

KANSAS 54

KANSAS ELECTRIC POWER COOPERATIVE, INC.

TOPEKA, KANSAS

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 1981 TO DECEMBER 31, 1981

SCHMIDT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY, MISSOURI

Kansas 54

Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

EXAMINATION REPORT

For The Period

January 1, 1981 to December 31, 1981

Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

INDEX

	<u>Page</u>
Trustees, Alternates and Executive Committee.....	1
Accountants' Report	
Scope of Examination.....	2
Accountants' Opinion.....	2-c
Exhibit A Comparative Balance Sheet.....	3
Exhibit A-1 Statement of Changes in Financial Position.....	4
Exhibit B Statement of Revenue and Accumulated Deficit.....	5
Notes to Financial Statements.....	6
Other Information.....	7
Exhibit C Statement of Paid-In Capital.....	8
Exhibit D Utility Plant.....	9
Exhibit E Long-Term Obligations to REA.....	10

Kansas 54Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, Kansas

BOARD OF TRUSTEES

Cooperative

Altamont, Kansas
 Belleville, Kansas
 Burlington, Kansas
 Cedar Vale, Kansas
 Cheney, Kansas
 Clay Center, Kansas
 Council Grove, Kansas
 Dodge City, Kansas
 El Dorado, Kansas
 Ellsworth, Kansas
 Emporia, Kansas
 Fredonia, Kansas
 Girard, Kansas
 Hays, Kansas
 Horton, Kansas
 Hutchinson, Kansas
 Iola, Kansas
 Lindsborg, Kansas
 Mankato, Kansas
 Meade, Kansas
 McLouth, Kansas
 Norton, Kansas
 Pratt, Kansas
 Solomon, Kansas
 Wamego, Kansas
 Wellington, Kansas

Trustee

L. G. Dulavey
 Darold Wulfekoetter
 Dean Martin
 Marion S. Moore
 Jack S. Hutchinson
 Charles W. Ellis
 Gerald Ridenour
 Ray Sprenkle
 Wilbur C. Reed
 A. D. Paull
 R. D. Speece
 Howard L. Sell
 Ray Taylor
 Arthur J. Schnose
 Dale Bodenhause
 Wesley Nunemaker
 Elmer Nichols
 Verner E. Lundquist
 Clarence Beck
 H. L. Murphey
 W. A. Ousdahl
 Phillip A. Lesh
 Robert Ahrens
 James F. Schmidt
 Kenneth L. Erickson
 Max Kolarik

Alternate

Dora Boore
 Dennis Cooper
 Lyle Herriott
 Robert Brown
 Gene Porter
 Raymond James
 Robert E. Reece
 Ralph V. Sherer
 Louis Claassen
 Larry D. Kilian
 Larry Scott
 Marvin Freidline
 Marvin Lewis
 Raymond Heer
 Ronald E. Garchar
 Delbert E. Tyler
 Robert L. Schuster
 Gilbert Bengtson
 Jim Gouldie
 Jerry Rumbaugh
 Fred Johnson
 Lynn Morford
 Ben Pritchard
 Nadine Griffin
 Kenneth J. Maginley
 Garland Price

EXECUTIVE COMMITTEE

Charles W. Ellis
 James Schmidt
 Phillip A. Lesh
 R. D. Speece

President
 Vice-President
 Secretary
 Treasurer

Max Kolarik
 Wilbur Reed
 L. G. Dulavey

MANAGEMENT

Charles Ross

Executive Vice-President

SCHMIDT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

2837 MAIN STREET

KANSAS CITY, MISSOURI 64108

MEMBERS OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE
(816) 421-4624

Board of Trustees

Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

Gentlemen:

We have examined the balance sheets of the Kansas Electric Power Cooperative, Inc., Topeka, Kansas as of December 31, 1981 and 1980, the related statements of revenue and accumulated deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including those required by REA Bulletin 185.1. Some of the auditing procedures employed were as follows:

General Plant

Acquisitions and retirements of general plant items were investigated to determine that entries properly recorded the new values and relieved the accounts of values retired.

We examined certificates of title to automotive equipment and satisfied ourselves as to the existence of other major items of general plant.

Investments

We examined certificates and other evidence to support the association's equity in other organizations. Written confirmation of the cooperative's equity in CFC was obtained.

Cash

We counted the working fund during our examination and after considering the receipts and deposits since December 31, 1981, determined the working fund was on hand at

audit date. Cash expenditures were properly supported by vouchers. We examined all checks honored by the banks during the past year for authorized signatures, classifications of expenditures and traced them to the appropriate records. Our reconciliation of the bank account was compared with that prepared by the cooperative. We traced the transfer of funds between accounts and directed particular attention to the outstanding checks at the beginning and end of the year examined. Written confirmations of the bank balances were obtained from the banks.

Accounts and Interest Receivable

Our examination disclosed the subsidiary ledgers of accounts receivable were in balance with the ledger control accounts. We reviewed the collectibility of receivable balances as indicated by an aging of the accounts and by information obtained regarding the debtors' ability to pay. Negative type confirmations were mailed to customers with emphasis on accounts over ninety days old. Other accounts receivable were confirmed on a selective basis to the extent deemed necessary. Minor exceptions to the account balances were satisfactorily explained.

Prepayments

Insurance policies were examined and the unexpired insurance premiums computed. We listed the policies, observed they were made payable to the cooperative and ascertained all were in effect at audit date.

Deferred Debits

We analyzed the deferred debit accounts and determined that none of them were subject to amortization at audit date.

Capital Equities

We ascertained the subsidiary record of memberships was in balance with the general ledger control account by examination of the membership register.

Long-Term Liabilities

We reviewed the loan agreements with REA and related documents and reconciled the liability for principal and interest with statements obtained directly from the Rural Electrification Administration.

Other Long-Term Liabilities

We reviewed the loan agreements with the Department of Energy. A review of lease agreements with ABC Leasing satisfied us that they were installment purchases for office equipment.

Current and Accrued Liabilities

We examined invoices paid subsequent to the audit date, made inquiries concerning possible unrecorded liabilities and contacted the project attorney regarding contingent liabilities. Minutes of board meetings were reviewed for commitments or agreements which might constitute liabilities of the cooperative. The cooperative has a letter of income tax exemption from the Internal Revenue Department and has filed Form 990 annually. We reviewed the cooperative's property tax assessments and found the liability for property taxes reasonably stated. The liability for accrued payroll tax was verified by examination of the appropriate records and a review of disbursements made subsequent to the audit date.

Deferred Credits

We analyzed the deferred credit accounts and determined they were reasonably stated as of December 31, 1981.

Operations

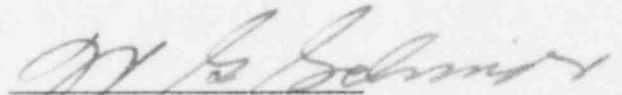
During our examination of the balance sheet accounts, related operating entries were tested. We analyzed revenue from investments to satisfy ourselves these were properly recorded. Journal entries prepared during the period under observation were reviewed. Pertinent provisions of the power contract were noted. In tracing cancelled checks to the check register, charges to expense accounts were reviewed. Check vouchers with supporting data were examined for representative test periods. Operating accounts were compared with those of prior years and substantial variations investigated. Other revenue and expense accounts were reviewed to the extent deemed necessary.

General

Before we completed the examination all audit entries had been entered on the books of the association. Our examination disclosed the cooperative's accounting records have been maintained in a current and generally accurate condition.

In our opinion, the balance sheets of the Kansas Electric Power Cooperative, Inc., Topeka, Kansas as of December 31, 1981 and 1980, the related statements of revenue and accumulated deficit and changes in financial position for the years then ended, present fairly the financial position of the cooperative, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, with the exception of accounting for earned vacation. See notes to financial statements.

SCHMIDT & COMPANY



W. G. Schmidt, Partner

February 1, 1982

Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, Kansas

COMPARATIVE BALANCE SHEET

For The Years Ended December 31, 1981 and 1980

ASSETS AND OTHER DEBITS

	<u>12-31-81</u>	<u>12-31-80</u>
<u>Utility Plant</u>		
Electric plant in service	\$ 116,592.86	\$ 46,868.98
Construction in progress	62,029,000.00	-0-
	62,145,592.86	46,868.98
Less: Accumulated depreciation	28,689.71	19,606.29
Total Utility Plant	<u>62,116,903.15</u>	<u>27,262.69</u>
<u>Investments</u>		
Equities in other organizations	3,525,705.54	1,245,680.00
Deferred compensation fund	6,205.00	-0-
Total Investments	<u>3,531,910.54</u>	<u>1,245,680.00</u>
<u>Current Assets</u>		
Working fund	200.00	100.00
Construction fund	7,849,403.97	-0-
General fund	43,586.70	46,368.64
Accounts receivable	261,073.90	91,547.95
Prepayments	4,722.26	1,805.00
Total Current Assets	<u>8,158,586.83</u>	<u>139,821.59</u>
<u>Deferred Debits</u>		
Organization expense	1,067.50	1,067.50
Leasehold improvements	5,109.20	-0-
Research & development (overhead)	19,579,269.97	26,631,510.34
Construction advance	-0-	129,000,000.00
Hydro research	283,027.86	-0-
Member service-clearing	15,346.24	-0-
Deferred employees' vacations	14,835.23	-0-
Total Deferred Debits	<u>19,898,656.00</u>	<u>155,632,577.84</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$93,706,056.52</u>	<u>\$157,045,342.12</u>

* Deficit

See notes to financial statements (page 6).

MEMBERS' EQUITY AND LIABILITIES

	<u>12-31-81</u>	<u>12-31-80</u>
<u>Equities and Margins</u>		
Memberships	\$ 2,800.00	\$ 2,800.00
Paid-in capital	557,280.60	557,280.60
Patronage capital unallocated	3,780.22*	1,904.91*
Deficit accumulated during the development stage	<u>3,514,473.06*</u>	<u>-0-</u>
Total Equities and Margins	<u>2,958,172.68*</u>	<u>558,175.69</u>
<u>Long-Term Liabilities</u>		
Mortgage payable to United States (REA)	200,000,000.00	-0-
Less: Unadvanced funds	<u>104,000,000.00</u>	<u>-0-</u>
Long-term liabilities to REA	96,000,000.00	-0-
Other long-term liabilities	191,467.16	-0-
Total Long-Term Liabilities	<u>96,191,467.16</u>	<u>-0-</u>
<u>Current Liabilities</u>		
Notes payable (CFC)	-0-	156,335,981.08
Accrued interest	41,121.99	-0-
Accounts payable	340,547.00	149,153.20
Accrued vacation pay	14,835.23	-0-
Accrued taxes	<u>4,052.82</u>	<u>2,032.15</u>
Total Current Liabilities	<u>400,557.04</u>	<u>156,487,166.43</u>
<u>Deferred Credits</u>		
Deferred compensation reserve	6,205.00	-0-
Load research-clearing	<u>66,000.00</u>	<u>-0-</u>
Total Deferred Credits	<u>72,205.00</u>	<u>-0-</u>
 TOTAL MEMBERS' EQUITY AND LIABILITIES	 \$ <u>93,706,056.52</u>	 \$ <u>157,045,342.12</u>

See notes to financial statements (page 6).

Kansas 54Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, Kansas

STATEMENT OF CHANGES IN FINANCIAL POSITION SINCE INCEPTION

	Year Ended 12-31-81	Year Ended 12-31-80	Inception to 12-31-81
SOURCE OF FUNDS			
Operating margin (Exhibit B, page 5)\$	1,875.31*	\$ 1,904.91*	\$ 3,780.22*
Add:			
Depreciation (research & develop.)	13,353.23	7,444.09	29,189.71
Depreciation expense	71.96	118.29	-0-
Total	13,425.19	7,562.38	29,189.71
Deduct:			
Capital credits	49.04	-0-	49.04
Funds from operations	11,500.84	5,657.47	25,360.45
Add:			
Memberships	-0-	100.00	2,800.00
Loans:			
FFB	96,000,000.00	-0-	96,000,000.00
DOE	168,500.00	-0-	168,500.00
ABC	26,380.36	-0-	26,380.36
Refunds:			
KGE	56,430,000.00	-0-	-0-
KCPL	70,679,000.00	-0-	-0-
Members	158,570.32	-0-	-0-
Capital transfer (KEC)	-0-	-0-	557,280.60
Paid-in capital (load research)	66,000.00	-0-	66,000.00
Decrease in working capital	-0-	58,834,678.90	-0-
Salvage	500.00	-0-	500.00
TOTAL SOURCE OF FUNDS	\$223,540,451.52	\$58,840,436.37	\$96,846,821.41
FUNDS USED			
Organization	\$ -0-	\$ -0-	\$ 1,067.50
CFC membership	-0-	-0-	1,000.00
Leasehold improvement	5,109.20	-0-	5,109.20
Plant investment	62,103,565.65	10,148.74	62,145,592.86
Research & development(overhead)	(8,784,670.05)	57,601,641.63	19,579,269.97
Other research	298,374.10	-0-	298,374.10
Development deficit	3,514,473.06	-0-	3,514,473.06
Equities in (CFC, etc.)	2,279,976.50	1,228,646.00	3,525,656.50
Loan payment (ABC)	3,413.20	-0-	3,413.20
Increase in working capital	164,120,209.86	-0-	7,772,865.02
TOTAL FUNDS USED	\$223,540,451.52	\$58,840,436.37	\$96,846,821.41

* Deficit

See notes to financial statements (page 6).

Kansas 54Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, Kansas

STATEMENT OF REVENUE AND ACCUMULATED DEFICIT

For The Years Ended December 31, 1981 and 1980, and from Inception

	<u>12-31-81</u>	<u>12-31-80</u>	<u>Development deficit from inception</u>
<u>Operating Revenue</u>			
Sales for resale	\$532,626.03	\$291,455.03	\$ -0-
<u>Expenses</u>			
Purchased power	527,634.15	284,005.03	-0-
General & administrative	2,273.64	5,569.23	532,467.27
Special services	642.91	68.64	1,031,160.56
Insurance	39.17	-0-	-0-
Employee benefits	274.75	39.84	62,866.30
Meeting expenses	-0-	991.84	236,167.02
Rent & maintenance	1,206.40	131.60	19,654.28
Miscellaneous expense	10.19	2,232.94	-0-
Taxes	120.99	202.53	39,489.62
Depreciation	1,371.96	118.29	24,601.62
Regulatory expense	131.89	-0-	-0-
Interest	844.33	-0-	1,568,066.39
Expenses	<u>534,550.38</u>	<u>293,359.94</u>	<u>3,514,473.06</u>
Operating margins	1,924.35*	1,904.91*	-0-
Capital credits	<u>49.04</u>	<u>-0-</u>	<u>-0-</u>
Operating and Development Stage Deficits	<u>\$ 1,875.31*</u>	<u>\$ 1,904.91*</u>	<u>\$3,514,473.06*</u>

* Deficit

See notes to financial statements (page 6).

Kansas 54Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 1981

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Plant

The cooperative employs the Uniform System of Accounts, prescribed by the Federal Energy Regulatory Commission. Wage rates are controlled by the Board of Trustees. Transportation expenses are allocated between deferred and operating accounts on the basis of mileage. Plant is depreciated at rates reflected in Exhibit D, page 9.

Investments

Investments are generally included in the financial statements at cost. Equities in other organizations are included at face value of related certificates.

Deferred Debits

Research and development costs are apportioned to capital and expense as prescribed by accepted accounting. Interest cost applicable to funds borrowed for construction is included with construction overhead costs.

Tax Status

The cooperative filed income tax returns through 1979. Exemption as a non-profit corporation under Section 501c-12 was granted by Internal Revenue Service effective January 1, 1980. Form 990 has been filed for 1980.

ADDITIONAL NOTES TO FINANCIAL STATEMENTS

Assets Pledged

All assets are pledged as security for long-term debt to the Rural Electrification Administration, Washington, D.C.

Utility Plant

Cost	\$62,145,592.86
Depreciation	<u>28,689.71</u>
Depreciated Value	<u>\$62,116,903.15</u>

Exhibit D, page 9, of this report presents a detailed statement of plant facilities and changes in the accounts during the period ended December 31, 1981. On December 31, 1981, the

association acquired a 6% undivided interest in the Wolf Creek Nuclear Power Plant. Ownership of the balance of the plant is shared equally by Kansas Gas and Electric Co., and Kansas City Power and Light Co.

Two automobiles were purchased and two copy machines were acquired during the past year. Other miscellaneous items of office equipment were also purchased.

Investments

Equities in other organizations	\$3,525,705.54
Deferred compensation	<u>6,205.00</u>
Total	<u>\$3,531,910.54</u>

Equities in other organizations include the following:

National Rural Utilities Cooperative Finance Corporation
Washington, D. C.

Membership	\$ 1,000.00	
Capital credits	<u>3,523,759.00</u>	\$3,524,759.00

Federated Rural Electric Insurance Corporation
Madison, Wisconsin

Preferred stock		877.50
-----------------	--	--------

National Rural Electric Cooperative Association
Washington, D. C.

Membership		10.00
------------	--	-------

Kansas Electric Cooperatives, Inc.
Topeka, Kansas

Membership	10.00	
Capital credits	<u>49.04</u>	<u>59.04</u>

Total		<u>\$3,525,705.54</u>
-------	--	-----------------------

Kansas Electric Cooperatives, Inc., had established a deferred compensation plan for Charles Ross and had paid deposits for the year 1981. The cost of the plan was prorated between the association and Kansas Electric Cooperatives, Inc., for the time Mr. Ross served each of them during the year.

Cash

Working fund	\$ 200.00
General fund	43,586.70
Construction fund	<u>7,849,403.97</u>
Total	<u>\$7,893,190.67</u>

The cooperative maintains a working fund for petty cash disbursements and for making change. The general and construction funds are in the custody of the Fairlawn Plaza State Bank, Topeka, Kansas. The bank is a member of the

Federal Deposit Insurance Corporation.

Accounts Receivable

Energy accounts receivable	\$217,808.92
Other accounts receivable	<u>43,264.98</u>
Total	<u>\$261,073.90</u>

The association has a certificate of convenience and necessity to operate as a public utility for the purpose of generating and transmitting electric

energy. Other accounts receivable consist primarily of assessments to members for expenses incurred by KEPCo for wholesale rate cases. The accounts are current and consist of the following:

Energy Accounts:

Empire District Electric Company	\$ 62,625.00
Empire District	48,730.00
CTU members	102,092.58
Others	<u>4,361.34</u>
	217,808.92

Other Accounts

Total	<u>43,264.98</u>
	<u>\$261,073.90</u>

Prepaid Expenses

Prepaid insurance	\$1,208.50
Travel advances	2,200.00
Other prepayments	<u>913.76</u>
Total	<u>\$4,322.26</u>

Insurance coverage is provided by Federated Rural Electric Insurance Corporation, Madison, Wisconsin. The type of insurance and the amount in effect at December 31, 1981 were as follows:

Type of InsuranceAmount

General public liability	
Directors', officers' and managers' liability	\$5,000,000
Bodily injury and property damage	1,000,000
Workmen's compensation	Statutory
Fidelity insurance (blanket coverage)	60,000
Automobile	
Bodily injury and property damage	1,000,000
Collision	\$100 deductible
Fire and extended coverage	
Buildings and personal property (\$100 deductible)	70,000
Extra expense	25,000
Loss of income from customers	25,000

Travel advances were as follows:

Joe Mulholland	\$ 150.00
Jerry Haar	150.00
Joe Hamman	150.00
Bob Bowser	200.00
Rick Tyler	150.00
Hoburg Lee	150.00
Allan Mee	150.00
Frank Garver	150.00
Charles Ross	700.00
Marshall Clark	100.00
Pete Diedrich	150.00
Total	<u>\$2,200.00</u>

Other prepayments include:

Deposits with ABC	\$982.36
Employee insurance deductions	<u>(68.60)</u>
Total	<u>\$913.76</u>

Deferred Debits

Organization expense	\$ 1,067.50
Leasehold improvements	5,109.20
Research & development (overhead)	19,579,269.97
Hydro research	283,027.86
Member services clearing	15,346.24
Deferred employees' vacations	<u>14,835.23</u>
Total	<u>\$19,898,656.00</u>

Kansas Electric Power

Cooperative, Inc., was organized to obtain electric power for its members and to conduct projects to serve their needs. Costs have been incurred to obtain nuclear and hydro power; to

conduct energy related feasibility studies; and to negotiate in rate cases.

At December 31, 1981, costs being deferred for research and development (overhead) projects were as follows:

Research and Development (overhead)					
	Wolf Creek	K.P.L.	Load research	Western area power adm. WAPA	Total
Labor	\$ 532,467.26	\$ 1,081.94	\$2,745.00	\$ 6,896.66	\$ 543,190.86
Payroll taxes	39,489.62	38.75	103.20	490.67	40,122.24
Employee benefits	62,866.29	154.64	355.36	1,087.18	64,463.47
Automobile services	14,231.53	16.40	56.13	250.10	14,554.16
Travel	71,644.29	454.85	8.20	3,417.46	75,524.80
Public relations	3,828.69	347.71	-0-	39.00	4,215.40
Legislative P R	341.49	-0-	-0-	-0-	341.49
Rent	28,612.37	81.11	92.11	610.57	29,396.16
Building costs	17,693.97	53.63	42.10	220.29	18,009.99
Leasing-maintenance	14,844.13	34.57	57.65	399.28	15,335.63
Depreciation	24,601.62	49.88	99.51	257.01	25,008.02
Insurance	15,359.01	15.60	58.60	111.82	15,545.03
Property tax	8,926.40	9.81	8.10	30.03	8,974.34
Meetings	118,216.37	77.78	888.01	1,100.10	120,282.26
Computer	108,113.09	-0-	-0-	-0-	108,113.09
Supplies	48,038.38	66.23	70.40	257.74	48,432.75
Postage	28,027.95	29.59	14.20	134.82	28,206.56
Telephone	63,047.89	97.42	66.95	420.87	63,633.13
Contingency	9,285.82	6.42	21.03	20.00	9,333.27
Dues & subscriptions	12,677.66	89.08	5.22	99.95	12,871.91
Interest	17,111,574.57	8,608.14	111.17	1,458.94	17,121,752.82
Personnel costs	123,475.06	5.50	.82	200.93	123,682.31
Consultants	1,026,422.36	45,749.81	57.50	250.76	1,072,480.43
Regulatory commission	15,799.85	-0-	-0-	-0-	15,799.85
TOTAL	<u>\$19,499,585.67</u>	<u>\$57,068.86</u>	<u>\$4,861.26</u>	<u>\$17,754.18</u>	<u>\$19,579,269.97</u>

Hydro electric research feasibility studies were being conducted to determine if several Kansas Reservoirs could be used for the commercial development of electric energy.

Equities and Margins

Memberships	\$ 2,800.00	Membership certificates have
Paid-in capital	557,280.60	been issued to
Patronage capital unallocated	3,780.22*	twenty-eight
Deficit accumulated during the development stage	<u>3,514,473.06*</u>	cooperatives in
Total equities and margins	<u>\$2,958,172.68*</u>	Kansas. One

* Deficit

cooperative dropped its membership, but the fee was not returned. Paid-in capital was provided by members of the association to fund the cost of projects undertaken by KEPCo on their behalf.

Since the inception of the enterprise, costs incurred to develop sources of power have exceeded construction overhead costs by \$3,514,473.06. Costs incurred to procure and resell power have exceeded revenues by \$3,780.22.

Long-Term Liabilities

Mortgage payable to the United States (REA)	\$200,000,000.00
Less: Unadvanced funds	<u>104,000,000.00</u>
Long-term liabilities to REA	96,000,000.00
Other long-term liabilities	<u>191,467.16</u>
Total	<u>\$ 96,191,467.16</u>

On December 22, 1981, The Rural Electrification Administration approved a loan of \$200,000,000.00 for the purchase of an

undivided six percent interest in the Wolf Creek Nuclear Power Plant which is under construction on a site near Burlington, Kansas. The loan includes funds for continuing construction of the plant. On December 31, 1981, the six percent interest was acquired and \$96,000,000.00 was advanced for this purpose.

Other long-term liabilities include \$168,500.00 from the Department of Energy to conduct hydro electric power feasibility studies and \$22,967.16 from ABC Leasing Company for the purchase of office equipment. If the feasibility studies indicate the projects are not capable of commercial development, all or part of the loan may be cancelled. The office equipment purchase agreements will terminate in 1983 when final payment of \$7,799.76 is made.

Current Liabilities

Accounts payable	\$340,547.00
Accrued interest	41,121.99
Accrued taxes	4,052.82
Accrued vacation pay	<u>14,835.23</u>
Total	<u>\$400,557.04</u>

Accounts payable at audit date were as follows:

Southwest Power Administration	\$111,355.00
Kansas Gas and Electric	62,216.21
Western Division, CTU	38,890.00
Stone & Webster	42,969.57
Kassebaum & Johnson	21,814.68
R. W. Beck & Associates	42,422.89
Others	<u>20,878.65</u>
Total	<u>\$340,547.00</u>

Interest was accrued on all outstanding loan balances to December 31, 1981. Accrued taxes include payroll taxes \$3,338.85 and property taxes for the last half of the 1981 assessment of \$713.97. Vacation pay due employees was calculated as of December 31, 1981.

Deferred Credits

Deferred compensation reserve	\$ 6,205.00
Load research - clearing	<u>66,000.00</u>
Total	<u>\$72,205.00</u>

The deferred compensation program for the executive Vice-president was discussed in the section of this report on investments. Member

cooperatives have advanced \$66,000.00 to KEPCo for the purchase and installation of test meters to monitor residential use of electric energy on a test basis.

Change in Accounting

Prior to 1981 the cooperative recorded earned vacation when it was paid. Effective December 31, 1981, earned vacation pay was accrued as a liability. This change did not affect operations and meets with our approval.

Pension Plan

The cooperative has a contributory defined benefit pension plan for its employees. The plan is administered by the National Rural Electric Cooperative Association (NRECA) through a trustee whereby annuities effective upon retirement will be available to participants in the plan. It is a funded plan and the total pension costs for the years ended December 31, 1981 and December 31, 1980 were \$24,906.81 and \$10,042.98, respectively.

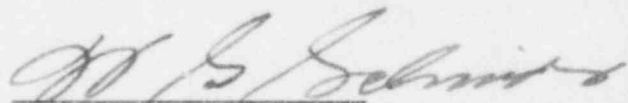
Kansas 54Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, Kansas

OTHER INFORMATION

Accountants' Comments

The audited financial statements of the Kansas Electric Power Cooperative, Inc., and our report thereon are presented in the preceding section of this report. The following financial information and comments were derived from the accounting records tested by us as a part of the auditing procedures used in our examination of the financial statements of December 31, 1981 and December 31, 1980 and in our opinion is fairly presented in all material respects in relation to the financial statements taken as a whole. This information is not necessary for a fair presentation of the financial statements.

SCHMIDT & COMPANY

W. G. Schmidt, Partner

February 1, 1982

History and Organization

The Rural Electrification Act was passed by Congress and signed by President Franklin D. Roosevelt on May 20, 1936. It authorized REA to finance the construction of generation, transmission and distribution facilities to provide electric energy to rural areas not receiving central station electricity. Cooperative farm organizations and rural public power districts became the principal borrowers under the REA program. The National Rural Utilities Cooperative Finance Corporation (CFC) was incorporated April 10, 1969 to provide supplemental financing for REA borrowers.

Articles of Incorporation adopted by six electric distribution cooperatives of Kansas were filed with the Secretary of State, February 13, 1975 for the Incorporation of Kansas Electric Power Cooperative, Inc., pursuant to the Electric Cooperative Act, K.S.A. 17-4601 and other applicable laws. It is a nonprofit cooperative with perpetual existence. Bylaws of the corporation do not restrict membership to electric cooperatives. Each active member has a representative on the Board of Trustees. The membership fee is \$100 and at audit date the corporation had twenty-seven active members.

The following exhibits provide additional detailed information.

Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

STATEMENT OF PAID-IN CAPITAL

The Ark Valley Electric Cooperative Association, Inc., Hutchinson, Kansas.....	
The Brown-Atchison Electric Cooperative Association, Inc., Horton, Kansas.....	
The Butler Rural Electric Cooperative Association, Inc., El Dorado, Kansas.....	
The Caney Valley Electric Cooperative Association, Inc., Cedar Vale, Kansas.....	
Central Kansas Electric Cooperative, Inc., Great Bend, Kansas.....	
The CMS Electric Cooperative, Inc., Meade, Kansas.....	
The Coffey County Rural Electric Cooperative Association, Inc., Burlington, Kansas.....	
The C & W Rural Electric Cooperative Association, Inc., Clay Center, Kansas.....	
The Doniphan Electric Cooperative Association, Inc., Troy, Kansas.....	
The D. S. & O. Rural Electric Cooperative Association, Inc., Solomon, Kansas.....	
The Flint Hills Rural Electric Cooperative Association, Inc., Council Grove, Kansas..	
Great Plains Electric Cooperative, Inc., Colby, Kansas.....	
Jewell-Mitchell Cooperative Electric Co., Inc., Mankato, Kansas.....	
Kaw Valley Electric Cooperative Company, Inc., Topeka, Kansas.....	
The Lane-Scott Electric Cooperative, Inc., Dighton, Kansas.....	
Leavenworth-Jefferson Electric Cooperative, Inc., McLouth, Kansas.....	
The Lyon County Electric Cooperative, Inc., Emporia, Kansas.....	
N. C. K. Electric Cooperative, Inc., Belleville, Kansas.....	
The Nemaha-Marshall Electric Cooperative Association, Inc., Axtell, Kansas.....	
The Ninnescah Rural Electric Cooperative Association, Inc., Pratt, Kansas.....	
The Northwest Kansas Electric Cooperative Association, Inc., Bird City, Kansas.....	
The Norton-Decatur Cooperative Electric Company, Inc., Norton, Kansas.....	
Pioneer Electric Cooperative, Inc., Ulysses, Kansas.....	
The P. R. & W. Electric Cooperative Association, Inc., Wamego, Kansas.....	
Radiant Electric Cooperative, Inc., Fredonia, Kansas.....	
The Sedgwick County Electric Cooperative Association, Inc., Cheney, Kansas.....	
The Sekan Electric Cooperative Association, Inc., Girard, Kansas.....	
The Smoky Hill Electric Cooperative Association, Inc., Ellsworth, Kansas.....	
The Smoky Valley Electric Cooperative Association, Inc., Lindsborg, Kansas.....	
Sumner-Cowley Electric Cooperative, Inc., Wellington, Kansas.....	
Twin Valley Electric Cooperative, Inc., Altamont, Kansas.....	
United Electric Cooperative, Inc., Iola, Kansas.....	
The Victory Electric Cooperative Association, Inc., Dodge City, Kansas.....	
The Western Cooperative Electric Association, Inc., Wakeeney, Kansas.....	
Wheatland Electric Cooperative, Scott City, Kansas.....	

TOTAL

Paid-In Capital

\$ 19,276.91
10,741.62
16,663.75
13,426.25
42,783.04
10,252.17
10,067.67
14,017.55
5,155.95
18,959.51
19,082.82
11,361.06
16,058.18
17,876.25
12,686.02
11,464.08
8,594.13
13,613.14
13,731.79
12,709.82
8,039.92
19,016.54
31,550.19
7,877.59
10,511.11
16,963.22
11,956.67
6,831.34
3,348.52
16,264.37
6,188.72
11,239.10
13,064.89
21,882.03
<u>74,024.68</u>
<u>\$557,280.60</u>

Kansas 54Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, KansasUTILITY PLANT

	Balance 1-1-81	Additions	Retirements	Balance 12-31-81
<u>Nuclear Production</u>				
Under construction	\$ -0-	\$62,029,000.00	\$ -0-	\$62,029,000.00
<u>General Plant</u>				
Transportation equipment (1)	28,533.49	15,586.57	4,341.77	39,778.29
Office furniture & fix. (2)	18,335.49	58,479.08	-0-	76,814.57
Total	46,868.98	74,065.65	4,341.77	116,592.86
<u>Depreciation</u>				
Transportation equipment	13,450.26	6,774.72	4,341.77	15,883.21
Office furniture & fix.	6,156.03	6,650.47	-0-	12,806.50
Total	19,606.29	13,425.19	4,341.77	28,689.71
Depreciated Value	\$27,262.69			\$62,116,903.15

(1) Cost less estimated salvage over three and four years.

(2) 10% depreciation.

Accumulated Depreciation Reconciliation

Balance 1-1-81		\$19,606.29
Add charges to:		
Operations (Exhibit B, page 5)	\$ 71.96	
KPL project	18.58	
Nuclear construction	10,554.20	
Load research	99.51	
Hydro research	808.80	
Customer clearing accounts	1,872.14	13,425.19
		33,031.48
Deduct retirements:		
Cost of car sold	4,841.77	
Salvage	500.00	4,341.77
Balance 12-31-81		\$28,689.71

Kansas 54Kansas Electric Power Cooperative, Inc."A Development Stage Enterprise"Topeka, Kansas

LONG-TERM (REA) GUARANTEED LOANS

FEDERAL FINANCE BANK (FFB)

<u>Note</u> <u>Number</u>	<u>Date</u>	<u>Principal</u>	<u>Unadvanced</u>	<u>Repayment</u>	<u>Balance</u> <u>12-31-81</u>
REA-0216	12-22-81	\$ <u>200,000,000.00</u>	\$ <u>104,000,000.00</u>	\$ <u>-0-</u>	\$ <u>96,000,000.00</u>

<u>Advance</u> <u>Number</u>	<u>Date</u>	<u>Term</u>	<u>Rate</u>	<u>Principal</u>	<u>Repayment</u>	<u>Balance</u> <u>12-31-81</u>
F0010	12-31-81	2 yrs.	13.787%	\$48,000,000.00	\$ -0-	\$48,000,000.00
F0015	12-31-81	3 yrs.	13.952	48,000,000.00	-0-	48,000,000.00
Total Long-Term Obligations to REA				\$ <u>96,000,000.00</u>	\$ <u>-0-</u>	\$ <u>96,000,000.00</u>