

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF SOUTH)	
KENTUCKY RURAL ELECTRIC COOPERATIVE)	CASE NO.
CORPORATION TO REVISE)	2020-00205
THE PEOPLE FUND TARIFF)	

RESPONSE OF
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

FILED: JULY 31, 2020

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC TARIFF FILING OF SOUTH)
KENTUCKY RURAL ELECTRIC COOPERATIVE) CASE NO.
CORPORATION TO REVISE) 2020-00205
THE PEOPLE FUND TARIFF)

CERTIFICATION

STATE OF KENTUCKY

COUNTY OF PULASKI

Michelle D. Herrman, being duly sworn, states that she has supervised the preparation of the Responses of South Kentucky RECC to the Public Service Commission's Order contained in the above-referenced case dated July 16, 2020, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle D. Herrman
Vice President of Finance & Member Services

Subscribed and sworn before me on the 29th day of July, 2020.

Sharon B. Keith
Notary Public

My Commission Expires Oct 21, 2022.



South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 1
Witness: Michelle Herrman

1. Refer to Attachment 1 to the Commission's Order issued on June 29, 2020 (June 29, 2020 Order).
 - a. Confirm that each of the answers to questions provided by South Kentucky RECC in its June 8, 2020 email to Commission Staff are factually correct, and for each question for which the answer is not correct, identify the question and provide the correct answer.
 - b. Confirm that the articles of incorporation included as part of Attachment 1 are the current articles of incorporation for The People Fund, Inc. (The People Fund), and if South Kentucky RECC is not able to confirm, explain why.
 - c. Confirm that the three-page list showing the year, program, amount and purpose of distributions accurately reflects all charitable distributions by The People Fund in the years 2015, 2016, 2017, 2018, and 2019, and if South Kentucky RECC is not able to confirm, explain why.

Response:

- a. Confirmed. The answers to the questions provided by South Kentucky RECC in our June 8, 2020 email are factually correct.
- b. Confirmed. Attachment 1 contained the current By-Laws of The People Fund, Inc. We are including a copy of the Articles of Incorporation as filed on 11/06/2003 as Attachment 1 to this response.
- c. Confirmed. The three-page list showing the year, program, amount and purpose of distributions accurately reflects all charitable distributions by The People Fund in the years 2015, 2016, 2017, 2018, and 2019.

0571636.09

John Y. Brown III
Secretary of State
Received and Filed
11/06/2003 10:24:59 AM
Fee Receipt: \$8.00

ARTICLES OF INCORPORATION
OF
THE PEOPLE FUND, INC.

The undersigned, Carol Wright, a natural person over the age of eighteen (18) years, hereby certifies the following the for purpose of forming a non-profit corporation under and by virtue of KRS Chapter 273:

ARTICLE I
NAME

The name of the corporation shall be The People Fund, Inc.

ARTICLE II
PURPOSE OR PURPOSES

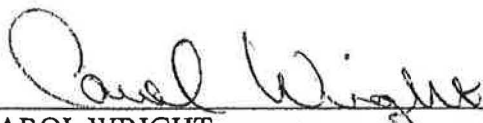
The purpose for which this non-profit corporation is formed is:

- a. The organization is organized exclusively for charitable, religious, educational, and/or scientific purposes under Section 501(c)(3) of the Internal Revenue Code.
- b. No part of the net earnings of the organization shall inure to the benefit of, or be distributable to, its members, trustees, officers or other private persons, except that the organization shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in the purpose clause hereof. No substantial part of the activities of the organization shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the organization shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this document, the organization shall not carry on any other activities not permitted

ARTICLE VI
INCORPORATOR

The name and address of the incorporator of this corporation is Carol Wright, 925-929 North Main Street, Somerset, Kentucky 42501.

IN WITNESS WHEREOF, witness the signature of the incorporator on this 5th day of November, 2003.



CAROL WRIGHT

STATE OF KENTUCKY

COUNTY OF Russell

Sworn to before me, a Notary Public in and for the state and county aforesaid, and subscribed in my presence by Carol Wright, the incorporator named above, who personally appeared and acknowledged that the same was on his own free act and deed, all on this the 5th day of November, 2003.

My Commission Expires: April 14 2006



NOTARY PUBLIC/KENTUCKY AT LARGE

PREPARED BY:



DARRELL L. SAUNDERS, P.S.C.
ATTORNEY AT LAW
700 MASTER STREET
P.O. BOX 1324
CORBIN, KENTUCKY 40702
TELEPHONE: (606) 523-1370
FAX NUMBER: (606) 523-1372

South Kentucky Rural Electric
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Dated July 16, 2020

Item No. 2
Witness: Michelle Herrman

2. Confirm that The People Fund was administratively dissolved by the Kentucky Secretary of State in 2012, and if South Kentucky RECC is not able to confirm, explain why.

Response:

Confirmed. We have reviewed the Kentucky Secretary of State's Online Services website and acknowledge that The People Fund, Inc. was administratively dissolved on 9/28/2013 for failure to file the 2013 Annual report within 60 days after the June 30, 2013 filing deadline.

South Kentucky Rural Electric
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Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 3
Witness: Michelle Herrman

3. Explain why The People Fund was administratively dissolved in 2012, and explain why it was never reinstated as a Kentucky Corporation.

Response:

As stated in the response to Item No. 2 of these Requests for Information, we have reviewed the Kentucky Secretary of State's Online Services website under The People Fund, Inc., and confirm that the corporation was administratively dissolved on 9/28/2013 for failure to file the 2013 Annual Report within 60 days after the June 30, 2013 filing deadline. In the early months of 2013, the Cooperative experienced many staff changes and the failure to file the 2013 Annual Report was an oversight. Unfortunately, this oversight carried through to subsequent years and was not discovered until Commission staff pointed it out in these Requests for Information. The Cooperative regrets this mistake and on July 23, 2020 completed and submitted the necessary forms to reinstate The People Fund, Inc. A copy of this submission is provided as Attachment to this response.

Organization ID # 0571636
State of origin KY
Filing fee \$220.00

Commonwealth of Kentucky
Michael G. Adams, Secretary of State



Michael G. Adams
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
http://www.sos.ky.gov

Reinstatement Application and
Reinstatement Annual Report
For the years 2013 through 2020

RST

Exact organization name and principal office address

THE PEOPLE FUND, INC.
925-929 NORTH MAIN STREET
SOMERSET KY 42501

The principal office address and registered agent name/office address cannot be changed on this form. When reinstating, you cannot modify the addresses until the reinstatement is filed. Once the reinstatement is filed, the statement of change can be filed online at app.sos.ky.gov/ftsearch or can be downloaded from our website.

Registered Agent and Registered Office Address

JEFF GREER
925-929 NORTH MAIN STREET
SOMERSET, KY 42501

FEIN (Optional)

FEIN input fields

If the above company is included in a parent company's Kentucky tax return as a disregarded entity or a subsidiary, please provide the parent company's information here (optional):
FEIN: _____ Name: _____

Principal Officers - List the name, address and title of all current officers. All organizations must list at least one (1) officer, even in the case of a sole officer. If not specified, officer addresses default to the principal office address. Corporations are required to list a Secretary or other officer serving as records custodian

President	Shana Honeycutt	_____
Secretary	Ashley Hall	_____
Treasurer	Ashley Hall	_____
Vice President	Toni Shadoan	_____

Directors - Non-profit corporations must have at least three (3) directors. All directors of the non-profit must be listed. If Not specified, director addresses default to the principal office address.

Ledford Chitwood	_____
Michelle Herrman	_____
Kevin Helton	_____
Justin Watters	_____
Ricky Fletcher	_____

The above entity was administratively dissolved on September 28, 2013 because the entity did not file its annual report for the year 2013. The undersigned states that the grounds for dissolution either did not exist or have been eliminated, and the entity's name satisfies the requirements of KRS 273.3181. Enclosed is a check in the amount of \$220.00, payable to Kentucky State Treasurer.

Under penalty of perjury, the below signed hereby authorizes the Kentucky Department of Revenue to release any applicable tax information pertaining to THE PEOPLE FUND, INC. to the Secretary of State, as required for reinstatement pursuant to KRS 271B.14-220.

If not an officer of said entity, please provide a Declaration of Power of Attorney with the Reinstatement Application.

Shana Honeycutt
Signature of officer Or chairman of the board (Required)

President

7-23-20

Date (Required)

1442
73-485/421

THE PEOPLE FUND, INC.
P.O. BOX 910
SOMERSET, KY 42502

7/22/20 Date

Pay to the Order of Michael G Adams Secretary of State KY \$ 220.00
two hundred & twenty Dollars

Cumberland SECURITY BANK
Somerset, Kentucky 42502
www.csbweb.com

For Ashley Hall / Ledford Chitwood

Commonwealth of Kentucky
Michael G. Adams, Secretary of State

0571636

<p>Michael G. Adams Secretary of State P. O. Box 718 Frankfort, KY 40602-0718 (502) 564-3490 http://www.sos.ky.gov</p>	<p>Statement of Change of Registered Office, Registered Agent, or Both</p>	<p>RAC</p>
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JEFF GREER
925-929 NORTH MAIN STREET
SOMERSET, KY 42501

Pursuant to the provisions of KRS chapters 271B, 273, 275, or 362, the undersigned hereby applies to change the registered office, registered agent, or both on behalf of

THE PEOPLE FUND, INC.

which is organized in the state of Kentucky, and for that purpose submits the following statements:

1. Name of current registered agent

JEFF GREER

2. Registered agent is hereby changed to:

Michelle Herrman

3. Address of current registered office

925-929 NORTH MAIN STREET
SOMERSET, KY 42501

4. Registered office is hereby changed to:

200 Electric Avenue
Somerset, KY 42501

5. Signature of officer or chairman of the board

Shana Honeycutt
Signature and Title
Shana Honeycutt, President
Type or print name and title

6. Consent of new agent

I consent to serve as the new registered agent on behalf of this corporation.
Michelle Herrman
Signature and Title
Michelle Herrman
Type or print name and title

NUMBER OF COPIES
Submit one exact

FILING FEES
The filing fee is \$1

NOTE: The business e
statements or doc

RAC (1/2011)

THE PEOPLE FUND, INC.
P.O. BOX 910
SOMERSET, KY 42502

1444

73-486/421

7/22/10 Date

Pay to the Order of Michael G Adams Secretary of state KY \$ 10.00

ten Dollars



For

Ashley Hall

Commonwealth of Kentucky
Michael G. Adams, Secretary of State

0571636

Michael G. Adams Secretary of State P. O. Box 718 Frankfort, KY 40602-0718 (502) 564-3490 http://www.sos.ky.gov	Statement of Change of Principal Office Address	POC
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JEFF GREER
925-929 NORTH MAIN STREET
SOMERSET, KY 42501

Pursuant to the provisions of KRS chapters 271B, 273, 275, or 362, the undersigned hereby applies to change the principal office on behalf of

THE PEOPLE FUND, INC.

which is organized in the state of Kentucky, and for that purpose submits the following statements:

1. Address of current principal office

925-929 NORTH MAIN STREET SOMERSET, KY 42501

2. Principal office is hereby changed to:

200 Electric Avenue
Somerset, KY 42501

3. Signature of officer or chairman of the board


<i>Shana Honeycutt</i> <small>Signature and Title</small>
Shana Honeycutt, President <small>Type or print name and title</small>
7/23/20 <small>Date</small>

NUMBER OF COPIES:
Submit one exact

FILING FEES:
The filing fee is \$

NOTE: The business statements or documents

POC (1/2011)

THE PEOPLE FUND, INC. P.O. BOX 910 SOMERSET, KY 42502	1443 73-486/421
Pay to the Order of <u>Michael G Adams, Secretary of State KY</u> \$ <u>10.00</u> <u>ten</u> Dollars	Date <u>7/22/10</u>
 Cumberland SECURITY BANK <small>Somerset, Kentucky 42502 www.csbweb.com</small>	For <u>Ashley Hall / [Signature]</u>

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 4
Witness: Michelle Herrman

4. Identify the state in which The People Fund, in its current corporate form, if any, is organized, and state whether The People Fund is authorized to operate in the Commonwealth of Kentucky.

Response:

The People Fund was formed pursuant to KRS Chapter 273, Religious, Charitable, and Educational Societies—Nonstock, Nonprofit Corporations by its submission of Articles of Incorporation to the Kentucky Secretary of State on November 6, 2003. Similarly, The People Fund was recognized by the Internal Revenue Service as a tax exempt 501 c (3) entity on November 6, 2003. The Internal Revenue Service Form 990, Information Returns have been timely submitted for all of the years during the period in which the administrative dissolution has been in effect. While the Organization is noted as an inactive business on the Secretary of State website, the website offers a simple reinstatement process to all businesses who have been administratively dissolved. As stated elsewhere in these responses the Secretary of State forms necessary for reinstatement under KRS 14A.7-030 were submitted on July 23, 2020 and it is expected that such reinstatement will be approved imminently.

I am advised by counsel that KRS 273.323 provides annually the Secretary of State shall certify to the Kentucky Attorney General the names of all corporations which are subject to Administrative Dissolution. The Attorney General may then file a civil action against the corporation for its dissolution in the circuit court of the county in which the registered office of the corporation is situated. KRS 273.327. In this instance venue would lie in Pulaski County, Kentucky. However, until such action is filed and judgment rendered dissolving the corporation it is not deemed legally dissolved.

KRS 273.323. I am not aware that any such action has ever been filed by the Attorney General, nor do I have knowledge that any final order of the Pulaski Circuit Court dissolving The People Fund has ever been entered.

KRS 273.323 further provides that if a corporation cures the cause for administrative dissolution before a judgment of legal dissolution is entered the corporation shall be reinstated. KRS 273.3184 provides that in such event the corporation shall be treated as if it had continuous and uninterrupted existence, and as if the administrative dissolution had never occurred.

Therefore, once the Kentucky Secretary of State reinstates The People Fund all actions of the corporation since 2013 are considered and treated as if there was never an administrative dissolution.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 5
Witness: Michelle Herrman

5. State whether The People Fund sent out donation acknowledgment letters or other similar documentation to South Kentucky RECC members who donated for all applicable tax years since The People Fund's formation, and explain why if it did not.

Response:

Members who contribute to The People Fund by rounding up their bill to the nearest dollar, have their contribution noted on the face of their bill, which serves as documentation of their contribution. This practice has been in place for all applicable tax years since The People Fund's formation.

In recent years, we have received, on rare occasions, singular member donations. In this case donor acknowledgement letters are mailed to the donor. However, we cannot confirm that this has occurred for each and every donation made since The People Fund's inception. In total, since 2012, fifteen donations of this nature have been received for a total dollar amount of \$1,838.48. We have implemented a change in our internal procedures to document that acknowledgement letters have been sent for the singular member donations.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 6
Witness: Michelle Herrman

6. Provide a step by step description of the process used to transfer funds collected through customers' monthly bills to The People Fund.

Response:

1. Each month the billing register results are entered into the Cooperative's accounting records.
2. The collected monthly funds are recorded in account 232.61- Accounts Payable- People Fund.
3. Each month the Account Analysis for the 232.61- Accounts Payable – People Fund, is provided to the Secretary/Treasurer of the People Fund for recording in the People Fund spreadsheet record.
4. Each quarter, to coincide with The People Fund quarterly meetings, a written request from the People Fund Secretary/Treasurer for the disbursement of the quarterly collected funds is forwarded to the Vice President of Finance and Member Services for approval.
5. The approved disbursement request is forwarded to the Accounts Payable Accountant for check processing.
6. The prepared check is provided to the People Fund Secretary/ Treasurer for deposit into the People Fund Checking account.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 7
Witness: Michelle Herrman

7. Explain whether The People Fund has ever undergone an internal/process audit. If so, provide a copy of the auditor's report. If The People Fund underwent an internal audit in conjunction with South Kentucky RECC's audit processes, provide a copy of that audit report

Response:

The People Fund has not undergone an internal/process audit. The People Fund has not undergone a specific internal audit in conjunction with South Kentucky RECC's audit processes. However, all accounts and transactions within South Kentucky RECC's accounting records are readily available and subject to review by our external auditors as part of South Kentucky RECC's annual financial audit.

While a formal audit of the People Fund has not been conducted, under Article XXIX of the bylaws, South Kentucky RECC's Board of Directors annually direct that The People Fund's books and records be reviewed by me as South Kentucky RECC's Vice President of Finance and Member Services. Moreover, as an additional check and balance, an annual financial statement of The People Fund is prepared and provided to South Kentucky RECC's Board of Directors. If it deems appropriate, South Kentucky RECC's Board of Directors has the discretion to require The People Fund's books and records be audited by a certified public accountant and a report issued. To date, South Kentucky's Board of Directors has not determined the necessity to require such an audit.

South Kentucky Rural Electric
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Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 8
Witness: Michelle Herrman

8. Explain whether The People Fund has an annual audit of its books. If so, provide a copy of the most recent auditor's report.

Response:

The People Fund does not have an annual audit of its books.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 9
Witness: Michelle Herrman

9. Provide a copy of South Kentucky RECC's most recent auditor's report.

Response:

South Kentucky RECC's most recent auditor report is attached as Attachment 2.

South Kentucky Rural Electric Cooperative Corporation

Financial Statements

Years Ended December 31, 2019 and 2018

South Kentucky Rural Electric Cooperative Corporation
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Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
South Kentucky Rural Electric Cooperative Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of South Kentucky Rural Electric Cooperative Corporation (the "Cooperative") which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income and comprehensive income, changes in members' and patrons' equities and cash flows for the years 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 of 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.

MCM CPAs & Advisors LLP

P 502.749.1900
F 502.749.1930
2600 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202
www.mcmcpa.com
888.587.1719

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Kentucky
Indiana
Ohio

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated April 13, 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. 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 the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.



Louisville, Kentucky
April 13, 2020

South Kentucky Rural Electric Cooperative Corporation
Balance Sheets
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Electric Plant in Service, net	\$ 196,797,023	\$ 193,176,830
Investments		
Investments in associated organizations	10,640,045	10,173,095
Investment in East Kentucky Power Cooperative	<u>73,820,530</u>	<u>69,328,850</u>
Total Investments	84,460,575	79,501,945
Current Assets		
Cash and equivalents	4,352,438	13,888,551
Accounts receivable - customers (net of allowance for doubtful accounts of \$513,067 and \$492,035 in 2019 and 2018, respectively)	4,818,480	5,600,115
Accounts receivable - unbilled	7,601,688	7,868,197
Other receivables	3,953,231	2,766,736
Materials and supplies	1,418,856	1,529,649
Prepayments and other	<u>487,290</u>	<u>460,279</u>
Total Current Assets	22,631,983	32,113,527
Note Receivable	-	949,000
Regulatory Assets, net	1,497,831	1,714,784
Deferred Debits		
Prepayment	1,753,398	2,174,214
General plant clearing	<u>114,665</u>	<u>293,794</u>
Total Deferred Debits	1,868,063	2,468,008
Total Assets	<u>\$ 307,255,475</u>	<u>\$ 309,924,094</u>
Members' and Patrons' Equities and Liabilities		
Members' and Patrons' Equities		
Memberships	\$ 1,155,100	\$ 1,172,796
Patronage capital	138,914,541	132,934,671
Equities	7,157,724	6,520,469
Accumulated other comprehensive loss	<u>(2,789,282)</u>	<u>(2,881,158)</u>
Total Members' and Patrons' Equities	144,438,083	137,746,778
Long-term Debt and Other Liabilities		
Long-term debt, less current maturities	131,448,701	140,245,551
Accrued compensated absences	1,126,375	1,138,147
Postretirement benefits obligation	<u>8,617,605</u>	<u>8,725,326</u>
Total Long-term Debt and Other Liabilities	141,192,681	150,109,024
Current Liabilities		
Current portion of long-term debt	7,322,722	7,031,633
Accounts payable	11,228,906	12,097,212
Accrued interest	67,267	56,904
Customer guaranty deposits	1,682,896	1,682,020
Other current liabilities	<u>875,710</u>	<u>764,612</u>
Total Current Liabilities	21,177,501	21,632,381
Regulatory Liability, net	7,612	-
Deferred Credits		
Consumer advances for construction	439,421	435,820
Other	<u>177</u>	<u>91</u>
Total Deferred Credits	439,598	435,911
Total Members' and Patrons' Equities and Liabilities	<u>\$ 307,255,475</u>	<u>\$ 309,924,094</u>

See accompanying notes.

South Kentucky Rural Electric Cooperative Corporation
Statements of Income and Comprehensive Income
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Operating Revenue				
Sale of electric energy				
Residential	\$ 81,641,597	65.17 %	\$ 85,962,850	65.43 %
Commercial	39,111,182	31.22	40,687,769	30.97
Public authorities and outdoor lighting	1,708,339	1.36	1,788,740	1.36
Total Sale of Electric Energy	<u>122,461,118</u>	<u>97.75</u>	<u>128,439,359</u>	<u>97.76</u>
Other Revenue	<u>2,815,619</u>	<u>2.25</u>	<u>2,938,806</u>	<u>2.24</u>
Total Operating Revenue	<u>125,276,737</u>	<u>100.00</u>	<u>131,378,165</u>	<u>100.00</u>
Operating Expenses				
Cost of power	89,222,317	71.22	93,174,723	70.92
Distribution expense	12,579,048	10.04	12,114,551	9.22
Customer accounts expense	3,853,442	3.08	3,912,700	2.98
Customer services and information expense	612,137	0.49	409,720	0.31
Administrative and general expense	3,930,926	3.14	4,660,319	3.55
Depreciation and amortization	8,994,854	7.18	8,668,427	6.60
Taxes	346,958	0.28	157,275	0.12
Total Operating Expenses	<u>119,539,682</u>	<u>95.43</u>	<u>123,097,715</u>	<u>93.70</u>
Net Operating Income	5,737,055	4.57	8,280,450	6.30
Non-operating (Expense) Income				
Interest expense	(5,642,708)	(4.50)	(5,392,019)	(4.10)
Other margins	1,817,154	1.45	1,563,725	1.19
Patronage capital	4,825,635	3.85	2,726,746	2.08
Total Non-operating (Expense) Income	<u>1,000,081</u>	<u>0.80</u>	<u>(1,101,548)</u>	<u>(0.83)</u>
Net Margins	6,737,136	5.37	7,178,902	5.47
Other Comprehensive Income				
Change in post-retirement benefit obligation	91,876	0.07	1,189,566	0.91
Comprehensive Income	<u>\$ 6,829,012</u>	<u>5.44 %</u>	<u>\$ 8,368,468</u>	<u>6.38 %</u>

See accompanying notes.

South Kentucky Rural Electric Cooperative Corporation
Statements of Changes in Members' and Patrons' Equities
Years Ended December 31, 2019 and 2018

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Equities</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Members' and Patrons' Equities</u>
Balance January 1, 2018	\$ 1,330,489	\$ 127,492,018	\$ 5,704,112	\$ (4,070,724)	\$ 130,455,895
Comprehensive income	-	5,615,177	1,563,725	1,189,566	8,368,468
Net change in memberships	(157,693)	-	-	-	(157,693)
Refunds to estates	-	(361,913)	276,104	-	(85,809)
General retirement refund	-	(1,149,994)	315,911	-	(834,083)
Transfers to other equity and prior year's income	-	1,339,383	(1,339,383)	-	-
Balance December 31, 2018	1,172,796	132,934,671	6,520,469	(2,881,158)	137,746,778
Comprehensive income	-	4,919,982	1,817,154	91,876	6,829,012
Net change in memberships	(17,696)	-	-	-	(17,696)
Refunds to estates	-	(503,837)	383,826	-	(120,011)
Transfers to other equity and prior year's income	-	1,563,725	(1,563,725)	-	-
Balance, December 31, 2019	<u>\$ 1,155,100</u>	<u>\$ 138,914,541</u>	<u>\$ 7,157,724</u>	<u>\$ (2,789,282)</u>	<u>\$ 144,438,083</u>

See accompanying notes.

South Kentucky Rural Electric Cooperative Corporation
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Net margins	\$ 6,737,136	\$ 7,178,902
Non-cash expenses included in net margins		
Patronage capital assigned but not paid		
by associated organizations	(4,825,635)	(2,726,746)
Depreciation and amortization	8,994,854	8,668,427
Bad debt expense	151,535	195,296
Loss (Gain) on disposition of electric plant in service	(113,671)	(54,438)
Changes in current and non-current assets and liabilities:		
Accounts receivable	896,609	529,023
Other receivables	(1,156,771)	275,756
Materials and supplies	110,793	(85,408)
Prepayments and other	(27,011)	80,400
Accounts payable	(868,306)	(544,388)
Customer guaranty deposits	876	10,689
Accrued interest and other current liabilities	121,461	65,479
Accrued compensated absences	(11,772)	175,872
Postretirement benefits obligation	(15,845)	138,489
Net Cash Provided by Operating Activities	<u>9,994,253</u>	<u>13,907,353</u>
Cash Flows from Investing Activities		
(Increase) Decrease in deferred debits	599,945	127,249
(Increase) Decrease in notes receivable	949,000	-
(Increase) Decrease in deferred credits	11,299	75,707
Interest income - other margins	(1,396,383)	(1,302,625)
(Increase) Decrease in advance loan payments unapplied	210	(1,000,000)
(Increase) Decrease in economic development loan funds	(433,425)	206,666
Proceeds from sale of electric plant in service	161,991	88,675
Additions to electric plant in service	(11,276,704)	(10,504,397)
Removal cost, net	(1,199,434)	(1,133,273)
Patronage capital received from associated organizations	300,430	43,674
Net Cash Used in Investing Activities	<u>(12,283,071)</u>	<u>(13,398,324)</u>
Cash Flows from Financing Activities		
Proceeds from long-term notes payable	-	19,000,000
Payment of principal on long-term notes payable	(7,109,588)	(6,743,454)
Membership fees (reimbursement), net	(17,696)	(157,693)
Refund of patronage capital to members	(503,837)	(1,511,907)
Net activity on lines-of-credit	-	(850,000)
Changes in other patronage capital and equities	383,826	592,015
Net Cash (Used in) Provided by Financing Activities	<u>(7,247,295)</u>	<u>10,328,961</u>
(Decrease) Increase in Cash and Equivalents During the Year	(9,536,113)	10,837,990
Cash and Equivalents, beginning of year	<u>13,888,551</u>	<u>3,050,561</u>
Cash and Equivalents, end of year	<u>\$ 4,352,438</u>	<u>\$ 13,888,551</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 5,632,345	\$ 5,388,090

See accompanying notes.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Note A - Nature of Operations

South Kentucky Rural Electric Cooperative Corporation (the "Cooperative") is engaged in distributing power to its member consumers throughout eleven south central Kentucky counties and two northern Tennessee counties. The audited financial statements are prepared in accordance with policies prescribed or permitted by the Kentucky Public Service Commission ("PSC") and the United States Department of Agriculture Rural Utilities Services ("RUS"), which conform with generally accepted accounting principles as applied to regulated enterprises. The more significant of these policies are as follows.

Note B - Summary of Significant Accounting Policies

1. **Basis of Accounting:** The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the sole source of authoritative accounting technical literature. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.
2. **Electric Plant in Service:** Electric plant is stated at original cost, which is the cost when first dedicated to public service. Maintenance and repairs, including the cost of renewals of minor items of property, are charged to maintenance expense accounts. Replacements of property, exclusive of minor items, are charged to the electric plant accounts.

Depreciation is provided using the straight-line method at rates which are designed to amortize the cost of depreciable plant, net of estimated salvage value, over its estimated useful life. Depreciation rates are within the ranges included in Bulletin 183-1 and any rate changes have been approved by RUS for the depreciation rates used by the Cooperative. The depreciation rates have also been approved by the Kentucky Public Service Commission as of March 30, 2012. The composite depreciation rate for distribution plant was approximately 3.33% for 2019 and 2018. Plant is being depreciated using specific identification straight-line method as follows:

Distribution plant	2.175% - 6.67%
General plant	2.00% - 15.00%

When distribution plant is retired or otherwise disposed of in the normal course of business, an estimate of its cost, together with the cost of removal less salvage, is charged to the accumulated provision for depreciation. Gains and losses resulting from the sale or disposal of general plant are recognized in income currently.

The major classifications of electric plant in service were as follows:

	2019	2018
Distribution plant	\$ 235,854,481	\$ 227,699,655
General plant	40,238,663	39,334,882
Construction in progress	811,391	795,846
	<u>276,904,535</u>	<u>267,830,383</u>
Accumulated depreciation	<u>80,107,512</u>	<u>74,653,553</u>
Electric Plant in Service, net	<u>\$ 196,797,023</u>	<u>\$ 193,176,830</u>

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

3. Cash and Equivalents: For purposes of the statements of cash flows, the Cooperative considers short-term investments having maturities of three months or less at time of purchase to be cash equivalents.
4. Accounts Receivable: Accounts receivable-customers consists of amounts due for sales of electric energy, which were not received by the Cooperative at year-end. Based on management's evaluation of uncollected accounts receivable at the end of each year, bad debts are provided for on the allowance method.

On February 25, 2019, Windstream Holdings, Inc. ("Windstream") filed bankruptcy under Chapter 11 Reorganization. Windstream contracts with the Cooperative to allow for Joint Pole Use. Included in the Cooperative's revenues is a receivable for the Joint Pole Use attachment fees billed to Windstream in the amount of \$2,985,305 relating to 2019 and 2018. A payment in the amount of \$1,305,475 was received on January 9, 2020. The amount remaining is related to the period prior to Windstream filing bankruptcy. The Cooperative entered into an agreement on January 3, 2020, which provides for Windstream to pay the balance of the receivable upon emergence from bankruptcy. Currently, the Cooperative does not believe the receivable is at risk; however, the Cooperative does not know when the remaining balance will be paid.

Additionally, regulatory requirements authorized by the PSC allow the electric supplier to impose a fuel adjustment surcharge upon the Cooperative. In turn, the Cooperative is required to pass on the fuel surcharge to the consumer. Due to the regulatory requirements in calculating the surcharge the Cooperative may experience an over or under recovery of the fuel adjustment surcharge.

Similarly, the Kentucky Public Service Commission has an environmental cost recovery mechanism that allows the electric supplier to recover certain costs incurred in complying with the Federal Clean Air Act as amended and those federal, state, and local environmental requirements which apply to coal combustion wastes and byproducts from facilities utilized for the production of energy from coal. In turn, the Cooperative is required to pass on this environmental cost recovery mechanism to the consumer.

Every six months and every two years, the Kentucky Public Service Commission reviews the outcomes of the cost recovery mechanism for the environmental surcharge and may order an additional recovery or payback amount. The Cooperative records these amounts as a regulatory asset or liability.

The Cooperative records the under or over recovery of the fuel adjustment surcharge and the environmental surcharge on the financial statements.

5. Materials and Supplies: The Cooperative values materials and supplies at average cost.
6. Regulatory Asset: Deferred meter retirement is considered a regulatory asset in accordance with RUS Bulletin 1767B-1. RUS Bulletin 1767B-1 indicates that a regulatory asset results from a rate action of regulatory agencies. Regulatory assets arise from specific expenses or losses that would have been included in net income determinations in one period under the general requirements of the Uniform System of accounts but for it being probable that such items will be included in a different period for purposes of developing the rates the utility is authorized to charge for its utility services.

The deferred meter retirement expense was incurred by the Cooperative through a project to update its meters in conjunction with the Smart Grid Investment Grant provided by the Department of Energy. Per the guidance of the PSC, as mandated in its order dated May 11, 2012 in conjunction with Case No. 2011-00096, the Cooperative has placed the loss on the retirement of the old mechanical meters on its financial statements as a regulatory asset. This loss is to be amortized over a 15-year period. The net amount of the loss at December 31, 2019 and 2018 was \$1,497,831 and \$1,685,060, respectively. Amortization expense for the years ended December 31, 2019 and 2018 was \$187,229; deferred meter retirement is displayed on the balance sheets as a regulatory asset, net of the accumulated amortization.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

7. Revenue and Cost of Purchased Power: The Cooperative records revenue as billed to its consumers based on monthly meter reading cycles. Consumers are required to pay a refundable customer deposit, which may be waived under certain circumstances. The Cooperative's sales are concentrated in an eleven-county area of south central Kentucky and two northern Tennessee counties. Consumers must pay their bill within 20 days of billing, then are subject to disconnect after another 10 days. Accounts are written off when they are deemed to be uncollectible. The allowance for uncollectible accounts is based on a percentage of the past due receivables at the end of each month.

The Cooperative is required to collect, on behalf of the State of Kentucky, sales taxes based on 6 percent of gross sales from non-residential consumers, a 3 percent school tax from certain counties on most gross sales, and franchise fees in certain cities. The Cooperative's policy is to exclude sales tax from revenue when collected and expenses when paid and instead, record collection and payment of sales taxes through a liability account.

The Cooperative is one of sixteen members of East Kentucky Power Cooperative ("East Kentucky"). Under a wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from East Kentucky until 2051. The rates charged by East Kentucky are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from East Kentucky.

8. Advertising Costs: The Cooperative records advertising expenses as they are incurred. Advertising expense amounted to \$53,591 and \$56,820 for the years ended December 31, 2019 and 2018, respectively.
9. Investments in Associated Organizations: The Cooperative follows the method of accounting as prescribed by the RUS Uniform System of Accounts in accounting for its investment in associated organizations. This accounting method results in the Cooperative recognizing income on its pro rata share of the associated organization's net margins in the year such margins are assigned. This accounting method does not provide for similar treatment for any losses of the associated organizations. Rather, such losses would not be assigned to member organizations and no additional margins are assigned until subsequent cumulative margins exceed prior cumulative losses.
10. Accrued Compensated Absences: The Cooperative has a policy to pay available but untaken compensated absences to employees who leave service. Accrued compensated absences presented in the financial statements represent available sick leave at December 31, 2019 and 2018. Sick leave is valued at the rate it is earned and the unpaid balance is paid out in full upon termination of employment.
11. Comprehensive Income: Comprehensive income is the change in equity of an enterprise during the year from transactions and other events and circumstances arising from non-operating sources. The Cooperative's total comprehensive income includes amounts associated with the change in post-retirement benefits obligation. (See Note J.)
12. Use of Estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, 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.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

13. Revenue Recognition: On January 1, 2019, the Cooperative adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). Topic 606 creates a single framework for recognizing revenue from contracts with customers that fall within its scope and supersedes nearly all existing GAAP for revenue recognition guidance. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impacted revenue stream under Topic 606 primarily consists of income from the sale of electricity which constitutes the majority of the Cooperative's revenue. The Cooperative provides services to customers prior to billing and those are recognized as accounts receivable - unbilled on the balance sheets. The unbilled revenue constitutes a contract asset, which is defined as an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. The Cooperative evaluated the income from its revenue streams and determined that no adjustments were required upon adoption of this standard.

14. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of income and comprehensive income. This standard will be effective for the calendar year ending December 31, 2021.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of income and comprehensive income will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year ending December 31, 2023.

The Cooperative is currently in the process of evaluating the impact of adoption of the ASUs on the financial statements.

15. Subsequent Events: Subsequent events for the Cooperative have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued (See Note N).

Note C - Investments in Associated Organizations

East Kentucky Power Cooperative ("EKPC"):

The Cooperative's investment of \$73,820,530 and \$69,328,850 as of December 31, 2019 and 2018, respectively, in EKPC, the sole supplier of power to the Cooperative, represents the Cooperative's equity ownership interest (approximately 11%) in EKPC. The Cooperative owed East Kentucky \$9,049,710 and \$9,376,630 at December 31, 2019 and 2018, respectively. These amounts are included in accounts payable on the balance sheets.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note C - Investments in Associated Organizations (Continued)

Associated Organizations:

Investments in other associated organizations consisted of:

	December 31,	
	2019	2018
Cooperative Finance Corporation, Capital Term Certificates	\$ 1,571,000	\$ 1,582,961
Cooperative Finance Corporation, patronage capital	714,604	742,554
United Utility Supply	855,995	848,987
Southeastern Data Cooperative, Inc.	371,467	357,095
Other associated organizations	697,437	645,381
Rural Economic Development Loans and Grants	6,404,748	5,971,323
Non utility property	24,794	24,794
	<u>\$ 10,640,045</u>	<u>\$ 10,173,095</u>

Substantially all of such investments, which consist mainly of patronage capital in the associated organization and capital term certificates are restricted by the respective organization and are not currently available for distribution. The patronage capital will be available to the Cooperative if the Cooperative should terminate its investment in the associated organization. The capital term certificates are not available until the related debt is paid off, currently expected to be between the years 2020 and 2080.

The Capital Term Certificates ("CTC's") were purchased from CFC as a condition of obtaining long-term financing and are recorded at cost. The CTC's bear interest at varying rates between 0% and 5% per annum and are scheduled to mature at varying times from 2020 to 2080. These certificates are required to be maintained under the note agreement with the National Rural Utilities Cooperative Finance Corporation ("NRUCFC") in an amount at least equal to 5% of the original debt issued or guaranteed by NRUCFC until maturity.

United Utility Supply ("United") is a primary supplier of transformers and overhead line materials and supplies. The Cooperative's purchases from United amounted to \$2,202,836 and \$2,091,111 for the years ended December 31, 2019 and 2018, respectively. The Cooperative owed United \$199,038 and \$117,522 at December 31, 2019 and 2018, respectively. This amount is included in accounts payable on the balance sheets.

Southeastern Data Cooperative, Inc.. ("Southeastern") is a primary supplier of data processing services and computer hardware and software. The Cooperative's purchases from Southeastern were \$1,148,678 and \$1,068,470 for the years ended December 31, 2019 and 2018, respectively. The Cooperative owed Southeastern \$93,937 and \$86,243 at December 31, 2019 and 2018, respectively, this amount is included in accounts payable on the balance sheets.

The Cooperative participates in the Rural Economic Development Loan and Grant ("REDLG") program through the United States Department of Agriculture ("USDA"). The USDA via the REDLG program provides zero interest loans and grants to rural communities through RUS borrowers. REDLG assistance promotes rural economic development and job creation projects in accordance with section 313 of the RE Act 7 CFR 1703, Subpart. The Cooperative currently sponsors seven local organizations with loans with a principal amount due of \$3,374,588 as of December 31, 2019. The Cooperative sponsored eight local organizations with loans with a principal amount due of \$3,780,911 of December 31, 2018.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note C - Investments in Associated Organizations (Continued)

Additionally, the Cooperative has sponsored nine additional organizations with grant funds in the total amount of \$3,080,000. The grant funds were funded in part with funds from the Cooperative and from the USDA. The principal amount due is \$43,341 and \$149,340, as December 31, 2019 and 2018, respectively. The Cooperative also has a revolving loan fund in which loans are made from the repaid grant funds. There are nine organizations that have received loans with a principal amount due of \$2,986,819 as of December 31, 2019. There were six organizations that have received loans with a principal amount due of \$2,041,071 as of December 31, 2018. The available cash balance of the rural economic development revolving loan fund was \$84,730 and \$916,380 as of December 31, 2019 and 2018, respectively.

Note D - Income Tax Status

The Cooperative is exempt from federal and state income taxes under §501(c)(12) of the Internal Revenue Code. The Cooperative recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

Note E - Lines of credit

At December 31, 2019 and 2018, the Cooperative had two executed lines-of-credit totaling \$15,000,000 with CFC. The lines-of-credit bear variable interest rates, determined by CFC at the date of draw, and mature on July 16, 2021. At December 31, 2019 and 2018, there were no outstanding balances due under the lines of credit.

Note F - Long-term Debt

Long-term debt consisted of the following:

	December 31,	
	2019	2018
RUS, 1.000% to 1.625%	\$ 3,638,467	\$ 3,898,592
Less advance payment	<u>(28,805,709)</u>	<u>(27,409,536)</u>
	(25,167,242)	(23,510,944)
CoBank, 3.55%	49,438,072	52,067,053
FFB, 1.570% to 3.699%	99,283,330	101,792,299
Economic development loans, 0%	5,883,440	6,307,699
CFC, 4.25% to 6.70%	6,693,823	7,834,410
City of Monticello, 4.75%	<u>2,640,000</u>	<u>2,786,667</u>
	138,771,423	147,277,184
Less current maturities	<u>7,322,722</u>	<u>7,031,633</u>
	<u>\$ 131,448,701</u>	<u>\$ 140,245,551</u>

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note F - Long-term Debt (Continued)

The aggregate principal maturities of long-term debt as of December 31, 2019 are as follows:

2020	\$ 7,322,722
2021	7,448,583
2022	7,523,424
2023	7,694,686
2024	7,708,922
Thereafter	<u>101,073,086</u>
	<u>\$ 138,771,423</u>

The long-term debt as described above is payable in quarterly, monthly, and annual installments of varying amounts. Substantially all utility plant is pledged as collateral for the above notes. Under the terms of the loan agreements, the Cooperative is required to meet certain financial performance covenants. The Cooperative is in compliance with these covenants at December 31, 2019.

The Cooperative participates in a RUS sponsored program which provides economic development funds to businesses in Cooperative's service area. The Cooperative serves as a conduit for these funds and is contingently liable if the recipient fails to repay the loan. As such, these amounts are included in the debt service above. These loans carry a 0% interest rate to the Cooperative and the recipients. The loans are secured with bank letters of credit provided by the borrower.

Note G - Members' and Patrons' Equities

Under terms of its long-term debt agreements, return of capital contributions or patronage capital to the Cooperative's members and patrons is restricted to amounts which would not allow total equity to be less than 30% of total assets, except that distributions may be made to estates of deceased members provided that such distributions do not exceed 25% of total patronage capital and margins received in the previous year. Total equity as a percentage of assets can fall below the 30% requirement if the Cooperative has obtained the appropriate waiver from the RUS. The Cooperative is in compliance with these requirements at December 31, 2019 and 2018.

Note H - Retirement Benefits

Eligible employees of the Cooperative participate in the Retirement Security Plan ("RS Plan"), sponsored by the National Rural Electric Cooperative Association ("NRECA"). The 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 Plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all the 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.

The Cooperative contributions to the RS Plan in 2019 and in 2018 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$2,108,555 in 2019 and \$2,270,676 in 2018.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note H - Retirement Benefits (Continued)

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 percent funded on January 1, 2019 and over 80 percent funded on 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.

In addition to the above, the Cooperative participates in the NRECA 401(k) plan. The 401 (k) plan provides for the Cooperative matching a maximum of 2% of base wages. The Cooperative contributed \$185,726 and \$184,488 for 2019 and 2018, respectively. Participant contributions can be made after one (1) month of employment and vest immediately. The Cooperative makes contributions for participants after one (1) year of employment.

Note I - Deferred Debit - Prepayment

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to the January 1st of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years. However, unexpected changes in interest rates, asset returns and other plan experience, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. At December 31, 2019 and 2018, the Cooperative's prepayment as reflected on the balance sheets is \$1,753,398 and \$2,174,214, respectively.

Note J - Postretirement Benefits

The Cooperative provides postretirement medical benefits to its retired employees and their dependents. South Kentucky pays the premiums for retirees based upon years of service and a percentage for dependents. "Employers' Accounting for Postretirement Benefits Other Than Pensions," requires the accrual of the cost of providing certain postretirement benefits over the employees' years of service, rather than on a pay-as-you-go (cash) basis.

In accordance with the provision of "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," the Cooperative has recorded an accrued benefit cost for the full benefit obligation as of December 31, 2019 and 2018.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note J - Postretirement Benefits (Continued)

The following table sets forth the plan's benefit obligation and accrued liability:

	December 31,	
	2019	2018
Benefit obligation	\$ (8,617,605)	\$ (8,725,326)
Fair value of plan assets	-	-
Funded Status	<u>\$ (8,617,605)</u>	<u>\$ (8,725,326)</u>
Accrued benefit cost recognized in the balance sheet	\$ (8,617,605)	\$ (8,725,326)
Weighted-average assumptions		
Discounted rate	4.50%	4.50%

For measurement purposes, the health care cost trend rate is assumed to be 4.75% in 2019 and 2018 for Pre-65. For Post-65, the healthcare cost trend rate is 0.5% for all years.

Other information, per the actuarial report, as of December 31, 2019 regarding the Cooperative's benefit plans is as follows:

	December 31,	
	2019	2018
Benefit cost	\$ 653,391	\$ 767,511
Benefits paid	743,640	761,550

Note K - Concentrations

All of the Cooperative's sales are made in portions of eleven counties in south central Kentucky and two counties in north central Tennessee, which is primarily an agricultural and rural region. Accounts receivable and customer deposits at December 31, 2019 and 2018, were derived from the various classes of customers in approximately the same proportion as the revenues shown in the accompanying statements of income and other comprehensive income.

The Cooperative maintains its cash balances with banks throughout Kentucky. Effective July 21, 2010, the federal deposit insurance coverage provided by the Federal Deposit Insurance Corporation ("FDIC") is \$250,000 per depositor. The Cooperative has implemented a policy whereby it sweeps non-interest-bearing funds from its district accounts to its general funds to maintain balances below the FDIC insured limit of \$250,000. The local bank provides additional FDIC insurance on deposits and repurchase agreements in excess of the FDIC limits in the general fund up to an amount of \$4,000,000. An additional \$1,500,000 of coverage is provided for funds held in the economic development grant fund. As of December 31, 2019, there were no uninsured balances.

Note L - Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. The ASC establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

South Kentucky Rural Electric Cooperative Corporation
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note L - Fair Value Measurements (Continued)

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

At December 31, 2019 and 2018, financial instruments consisted of patronage capital whose carrying value is determined based on an allocation by a third party. These investments are valued using Level 2.

Note M - Contingencies

During the course of normal operations, the Cooperative may be subject to possible litigation. However, there are currently no amounts which are deemed as contingent liabilities which should be disclosed or accrued in the financial statements.

Note N - Subsequent Event

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the financial statements were available to be issued, the Company's operations have not been significantly impacted by the COVID-19 outbreak. The Company's operations could be adversely affected as a result of COVID-19, but the impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

Other Required Reports



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

To the Board of Directors
South Kentucky Rural Electric Cooperative Corporation

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Kentucky Rural Electric Cooperative Corporation (the "Cooperative") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated April 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting ("internal control") 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 the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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

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

MCM CPAs & Advisors LLP

P 502.749.1900
F 502.749.1930
2600 Meidinger Tower
462 South Fourth Street
Louisville, KY 40202
www.mcmcpa.com
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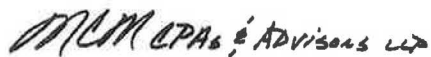
**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* (Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louisville, Kentucky
April 13, 2020



Independent Auditor's Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Electric Borrowers

To the Board of Directors
South Kentucky Rural Electric Cooperative Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Kentucky Rural Electric Cooperative Corporation ("the Cooperative"), which comprise the balance sheet as of December 31, 2019, and the related statements of income and comprehensive income, changes in members' and patrons' equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2020. In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020, on our consideration of 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 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 and Grantees*, §1773.33 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;
- Record and properly price the retirement of plant;
- Seek approval of the sale, lease or transfer of 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;

MCM CPAs & Advisors LLP

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**Independent Auditor's Report on Compliance with Aspects of Contractual Agreements
and Regulatory Requirements for Electric Borrowers (Continued)**

- 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; and
- Comply with the requirements for the detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detail schedule of deferred debits and deferred credits required by 7 CFR 1773.33 (h), provided below, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

South Kentucky Rural Electric Cooperative Corporation
Detailed Schedule of Deferred Debits
December 31, 2019

<u>Description</u>	<u>Amount</u>
Deferred pension prepayment	\$ 1,753,398
General plant clearing account	<u>114,665</u>
	<u>\$ 1,868,063</u>

South Kentucky Rural Electric Cooperative Corporation
Detailed Schedule of Deferred Credits
December 31, 2019

<u>Description</u>	<u>Amount</u>
Customer advances for construction	439,421
Other	<u>177</u>
	<u>\$ 439,598</u>

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.

MCM CPAs & Advisors LLP

Louisville, Kentucky
April 13, 2020

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 10
Witness: Michelle Herrman

10. Explain whether members of the board of South Kentucky RECC are eligible to sit on the board of The People Fund, and if so, state whether any members of the board of South Kentucky RECC are currently serving or have ever served on the board of The People Fund.

Response:

Members of the board of South Kentucky RECC are NOT eligible to sit on the board of The People Fund.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 11
Witness: Michelle Herrman

11. Identify the current members of the board of The People Fund and the eight volunteer members by name and their position with South Kentucky RECC.

Response:

1. Shana Honeycutt, Board Position: President, South Kentucky RECC Position: Russell Springs Service Center Supervisor;
2. Toni Shadoan, Board Position: Vice President, South Kentucky RECC Position: Monticello Service Center Supervisor;
3. Ashley Hall, Board Position: Secretary/Treasurer, South Kentucky RECC Position: Call Center Representative;
4. Ledford Chitwood, Board Position: Director, South Kentucky RECC Position: Right of Way Coordinator;
5. Michelle Herrman, Board Position: Director, South Kentucky RECC Position: Vice President of Finance and Member Services;
6. Kevin Helton, Board Position: Director, South Kentucky RECC Position: Lead Materials Coordinator;
7. Justin Watters, Board Position: Director, South Kentucky RECC Position: Service Technician, McCreary County;
8. Ricky Fletcher, Board Position: Director, South Kentucky RECC Position: Service Technician, Clinton County.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 12
Witness: Michelle Herrman

12. Explain whether a member of The People Fund's board has ever been excused due to a personal interest pursuant to Article 17 of The People Fund's by-laws, included as part of Attachment 1 to the June 29, 2020 Order.

Response:

To my knowledge, no member of The People Fund's board has been excused due to a personal interest pursuant to Article 17 of By-laws.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 13
Witness: Michelle Herrman

13. Provide a copy of The People Fund's quarterly solicitations sent to South Kentucky RECC members requesting applications for grant funds in the last year.

Response:

There are no formal solicitations sent to members. The application window deadlines are posted on South Kentucky RECC's website, www.SKRECC.com. We also incorporate articles into our Kentucky Living Magazine and provide information at our Annual meeting and other member appreciation events and through community contacts.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 14
Witness: Michelle Herrman

14. Explain whether there are any established guidelines for selecting grant recipients once applications have been received, and if so, provide those guidelines.

Response:

The People Fund Grant Application, which must be completed by each applicant seeking a grant, contains information necessary for the board to determine if the request meets the “charitable purpose” of the organization provided for in Article II the bylaws. This Grant Application is furnished as an attachment to this response.

People Fund applications are reviewed to determine:

- a. That they have been submitted by the filing deadline;
- b. That applications are complete;
- c. Organizations submitting applications may not have received funding within the last year. (Rolling 12-month basis).
- d. The Organization’s applications are individually reviewed for the explanation of the programs ongoing purpose, outcomes and specific use of the funds requested.

THE PEOPLE FUND BOARD

200 ELECTRIC AVE.

SOMERSET, KY 42501

peoplefund@skrecc.com

APPLICATION FOR GRANT FOR ORGANIZATION /AGENCY

1. Name of Organization: _____
Address: _____

Website Address or Facebook Account: _____

2. Contact Person: _____
Phone Number: _____
E-mail Address: _____

3. What type of organization?
Non-profit Voluntary Community For-profit Other _____

4. Is organization requesting funding exempt from payment of income tax?
Yes No
If yes, a copy of letter 501(C)(3) from Internal Revenue Service must be attached.

5. Please attach a copy of your financial statement(s) (Balance Sheet and Income Statement) for the past 12-month period, your current year to date, and the organization's most recent tax return. An example of a balance sheet and income statement is attached.

6. State purpose of organization.

7. What amount of funding are you requesting and how will the funding be used? Please attach a detailed description.

8. Number of individuals, families, or groups served in the South Kentucky Rural Electric Cooperative Corporation. _____
 - Does agency serve outside of the SKRECC service area?

Yes ___ No ___

- If yes please provide information on number served and location.

Number _____ Location _____

9. List other funding sources that have been requested and the present status.

10. How do you measure the outcomes of your agency?

Please provide the most recent statistics related to your outcomes.

The information contained in this statement is for the purpose of obtaining funding from The People Fund on behalf of the undersigned. Each undersigned understands that the information provided herein is used in deciding to grant funding, and each undersigned represents and warrants that the information provided is true and complete and that The People Fund may consider this statement as continuing to be true and correct until a written notice of a change is provided. The People Fund is authorized to make all inquires they deem necessary to verify the accuracy of the statements made herein.

NAME OF ORGANIZATION

SIGNATURE OF REPRESENTATIVE

SIGNATURE OF REPRESENTATIVE

DATE

If you have any questions regarding the status of your grant request, please e-mail The People Fund at peoplefund@skrecc.com. Applications will be considered on an annual basis only.

Example Monthly/ Annual Financial Statements

For Period _____ to _____

Balance Sheet

Assets:

Cash on hand _____

 Bank Accounts _____

Inventory _____

Fixed Assets:

Land _____

Building _____

Other:

Total Assets: _____

Liabilities:

Total Liabilities: _____

Income Statement

Income (Itemize):

_____	_____
_____	_____
_____	_____

Total Income:

Expenses:

Wages & Payroll Expenses _____

Supplies _____

Rent or mortgage _____

Utilities (electric, gas, etc.) _____

Insurance _____

Advertising _____

Other travel _____

Office expenses _____

Storage _____

Debt _____

Other: _____

Other: _____

Total Expenses:

Net Income:

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 15
Witness: Michelle Herrman

15. Explain whether South Kentucky RECC provides support to The People Fund in addition to the volunteer labor provided by South Kentucky RECC employees.

Response:

Since 2012, South Kentucky RECC has provided incidental support totaling \$197.44 through May 26, 2020 for postage, filing fees, and promotional materials.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 16
Witness: Michelle Herrman

16. Explain whether South Kentucky RECC ever contributes money to The People Fund, such as matching or supplementing select grant awards. If so, provide the amounts contributed since 2012.

Response:

To the best of my knowledge, South Kentucky RECC has not contributed money as a matching or supplemental grant award to The People Fund.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 17
Witness: Michelle Herrman

17. Explain whether The People Fund meeting minutes or notes regarding the selection of grant recipients are taken, and if so, provide a copy of the latest minutes in which grant recipients were selected.

Response:

Yes, meeting minutes are taken. Attachment 4 is a copy of the minutes from the last meeting held on May 19, 2020.

SKRECC PEOPLE FUND

Board Minutes for May 19, 2020

Call To Order

Board Meeting was called to order by Shana Honeycutt via phone conference.

Roll Call

Trustees Present: Shana Honeycutt (8/16), Michelle Herrman (11/17), Toni Shadoan (2/18), Led Chitwood (8/18), Ashley Hall (2/19), Ricky Fletcher (11/19), Kevin Helton (2/20)

Trustees Absent: Justin Watters (2/19)

Review of Previous Board Minutes

Board minutes were reviewed and accepted by unanimous vote.

Financial Report

The financial report from the February 6, 2020 meeting were approved by committee.

Grants Awarded

- | | |
|--------------------------------|----------|
| • McCreary Park | 1,000.00 |
| • American Red Cross Bluegrass | 2,000.00 |
| • Pulaski Alzheimers | 500.00 |
| • God's Food Pantry | 2,500.00 |

The dollar amounts allocated were approved by unanimous vote and motion carried.

Other Business

Annual meeting is on hold due to covid-19 so instead of promoting people fund during annual meeting we will be trying to get ready for our customer appreciation day. We are still working on getting our logo ready and now hope to have it ready for customer appreciation day. We reviewed the 2019 balance sheet. Joy is working on an article about people fund and the round up +. The tariff has been submitted to PSC to get approval to start round up +.

Adjourn

With no other business discussed meeting was adjourned.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 18
Witness: Michelle Herrman

18. State whether there were applicants who did not receive a grant award during any of The People Fund's last four quarterly grant disbursements.

Response:

Yes. There have been applicants who did not receive a grant award. The following applicants did not receive a grant award during the last four quarterly grant disbursements.

<u>Date</u>	<u>Applications Denied</u>
08/16/2019	Pulaski Co KY ASAP
11/19/2019	American Heritage Girl Troop
11/19/2019	Russell Search and Rescue
02/14/2020	Pulaski Elementary STLP
02/14/2020	Clinton Middle Helping Hands
02/14/2020	Clinton Middle Youth Center
02/14/2020	Wayne Co Varsity Cheer
02/14/2020	God's Helping Hands
05/19/2020	5:16 Clinic Inc.
05/19/2020	Breeding Area Fire Dept
05/19/2020	Russell Co 4-H
05/19/2020	Mudds HH Vets
05/19/2020	Burnside Elementary School

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 19
Witness: Michelle Herrman

19. Explain whether The People Fund has ever received complaints regarding grant awards, either its choice of recipient or an applicant not receiving a grant.

Response:

To the best of my knowledge, The People Fund has not received any formal complaints. At times unsuccessful applicants will inquire as to the reason their request was not approved.

South Kentucky Rural Electric
Case No. 2020-00205
Initial Request for Information from Commission Staff
Dated July 16, 2020

Item No. 20
Witness: Michelle Herrman

20. Explain how South Kentucky RECC members are informed of the opportunity to contribute to The People Fund, and provide a copy of all documents sent to members in the last year offering to include the members in the program or soliciting donations from members for the program, including an example of bills in which members may opt into the program.

Response:

Members are informed about the opportunity to contribute to The People Fund, when they sign up as members, word of mouth by employees and grant recipients, and through various community interactions. Additionally, information about The People Fund is included on the SKRECC website and occasionally reminders are included on member bills and in the Kentucky Living Magazine.

An example of the reminder displayed on a member's bill is provided as an attachment to this response. The member's bill example provided are for the months of February 2020 and March 2020.

In addition, an article about The People Fund that appeared in our Kentucky Living Magazine is also provided as an attachment to this response.



(800) 264-5112

Somerset
(606) 678-4121
7:30 A.M. - 4:30 P.M. EST

Monticello
(606) 348-6771
7:30 A.M. - 4:30 P.M. EST

Whitley City
(606) 376-5997
7:30 A.M. - 4:30 P.M. EST

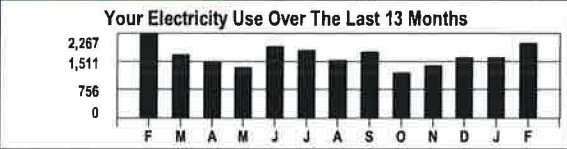
Albany
(606) 387-6476
7:30 A.M. - 4:30 P.M. CST

Jamestown
(270) 343-7500
7:30 A.M. - 4:30 P.M. CST

ACCOUNT NUMBER	ACCOUNT NAME		METER NUMBER		LOCATION		CYCLE NUMBER	RATE	BC	TELEPHONE	SERVICE ADDRESS
51609							114	1	0		
PREVIOUS READING	PRESENT	READ CODE	FROM	SERVICE TO	MULTIPLIER	KWH	\$AMOUNT				
	53616	2	01/18/20	02/18/20	1	2007	179.28				
FUEL ADJUSTMENT [0.000390 x 2007 kWh]							0.78				
ENVIRONMENTAL SURCHARGE [11.46%]							20.63				
SCHOOL TAX 3%							6.02				
TOTAL CURRENT BILL DUE 03/08/20							206.71				
PEOPLE FUND							0.29				
PREVIOUS AMOUNT DUE							160.00				
THANK YOU FOR YOUR PAYMENT 02/05/20							-160.00				
TOTAL AMOUNT DUE							207.00				

DRAFT SCHEDULE 03/05

COMPARISONS	DAYS SERVICE	TOTAL KWH	AVG. KWH/DAY	AVG. TEMP/DAY	TOTAL DUE	
CURRENT BILLING PERIOD	31	2007	65	40.1	\$	207.00
PREVIOUS BILLING PERIOD	31	1629	53		DUE DATE 03/08/20 BILL IS DELINQUENT AFTER DUE DATE	
SAME PERIOD LAST YEAR	31	2267	73		AFTER DUE DATE PAY \$ 207.00	



Due Date is for current months bill only and does not apply to previous amounts
Conveniently pay your bill online at www.skrecc.com

Sign up for the People Fund. Round your bill to the nearest dollar. 100% of the dollars go to local charitable and school organizations. Ask us about it today!

Ask Us About These Services			Rate Codes				Meter Reading Codes	
Bank Drafting	24 Hour Dispatching	Outdoor Lighting	1=Residential	5=Optional Power	9=Large Power 1	20,22 = Net Mtr	0=Estimated Reading	
Levelized Billing	Ky Living Magazine	Elect. Code/Design Consultation	2=Small Comm.	6=Res. Mkting.	10=Large Power 2		1=Consumer Reading	
E-Billing/Pay Online	Energy Audits	Long Distance Phone Service	3=Public Building	7=Small Comm. Mkting.	13=Contracts Loan		2=Normal Reading	
			4=Large Power	8=Street Lighting	11, 12, 14-19=Special Contract LP		3=Manual Estimated	

If your power is off, first check to see that all fuses and breakers are working properly. If this does not correct the problem, call your local Cooperative office at the number listed above. Please provide your Account Number, Name, and Address as it appears on your statement. Phone dispatch is available 24 hours a day, 7 days a week. Please call our office with any question or problem you may have. If your local office is a toll call then call our toll free number listed above.

PLEASE DETACH AND RETURN THIS PORTION WITH PAYMENT

DO NOT ATTACH PAYMENT TO REMITTANCE SLIP

KY00540B



P.O. Box 910
Somerset, KY 42502-0910
ADDRESS SERVICE REQUESTED



Scan Here at Payment Kiosk

ACCOUNT #	INVOICE #	AMOUNT DUE
	0	207.00
CYCLE	BILLING DATE	AFTER DUE DATE PAY
114	02/21/20	207.00
This Due Date does not apply to previous past due amounts		DUE DATE
		03/08/20
		ENTER AMOUNT PAID

PLEASE INDICATE CHANGE OF ADDRESS OR PHONE NUMBER HERE

0
50

SOUTH KENTUCKY RECC
PO BOX 910
SOMERSET KY 42502-0910



00000020700

00000020700

6





(800) 264-5112

Somerset
(606) 678-4121
7:30 A.M. - 4:30 P.M. EST

Monticello
(606) 348-6771
7:30 A.M. - 4:30 P.M. EST

Whitley City
(606) 376-5997
7:30 A.M. - 4:30 P.M. EST

Albany
(606) 387-6476
7:30 A.M. - 4:30 P.M. CST

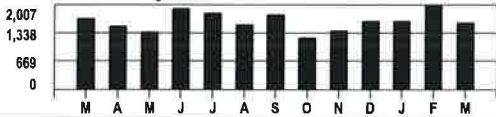
Jamestown
(270) 343-7500
7:30 A.M. - 4:30 P.M. CST

ACCOUNT NUMBER	ACCOUNT NAME		METER NUMBER		SERVICE ADDRESS				
LOCATION	CYCLE NUMBER	RATE	BC	TELEPHONE					
	114	1	0						
PREVIOUS READING	PRESENT	READ CODE	FROM	SERVICE TO	MULTIPLIER	KWH	\$AMOUNT		
0	697	2	03/03/20	03/18/20	1	697	142.90		
53616	54518		02/18/20	03/03/20	1	902			
							FUEL ADJUSTMENT [-0.005170 x 697 kWh]		-8.27
							ENVIRONMENTAL SURCHARGE [9.81%]		13.21
							SCHOOL TAX 3%		4.44
							TOTAL CURRENT BILL DUE 04/05/20		152.28
							PEOPLE FUND		0.72
							PREVIOUS AMOUNT DUE		207.00
							THANK YOU FOR YOUR PAYMENT 03/18/20		-227.00
							PREVIOUS CREDIT BALANCE		-20.00
							TOTAL AMOUNT DUE		133.00

DRAFT SCHEDULE 04/05

COMPARISONS	DAYS SERVICE	TOTAL KWH	AVG. KWH/DAY	AVG. TEMP/DAY	TOTAL DUE		\$	133.00
CURRENT BILLING PERIOD	29	1599	55	44.6	DUE DATE	04/05/20	BILL IS DELINQUENT AFTER DUE DATE	
PREVIOUS BILLING PERIOD	31	2007	65		AFTER DUE DATE PAY		\$	133.00
SAME PERIOD LAST YEAR	28	1701	61					

Your Electricity Use Over The Last 13 Months



Due Date is for current months bill only and does not apply to previous amounts
Conveniently pay your bill online at www.skrecc.com

Sign up for the People Fund. Round your bill to the nearest dollar. 100% of the dollars go to local charitable and school organizations. Ask us about it today!

Ask Us About These Services			Rate Codes				Meter Reading Codes	
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E-Billing/Pay Online	Energy Audits	Long Distance Phone Service	3=Public Building	7=Small Comm. Mktng.	13=Contracts Loan		2=Normal Reading	
			4=Large Power	8=Street Lighting	11, 12, 14-19=Special Contract LP		3=Manual Estimated	

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ADDRESS SERVICE REQUESTED



Scan Here at Payment Kiosk

ACCOUNT #	INVOICE #	AMOUNT DUE
	0	133.00
CYCLE	BILLING DATE	AFTER DUE DATE PAY
114	03/20/20	133.00
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SOUTH KENTUCKY RECC
PO BOX 910
SOMERSET KY 42502-0910



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South Kentucky RECC People Fund: Changing lives, saving lives

South Kentucky RECC was founded more than 80 years ago on the basic principle of helping the people in its communities, or as its mission states, “to improve the lives in its communities.” That’s what drove a group of farmers in Wayne County to establish the co-op and bring electricity to south central Kentucky. It’s the premise South Kentucky RECC continues to operate on today.

One way the co-op strives to support the people in its communities is through its round-up program called The People Fund. Currently, about 3,300 generous South Kentucky RECC members have opted to round-up their monthly electric bills to the nearest dollar, with that change being used to create a system of grants available to organizations in local communities whose financial needs

are not being met by other agencies or resources.

The People Fund was started in 2004, and to date, more than a quarter of a million dollars has been distributed in more than 400 grants to organizations and groups, including local schools and food banks. The most that “rounding up” can cost any South Kentucky RECC member in a year is \$11.88 or \$.99 each month, but that bit of change given each month can make big changes in the lives of our members, their children and our communities.

Rick Godbey, chief of Russell County Search and Rescue, can attest to what a People Fund grant can mean to a community. In January, his group was awarded a People Fund grant, which helped the organization acquire additional personal protective equipment needed to aid in the assistance and rescue of individuals.

“Being located on Lake Cumberland, we are called on a great deal to assist with water rescues. Because of the People Fund grant, we have been able to purchase new life vests, which are sleeker in design to allow more movement and mobility. They will make a world of difference to us.”

In addition to new life vests, the People Fund grant also provided funds for new rain gear and universal-use helmets that can be used for ground search, as well as repelling.

Chief Godbey says the all-volunteer group operates almost solely on donations, so getting the grant was a huge help.



Because of funds awarded through South Kentucky RECC’s People Fund grant, Russell County Search and Rescue purchased new rain gear, unwrapped here by volunteer George Haming. Photo: Joy Bullock



Russell County Search and Rescue Chief Rick Godbey models the new, sleek life vests that were purchased with SKRECC’s People Fund monies. Photo: Joy Bullock

“Russell County Search and Rescue has about 35 active volunteers—volunteers who have taken quite a bit of training on their own time, and without the help of community partners, like South Kentucky RECC, it would be on their own dime. We have a great group of volunteers, and we all appreciate the assistance we get from our community.”

The People Fund slogan is, “Your spare change can change lives.” With its contribution to Russell County Search and Rescue, it could also be, “Your spare change can save lives.”

For information on how you can help change lives in your community

This sonar boat will aid in water rescue and recovery for Russell County Search and Rescue. Photo: Russell County Search and Rescue

through The People Fund, please call your local South Kentucky RECC office or (800) 264-5112.

Applications for The People Fund grants are due on January 31, April 30, July 31 and October 31, and the application is available online at www.skrecc.com, or at any of the co-op's offices. Applications are reviewed quarterly, and grants are awarded by The People Fund's board, which is independent from South Kentucky RECC.



The offices of South Kentucky RECC will be CLOSED on Friday, July 3, in observance of Independence Day.

If you have an emergency or outage, call your local office or (800) 264-5112 for 24/7 outage reporting.

CheckOut: The newest way to pay your bill

When it comes to doing business with South Kentucky RECC, we are always trying to make it convenient, safe and simple for our members. We understand that our members like to be able to conduct business when it is suitable for them, which is why the co-op has added another way to pay.

CheckOut allows South Kentucky RECC members to pay their bill at local, participating retailers, including Dollar General, Family Dollar, CVS Pharmacy and Speedway, which are open seven days a week, and often have hours later into the evening making it very convenient.

To use CheckOut, members need to visit the South Kentucky RECC's website, www.skrecc.com.

- Click the CheckOut link.
- Enter your account number (found on your statement) in the appropriate field.
- Click "find my account." You will then be asked to verify your street/house number.
- If correct, click the "Get Your Barcode" button. Your personalized barcode, which ties back to your South Kentucky RECC account, will appear.
- Either print the barcode or send it to your email to be used at a local retailer.

Take your barcode to one of the participating businesses and present it at the checkout. The cashier will scan your barcode and retrieve your bill amount, but will not have access to or any information about your account.

A cash-only payment can then be made to your account. The retailer will charge a \$1.50 fee for the transaction.

South Kentucky RECC was started more than 80 years ago on the idea that it could help make life easier for its members by providing electricity. Today, we continue with that same premise—to make life easier and better for our members.