

ANNUAL REPORT

Of

Company Name: Navopache Electric
1878 W. White Mountain Blvd.
Mailing Address: 0
Lakeside AZ
85929
Docket No.: E-01787A
For the Year Ended: 12/31/2023

ELECTRIC

To

Arizona Corporation Commission

Due on April 15th

Email: Util-Compliance@azcc.gov, mail or deliver the completed Annual Report to:
Arizona Corporation Commission
Compliance Section - Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Application Type: Original Filing
Application Date: 4/11/2024

ARIZONA CORPORATION COMMISSION
 ELECTRIC UTILITY ANNUAL REPORT
 COMPANY INFORMATION

For the Calendar Year Ended: 12/31/2023

Company/Business Name:	Navopache Electric		
Mailing Address:	1878 W. White Mountain Blvd		
City:	Lakeside	State:	Arizona
		Zip Code:	85929
Telephone Number:	928-368-5118	Fax Number:	None
Email:	jadams@navopache.org		

Regulatory and Management Contact			
Name:	Joshua W Adams		
Title:	Chief Financial Officer		
Telephone No. :	928-368-5118		
Address:	1878 W. White Mountain Blvd		
City:	Lakeside	State:	Arizona
		Zip Code:	85929
Email:	jadams@navopache.org		

On-Site Manager			
Name:	Charles R Moore		
Title:	Preseident & Chief Executive Officer		
Telephone No. :	928-368-5118		
Address:	1878 W. White Mountain Blvd		
City:	Lakeside	State:	Arizona
		Zip Code:	85929
Email:	cmoore@navopache.org		

Statutory Agent			
Name:	Debbie Gomes		
Title:	Exeutive Assistant		
Telephone No. :	928-368-5118		
Address:	1878 W. White Mountain Blvd		
City:	Lakeside	State:	Arizona
		Zip Code:	85929
Email:	dgomes@navopache.org		

Attorney			
Name:	Michael Patten, Snell & Willmer		
Title:	Attorney		
Telephone No. :	602-382-6339		
Address:	400 E. Van Buren, Suite 1900		
City:	Phoenix	State:	Arizona
		Zip Code:	85026
Email:	mpatten@swlaw.com		

Ownership: Association/Co-op (A)

Counties Served: Navajo

Important changes during the year

No	For those companies not subject to the affiliated interest rules, has there been a change in ownership or direct control during the year?
	If yes, please provide specific details in the box below.
	In reference to "Counties Served" on prior page: NEC serves Navajo, Apache, Gila & Greenlee. The drop down only allows one selection

No	Has the company been notified by any other regulatory authorities during the year, that they are out of compliance?
	If yes, please provide specific details in the box below.
	None

SERVICES AUTHORIZED TO PROVIDE

Yes	Electric
No	Investor Owned Electric
Yes	Rural Electric Cooperative
No	Utility Distributed Company
N/A	Electric Service Provider
N/A	Transmission Service Provider
N/A	Meter Service Provider
N/A	Meter Reading Service Provider
N/A	Billing and Collection
N/A	Ancillary Services
N/A	Generation Provider
N/A	Aggregator/Broker

N/A Other (Specify)

STATISTICAL INFORMATION

Retail Information		
	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	38,777	287,525,559
Commercial	3,482	61,890,306
Industrial	304	96,311,671
Public Street and Highway Lighting	108	941,234
Irrigation	37	11,086,530
Total Retail	42,708	457,755,300

Wholesale Information		
	Number of Customers	Number of kWh Sold
Resale	0	0
Short-term Sales (duration of less than one-year)	0	0
Total Wholesale	0	0

Total Sold	457,755,300	KW
Maximum Peak Load	100	MW
Distribution System Losses	28,661,791	KW
Distribution Losses	5.80%	
Transmission Losses	0.00%	
System Average Interruption Duration Index (SAIDI)	3	
Distribution System Losses	0	
Customer Average Interruption Duration Index (CAIDI)	578	
System Average Interruption Frequency Index (SAIFI)	423	

Navopache Electric
 ELECTRIC UTILITIY ANNUAL REPORT
 UTILITY SHUTOFFS / DISCONNECTS
 12/31/2023

UTILITY SHUTOFFS / DISCONNECTS			
Month	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211.C	Other
January	0	55	0
February	0	64	0
March	0	75	0
April	0	56	0
May	0	45	0
June	0	63	0
July	0	37	0
August	0	28	0
September	0	36	0
October	0	55	0
November	0	52	0
December	0	89	0
Total	0	655	0

Other (description):

N/A

Instructions: Fill out the Grey Cells with the relevent information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Navopache Electric Cooperative
	BORROWER DESIGNATION	AZ013
	ENDING DATE	12/31/2023

Submit electronic copy only. Enter names below, no signatures necessary. Round all numbers to the nearest dollar.

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION
<p>By submitting this Form 7 to CFC, we certify that the entries in this report have been reviewed and approved by the CEO or CFO and, are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p>Joshua Adams Name of CFO/Office Manager Date</p> <p>Charles Moore Name of General Manager/CEO Date</p> <p>Joshua Adams Name of person submitting Form 7 *New Date</p>	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <div style="background-color: red; color: white; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-bottom: 5px;">1</div> Needs Attention <div style="background-color: yellow; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-bottom: 5px;">1</div> Please Review <div style="background-color: green; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">24</div> Matches </div>	<p style="text-align: center;">AUTHORIZATION</p> <p>NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA?</p> <p style="text-align: center;"> <input checked="" type="radio"/> YES <input type="radio"/> NO </p>

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR	THIS YEAR	BUDGET	
	(a)	(b)	(c)	
1. Operating Revenue and Patronage Capital	68,023,562	62,754,337	68,353,440	5,303,848
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	35,355,384	30,694,797	35,348,841	2,771,170
4. Transmission Expense	268,932	267,524	213,941	54,956
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	4,595,449	4,457,636	4,478,361	348,746
7. Distribution Expense - Maintenance	4,802,737	4,130,681	4,696,539	298,580
8. Consumer Accounts Expense	2,170,080	2,511,615	2,492,638	175,242
9. Customer Service and Informational Expense	167,702	111,380	162,627	11,333
10. Sales Expense	0	0	0	0
11. Administrative and General Expense	6,753,243	7,506,052	8,137,781	515,723
12. Total Operation & Maintenance Expense (2 thru 11)	54,113,527	49,679,685	55,530,728	4,175,750
13. Depreciation & Amortization Expense	6,712,919	7,572,081	6,723,759	679,002
14. Tax Expense - Property & Gross Receipts	0	0	0	0
15. Tax Expense - Other	22,652	16,108	21,446	1,941
16. Interest on Long-Term Debt	3,497,412	4,029,096	3,810,842	339,277
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	2,197	29,887	1,255	2,623
19. Other Deductions	222,941	231,563	166,284	14,441
20. Total Cost of Electric Service (12 thru 19)	64,571,648	61,558,421	66,254,314	5,213,035
21. Patronage Capital & Operating Margins (1 minus 20)	3,451,914	1,195,916	2,099,126	90,813
22. Non Operating Margins - Interest	79,231	260,323	68,600	21,454
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0
25. Non Operating Margins - Other	33,406	19,836	21,564	(2,375)
26. Generation & Transmission Capital Credits	0	0	0	0
27. Other Capital Credits & Patronage Dividends	775,280	545,138	234,090	13,030
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	4,339,831	2,021,214	2,423,380	122,922

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	669	659	5. Miles Transmission	264	264
2. Services Retired	106	118	6. Miles Distribution Overhead	2,635	2,636
3. Total Services In Place	46,098	46,640	7. Miles Distribution Underground	667	667
4. Idle Services (Exclude Seasonal)	2,166	2,194	8. Total Miles Energized (5+6+7)	3,566	3,567

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT				BORROWER NAME		Navopache Elect	
				BORROWER DESIGNATION		AZ013	
				ENDING DATE		12/31/2023	
PART E. CHANGES IN UTILITY PLANT							
	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)	
1	Distribution Plant Subtotal	151,773,849	5,032,461	1,178,331	10,514	155,638,493	
2	General Plant Subtotal	30,111,664	4,894,526	2,639,935	117,892	32,484,147	
3	Headquarters Plant	13,876,178	185,900	277,618	0	13,784,460	
4	Intangibles	228,075	0	0	0	228,075	
5	Transmission Plant Subtotal	16,028,055	11,376,998	317,903	0	27,087,150	
6	Regional Transmission and Market Operation Plant	0	0	0	0	0	
7	Production Plant - Steam	0	0	0	0	0	
8	Production Plant - Nuclear	0	0	0	0	0	
9	Production Plant - Hydro	0	0	0	0	0	
10	Production Plant - Other	0	0	0	0	0	
11	All Other Utility Plant	1,009,465	0	0	0	1,009,465	
12	SUBTOTAL: (1 thru 11)	213,027,286	21,489,885	4,413,787	128,406	230,231,790	
13	Construction Work in Progress	16,060,539	(3,222,706)			12,837,833	
14	TOTAL UTILITY PLANT (12+13)	229,087,825	18,267,179	4,413,787	128,406	243,069,623	
CFC NO LONGER REQUIRES SECTIONS "F", "J", AND "M" DATA Those sections refer to data on "Materials and Supplies" (F), "Energy Efficiency and Conservation Loan Program" (J), and "Annual Meeting and Board Data" (M).							
PART H. SERVICE INTERRUPTIONS							
	ITEM	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause		TOTAL (e)
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)		
1.	Present Year	41.70	0.70	10.00	370.20		422.60
2.	Five-Year Average	9.50	81.74	10.62	220.68		322.54
PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS							
1.	Number of Full Time Employees	99		4. Payroll - Expensed	5,981,444		
2.	Employee - Hours Worked - Regular Time	206,773		5. Payroll - Capitalized	1,556,944		
3.	Employee - Hours Worked - Overtime	8,987		6. Payroll - Other	1,989,903		
PART J. PATRONAGE CAPITAL				PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE			
	ITEM	THIS YEAR (a)	CUMULATIVE (b)	1. Amount Due Over 60 Days: 493,923			
1.	General Retirement	1,901,059	8,874,521	2. Amount Written Off During Year: 144,858			
2.	Special Retirements	557,138	5,090,108				
3.	Total Retirements (1+2)	2,458,197	13,964,629				
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	0					
5.	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	170,655					
6.	Total Cash Received (4+5)	170,655					

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT							BORROWER NAME	Navopache Elect		
							BORROWER DESIGNATION	AZ013		
							ENDING DATE	12/31/2023		
PART L. KWH PURCHASED AND TOTAL COST										
	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	INCLUDED IN TOTAL COST		
								FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)
1	Tucson Electric Power				467,490,967	29,456,210	6.30			Comments
2	Western Area Power Administration				20,157,849	690,174	3.42			Comments
3	Arizona Electric Power Coop Inc				6,744,000	454,940	6.75			Comments
4	Arizona Power Authority				2,688,000	93,473	3.48			Comments
5							0.00			Comments
6							0.00			Comments
7							0.00			Comments
8							0.00			Comments
9							0.00			Comments
10							0.00			Comments
11							0.00			Comments
12							0.00			Comments
13							0.00			Comments
14							0.00			Comments
15							0.00			Comments
16							0.00			Comments
17							0.00			Comments
18							0.00			Comments
19							0.00			Comments
20							0.00			Comments
21	TOTALS				497,080,816	30,694,797	6.18	0	0	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Navopache Elect
	BORROWER DESIGNATION	AZ013
	ENDING DATE	12/31/2023

PART L. KWH PURCHASED AND TOTAL COST (Continued)

COMMENTS	
1	
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NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Navopache Elect
	BORROWER DESIGNATION	AZ013
	ENDING DATE	12/31/2023

PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)

*LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")*

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.	Arizona State Land Department & Bureau of Land Management	Land - ROWs & Easements	\$21,642
2.	Magnum Family Trust, J Albert Brown Ranches, & Swapp Land & Cattle Co	Land	\$30,227
3.			TOTAL \$51,869

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1	National Rural Utilities Cooperative Finance Corporation	105,400,149	3,900,082	4,931,302	8,831,384	
2	NCSC	0	0	0	0	
3	Farmer Mac	0	0	0	0	
4	CoBank, ACB	0	0	0	0	
5	RUS - Economic Development Loans	0	0	0	0	
6	Bonds / Private Placement	0	0	0	0	
7		0	0	0	0	
8		0	0	0	0	
9		0	0	0	0	
10	Principal Payments Received from Ultimate Recipients of IRP Loans			0		
11	Principal Payments Received from Ultimate Recipients of REDL Loans			0		
12	TOTAL (Sum of 1 thru 9)	\$105,400,149	\$3,900,082	\$4,931,302	\$8,831,384	

COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Navopache Elect
	BORROWER DESIGNATION	AZ013
	ENDING DATE	12/31/2023

PART R. POWER REQUIREMENTS DATABASE

CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	39,731	40,227	39,979	
	b. KWH Sold				295,629,452
	c. Revenue				42,008,758
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	176	39	108	
	b. KWH Sold				11,134,770
	c. Revenue				1,412,840
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	3,524	3,685	3,605	
	b. KWH Sold				64,333,987
	c. Revenue				7,918,230
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	313	308	311	
	b. KWH Sold				96,990,251
	c. Revenue				10,339,283
6. Public Street & Highway Lighting	a. No. Consumers Served	115	115	115	
	b. KWH Sold				944,498
	c. Revenue				121,409
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served			0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served			0	
	b. KWH Sold				0
	c. Revenue				
10. TOTAL No. of Consumers (lines 1a thru 9a)		43,859	44,374	44,118	
11. TOTAL KWH Sold (lines 1b thru 9b)					469,032,958
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					61,800,519
13. Transmission Revenue					0
14. Other Electric Revenue					953,817
15. KWH - Own Use					1,933,642
16. TOTAL KWH Purchased					497,080,816
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					30,694,797
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					100,030
		<input checked="" type="radio"/> None <input type="radio"/> Non-coincident <input type="radio"/> Coincident			

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Navopache Elect
	BORROWER DESIGNATION	AZ013
	ENDING DATE	12/31/2023

PART 8. ENERGY EFFICIENCY PROGRAMS

Line #	Classification	Added This Year			Total To Date		
		Number of Consumers (a)	Amount Invested (b)	ESTIMATED MMBTU Savings (c)	Number of Consumers (d)	Amount Invested (e)	ESTIMATED MMBTU Savings (f)
1.	Residential Sales (excluding seasonal)	1,940	50,654	9	1,987	63,624	18
2.	Residential Sales - Seasonal	0	0	0	0	0	0
3.	Irrigation Sales	0	0	0	0	0	0
4.	Comm. and Ind. 1000 KVA or Less	0	0	0	0	0	0
5.	Comm. and Ind. Over 1000 KVA	0	0	0	0	0	0
6.	Public Street and Highway Lighting	0	0	0	0	0	0
7.	Other Sales to Public Authorities	0	0	0	0	0	0
8.	Sales for Resales - RUS Borrowers	0	0	0	0	0	0
9.	Sales for Resales - Other	0	0	0	0	0	0
10.	TOTAL	1,940	50,654	9	1,987	63,624	18

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME		Navopache Elect	
		BORROWER DESIGNATION		AZ013	
		ENDING DATE		12/31/2023	
(All investments refer to your most recent CFC Loan Agreement)					
7a - PART 1 - INVESTMENTS					
DESCRIPTION (a)		INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)	
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS					
5	Various Industry Cooperatives	1,734,577			203,829
6	GCSECA Memebership	100	0		0
7	CFC		2,147,884		61,409
8			0		0
Subtotal (Line 5 thru 8)		1,734,677	2,147,884		265,238
3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS					
9			0		0
10			0		0
11			0		0
12			0		0
Subtotal (Line 9 thru 12)		0	0		0
4. OTHER INVESTMENTS					
13			0		0
14			0		0
15			0		0
16			0		0
Subtotal (Line 13 thru 16)		0	0		0
5. SPECIAL FUNDS					
17			0		0
18			0		0
19			0		0
20			0		0
Subtotal (Line 17 thru 20)		0	0		0
6. CASH - GENERAL					
21	Cash	928,864	250,000		0
22			0		0
23			0		0
24			0		0
Subtotal (Line 21 thru 24)		928,864	250,000		0
7. SPECIAL DEPOSITS					
25	Renewables-ACC Surcharge	81,678	0		0
26	Other Deposit - Material & Equipment	547,463	0		0
27			0		0
28			0		0
Subtotal (Line 25 thru 28)		629,141	0		0
8. TEMPORARY INVESTMENTS					
29	CFC Paper and Temporary Investments		208,000		0
30			0		0
31			0		0
32			0		0
Subtotal (Line 29 thru 32)		0	208,000		0
9. ACCOUNT & NOTES RECEIVABLE - NET					
33	Other	446,751	0		0
34			0		0
35			0		0
36			0		0
Subtotal (Line 33 thru 36)		446,751	0		0
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED					
37			0		0
38			0		0
39			0		0
40			0		0
Subtotal (Line 37 thru 40)		0	0		0
Total		3,739,433	2,605,884		265,238

NATIONAL RURAL UTILITIES			BORROWER NAME		Navopache Elect
COOPERATIVE FINANCE CORPORATION			BORROWER DESIGNATION		AZ013
FINANCIAL AND STATISTICAL REPORT			ENDING DATE		12/31/2023
(All investments refer to your most recent CFC Loan Agreement)					
7a - PART II. LOAN GUARANTEES					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART III. LOANS					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES					
1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				3,739,433
2	LARGER OF (a) OR (b)				36,460,443
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			36,460,443	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)			23,824,818	

NAVOPACHE ELECTRIC COOPERATIVE, INC.
FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022



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**NAVOPACHE ELECTRIC COOPERATIVE, INC.
TABLE OF CONTENTS
YEARS ENDED APRIL 30, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6
INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES	16



INDEPENDENT AUDITORS' REPORT

Board of Directors
Navopache Electric Cooperative, Inc.
Lakeside, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Navopache Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of April 30, 2023 and 2022, and the related statements of operations and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of April 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Phoenix, Arizona
July 24, 2023

NAVOPACHE ELECTRIC COOPERATIVE, INC.
BALANCE SHEETS
APRIL 30, 2023 AND 2022

	2023	2022
ASSETS		
UTILITY PLANT		
Electric Plant in Service	\$ 220,537,912	\$ 206,115,080
Construction Work in Progress	8,132,095	16,078,019
Electric Plant Acquisition Adjustment	(1,543,661)	(1,543,661)
Total	227,126,346	220,649,438
Less: Accumulated Provision for Depreciation	(90,007,618)	(87,575,213)
Net Utility Plant	137,118,728	133,074,225
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	3,650,758	3,192,647
Notes Receivable	-	240
Total Other Assets and Investments	3,650,758	3,192,887
CURRENT ASSETS		
Cash and Cash Equivalents	8,455,722	1,833,683
Accounts Receivable, Net	9,448,025	7,397,749
Materials and Supplies Inventory	4,855,990	4,543,723
Prepayments	652,968	613,515
Rent and Interest Receivable	209,238	197,281
Total Current Assets	23,621,943	14,585,951
DEFERRED DEBITS		
Total Assets	\$ 170,700,578	\$ 157,141,834
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$ 53,786,353	\$ 51,606,414
Memberships	183,030	180,415
Other Equities (Deficit)	(8,487,060)	(9,919,882)
Accumulated Other Comprehensive Income	669,404	638,926
Total Equities	46,151,727	42,505,873
LONG-TERM DEBT, NET OF CURRENT MATURITIES		
	109,567,310	91,147,804
ACCUMULATED PROVISION FOR POSTRETIREMENT BENEFITS		
	651,545	697,645
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	4,735,000	3,185,100
Current Portion of Postretirement Benefit Obligation	53,433	46,563
Notes Payable	-	6,899,999
Accounts Payable	3,575,212	6,154,019
Consumer Deposits	1,256,145	1,253,419
Accrued Interest Payable	299,631	255,746
Other Current and Accrued Liabilities	2,572,019	2,421,283
Total Current Liabilities	12,491,440	20,216,129
DEFERRED CREDITS		
Total Equities and Liabilities	\$ 170,700,578	\$ 157,141,834

See accompanying Notes to Financial Statements.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL
YEARS ENDED APRIL 30, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Electric	\$ 67,198,158	\$ 62,010,683
Other	2,466,050	531,114
Total Operating Revenues	69,664,208	62,541,797
OPERATING EXPENSES		
Cost of Power	35,828,369	31,207,286
Transmission Expense	257,626	329,770
Distribution Expense - Operations	4,597,613	4,377,969
Distribution Expense - Maintenance	4,671,560	4,279,628
Consumer Account Expense	2,407,324	2,069,307
Consumer Service and Informational Expense	115,132	234,993
Administrative and General Expense	7,179,249	6,658,028
Depreciation	6,930,757	6,457,234
Taxes	21,850	(18,970)
Other Interest	11,260	7,146
Other Deductions	82,886	13,643
Total Operating Expenses	62,103,626	55,616,034
OPERATING MARGINS BEFORE FIXED CHARGES	7,560,582	6,925,763
INTEREST ON LONG-TERM DEBT	3,879,821	3,306,839
OPERATING MARGINS AFTER FIXED CHARGES	3,680,761	3,618,924
CAPITAL CREDITS	709,499	572,783
NET OPERATING MARGINS	4,390,260	4,191,707
NONOPERATING MARGINS		
Interest Income	87,586	64,544
Gain on Disposition of Assets	-	25,764
Other Nonoperating Gain	39,420	22,306
Total Nonoperating Margins	127,006	112,614
NET MARGINS	4,517,266	4,304,321
OTHER COMPREHENSIVE MARGINS		
Change in Postretirement Benefit Obligation	30,478	(45,476)
Other Comprehensive Margins	4,547,744	4,258,845
PATRONAGE CAPITAL - BEGINNING OF YEAR	51,606,414	49,742,830
Postretirement Benefit Obligation Adjustment	(30,478)	45,476
Transfer to Other Equities	(266,323)	(186,345)
Capital Credits Retired	(2,071,004)	(2,254,392)
PATRONAGE CAPITAL - END OF YEAR	\$ 53,786,353	\$ 51,606,414

See accompanying Notes to Financial Statements.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 4,517,266	\$ 4,304,321
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	7,622,921	7,064,726
Capital Credits	(709,499)	(572,783)
Gain on Disposition of Assets	-	(25,764)
Provision for Postretirement Benefits Charged to Operations	(39,230)	3,602
(Increase) Decrease in Assets:		
Accounts Receivable	(2,050,276)	(86,907)
Materials and Supplies Inventory	(312,267)	266,499
Other Current and Accrued Assets	(39,453)	(32,554)
Deferred Debits	(32,335)	(1,491,168)
Increase (Decrease) in Liabilities:		
Accounts Payable	(2,578,807)	2,165,016
Other Current and Accrued Liabilities	194,621	130,292
Consumer Deposits	2,726	(117,701)
Deferred Credits	(735,827)	964,750
Net Cash Provided by Operating Activities	5,839,840	12,572,329
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(10,316,890)	(13,600,105)
Plant Removal Costs, Net of Salvage	(1,350,534)	(744,993)
Proceeds from Capital Credit Retirements	251,388	361,896
Change in Other Assets and Investments	-	(66,565)
Principal Payments on Notes Receivable	240	1,005
Net Cash Used by Investing Activities	(11,415,796)	(14,048,762)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of Capital Credits	(2,071,004)	(2,254,392)
Increase in Memberships and Other Equities	1,199,592	162,584
Proceeds from Issuance of Long-Term Debt	17,469,215	11,811,531
Principal Payments on Long-Term Debt	(4,399,808)	(7,685,480)
Net Cash Provided by Financing Activities	12,197,995	2,034,243
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,622,039	557,810
Cash and Cash Equivalents - Beginning of Year	1,833,683	1,275,873
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 8,455,722	\$ 1,833,683
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	\$ 3,835,936	\$ 3,286,283

See accompanying Notes to Financial Statements.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

Navopache Electric Cooperative, Inc. (the Cooperative) is an electric cooperative nonprofit membership corporation headquartered in Lakeside, Arizona. The primary purpose of the Cooperative is to provide electricity to its members in eastern Arizona and western New Mexico through purchase of electricity from wholesale providers and the subsequent distribution of these services to its member consumers. The governing body consists of a board of directors elected by the members of the Cooperative.

Basis of Accounting

The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by the Rural Utilities Service (RUS). The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied in the case of regulated electric utilities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Electric Plant and Depreciation Procedures

Plant, property, and equipment are stated at cost. Major improvements and betterments to existing plant equipment are capitalized in accordance with generally accepted electric utility accounting procedures. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expense as incurred.

The distribution and transmission plant is depreciated using composite straight-line methods and the general plant is depreciated using straight-line methods on an item basis. When distribution plant assets are sold or retired, the original cost is removed from the accounts and charged, together with any cost of removal, to the accumulated provision for depreciation. Any salvage realized is credited to the same accumulated provision. When general plant assets are sold or retired, the original cost and accumulated provision for depreciation are removed from the accounts and any gain or loss is recognized in operations.

The following is a summary of depreciation and amortization presented in the statements of cash flows for the years ended April 30:

	2023	2022
Depreciation Expense per Statement of Operations	\$ 6,930,757	\$ 6,457,234
Depreciation Expense Allocated to Other Accounts	692,164	607,492
Depreciation Expense per Statement of Cash Flows	<u>\$ 7,622,921</u>	<u>\$ 7,064,726</u>

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in Associated Organizations

Investments in Associated Organizations include patronage capital and National Rural Utilities Cooperative Finance Corporation (NRUCFC) term certificates. Patronage capital is recorded at cost plus undistributed patronage capital allocations. NRUCFC term certificates are carried at cost.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Cooperative considers short-term investments with original maturities of three months or less to be cash equivalents. The following is a summary of these items at April 30:

	2023	2022
Cash in Checking	\$ 7,604,475	\$ 1,230,429
Cash on Hand	3,247	3,254
CFC Commercial Paper and Select Notes	848,000	600,000
Total	<u>\$ 8,455,722</u>	<u>\$ 1,833,683</u>

The Cooperative maintains cash and investments in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these financial institutions, at times, may exceed federally insured limits.

Accounts Receivable

The Cooperative provides for an allowance for bad debts using the allowance method based on management's judgment. Services are sold on an unsecured basis. Payment is generally required within 30 days after the date of billing. Accounts past due are individually analyzed for collectability. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. The Cooperative writes-off accounts on a monthly basis, as approved by the board of directors. Accounts written off are assigned to a third-party for collection. At April 30, 2023 and 2022, the allowance for uncollectible accounts was \$626,924 and \$218,643, respectively.

Inventories

Materials and supplies inventory is valued at the lower of cost or net realizable value using the average unit cost method.

Patronage Capital

The Cooperative operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to members on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses are also allocated to its members on a patronage basis to the extent they are not needed to offset current or prior deficits.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Power Costs

Cost of power is billed to the Cooperative on a calendar month basis and recognized as expense through the end of the accounting period.

Income Taxes

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code (IRC).

The Cooperative evaluated its tax positions and determined it has no uncertain tax positions as of April 30, 2023 and 2022.

Sales Taxes

The Cooperative does business in various jurisdictions which impose sales taxes on the Cooperative's sales to nonexempt consumers. The Cooperative collects that sales tax from consumers and remits the entire amount to the various jurisdictions. The Cooperative's accounting policy is to exclude the tax collected and remitted to the jurisdictions from revenues and cost of sales.

Revenue from Contracts with Customers

The Cooperative primarily generates revenue from the distribution and sale of electricity to members. The Cooperative satisfies the performance obligation when the energy is delivered to the member. The Cooperative recognizes revenue from energy sales based on meter readings of the member's usage for seven different billing cycles. Meters are read on the last day of the billing cycle; bills are sent and due in the subsequent month. Rates charged to members are based on rates approved by the Arizona Corporation Commission and the New Mexico Public Regulatory Commission. The Cooperative has elected to use the Invoice Practical Expedient allowing the Cooperative to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

The Purchased Power and Fuel Cost Adjustor (PPFCA) changes quarterly. It is not due to a change in electric rates, but due to the changing costs of the fuel used to generate the electricity that customers use. The Cooperative does not make any extra revenue from this item as it is a pass-through cost.

The following table presents the Cooperative's revenues disaggregated by revenue class at April 30:

	2023	2022
Residential	\$ 45,090,485	\$ 39,376,241
Irrigation	1,579,965	1,398,013
Commercial and Industrial - Small	8,363,151	13,627,723
Commercial and Industrial - Large	12,548,089	4,936,025
Public Street and Highway Lighting	130,978	121,632
Electric Sales Power Cost Adjustment	(514,510)	2,551,049
Total Revenue	<u>\$ 67,198,158</u>	<u>\$ 62,010,683</u>

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through July 24, 2023, the date the financial statements were available to be issued.

NOTE 2 ASSETS PLEDGED

Substantially all assets are pledged as security for the long-term debt to NRUCFC.

NOTE 3 UTILITY PLANT IN SERVICE

The following are the major classes of the Utility Plant in Service as of April 30:

	2023	2022
Intangible Plant	\$ 298	\$ 298
Generation Plant	2,780,902	2,780,902
Transmission Plant	22,852,535	15,975,982
Distribution Plant	152,482,013	147,006,831
General Plant	42,422,164	40,351,067
Total Electric Plant in Service	<u>220,537,912</u>	<u>206,115,080</u>
Construction Work in Progress	8,132,095	16,078,019
Electric Plant Acquisition Adjustment	(1,543,661)	(1,543,661)
Total Utility Plant in Service	<u>\$ 227,126,346</u>	<u>\$ 220,649,438</u>

Depreciation of utility plant is provided on the straight-line method using rates based on estimated average service lives as follows:

Transmission Plant	2.75%
Distribution Plant	3.24 - 6.72%
Structures and Improvements	3.33 - 33.30%
Office Furniture and Fixtures	6.67 - 33.30%
Transportation Equipment	6.67 - 33.30%
Store Equipment	6.67 - 33.30%
Tools, Shop, and Garage Equipment	6.67 - 33.30%
Laboratory Equipment	5.00 - 20.00%
Power Operated Equipment	5.00 - 20.00%
Communication Equipment	1.59 - 20.00%
Miscellaneous	10.00 - 20.00%

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022**

NOTE 4 INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations as of April 30 are as follows:

	2023	2022
NRUCFC		
Term Certificates	\$ 1,233,654	\$ 1,233,654
Patronage Capital	657,908	539,817
Member Capital Securities	100,000	100,000
Membership	1,000	1,000
Subtotal	1,992,562	1,874,471
ERMCO	118,316	123,973
Federated Rural Insurance Exchange	549,470	529,319
National Information Solutions Cooperative	259,048	253,605
Western United Supply Corporation	729,697	409,514
Other Patronage Capital and Memberships	1,665	1,765
Total	\$ 3,650,758	\$ 3,192,647

Term certificates include investments in NRUCFC capital term certificates and loan term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070 and loan term certificates bear interest at 3% and begin maturing in the year 2025.

NOTE 5 DEFERRED DEBITS

Deferred debits consist of the following at April 30:

	2023	2022
SRP Transmission Connection Deposit	\$ 277,500	\$ 277,500
RUS and FFB Prepayment Premium	3,588,399	3,746,131
GIS Field Mapping	1,098,307	-
Accumulated Power Cost Adjustment	1,289,004	1,803,513
Other	55,939	461,627
Total	\$ 6,309,149	\$ 6,288,771

In October 2019, the Cooperative issued \$77,653,565 of NRUCFC loans to payoff \$25,429,296 of RUS debt and \$52,224,269 of FFB debt. A prepayment premium of \$4,153,605 was included in the payoff of the FFB debt and was recorded as a deferred debit. This deferred debit is being amortized monthly over the remaining life of the debt.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022

NOTE 6 PATRONAGE CAPITAL

The following is a summary of patronage capital assignable and assigned at April 30:

	<u>2023</u>	<u>2022</u>
Assignable	\$ 4,517,266	\$ 4,304,321
Assigned	49,269,087	47,302,093
Total	<u>\$ 53,786,353</u>	<u>\$ 51,606,414</u>

The mortgage provisions restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 20% of the total assets of the Cooperative. If, after taking into account the effect of the retirement, the capital of the Cooperative will be less than 20% of the total assets of the Cooperative, then retirements can still be made if such distributions do not exceed 30% of the preceding year's margins. No distribution can be made if there are any past due installments of principal and interest on the notes.

As of April 30, 2023, the Cooperative's capital to total assets equaled 30.10%.

Distributions to estates are made at the request of the estates' administrators. As of April 2023, capital credits prior to 1986 have been retired.

NOTE 7 OTHER EQUITIES (DEFICIT)

Other equities (deficit) consist of the following at April 30:

	<u>2023</u>	<u>2022</u>
Gain on Retired Estate Capital Credits	\$ 1,606,895	\$ 1,493,472
Donated Capital	630,333	630,525
Accumulated Losses	(11,931,243)	(12,043,879)
Abandoned Capital Credits	1,206,955	-
Total	<u>\$ (8,487,060)</u>	<u>\$ (9,919,882)</u>

NOTE 8 LONG-TERM DEBT

The following is a summary of outstanding long-term debt as of April 30:

<u>Description</u>	<u>2023</u>	<u>2022</u>
NRUCFC Mortgage Notes; 2.96% to 6.18% Fixed Rate Notes; Maturing through 2053	\$ 114,302,310	\$ 94,332,904
Total Long-Term Debt	114,302,310	94,332,904
Less: Current Maturities	(4,735,000)	(3,185,100)
Long-Term Debt, Net of Current Maturities	<u>\$ 109,567,310</u>	<u>\$ 91,147,804</u>

The Cooperative came to a new loan agreement with NRUCFC on February 3, 2022 and now have unadvanced loan funds of \$-0- through NRUCFC as of April 30, 2023.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022**

NOTE 8 LONG-TERM DEBT (CONTINUED)

The aggregate five-year maturities of long-term debt are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2024	\$ 4,735,000
2025	4,080,886
2026	4,814,037
2027	5,338,157
2028	5,541,975
Thereafter	89,792,255
Total	<u>\$ 114,302,310</u>

NOTE 9 NOTES PAYABLE

The Cooperative has available an \$8,000,000 line of credit with NRUCFC at a variable interest rate. At April 30, 2023 and 2022, the interest rate on this line of credit was 6.55% and 2.25%, respectively. The line of credit is scheduled to expire on April 18, 2024. The Cooperative had \$-0- and \$6,899,999 outstanding balance on the line of credit as of April 30, 2023 and 2022, respectively.

The Cooperative has available a guaranteed letter of credit with NRUCFC for \$93,600 as of April 30, 2023 and 2022. The line of credit is set to expire on February 7, 2024. The Cooperative had \$-0- outstanding balance on the letter of credit as of April 30, 2023 and 2022, respectively.

NOTE 10 DEFERRED CREDITS

Deferred credits at April 30 are as follows:

	<u>2023</u>	<u>2022</u>
Unclaimed Checks	\$ 1,762,299	\$ 2,003,277
Accrued Consumer Deposit Interest	116,481	126,617
Environmental Portfolio	(52,661)	415,126
Other	12,437	29,363
Total	<u>\$ 1,838,556</u>	<u>\$ 2,574,383</u>

NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022

NOTE 11 EMPLOYEE BENEFIT PLANS

Narrative Description

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the IRC. It is considered a multiemployer 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 multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Plan Information

The Cooperative's contributions to the RS Plan in 2023 and in 2022 represented less than 5% of the total contributions made to the plan by all participating employers. Contributions to the plan for the years ended April 30, 2023 and 2022 were \$1,866,792 and \$1,950,766 respectively. There have been no significant changes that affect the comparability of 2023 and 2022 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore, not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2022 and 2021 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.

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 January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns, and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period.

NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022

NOTE 11 EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Information (Continued)

In addition to the above retirement plan, the Cooperative has adopted a 401(k) Employees Savings Plan. Employees completing one year of service with the Cooperative are eligible to receive the Cooperative contribution. The Cooperative will match up to 5.9% of the effective base salary of employees covered under the International Brotherhood of Electrical Workers collective bargaining agreement and 8.5% of the effective base salary for all other employees. The Cooperative's contributions to the plan were \$538,965 and \$580,091 for 2023 and 2022, respectively.

NOTE 12 ACCRUED POSTRETIREMENT BENEFITS

The Cooperative provides postretirement benefits for eligible employees and directors through a PPO plan with Blue Cross Blue Shield of Arizona. The plan is available to all union employees who have reached age 55 with at least seven years of continuous service, as well as directors elected or appointed prior to January 1, 1996, retiring with 10 or more years continuous service. The percentage of benefit paid will be based on the year of retirement.

The method used to account for this plan is the projected unit credit cost method as described in GAAP.

	2023	2022
Obligations and Funded Status:		
Accumulated Postretirement Benefit Obligation	\$ 704,978	\$ 744,208
Funded Status	\$ 704,978	\$ 744,208
Employer Contributions	\$ 53,433	\$ 44,083
Net Benefits Paid	\$ 53,433	\$ 44,083
Amounts Recognized in the Balance Sheet in		
Accumulated Provisions for Pension and Benefits	\$ 704,978	\$ 744,208
Components of Net Postretirement Benefit Cost and		
Other Amounts Recognized in Other Comprehensive		
Income:		
Service and Interest Cost	\$ 72,656	\$ 73,500
Amortization of Net Gain	(34,845)	(30,993)
Amortization of Prior Service Cost	-	(44,400)
Change in Net Gain Recognized in		
Other Comprehensive Margins	92,975	106,470
Net Periodic Benefit Costs	\$ 130,786	\$ 104,577
Assumptions Used to Determine the Net		
Postretirement Benefit Cost:		
Weighted Average Discount Rate for Obligations	4.60%	4.20%
Health Care Cost Trend Rate Assumed for Next Year	6.63%	6.88%
Rate to Which the Cost Trend Rate is Assumed		
to Decline	5.00%	5.00%
Year that the Rate Reaches the Ultimate Trend Rate	2029	2029

NAVOPACHE ELECTRIC COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2023 AND 2022

NOTE 12 ACCRUED POSTRETIREMENT BENEFITS (CONTINUED)

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (benefit payments are in future year dollars):

<u>Year Ending April 30,</u>	<u>Amount</u>
2024	\$ 53,433
2025	44,056
2026	34,134
2027	39,391
2028	48,492
2029 - 2033	183,337
Total	<u>\$ 402,843</u>

The Cooperative has unrecognized actuarial gains totaling \$669,404 included in accumulated other comprehensive loss at April 30, 2023. The estimated related net gain that will be amortized over the next fiscal year is \$38,865.

NOTE 13 COMMITMENTS AND CONTINGENCIES

GAAP requires disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations.

Purchase Commitment

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Tucson Electric Power Company through January 1, 2042.

Commitments

The Cooperative plans to build a new headquarters and entered into a contract on April 4, 2023, for the construction of this building. As of April 30, 2023, there is \$29,705,812 remaining to be paid for the project per the contract.

Concentration of Credit

The Cooperative extends credit to its consumers on terms no more favorable than the standard terms of the industry it serves. The Cooperative's consumers are located in eastern Arizona and western New Mexico, in a designated service territory. The Cooperative's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.



INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors
Navopache Electric Cooperative, Inc.
Lakeside, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Navopache Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheet as of April 30, 2023, and the related statements of operations and patronage capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 24, 2023.

During the year ended April 30, 2023, the Cooperative received \$24,369,214 in advances from National Rural Utilities Cooperative Finance Corporation (NRUCFC) on loans controlled by the NRUCFC Loan Agreement and/or Mortgage or Security Agreements. In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative was not in compliance with the intended purpose of the loan funds as contemplated in the Loan Agreement. 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 agreements, insofar as they relate to accounting matters.

This report is intended for the information and use of the board of directors, management, and the NRUCFC, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
July 24, 2023



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