,674	2,730,044
FFB-1-5	3/13/2012	1/3/2045	2.78%	652,282		92,756	559,526
FFB-2-1	12/19/2013	12/31/2047	3.58%	6,208,937		515,027	5,693,910
FFB-2-2	12/19/2013	12/31/2047	3.58%	3,341,812		277,201	3,064,611
FFB-2-3	9/3/2014	12/31/2047	2.90%	2,539,105		210,617	2,328,488
FFB-2-4	9/3/2015	12/31/2047	2.69%	1,000,000		86,003	913,997
FFB-2-5	2/8/2016	12/31/2047	2.34%	1,312,209		109,222	1,202,987
FFB-2-6	9/22/2016	12/31/2047	2.09%	1,000,000		75,885	924,115
FFB-2-7	3/2/2018	12/31/2047	2.96%	713,659		25,243	688,416
FFB-2-8	4/25/2018	12/31/2047	3.08%	2,975,794		95,382	2,880,412
FFB-2-9	4/9/2019	12/31/2047	2.73%	1,000,000		11,648	988,352
FFB-2-10	7/31/2019	12/31/2047	2.34%	2,500,863		15,565	2,485,298
FFB-2-11	11/22/2019	12/31/2047	2.04%	1,312,137			1,312,137
				<u>4,555,483</u>	<u>4,555,483</u>		
Total FFB				<u>\$ 38,319,999</u>	<u>\$ 4,555,483</u>	<u>\$ 2,812,199</u>	<u>\$ 30,952,317</u>
CFC Mortgage Notes							
9004-009	6/15/2012	11/30/2020	3.70%	\$ 360,517	\$	\$	\$ 360,517
9004-010	6/15/2012	11/30/2021	3.80%	374,201			374,201
9004-011	6/15/2012	11/30/2022	3.85%	388,004			388,004
9004-012	6/15/2012	11/30/2023	3.90%	396,739			396,739
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
9006-001	6/28/2013	5/31/2023	3.60%	<u>1,657,000</u>		<u>1,014,611</u>	<u>642,389</u>
Total CFC				<u>\$ 7,895,957</u>	<u>\$</u>	<u>\$ 1,014,611</u>	<u>\$ 6,881,346</u>

Net obligation includes \$691,000 due FFB and \$536,000 due CFC payable within one year classified as current liabilities on the balance sheet.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

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Schedule 6

ADMINISTRATIVE AND GENERAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31,		Increase (Decrease)
	2019	2018	
Administrative and General Salaries	\$ 640,239	\$ 580,815	\$ 59,424
Office Supplies and Expense	55,759	44,298	11,461
Outside Services Employed	59,640	42,337	17,303
Employee Education and Training	185,433	153,629	31,804
Employee Benefits	3,040	2,065	975
Directors' Fees and Expenses	91,015	91,811	(796)
Annual Meeting Expense	151,553	108,961	42,592
Capital Credits Expense	12,477	13,200	(723)
Dues to Associated Organizations	65,874	72,265	(6,391)
Miscellaneous General Expense	28,460	34,355	(5,895)
Regulatory Commission Expense	1,037	10,868	(9,831)
Maintenance of General Plant	116,510	116,305	205
	<u>\$ 1,411,037</u>	<u>\$ 1,270,909</u>	<u>\$ 140,128</u>

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COMPLIANCE SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL
AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS**

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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), which comprise the balance sheet as of December 31, 2019, and the related statements of income, comprehensive income and patronage capital and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2020. In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2020, 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. No reports other than the reports referred to above and our schedule of findings related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting and records to indicate that the Cooperative did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

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Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits. See notes 10 and 19;

Comply with the requirements for the detailed schedule of investments. See notes 4, 5, 7, 8, and supplementary information schedule 3.

The purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and the regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

_____, 2020

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
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CERTIFIED PUBLIC ACCOUNTANTS

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**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**

Independent Auditor's Report

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., as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Lane-Scott Electric Cooperative, Inc.'s basic financial statements, and have issued our report thereon dated _____, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lane-Scott Electric Cooperative, Inc.'s internal control over financial reporting (internal control) to determine the 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 Lane-Scott Electric Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lane-Scott Electric Cooperative, Inc.'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 may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lane-Scott Electric Cooperative, Inc.'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 determination of financial statement amounts. 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.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

_____, 2020

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
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LUBBOCK, TEXAS 79423-1954

_____, 2020

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, 2019, and have issued our report thereon dated _____, 2020. 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 November 18, 2019. 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. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Cooperative are described in the notes to the financial statements.

In 2019, the Cooperative changed accounting policies related to its framework for the recognition of revenue by adopting the FASB ASU No. 2014-09, *Revenue from Contracts with Customers. Topic 606*. Results for reporting periods beginning after December 31, 2018 are presented in accordance with Topic 606. The Cooperative changed its method of revenue recognition to accrue for power delivered but not yet billed. The implementation did not have a material impact on the Cooperative's financial statements, other than increased disclosures regarding revenues related to contracts with customers.

We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 unbilled revenue calculations, the allowance for uncollectible accounts, water right valuations, and lives used to calculate depreciation on distribution plant in service. Management's estimates related to unbilled revenue are based on industry accepted guidelines and the revenue calculations are within those guidelines. 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 unbilled revenue estimates, 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.

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 and corrected by management.

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 _____, 2020.

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 supplementary 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 supplementary 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, Segars, Gilbert & Moss LLP

Certified Public Accountants

Client: 43976 - Lane-Scott Electric Cooperative, Inc.
Engagement: 43976 - 2019 Lane-Scott Electric Cooperative, Inc.
Period Ending: 12/31/2019
Trial Balance: 017 - Annual Trial balance - 2 Year
Workpaper: 017 - Adjusting Journal Entry Report

Working draft for discussion purposes only

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 1				
To record accounts payable to proper period				
232.000.0	ACCOUNTS PAYABLE		7,933.81	
232.000.1	ACCOUNTS PAYABLE		7,933.78	
588.000.0	MISC. DISTRIBUTION EXPENSE			3,529.19
588.000.1	MISC. DISTRIBUTION EXPENSE			3,529.18
909.100.0	CONSUMER NEWSLETTER EXPEN			1,124.40
909.100.1	CONSUMER NEWSLETTER EXPEN			1,124.39
925.100.0	SAFETY MEETING EXPENSE			735.56
925.100.1	SAFETY MEETING EXPENSE			735.56
930.220.0	DUES TO ASSOC ORGANIZATIONS			2,544.66
930.220.1	DUES TO ASSOC ORGANIZATIONS			2,544.65
Total			15,867.59	15,867.59
Adjusting Journal Entry JE # 2				
To correct lease liability for unrecorded interest expense				
427.300.0	INTEREST ON LEASE LIABILITY - LSEC		45,602.09	
427.300.1	INTEREST ON LEASE LIABILITY - MKEC		6,913.31	
227.000.0	CAPITAL LEASE OBLIGATION - NO			45,602.09
227.000.1	CAPITAL LEASE OBLIGATION - NO			6,913.31
Total			52,515.40	52,515.40
Adjusting Journal Entry JE # 3				
To record equity investment in MKEC and Patronage Allocations from MKEC since 2017				
123.100.1	PATRONAGE CAPITAL - MKEC		513,483.69	
123.240.1	OTHER INVEST - MKEC LLC		449,784.68	
201.200.1	PATRONAGE CAPITAL ASSIGNAB			736,482.95
423.000.1	G & T CAPITAL CREDITS - MKEC			226,785.42
Total			963,268.37	963,268.37
Adjusting Journal Entry JE # 4				
To record unbilled revenue				
173.000.0	ACCRUED UNBILLED REVENUE - LSEC		194,815.47	
173.000.1	ACCRUED UNBILLED REVENUE - MKEC		70,114.22	
449.000.0	UNBILLED REVENUE - LSEC		5,063.38	
449.000.1	UNBILLED REVENUE - MKEC		8,237.10	
219.300.0	UNBILLED REVENUE - LSEC			199,878.85
219.300.1	UNBILLED REVENUE - MKEC			78,351.32
Total			278,230.17	278,230.17
Adjusting Journal Entry JE # 5				
To record 2019 property tax over/under				
173.100.0	PROPERTY TAX ADJUSTMENT		179,806.98	
448.000.0	PROPERTY TAX ADJUSTMENT			179,806.98
Total			179,806.98	179,806.98
Adjusting Journal Entry JE # 6				
To adjust 2019 PCRF over/under				
448.100.0	PCRF REVENUES		120,621.73	
242.990.0	PCRF OVER-UNDER			120,621.73
Total			120,621.73	120,621.73

Client: 43976 - Lane-Scott Electric Cooperative, Inc.
Engagement: 43976 - 2019 Lane-Scott Electric Cooperative, Inc.
Period Ending: 12/31/2019
Trial Balance: 017 - Annual Trial balance - 2 Year
Workpaper: 017 - Adjusting Journal Entry Report

Working draft for discussion purposes only

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 101				
To reclass power bill payable				
232.000.0	ACCOUNTS PAYABLE		702,534.39	
232.000.1	ACCOUNTS PAYABLE		139,425.27	
232.199.0	ACCOUNTS PAYABLE - PURCHASED POWER			702,534.39
232.199.1	ACCOUNTS PAYABLE - PURCHASED POWER			139,425.27
Total			841,959.66	841,959.66
Adjusting Journal Entry JE # 102				
To reclass LTD current maturities				
224.960.0	CURRENT MATURITY - FFB		691,000.00	
224.980.0	CURRENT MATURITY - CFC		536,000.00	
227.980.0	CURRENT MATURITY - CAPITAL LEASE		121,000.00	
224.970.0	FFB CURRENT MATURITY			691,000.00
224.990.0	CFC CURRENT MATURITY			536,000.00
227.990.0	CAPITAL LEASE CURRENT MATURITY			121,000.00
Total			1,348,000.00	1,348,000.00



2020 Equity Study

Prepared by: Richard McLeon, MBA

Executive Summary:

Equity is defined as “...money invested in a business by the owners of the business.” The REA recommended that as non-profits, we grow our equity to 40.0%. Cooperative sources of funds to grow Equity include:

- Membership fees,
- Capital Credits, including unclaimed capital credit retirements,
- Unallocated operating and non-operating margins and
- Donated capital

Therefore, Equity is increased by margins and decreased by retiring Capital Credits. Equity is a “Balance Sheet” Ratio and is measured as a percentage of either Total Assets (EPA) or Capitalization (EPC). EPA is calculated by:

$$\frac{\text{Margins and Equities (C36)}}{\text{Total Assets (C29)}}$$

Financial planning models use the EPC which is calculated as:

$$\frac{\text{Margins and Equities (C36)}}{\text{Total Long-Term Debt (C43)}}$$

Distribution Equity (DE) is also called “Modified Equity” and adjusts the EPA Ratio by subtracting Patronage Capital that is owed to the Cooperative (YEF7, C8) from both the numerator and the denominator:

$$\frac{\text{Margins and Equities (C36) – Patronage Capital (C8)}}{\text{Total Assets (C29) – Patronage Capital (C8)}}$$

These three metrics are included in the CFC Key Trend Ratio Analysis report and are used in our analysis.

Key Trend Ratio Analysis - 2018

	<i>actual</i> LSEC	<i>median</i> KS	<i>median</i> consumer size	<i>median</i> SEPC
16 Equity as a percent of assets	36.81	43.72	45.87	38.44
17 Distribution Equity	21.84	35.92	38.53	25.53
18 Equity as a percent of total capitalization	39.36	47.60	50.28	41.75

Typically, we expect the ECA to be 4-6.5% higher than the EPA and the DE to be 5-6% lower. Our analysis shows that while the EPA is below the 40% target, it is within 10%. This can be explained through the Construction Work Plan that the Cooperative is about to complete. A large portion of the CWP was completed with loan funds increasing Total Assets without a similar increase in Total Margins and Equities.

The ECA has likewise grown with the addition of Total Long-term Debt to finance construction outpacing the growth in Total Margins and Equities.

DE is also below expected values. LSEC has an EPA of about 37. We would expect a DE of 24-25%, not 21.84%. However, it appears that the entire Sunflower EPC group is similarly afflicted. This illustrates the impact of G&T Patronage Capital allocated but not paid on the Equity Ratios.

Increasing Equity ratios is difficult in the short-term and is directly tied to desired TIER levels and Capital Credit retirements. Lowering TIER and Capital Credit retirements creates more Margins to increase equity. The Boatman Theorem is used to calculate desired return on equity to meet equity goals. CFC has created an Equity Management model to calculate these rates.

Applying the CFC Workbook generated a desired return on equity (EPC) of 2.02% to maintain our present level of 39.44%. This requires a minimum operating margin of \$425,893.71 per year. Increasing EPC to 40.0% can be achieved in one year with an operating margin of \$672,943. Lowering the desired TIER to 1.75 drops that number to \$597,814.08.

The paying Capital Credits raises the bar on Equity. A 25-year Capital Credit rotation along with a 2.0 TIER, raises the Return on Equity level to 7.57% with 4.12% of that required for Capital Credit rotation. This raises the Operating Margins requirement is \$1,080,835.80. Dropping the TIER to 1.75 lowers the Operating Margins requirement to \$899,373.35.

COVID-19 has disrupted our model. We don't know what that will be until later this year. Operating Margins is the line to watch. Key short-term internal determinants will be Distribution Expense – Operations (affecting utility plant construction levels). External factors include total sales and wholesale power costs. Long term considerations are primarily driven by Philips 66 energization and our rate of return on rate base.

Bottom line: We aren't bad where we are. We got here through high construction primarily financed through Long-term Debt. Our DE ratio is low mainly because 18% of our Total Assets are G&T Patronage Capital. We can do better and we will do better, but to do that we must

balance our goals about plant growth, LSEC capital credit retirements, member rates, and TIER goals.

The 2020 Equity Study

Background

The February 2012 CFC document Considering Equity Management A Distribution Cooperative's Guide to Equity Management Planning defined Equity as simply, *"Equity is money invested in a business by the owners of the business."* This document has not been updated but remains a definitive source of information regarding equity and equity planning as is widely used in this analysis.

It further states, *"Cooperative sources of Equity include:*

- *Membership fees,*
- *Capital Credits, including unclaimed capital credit retirements,*
- *Unallocated operating and non-operating margins and*
- *Donated capital"*

The Return on Equity tells us how much we need to grow Total Margins and Equities (Form 7 Line C36) to match capital need to pay for plant growth, meet our goals for capital credit retirements, and grow equity to meet equity targets.

The purpose of this study is to compare Lane-Scott Electric Cooperative, Inc. equity ratios and establish an Equity Target for planning purposes. To do this we will consider Capital Credit Retirement goals and benchmarks financial ratios.

The REA recommended that we build our equity to 40% with rates sufficient to build reserves and refund capital credits. While each Distribution Cooperative is left to discover their own optimum level of equity it is generally accepted that for an average cooperative, the required return on equity should be higher than the cost of debt. However, for a system with low growth and a long rotation cycle for capital credits the required return on equity may be lower than the cost of debt.

The Goodwin Formula and the Boatman Theorem are widely accepted tools for estimating a cooperatives' return on equity.

- A. The Goodwin Formula calculates the Return on Equity based on maintenance of a constant equity level using growth in total capitalization and a capital credit rotation plan. Basically, it states that if you are planning to retire Capital Credits on a fixed rotation schedule you can calculate your desired Return on Equity using your actual or estimated growth in capitalization. The Goodwin Formula is:

$$\text{Re\%} = \frac{(1+g)^{(n+1)} - (1+g)^n}{(1+g)^n - 1} \times 100$$

- B. The Boatman Theorem states that the difference between the Rate of Return on Equity and the growth in total capitalization equals the percentage of total equity that should be refunded to members. The Boatman Theorem is used to estimate the rate of return on equity for cooperatives that use hybrid retirement methods such as a percentage or dollar amount to the immediately past year and the balance to previous allocations.

Financial Ratios help us identify trends in equity levels based on various criteria. The most widely used are:

- C. Equity Level as a Percentage of Assets (EPA). There are only two sources of funds available to us: Rates and Loans. This measures how much of your plant your members have financed compared to how much you have borrowed. **A high number indicates more member contribution through rates while a low number indicates more borrowed funds.** This is the “Standard” Equity Ratio for RUS (and in turn CFC) documents. EPA can be calculated as:

$$\frac{\text{Margins and Equities (C36)}}{\text{Total Assets (C29)}}$$

Therefore, to increase EPA, you must increase Margins and Equities or decrease Total Assets. Increasing margins requires increasing rates or decreasing expenses. Decreasing Total Assets can be slowly accomplished by decreasing cash (but not through Capital Credits payments which reduce Equity) or decreasing warehouse inventory. The most effective way to increase EPA is to increase Total Assets at a rate that is faster than the increase in Total Assets.

- D. Equity Level as a Percentage of Capitalization (EPC). This ratio is like the ratio above except it does not include current assets and liabilities. **Removing current influences makes it a better measure of long-term growth and is widely used as the basis for most equity management models and plans.** It is typically 4 to 6.5 percent higher than Equity as a % of Assets. EPC can be calculated as:

$$\frac{\text{Margins and Equities (C36)}}{\text{Total Long-Term Debt (C43)}}$$

Therefore, to increase EPC, you must increase Margins and Equities or decrease Total LT Debt. Increasing margins requires increasing rates or decreasing expenses. Decreasing Total LT Debt simply requires paying off Debt or increasing Cushion of Credit balances. Again, the best approach to increasing EPC is to increase Margins and Equities at a rate faster than Long-Term Debt.

- E. Distribution Equity (DE). This ratio identifies **the portion of the members equity that comes from cash that the system has generated from member rates**. This is sometimes called Modified Equity. This ratio is best used to evaluate the impact of G&T rates. It is typically 5 to 6 percent below Equity as a % of Assets. DE can be calculated as:

$$\frac{\text{Margins and Equities (C36)} - \text{Patronage Capital (C8)}}{\text{Total Assets (C29)} - \text{Patronage Capital (C8)}}$$

Increasing DE requires the same standards as EPA with the additional of the impact of Patronage Capital from investments in associated organizations. The easiest way to increase DE is to get the G&T to pay their capital credits.

Methodology

First, we will take a good, objective look at the Lane-Scott Electric Cooperative general and equity positions according to the latest (2018) CFC KTRA. These can be compared to several benchmarking criteria, so I have extracted the following to determine our relationship to the median:

- A. All Kansas electric cooperatives including the largest to the smallest (median KS),
- B. National electric cooperatives that are comparable to our consumer size (median consumer size), and
- C. All distribution cooperatives within the Sunflower Group (median SEPC).

Next Lane-Scott Electric Cooperative ratios (current) were calculated using standard formulas from the REA, RUS, and CFC. These ratios are the basis for the study. Comparative ratios are extracted from the 2018 CFC Key trend Ratio Analysis (06/27/2019) Report from CFC.

Finally, CFC has provided an Equity Management Workbook that integrates the Boatman Theorem and the Goodwin Formula to calculates margin requirements and Rate of return on Equity. This requires input of our current equity and LT Debt and is based on our data and goals. The CFC Workbook will be used for these calculations.

Assumptions

- A. Equity. LSEC Board Policy 113 Capital Credits, F. General Capital Credit Retirements, item 2) states:

retiring some capital credits each year, provided the financial condition will not be impaired thereby with the goal of working toward and maintaining an equity level of 40%;

While this Policy does not dictate a 40% equity level, the 40% equity level (Equity as a Percent of Capitalization) is assumed to be the goal of the Cooperative for these purposes.

- B. Years to reach Target Equity. A range of 5 to 15 years is used.
- C. TIER. A goal of 2.0 is assumed, but a range of 1.75-2.0 is used for Equity calculations.
- D. Capital Credits. The Average Capital Credits Retirements as a Percent of Equity is assumed to be 2.0%. This is baseline number produces an annual retirement of about \$130,000.00 per year for LSEC. The Capital Credit Retirement cycle is assumed to be 25 years.
- E. TUP Growth. Total Utility Plant has grown at an average of 4.4% per year from 2015-2019. This included many Construction Work Plan projects that have been completed in 2020. For the purposes of this study, we will assume a post COVID-19 annual TUP (\$s) growth at 2% per year (\$1,138,539 per year).
- F. Capital. Total Capital has grown at 4.2% per year from 2015-2019 and is directly linked to the growth in TUP through the growth in LT debt. Therefore, we will also assume a 2.0% per year growth rate.
- G. Current LT Debt. Debt is estimated using the year end Form 7 Total Long-Term Debt (Line C43) plus \$4,500,000 of additional debt for 2020. The FFB Loan W8 ends in August and we will not be ready to process another Construction Work Plan Laon package until early 2022.
- H. Current Equity. We will use Margins and Equity, Line C36 from the Form 7. March 2020 was \$21,083,232.

Ratio Analysis.

An analysis of Equity Ratios is completed annually in the End of Year Reports. The year to date number is also included in this tracking and updated monthly. The figures for Lane-Scott Electric Cooperative are:

year	Equity		
	% of Assets	Distribution	Capitalization
2008	25.64	25.37	39.97
2009	25.19	24.92	41.20
10 year 2010	21.09	20.77	38.10
2011	22.11	21.79	28.23
2012	23.81	23.47	30.79
2013	21.50	21.28	23.33
2014	26.50	12.64	28.22
5 year 2015	29.71	15.21	31.64
2016	31.60	16.25	33.54
2017	34.43	18.87	36.66
2018	36.81	21.84	39.36
2019	36.46	21.94	38.80
YTD 2020	37.02	23.10	39.44
10 year average:	28.85	20.17	34.11
5 year average:	33.80	18.82	36.00

These ratios show Equity is growing in all three metrics. Equity (EPA and EPC) is close to, but below the 40% desired level and the expected 4 to 6.5% spread is only 2.42%. Also, Distribution Equity is 13.92% below EPA. This is over twice the 5 to 6% expected.

To get a better understanding, we need to go back to the latest CFC KTRA remembering that it is based on year-end 2018 data.

Key Trend Ratio Analysis - 2018

	actual LSEC	median KS	median consumer size	median SEPC
1 Average total consumers served	5,852	7,028	5,112	18,136
2 Total kWh Sold	154,635	131,653	112,458	679,419
3 Total Utility Plant	52,475	53,100	41,437	163,843
5 Total miles of line	2,042	2,494	1,706	4,049
4 Number of Employees	22.00	30.00	21.00	71.00
6 TIER	2.11	2.42	2.81	2.69
16 Equity as a percent of assets	36.81	43.72	45.87	38.44
17 Distribution Equity	21.84	35.92	38.53	25.53
18 Equity as a percent of total capitalization	39.36	47.60	50.28	41.75
19 LT Debt as a percent of total assets	56.72	48.72	45.61	52.56
21 LT Debt per consumer (\$)	5,020	3,680	3,217	4,468
24 Annual CapCredits Retired per TL Equity	0.12	2.03	2.81	1.85
27 Rate of Return on Equity	7.04	6.30	6.57	7.42
28 Rate of Return on Total Capitalization	5.27	5.02	5.32	5.83
33 TL Operating Revenue / kWh	115.13	139.10	118.58	107.34

As you can see from the shaded areas in the table above, we are most like the median Kansas electric coop related to energy sales and plant; we more closely resembles the median coop of our size in member and employee count; and we are closer to the Sunflower power group median related to equity and debt. This would indicate similar goals and management styles within the Sunflower group.

The LSEC and SEPC 2018 Equity as a Percent of Capitalization (Ratio 18) is 2.3% to 3.55% higher than Equity as a Percent of Assets (Ratio 16). This is below the 4 to 6.5% average spread and would indicate that the Cooperatives have financed more Total Utility Plant than the average electric cooperative. This is generally the case when a cooperative has strived to keep rates low and financed plant from lenders rather than from members. It is also typical of systems with low growth or density and are therefore unable to raise the excess capital from members to build required plant. Ratio 19 Long Term Debt as a Percent of Total Assets seems to confirm this possibility.

This analysis indicates that while LSEC and in general, the SEPC group, has Equity percentage levels that are adequate, but generally below the 40% level.

Looking at Distribution Equity shows a relationship between LSEC and the Sunflower group. A comparison between Ratios shows that the Distribution Equity ratio is about 13 percentage points below EPA for both groups. This lends itself to the assumption that all our Distribution Equity ratios are low primarily due to Sunflower not retiring Capital Credits. Remembering that DE can be calculated as:

$$\frac{\text{Margins and Equities (C36)} - \text{Patronage Capital (C8)}}{\text{Total Assets (C29)} - \text{Patronage Capital (C8)}}$$

Raising Equity comes at a cost. The cost for Equity as a Percent of Assets is raising Margins and Equities faster than raising Total Assets. The cost for Equity as a percent of Capitalization is raising Margins and Equities faster than raising Total Long-Term Debt. Distribution Equity can be improved by improving EPA or holding them stable and pressuring Sunflower, CFC, or the other organization to pay out their allocations to us.

Remember that the three ratios are separate and are intended to be used separately.

- Equity as a Percent of Assets gives you an indication of how your rates are performing.
- Equity as a Percent of Capitalization indicates long term growth and is used in equity forecasting models.
- Distribution Equity is very similar to EPA but magnifies it by removing the non-cash asset of capital credits that have been allocated to us but not paid.

The combination of EPA and DE tell us that while our rates are currently adequate, we do not have the buffer of depending on G&T Capital Credits to raise funds for plant construction. That means that we must keep a sharp eye on our rate of return on rate base.

Equity as a Percent of Capitalization tells us that we may have financed more plant from LT Debt than is average. This could be a result of debt from the Aquila purchase or from the last work plan but the 2018 figure of 36.39% and the current figure of 39.44 are respectable. Moving forward this number will decrease as we make our final draw on FFB Loan W8 (increasing Debt) and will increase as we limit new plant construction and pay for it from our rate of return on rate base.

Equity Management and Return on Equity

Using the CFC Equity Management Workbook and our previous assumptions, we can establish our baseline Equity Management model:

Current Equity	\$21,083,847	Total Current Capitalization	\$53,462,004
Current LT Debt	\$32,378,157	Equity %	39.44%

Return on Equity Calculation

Growth Rate	2.00%	Return on Equity	2.02%
CC Retirement Cycle	0	Return for growth	2.00%
CC Retirement %	0.02%	Return for rotation	0.02%

Required TIER	1.39	Return Required	
Amount of Debt			Margin Requirement
\$32,378,157.00	1.32%		\$425,893.71
Amount of Equity			
\$21,083,847.00	2.02%		\$425,893.71

Our current equity as a Percent of capitalization is 39.44% and our retirement percentage is 0.02% of Total Margins and Equities. Therefore, our desired return on capital is 2.02% (enough to cover growth and Capital Credit rotation of 0.02%). Meeting this has a margin requirement of \$425,8893.71 per year. Our 5-year average Operating Margins figure is \$647,867 and we can drop our TIER requirement to 1.39 and meet these criteria.

Raising Equity to 40% while holding a TIER of 2.0 increases the Margin Requirement to \$672,943.00. It would require an additional 1.46% return on capital while holding all else equal:

Return on Equity Required to Meet Equity Target Objectives

Step 2	Existing Equity	39.44%	Return on Equity	3.48%	Detail
	Target Equity	40.00%			
	Years to Make Target	1.00			
			Return for growth	2.00%	
			Return for rotation	0.02%	
			Return for change	1.46%	

Required TIER	2.00	Return Required	
	Amount of Debt		Margin Requirement
	\$20,147,994.04	3.34%	\$672,943.00
	Amount of Equity		
	\$33,314,009.96	2.02%	\$672,943.00

Dropping the TIER to 1.75 lowers margin requirement to \$597,841.08:

Required TIER	1.75	Return Required	
	Amount of Debt		Margin Requirement
	\$23,865,911.18	2.51%	\$597,841.08
	Amount of Equity		
	\$29,596,092.82	2.02%	\$597,841.08

Adding Capital Credit payouts changes the equation. Assuming a 25-year capital credit rotation with a 2.0 TIER increases the margin requirement to \$1,080,835:

Required TIER	2.00	Return Required	
	Amount of Debt		Margin Requirement
	\$32,360,353.30	3.34%	\$1,080,835.80
	Amount of Equity		
	\$21,101,650.70	5.12%	\$1,080,835.80

Lowering the TIER to 1.75 drops the margin requirement to \$899,373.35:

Required TIER	1.75	Return Required	
	Amount of Debt		Margin Requirement
	\$35,903,127.61	2.51%	\$899,373.35
	Amount of Equity		
	\$17,558,876.39	5.12%	\$899,373.35

Conclusion

Equity is essential to pay for plant growth, meeting TIER requirements, and capital credit retirements. Examining the three key Equity Ratios of Lane-Scott Electric Cooperative, Inc. against industry benchmark data shows that LSEC is slightly below the median values of the Sunflower member-owners. Distribution Equity is similar and all SEPC Owners reflect a similarly low DE level when compared to other electric cooperatives.

Increasing Equity Ratios is possible but is limited by TIER requirements and capital credit payment plans. The extend to the increase is determined by Margins and Equities level the Board desires. For example:

Our 5-year average Operating Margins figure is \$647,867. This means that a 40% Equity as a Percent of Capitalization is within our grasp. Paying Capital Credits on a 25-year rotation will require dropping TIER requirement to 1.75 and raising an additional \$251,506 on operating margins. This is an increase of 38.8% in Operating Margins.

Bottom Line: We aren't bad where we are. We got here through high construction primarily financed through Long-term Debt. Our DE ratio is low mainly because 18% of our Total Assets are G&T Patronage Capital. We can do better and we will do better, but to do that we must balance our goals about plant growth, LSEC capital credit retirements, member rates, and TIER goals.

Appendix A – Lane-Scott Electric Cooperative, Inc. March 2020 Form 7 (2019) Part C. Balance Sheet.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			KS0042		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED March 2020		
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	11	17	5. Miles Transmission		
2. Services Retired	2	15	6. Miles Distribution – Overhead	2,035.31	2,036.59
3. Total Services in Place	6,032	6,039	7. Miles Distribution - Underground	7.15	7.53
4. Idle Services (Exclude Seasonals)	183	235	8. Total Miles Energized (5 + 6 + 7)	2,042.46	2,044.12
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	57,132,481		30. Memberships	0	
2. Construction Work in Progress	144,343		31. Patronage Capital	20,702,656	
3. Total Utility Plant (1 + 2)	57,276,824		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	16,956,779		33. Operating Margins - Current Year	171,782	
5. Net Utility Plant (3 - 4)	40,320,045		34. Non-Operating Margins	70,258	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	139,151	
7. Investments in Subsidiary Companies	243,578		36. Total Margins & Equities (30 thru 35)	21,083,847	
8. Invest. in Assoc. Org. - Patronage Capital	10,309,266		37. Long-Term Debt - RUS (Net)	0	
9. Invest. in Assoc. Org. - Other - General Funds	(4,323)		38. Long-Term Debt - FFB - RUS Guaranteed	30,085,232	
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)	6,208,369	
12. Other Investments	5,501		41. Long-Term Debt - RUS - Econ. Devel. (Net)	150,400	
13. Special Funds	0		42. Payments - Unapplied	4,065,844	
14. Total Other Property & Investments (6 thru 13)	10,775,980		43. Total Long-Term Debt (37 thru 41 - 42)	32,378,157	
15. Cash - General Funds	252,204		44. Obligations Under Capital Leases - Noncurrent	247,040	
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)	247,040	
18. Temporary Investments	2,967,077		47. Notes Payable	0	
19. Notes Receivable (Net)	0		48. Accounts Payable	926,059	
20. Accounts Receivable - Sales of Energy (Net)	1,312,915		49. Consumers Deposits	120,542	
21. Accounts Receivable - Other (Net)	131,968		50. Current Maturities Long-Term Debt	1,235,511	
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development	0	
23. Materials and Supplies - Electric & Other	302,118		52. Current Maturities Capital Leases	116,703	
24. Prepayments	154,744		53. Other Current and Accrued Liabilities	847,743	
25. Other Current and Accrued Assets	9,035		54. Total Current & Accrued Liabilities (47 thru 53)	3,246,558	
26. Total Current and Accrued Assets (15 thru 25)	5,130,186		55. Regulatory Liabilities	0	
27. Regulatory Assets	0		56. Other Deferred Credits	0	
28. Other Deferred Debits	729,391		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	56,955,602	
29. Total Assets and Other Debits (5+14+26 thru 28)	56,955,602				

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

SAFETY MEETING

April 28, 2020

Chris Terhune called the meeting to order at 9:00 am.

Minutes were read: Leighton Ayers made a motion to approve the March minutes and Chad Rupp seconded. March 17th safety meeting minutes were read and approved as printed.

Present: Richard McLeon, Nate Burns, David Howard, Kasey Jenkinson, Ben Mann, Dal Hawkinson, Chad Rupp, Chris Terhune, Myron Seib, Kevin Bradstreet, Leighton Ayers, Dellon Shelton, Dee Shull, Michael Pollock, Mark McCulloch, Kathy Lewis, Carrie Borell, Rebecca Campbell, Ann Marie Jennings, and Diana Kuhlman

Absent: Larry Kraft, Kalo Mann

Truck report of inspections:

105	Richard McLeon	N/A
110	Myron Seib	OK
112	Leighton Ayers	OK
117	David Howard	OK
123	Mark McCulloch	OK
124	Michael Pollock	Replaced outdated antibiotic treatment.
132	Chris Terhune	OK
135	Kevin Bradstreet	OK
136	Dellon Shelton	Shop
143	Mark McCulloch	OK
144	Michael Pollock	OK
145	Nate Burns	OK
150	Kasey Jenkinson	OK
155	Ben Mann	OK
173	Chad Rupp	OK
174	Dal Hawkinson	OK
191	Myron Seib	OK
193	Myron Seib	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	Chris Terhune	OK
505	Chris Terhune	No right brake light
508	Chris Terhune	Flat tire
509	Chris Terhune	OK
513	Chris Terhune	OK
516	Chris Terhune	OK
700	Chris Terhune	OK
701	Chris Terhune	OK
512	Dee Shull	OK
514	Dee Shull	Needs battery charged.

Warehouse, building, and pole yard inspections:

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

Personal Tools: All Passed

Gloves Monthly Test Results: 50, 91 rejected for snag and voltage. Chris Terhune reported those gloves have not been replaced. Dee Shull showed they were on backorder for those sizes. Protective Equipment will be contacted to speed up a replacement set.

Sleeves Quarterly Test Results: All Passed

Substation and Regulator Report: Ben Mann reported the substations have been sprayed.

PCB Report: None to report

Line Clearance: E R Redburn, Ness City, McCracken, Bazine, Alexander, and S Pawnee V Phase.

Accident and Near Misses: Myron Seib reported a trucker hit a light pole at the Alexander rest area and knocked it down on the highway. A car hit the pole and driver was hospitalized. Rest area is state owned. Chris Terhune reported a near miss loading a leaky transformer into containment tank. The straps slipped to the back and came loose almost hitting windshield. Loading process amended?

Old Business:

- ◆ Dellon Shelton reports he still has not received his First Aid/CPR card.
- ◆ Richard McLeon discussed COVID-19 update of extending disconnects to May 15 to match KCC rules. Stay at home executive order is scheduled to be lifted May 3rd with continued restrictions until May 30. Gathering sizes are a maximum of 10 individuals. Employees will be coming back to work May 4th. Front lobby doors will remain closed till May 15. Resale and lineman may work with discretion of their safety on residential projects. City contract will expire April 30, 2020 and Lane-Scott will no longer have an O&M contract with the City of Dighton.

New Business:

- ◆ Richard McLeon discussed our financials and projects to be worked into existing work plan loan.
- ◆ Nate Burns reported the Twin Springs work orders are closed. Updated clearance of rejected poles from Brownell to McCracken.
- ◆ KEC cancelled their safety program because of the COVID-19 travel restrictions. KEC created videos of the agenda safety topics. Watched safety video on dog bite prevention and cooperative security.
- ◆ Reviewed Lane-Scott cooperative security processes when the Dollar General robbery occurred and possible improvements. Kathy Lewis suggested inquiring if there is a local emergency notification process. Chad Rupp advised to contact Lane County Emergency Management and sign up for notifications. Carrie Borell will see what it will take to sign up Lane-Scott. Chris Terhune suggested notifying Ness City Outpost even if it isn't in Ness City so they will know the situation at the Dighton Office and also in case it may affect Ness City office for example the Dollar General robbery chase through Ness City.
- ◆ Reviewed safety summary.

Meeting adjourned

Chris Terhune
Safety Coordinator

Carrie Borell
Safety Secretary

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

SAFETY MEETING

May 20, 2020

Chris Terhune called the meeting to order at 9:30 am.

Minutes were read: Leighton Ayers made a motion to approve the March minutes and Michael Pollock seconded. April 28th safety meeting minutes were read and approved as printed.

Present: Nate Burns, Ben Mann, Dal Hawkinson, Chad Rupp, Chris Terhune, Myron Seib, Kevin Bradstreet, Leighton Ayers, Dellon Shelton, Kalo Mann, Michael Pollock, Mark McCulloch, Kathy Lewis, Carrie Borell, Rebecca Campbell, Ann Marie Jennings, and Diana Kuhlman

Absent: Richard McLeon, David Howard, Kasey Jenkinson, Dee Shull, and Larry Kraft

Truck report of inspections:

105	Richard McLeon	N/A
110	Myron Seib	OK
112	Leighton Ayers	OK
117	Dellon Shelton	OK
123	Mark McCulloch	OK
124	Michael Pollock	OK
132	Chris Terhune	OK
135	Kevin Bradstreet	OK
136	Dellon Shelton	OK
143	Mark McCulloch	OK
144	Kalo Mann	OK
145	Nate Burns	OK
150	Leighton Ayers	OK
155	Ben Mann	Sold
173	Chad Rupp	OK
174	Dal Hawkinson	OK
191	Myron Seib	OK
193	Myron Seib	OK
200	Ben Mann	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	Chris Terhune	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
512	Dee Shull	OK
514	Dee Shull	OK

Warehouse, building, and pole yard inspections:

Ness City Warehouse	Myron Seib	OK
Ness Pole Yard & Transformer Dock	Myron Seib	OK
Warehouse	Chris Terhune, Leighton Ayers, Dellon Shelton	OK
Pole Yard & Transformer Dock	Chris Terhune, Leighton Ayers, Dellon Shelton	OK

Personal Tools: All Passed

Gloves Monthly Test Results: May reports will be reviewed at June meeting.

Substation and Regulator Report: Nothing to report at this time.

PCB Report: None to report.

Line Clearance: McNair Irrigation, Ness City, and Bazine.

Accident and Near Misses: Myron Seib reported a secondary pole was hit and changed out in McCracken.

Old Business:

- ◆ Dellon Shelton received his First Aid/CPR card.
- ◆ Carrie Borell contacted Lane County Emergency Management and signed Lane-Scott up for the Code Red local notifications. Discussed mobile application sign up if anyone is interested in receiving these alerts on their devices. Reported COVID-19 stage 1.5 is to be implemented Friday, May 22.

New Business:

- ◆ Chris Terhune discussed The Big Green Box program Richard McLeon got for Lane-Scott to recycle used batteries. Tyndale FR clothing price increases and working on quotes from Lutzco and Border States FR vendor options.
- ◆ Carrie Borell reported Slate Rock FR clothing vendor will be an invoice method now and employees no longer need to use their personal credit card. Employee responsibility to monitor expenses. Any amounts over the FR clothing allowance will be billed to the employee. Individual employees working during lunch hours are being reviewed to have two employees or more and door security options. Discussed new KnowBe4 cybersecurity education training program.
- ◆ Watched KEC heat stress safety video.
- ◆ Reviewed safety summary.

Meeting adjourned

Chris Terhune
Safety Coordinator

Carrie Borell
Safety Secretary

2020-Line 25 - Non-Operating Margins

		January	February	March	April	May	June	July	August	September	October	November	December	TOTAL	
Rev.-Electrician & Mat.	415.1	\$15,472.59	\$30,072.11	\$22,131.12	\$16,256.87									\$83,932.69	415.1
Exp.-Electrician & Mat.	416.1	\$25,241.80	\$31,472.18	\$26,525.09	\$19,061.30									\$102,300.37	416.1
		(\$9,769.21)	(\$1,400.07)	(\$4,393.97)	(\$2,804.43)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$18,367.68)	
Rev.-Appliance Repair	415.2	\$11,413.72	\$6,562.93	\$14,607.11	\$6,185.77									\$38,769.53	415.2
Exp.-Appliance Repair	416.2	\$13,809.81	\$13,167.26	\$18,849.37	\$10,369.45									\$56,195.89	416.2
		(\$2,396.09)	(\$6,604.33)	(\$4,242.26)	(\$4,183.68)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$17,426.36)	
Rev.-Member Damages	415.3	\$1,641.57	\$0.00	\$0.00	\$0.00									\$1,641.57	415.3
Exp.-Member Damages	416.3	\$1,785.22	\$0.00	\$0.00	\$1,424.56									\$3,209.78	416.3
		(\$143.65)	\$0.00	\$0.00	(\$1,424.56)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,568.21)	
Finance Charges	415.5	\$213.65	\$215.01	\$127.41	\$67.63									\$623.70	415.5
MARGIN-Resale		(\$12,095.30)	(\$7,789.39)	(\$8,508.82)	(\$8,345.04)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$36,738.55)	
2010-2019 (less 2013) avg:		(\$6,716.41)	(\$1,979.83)	(\$394.96)	(\$2,093.74)	\$1,375.71	\$8,307.97	(\$5,201.07)	\$2,708.80	\$1,250.54	\$3,217.63	(\$1,997.01)	(\$4,867.14)	(\$6,389.52)	
Rev.-City of Dighton	417.0	\$12,437.50	\$12,437.50	\$12,437.50	\$12,437.50									\$49,750.00	417.0
Exp.-Sup. & Engineering	417.1	\$935.28	\$621.24	\$1,445.09	\$1,932.46									\$4,934.07	417.1
Exp.-Material	417.11	\$0.00	\$0.00	\$0.00	\$0.00									\$0.00	417.11
Exp.-Overhead Lines	417.2	\$4,111.99	\$2,515.62	\$2,590.92	\$3,796.54									\$13,015.07	417.2
Exp.-Cons. Accts.	417.3	\$894.56	\$1,039.11	\$58.08	\$341.90									\$2,333.65	417.3
Exp.-Line Patrol	417.4	\$0.00	\$0.00	\$0.00	\$0.00									\$0.00	417.4
Exp.-Street Lights	417.5	\$1,717.99	\$299.41	\$1,767.97	\$845.40									\$4,630.77	417.5
Exp.-Meter Reading	417.6	\$810.02	\$934.38	\$732.35	\$838.67									\$3,315.42	417.6
Exp.-Tree Trimming	417.7	\$0.00	\$0.00	\$0.00	\$0.00									\$0.00	417.7
Exp.-Trans. & Meters	417.8	\$0.00	\$72.66	\$1,496.82	\$321.61									\$1,891.09	417.8
Exp.-Misc.	417.9	\$115.54	\$614.97	\$150.55	\$0.00									\$881.06	417.9
Exp.-Contract	417.12	\$0.00	\$0.00	\$0.00	\$0.00									\$0.00	417.12
Total Expenses		\$8,585.38	\$6,097.39	\$8,241.78	\$8,076.58	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,001.13	
MARGIN-City		\$3,852.12	\$6,340.11	\$4,195.72	\$4,360.92	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18,748.87	
Misc. Income	421.0	\$0.00	\$0.00	\$0.00	\$0.00									\$0.00	421.0
Gain on Disposal	421.1	\$0.00	\$356.00	\$0.00	\$0.00									\$356.00	421.1
Loss on Disposal	421.2	\$0.00	\$152.00	(\$686.21)	\$0.00									(\$534.21)	421.2
NET NON-OP MARGIN		(\$8,243.18)	(\$941.28)	(\$4,999.31)	(\$3,984.12)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$18,167.89)	

*HVAC hours worked on Lane-Scott property & distribution system that is not billed to customers

*Electrician hours worked on Lane-Scott property and distribution system that is not billed to customers

Current Month			YTD Total		
Hours	Rate	Total	Hours	Rate	Total
88.5	\$ 85.00	\$ 7,522.50	198.5	\$ 85.00	\$ 16,872.50
236.5	\$ 85.00	\$ 20,102.50	461.5	\$ 85.00	\$ 39,227.50
		\$ 27,625.00			\$ 56,100.00

Billable Hours							
		<u>Mike Pollock</u>	<u>Mike Pollock</u>	<u>Kalo Mann</u>	<u>Kalo Mann</u>	<u>Mark Mc</u>	<u>Mark Mc</u>
<u>Date</u>	<u>Day</u>	<u>416 Billed</u>	<u>416 Charged</u>	<u>416 Billed</u>	<u>416 Charged</u>	<u>416 Billed</u>	<u>416 Charged</u>
April-20	1			1	1	2	8
April-20	2			0	0	1	1
April-20	3			7	8	7	8
April-20	6			4.5	8	3.5	5
April-20	7			3.5	8	1	3
April-20	8			4	5	4	5
April-20	9			1	1	2	3
April-20	10			2	2	1	1
April-20	13			0	7	3	4
April-20	14			3	3.5	4	5
April-20	15			4	8	4	4
April-20	16			1	6	1	1
April-20	17			1.5	2.5	2	2
April-20	20	5	6	4	6	1	1
April-20	21	1	1			4	5
April-20	22	4	4			3	4
April-20	23	3	3			4	6
April-20	24	5.5	6.5			6	8
April-20	27	7	8			4	4
April-20	28	4	4			5	6
April-20	29	6	8			4	6
April-20	30	3.5	4.5			3	6
TOTAL		39	45	36 1/2	66	69 1/2	96
Total 416 Billed		145					
Total 416 Charged		207					

LANE-SCOTT ELECTRIC
RESALE OPEN BALANCE (60-90 days)
as of 05/27/2020

NAME	CURRENT AMOUNT DUE	ACTION TAKEN	LAST PAID
Black Dog Restaurant	\$ 1,977.84	Payments	\$ 150.00
Vernon McBee	\$ 342.40	Payments	\$ 337.50
Billy Pierce	\$ 621.42		
Rising Star Trust	\$ -	Paid	\$ 1,006.38
Craig Doris	\$ 36.98		
Stephen Riffle	\$ 316.97	Payments	\$ 50.00
.	\$ 3,295.61		\$ 1,543.88

YMENT
12-May
1-May
20-May
26-May

Operations Report

May 2020

Not often I get to report on an entire month of favorable weather. I don't know what Mother Nature has in store for us this Spring and Summer, but she has been kind so far. The mild weather has allowed us to keep focused on pole change outs and clearance improvement projects. We now have all rejected poles changed out. We are getting more feedback from the members on clearance projects. Some of them are easily mitigated with a pole or two. Others have needed longer sections of "original" construction to be updated. A great deal of our "original" lines were constructed with 30ft poles and very long spans. This worked great when the farm equipment was smaller. We all know the equipment is much larger than before, and we are finding producers are changing where they enter and exit their fields as well. We are currently working on a section of line East of Shallow Water in Scott County. This 2 mile stretch of line that serves a significant amount of residences, farmsteads, Poky Lamb, and Beef Belt Feeders had numerous issues. Although several poles had been changed out over the years, 90% of the line was still 30ft poles with 305-320ft spans. We also found that 18 different spans had splices in the neutral wire, some had been spliced a few times. Splicing the Neutral on a loaded single-phase line is "Hot" work. Even though the Neutral is not energized it does carry the return current back to the source and will put the Lineman in series with this current while the splice is being made. Losing this return path is a power quality issue for members downline from the break as well. Even though this stretch of line hasn't been reported to us as an issue by the members, it was definitely in need of attention. This project will increase safety for our members and our crews, and improve power quality down the line.

If you have any questions, feel free to call or drop by anytime.

Nate Burns

Manager of Operations

OUTAGE STATISTICS April 2020

CATEGORY	OCCURRENCES			TOTAL OUTAGE HRS.			# of Meters
	14.4 KVA	7.6 KVA	Total	14.4 KVA	7.6 KVA	Total	
PHASE FLOATER	1	1	2	1.5	32	34	19
BIRDS & ANIMALS			0			0	
TREES			0			0	
LIGHTNING\RAIN\WIND			0			0	
ICE & WIND			0			0	
SNOW & WIND			0			0	
OCR OR FUSE FAILURE	1		1	38		38	19
TRANSFORMER FAILURE			0			0	
BROKEN JUMPER			0			0	
PEOPLE CAUSED			0			0	
BROKEN POLE			0			0	
POWER SUPPLY			0			0	
SCHEDULED			0			0	
UNKNOWN			0			0	
TOTALS	2	1	3	40	32	72	38

ANNUAL CONSUMER OUTAGE HOURS

TOTALS	2013	2014	2015	2016	2017	2018
	22,012	27,418	13,498	19,195	39,638	16,319
	2019	2020				
	25,081	1,821				

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Transformer Losses 1995-2020

[illegible]

<i>Date</i>	<i>Reason for trip</i>	<i>destination</i>	<i>odometer</i>		<i>total mileage</i>
			<i>beginning</i>	<i>end</i>	
1-Apr	Begin		41,322		-
					-
					-
					-
					-
					-
					-
					-
	month end			41,328	-
Business					-

Total 6

Personal 6

IT/COMPLIANCE DEPARTMENT

CYBERSECURITY/IT PROJECTS COMPLETED AS OF MAY 2020

1. KnowBe4 Cyber Academy cybersecurity awareness training program for employees was implemented. Created a general awareness training online campaign, created a simulated phishing email. Employee handout on training information and guidelines. Created a PowerPoint for safety meeting program. Created Information Cybersecurity Security Awareness and Training policy and procedure for operation objectives and processes. Installed an Outlook Phish Alert icon application for employees to report suspicious emails. This will remove the suspicious email from the employee's email account and forward to IT/Compliance for review.
2. Attended NISC iVue System Administrator three-day WebEx training. This was on iVue securities, troubleshooting issues, and managing iVue modules. Set up Xymon administrator log in for iVue data and reporting to assist troubleshooting iVue issues.
3. NRECA RC3 Online Self-Assessment Webinar cybersecurity training series. Series two was on securities, company involvement, creating baselines, goals, and RC3 education guidebook review. Reviewed Axio NRECA Online Self-Assessment module programming and general assessment guidelines.
4. Kansas Cybersecurity Task Force Webinar to discuss COVID-19 processes that were implemented, improvements suggested, and best security practices for remote work.

CYBERSECURITY/IT PROJECTS IN PROGRESS AS OF MAY 2020

1. Manage Engine Desktop Central console programming and gradual distribution among devices for beta testing.
2. Working with NRECA to resolve new website administrator access and login issues.

SAFETY PROGRAM

SAFETY PROJECTS COMPLETED AS OF MAY 2020

1. Chris Terhune purchased FR rated face mask for lineman and Mark McCulloch purchased face mask for situations where interaction cannot be prevented from maintaining the 6-foot guidelines.
2. Carrie Borell and Richard McLeon discussed new KnowBe4 cybersecurity employee awareness training program, cyber security goals, and training process.
3. Carrie Borell set up Lane County Emergency Management Code Red Alert notification to Lane-Scott for local emergency awareness to improve risk mitigation.
4. Created a Kansas One Call distribution email to allow in house employee notification amendments as needed.
5. Chris Terhune reported Tyndale prices continue to increase. Chris and Carrie researched other FR clothing supply vendor options.
6. Safety meeting for April and May minutes are included in packet.

1. Youth Leadership Camp Cancellation: *(See attached recommendation)*
2. Annual Meeting: *(See attached status)*

The fair was officially cancelled due to the recommendation of State and local organization recommendations. We will not have the rides available. I am looking into options for the big tent and picnic tables.
3. Website (Webbuilder 3.0) Update: Carrie and I have been working with Touchstone Energy on the conversion of our 2.0 site to the new 3.0 site. Touchstone was to have it converted the end of March, and as of today (5.26.20) it is not ready due to issues. After we are able to start working on it, there is a lot I will be redesigning.
 - *(Please see "Trustee Website Feedback" attachment)*
4. Member Satisfaction Survey: We decided to postpone the survey until this fall to avoid possible skewed feedback due to the Coronavirus.
5. Posting Covid-19 relief resources & LSEC updates as necessary in the paper, website, and social media.
6. Continue working on the monthly newsletters, social media posts, and web updates.
7. \$500 Continuing Education Scholarships & Youth Tour Winners: Both \$500 scholarship winners & youth tour winners have been contacted with instructions on receiving their scholarship and needed items.