

**UTILITIES DISTRICT OF WESTERN
INDIANA REMC AND SUBSIDIARY**

**FINANCIAL STATEMENTS
WITH
ADDITIONAL INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

Utilities District of Western Indiana REMC and Subsidiary

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Utilities District of Western Indiana REMC

We have audited the accompanying financial statements of Utilities District of Western Indiana REMC and Subsidiary, which comprise of the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of revenue and changes in other comprehensive income, changes in patronage capital, and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, we express no such opinion. An audit also includes evaluating significant accounting estimates made by management as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utilities District of Western Indiana REMC and Subsidiary as of December 31, 2018 and 2017, 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.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements. The additional information (pages 19-24) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The financial statements of Utilities District of Western Indiana REMC as of and for the year ended December 31, 2017, were audited by other auditors whose report dated March 22, 2018, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "LWG CPAs & Advisors".

LWG CPAs & Advisors
Indianapolis, Indiana
March 20, 2019

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
UTILITY PLANT IN SERVICE, NET	\$ 71,704,862	\$ 70,815,213
NON-UTILITY PROPERTY, NET	<u>1,057,575</u>	<u>1,134,213</u>
INVESTMENTS	<u>18,894,030</u>	<u>18,445,580</u>
DEFERRED CHARGES, less current portion	<u>491,976</u>	<u>635,969</u>
NOTE RECEIVABLE, less current portion	<u>303,802</u>	<u>436,806</u>
CURRENT ASSETS		
Cash and cash equivalents	5,424,231	5,706,237
Cash, revolving fund, restricted	157,500	98,500
Accounts receivable, consumer, net of allowance for uncollectible accounts of \$57,318 for 2018 and \$68,241 for 2017	5,319,198	6,135,919
Current portion of note receivable	133,004	133,004
Current portion of deferred charges	143,993	150,124
Materials, supplies and inventories	424,333	423,522
Prepaid power costs	2,297,953	12,253
Prepaid expenses	<u>219,518</u>	<u>275,337</u>
TOTAL CURRENT ASSETS	<u>14,119,730</u>	<u>12,934,896</u>
TOTAL ASSETS	<u>\$ 106,571,975</u>	<u>\$ 104,402,677</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

EQUITIES AND LIABILITIES

	<u>2018</u>	<u>2017</u>
LONG-TERM DEBT, less current portion	\$ <u>31,068,202</u>	\$ <u>32,619,137</u>
CAPITAL LEASE, less current portion	<u>-</u>	<u>5,313</u>
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	<u>161,000</u>	<u>1,325,000</u>
EQUITIES		
Memberships	399,544	394,171
Patronage capital	<u>70,879,544</u>	<u>66,198,634</u>
TOTAL EQUITIES	<u>71,279,088</u>	<u>66,592,805</u>
CURRENT LIABILITIES		
Accounts payable	445,332	266,625
Consumer deposits	740,316	688,598
Accrued taxes	590,483	586,520
Other current liabilities	381,705	415,708
Current portion of long-term debt	1,905,849	1,831,885
Current portion of capital lease	<u>-</u>	<u>71,086</u>
TOTAL CURRENT LIABILITIES	<u>4,063,685</u>	<u>3,860,422</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 106,571,975</u>	<u>\$ 104,402,677</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND CHANGES IN OTHER COMPREHENSIVE INCOME

Years Ended December 31, 2018 and 2017

	Amount		Percent	
	2018	2017	2018	2017
OPERATING REVENUES	\$ 46,619,477	\$ 43,802,965	100.0	100.0
OPERATING EXPENSES				
Purchased power	29,020,897	26,079,741	62.3	59.5
Operations	2,396,621	1,963,600	5.1	4.6
Maintenance	2,220,838	2,202,815	4.8	5.0
Customer account expense	1,451,842	1,460,118	3.1	3.3
Administrative expense	3,179,661	3,628,053	6.8	8.3
Depreciation	3,498,171	3,443,833	7.5	7.9
Other deductions	-	6,129	0.0	0.0
Taxes	631,129	614,315	1.4	1.4
TOTAL OPERATING EXPENSES	42,399,159	39,398,604	91.0	90.0
OPERATING MARGINS BEFORE OTHER ITEMS	4,220,318	4,404,361	9.0	10.0
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,020,684	1,217,488	2.2	2.8
Interest expense	(1,684,383)	(1,757,863)	(3.5)	(4.0)
TOTAL OTHER OPERATING ITEMS, NET	(663,699)	(540,375)	(1.3)	(1.2)
OPERATING MARGINS	3,556,619	3,863,986	7.7	8.8
NON-OPERATING ITEMS, NET				
Interest and dividend income	163,295	109,031	0.4	0.2
Postretirement benefit obligation curtailment gain	1,161,083	2,276,901	2.5	5.2
Gain (loss) on disposition of assets	(104,594)	26,378	(0.2)	0.1
All other, net	(6,781)	(83,211)	0.0	(0.2)
TOTAL NON-OPERATING ITEMS, NET	1,213,003	2,329,099	2.7	5.3
NET MARGINS	4,769,622	6,193,085	10.4	14.1
OTHER COMPREHENSIVE INCOME				
Actuarial income not recognized as periodic postretirement benefit plan cost	-	1,144,700	0.0	2.6
TOTAL COMPREHENSIVE INCOME	\$ 4,769,622	\$ 7,337,785	10.4	16.7

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN PATRONAGE CAPITAL

Years Ended December 31, 2018 and 2017

	Total	Patronage Capital Assigned	Patronage Capital Assignable	Rural Economic Development Grant	Donated Capital	Accumulated Other Comprehensive Income	Retained Earnings
BALANCE, December 31, 2016	\$ 59,514,293	\$ 25,733,850	\$ 33,064,345	\$ 300,000	\$ 5,813	\$ (1,144,700)	\$ 1,554,985
Actuarial gain not recognized as periodic postretirement benefit cost	1,144,700	-	-	-	-	1,144,700	-
Net margins	6,193,085	-	6,383,290	-	-	-	(190,205)
Transfer of margins	-	6,288,214	(6,288,214)	-	-	-	-
Patronage refunds	(765,992)	(765,992)	-	-	-	-	-
Unclaimed property	112,548	-	112,548	-	-	-	-
BALANCE, December 31, 2017	66,198,634	31,256,072	33,271,969	300,000	5,813	-	1,364,780
Net margins	4,769,622	-	4,801,186	-	-	-	(31,564)
Patronage refunds	(326,011)	(326,011)	-	-	-	-	-
Transfer of margins	-	6,305,634	(6,305,634)	-	-	-	-
Unclaimed property	237,299	-	237,299	-	-	-	-
BALANCE, December 31, 2018	<u>\$ 70,879,544</u>	<u>\$ 37,235,695</u>	<u>\$ 32,004,820</u>	<u>\$ 300,000</u>	<u>\$ 5,813</u>	<u>\$ -</u>	<u>\$ 1,333,216</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from consumers	\$ 47,383,426	\$ 43,538,942
Cash paid to suppliers and vendors	(40,483,958)	(34,284,141)
Interest and dividends received	163,295	109,031
Interest paid	(1,694,872)	(1,407,223)
All other, net	<u>(6,781)</u>	<u>(83,211)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>5,361,110</u>	<u>7,873,398</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of utility plant in service, net of retirements	(4,256,932)	(5,869,286)
Proceeds from sale of fixed assets in service	46,500	20,460
Purchase of non-utility property	(205,344)	(24,028)
Purchase of investments	(165,896)	-
Proceeds from sale/redemption of investments	738,130	1,054,109
Repayment of notes receivable	<u>133,004</u>	<u>128,504</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(3,710,538)</u>	<u>(4,690,241)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on borrowings	(1,824,558)	(1,957,711)
Repayment of obligations under capital lease	(76,399)	(141,979)
Memberships received / (returned)	5,373	(3,986)
Patronage refunds paid	(88,712)	(653,444)
Advances for constructions refunded	-	(236)
Customer deposits received	<u>51,718</u>	<u>33,120</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,932,578)</u>	<u>(2,724,236)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(282,006)	458,921
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,706,237</u>	<u>5,247,316</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,424,231</u>	<u>\$ 5,706,237</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net margins	\$ 4,769,622	\$ 6,193,085
Non-cash items		
Depreciation	3,498,171	3,437,702
Amortization of deferred gain	347,587	362,088
Amortization of deferred charges	150,124	150,125
Patronage revenue	(1,020,684)	(1,217,488)
(Gain) loss on disposition of assets	104,594	(26,378)
Change in postretirement liability	(1,161,083)	(1,972,300)
Decrease (increase) in assets		
Revolving fund	(59,000)	(54,500)
Accounts receivable, customer	816,721	(243,904)
Materials and supplies	(811)	29,446
Prepaid power costs	(2,285,700)	1,981,027
Prepaid expenses	55,819	7,806
Increase (decrease) in liabilities		
Accounts payable	178,707	(624,197)
Other current liabilities	(36,920)	(121,562)
Accrued taxes	<u>3,963</u>	<u>(27,552)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 5,361,110</u>	 <u>\$ 7,873,398</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(1) Summary of significant accounting policies

The significant accounting policies followed by Utilities District of Western Indiana REMC and Subsidiary are summarized below.

Principles of consolidation – The consolidated financial statements include the accounts of Utilities District of Western Indiana REMC (the “REMC”) and Hoosier Heritage Management, LLC (the “Subsidiary”); which is 100% owned by the REMC. All significant intercompany transactions have been eliminated.

Nature of operations - Utilities District of Western Indiana REMC is a non-profit organization engaged principally in the distribution and sale of electricity in Greene and parts of Clay, Daviess, Lawrence, Martin, Monroe, Owen, Putnam, Knox, Sullivan and Vigo counties in Indiana. Hoosier Heritage Management, LLC, a for-profit entity, was engaged in providing tree trimming services for the REMC.

Accounting records - The REMC maintains its records in accordance with policies prescribed or permitted by the Rural Utilities Service (RUS) and the Indiana Utility Regulatory Commission (IURC), although the REMC is no longer regulated by the IURC. The applicable uniform system of accounts prescribed by these regulatory bodies conform in all material respects with generally accepted accounting principles as applied to rate regulated utilities.

Regulation – In prior years, the membership of the REMC voted to remove itself from the regulation of the IURC.

Additions to utility plant - Additions to utility plant are capitalized at cost, which includes material, direct and indirect labor and related operating overhead but does not include capitalized interest during construction. Although the capitalization of interest during construction is a generally accepted accounting principle, the effect on the financial statements is immaterial. The cost of maintenance and repairs of utility property, including renewals of minor items of property, are charged to operations and maintenance.

Retirements of utility property - Distribution plant retired or otherwise disposed, including the cost of removal, are charged to accumulated depreciation. Accordingly, no gain or loss is recognized upon retirement or disposition of distribution plant.

Depreciation - Depreciation of utility plant is computed by the straight-line method of depreciation using the following rates: Structures and Improvements, 1.99%; Office Furniture and Equipment, 5.83 – 30%; Transportation Equipment, 15%; Communications Equipment, 10%. Non-utility equipment is being depreciated using the straight line method of computing depreciation at rates adequate to amortize the equipment over its useful life.

Materials and supplies - Materials and supplies are carried at average cost.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(1) Summary of significant accounting policies (continued)

Advertising - Advertising costs are charged to administrative expense when incurred. Total advertising expense was \$1,589 for 2018 and \$- for 2017.

Accounts receivable - The REMC carries its account receivable at cost less an allowance for doubtful accounts. Management reviews all receivables on a regular basis. Amounts will be reviewed by management after disconnection. Any amounts written off must be approved by the board. Membership fees are applied to a member's final bill. Amounts written off are first applied to the customer deposits on hand, prior to being recorded in the statement of revenue and expense. Accounts not paid by the final bill due date are turned over to an outside collection agency. Finance charges do not accrue on accounts receivable.

Deferred charges - Deferred charges consist of expenditures for a workplan and costs incurred for future periods related to the NRECA pension plan. The workplan is fully amortized using the straight line method as of December 31, 2018. Prepayments related to the NRECA pension plan are being amortized over 10 years using the straight line method. Amortization charged to administration expense was \$150,124 for the year ended December 31, 2018 and 2017. See Note 9 for further details on the prepayment.

Deferred charges consist of the following:

	<u>2018</u>	<u>2017</u>
NRECA pension prepayment	\$ 635,969	\$ 779,962
Work plan expense	<u>-</u>	<u>6,131</u>
Total deferred charges	635,969	786,093
Less current portion	<u>143,993</u>	<u>150,124</u>
DEFERRED CHARGES, less current portion	<u>\$ 491,976</u>	<u>\$ 635,969</u>

Accounting for uncertain tax positions - The REMC follows "Accounting for Uncertainty in Income Taxes". The generally accepted accounting principal provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. The accounting principal requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the REMC does not believe they are taking any uncertain tax positions.

Financial statement estimates - 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.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(1) Summary of significant accounting policies (continued)

Patronage capital assigned - The REMC is operated on a cooperative not-for-profit basis for the mutual benefit of its members. The REMC is obligated to account on a patronage basis to all its members for annual revenue, in excess of the cost of providing service. Such amount is allocated in the form of capital credits to the members' capital accounts on the basis of patronage. The REMC allocates said generation and transmission patronage capital to the members when such capital is allocated to the REMC.

Patronage capital assignable - The bylaws of the REMC state that if the balance of patronage capital assignable is negative, non-operating margins will be used to reduce the balance. Only operating margins are assigned until such time that the balance in patronage capital assignable becomes positive.

Taxes on revenue producing transactions - It is the REMC's policy to show revenues associated with the collection of sales tax net of any remittance to the taxing authority on the Statements of Revenue. Utility Receipts Tax is assessed on gross income and is included in the tax expense when incurred.

Accrued accumulated sick leave – The REMC allows sick leave to non-union employees of the Cooperative without a payroll deduction. Sick leave may accumulate up to, but not exceed one hundred and twenty-five (125) working days. Upon retirement, the employee will be paid up unused sick time based on their time with the REMC up to 125 working days. No accrual is recorded by the REMC and there is no legal obligation to pay the employee his/her accumulated sick leave balance upon termination or separation from the REMC. The REMC allows sick leave to union employees of the Cooperative without a payroll deduction. Sick leave may accumulate up to, but not to exceed one hundred (100) working days. Upon retirement, the employee will be paid up unused sick time based on their time with the REMC up 300 hours. The estimated cost of the post-retirement medical benefit is explained in Note 10.

Cash and cash equivalents - Cash and cash equivalents represent unrestricted cash on hand and in bank accounts and liquid investments with an original maturity of three months or less. At times, cash and cash equivalents may be in excess of the FDIC insurance limits.

Subsequent events - Management has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date the financial statements were made available to be issued.

(2) Restricted cash

The REMC received a Rural Economic Development Grant of \$300,000 to be used to create a revolving loan fund to finance rural economic development projects. As the loans are repaid, the funds are recorded as restricted cash until they are loaned to another approved project.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(3) Utility plant in service, net

Utility plant in service consists of the following:

	2018	2017
Cost		
General plant	\$ 9,235,909	\$ 8,754,419
Distribution system	88,853,706	86,227,453
Construction in progress	977,007	994,401
	<hr/>	<hr/>
Total cost	99,066,622	95,976,273
Accumulated depreciation	27,361,760	25,161,060
	<hr/>	<hr/>
UTILITY PLANT IN SERVICE, NET	\$ 71,704,862	\$ 70,815,213
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The aggregate depreciation charged to operations was \$3,239,071 for 2018 and \$3,135,720 for 2017. The depreciation policies followed by the REMC are described in Note 1.

Utility plant in service are pledged to secure long-term debt as described in Note 7.

(4) Non-utility property, net

Non-utility equipment consists of automated meter reading (AMR) devices for propane customers owned by the Cooperative and tree trimming equipment owned by Hoosier Heritage Management, LLC. Non-utility property, net consists of the following:

	2018	2017
Cost		
Equipment	\$ 2,380,317	\$ 2,259,492
	<hr/>	<hr/>
Total cost	2,380,317	2,259,492
Accumulated depreciation	1,322,742	1,125,279
	<hr/>	<hr/>
NON-UTILITY PROPERTY, NET	\$ 1,057,575	\$ 1,134,213
	<hr/>	<hr/>

The aggregate depreciation changed to operations is \$259,100 for 2018 and \$308,113 for 2017. The depreciation policies followed by the REMC are described in Note 1. Non-utility plant in service is pledged to secure long-term debt as described in Note 7.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(5) Notes Receivable

Note receivable consists of the following:

	<u>2018</u>	<u>2017</u>
Greene County Redevelopment Commission	\$ 341,806	\$ 445,810
Bloomfield Processing, Inc.	38,000	46,000
Battery Innovation Center, Inc.	<u>57,000</u>	<u>78,000</u>
 Total notes receivable	 436,806	 569,810
Less current portion	<u>133,004</u>	<u>133,004</u>
 NOTES RECEIVABLE, less current portion	 <u>\$ 303,802</u>	 <u>\$ 436,806</u>

The Greene County Redevelopment Commission notes are secured by the assignment of a lease to buy the contract between Green County Redevelopment Commission and Eastern Heights Utilities, Inc. Bloomfield Processing, Inc. note is secured with a mortgage and security agreement. Battery Innovation Center, Inc. note is unsecured. Principal maturities are as follows: 2019 - \$133,004; 2020 - \$133,004; 2021 - \$127,004; 2022 - \$43,794.

(6) Investments

Investments consist of the following:

	<u>2018</u>	<u>2017</u>
Capital term certificates, at cost, issued by National Rural Utilities Cooperative Finance Corp. (CFC)	\$ 617,253	\$ 618,923
Patronage capital		
Hoosier Energy Rural Electric Cooperative, Inc.	17,489,819	17,087,550
CFC	360,344	299,928
United Utility Supply Cooperative Corporation	146,825	145,616
SEDC	44,406	42,534
Indiana Statewide Association of Rural Electric	108,979	114,742
Federated Rural Electric Insurance Exchange	99,477	113,942
All other	<u>26,927</u>	<u>22,345</u>
 TOTAL INVESTMENTS	 <u>\$ 18,894,030</u>	 <u>\$ 18,445,580</u>

The accounting policies for recognition of patronage revenue are described in Note 1. Capital Term Certificates of the National Rural Utilities Cooperative Finance Corporation (CFC) are recorded at cost and earn interest at 3% and 5% annually. Investments are pledged to secure long-term debt as described in Note 7.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(7) Long term debt

Long-term debt consists of the following:

	<u>2018</u>	<u>2017</u>
0% notes payable to the Rural Economic Development Loan Program in monthly installments approximating 6,000, with final maturity in 2022. Secured by all assets.	\$ 240,473	\$ 314,477
2.25% note payable to Mutual Bank in monthly installments approximating 3,000, including interest, with final maturity in 2024. Secured by a hold on the Company's bank account.	188,958	216,423
2.69% - 6.65% notes payable to CFC in quarterly and semi-annual installments approximating 710,000 and 115,000, respectively including interest. Maturities range from 2019 to 2038. Secured by all assets.	<u>35,660,599</u>	<u>37,383,688</u>
Total long-term debt	36,090,030	37,914,588
Less unamortized debt issuance costs	<u>3,115,979</u>	<u>3,463,566</u>
Total long-term debt less issuance costs	32,974,051	34,451,022
Less current portion	<u>1,905,849</u>	<u>1,831,885</u>
LONG-TERM DEBT, less current portion	<u>\$ 31,068,202</u>	<u>\$ 32,619,137</u>

As of December 31, 2018, future maturities of long-term debt principal were as follows: 2019 - \$1,905,849; 2020 - \$1,864,079; 2021 - \$1,939,656; 2022 - \$1,962,797; 2023 - \$2,026,450; thereafter - \$26,391,199. In addition, the REMC is required to meet certain financial ratios measured at calendar year end, these ratios had been met as of December 31, 2018.

Rural Economic Development Loan Program notes are secured by a letter of credit issued by the National Rural Utilities Cooperative Finance Corporation (CFC) in the amount of \$500,000.

Unadvanced long-term loan funds of \$1,836,794 are available to the REMC on loan commitments from CFC.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(8) Line of Credit

The REMC maintains a perpetual line of credit with CFC of \$3,600,000. There was no outstanding balance on the line of credit as of December 31, 2018 and 2017. The interest rate on the line of credit was 3.75% and 2.75 at December 31, 2018 and 2017, respectively.

(9) Retirement plans

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 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.

The REMC's contributions to the RS Plan in 2018 and 2017 represented less than 5 percent of the total contributions made to the plan by all participating employers. The REMC made contributions to the plan of \$464,393 in 2018 and \$523,723 in 2017.

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 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 RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times cooperatives 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.

In 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 Retirement Security Plan was over 80 percent funded at January 1, 2018 and January 1, 2017 based on the PPA funding target and PPA actuarial value of assets on those dates.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(9) Retirement plans (continued)

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.

The REMC supplements this plan with an ADP 401(k) plan. The REMC assigned \$2,000 per eligible employee or \$108,000 total for 2017. The total assigned funds were contributed to employees based on a base wage percentage. The REMC did not fund the plan in 2018.

(10) Post-retirement benefit plan

The REMC sponsors a post-retirement medical program for eligible employees and directors. During 2017 the Board repealed the benefits program for participants. The estimated cost for benefits that will be paid after retirement was being accrued by charges to expense over the employees' service period to the date they are eligible for benefits. The REMC does pay the full cost of cumulative unused sick hours for all employees, and cumulative unused vacation hours for exempt employees, at retirement date when the retiree meets age and years-of-service requirements. Balance of liability is for accrued vacation and sick time at retirement.

For measurement purposes, the weighted-average discount rate used in determining the accumulated postretirement obligation was 4.25% and 3.60% for 2018 and 2017, respectively. An actuarial study to determine the postretirement benefit obligation, the accrued postretirement benefit cost liability, and the net periodic benefit cost was last prepared as of December 31, 2018.

The accumulated postretirement benefit obligation was \$161,000 and \$1,325,000 at December 31, 2018 and 2017, respectively. The pay as you go policy means that the fair value of the plan assets were \$0 for 2018 and 2017. The net periodic benefit cost was \$0 for the year ending December 31, 2018 and \$375,500 for the year ended December 31, 2017. Amounts recognized in accumulated other comprehensive income consisted of an unrecognized actuarial gain of \$0 in 2018 and \$1,144,700 in 2017, respectively. The estimated net actuarial gain to be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year is \$0.

(11) Commitments

Under its wholesale power agreement, the REMC is committed to purchase its electric power and energy requirements from Hoosier Energy REC under a wholesale power supply contract until January 1, 2050. The rates paid for such purchases are subject to review annually.

(12) Specialized labor concentration

The REMC has 47% of their labor force represented under a labor contract. This contract is set to expire in June 30, 2019.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(13) Concentration of credit risk

The REMC provides electric service in an approximate eleven county territory with its customers representing local residents and businesses. Customers with prior credit problems may be required to pay a deposit to continue or reinstate service. Such deposits are applied to any amounts owed to the REMC in the event of nonpayment. Also, customers whose costs for the initial service exceed the normal standard may be required to deposit a portion of such cost, which may be reimbursed after service has been established.

(14) Pending litigation

On December 17, 2017 the REMC's former CEO filed a claim against the REMC seeking unpaid wages of \$189,420, liquidated damages of \$378,840 and attorney fees. The REMC believes there is no merit to the claims since the plaintiff was terminated for cause. The REMC's defense costs are likely covered by its employment practices liability insurance but it is uncertain if it is covered for damages if the REMC is held liable.

The REMC filed a counterclaim in this matter on February 14, 2018. This claim seeks damages for breach of employment contract and fiduciary duties. The precise amount of the damages have not been determined.

This matter is in the preliminary stages of discovery. Accordingly, adjustments, if any that might result from the resolution of this matter have not been reflected in the financial statements.

(15) Capital leases

The REMC had four lease agreements for transportation equipment as capital leases which ended December 31, 2018. As of December 31, 2017 total cost included in utility plant was \$1,061,531 with accumulated depreciation of \$981,341.

(16) Fair value measurements

The REMC follows generally accepted accounting principles related to accounting for fair value measurements and disclosures. These principles define fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. These principles require disclosure surrounding the various inputs that are used in determining the fair value of the REMC's investments. These inputs are summarized into three broad levels listed below.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

(16) Fair value measurements (continued)

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)

Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

Investments in other entities are unsecured and measured using level 3 inputs. Factors such as historical and projected financial results, economic conditions, financial conditions of investee, and other factors and events subject to change are considered in the determination of fair value. Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

All investments held at December 31, 2018 and 2017 are valued with level 3 inputs, due to the nature of the investment (investments in other cooperatives/associations). Increases (decrease) resulting from gains or losses totaled \$0 for the years ended December 31, 2018 and 2017. Increases resulting from purchases totaled \$165,896 and \$0 for the years ended December 31, 2018 and 2017, respectively. Furthermore, increases resulting from non-cash patronage totaled \$1,020,683 and \$1,217,488 and redemptions of investments totaled \$738,129 and \$1,054,109 for the years ended December 31, 2018 and 2017, respectively.

(17) Income taxes

No provision for income tax has been included in these statements for the REMC because it operates as a not-for-profit organization as provided for in Section 501(c)(12) of the Internal Revenue Code, and therefore is exempt from income taxes. The Subsidiary is a single member LLC which has elected to be disregarded as an entity separate from its owner for income tax purposes. Thus, any income or loss recognized by the Subsidiary is reported by the REMC as unrelated business income, and is subject to tax. No income taxes have been included in these statements for unrelated business income for the year ended December 31, 2018 and 2017. Both the REMC and Subsidiary has open tax years for 2017, 2016, and 2015 for both Federal and State filings. No penalties and interest for income taxes have been included in these financial statements.

ADDITIONAL INFORMATION

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2018 CONSOLIDATED BALANCE SHEETS

	<u>CONSOLIDATED BALANCE</u>	<u>ELIMINATIONS</u>	<u>UTILITIES DISTRICT OF WESTERN INDIANA REMC</u>	<u>HOOSIER HERITAGE MANAGEMENT</u>
<u>ASSETS</u>				
UTILITY PLANT IN SERVICE, NET	\$ 71,704,862	\$ -	\$ 71,704,862	\$ -
NON-UTILITY PROPERTY, NET	1,057,575	-	-	1,057,575
INVESTMENTS	18,894,030	(1,364,780)	20,258,810	-
DEFERRED CHARGES, less current portion	491,976	-	491,976	-
NOTE RECEIVABLE, less current portion	303,802	-	303,802	-
CURRENT ASSETS				
Cash and cash equivalents	5,424,231	-	5,012,088	412,143
Cash, revolving fund, restricted	157,500	-	157,500	-
Accounts receivable, consumers	5,319,198	(84,641)	5,319,098	84,741
Current portion of note receivable	133,004	-	133,004	-
Current portion of deferred charges	143,993	-	143,993	-
Materials, supplies and inventories	424,333	-	424,333	-
Prepaid power costs	2,297,953	-	2,297,953	-
Prepaid expenses	219,518	-	173,766	45,752
TOTAL CURRENT ASSETS	14,119,730	(84,641)	13,661,735	542,636
TOTAL ASSETS	\$ 106,571,975	\$ (1,449,421)	\$ 106,421,185	\$ 1,600,211
<u>EQUITIES AND LIABILITIES</u>				
LONG-TERM DEBT, less current portion	\$ 31,068,202	\$ -	\$ 30,915,791	\$ 152,411
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	161,000	-	161,000	-
EQUITIES				
Memberships	399,544	-	399,544	-
Patronage capital/retained earnings	70,879,544	(1,364,780)	70,911,108	1,333,216
TOTAL EQUITIES	71,279,088	(1,364,780)	71,310,652	1,333,216
CURRENT LIABILITIES				
Accounts payable	445,332	(84,641)	486,194	43,779
Consumer deposits	740,316	-	740,316	-
Accrued taxes	590,483	-	578,102	12,381
Other current liabilities	381,705	-	359,828	21,877
Current portion of long-term debt	1,905,849	-	1,869,302	36,547
TOTAL CURRENT LIABILITIES	4,063,685	(84,641)	4,033,742	114,584
TOTAL EQUITIES AND LIABILITIES	\$ 106,571,975	\$ (1,449,421)	\$ 106,421,185	\$ 1,600,211

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2018 CONSOLIDATED STATEMENT OF REVENUE

	<u>BALANCE</u>	<u>ELIMINATIONS</u>	<u>UTILITIES DISTRICT OF WESTERN INDIANA REMC</u>	<u>HOOSIER HERITAGE MANAGEMENT</u>
REVENUES	\$ 46,619,477	\$ (2,166,753)	\$ 46,585,187	\$ 2,201,043
OPERATING EXPENSES				
Purchased power	29,020,897	-	27,262,572	1,758,325
Operations	2,396,621	-	2,396,621	-
Maintenance	2,220,838	(2,166,753)	4,387,591	-
Customer account expense	1,451,842	-	1,451,842	-
Administrative expense	3,179,661	-	2,967,518	212,143
Depreciation	3,498,171	-	3,239,071	259,100
Taxes	631,129	-	631,103	26
TOTAL OPERATING EXPENSES	42,399,159	(2,166,753)	42,336,318	2,229,594
OPERATING MARGINS BEFORE OTHER ITEMS	4,220,318	-	4,248,869	(28,551)
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,020,684	-	1,020,684	-
Interest expense	(1,684,383)	-	(1,681,210)	(3,173)
TOTAL OTHER OPERATING ITEMS, NET	(663,699)	-	(660,526)	(3,173)
OPERATING MARGINS	3,556,619	-	3,588,343	(31,724)
NON-OPERATING ITEMS, NET				
Interest and dividend revenue	163,295	-	163,135	160
Postretirement benefit obligation curtailment gain	1,161,083	-	1,161,083	-
Gain (loss) on disposition of assets	(104,594)	-	(104,594)	-
All other, net	(6,781)	-	(6,781)	-
TOTAL NON-OPERATING ITEMS, NET	1,213,003	-	1,212,843	160
NET MARGINS	\$ 4,769,622	\$ -	\$ 4,801,186	\$ (31,564)
OTHER COMPREHENSIVE INCOME				
Actuarial income not recognized as periodic postretirement benefit plan cost	-	-	-	-
TOTAL COMPREHENSIVE INCOME	\$ 4,769,622	\$ -	\$ 4,801,186	\$ (31,564)

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2017 CONSOLIDATED BALANCE SHEETS

	CONSOLIDATED BALANCE	ELIMINATIONS	UTILITIES DISTRICT OF WESTERN INDIANA REMC	HOOSIER HERITAGE MANAGEMENT
<u>ASSETS</u>				
UTILITY PLANT IN SERVICE, NET	\$ 70,815,213	\$ -	\$ 70,815,213	\$ -
NON-UTILITY PROPERTY, NET	1,134,213	-	22,882	1,111,331
INVESTMENTS	18,445,580	(1,554,985)	20,000,565	-
DEFERRED CHARGES	635,969	-	635,969	-
NOTE RECEIVABLE, less current portion	436,806	-	436,806	-
CURRENT ASSETS				
Cash and cash equivalents	5,706,237	-	5,366,537	339,700
Cash, restricted	98,500	-	98,500	-
Accounts receivable, consumers	6,135,919	(157,641)	6,134,396	159,164
Current portion on note receivable	133,004	-	133,004	-
Current portion on deferred charges	150,124	-	150,124	-
Materials, supplies and inventories	423,522	-	423,522	-
Prepaid power costs	12,253	-	12,253	-
Other current assets	275,337	-	228,438	46,899
TOTAL CURRENT ASSETS	12,934,896	(157,641)	12,546,774	545,763
TOTAL ASSETS	\$ 104,402,677	\$ (1,712,626)	\$ 104,458,209	\$ 1,657,094
<u>EQUITIES AND LIABILITIES</u>				
LONG-TERM DEBT, less current portion	\$ 32,619,137	\$ -	\$ 32,437,498	\$ 181,639
CAPITAL LEASE, less current portion	5,313	-	5,313	-
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	1,325,000	-	1,325,000	-
EQUITIES				
Memberships	394,171	-	394,171	-
Patronage capital and other equities	66,198,634	(1,554,985)	66,388,839	1,364,780
TOTAL EQUITIES	66,592,805	(1,554,985)	66,783,010	1,364,780
CURRENT LIABILITIES				
Accounts payable	266,625	(157,641)	371,894	52,372
Consumer deposits	688,598	-	688,598	-
Accrued taxes	586,520	-	580,552	5,968
Other current liabilities	415,708	-	398,157	17,551
Current portion of long-term debt	1,831,885	-	1,797,101	34,784
Current portion of capital lease	71,086	-	71,086	-
TOTAL CURRENT LIABILITIES	3,860,422	(157,641)	3,907,388	110,675
TOTAL EQUITIES AND LIABILITIES	\$ 104,402,677	\$ (1,712,626)	\$ 104,458,209	\$ 1,657,094

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2017 CONSOLIDATED STATEMENTS OF REVENUE

	CONSOLIDATED BALANCE	ELIMINATIONS	UTILITIES DISTRICT OF WESTERN INDIANA REMC	HOOSIER HERITAGE MANAGEMENT
REVENUES	\$ 43,802,965	\$ (2,191,256)	\$ 43,744,951	\$ 2,249,270
OPERATING EXPENSES				
Purchased power	26,079,741	-	24,418,010	1,661,731
Operations	1,963,600	-	1,963,600	-
Maintenance	2,202,815	(2,191,256)	4,394,071	-
Customer account expense	1,460,118	-	1,460,118	-
Administrative expense	3,628,053	-	3,277,991	350,062
Depreciation	3,443,833	-	3,135,720	308,113
Other deductions	6,129	-	6,129	-
Taxes	614,315	-	613,170	1,145
TOTAL OPERATING EXPENSES	39,398,604	(2,191,256)	39,268,809	2,321,051
OPERATING MARGINS BEFORE OTHER ITEMS	4,404,361	-	4,476,142	(71,781)
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,217,488	-	1,217,488	-
Interest expense	(1,757,863)	-	(1,753,113)	(4,750)
TOTAL OTHER OPERATING ITEMS, NET	(540,375)	-	(535,625)	(4,750)
OPERATING MARGINS	3,863,986	-	3,940,517	(76,531)
NON-OPERATING ITEMS, NET				
Interest and dividend revenue	109,031	-	108,909	122
Postretirement benefit obligation curtailment gain	2,276,901	-	2,276,901	-
Gain (loss) on disposition of assets	26,378	-	26,378	-
All other, net	(83,211)	-	30,585	(113,796)
TOTAL NON-OPERATING ITEMS, NET	2,329,099	-	2,442,773	(113,674)
NET MARGINS	6,193,085	-	6,383,290	(190,205)
OTHER COMPREHENSIVE INCOME				
Actuarial income not recognized as periodic postretirement benefit plan cost	1,144,700	-	1,144,700	-
TOTAL COMPREHENSIVE INCOME	\$ 7,337,785	\$ -	\$ 7,527,990	\$ (190,205)

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

STATISTICAL INFORMATION - 2018 STATEMENTS OF REVENUES (REMC ONLY)

	2018	2017	2016	2015
Revenues	\$ 46,585,187	\$ 43,744,951	\$ 47,058,474	\$ 48,182,457
Purchased power	27,262,572	24,418,010	25,991,555	26,643,967
Gross margin	19,322,615	19,326,941	21,066,919	21,538,490
Gross margin %	41.5%	44.2%	44.8%	44.7%
O & M expenses	11,203,572	11,101,909	12,615,269	11,904,858
Depreciation	3,239,071	3,135,720	2,962,696	2,856,769
Taxes	631,103	613,170	654,646	704,177
Operating margins before other items	4,248,869	4,476,142	4,834,308	6,072,686
Patronage revenue	1,020,684	1,217,488	1,498,378	1,327,894
Interest expense	1,681,210	1,753,113	1,791,952	1,701,118
Operating margins	3,588,343	3,940,517	4,540,734	5,699,462
Non-operating items	1,212,843	2,442,773	67,833	(21,377)
Net margins	\$ 4,801,186	\$ 6,383,290	4,608,567	\$ 5,678,085
KWH sold	329,204,304	298,499,997	309,268,055	310,036,461
KWH purchased	349,650,546	317,989,435	330,111,122	330,013,484
Line loss %	5.8%	6.1%	6.3%	6.1%
Revenue per KWH sold	0.1415	0.1465	0.1522	0.1554
Cost per KWH sold	0.0828	0.0818	0.0840	0.0859
Margin per KWH sold	0.0587	0.0647	0.0681	0.0695
Times interest earned ratio (modified)	4.46	5.34	4.41	5.12
Debt service coverage ratio (DSC)	3.05	3.71	3.53	2.98

2014	2013	2012	2011	2010	2009
\$ 47,139,778	\$ 44,174,513	\$ 42,556,385	\$ 40,698,940	\$ 41,386,480	\$ 38,036,606
27,499,483	26,275,173	25,651,156	24,482,041	24,824,446	23,497,670
19,640,295	17,899,340	16,905,229	16,216,899	16,562,034	14,538,936
41.7%	40.5%	39.7%	39.8%	40.0%	38.2%
12,086,836	13,369,466	11,580,879	11,150,021	10,926,700	9,530,696
2,770,418	2,658,299	2,461,847	2,250,972	2,085,549	1,945,903
660,655	631,702	614,722	586,565	576,931	528,218
4,122,386	1,239,873	2,247,781	2,229,341	2,972,854	2,534,119
1,447,677	1,273,440	1,316,472	1,524,000	1,531,889	735,751
1,399,487	1,427,928	1,398,399	1,377,464	1,231,389	1,200,940
4,170,576	1,085,385	2,165,854	2,375,877	3,273,354	2,068,930
66,492	34,674	(26,726)	(52,800)	(162,328)	(27,572)
\$ 4,237,068	\$ 1,120,059	\$ 2,139,128	\$ 2,323,077	\$ 3,111,026	\$ 2,041,358
316,624,099	309,550,838	306,516,403	312,868,438	330,757,571	314,542,175
345,192,095	338,606,030	327,705,666	334,505,359	352,896,819	337,853,061
8.3%	8.6%	6.5%	6.5%	6.3%	6.9%
0.1489	0.1427	0.1388	0.1301	0.1251	0.1209
0.0869	0.0849	0.0837	0.0783	0.0751	0.0747
0.0620	0.0578	0.0552	0.0518	0.0501	0.0462
5.06	2.68	3.47	3.79	4.77	3.31
2.72	2.52	2.34	2.61	2.11	1.90

UTILITIES DISTRICT OF WESTERN INDIANA REMC

STATISTICAL INFORMATION - BALANCE SHEETS (REMC ONLY)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utility plant, net	\$ 71,704,862	\$ 70,838,095	\$ 67,993,684	\$ 64,904,036
Investments	20,258,810	20,000,565	19,269,487	17,512,488
Deferred Charges	635,969	786,093	936,218	1,167,187
Note Receivable	436,806	569,810	698,314	753,818
Current assets	13,661,735	12,546,774	13,476,011	15,110,066
Long-term debt	32,785,093	34,310,997	36,014,499	37,907,565
Equities	71,310,652	66,783,009	59,307,442	54,420,205
Deferred Credits	740,316	688,598	655,714	646,912
Current liabilities	4,033,742	3,907,388	4,643,421	5,243,740
Net cash flows	\$ (354,449)	\$ 564,855	\$ (1,585,995)	\$ 4,262,373
Current ratio	3.47	3.21	2.90	2.88
Quick ratio	3.20	2.98	2.77	2.75
Debt/equity ratio	31.50%	33.94%	37.78%	41.06%
Number of customers	19,097	18,955	18,944	18,930

REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS

2014	2013	2012	2011	2010	2009
\$ 61,940,838	\$ 60,820,385	\$ 57,921,256	\$ 54,733,686	\$ 50,756,725	\$ 46,870,765
16,540,931	15,130,417	14,373,873	14,159,148	13,327,670	12,307,272
1,267,073	1,355,934	7,209	97,855	45,179	8,434
857,822	861,826	965,830	100,000	0	0
9,738,461	10,687,822	9,425,046	9,021,057	8,350,293	8,057,734
33,319,247	35,913,808	31,898,524	28,821,497	25,704,469	24,506,595
48,384,923	44,296,655	43,347,789	41,299,432	39,213,935	36,287,518
988,952	945,703	880,206	867,339	780,786	766,978
6,181,454	6,509,608	5,525,414	6,317,048	6,377,531	5,054,444
\$ (1,312,923)	\$ 990,434	\$ (52,627)	\$ 743,619	\$ (150,773)	\$ 1,557,040
1.58	1.64	1.71	1.43	1.31	1.59
1.47	1.49	1.54	1.30	1.22	1.45
40.78%	44.77%	42.40%	41.10%	39.60%	40.31%
19,011	18,984	19,043	19,081	19,181	19,143