

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

Rec

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E-01750A

Mohave Electric Cooperative, Inc.
PO Box 22530
Bullhead City, AZ 86439-2530

Please click here if pre-printed Company name on this form is not your current Company name or dba name is not included.

Please list current Company name including dba here:

ANNUAL REPORT

Electric

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ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

FOR YEAR ENDING

12	31	2019
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FOR COMMISSION USE:

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COMPANY INFORMATION

Company Name (Business Name) MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

Mailing Address PO BOX 22530

(Street)

BULLHEAD CITY

(City)

AZ

(State)

86439

(Zip)

(928) 763-4115

Telephone No. (Include Area Code)

(928) 763-3315

Fax No. (Include Area Code)

N/A

Cell No. (Include Area Code)

Email Address mohaveelectric.com

Local Office Mailing Address 1999 ARENA DRIVE

(Street)

BULLHEAD CITY

(City)

AZ

(State)

86442

(Zip)

(928) 763-4115

Local Customer Service Phone No. (Include Area Code)

(928) 763-4115

(1-800 or other long distance Customer Service Phone No.)

Email Address mohaveelectric.com

Website address mohaveelectric.com

MANAGEMENT INFORMATION

Regulatory Contact:

Management Contact: PAULA MINK

(Name)

EXECUTIVE ASSISTANT

(Title)

1999 ARENA DRIVE

(Street)

BULLHEAD CITY

(City)

AZ

(State)

86442

(Zip)

(928) 763-4115

Telephone No. (Include Area Code)

(928) 763-3315

Fax No. (Include Area Code)

N/A

Cell No. (Include Area Code)

Email Address pmink@mohaveelectric.com

On Site Manager: J. TYLER CARLSON, CEO

(Name)

1999 ARENA DRIVE

(Street)

BULLHEAD CITY

(City)

AZ

(State)

86442

(Zip)

(928) 763-4115

Telephone No. (Include Area Code)

(928) 763-3315

Fax No. (Include Area Code)

N/A

Cell No. (Include Area Code)

Email Address tcarlson@mohaveelectric.com

Statutory Agent: HLG CORPORATE SERVICES, LLC

(Name)

2398 E CAMELBACK ROAD, SUITE 1020

(Street)

PHOENIX

(City)

AZ

(State)

85016

(Zip)

(602) 852-5500

Telephone No. (Include Area Code)

(602) 852-5499

Fax No. (Include Area Code)

N/A

Cell No. (Include Area Code)

Attorney: HOOL COURY LAW, PLC

(Name)

2398 E CAMELBACK ROAD, SUITE 1020

(Street)

PHOENIX

(City)

AZ

(State)

85016

(Zip)

(602) 852-5500

Telephone No. (Include Area Code)

(602) 852-5499

Fax No. (Include Area Code)

N/A

Cell No. (Include Area Code)

Email Address habdul@hoolcourylaw.com

Important changes during the year

Yes For those companies not subject to the affiliated interest rules, has there been a change in ownership or direct control during the year?
No

If yes, please provide specific details in the box below.

Yes Has the company been notified by any other regulatory authorities during the year, that they are out of compliance?
No

If yes, please provide specific details in the box below.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S) | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input checked="" type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|---|--|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input checked="" type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input checked="" type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input checked="" type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

- Electric**
- Investor Owned Electric
 - Rural Electric Cooperative
 - Utility Distribution Company
 - Electric Service Provider
 - Transmission Service Provider
 - Meter Service Provider
 - Meter Reading Service Provider
 - Billing and Collection
 - Ancillary Services
 - Generation Provider
 - Aggregator/Broker

Other (Specify) _____

STATISTICAL INFORMATION

Retail Information

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	37,574	387,471,949
Commercial	4,205	213,590,499
Industrial	5	76,242,379
Public Street and Highway Lighting	12	132,948
Irrigation	18	4,040,857
Total Retail	41,814	681,478,632

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	1	76,246,756
Short-term Sales (durations of less than one year)		
Total Wholesale	1	76,246,756

Total MWh Sold 757,725 MWh

Maximum Peak Load 202.859 MW

COMPANY NAME: MOHAVE ELECTRIC COOPERATIVE, INC.

2019 UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-509.B	Termination with Notice R14-2-509.C	OTHER
JANUARY		297	
FEBRUARY		264	
MARCH		212	
APRIL		216	
MAY		189	
JUNE		203	
JULY		33	
AUGUST		19	
SEPTEMBER		234	
OCTOBER		338	
NOVEMBER		305	
DECEMBER		236	
TOTALS →		2,546	

OTHER (description):

**VERIFICATION
AND
SWORN STATEMENT**
Intrastate Revenues Only

VERIFICATION

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) MOHAVE
NAME (OWNER OR OFFICIAL) TITLE ARDEN LAUXMAN, CHIEF FINANCIAL OFFICER
COMPANY NAME MOHAVE ELECTRIC COOPERATIVE, INCORPORATED

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2019

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2019 WAS:

**RECEIVED
BY EMAIL**

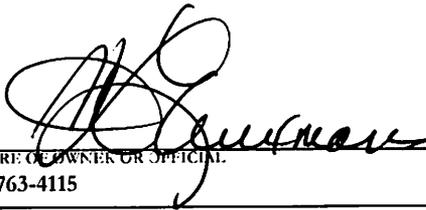
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ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

Arizona Intrastate Gross Operating Revenues Only (\$)
<u>\$79,148,394</u>

(THE AMOUNT IN BOX ABOVE
INCLUDES \$5,041,933
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**



SIGNATURE OF OWNER OR OFFICIAL
(928) 763-4115

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 31 DAY OF

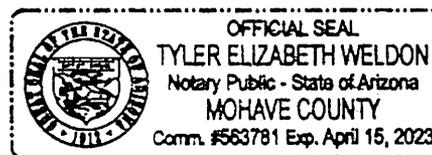
(SEAL)

COUNTY NAME MOHAVE	
MONTH <u>MARCH</u>	.20 <u>20</u>

MY COMMISSION EXPIRES 4/15/2023



SIGNATURE OF NOTARY PUBLIC



**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) MOHAVE	
NAME (OWNER OR OFFICIAL) ARDEN LAUXMAN	TITLE CHIEF FINANCIAL OFFICER
COMPANY NAME MOHAVE ELECTRIC COOPERATIVE, INCORPORATED	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2019

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2019 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$79,148,394
--

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$5,041,933
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

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ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

31

DAY OF

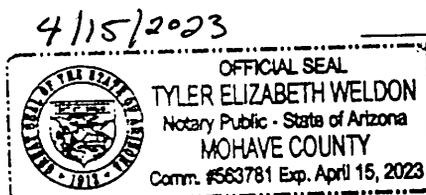
(SEAL)

MY COMMISSION EXPIRES

Arden Lauxman
SIGNATURE OF OWNER OR OFFICIAL

(928) 763-4115
TELEPHONE NUMBER

NOTARY PUBLIC NAME TYLER WELDON	
COUNTY NAME MOHAVE	
MONTH MARCH	20 20



TW
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2019) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

Mohave Electric Cooperative, Inc.

December 31, 2019

Financial Statements

KEVIN S. KELSO, CPA, P.C., P.A.
CERTIFIED PUBLIC ACCOUNTANT

Mohave Electric Cooperative, Inc.

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Mohave Electric Cooperative, Inc.

Officers, Board of Directors, and CEO

Name	Office	Address
Joseph Anderson	President	Bullhead City, Arizona
Deborah K. Johnson	Vice President	Bullhead City, Arizona
Toni D. Barbaro	Secretary	Bullhead City, Arizona
Carlos A. Tejeda	Treasurer	Bullhead City, Arizona
Michael Bartelt	Director	Bullhead City, Arizona
Cindy Christy	Director	Mohave Valley, Arizona
John B. Nelssen	Director	Kingman, Arizona
Joe Solar	Director	Bullhead City, Arizona
Rich Tempelman	Director	Fort Mohave, Arizona
J. Tyler Carlson	CEO	Bullhead City, Arizona

CERTIFIED PUBLIC ACCOUNTANT

6700 SQUIBB ROAD, SUITE 215

MISSION, KS 66202

913-831-1150 • FAX: 913-831-0538

Independent Auditor's Report

The Board of Directors
Mohave Electric Cooperative, Inc.
Bullhead City, Arizona

Report on the Financial Statements

I have audited the accompanying financial statements of Mohave Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheet as of December 31, 2019 and the related statements of revenue and patronage capital, comprehensive income, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 1, 2020 on my consideration of the Cooperative's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of the Cooperative as of December 31, 2018, were audited by other auditors whose report dated May 7, 2019, expressed an unmodified opinion on those financial statements.

Kevin S. Kelso, CPA, P.C., P.A.

Mission, Kansas
May 1, 2020

CERTIFIED PUBLIC ACCOUNTANT

6700 SQUIBB ROAD, SUITE 215

MISSION, KS 66202

913-831-1150 • FAX: 913-831-0538

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

The Board of Directors
Mohave Electric Cooperative, Inc.
Bullhead City, Arizona

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mohave Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheet as of December 31, 2019 and the related statements of revenue and patronage capital, comprehensive income, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated May 1, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, I do not express an opinion on the effectiveness of the Cooperative's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin S. Kelso, CPA, P.C., P.A.

Mission, Kansas
May 1, 2020

Mohave Electric Cooperative, Inc.
Balance Sheets at December 31, 2019 and 2018

Assets

	2019	2018
Utility Plant		
Electric plant in service - at cost	\$ 114,176,491	\$ 106,679,801
Construction work-in-progress	25,293,235	25,198,595
	139,469,726	131,878,396
Less accumulated provision for depreciation and amortization	(50,805,444)	(48,337,091)
Net utility plant	88,664,282	83,541,305
Other Assets and Investments		
Subordinated certificates	3,235,692	2,985,692
Investments in associated organizations	55,187,929	52,666,719
Non-utility property	76,000	80,000
Other investments	15,681,560	14,788,768
Total other assets and investments	74,181,181	70,521,179
Current Assets		
Cash and cash equivalents	2,734,504	5,177,395
Temporary cash investments	662,643	921,699
Notes receivable - current portion	116,000	20,500
Accounts receivable		
Customers, net of allowance accounts of \$75,134 and \$230,709	3,451,239	2,877,159
Materials and supplies	1,578,668	1,487,708
Other current and accrued assets	3,640,146	3,069,485
Total current assets	12,183,200	13,553,946
Deferred Debits		
	8,932,567	15,476,790
Total deferred debits	8,932,567	15,476,790
Total assets	\$ 183,961,230	\$ 183,093,220

The accompanying notes are an integral part of these financial statements.

Members' Equity and Liabilities

	2019	2018
Members' Equity		
Patronage capital	\$ 100,277,322	\$ 99,517,552
Accumulated other comprehensive income	23,744	(31,491)
Other equities	7,695,830	6,811,423
Total members' equity	107,996,896	106,297,484
 Long-Term Debt		
Mortgage notes payable	56,871,320	52,991,811
Less current maturities of mortgage notes payable	(13,420,800)	(2,740,691)
Total long-term debt	43,450,520	50,251,120
 Current Liabilities		
Current maturities on mortgage notes payable	13,420,800	2,740,691
Notes payable - line of credit	1,300,000	6,650,000
Accounts payable	4,057,906	4,217,417
Accrued liabilities		
Taxes	1,131,813	1,101,318
Interest	75,272	57,208
Other current liabilities	4,824,943	4,673,508
Total current liabilities	24,810,734	19,440,142
 Other Liabilities		
Deferred credits	7,703,080	7,104,474
Total other liabilities	7,703,080	7,104,474
Total members' equity and liabilities	\$ 183,961,230	\$ 183,093,220

Mohave Electric Cooperative, Inc.
Statements of Revenue and Patronage Capital
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>		<u>2018</u>	
Operating Revenue	\$ 74,106,462	100.00%	\$ 80,970,855	100.00%
Operating Expenses				
Cost of power	54,775,016	73.91%	61,060,053	75.41%
Transmission	207,692	0.28%	204,500	0.25%
Distribution - operations	3,781,992	5.10%	3,506,783	4.33%
Distribution - maintenance	1,660,093	2.24%	1,702,640	2.10%
Consumer accounts	2,023,911	2.73%	2,171,801	2.68%
Customer service and information	461,169	0.62%	454,542	0.56%
Administrative and general	4,602,362	6.21%	3,764,680	4.65%
Depreciation and amortization	3,920,393	5.29%	3,525,417	4.35%
Other deductions	93	0.00%	-	0.00%
Total operating expenses	<u>71,432,721</u>	<u>96.39%</u>	<u>76,390,416</u>	<u>94.34%</u>
Operating Margins Before Fixed Charges	<u>2,673,741</u>	<u>3.61%</u>	<u>4,580,439</u>	<u>5.66%</u>
Fixed Charges				
Interest on long-term debt	2,304,057	3.11%	1,947,447	2.41%
Other interest	151,844	0.20%	137,566	0.17%
Total fixed charges	<u>2,455,901</u>	<u>3.31%</u>	<u>2,085,013</u>	<u>2.58%</u>
Operating Margins After Fixed Charges	217,840	0.29%	2,495,426	3.08%
G & T and Other Capital Credits	<u>899,030</u>	<u>1.22%</u>	<u>2,727,782</u>	<u>3.37%</u>
Net Operating Margins	<u>1,116,870</u>	<u>1.51%</u>	<u>5,223,208</u>	<u>6.45%</u>
Nonoperating Income				
Interest income	892,658	1.20%	742,412	0.92%
Miscellaneous income (expense)	837,056	1.13%	(230,085)	(0.29%)
Total nonoperating income	<u>1,729,714</u>	<u>2.33%</u>	<u>512,327</u>	<u>0.63%</u>
Net Margins for the Year	2,846,584	<u>3.84%</u>	5,735,535	<u>7.08%</u>
Patronage Capital at Beginning of Year	99,517,552		95,548,441	
Retirement of Capital Credits	<u>(2,086,814)</u>		<u>(1,766,424)</u>	
Patronage Capital at End of Year	<u>\$ 100,277,322</u>		<u>\$ 99,517,552</u>	

The accompanying notes are an integral part of these financial statements.

Mohave Electric Cooperative, Inc.
Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018

	2019	2018
Net Margins	\$ 2,846,584	\$ 5,735,535
Other Comprehensive Income		
Unrealized gain or loss on available-for-sale securities		
Net gain (loss) arising during period	55,235	(465,005)
Other comprehensive gain (loss)	55,235	(465,005)
Comprehensive Income	\$ 2,901,819	\$ 5,270,530

The accompanying notes are an integral part of these financial statements.

Mohave Electric Cooperative, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From (Used For) Operating Activities		
Net margins	\$ 2,846,584	\$ 5,735,535
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation	3,920,393	3,525,417
G & T and other capital credits	(899,030)	(2,727,782)
Amortization of early debt extinguishment expense	37,662	12,554
Changes in operating assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	(574,080)	19,236
Inventory	(90,960)	129,066
Other current assets	(570,661)	116,148
Deferred debits	6,544,223	(5,432,598)
Increase (decrease) in operating liabilities		
Accounts payable	(159,511)	(426,780)
Accrued taxes	30,495	15,791
Accrued interest	18,064	33,263
Other accrued liabilities	151,435	60,578
Deferred credits	598,606	(901,211)
Net cash from operating activities	<u>11,853,220</u>	<u>159,217</u>
Cash Flows From (Used For) Investing Activities		
Investment in plant	(9,039,370)	(6,269,716)
Patronage capital recovery	691,260	531,244
Temporary cash investments	259,056	(121,779)
Other investing activities	3,068,840	(4,965,704)
Net cash used for investing activities	<u>(5,020,214)</u>	<u>(10,825,955)</u>
Cash Flows From (Used For) Financing Activities		
Loan funds received	-	14,066,707
Retirement of long-term debt	(2,778,725)	(2,562,813)
Proceeds from line credit	35,600,000	59,075,000
Repayments on line credit	(40,950,000)	(54,125,000)
Retirement of capital credits	(2,086,814)	(1,766,424)
Other financing activities	939,642	158,145
Net cash from (used for) financing activities	<u>(9,275,897)</u>	<u>14,845,615</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,442,891)	4,178,877
Cash and Cash Equivalents at Beginning of Year	<u>5,177,395</u>	<u>998,518</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,734,504</u>	<u>\$ 5,177,395</u>
Supplemental Cash Flows Information		
Cash paid for interest	\$ 2,437,837	\$ 2,085,012

The accompanying notes are an integral part of these financial statements.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies

Mohave Electric Cooperative, Inc. (the Cooperative) is a Rural Electric Cooperative (an Arizona not-for-profit corporation) whose principal business is the distribution of electrical power to residences and businesses located in three counties in northwest Arizona.

Accounting policies - As a regulated enterprise with a member-elected Board of Directors, the Cooperative accounts for such regulation under professional accounting standards ASC 980, Regulated Industries. The accounting policies followed by the Cooperative are in conformity with generally accepted accounting principles as they apply to a regulated electric utility. The rates are regulated by the Arizona Corporation Commission (ACC) and are designed to recover the cost of providing electric distribution to the members of the Cooperative.

The Cooperative employs the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS). As a result, the application of generally accepted accounting principles by the Cooperative differs in certain respects from such application by nonregulated enterprises. These differences primarily concern the timing of the recognition of certain revenue and expense items.

Recognition of revenue - Electric revenue and the related cost of power is recognized when electricity is consumed by the ultimate customer.

The Cooperative collects taxes from its members on behalf of taxing authorities and revenue is reported net of these taxes in the statements of revenue.

Property, plant, and equipment - Depreciation is recorded on the composite basis for transmission and distribution plant, and the unit basis (straight-line basis) for general plant, and is charged to capital and operating accounts at rates adopted by the Board of Directors in conformity with guide lines provided by AUS and the ACC. Depreciation provisions are computed on additions beginning the month after they are placed in service. When units of property are retired, their average cost (specific unit cost for substantially all of the general plant) is removed from utility plant and the cost, less net salvage, is removed from allowances for depreciation. Expenditures for normal repairs and maintenance are charged to operations as incurred.

Continuing property records are maintained on a current basis. These provide the average installed cost of the plant in service.

The Cooperative has determined that it does not have any long-lived assets for which it has a contractual or legal obligation to remove in the future.

Investments - Investments in associated organizations are carried at cost plus allocated equities. Other amounts included in investments are generally carried at cost.

Investments in debt and equity securities – As of January 1, 2019, the Cooperative adopted the provisions of Accounting Standards Update ASU 2016-01, *Financial Instruments*. The adoption of this guideline eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The adoption of this guidance also requires equity securities to be carried on the balances sheet at fair value, with the difference between fair value and cost reported as other income on the statement of revenue and patronage capital. The standard was applied with a cumulative effect adjustment to beginning patronage capital as of January 1, 2019. The adjustment included reclassifying to patronage capital amounts reported in accumulated other comprehensive income for unrealized gains and losses on equity securities. The cumulative effect of the reclassification to patronage capital from accumulated other comprehensive income at January 1, 2019 was \$477,609.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
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Accounts receivable - The Cooperative carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Cooperative evaluates its electric accounts receivable and establishes an allowance for doubtful accounts, based on past history of bad debt write-offs, collections, and current credit conditions. Electric accounts receivable are generally considered past due if the Cooperative has not received payment by the due date of the bill and are generally turned over for collection if they remain unpaid for 60 days. It is the Cooperative's policy that accounts are written off if they remain uncollected, and collection efforts have been exhausted. Payments received on accounts after they are written off are considered a recovery of the bad debt. As of December 31, 2019, and 2018, the Cooperative had approximately \$22,190 and \$22,000, respectively, in electric accounts receivable that were over 90 days old.

Materials and supplies - Materials and supplies are priced at the lower of cost or market. Cost is determined using the average cost method.

Cash equivalents - The Cooperative considers all short-term deposits and highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

Income taxes - In conformity with its bylaws, the Cooperative conducts its operations on a cooperative nonprofit basis. Annual revenue, in excess of the cost of providing service, is allocated in the form of capital credits to the members' capital accounts on the basis of patronage.

The Cooperative has a letter of exemption from federal income tax, issued by the Internal Revenue Service, and files IRS Form 990 annually. An evaluation of whether or not it has any uncertain tax positions is determined on an annual basis by the Cooperative. While the Cooperative believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the positions taken by the Cooperative. The Cooperative recognizes any interest and penalties assessed by taxing authorities in income tax expense and, with few exceptions, is no longer subject to federal, state, or local income tax examinations by taxing authorities for years before 2016.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation.

Note 2 - Use of Estimates, Certain Significant Risks, and Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk arises from the Cooperative's granting of credit to its member customers, uninsured funds deposited in federally insured financial institutions which may be in excess of the insurance limits at various times during the year, and other uninsured cash funds of \$662,643 and \$921,699 at December 31, 2019 and 2018, respectively.

Note 3 - Assets Pledged

Substantially all assets are pledged as security for long-term debt to RUS, the Federal Financing Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

Note 4 - Utility Plant

A summary of the utility plant and accumulated depreciation follows:

	Plant Balances	
	2019	2018
Intangible plant	\$ 579	\$ 579
Transmission plant	14,205,333	13,213,844
Distribution plant	85,918,714	80,572,413
General plant	13,809,307	12,650,407
Electric plant acquisition adjustment	242,558	242,558
Total electric plant	114,176,491	106,679,801
Construction work-in-progress	25,293,235	25,198,595
Total utility plant	<u>139,469,726</u>	<u>131,878,396</u>
Accumulated depreciation		
Transmission plant	5,632,482	5,643,803
Distribution plant	36,669,091	35,359,320
General plant	8,583,942	7,564,681
Electric plant acquisition adjustment	242,558	242,558
	51,128,073	48,810,362
Retirement work-in-progress	(322,629)	(473,271)
Total accumulated depreciation	<u>50,805,444</u>	<u>48,337,091</u>
Net utility plant	<u>\$ 88,664,282</u>	<u>\$ 83,541,305</u>

Transmission plant is depreciated, under the straight-line composite basis, at the annual rate of 2.75%.

Distribution plant is depreciated, under the straight-line composite basis, at annual rates ranging from 1.80% to 19.16%.

General plant is depreciated over the estimated useful life of the assets, under the straight-line composite basis, at various rates ranging from 2% to 20%.

Note 5 - Subordinated Certificates

	2019	2018
Capital term certificates	\$ 562,410	\$ 562,410
Loan term certificates	117,500	117,500
Zero term certificates	55,782	55,782
Medium term notes	500,000	250,000
Member capital securities	2,000,000	2,000,000
Total	<u>\$ 3,235,692</u>	<u>\$ 2,985,692</u>

The capital term certificates yield 5%, the loan term certificates yield 3%, and the zero term certificates have no yield. All of the certificates have various maturity dates through the year 2080.

The medium terms note have interest rates ranging from 2.09% to 2.89% and mature through July 2024.

The member capital securities yield 5%, and mature through December 23, 2044.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

Note 6 - Investments in Associated Organizations

This category consists mainly of patronage capital due from organizations of which the Cooperative is a member.

	<u>2019</u>	<u>2018</u>
Patronage capital - CFC	\$ 437,600	\$ 474,022
Patronage capital - Arizona Electric Power Coop.	53,116,659	50,493,469
Patronage capital - NRTC	322,819	629,998
Patronage capital - CoBank	262,639	224,959
Patronage capital - Federated Rural Insurance	255,405	224,322
Patronage capital - Western United	404,254	217,735
Patronage capital - NISC	183,381	170,331
Other investments in associated organizations	205,172	231,883
Total	<u>\$ 55,187,929</u>	<u>\$ 52,666,719</u>

Note 7 - Other Investments

Other investments consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Notes receivable - renewable energy projects	\$ 160,886	\$ 252,907
Notes receivable - employees	40,401	51,161
Note receivable - economic development	129,875	-
Deferred compensation	259,186	250,088
Marketable securities	15,207,212	14,255,112
	<u>15,797,560</u>	<u>14,809,268</u>
Less current portion	<u>(116,000)</u>	<u>(20,500)</u>
Total	<u>\$ 15,681,560</u>	<u>\$ 14,788,768</u>

The notes receivable are carried at cost, are current at both December 31, 2019 and 2018, and are unsecured. Management believes they will be collected. The notes receivable-employees are repaid through payroll deduction.

The Cooperative determines the appropriate classification of its investment securities (debt and equity securities) at the time of purchase and reevaluates such determinations at each balance sheet date. Investments are classified as held-to-maturity when the Cooperative has the positive intent and ability to hold the securities to maturity. For those not classified as held-to-maturity, they are classified as available-for-sale since the Cooperative does not intend to sell them in the near-term. The investments classified as held-to-maturity are stated at cost and those classified as available-for-sale are stated at fair value, as determined by quoted market prices.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

As of December 31, 2019, marketable securities consisted of the following:

	Amortized Cost	Gains in Comprehensive Income	Losses in Comprehensive Income	Fair Value
Corporate bonds	\$ 7,337,504	\$ 1,273,743	\$ (1,434,741)	\$ 7,176,506
Tax-exempt bonds	4,101,119	1,667,419	(1,482,678)	4,285,860
Common/PFD stocks	3,744,846	-	-	3,744,846
Total marketable securities	<u>\$ 15,183,469</u>	<u>\$ 2,941,162</u>	<u>\$ (2,917,419)</u>	<u>\$ 15,207,212</u>

As of December 31, 2018, marketable securities consisted of the following:

	Amortized Cost	Gains in Comprehensive Income	Losses in Comprehensive Income	Fair Value
Corporate bonds	\$ 7,922,864	\$ 860,273	\$ (1,273,420)	\$ 7,509,717
Tax-exempt bonds	3,509,327	1,132,010	(1,227,962)	3,413,375
Fixed income bonds		162,244	(162,244)	
Total debt securities	<u>11,432,191</u>	<u>2,154,527</u>	<u>(2,663,626)</u>	<u>10,923,092</u>
Common/PFD stocks	2,854,410	4,582,084	(4,104,474)	3,332,020
Equity funds		171,241	(171,241)	
Total equity securities	<u>2,854,410</u>	<u>4,753,325</u>	<u>(4,275,715)</u>	<u>3,332,020</u>
Total marketable securities	<u>\$ 14,286,601</u>	<u>\$ 6,907,852</u>	<u>\$ (6,939,341)</u>	<u>\$ 14,255,112</u>

Proceeds from sales of marketable securities were \$1,908,268 and \$3,871,486 in 2019 and 2018, respectively. The gross realized gains on sales of available-for-sale securities totaled \$4,186 and \$134,682 in 2019 and 2018, respectively, and the gross realized losses totaled \$50,561 and \$272,622 in 2019 and 2018, respectively. The change in net unrealized holding gains (losses) on available-for-sale securities included as a separate component of comprehensive income before tax totaled \$55,235 and \$(465,004) in 2019 and 2018, respectively.

Management evaluates the need for recording an other-than-temporary impairment for these investments annually. Based on the nature and financial information available for each individual investment, the length of time and extent of its fair value being below cost and the Cooperative's ability and intent to hold the investments for a sufficient time to allow for the recovery of the cost of the investment, an other-than-temporary impairment has not been recognized as of December 31, 2019 and 2018.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
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The following shows the unrealized losses and fair value of the Cooperative's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, at December 31:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2019						
Corporate bonds	\$ 407,762	\$ (23,451)	\$ 4,182,870	\$ (536,088)	\$ 4,590,632	\$ (559,539)
Tax-exempt bonds			1,726,970	(31,896)	\$ 1,726,970	\$ (31,896)
Totals	<u>\$ 407,762</u>	<u>\$ (23,451)</u>	<u>\$ 5,909,840</u>	<u>\$ (567,984)</u>	<u>\$ 6,317,602</u>	<u>\$ (591,435)</u>
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2018						
Tax-exempt bonds			\$ 1,664,521	\$ (123,375)	\$ 1,664,521	\$ (123,375)
Corporate bonds	\$ 370,126	\$ (1,753)	2,866,354	(44,456)	\$ 3,236,480	\$ (46,209)
Fixed income bonds	208,672	(2,509)	2,537,287	(71,065)	\$ 2,745,959	\$ (73,574)
Stocks common and preferred			1,358,864	(132,811)	\$ 1,358,864	\$ (132,811)
Totals	<u>\$ 578,798</u>	<u>\$ (4,262)</u>	<u>\$ 8,427,025</u>	<u>\$ (371,707)</u>	<u>\$ 9,005,823</u>	<u>\$ (375,969)</u>

Note 8 - Other Current Assets

Other current assets consisted of the following at December 31, 2019 and 2018:

	2019	2018
Accrued utility revenue	\$ 2,933,725	\$ 2,711,337
Prepaid insurance	175,127	176,998
Interest receivable	120,841	102,552
Prepaid dues	257,094	34,168
Prepaid right-of-way rent	33,311	32,868
Prepaid purchased power	39,680	(48,297)
Undistributed warehouse expense	19,049	19,320
Other prepaid expenses	61,319	40,539
Total	<u>\$ 3,640,146</u>	<u>\$ 3,069,485</u>

Note 9 - Deferred Debits

	2019	2018
Past service pension cost	\$ 177,008	\$ 242,840
Construction advances	7,600,962	7,600,962
Prepaid pension cost *	751,644	989,004
Undistributed clearing accounts	17,953	(28,585)
Accumulated under-recovery of power cost	38,467	6,461,366
Other deferred charges	346,533	211,203
Total	<u>\$ 8,932,567</u>	<u>\$ 15,476,790</u>

* Approved by RUS

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

Past service pension cost is amortized on the straight-line basis over future periods as allowed for under FASB ASC 980, *Regulated Enterprises*. Amortization amounted to \$47,881 for both the years ended December 31, 2019 and 2018.

The construction advances made on transmission projects will be recovered over future periods through credits on purchased power from the Cooperative's power suppliers as per the contractual agreements

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 Retirement Security (RS) Plan (a defined benefit multi-employer plan) to make a prepayment and reduce future required contributions. The prepayment amount is the 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 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, with changes in interest rates, asset returns, other plan experiences different from what is expected, plan assumption changes, and other factors could have an impact on the differential in billing rates and the 15-year period as originally expected.

Two prepayment options were available to participating entities:

1. Use current assets to make the prepayment over a period not more than four years.
2. Borrow funds sufficient to make the prepayment in a lump sum, with the repayment of the borrowed amount determined by the loan's amortization schedule.

In February 2013, the Cooperative made a prepayment of \$2,373,604 to the RS Plan. The Cooperative is amortizing this amount over ten years, as allowed for by regulated industries under FASB ASC 980, *Accounting for the Effects of Certain Types of Regulation*. Amortization amounted to \$237,360 for both the years ended December 31, 2019 and 2018.

The Cooperative's tariffs for electric service, as approved by the ACC, include a power cost recovery factor under which any differences between the revenue generated from the power cost included in base rates and actual power cost are deferred and are either charged or credited to customers' monthly billings. As of December 31, 2019 and 2018, the Cooperative had accumulated net under-recovery of \$38,467 and \$6,461,366, respectively.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

Note 10 - Members' Equity

	<u>Patronage Capital</u>		<u>Other Equities</u>	<u>Total</u>
	<u>Allocated</u>	<u>Unallocated</u>		
Balance, December 31, 2017	\$ 94,765,314	\$ 783,127	\$ 6,621,789	\$ 102,170,230
Net margin		5,735,535		5,735,535
Allocation, 2017	3,629,197	(3,629,197)		
Memberships, net			2,550	2,550
Retirement of capital credits	(1,766,424)		111,190	(1,655,234)
Changes in accumulated other comprehensive income			(465,004)	(465,004)
Other changes			509,407	509,407
Balance, December 31, 2018	<u>96,628,087</u>	<u>2,889,465</u>	<u>6,779,932</u>	<u>106,297,484</u>
Net margin		2,846,584		2,846,584
Allocation, 2018	5,735,995	(5,735,995)		
Memberships, net			2,525	2,525
Retirement of capital credits	(2,086,814)		150,542	(1,936,272)
Changes in accumulated other comprehensive income			55,235	55,235
Other changes			731,340	731,340
Balance, December 31, 2019	<u>\$ 100,277,268</u>	<u>\$ 54</u>	<u>\$ 7,719,574</u>	<u>\$ 107,996,896</u>

Under the provisions of the RUS mortgage agreement, until the equities and margins equal or exceed 30% of the total assets of the Cooperative, the retirement of capital credits is generally limited to 25% of the patronage capital or margins from the prior calendar year. The CFC and CoBank mortgage agreement provisions differ slightly. This limitation does not usually apply to capital credit retirements made exclusively to estates.

The total equities of the Cooperative are approximately 59% of the total assets as of December 31, 2019 and 2018, respectively. Other equities consist of memberships, donated capital, accumulated other comprehensive income, and retired capital credits gain.

Changes in the accumulate balances for each component of other comprehensive income for the years ended December 31, 2019 and 2018 are presented below:

<u>2019</u>	<u>Unrealized Gains on Securities</u>	<u>Accumulated Other Comprehensive Income</u>
Beginning balance	\$ (31,491)	\$ (31,491)
Current period other comprehensive loss/income	55,235	55,235
Ending balance	<u>\$ 23,744</u>	<u>\$ 23,744</u>
<u>2018</u>		
Beginning balance	\$ 433,514	\$ 433,514
Current period other comprehensive loss	(465,005)	(465,005)
Ending balance	<u>\$ (31,491)</u>	<u>\$ (31,491)</u>

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

Note 11 - Long-Term Debt

Long-term debt consists of mortgage notes payable to RUS, FFB, CFC, and CoBank; and other long-term debt with various maturities through January 2045.

The following is a summary of these notes:

	<u>2019</u>	<u>2018</u>
RUS mortgage notes	\$ 2,277,993	\$ 2,439,543
RUS cushion of credit - 5%	(1,940,032)	(8,560,604)
CFC mortgage note	1,615,258	1,852,019
CFC conversion fees	301,296	338,958
FFB mortgage notes	38,148,387	39,324,491
CoBank mortgage notes	<u>16,769,714</u>	<u>17,936,362</u>
	57,172,616	53,330,769
Less early extinguishment of debt expense	<u>(301,296)</u>	<u>(338,958)</u>
	56,871,320	52,991,811
Less current maturities	<u>(13,420,800)</u>	<u>(2,740,691)</u>
Total	<u>\$ 43,450,520</u>	<u>\$ 50,251,120</u>

The RUS notes have fixed interest rates that ranged from 5% to 5.25% as of both December 31, 2019 and 2018.

The CFC note has a fixed interest rate 5% as of both December 31, 2019 and 2018. The note(s) carry a prepayment penalty.

The FFB notes have fixed interest rates that ranged between 1.246% and 5.053% as of both December 31, 2019 and 2018.

The CoBank notes have fixed interest rates that ranged between 2.62% and 4.88% as of both December 31, 2019 and 2018.

Based on current obligations, principal payments toward the above long-term debt for the next five years will require approximately:

<u>For the Years Ending</u>	<u>Amount</u>
December 31, 2020	\$ 13,420,800
December 31, 2021	\$ 2,963,200
December 31, 2022	\$ 2,057,000
December 31, 2023	\$ 2,142,000
December 31, 2024	\$ 2,230,000

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
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Note 12 - Other Current Liabilities

Other current liabilities consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Customers' deposits	\$ 3,322,689	\$ 3,269,067
Patronage capital payable	57,788	94,899
Accrued payroll	272,904	249,028
Accrued employees vacation	380,987	342,116
Accrued sick leave	771,965	705,542
Other current liabilities	18,610	12,856
Total	<u>\$ 4,824,943</u>	<u>\$ 4,673,508</u>

Note 13 - Short-Term Lines of Credit

The Cooperative has a \$6,700,000 line of credit agreement, with a variable interest rate, established with CFC. It expires December 28, 2020. As of December 31, 2019, \$1,300,000 of funds had been drawn and remained outstanding at an interest rate of 2.85%. As of December 31, 2018, \$4,000,000 of funds had been drawn and remained outstanding at an interest rate of 3.35%.

The Cooperative also has a \$4,900,000 line of credit agreement, with a variable interest rate, established with CoBank. It expired April 10, 2020 and was renewed subsequent to December 31, 2019 and prior to the financial statement issuance date. \$2,650,000 of funds were drawn and remained outstanding as of December 31, 2018, at an interest rate of 3.96%.

Note 14 - Deferred Credits

Deferred credits consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Customers' prepayments	\$ 1,511,766	\$ 1,315,535
Energy efficiency surcharge	2,070,644	1,719,752
Customers' advances for construction	1,562,331	1,373,154
Deferred revenue assessments	737,792	1,679,573
Deferred special equipment installation cost	615,192	52,260
Deferred compensation	871,186	556,088
Deferred retirement expense	87,645	92,659
Other deferred credits	246,524	315,453
Total	<u>\$ 7,703,080</u>	<u>\$ 7,104,474</u>

Note 15 - Pension Plan

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501 (a) of the Internal Revenue Code. It is a multi-employer plan under the accounting standards. The Plan Sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative's contributions to the RS plan in 2019 and 2018 represented less than 5% of the total contributions made to the plan by all participating employers. There have been no significant changes that affect the comparability of 2019 and 2018 amounts.

Mohave Electric Cooperative, Inc.
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Pension cost incurred during the years ended December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Past service pension cost	\$ 47,881	\$ 47,881
Current payments to plan	707,906	746,140
Amortization of prepaid pension cost	237,360	237,360
Total	<u>\$ 993,147</u>	<u>\$ 1,031,381</u>

In the RS Plan, a "zone status" determination is not required, and therefore not determined under the Pension Protections 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 Retirement Security Plan was over 80% funded at both January 1, 2019 and January 1, 2018 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding plans and surcharges are not applicable. Future contribution are determined each year as part of the actuarial valuation of the change as a result of plan experience.

Employees of the Cooperative can participate in the National Rural Electric Cooperative Association (NRECA) SelectRE 401(k) plan, provided they meet plan specifications. The Cooperative will contribute up to 5% of matching contributions for all hires prior to July 1, 2014; 6% on all hires after June 30, 2014. The Cooperative's contribution for the years ended December 31, 2019 and 2018 was \$210,203 and \$210,143, respectively.

Note 16 - Deferred Compensation

The Cooperative has a deferred compensation plan that key employees can participate in, with the Plan funded with employee payroll deductions and employer contributions. The plan allows investments in NRECA Homestead Fund securities. The Plan benefits are payable to the Cooperative, for the benefit of the employee, and the deferred compensation plan agreement between the employee and the Cooperative provides for payment of benefits in the event of death, disability, retirement, or payouts prior to such as agreed upon by the Board of Directors and the employee participant.

Note 17 - Participation in Power Pool

In 2013, the Cooperative entered into an agreement with ACES/AEPCo Power Marketing to assist in managing the Cooperative's power resources. ACES and AEPCo coordinate to act as the scheduling and dispatch agent and assist in managing the electric resources available for purchase and resale on behalf of the Cooperative.

An itemized Master Supplemental Services Agreement statement is generated monthly by AEPCo for the previous month's marketing activity. The Cooperative pays the statement or receives credit if the statement is a balance due the Cooperative, on a monthly basis as part of the monthly payment process to AEPCo for the resources consumed by the Cooperative's members. The itemized statement includes all brokerage and ancillary charges incurred in the marketing of the Cooperative's resources.

The credit due (amount due the Cooperative) from AEPCo at December 31, 2019 and 2018 amounted to \$192,402 and \$759,871, respectively, as a result of December marketing operations. Those credits (amounts due the Cooperative) were offset against the December AEPCo monthly power bills to the Cooperative when they were paid in January of 2020 and 2019, respectively.

Mohave Electric Cooperative, Inc.
Notes to Financial Statements
December 30, 2019 and 2018

Note 18 - Commitments

The Cooperative is an Arizona Electric Power Cooperative, Inc. (AEP Co) partial requirements customer. As a continuing Class A member of AEP Co, which is a not-for-profit generation and transmission cooperative, the Cooperative is entitled to representation on the Board of Directors of AEP Co and its affiliated corporations. The Cooperative, under the terms of an agreement with AEP Co and in consideration of payments of a fixed monthly capacity charge and fixed demand and energy charge, is entitled to 35.8% of the AEP Co resources, including transmission and allocated demand and usage levels. The Cooperative has the contractual ability to resell AEP Co provided resources in excess of the Cooperative's needs and not used by the Cooperative.

In order to meet its demand requirements, the Cooperative entered into a Transmission Agreement with TRANSCO, an Arizona not-for-profit transmission cooperative corporation, resulting from the restructuring of AEP Co. The Cooperative uses the Transmission Agreement to meet its demand usage requirements, with obligations to pay TRANSCO based on specified formulas. The agreement expires October 10, 2020.

The Cooperative obtains a portion of its purchased power from AEP Co, as noted above, which amounted to \$42,732,093 and \$49,547,717 for the years ended December 31, 2019 and 2018, respectively. The Cooperative is also a member of Southwest Transmission Cooperative, Inc. (SWTC), which is an electric transmission cooperative. The Cooperative obtains a portion of its purchased power from SWTC, as noted above, which amounted to \$5,538,619 and \$5,548,261 for the years ended December 31, 2019 and 2018, respectively.

The amount payable for purchased power to AEP Co is \$3,140,859 and \$4,087,650 at December 31, 2019 and 2018, respectively. The amount payable for purchased power to SWTC is \$430,820 and \$439,552 at December 31, 2019 and 2018, respectively.

Note 19 - Litigation

The Cooperative is involved in various legal matters that management considers to be in the normal course of business. The outcome of these various matters is unknown. Therefore, nothing is recorded in the financial statements.

Subsequent to December 31, 2019 and prior to the financial statement issuance date, all parties involved in one of these matters have agreed conceptually to a settlement that will not be significant to the Cooperative's financial statements.

Note 20 – Commitments

Subsequent to December 31, 2019, the ACC approved the Cooperative's application to borrow up to \$110 million to construct a broadband system in the Cooperative's territory. CoBank has committed to finance the first \$25 million tranch of financing.

Note 21 - Subsequent Events

Management has made an evaluation of subsequent events and transactions for the period December 31, 2019 through May 1, 2020, which is the date the report was available to be issued, and determined that there were no material events that would require recognition or disclosure in the financial statements under FASB ASC 855-10, Subsequent Events.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION
AZ0022

PERIOD ENDED December 2019 (Prepared with Audited Data)

BORROWER NAME Mohave Electric Cooperative, Incorporated

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

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

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

John Carlson

5/22/2020

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	80,970,854	74,106,461	76,333,462	5,159,400
2. Power Production Expense				
3. Cost of Purchased Power	61,060,053	54,775,016	55,493,356	3,779,160
4. Transmission Expense	204,500	207,692	218,621	14,086
5. Regional Market Expense				
6. Distribution Expense - Operation	3,506,783	3,781,991	3,382,625	291,334
7. Distribution Expense - Maintenance	1,702,640	1,660,092	1,777,964	152,919
8. Customer Accounts Expense	2,171,801	2,023,912	1,938,349	61,708
9. Customer Service and Informational Expense	158,077	139,125	148,913	9,974
10. Sales Expense	296,465	322,045	305,914	36,210
11. Administrative and General Expense	3,764,680	4,602,362	4,749,936	464,182
12. Total Operation & Maintenance Expense (2 thru 11)	72,864,999	67,512,235	68,015,678	4,809,573
13. Depreciation and Amortization Expense	3,525,417	3,920,393	3,736,635	336,373
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other				
16. Interest on Long-Term Debt	1,947,447	2,129,358	2,578,513	184,528
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	137,565	151,844	87,224	11,196
19. Other Deductions	19,486	8,653	16,200	968
20. Total Cost of Electric Service (12 thru 19)	78,494,914	73,722,483	74,434,250	5,342,638
21. Patronage Capital & Operating Margins (1 minus 20)	2,475,940	383,978	1,899,212	(183,238)
22. Non Operating Margins - Interest	644,652	642,702	554,113	77,016
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments		918,798	504	925,489
25. Non Operating Margins - Other	(112,839)	2,076		(28,915)
26. Generation and Transmission Capital Credits	2,435,116	619,909	59,149	269,440
27. Other Capital Credits and Patronage Dividends	292,667	279,121	264,800	21,219
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	5,735,536	2,846,584	2,777,778	1,081,011

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION

AZ0022

PERIOD ENDED

December 2019

INSTRUCTIONS - See help in the online application.

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	387	495	5. Miles Transmission	116.60	116.49
2. Services Retired	107	107	6. Miles Distribution – Overhead	1,067.16	1,067.70
3. Total Services in Place	46,395	46,783	7. Miles Distribution - Underground	360.69	363.14
4. Idle Services (Exclude Seasonals)	5,160	4,969	8. Total Miles Energized (5 + 6 + 7)	1,544.45	1,547.33

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	114,176,491	30. Memberships	175,900
2. Construction Work in Progress	25,293,235	31. Patronage Capital	97,430,739
3. Total Utility Plant (1 + 2)	139,469,726	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	50,805,443	33. Operating Margins - Current Year	1,283,008
5. Net Utility Plant (3 - 4)	88,664,283	34. Non-Operating Margins	1,563,576
6. Non-Utility Property (Net)	76,000	35. Other Margins and Equities	7,543,673
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	107,996,896
8. Invest. in Assoc. Org. - Patronage Capital	55,033,706	37. Long-Term Debt - RUS (Net)	2,110,506
9. Invest. in Assoc. Org. - Other - General Funds	2,654,223	38. Long-Term Debt - FFB - RUS Guaranteed	25,751,499
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	735,692	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	17,572,914
12. Other Investments	15,869,855	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	259,186	42. Payments – Unapplied	1,940,032
14. Total Other Property & Investments (6 thru 13)	74,628,662	43. Total Long-Term Debt (37 thru 41 - 42)	43,494,887
15. Cash - General Funds	242,943	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	100	45. Accumulated Operating Provisions and Asset Retirement Obligations	0
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	0
18. Temporary Investments	2,491,462	47. Notes Payable	1,300,000
19. Notes Receivable (Net)	331,162	48. Accounts Payable	4,057,906
20. Accounts Receivable - Sales of Energy (Net)	2,757,447	49. Consumers Deposits	3,322,689
21. Accounts Receivable - Other (Net)	693,792	50. Current Maturities Long-Term Debt	13,376,433
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	1,597,717	52. Current Maturities Capital Leases	0
24. Prepayments	8,344,501	53. Other Current and Accrued Liabilities	2,709,340
25. Other Current and Accrued Assets	3,054,566	54. Total Current & Accrued Liabilities (47 thru 53)	24,766,368
26. Total Current and Accrued Assets (15 thru 25)	19,513,690	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	8,004,376
28. Other Deferred Debits	1,455,892	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	184,262,527
29. Total Assets and Other Debits (5+14+26 thru 28)	184,262,527		

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION AZ0022</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December 2019</p>
<p>PART D. NOTES TO FINANCIAL STATEMENTS</p>	

<p>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION</p> <p>AZ0022</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED</p> <p>December 2019</p>
<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION
AZ0022

PERIOD ENDED
December 2019

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	80,572,413	6,431,699	1,085,399	0	85,918,713
2. General Plant	7,381,521	1,083,170	159,687	0	8,305,004
3. Headquarters Plant	5,268,887	235,416	0	0	5,504,303
4. Intangibles	579	0	0	0	579
5. Transmission Plant	13,213,844	1,186,449	194,960	0	14,205,333
6. Regional Transmission and Market Operation Plant	0	0	0	0	0
7. All Other Utility Plant	242,558	0	0	0	242,558
8. Total Utility Plant in Service (1 thru 7)	106,679,802	8,936,734	1,440,046	0	114,176,490
9. Construction Work in Progress	25,198,595	94,640			25,293,235
10. Total Utility Plant (8 + 9)	131,878,397	9,031,374	1,440,046	0	139,469,725

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	1,487,708	572,239	0	469,270	0	(12,009)	1,578,668
2. Other	19,323	734,141	0	734,415	0	0	19,049

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	3,400	116.400	1,600	64,300	185,700
2. Five-Year Average	104,300	111.600	10,700	79,800	306,400

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	80	4. Payroll - Expensed	5,190,393
2. Employee - Hours Worked - Regular Time	168,673	5. Payroll - Capitalized	480,790
3. Employee - Hours Worked - Overtime	5,361	6. Payroll - Other	86,237

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	1,721,919	13,617,248
	b. Special Retirements	309,416	5,828,946
	c. Total Retirements (a + b)	2,031,335	19,446,194
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	414,954	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	89,638	
	c. Total Cash Received (a + b)	504,592	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 13,368	2. Amount Written Off During Year	\$ 105,673
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ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM

1. Anticipated Loan Delinquency %		4. Anticipated Loan Default %	
2. Actual Loan Delinquency %		5. Actual Loan Default %	
3. Total Loan Delinquency Dollars YTD	\$	6. Total Loan Default Dollars YTD	\$

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION AZ0022
INSTRUCTIONS - See help in the online application	PERIOD ENDED December 2019

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Arizona Power Authority	798			3,492,000	147,453	4.22		89,388
2	Arizona Electric Pwr Coop, Inc (AZ0028)	796			738,416,092	47,954,399	6.49	(4,792,591)	30,349,408
3	Western Area Power Admin	27000			0	76,745	0.00		76,745
4	Southwest Transmission Cooperative, Inc.	800383			0	5,538,619	0.00		5,538,619
5	Exelon Energy Company	8775			39,371,880	1,023,222	2.60		0
6	*Residential Renewable Supplier	700200	Distributed Generation Service-Residential	Solar - photovoltaic	1,278,921	33,684	2.63		0
7	*Commercial Renewable Supplier	700100	Distributed Generation Service-Commercial	Solar - photovoltaic	34,020	894	2.63		0
	Total				782,592,913	54,775,016	7.00	(4,792,591)	36,054,160

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION AZ0022
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December 2019
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PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	
2	
3	
4	
5	
6	
7	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION AZ0022	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2019	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION AZ0022	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2019	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/7/2019	2. Total Number of Members 34,670	3. Number of Members Present at Meeting 180	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 264,789	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION AZ0022
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December 2019

PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	2,110,506	122,604	161,551	284,155
2	National Rural Utilities Cooperative Finance Corporation	1,366,435	88,208	236,761	324,969
3	CoBank, ACB	16,206,479	808,101	1,166,648	1,974,749
4	Federal Financing Bank	25,751,499	1,179,408	1,176,103	2,355,511
5	RUS - Economic Development Loans	0	0	0	0
6	Payments Unapplied	1,940,032			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	43,494,887	2,198,321	2,741,063	4,939,384

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION AZ0022
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December 2019

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	37,574	37,241	
	b. kWh Sold			387,471,949
	c. Revenue			42,569,490
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
3. Irrigation Sales	a. No. Consumers Served	18	19	
	b. kWh Sold			4,040,857
	c. Revenue			448,779
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	4,205	4,192	
	b. kWh Sold			213,590,499
	c. Revenue			21,276,250
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	5	5	
	b. kWh Sold			76,242,379
	c. Revenue			5,589,031
6. Public Street & Highway Lighting	a. No. Consumers Served	12	12	
	b. kWh Sold			132,948
	c. Revenue			9,520
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served	1	1	
	b. kWh Sold			76,246,756
	c. Revenue			3,458,815
10. Total No. of Consumers (lines 1a thru 9a)		41,815	41,470	
11. Total kWh Sold (lines 1b thru 9b)				757,725,388
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				73,351,885
13. Transmission Revenue				0
14. Other Electric Revenue				754,573
15. kWh - Own Use				746,727
16. Total kWh Purchased				782,592,913
17. Total kWh Generated				0
18. Cost of Purchases and Generation				54,982,708
19. Interchange - kWh - Net				0
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident _____				202,859

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION
AZ0022

PERIOD ENDED
December 2019

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	1,920	160,301	3,467	4,622	747,858	14,535
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less						
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	1,920	160,301	3,467	4,622	747,858	14,535

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION AZ0022 PERIOD ENDED December 2019
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	1343 Hancock Road Building and Land	76,000	0		
	Totals	76,000	0		
2	Investments in Associated Organizations				
	Arizona Electric Power Cooperative-Membership	5			
	Arizona Electric Power Cooperative-Patronage		53,116,659	2,947,619	
	CoBank-Membership	1,000			
	CoBank-Patronage		262,639	97,221	
	Cooperative Response Center-Investment	10,000			
	Cooperative Response Center-Membership	2,500			
	Cooperative Response Center-Patronage	8,940		2,862	
	ERMCO-Membership	100			
	ERMCO-Patronage	33,273		1,519	
	Federated Rural Insurance-Patronage		255,405	28,644	
	Grand Canyon State-Equity Contribution	137,303			
	Grand Canyon State-Membership	100			
	Mohave Federal Credit Union-Membership	5			
	NISC-Membership	100			
	NISC-Patronage	183,381		21,219	
	NRECA-Membership	10			
	NRTC-Membership	1,000			
	NRTC-Patronage		322,820	196	
	NRUCFC-CFC/LTC		735,692		
	NRUCFC-Medium Term Note	251,000	250,000		
	NRUCFC-Member Cap Securities		2,000,000		
	NRUCFC-Membership	1,000			
	NRUCFC-Patronage		437,600	14,840	
	Sierra SW-Membership	100			
	WCS-Patronage	8,734			
	WUE-Patronage	404,254		112,620	
	Totals	1,042,805	57,380,815	3,226,740	
4	Other Investments				
	BBVA Compass-Bonds & Stocks				
	Edward Jones Investments-Bonds & Mutual Funds	3,924,707	864,015		
	Horizon Community Bank-CDs	71,060	250,000		
	Mohave Federal Credit Union-CD	14,474	250,000		
	Mutual of Omaha-CDs	77,109			
	Mutual of Omaha-Bonds & Stocks	5,274,815	327,293		
	Principal Financial Services-Bonds & Stocks	2,733,085	2,083,297		
	Principal Computershare Stocks				
	Totals	12,095,250	3,774,605		
5	Special Funds				
	Homestead Funds	259,186			
	Totals	259,186			
6	Cash - General				
	BBVA Compass				
	Mutual of Omaha		238,568		
	Working Funds		4,375		
	Totals		242,943		
8	Temporary Investments				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION AZ0022 PERIOD ENDED December 2019
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

	BBVA Compass				
	Edward Jones Investments		43,420		
	Horizon Community Bank	213,538	250,000		
	Mohave Federal Credit Union-Savings		50		
	Mutual of Omaha Bank	1,936,752	11,432		
	Principal Financial Services		36,270		
	NRUCFC Commercial Paper Investment				
	Totals	2,150,290	341,172		
9	Accounts and Notes Receivable - NET				
	Accounts Receivable-Other	693,792			
	Notes Receivable	331,162			
	Totals	1,024,954			
11	TOTAL INVESTMENTS (1 thru 10)	16,648,485	61,739,535	3,226,740	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION AZ0022
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION AZ0022
	PERIOD ENDED December 2019

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	11.94 %
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors	10/15/2024	206,055	40,401	
2	Energy Resources Conservation Loans				
	TOTAL		206,055	40,401	