

COTTON

ELECTRIC CO-OP

A Touchstone Energy® Cooperative 

2020 ANNUAL REPORT



A MESSAGE FROM

Board president Ken Layn & CEO Jennifer Meason

Turning challenges into opportunities

2020 was a challenging year for all of us. In spite of those challenges, the Board and employees of Cotton Electric found new ways to conduct business to make sure we could continue providing our members with safe, reliable and affordable power. We accomplished a great deal and like all of you, we weathered the storms that came our way.

The beginning of the year saw the launch of Cotton Electric's partnership with Generac to offer a specially-priced generator package exclusive to members. The program proved to be quite popular and provided peace of mind for many of our members who had one installed.

We also unveiled a new design of the monthly bills mailed to members. The new look uses the co-op's signature red and blue to illustrate power use over time. Information about charges are detailed so members can have a clearer understanding of the factors affecting the total bill. While the bills had a new look, the charges remained the same as



Ken Layn



Jennifer Meason

they have been since 2015.

In keeping with our long-standing tradition of supporting the youth in our area, Cotton Electric completed its annual essay competition on March 5 when Hailey Franklin of Walters High School, Olivia Cantwell and Savannah Triplett of Marlow High School, and Marlon Banner of Comanche High School were declared winners. The grand prize trip to Washington, D.C., was among the many, many events cancelled in 2020. Cotton Electric issued \$1,500 scholarships to the four high school juniors as a consolation.

HEADQUARTERS

Cotton Electric Cooperative
226 N. Broadway
Walters, OK 73572
Phone: 580-875-3351
Website: CottonElectric.com

DUNCAN OFFICE

1101 W. Oak
Duncan, OK 73533
Phone: 580-255-5065

LEGAL COUNSEL

J.W. Doolin, Lawton, Okla.

The Cotton Electric Charitable Foundation issued 25 grants during the year for a total of \$70,955.97. More than half of those funds were awarded to schools and organizations with projects benefiting the youngest in the communities. Those grants provided educational support materials, physical well-being equipment and nutritional security.

In mid-March 2020, Cotton Electric management began making adjustments to ensure continuity of service while keeping employees and members safe in a time of pandemic. Lobbies were closed, in-person appointments suspended, line crews staggered supply retrieval times at warehouses and some staff worked remotely. Disconnects for non-payment were also temporarily suspended.

As we learned more about COVID-19, the co-op took a flexible stance, adjusting as the levels of caution fluctuated. Remote workers returned to the offices and lobbies were reopened when it was determined safe to do so. Unfortunately, large group gatherings were not feasible and the co-op's fall district and annual membership meetings were postponed.

When weather interrupted power, both at home and to our neighbors, Cotton

Electric employees rose to the occasion. Three 4-man line crews traveled to Louisiana to aid restoration efforts after Hurricane Laura caused widespread damage in late August.

Closer to home, a rare October ice storm hit the Cotton Electric service area in waves, causing widespread damage and long-term outages. At its peak, nearly 8,700 members were without power. Rotating crews kept restoration efforts going around the clock over three days. Once power was restored here, Cotton line crews traveled again, offering aid to neighboring Oklahoma co-ops.

While the way we conducted business changed, our dedication to serving members remained the same. In the areas of reliability and resiliency, we made substantial progress with our inspection and maintenance programs. In 2020, 6,568 poles were inspected and 3,136 were replaced. This proactive approach allows us to address areas of concern before outages occur. CEC employees also completed 16,216 service orders and upgraded 9,314 meters across our eight-county service area.

Thank you for all of your support over the past year. We look forward to making up for lost time and expressing our appreciation in person at our upcoming district and annual meetings.

MANAGEMENT

Jennifer Meason, *Chief Executive Officer*

Mike Ottinger, *Vice President*

Bryce Hooper, *Vice President*

ACCOUNTING STATISTICS

Karen Rivet

Accounting Supervisor

INDEPENDENT AUDITORS

Briscoe, Burke & Grigsby, LLP
Tulsa, Okla.

BOARD OF TRUSTEES

Cotton Electric Cooperative's Board of Trustees has a fiduciary responsibility for the governance of the cooperative and its subsidiary, serving to oversee and shape policy and keep the co-op and its subsidiary on a steadfast, focused course.

Your trustees are a dedicated, experienced group of professionals who share in an abiding loyalty

for, and commitment to, the members throughout our eight-county service area. They act on behalf of you, our members, carrying out their principal responsibility to evaluate and create policies to ensure your cooperative provides safe, affordable and reliable service; all while adhering to our core value: to strengthen the communities we serve.

District 1



Shan Files
Vice President

District 2



Ken Layn
President

District 3



Nichole Scott

District 4



Brian DeMarcus
Secretary/Treasurer

District 5



Clifford Dunham

District 6



Todd Clark

District 7



Steve Robinson
Asst. Sec./Treas.

District 8



Tony High

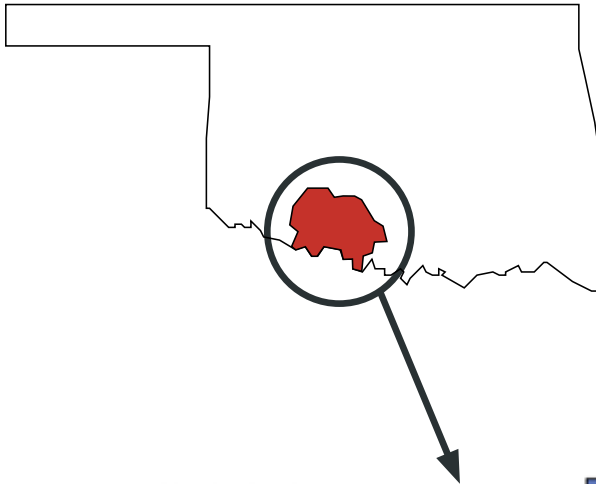
District 9



Ronnie Bohot

SERVICE AREA

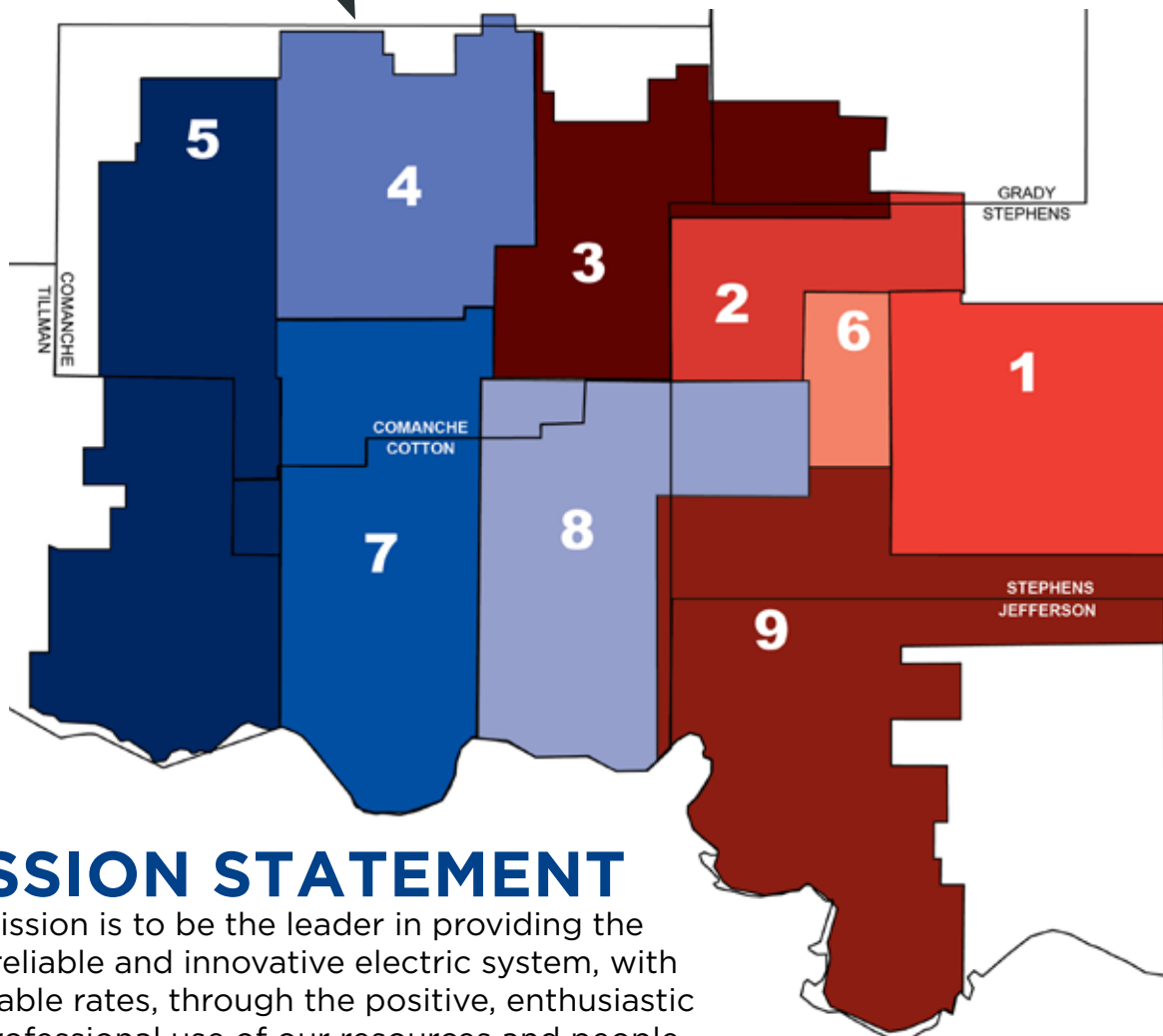
3,720 square miles



Cotton Electric Cooperative provides electric service to some 22,000 meters in eight counties of southwest Oklahoma. Cotton Electric was organized in 1938 to provide electric services to rural areas at a time when other utilities did not consider it economically feasible. Over the course of more than 80 years, the cooperative has steadily grown while continuing to meet the changing needs of its members.

The members of Cotton Electric own the cooperative's electric system and have an active voice in business matters. Combined with the many services offered, a local dispatcher is always on duty to assist with any unexpected problems occurring after normal working hours.

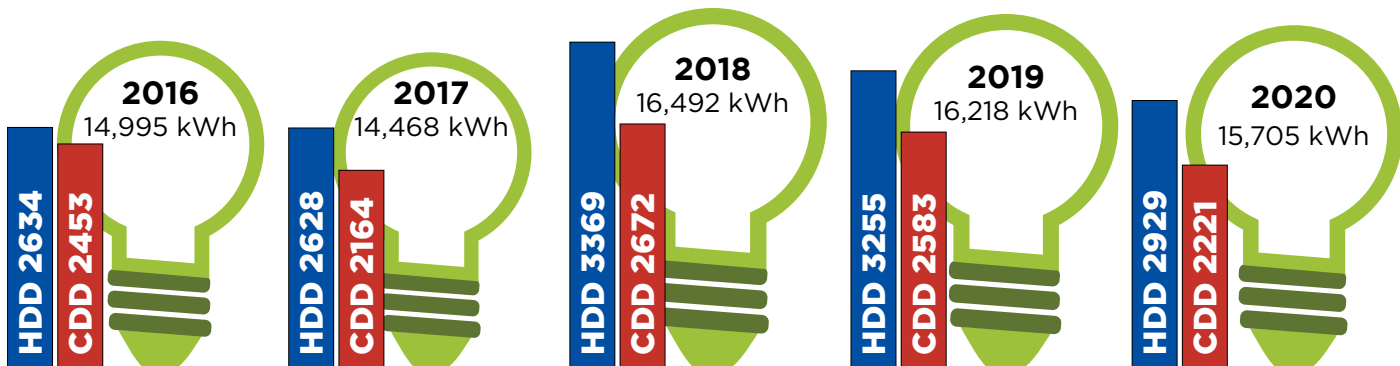
Our headquarters is located at 226 North Broadway in Walters and a branch office at 1101 West Oak in Duncan.



MISSION STATEMENT

Our mission is to be the leader in providing the most reliable and innovative electric system, with affordable rates, through the positive, enthusiastic and professional use of our resources and people.

Average Farm/Residential kWh consumed
 Annual fluctuations can often be attributed to
Heating Degree Days and **Cooling Degree Days**



FIVE-YEAR OPERATING STATISTICS

As of December 31, 2020

	2016	2017	2018	2019	2020
Total Revenue	\$63,037,399	\$61,626,473	\$65,188,507	\$66,103,443	\$65,320,632
Cost of Purchased Power	42,171,946	41,290,211	43,532,744	44,134,706	43,294,753
Taxes	1,206,924	1,204,620	1,258,102	1,288,812	1,256,495
Operating Expense per Mile	11,920	11,602	12,116	12,252	12,086
Operating Income per Mile	12,212	11,923	12,616	12,713	12,541
Average Farm/Residential Annual Bill	1,694	1,656	1,783	1,800	1,773
Average Number of Meters Billed	22,114	22,105	22,214	22,356	22,580
Miles of Line Energized	5,162	5,169	5,167	5,200	5,209
Density per Mile	4.28	4.28	4.30	4.30	4.34
New Services Connected	255	268	278	345	418
Services Retired	106	141	116	136	162

OPERATING EXPENSES 2020

69¢ Cost of Wholesale Power
11.25¢ Operation/Maintenance
7¢ Depreciation



450.2

**megawatts
produced at
solar site
in 2020**

253.33

kilowatts

Peak generation on May 8

Cotton Electric employees include **4** Military Veterans



15,863

Members at year-end



203,709

**Man-hours worked by
Cotton Electric employees
87 full time - 1 part time
1 temporary helper**

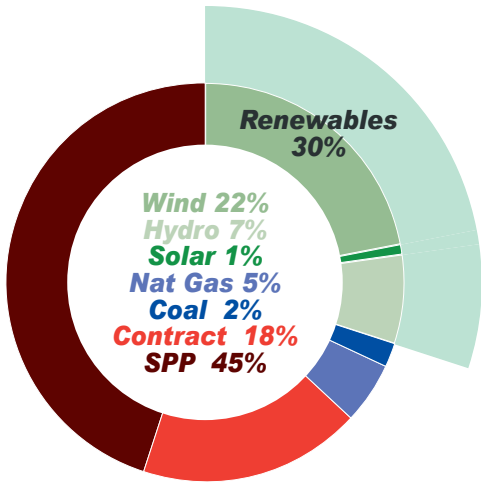


64%

**of Cotton Electric accounts
are registered to use
SmartHub**



In spite of challenges, Cotton Electric employees found ways to conduct business and make sure we could serve our members safely.



Western Farmers
Electric Cooperative

FUEL MIX

Our power provider's generation portfolio includes a variety of sources.

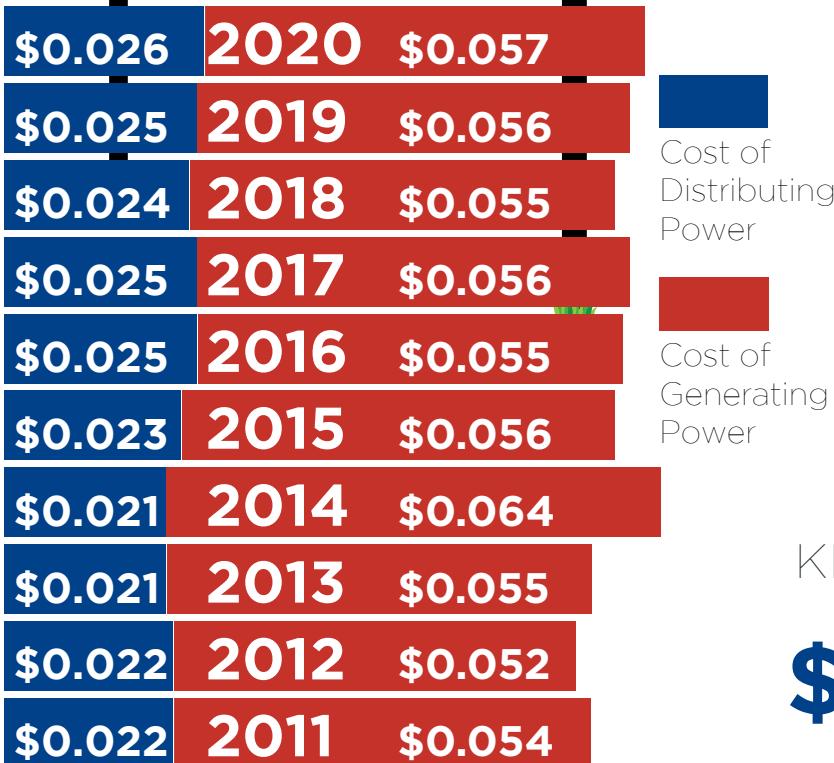
146,667

KILOWATTS

PEAK DEMAND

FEBRUARY 2020

TOTAL AVERAGE COST PER KWH PURCHASED



739,131,874

KILOWATT-HOURS SOLD

\$43,294,753

COST OF POWER

99.96%

AVERAGE SYSTEM
RELIABILITY

7,728

POLES
INSPECTED

1,906

POLES
INSTALLED

11,184

OUTAGE
PHONE CALLS
RECEIVED

1,815

OUTAGES

931

OUTAGES
CAUSED BY
WEATHER

459
Lightning

301
Ice

158
Wind

13
Other



134

Outages caused
by animals



22,580

METERS

9,314

Meters upgraded



5,209

MILES OF LINE

4.33

METERS SERVED
PER MILE
OF LINE

\$1,007

AVERAGE MONTHLY
EXPENSES PER MILE

*See Operating Expense
breakdown on Page 6*

\$148

AVERAGE MONTHLY
RESIDENTIAL or FARM BILL

6,309

UNDERGROUND LOCATES



BALANCE SHEETS

	<i>Consolidated</i> 2020	As of December 31, 2020 2019
ASSETS		
Utility Plant		
Electric Plant in Service	152,657,329	147,533,318
Construction Work in Progress	700,584	1,316,089
Total Utility Plant, at cost	153,357,913	148,849,407
Less Accumulated Depreciation	(41,516,984)	(42,008,507)
Net Utility Plant	111,840,929	106,840,900
Non-utility plant		
Non-utility Plant	573,664	550,168
Less Accumulated Depreciation	(303,682)	(273,941)
Total Non-utility Plant	269,982	276,227
Other Property and Investments		
Investment in Associated Organizations	33,269,264	32,902,776
Notes Receivable less current portion	-	-
Total Other Investments	33,269,264	32,902,776
Current Assets		
Cash & Cash Equivalents	6,422,677	4,016,137
Accounts Receivable less doubtful accounts	1,426,573	1,141,254
Unbilled Revenue	5,871,244	5,254,252
Materials and Supplies	2,374,672	1,646,986
Other Current and Accrued Assets	141,182	314,630
Total Current Assets	16,236,348	12,373,259
Deferred Debits	701,048	1,068,852
TOTAL ASSETS	162,317,571	153,462,014
LIABILITIES AND MEMBERS' EQUITY		
Equities and Margins		
Memberships	112,860	112,560
Patronage Capital	71,723,605	68,040,884
Accumulated other comprehensive income	(1,091,243)	(1,564,317)
Other Equities	11,491,547	11,055,166
Total Equities and Margins	82,236,769	77,644,293
Long-term Debt		
Long-term Debt less Current Maturities	59,709,735	56,366,938
Other Non-current Liabilities	8,711,324	8,672,149
Total Long-term Liabilities	68,421,059	65,039,087
Current Liabilities		
Current Maturities of Long-term Debt	3,042,856	1,998,000
Account Payable	5,306,357	5,733,498
Consumer Deposits	1,617,452	1,319,614
Other Current and Accrued Liabilities	1,024,299	1,038,496
Total Current Liabilities	10,990,964	10,089,608
Deferred Credits & Income Taxes	668,779	689,026
TOTAL LIABILITIES AND EQUITY	162,317,571	153,462,014

CONSOLIDATED STATEMENT OF REVENUE, PATRONAGE CAPITAL & COMPREHENSIVE INCOME

REVENUE	2020	2019
Operating Revenues	67,457,421	68,400,200
Operating Expenses		
Cost of Power	43,294,753	44,134,706
Distribution Expense - Operations	3,148,014	3,287,708
Distribution Expense - Maintenance	4,211,359	4,050,086
Consumer Accounts	1,472,105	1,567,018
Customer Service and Information	146,263	162,321
Sales Expense	616,113	615,606
Administrative and General	2,665,919	2,671,692
Depreciation	4,651,378	4,379,321
Taxes	1,256,495	1,288,812
Interest	2,260,853	2,232,359
Cost of Goods Sold	1,135,531	1,330,371
Other Interest and Deductions	42,145	57,482
Total Operating Expenses	64,900,928	65,777,482
Net Operating Margins	2,556,493	2,622,718
Other Income		
Interest Income	117,585	278,551
Other Income (Expense)	18,626	1,533
Total Other Income	136,211	280,084
W.F.E.C. and Other Capital Credits	1,339,778	1,257,960
Net Margins Before Income Taxes	4,032,482	4,160,762
Provision for Income Taxes	(51,165)	(69,224)
PATRONAGE CAPITAL		
Patronage Capital Beginning of Year	68,040,884	65,601,099
Transfer to Other Equities	(266,676)	(445,070)
Retirement of Capital Credits	(31,920)	(1,206,683)
Patronage Capital End of Year	71,723,605	68,040,884
COMPREHENSIVE INCOME		
Net Margins for the Year	3,981,317	4,091,538
Other Comprehensive Income		
Amortize loss (gain) on APBO	146,208	-
Current Gain on APBO	326,866	(1,193,296)
Comprehensive Income	4,454,391	2,898,242

Safety a top priority at CESI

Established in 1984, Cotton Electric Services, Inc. (CESI) specializes in high voltage testing, repairing and selling personal protective equipment to electric providers nationwide. It is an independent, for-profit subsidiary of Cotton Electric Cooperative.

Safety is the first priority and the primary reason the CESI test lab exists. Seven full-time and three part-time employees use state-of-the-art cleaning and dielectric testing procedures to ensure personal protective equipment is up to national standards.

CESI tests items used every day by line workers, such



as gloves, blankets, sleeves, line hose, hot sticks, and other protective equipment. The staff cleans and then scrutinizes each item for visual signs of wear and tear before subjecting them to electrical testing.

The testing facility has exceeded the strictest standards established by the Association of North American Independent Laboratories for Protective Equipment Testing (NAIL for PET) and maintains its NAIL for PET accreditation for protective equipment testing by an in-house audit from an independent inspector every 3 years.

If items do not pass the tests and must be discarded, CESI serves as a supplier/distributor for replacements. An on-site warehouse holds an extensive inventory of products in an effort to provide customers with materials they need at an affordable cost.

INCOME STATEMENT

	2020	2019
Revenues:		
Revenues from Sales	\$2,203,842	\$2,393,301
Cost of Goods Sold	1,135,531	1,330,371
Gross Profit	1,068,311	1,062,930
Expenses:		
Operating Expenses	879,189	836,451
Other Income:		
Interest Income	5,883	3,773
Gain/Loss on Sale of Equipment	3,400	9,900
Total Other Income	9,283	13,673
Income Before Taxes	198,405	240,152
Provision for Income Taxes	51,165	69,224
Net Income	\$147,240	\$170,928
Retained Earnings, beg of year	1,452,452	1,281,524
Retained Earnings, end of year	\$1,599,692	\$1,452,452



2020 statistics

68,257 Gloves tested	\$1,706,175	Product sales
14,851 Sleeves tested	35,073	Miles driven
4,069 Line hose tested	24	New customers
3,098 Blankets tested	10	Employees
2,875 Orders filled	7	full time
	3	part time



Cotton Electric Services Inc.

Proudly keeping line workers safe since 1984.

CESI Statements of Financial Position

For the Years Ended Dec. 31, 2020 and 2019

BALANCE SHEET

	2020	2019		2020	2019
ASSETS			LIABILITIES and MEMBERS' EQUITY		
Current Assets:			Current Liabilities:		
Cash/Cash Equivalents	\$477,212	\$679,761	Accounts Payable	\$165,806	\$34,131
Accounts Receivable	234,638	212,531	Accounts Payable-Parent	90,871	43,267
Accounts Receivable-Parent	-	4,180	Other Accrued Liabilities	2,437	1,810
Prepayments	57,617	32,552	Short-Term Debt (PPP loan)	60,955	
Inventory	1,157,619	603,815	Income Tax Accrual	-	14,751
Total Current Assets	1,927,086	1,532,839	Total Current Liabilities	320,069	93,959
Fixed Assets:			Long-Term Liabilities:		
Property and Equipment	573,664	550,168	Deferred Income Taxes	52,307	37,656
Less: Accumulated Depreciation	(303,682)	(273,941)	Total Long-Term Liabilities	52,307	37,656
Net Fixed Assets	269,983	276,227	Members' Equity		
TOTAL ASSETS	\$2,197,069	\$1,809,067	Memberships	225,000	225,000
			Retained Earnings	1,599,692	1,452,452
			Total Members' Equity	1,824,692	1,677,452
			TOTAL LIABILITIES and MEMBERS' EQUITY	\$2,197,069	\$1,809,067

CECF Statements of Financial Position

For the Years Ended
June 30, 2021 and 2020

BALANCE SHEET

	2021	2020
ASSETS		
<i>Current Assets</i>		
Checking/Savings	\$38,960	\$49,080
Accounts Receivable		
Contributions Receivable	6,105	-
Total Accounts Receivable	6,105	-
Total Current Assets	45,065	49,080
TOTAL ASSETS	\$45,065	\$49,080
LIABILITIES & EQUITY		
<i>Liabilities</i>		
<i>Current Liabilities</i>		
Accounts Payable	\$-	\$-
Total Current Liabilities	-	-
Total Liabilities	-	-
<i>Equity</i>		
Perm. Restricted Net Assets	5,000	5,000
Unrestricted Net Assets	44,080	46,408
Net Income	(4,015)	(2,328)
Total Equity	45,065	49,080
TOTAL LIABILITIES & EQUITY	\$45,065	\$49,080

STATEMENT OF ACTIVITIES

	2021	2020
REVENUE		
Golf Tournament	\$21,503	\$-
Member Contributions	81,018	81,249
Total Revenues	\$102,522	\$81,249
EXPENSES		
Charitable Disbursements	\$85,946	\$74,649
Golf Tournament	15,365	2,798
Total Program Disbursements	\$101,312	\$77,448
Gross Profit/(Loss)	\$1,210	\$3,802
OTHER INCOME/EXPENSES		
Other Expenses	\$5,225	\$6,271
Total Other Income/Expenses	\$5,225	\$6,271
Net Income/(Loss)	\$(4,015)	\$(2,469)
Beginning Net Assets	49,080	51,549
End-of-Year Net Assets	\$45,065	\$49,080

2019-20 CECF GRANT RECIPIENTS

Armed Services YMCA of Oklahoma	\$1,000.00
Chisholm Trail Heritage Center	\$1,000.00
Comanche Area Toys 4 Tots	\$2,500.00
Cotton County Sheriff's Office	\$3798.22
Duncan Area Literacy Council	\$1,500.00
Duncan Fire Department	\$2,500.00
Duncan Public Schools	\$5,000.00
Empire Public Schools	\$2,500.00
Gabriel's House	\$2,000.00
City of Geronimo	\$9,966.00
Grandfield Fire Department	\$5,000.00
Indiahoma Fire Department	\$5,000.00
Indiahoma Public Schools	\$5,000.00
Medicine Park E.D.A.	\$5,000.00
Porter Hill VFD	\$5,000.00
Regional Food Bank of Oklahoma	\$5,000.00
Rush Springs UMC Food Bank	\$1,800.00
Safe Center	\$3,087.00
Sterling Public Schools	\$2,500.00
United Methodist Women, Duncan	\$1,500.00
Walters Police Dept.	\$1,500.00
Walters Public Schools	\$10,500.00
Waurika EMS District Association	\$3,795.00

Total distribution FY2020-21 **\$85,946.22**

Statements audited annually

The financial statements for Cotton Electric Charitable Foundation as of and for the years ended June 30, 2020 and 2019, have been audited by Briscoe, Burke & Grigsby, LLP, an independent accounting firm.

An unmodified opinion was issued for each fiscal year. Copies of the complete audited financial statements are on file at the cooperative's headquarters in Walters.

CECF grants enhance quality of life

Cotton Electric members are a generous group. Most of them participate in Operation Round Up, which rounds their power bills up to the nearest dollar each month. The funds collected by Operation Round Up are administered by the Cotton Electric Charitable Foundation (CECF).

Since the program began in April 2004, CECF has issued a total of 550 grants in an effort to improve the quality of life throughout the Cotton Electric service area. The organization hit a milestone in 2017, surpassing \$1 million in grants awarded to area organizations and individuals in need. Recipients are located within the Cotton Electric service territory.

CECF awarded 28 grants totaling \$85,946.22 during the 2020-21 fiscal year. The foundation's fiscal year begins July 1 and ends June 30.

The grants have had broad effects on communities throughout the service area.



Eight grants were issued to five school systems and another six grants went to organizations serving the youth in the Cotton Electric service area. Five of the grants went toward fighting food insecurity. Another four went to equipping fire departments.

“Rural fire protection is an important issue for our members,” said Ken Layn, president of the Cotton Electric Cooperative’s board of trustees and CECF board member.

“Through Operation Round Up, more than \$326,000 has been contributed to fire departments in our

service area since 2004. These additional funds have helped them purchase new equipment and cope with fuel and maintenance costs.”

CECF grants totaling \$25,000 were issued for the benefit of schools and youth programs in 2020-21. Five school systems received grants that will benefit students with technology upgrades, handicap modifications and furnishings. Youth programs can better serve children in need because of support from CECF.

“The goal of CECF is to improve the lives of our members and we feel these contributions have made a difference in improving the quality of life in southwest Oklahoma,” said Jennifer Meason, Cotton Electric Cooperative’s CEO and CECF board member.

The foundation’s board of directors meets on a quarterly basis to review applications.

CECF Board of Directors



Danny Marlett
President



Carter Waid
Vice President



Cindy Zelbst
Secretary



Jennifer Meason
Board Member



Ken Layn
Board Member

**Annual Meeting and
Member Appreciation Night
SEPT. 23, 2021**

Stephens County Fairgrounds in Duncan



We hope to see you there!