



MIDWEST ELECTRIC LOCAL PAGES

ANNUAL REPORT

2019 INDEPENDENT AUDITOR'S REPORT FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Balance Sheets

	2019	2018
ASSETS		
UTILITY PLANT		
Electric plant in service	\$ 60,410,898	\$ 58,175,425
Construction work in progress	<u>1,075,239</u>	<u>404,432</u>
	61,486,137	58,579,857
Less: Accumulated provision for depreciation and amortization	<u>(19,231,160)</u>	<u>(18,007,771)</u>
NET UTILITY PLANT	<u>42,254,977</u>	<u>40,572,086</u>
NONCURRENT ASSETS		
Investments in associated organizations	16,390,386	16,003,117
Notes receivable	614,814	470,668
Deferred charges	<u>407,718</u>	<u>534,389</u>
TOTAL NONCURRENT ASSETS	<u>17,412,918</u>	<u>17,008,174</u>
CURRENT ASSETS		
Cash and cash equivalents	737,823	2,894,138
Accounts receivable, net of provision for doubtful accounts of \$37,441 (\$129,868 for 2018)	2,286,621	2,306,301
Notes receivable	119,864	149,281
Materials and supplies	452,623	411,215
Other current assets	1,695,592	1,150,511
TOTAL CURRENT ASSETS	5,292,523	6,911,446
TOTAL ASSETS	\$ 64,960,418	\$ 64,491,706
LIABILITIES AND EQUITIES		
EQUITIES		
Patronage capital	\$ 34,036,333	\$ 34,206,067
Accumulated other comprehensive loss	(892,105)	(928,089)
Other equities	<u>658,576</u>	<u>562,217</u>
TOTAL EQUITIES	<u>33,802,804</u>	<u>33,840,195</u>
LONG-TERM LIABILITIES		
Mortgage notes less current maturities	23,871,407	24,167,187
Provision for pensions and benefits	<u>2,130,480</u>	<u>1,959,052</u>
TOTAL LONG-TERM LIABILITIES	<u>26,001,887</u>	<u>26,126,239</u>
CURRENT LIABILITIES		
Line of credit	800,000	-
Current maturities of long-term debt	1,165,094	1,141,304
Accounts payable - purchased power	1,681,679	1,738,937
Accounts payable - other	71,658	104,382
Consumers' deposits	180,357	183,586
Accrued taxes	833,907	836,870
Other current liabilities	<u>423,032</u>	<u>520,193</u>
TOTAL CURRENT LIABILITIES	<u>5,155,727</u>	<u>4,525,272</u>
TOTAL LIABILITIES AND EQUITIES	\$ 64,960,418	\$ 64,491,706

Statements of Cash Flow

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net margins	\$2,089,185	\$3,619,842
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	1,667,318	1,629,988
Noncash capital credits	(999,390)	(1,681,565)
Salvage and retirement adjustments for utility plant	(336,458)	(220,725)
Benefit plan expenses in excess of contributions (contributions in excess of expense)	207,412	(724,792)
Changes in assets and liabilities:		
Accounts and notes receivable	(95,049)	(61,341)
Materials and supplies	(41,408)	63,429
Other current assets	(545,081)	3,751,289
Deferred charges	126,671	147,217
Accounts payable and accrued expenses	(193,335)	152,070
Total adjustments	(209,320)	3,055,570
Net cash provided by operating activities	1,879,865	6,675,412
CASH FLOW FROM INVESTING ACTIVITIES		
Construction and acquisition of utility plant	(3,350,209)	(2,228,937)
Proceeds from disposal of utility plant and aid to construction	336,458	220,725
Proceeds from redemption of investments	620,944	477,774
Purchase of investments	(8,823)	(13,807)
Net cash used by investing activities	(2,401,630)	(1,544,245)
CASH FLOW FROM FINANCING ACTIVITIES		
Change in line of credit	800,000	-
Proceeds from long-term debt	136,675	-
Payments on long-term debt	(1,141,310)	(1,390,114)
Changes in cushion of credit	732,645	(826,618)
Patronage capital credits retired	(2,162,560)	(1,455,507)
Net cash used by financing activities	(1,634,550)	(3,672,239)
Net increase (decrease) in cash and cash equivalents	(2,156,315)	1,458,928
Cash and cash equivalents at beginning of year	2,894,138	1,435,210
Cash and cash equivalents at end of year	\$737,823	\$2,894,138

We have audited the accompanying financial statements of Midwest Electric, Inc., which comprise the balance sheets as of Dec. 31, 2019 and 2018, and the related statements of operations, comprehensive operations, equities 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 Midwest Electric, Inc., as of Dec. 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Circleville, Ohio
March 13, 2020

BHM CPA Group, Inc.

ANNUAL REPORT

Statements of Equities

	Other Equities	Accumulated Other Comprehensive Income (Loss)	Patronage Capital	Total Equities
Balance at January 1, 2018	\$ 505,405	\$ (361,400)	\$ 32,098,544	\$ 32,242,549
Net margins	-	-	3,619,842	3,619,842
Unrecognized gains and losses, net related to the defined benefit postretirement plan	-	(566,689)	-	(566,689)
Retirement of capital credits	-	-	(1,512,319)	(1,512,319)
Discounted capital credits	<u>56,812</u>	<u>-</u>	<u>-</u>	<u>56,812</u>
Balance at December 31, 2018	562,217	(928,089)	34,206,067	33,840,195
Net margins	-	-	2,089,185	2,089,185
Unrecognized gains and losses, net related to the defined benefit postretirement plan	-	35,984	-	35,984
Retirement of capital credits	-	-	(2,258,919)	(2,258,919)
Discounted capital credits	<u>96,359</u>	<u>-</u>	<u>-</u>	<u>96,359</u>
Balance at December 31, 2019	\$ 658,576	\$ (892,105)	\$ 34,036,333	\$ 33,802,804

Operating Statistics

	2019	2018
Consumers (Average)	10,825	10,792
Miles of Line	1,523	1,621
Kilowatt-Hours:		
Purchased (Thousands)	284,632	281,995
Sold (Thousands)	271,172	267,099
Net Utility Plant:		
(Thousands)	\$42,255	\$40,572
Per Consumer	\$3,903	\$3,759
Cost Per Mile	\$27,745	\$25,029
Interest Costs:		
Total	\$938	\$980
Per Consumer	\$87	\$91
Member Equity	52.0%	52.5%
Current Ratio	1.1	1.6
Electric Revenue Per Consumer Per Month	\$237	\$242
KWH Sold Per Consumer		
Per Month	2,088	2,062
Revenue Per KWH Sold	\$0.114	\$0.117
Cost of Power %	63.4%	64.5%

A copy of this annual report can be obtained by contacting Midwest Electric's office or visiting midwestrec.com > My Co-op > Annual Meeting and Co-op Board.

Statements of Operations

	2019	2018
OPERATING REVENUES	\$30,838,547	\$31,311,028
OPERATING EXPENSES		
Cost of power	19,543,915	20,194,896
Distribution expense - operations	2,316,126	1,931,436
Distribution expense - maintenance	1,625,006	1,311,905
Consumer accounts	608,189	496,814
Customer service and information	354,630	321,844
Sales	70,202	54,033
Administrative and general	1,642,776	1,566,008
Depreciation and amortization	1,667,318	1,629,988
Taxes	1,164,679	1,161,866
Other deductions	<u>49,980</u>	<u>36,834</u>
TOTAL OPERATING EXPENSES	<u>29,042,821</u>	<u>28,705,624</u>
OPERATING MARGINS BEFORE INTEREST	1,795,726	2,605,404
interest on long-term debt	<u>(937,897)</u>	<u>(980,380)</u>
OPERATING MARGINS AFTER INTEREST	857,829	1,625,024
Capital credits	<u>1,049,104</u>	<u>1,761,417</u>
OPERATING MARGINS	1,906,933	3,386,441
NON-OPERATING MARGINS (EXPENSE)		
Interest income	184,600	211,180
Other income (expense), net	<u>(2,348)</u>	<u>22,221</u>
TOTAL NON-OPERATING MARGINS	<u>182,252</u>	<u>233,401</u>
NET MARGINS FOR PERIOD	\$ <u>2,089,185</u>	\$ <u>3,619,842</u>