

MICHIGAN PUBLIC SERVICE COMMISSION

ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE

This form is authorized by Case No. [U-12134](#), the Code of Conduct. Filing of this form is mandatory pursuant to [PA 3 of 1939](#). Failure to provide this information will put you in [violation of this act](#) and the commission shall order such remedies and penalties as necessary.

<b>Report submitted for year ending:</b> December 31, 2018
<b>Present name of respondent:</b> Cloverland Electric Cooperative
<b>Address of principal place of business:</b> 2916 W. M-28, Dafer, Michigan, 49727
<b>Utility representative to whom inquires regarding this report may be directed:</b> <b>Name:</b> Aaron Wallin <b>Title:</b> CFO <b>Address:</b> 725 E. Portage Avenue <b>City:</b> Sault Sainte Marie <b>State:</b> MI <b>Zip:</b> 49783 <b>Direct Telephone, Include Area Code:</b> 906-632-5172
<b>If the utility name has been changed during the past year:</b> <b>Prior Name:</b> _____ <b>Date of Change:</b> _____
<b>Two copies of the published annual report to stockholders:</b> [ NA ] were forwarded to the Commission [ ] will be forwarded to the Commission <u>on or about</u> _____
<b>Annual reports to stockholders:</b> [ NA ] are published [ ] are not published

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Jennifer Brooks) at [brooks10@michigan.gov](mailto:brooks10@michigan.gov) OR forward correspondence to:

Michigan Public Service Commission  
Regulated Energy Division  
7109 W. Saginaw Hwy  
PO Box 30221  
Lansing, MI 48909

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/30/2019	Year of Report 12/31/2018
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**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none", "not acceptable" or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact. **None**
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization. **None**
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission. **None**
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents and other conditions. State name of Commission authorizing lease and give reference to such authorization. **None**
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc. **None**
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee. **None**
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments. **None**
8. State the estimated annual effect and nature of any important wage scale changes during the year. **None**
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year. **See answer below**
10. Describe briefly and materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest. **None**
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instruction 1 to 11 above, such notes may be attached to this page. **None**

**On July 23, 2018, Cloverland terminated its President & CEO. On November 29, 2018, this individual filed a complaint in the Chippewa County Circuit Court alleging the termination was not for cause and is therefore owed liquidated damages according to the termination provisions of a purported employment contract. On January 8, 2019, Cloverland filed a counterclaim requesting the Court find the purported employment contract not a valid and binding contract. This matter was settled on March 26, 2019 and will not have a material impact our 2019 financial statements.**

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### STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be included on pages 122-123. Information about noncash investing and financing activities should be provided on pages 122-123. "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.
2. Under "Other" specify significant amounts and group others.
3. Operating Activities-Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on pages 122-123 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities: (enter outflows from company as negative #s)	
2	Net Income (Line 72 (c) on page 117)	4,442,788
3	Noncash Charges (Credits) to Income:	
4	Depreciation	5,818,675
5	Amortization of Prepaid Pension Assets, ESE Acquisition costs	731,389
6	Intangible Plant	
7		
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	353,703
11	Net (Increase) Decrease in Current Assets Other	(676,291)
12	Net (Increase) Postretirement Benefits other than Pensions	(201,190)
13	Net (Increase) Decrease in Payables and Accrued Expenses	1,814,573
14	Net (Increase) Decrease in Refundable Power Costs	(1,330,172)
15	Net (Increase) Decrease in Accrued Interest Payable	(874,382)
16	(Less) Allowance for Accrued Liabilities - Other	(596,475)
17	(Less) Undistributed Earnings from Associated Companies	(1,018,333)
18	Other: Capital Credits	(398,824)
19	Loss (Gain) on Sales of Fixed Assets	16,415
20	(Income) Loss on Investment in Wholly Owned Subsidiary	0
21		
22	Net Cash Provided by ( Used in) Operating Activities (Total of lines 2 thru 21)	8,081,876
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(7,901,786)
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance to Other Funds Used During Construction	
31	Other: (Increase) Decrease in Materials Inventory	379,015
32	Other: Plant Removal	(2,007,142)
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(9,529,913)
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	289,296
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in ( and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

Name of Respondent		This Report Is:	Date of Report	Year of Report
Cloverland Electric Cooperative		(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 4/30/2019	12/31/2018
STATEMENT OF CASH FLOWS (Continued)				
4. Investing Activities		5. Codes used:		
(a) Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of asset acquired with liabilities assumed on pages 122-123.		(a) Net proceeds or payments.		
(b) Don not include on this statement the dollar amount of leases capitalized per USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on pages 122-123.		(b) Bonds, debentures and other long-term debt.		
		(c) Include commercial paper.		
		(d) Identify separately such items as investments, fixed assets, intangibles, etc. 6.		
		Enter on pages 122-123 clarifications and explanations.		
Line No.	Description (See instructions for Explanation of Codes) (a)	Amount (b)		
46	Loans Made or Purchased			
47	Collections on Loans			
48				
49	Net (Increase) Decrease in Receivables			
50	Net (Increase) Decrease in Inventory			
51	Net (Increase) Decrease in Allowances Held for Speculation			
52	Net Increase (Decrease) in Payables and Accrued Expenses			
53	Other:			
54				
55				
56	Net Cash Provided by (Used in) Investing Activities			
57	(Total of lines 34 thru 55)	(9,240,617)		
58				
59	Cash Flows from Financing Activities:			
60	Proceeds from Issuance of:			
61	Long Term Debt (b)			
62	Preferred Stock			
63	Common Stock			
64	Other:			
65				
66	Net Increase in Short-Term Debt (c)	3,650,000		
67	Other:			
68				
69				
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	3,650,000		
71				
72	Payments for Retirement of:			
73	Long Term Debt (b)	(4,882,633)		
74	Preferred Stock			
75	Common Stock			
76	Other: Retirement of Patronage Capital Credits	(39,477)		
77	Other: Donated Capital	446,231		
78	Other: Use of FFB Cushion of Credit	1,645,354		
79	Memberships Issued, Net	8,390		
80	Decrease (Increase) in Deferred Debits	625,335		
81	Dividends on Common Stock			
82	Net Cash Provided by (Used in) Financing Activities			
83	(Total of lines 70 thru 81)	1,453,200		
84				
85	Net Increase (Decrease) in Cash and Cash Equivalents			
86	(Total of lines 22, 57 and 83)	294,459		
87				
88	Cash and Cash Equivalents at Beginning of Year	2,688,657		
89				
90	Cash and Cash Equivalents at End of Year	2,983,116		

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<b>NONUTILITY PROPERTY (Account 121)</b>				
1. Give a brief description and state the location of nonutility property included in Account 121.		4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.		
2. Designate with a double asterisk any property which is leased to another company. State name of lessee and whether lessee is an associated company.		5. Minor items (5% of the Balance at the End of the Year for Account 121 or \$100,000, whichever is less) may be grouped by (1) previously devoted to public service, or (2) other nonutility property.		
3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.				
Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales Transfers, etc. (c)	Balance at End of Year (d)
1	138 kv right-of-way(Per 1976 FPC Audit)	7,159		7,159
2	10 small land parcels	3,656		3,656
3	Land parcel-St Ignace	1,653		1,653
4	Easement-Sault Division	1,400		1,400
5	Minor land parcels	268		268
6	Dafter land parcels	37,336		37,336
7	Land parcel 2972 8th St (fka Lighthouse)	80,793		80,793
8	Building (fka Lighthouse)**Packerland & A	266,729		266,729
9	**AT&T, 50/50 lease			
10	**non-associated companies			
11	Hursley Building **		73,003	73,003
12	** leased to City of Sault Ste Marie			
13	** Police Department, a non-associated			
14	** company.			
15				
16				
17				
TOTAL				471,997

<b>ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)</b>		
Report below the information called for concerning depreciation and amortization of nonutility property.		
Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	73,003
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	8,891
5	Other Accounts (Specify):	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	8,891
8	Net Charges for Plant Retired:	
9	Book Cost of Plant Retired	
10	Cost of Removal	
11	Salvage (Credit)	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	81,894

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**INVESTMENTS (Accounts 123, 124, 136)**

1. Report below the investments in Accounts 123, *Investments in Associated Companies*, 124, *Other Investment*, and 136, *Temporary Cash Investments*.  
 2. Provide a subheading for each account and list thereunder the information called for:  
 (a) Investment in securities - List and describe each security owned, giving name of user, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, *Other Investments*), state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, *Temporary Cash Investments*, also may be grouped by classes.  
 (b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or an open account. Each note should be

Line No.	Description of Investment  (a)	Book Cost at Beginning of Year <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (b)		Purchases or Additions During Year  (c)
		Original Cost	Book Value	
1	NRTC-Lighthouse.net	\$ 161,242	\$ 161,242	\$ -
2	NRUCFC	298,566	298,566	7,053
3	NISC	202,720	202,720	26,893
4	RESCO	281,580	281,580	44,096
5	NRTC	358	358	0
6	CRC	29,947	29,947	1,950
7	CoBank	555,983	555,983	234,772
8	Federated Insurance	451,643	451,643	84,061
9	CFC-Capital Term Certificates	820,539	820,539	0
10	CFC Membership	1,000	1,000	0
11	ATC - Invest in Associated Org.	11,029,467	11,029,467	1,507,141
12	Credit Union	10	10	0
13				
14				
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**INVESTMENTS (Accounts 123, 124, 136) (Cont'd)**

listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.

3. For any securities, notes or accounts that were pledged designate with an asterisk such securities, notes, or accounts and in a footnote state the name of pledgee and purpose of the pledge.

4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.

5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.

6. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (g).

Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (f)		Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
		Original Cost	Book Value			
0	N/A	\$ 161,242	\$ 161,242	0		1
0	N/A	302,092	302,092	3,526		2
0	N/A	220,505	220,505	9,108		3
0	N/A	297,491	297,491	28,185		4
0	N/A	150	150	208		5
0	N/A	31,507	31,507	390		6
0	N/A	581,079	581,079	209,677		7
0	N/A	497,500	497,500	38,204		8
0	N/A	820,539	820,539	0		9
0	N/A	1,000	1,000	0		10
0	N/A	11,791,338	11,791,338	745,270		11
0	N/A	10	10	0		12
						13
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**RECEIVABLES FROM ASSOCIATED COMPANIES (Accounts 145, 146)**

- |   |  |
|---|--|
| <p>1. Report particulars of notes and accounts receivable from associated companies* at end of year.</p> <p>2. Provide separate headings and totals for Accounts 145, Notes Receivable from Associated Companies, and 146, Accounts Receivable from Associated Companies, in addition to a total for the combined accounts.</p> <p>3. For notes receivable, list each note separately and state purpose for which received. Show also in column (a) date of note, date of maturity and interest rate.</p> | <p>4. If any note was received in satisfaction of an open account, state the period covered by such open account.</p> <p>5. Include in column (f) interest recorded as income during the year including interest on accounts and notes held any time during the year.</p> <p>6. Give particulars of any notes pledged or discounted, also of any collateral held as guarantee of payment of any note or account.</p> |
|---|--|

\* NOTE: "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the account company. This includes related parties.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	Account 146					
2	American Transmission	\$ -	\$ 1,428,876	\$ 1,428,876	\$ -	\$ -
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
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24						
25	TOTAL		\$ 1,428,876	\$ 1,428,876		



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**ALLOWANCES**

- |  |  |
|--|--|
| <p>1. Report below the details called for concerning allowances.</p> <p>2. Report all acquisitions of allowances at cost.</p> <p>3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.</p> <p>4. Report the allowances transactions by the period they are first</p> | <p>eligible for use; the current year;s allowances in columns (b)-( c), allowances for the three succeeding years in column(d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).</p> <p>5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.</p> |
|--|--|

Line No.	Allowance Inventory (a)	Current Year		20__	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance - Beginning of Year	N/A			
2-4	Acquired During Year: Issued (Less Withheld Allow.)				
5	Returned by EPA				
6-8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16-18	Relinquished During Year: Charges to Acct. 509				
19	Other:				
20					
21-22	Cost of Sales/Transfers:				
23					
24					
25					
26					
27					
28	Total				
29	Balance - End of Year				
30-32	Sales:				
	Net Sales Proceeds (Assoc Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld				
36	Balance - Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance - End of Year				
41-43	Sales:				
	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

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**ALLOWANCES (Continued)**

6. Report on line 5 allowances returned by the EPA. Report on line 39 the EPA's sales of the withheld allowances. Report on lines 43-46 the net sales or auction of the withheld allowances.
7. Report on lines 8-14 the names of vendors/transfers of allowances acquired and identify associated companies (See "associated co." under "Definitions" in Uniform System of Accounts).
8. Report on lines 22-27 the names of purchasers/transfers of allowances disposed of and identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on lines 32-35 & 43-46 the net sales proceeds and gains or losses from allowance sales.

20__		20__		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
								1
N/A								2-4
								5
								6-8
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								46

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<b>LONG-TERM DEBT (Accounts 221, 222, 223 and 224)</b>			
<p>1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.</p> <p>2. In column (a), for new issues, give Commission authorization numbers and dates.</p> <p>3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.</p> <p>4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.</p> <p>5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.</p> <p>6. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p> <p>8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.</p> <p>9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.</p>			
Line No.	Class and Series of Obligation, Coupon Rate <i>(For new issue, give Commission Authorization numbers and dates)</i>  (a)	Principal Amount of Debt Issued  (b)	Total Expense, Premium or Discount  (c)
1	FFB	\$ 112,732,974	
2	NRUCFC	2,943,043	
3	CoBank	20,427,817	
4			
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22			
23			
24			
25	TOTAL	\$ 136,103,834	

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)**

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt-Discout and Expense, or credited to Account 429, *Amortization of Premium on Debt-Credit*.
12. In a footnote, give explanatory particulars (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, *Interest on Long-Term Debt*, and Account 430, *Interest on Debt to Associated Companies*.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
		Date From (f)	Date To (g)			
9/20/2011	12/31/2047	Various	Various		\$ 3,436,220	1
9/10/1998	2/28/2034	Various	Various		127,363	2
7/21/2015	6/30/2041	Various	Various		789,564	3
						4
						5
						6
						7
						8
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						15
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						22
						23
						24
					\$ 4,353,147	25

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**PAYABLES TO ASSOCIATED COMPANIES\* (Accounts 233, 234)**

1. Report particulars of notes and accounts payable to associated companies at end of year.
2. Provide separate totals for Accounts 233, Notes Payable to Associated Companies, and 234, Accounts Payable to Associated Companies, in addition to total for the combined accounts.
3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.
4. Include in column (f) the amount of any interest expense during the year on notes or accounts that were paid before the end of the year.
5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.

*\*See definition on page 226B*

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	N/A					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
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19						
20						
21						
22						
23						
	TOTAL					

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.		TOTAL AMOUNT
1	Utility net operating income (page 114 line 20)	
2	Allocations: Allowance for funds used during construction	
3	Interest expense	
4	Other (specify)	
5	Net income for the year (page 117 line 68)	
6	Allocation of Net income for the year	
7	Add: Federal income tax expenses	
8		
9	Total pre-tax income	
10		
11	Add: Taxable income not reported on books:	
12		
13		
14		
15	Add: Deductions recorded on books not deducted from return	
16		
17		
18		
19	Subtract: Income recorded on books not included in return:	
20		
21		
22		
23	Subtract: Deductions on return not charged against book income:	
24		
25		
26	Federal taxable income for the year	

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (Continued)**

3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2  
4. A substitute page, designed to meet a particular need of a company, may be used as long as data is consistent and meets the requirements of the above instructions.

Utility	Other	Line No.
NA		1
		2
		3
		4
		5
		6
		7
		8
		9
		10
		11
		12
		13
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		25
		26

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)**

1. Give a brief description of property creating the gain or loss. Include name of party acquiring the property (when acquired by another utility or associated company) and the date transaction was completed. Identify property by type: Leased, Held for Future Use, or Nonutility.
2. Individual gains or losses relating to property with an original cost of less than \$100,000 may be grouped with the number of such transactions disclosed in column (a).
3. Give the date of Commission approval of journal entries in column (b), when approval is required. Where approval is required but has not been received, give explanation following the item in column (a). (See account 102, Utility Plant Purchased or Sold.)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
1	Gain on disposition of property:				
2	Sale of old transformers for scrap	unknown	1/4/2018	11,000.00	
3	Trade for new-shop air compressors	unknown	2/1/2018	300.00	
4	trade for new-pontoon boat & trailer	10,676	7/1/2018	2,450.00	
5	trade for new-outboard motor	5,109	7/1/2018	1,250.00	
6	trade for new-2004 Dodge Ram pickup	20,592	7/30/2018	150.00	
7	trade for new-2008 Chev pickup #417	10,136	8/21/2018	300.00	
8	trade for new-2007 Ford pickup #203	9,455	8/21/2018	300.00	
9	sale of used office equipment	unknown	9/4/2018	25.00	
10	trade for new-2006 IHC bucket truck #216	162,683	12/1/2018	12,000.00	
11	trade for new-2005 Dodge pickup #114	13,824	12/17/2018	567.77	
12					
13					
14					
15					
16					
17	Total Gain			28,342.77	



Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2) (Continued)**

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
18	Loss on disposition of property:				
19	Husqvarna chainsaw	1,391	3/1/2018		231.88
20	18V Cordless Drill	1,660	3/1/2018		276.76
21	Pole muzzler, model 8825	1,899	3/1/2018		316.60
22	2009 GMC Bucket truck #180	144,883	9/1/2018		10,937.85
23	2011 Ford F550 Bucket truck #225	145,930	10/1/2018		32,994.93
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	<b>Total Loss</b>				<b>44,758.02</b>

Name of Respondent	This Report Is:	Date of Report	Year of Report		
Cloverland Electric Cooperative	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 04/30/19	12/31/2018		
<b>CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES</b>					
<p>1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account</p>		<p>426.4, Expenditures for Certain civic, Political and Related Activities.) (a) Name and address of person or organization rendering services, (b) description of services received during year and project or case to which services relate, (c) basis of charges, (d) total charges for the year, detailing utility department and account charged.</p> <p>2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.</p> <p>3. Designate with an asterisk associated companies.</p>			
Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	Bolz Construction & Excavating, Inc. 18674 County Road 455 Newberry, MI 49868	Contractor	Contract	107.20/146.66/ 146.67/163.00/ 184.60/582.90/ 592.66/594.99/ 932.67	57,178
2	Charles Palmer 545 Ashmun St, Suite #9 Sault Ste. Marie, MI 49783	Attorney/Legal consultant	Contract	107.51/418.35/ 923.63	49,338
3	Complete Business Services 3303 I-75 Business Spur Sault Ste Marie, MI 49783	Consulting Services	Hourly	923.00	43,843
4	Dykema Gossett PLLC 400 Renaissance Ctr, 35th Floor Detroit, MI 48243-1668	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	160,524
5	Fraser Trebilcock Davis & Dunlap, P.C. 124 W Allegan St Lansing, MI 48933	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	36,273
6	Harris Group 731 S Garfield Ave Traverse City, MI 49686	Accounting/Audit	Hourly, plus out-of-pocket	231.10/418.35	50,710
7	Heco, Inc. 3509 S Burdick St Kalamazoo, MI 49001	Hydro generator repairs	Contract	107.20	115,290
8	Kaysner Constructions Inc. 5679 S M-129 Sault Ste Marie, MI 49783	Contractor	Contract	107.4/418.35	29,950
9	Kevin's Meter Testing 2415 Aurelius Rd # 29 Holt, MI 48842	Meter Replacement	Contract	150.5	36,085
10	Kokosing Industrial, Inc. Durocher Marine Division PO Box 226 Fredericktown, OH 43019	Hydro Canal repairs	Contract	107.20/108.80	2,867,401
11	Loomis, Ewert, Parsley, Davis & Gotting 124 W Allegan St, Suite 700 Lansing, MI 48933-1784	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	48,596
12	M J Electric 200 W Frank Pipp Drive Iron Mountain, MI 49801	Contractor	Contract	107.2	149,999
13	McCarter & English, LLP Four Gateway Center 100 Mulberry St Newark, NJ 07102	Attorney/Legal consultant	Hourly	923.63	58,916
14	Novak Engineering, LLC 901 Cunningham Rd Jackson, MI 49201 Open Systems International, Inc	Engineering consultants	Hourly	107.20	74,304
15	Palmer Excavating 12595 South M-129 Dafer, MI 49724	Contractor	Contract	107.20/146.66/ 146.67/163.00/ 184.30/539.06/ 549.53/582.90/ 921.04	35,444
16	Proven Compliance Solutions 1312 N Monroe, Suite 272 Spokane, WA 99201	Engineering consultants	Hourly	923.3	43,279
17	Thunder Bay Tree Service, LLC 1172 Halley Rd Alpena, MI 49707	Contractor	Contract	146.69/543.02/ 592.60/593.59	249,856
18	Trees, Inc. 4695 44th St, Suite B-130 Kentwood, MI 49512	ROW Clearing	Contract	107.20/ 593.60/593.65/ 593.66/593.99	785,977
19	Vibra Stram Cleaning Systems, LLC 4336 S Riverside Dr Sault Ste. Marie, MI 49783	Cleaning Contractor	Contract	163.00/184.10/ 184.30/539.05 921.04	67,659

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**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES**

1. In column (a) report the name of the associated company. services provided (administrative and general expenses, dividends declared, etc.).
2. In column (b) describe the affiliation (percentage ownership, etc. ).
3. In column (c) describe the nature of the goods and 4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	N/A				
2					
3					
4					
5					
6					
7					
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29					
30					
<b>TOTAL</b>					

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)**

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.  
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.

7. In column (j) report the total.  
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
N/A						1
						2
						3
						4
						5
						6
						7
						8
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Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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**SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES**

1. In column (a) report the name of the associated company.  
 2. In column (b) describe the affiliation (percentage ownership, etc. ).  
 3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).  
 4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	N/A				
2					
3					
4					
5					
6					
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24					
25					
26					
27					
28					
29					
30					
<b>TOTAL</b>					

Name of Respondent Cloverland Electric Cooperative		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018	
<b>SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)</b>						
5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.				reported.		
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which				7. In column (j) report the total.		
				8. In column (k) indicate the pricing method (cost, per contract terms, etc.)		
Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
N/A						1
						2
						3
						4
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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  <b>FINANCIAL AND OPERATING REPORT                  ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION MI0043
	PERIOD ENDED December, 2018 (Prepared with Audited Data)
	BORROWER NAME Cloverland Electric Co-operative
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.

Michael Heise

3/22/2019

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	76,565,615	82,201,346	79,736,230	8,240,762
2. Power Production Expense	4,261,321	4,377,806	4,622,710	393,270
3. Cost of Purchased Power	32,060,298	35,963,035	34,162,600	4,115,070
4. Transmission Expense	7,418,390	7,824,684	8,399,480	670,188
5. Regional Market Expense				
6. Distribution Expense - Operation	3,027,814	3,156,038	3,191,875	218,473
7. Distribution Expense - Maintenance	5,474,310	6,060,880	5,531,510	626,791
8. Customer Accounts Expense	2,112,190	2,315,002	2,391,200	167,656
9. Customer Service and Informational Expense	1,346,663	1,363,516	1,360,020	119,663
10. Sales Expense	122,173	99,763	134,162	6,877
11. Administrative and General Expense	4,195,659	4,504,695	4,505,318	480,880
<b>12. Total Operation &amp; Maintenance Expense (2 thru 11)</b>	<b>60,018,818</b>	<b>65,665,419</b>	<b>64,298,875</b>	<b>6,798,868</b>
13. Depreciation and Amortization Expense	6,289,192	6,550,063	6,546,950	538,757
14. Tax Expense - Property & Gross Receipts	2,778,224	2,780,887	3,013,000	50,137
15. Tax Expense - Other	0	0	1,000	0
16. Interest on Long-Term Debt	4,394,351	4,353,147	4,442,405	327,821
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	49,863	104,943	196,515	49,346
19. Other Deductions	79,480	13,139	71,000	107
<b>20. Total Cost of Electric Service (12 thru 19)</b>	<b>73,609,928</b>	<b>79,467,598</b>	<b>78,569,745</b>	<b>7,765,036</b>
<b>21. Patronage Capital &amp; Operating Margins (1 minus 20)</b>	<b>2,955,687</b>	<b>2,733,748</b>	<b>1,166,485</b>	<b>475,726</b>
22. Non Operating Margins - Interest	241,117	262,521	233,175	17,094
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	(642,218)	0	0	0
25. Non Operating Margins - Other	1,024,055	1,047,695	999,880	107,470
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	412,392	398,824	375,000	26,893
28. Extraordinary Items				
<b>29. Patronage Capital or Margins (21 thru 28)</b>	<b>3,991,033</b>	<b>4,442,788</b>	<b>2,774,540</b>	<b>627,183</b>

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0043

PERIOD ENDED

December, 2018

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	221	191	5. Miles Transmission		
2. Services Retired	343	390	6. Miles Distribution – Overhead	3,161.34	3,122.20
3. Total Services in Place	44,706	44,486	7. Miles Distribution - Underground	913.04	893.69
4. Idle Services (Exclude Seasonals)	1,775	1,584	<b>8. Total Miles Energized (5 + 6 + 7)</b>	4,074.38	4,015.89

**PART C. BALANCE SHEET**

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	202,292,061	30. Memberships	148,810
2. Construction Work in Progress	3,516,569	31. Patronage Capital	34,157,582
<b>3. Total Utility Plant (1 + 2)</b>	<b>205,808,630</b>	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	50,264,078	33. Operating Margins - Current Year	3,132,572
<b>5. Net Utility Plant (3 - 4)</b>	<b>155,544,552</b>	34. Non-Operating Margins	1,097,577
6. Non-Utility Property (Net)	390,103	35. Other Margins and Equities	1,260,522
7. Investments in Subsidiary Companies	0	<b>36. Total Margins &amp; Equities (30 thru 35)</b>	<b>39,797,063</b>
8. Invest. in Assoc. Org. - Patronage Capital	1,012,988	37. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	112,732,974
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	13,691,455	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	23,370,860
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	737,353	42. Payments – Unapplied	0
<b>14. Total Other Property &amp; Investments (6 thru 13)</b>	<b>15,831,899</b>	<b>43. Total Long-Term Debt (37 thru 41 - 42)</b>	<b>136,103,834</b>
15. Cash - General Funds	2,982,889	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	216	45. Accumulated Operating Provisions and Asset Retirement Obligations	1,763,726
17. Special Deposits	0	<b>46. Total Other Noncurrent Liabilities (44 + 45)</b>	<b>1,763,726</b>
18. Temporary Investments	10	47. Notes Payable	3,900,000
19. Notes Receivable (Net)	0	48. Accounts Payable	6,699,991
20. Accounts Receivable - Sales of Energy (Net)	6,564,645	49. Consumers Deposits	663,471
21. Accounts Receivable - Other (Net)	1,126,716	50. Current Maturities Long-Term Debt	4,280,951
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	3,936,585	52. Current Maturities Capital Leases	0
24. Prepayments	1,071,049	53. Other Current and Accrued Liabilities	3,289,059
25. Other Current and Accrued Assets	1,467,380	<b>54. Total Current &amp; Accrued Liabilities (47 thru 53)</b>	<b>18,833,472</b>
<b>26. Total Current and Accrued Assets (15 thru 25)</b>	<b>17,149,490</b>	55. Regulatory Liabilities	0
27. Regulatory Assets	9,411,458	56. Other Deferred Credits	2,683,399
28. Other Deferred Debits	1,244,095	<b>57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)</b>	<b>199,181,494</b>
<b>29. Total Assets and Other Debits (5+14+26 thru 28)</b>	<b>199,181,494</b>		



<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</b></p>	<p>BORROWER DESIGNATION  MI0043</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2018</p>
<p><b>PART D. NOTES TO FINANCIAL STATEMENTS</b></p>	

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</b></p>	<p>BORROWER DESIGNATION  MI0043</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2018</p>
<p><b>PART D. CERTIFICATION LOAN DEFAULT NOTES</b></p>	

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2018

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	143,329,659	2,842,715	445,370		145,727,004
2. General Plant	13,017,078	848,278	600,526		13,264,830
3. Headquarters Plant	5,308,724	9,184	11,629		5,306,279
4. Intangibles	7,508,661				7,508,661
5. Transmission Plant	83,442				83,442
6. Regional Transmission and Market Operation Plant	0				0
7. All Other Utility Plant	25,332,590	5,100,752	31,497		30,401,845
<b>8. Total Utility Plant in Service (1 thru 7)</b>	194,580,154	8,800,929	1,089,022		202,292,061
9. Construction Work in Progress	3,317,475	199,093			3,516,568
<b>10. Total Utility Plant (8 + 9)</b>	197,897,629	9,000,022	1,089,022		205,808,629

**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	4,308,926	1,226,430	866	1,356,053	1,102	(248,412)	3,930,655
2. Other	6,673	0	0	744	0	0	5,929

**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	9.500	551.900	9.100	189.500	760.000
2. Five-Year Average	13.900	422.300	9.600	238.600	684.400

**PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS**

1. Number of Full Time Employees	111	4. Payroll - Expensed	6,644,070
2. Employee - Hours Worked - Regular Time	227,587	5. Payroll - Capitalized	1,382,445
3. Employee - Hours Worked - Overtime	15,244	6. Payroll - Other	2,803,125

**PART I. PATRONAGE CAPITAL**

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	0	14,789,935
	b. Special Retirements	37,129	922,882
	<b>c. Total Retirements (a + b)</b>	37,129	15,712,817
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	213,203	
	<b>c. Total Cash Received (a + b)</b>	213,203	

**PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE**

1. Amount Due Over 60 Days	\$ 320,551	2. Amount Written Off During Year	\$ 246,129
----------------------------	------------	-----------------------------------	------------

**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  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION  MI0043
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2018

**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	Wisconsin Electric Power Co	20847			397,730,100	25,130,919	6.32		
2	U S Corps of Engineers	800285			148,243,191	1,640,834	1.11		
3	Midcontinent System Operator, Inc. (IN)	800558				9,191,282	0.00		
	Total				545,973,291	35,963,035	6.59		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>		BORROWER DESIGNATION  MI0043
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2018
<b>PART K. kWh PURCHASED AND TOTAL COST</b>		
<b>No</b>	<b>Comments</b>	
1		
2		
3		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>		BORROWER DESIGNATION MI0043	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2018	
<b>PART L. LONG-TERM LEASES</b>			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	<b>TOTAL</b>		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>		BORROWER DESIGNATION MI0043	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2018	
<b>PART M. ANNUAL MEETING AND BOARD DATA</b>			
1. Date of Last Annual Meeting 6/7/2018	2. Total Number of Members 33,836	3. Number of Members Present at Meeting 66	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 8,500	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 224,018	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 <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2018

**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	National Rural Utilities Cooperative Finance Corporation	2,943,043	114,965	314,660	429,625
3	CoBank, ACB	20,427,817	789,564	1,098,837	1,888,401
4	Federal Financing Bank	112,732,974	3,436,220	2,796,596	6,232,816
5	RUS - Economic Development Loans				
6	Payments Unapplied				
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				
	<b>TOTAL</b>	136,103,834	4,340,749	4,210,093	8,550,842



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2018

**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	34,327	34,383	
	b. kWh Sold			278,696,894
	c. Revenue			35,969,666
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
3. Irrigation Sales	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	8,004	7,903	
	b. kWh Sold			160,304,011
	c. Revenue			18,270,935
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	159	159	
	b. kWh Sold			283,542,100
	c. Revenue			25,921,124
6. Public Street & Highway Lighting	a. No. Consumers Served	86	86	
	b. kWh Sold			2,498,279
	c. Revenue			444,389
7. Other Sales to Public Authorities	a. No. Consumers Served	4	4	
	b. kWh Sold			3,558,040
	c. Revenue			132,698
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
9. Sales for Resale - Other	a. No. Consumers Served	1	1	
	b. kWh Sold			4,888,700
	c. Revenue			62,174
<b>10. Total No. of Consumers (lines 1a thru 9a)</b>		42,581	42,536	
<b>11. Total kWh Sold (lines 1b thru 9b)</b>				733,488,024
<b>12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)</b>				80,800,986
13. Transmission Revenue				0
14. Other Electric Revenue				1,400,360
15. kWh - Own Use				2,910,331
16. Total kWh Purchased				545,973,291
17. Total kWh Generated				214,098,259
18. Cost of Purchases and Generation				48,165,525
19. Interchange - kWh - Net				0
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				134,400

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2018

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)	4,623	547,155	7,026	38,872	4,170,086	74,060
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	335	685,767	15,102	2,273	5,191,860	123,444
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						
<b>10. Total</b>	<b>4,958</b>	<b>1,232,922</b>	<b>22,128</b>	<b>41,145</b>	<b>9,361,946</b>	<b>197,504</b>

**RUS Financial and Operating Report Electric Distribution**

**Revision Date 2014**

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION          INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0043  PERIOD ENDED December, 2018
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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)
<b>1</b>	<b>Non-Utility Property (NET)</b>				
	ESE Acquisition	51,472			
	Lighthouse	338,631			
	Totals	390,103			
<b>2</b>	<b>Investments in Associated Organizations</b>				
	NRUCFC		302,092	7,053	
	NISC	220,505		26,893	
	NRTC	150		(1)	X
	CRC	31,507		1,950	
	RESCO	297,491		44,096	X
	Federated Insurance	497,500		84,061	X
	NRUCFC CTC's		820,539	0	
	American Transmission Company	11,791,338		1,018,332	
	NRUCFC		1,000	0	
	CoBank		581,079	234,772	
	NRTC-Lighthouse	161,242		0	X
	Totals	12,999,733	1,704,710	1,417,156	
<b>5</b>	<b>Special Funds</b>				
	457(b) Plan	737,353			
	Totals	737,353			
<b>6</b>	<b>Cash - General</b>				
	First National Bank		42,841		
	MBank		19,106		
	State Savings Bank		13,785		
	Working Petty Cash	3,150			
	General Fund-Old Mission Bank	2,190,539	250,000		
	General Fund-Central Savings Bank	213,468	250,000		
	Totals	2,407,157	575,732		
<b>8</b>	<b>Temporary Investments</b>				
	Credit Union Membership	10			
	Totals	10			
<b>9</b>	<b>Accounts and Notes Receivable - NET</b>				
	A/R Other		1,126,716		
	Totals		1,126,716		
<b>11</b>	<b>TOTAL INVESTMENTS (1 thru 10)</b>	16,534,356	3,407,158	1,417,156	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC DISTRIBUTION</b> <b>INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0043
	PERIOD ENDED December, 2018

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)
	<b>TOTAL</b>				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION          INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0043  PERIOD ENDED December, 2018
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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.

**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]	8.03 %
--	--------

**SECTION IV. LOANS**

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors	3/5/2021	3,674	2,594	
2	Energy Resources Conservation Loans				
	<b>TOTAL</b>		3,674	2,594	

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 21 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 POWER SUPPLY**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2018 (Prepared with Audited Data)

BORROWER NAME Cloverland Electric Co-operative

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 A Section C of this report.

Michael Heise

3/22/2019

DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2018

**PART C RE - RENEWABLE GENERATING PLANT SUMMARY**

Plant Name (a)	Prime Mover (b)	Primary Renewable Fuel Type (c)	Renewable Fuel (%) (d)	Capacity (kW) (e)	Net Generation (MWh) (f)	Capacity Factor (%) (g)
Hydro	Hydro	Hydro	100.00	40710.0	212752.0	59.70
Total:				40710.0	212752.0	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2018

**PART C RE - RENEWABLE GENERATING PLANT SUMMARY**

Plant Name (a)	Number of Employees (h)	Total O&M Cost (mils/Net kWh) (i)	Power Cost (mils/Net kWh) (j)	Total Investment (\$1,000) (k)	Percentage Ownership (%) (l)	RUS Funding (\$1,000) (m)
Hydro	11	18	23	23,677	100	23,677
Total:	11	18	23	23,677		23,677



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC POWER SUPPLY</b>		BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2018
<b>PART C RE - RENEWABLE GENERATING PLANT SUMMARY</b>		
<b>Plant Name</b>	<b>Comments</b>	
Hydro		

reUNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0043		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY		PERIOD ENDED December, 2018		
INSTRUCTIONS - See help in the online application.				
SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	CAPACITY (kW) (c)	NET ENERGY RECIEVED BY SYSTEM (MWh) (d)	COST (\$) (e)
<b>Generated in Own Plant (Details on Parts D, E, F IC, F CC, and G)</b>				
1. Fossil Steam	0	0	0	0
2. Nuclear	0	0	0	0
3. Hydro	1	40,710	212,752	4,964,675
4. Combined Cycle	0	0	0	0
5. Internal Combustion	4	19,400	213	808,751
6. Other				
<b>7. Total in Own Plant (1 thru 6)</b>	<b>5</b>	<b>60,110</b>	<b>212,965</b>	<b>5,773,426</b>
<b>Purchased Power</b>				
<b>8. Total Purchased Power</b>			<b>0</b>	<b>0</b>
<b>Interchanged Power</b>				
9. Received Into System (Gross)				
10. Delivered Out of System (Gross)				
<b>11. Net Interchange (9 - 10)</b>				
<b>Transmission For or By Others - (Wheeling)</b>				
12. Received Into System				
13. Delivered Out of System				
<b>14. Net Energy Wheeled (12 - 13)</b>				
<b>15. Total Energy Available for Sale (7 + 8 + 11 + 14)</b>			<b>212,965</b>	
<b>Distribution of Energy</b>				
16. Total Sales			0	
17. Energy Furnished to Others Without Charge				
18. Energy Used by Borrower (Excluding Station Use)				
<b>19. Total Energy Accounted For (16 thru 18)</b>			<b>0</b>	
<b>Losses</b>				
<b>20. Energy Losses - MWh (15 - 19)</b>			<b>212,965</b>	
<b>21. Energy Losses - Percentage ((20 / 15) * 100)</b>			<b>100.00 %</b>	

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART E - HYDRO PLANT**

BORROWER DESIGNATION MI0043

PLANT Sault Ste. Marie

PERIOD ENDED December, 2018

INSTRUCTIONS - See help in the online application.

**SECTION A. HYDRO GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	GROSS GENERATION (MWh) (c)	OPERATING HOURS			
				IN SERVICE (d)	ON STANDBY (e)	OUT OF SERVICE	
						SCHEDULED (f)	UNSCHEDULED (g)
1.	10	40,710	213,005.00	8,760	0	0	0
2.							
3.							
4.							
5.							
<b>6.</b>	<b>Total</b>	40,710	213,005.00	8,760	0	0	0
7.	Station Service (MWh)		253.00	<b>HYDRAULIC DATA</b>			
8.	Net Generation (MWh)		212,752.00	<b>ITEM</b>		<b>(a) MAXIMUM</b>	<b>(b) MINIMUM</b>
9.	Station Service % of Gross		.11	1. Pool Elevation (ft.)		598.60	596.40
10.	Energy for Pumped Storage (MWh)			2. Tail Race Elevation (ft.)		581.70	580.00
11.	Net Generation after Pumped Storage (MWh)		212,752.00	Water Spilled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

**SECTION B. LABOR REPORT**

**SECTION C. FACTORS & MAXIMUM DEMAND**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full-Time (Include Superintendent)	11	5.	Maintenance Plant Payroll (\$)	692,436	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)	175,470	2.	Plant Factor (%)	59.73%
3.	Total Employee Hours Worked	23,841	7.	Total Plant Payroll (\$)	1,644,904	3.	Running Plant Capacity Factor (%)	59.73%
4.	Operating Plant Payroll (\$)	776,998				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)
1.	Operation, Supervision and Engineering	535	57,827	
2.	Water for Power	536	1,510,386	7.10
3.	Energy for Pumped Storage	536.1		
4.	Hydraulic Expense	537	418,001	1.96
5.	Electric Expense	538	579,790	2.73
6.	Miscellaneous Hydraulic Power Generation Expense	539	249,533	1.17
7.	Rents	540		
<b>8.</b>	<b>Operation Expense (1 thru 7)</b>		2,815,537	13.23
9.	Maintenance, Supervision and Engineering	541	11,643	
10.	Maintenance of Structures	542	114,519	
11.	Maintenance of Reservoirs, Dams and Waterways	543	130,811	
12.	Maintenance of Electric Plant	544	530,046	
13.	Maintenance of Miscellaneous Hydraulic Plant	545	141,397	
<b>14.</b>	<b>Maintenance Expense (9 thru 13)</b>		928,416	4.36
<b>15.</b>	<b>Total Production Expense (8 + 14)</b>		3,743,953	17.60
16.	Depreciation	403.3, 411.10	698,300	
17.	Interest	427	522,422	
<b>18.</b>	<b>Total Fixed Cost (16 + 17)</b>		1,220,722	5.74
<b>19.</b>	<b>Power Cost (15 + 18)</b>		4,964,675	23.34

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
Dafter

PERIOD ENDED  
December, 2018

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS						
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)	
			SCHED.		UNSCH.								
			(i)		(j)								
1.	1	1,000						8,760					
2.	2	1,000							8,760				
3.	3	1,000						8,760					
4.	4	3,000	17.70				147	8,613				257	
5.	5	3,000	11.50				91	6,117	744	1,808		153	
6.	<b>Total</b>	9,000	29.20	0.00	0.00		238	32,250	9,504	1,808		410	
7.	Average BTU		138,700.00				Station Service (MWh)					386.00	9,878.15
8.	Total BTU (10 <sup>6</sup> )		4,050.04			4,050.04	Net Generation (MWh)					24.00	
9.	Total Del. Cost (\$)						Station Service % of Gross					94.15	168,751.67

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	1	5.	Maintenance Plant Payroll (\$)	100,599	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)	2,515	2.	Plant Factor (%)	0.52%
3.	<b>Total Employee Hours Worked</b>	1,980	7.	<b>Total Plant Payroll (\$)</b>	151,576	3.	Running Plant Capacity Factor (%)	57.42%
4.	Operating Plant Payroll (\$)	48,462				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	13,371		
2.	Fuel, Oil	547.1	66,133		16.32
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	<b>Fuel SubTotal (2 thru 5)</b>	547	66,133	2,755.54	16.32
7.	Generation Expenses	548	43,849		
8.	Miscellaneous Other Power Generation Expenses	549	23,954		
9.	Rents	550	0		
10.	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		81,174	3,382.25	
11.	<b>Operation Expense (6 + 10)</b>		147,307	6,137.79	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	151,959		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	<b>Maintenance Expense (12 thru 15)</b>		151,959	6,331.62	
17.	<b>Total Production Expense (11 + 16)</b>		299,266	12,469.41	
18.	Depreciation	403.4, 411.10	18,693		
19.	Interest	427	13,985		
20.	<b>Total Fixed Cost (18 + 19)</b>		32,678	1,361.58	
21.	<b>Power Cost (17 + 20)</b>		331,944	13,831.00	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
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PERIOD ENDED  
December, 2018

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED. (i)	UNSCH. (j)								
1.	1	3,000	11.20				90	5,780	2,424	466	157	
2.	2	3,000	4.50				36	2,772	4,709	1,243	58	
3.												
4.												
5.												
6.	<b>Total</b>	6,000	15.70	0.00	0.00		126	8,552	7,133	1,709	215	
7.	Average BTU		134,878.34				Station Service (MWh)				307.00	9,849.26
8.	Total BTU (10 <sup>6</sup> )		2,117.59			2,117.59	Net Generation (MWh)				(92.00)	
9.	Total Del. Cost (\$)						Station Service % of Gross				142.79	(23,017.28)

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)	14,493	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	6,508	2.	Plant Factor (%)	0.41%
3.	<b>Total Employee Hours Worked</b>	576	7.	<b>Total Plant Payroll (\$)</b>	48,094	3.	Running Plant Capacity Factor (%)	56.88%
4.	Operating Plant Payroll (\$)	27,093				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	8,375		
2.	Fuel, Oil	547.1	35,960		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	<b>Fuel SubTotal (2 thru 5)</b>	547	35,960	(390.87)	
7.	Generation Expenses	548	39,043		
8.	Miscellaneous Other Power Generation Expenses	549	17,656		
9.	Rents	550	0		
10.	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		65,074	(707.33)	
11.	<b>Operation Expense (6 + 10)</b>		101,034	(1,098.20)	
12.	Maintenance, Supervision and Engineering	551	108		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	42,528		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	<b>Maintenance Expense (12 thru 15)</b>		42,636	(463.43)	
17.	<b>Total Production Expense (11 + 16)</b>		143,670	(1,561.63)	
18.	Depreciation	403.4, 411.10	69,940		
19.	Interest	427	52,324		
20.	<b>Total Fixed Cost (18 + 19)</b>		122,264	(1,328.96)	
21.	<b>Power Cost (17 + 20)</b>		265,934	(2,890.59)	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
Manistique

PERIOD ENDED  
December, 2018

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED. (i)	UNSCH. (j)								
1.	2	2,400	21.60				118	8,514	80	48	281	
2.												
3.												
4.												
5.												
<b>6.</b>	<b>Total</b>	2,400	21.60	0.00	0.00		118	8,514	80	48	281	
7.	Average BTU		138,700.00				Station Service (MWh)				101.00	10,661.64
8.	Total BTU (10 <sup>6</sup> )		2,995.92				Net Generation (MWh)				180.00	
9.	Total Del. Cost (\$)						Station Service % of Gross				35.94	16,644.00

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)	6,991	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	3,556	2.	Plant Factor (%)	1.34%
3.	<b>Total Employee Hours Worked</b>	183	7.	<b>Total Plant Payroll (\$)</b>	15,360	3.	Running Plant Capacity Factor (%)	99.22%
4.	Operating Plant Payroll (\$)	4,813				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	4,533		
2.	Fuel, Oil	547.1	46,166		15.40
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
<b>6.</b>	<b>Fuel SubTotal (2 thru 5)</b>	547	46,166	256.47	15.40
7.	Generation Expenses	548	3,779		
8.	Miscellaneous Other Power Generation Expenses	549	15,859		
9.	Rents	550	0		
<b>10.</b>	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		24,171	134.28	
<b>11.</b>	<b>Operation Expense (6 + 10)</b>		70,337	390.76	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	33,004		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
<b>16.</b>	<b>Maintenance Expense (12 thru 15)</b>		33,004	183.35	
<b>17.</b>	<b>Total Production Expense (11 + 16)</b>		103,341	574.11	
18.	Depreciation	403.4, 411.10	5,822		
19.	Interest	427	4,355		
<b>20.</b>	<b>Total Fixed Cost (18 + 19)</b>		10,177	56.53	
<b>21.</b>	<b>Power Cost (17 + 20)</b>		113,518	630.65	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION  
MI0043

PLANT  
Manistique

PERIOD ENDED  
December, 2018

INSTRUCTIONS - See help in the online application.

**SECTION A. INTERNAL COMBUSTION GENERATING UNITS**

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED. (i)	UNSCH. (j)								
1.	1	2,000	14.60				100	8,131	64	465	187	
2.												
3.												
4.												
5.												
<b>6.</b>	<b>Total</b>	2,000	14.60	0.00	0.00		100	8,131	64	465	187	
7.	Average BTU		138,700.00				Station Service (MWh)			86.00	10,828.98	
8.	Total BTU (10 <sup>6</sup> )		2,025.02				Net Generation (MWh)			101.00		
9.	Total Del. Cost (\$)						Station Service % of Gross			45.99	20,049.70	

**SECTION B. LABOR REPORT**

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)	6,454	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	3,282	2.	Plant Factor (%)	1.07%
3.	<b>Total Employee Hours Worked</b>	156	7.	<b>Total Plant Payroll (\$)</b>	13,815	3.	Running Plant Capacity Factor (%)	93.50%
4.	Operating Plant Payroll (\$)	4,079				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

**SECTION D. COST OF NET ENERGY GENERATED**

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 <sup>6</sup> BTU (c)
1.	Operation, Supervision and Engineering	546	3,842		
2.	Fuel, Oil	547.1	39,124		19.32
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
<b>6.</b>	<b>Fuel SubTotal (2 thru 5)</b>	547	39,124	387.36	19.32
7.	Generation Expenses	548	3,202		
8.	Miscellaneous Other Power Generation Expenses	549	13,440		
9.	Rents	550	0		
<b>10.</b>	<b>Non-Fuel SubTotal (1 + 7 thru 9)</b>		20,484	202.81	
<b>11.</b>	<b>Operation Expense (6 + 10)</b>		59,608	590.17	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	27,969		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
<b>16.</b>	<b>Maintenance Expense (12 thru 15)</b>		27,969	276.92	
<b>17.</b>	<b>Total Production Expense (11 + 16)</b>		87,577	867.09	
18.	Depreciation	403.4, 411.10	5,593		
19.	Interest	427	4,185		
<b>20.</b>	<b>Total Fixed Cost (18 + 19)</b>		9,778	96.81	
<b>21.</b>	<b>Power Cost (17 + 20)</b>		97,355	963.91	

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
ELECTRIC POWER SUPPLY  
PART H - ANNUAL SUPPLEMENT**

BORROWER DESIGNATION

MI0043

PERIOD ENDED

December, 2018

INSTRUCTIONS - See help in the online application.

**SECTION L. RENEWABLE ENERGY CREDITS**

<b>ITEM</b>	<b>BALANCE BEGINNING OF YEAR (a)</b>	<b>ADDITIONS (b)</b>	<b>RETIREMENTS (c)</b>	<b>ADJUSTMENTS AND TRANSFER (d)</b>	<b>BALANCE END OF YEAR (e)</b>
1. Renewable Energy Credits	0				

**RUS Financial and Operating Report Electric Power Supply – Part H - Annual Supplement**

**Revision Date 2013**



**MICHIGAN 43 CHIPPEWA  
CLOVERLAND ELECTRIC COOPERATIVE, INC.  
REPORT ON FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**BOARD OF DIRECTORS**  
**DECEMBER 31, 2018**

Jason St. Onge	Chairman
John Sawruk	Vice Chairman
Carmine Bonacci	Secretary/Treasurer
Gerald Nettleton	Director
Peter Legault	Director
William LaLonde	Director
Ronald Provo	Director
Virgil Monroe	Director
Jason Oberle	Director

President and CEO

Michael Heise



## **Independent Auditor's Report**

The Board of Directors  
Cloverland Electric Cooperative, Inc.  
Dafter, Michigan

We have audited the accompanying financial statements of Cloverland Electric Cooperative, Inc. which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of revenue, equities, 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 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 we 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 risk 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 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.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cloverland Electric Cooperative, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

### **Report Issued in Accordance with Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2019, on our consideration of Cloverland Electric Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Harris Group CPA's*

Traverse City, MI  
March 4, 2019

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>ELECTRIC PLANT:</b>		
In service – at cost	\$ 202,292,061	\$ 194,580,153
Construction work in progress	3,516,568	3,317,475
SUBTOTAL	205,808,629	197,897,628
Less accumulated depreciation	50,264,077	46,078,045
NET ELECTRIC PLANT	155,544,552	151,819,583
 <b>OTHER ASSETS AND INVESTMENTS:</b>		
Investments and memberships	15,441,796	14,687,565
Non-utility property, net of accumulated depreciation	390,103	398,994
Deferred retirement benefit	1,243,255	1,332,059
TOTAL OTHER ASSETS AND INVESTMENTS	17,075,154	16,418,618
 <b>CURRENT ASSETS:</b>		
Cash and temporary cash investments	2,983,116	2,688,657
Accounts receivable, less allowance for doubtful accounts of \$270,566 and \$275,000 in 2018 and 2017, respectively	9,148,697	9,502,400
Materials and supplies	3,936,584	4,315,599
Prepaid expenses and other current assets	1,081,933	316,838
TOTAL CURRENT ASSETS	17,150,330	16,823,494
DEFERRED DEBITS	9,411,458	10,036,793
TOTAL ASSETS	\$ 199,181,494	\$ 195,098,488

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES:</b>		
Memberships	\$ 148,810	\$ 140,420
Patronage capital	38,440,152	33,883,988
Other equities	1,208,101	914,723
<b>TOTAL EQUITIES</b>	<b>39,797,063</b>	<b>34,939,131</b>
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES:</b>		
Mortgage notes to CoBank	20,427,817	21,560,926
Mortgage notes to Federal Financing Bank	112,732,974	114,620,950
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	2,943,043	3,233,157
<b>TOTAL LONG-TERM DEBT</b>	<b>136,103,834</b>	<b>139,415,033</b>
<b>OTHER NON-CURRENT LIABILITIES</b>		
Accrued Postretirement benefits other than pensions and deferred compensation	1,026,372	1,110,395
Deferred compensation	737,353	854,520
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<b>1,763,725</b>	<b>1,964,915</b>
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	4,280,950	4,207,031
Line of credit	3,900,000	250,000
Accounts payable:		
Purchased power	3,900,073	2,961,966
Other	2,799,919	1,923,454
Refundable power costs	2,161,702	3,491,874
Customer deposits and prepayments	663,471	664,754
Accrued interest	98,977	973,359
Accrued vacation and sick pay	1,284,700	1,466,402
Accrued taxes and other current liabilities	2,427,080	2,840,569
<b>TOTAL CURRENT LIABILITIES</b>	<b>21,516,872</b>	<b>18,779,409</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<b>\$ 199,181,494</b>	<b>\$ 195,098,488</b>

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF REVENUE**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	% Of Operating Revenue
OPERATING REVENUES	\$ 82,266,338	100.00
OPERATING EXPENSES:		
Cost of power – produced	4,377,806	5.32
Cost of power – purchased	35,963,035	43.72
Cost of goods sold	-	-
Transmission	7,824,684	9.51
Distribution – operations	3,156,038	3.84
Distribution – maintenance	6,060,880	7.37
Customer accounts	2,315,002	2.81
Customer service and information	1,363,516	1.66
Sales expense	99,763	0.12
Administrative and general	4,504,695	5.48
Depreciation and amortization	6,550,064	7.96
Taxes – property	2,780,887	3.38
Taxes – other	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>74,996,370</b>	<b>91.16</b>
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	<b>7,269,968</b>	<b>8.84</b>
FIXED CHARGES:		
Interest on long-term debt	4,369,872	5.31
Other interest	136,443	0.17
<b>TOTAL FIXED CHARGES</b>	<b>4,506,315</b>	<b>5.48</b>
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	<b>2,763,653</b>	<b>3.36</b>
<b>CAPITAL CREDITS</b>	<b>398,824</b>	<b>0.48</b>
<b>NET OPERATING MARGINS</b>	<b>3,162,477</b>	<b>3.84</b>
NON-OPERATING MARGINS:		
Interest	262,521	0.32
Other	1,017,790	1.24
Gain (loss) on disposal of fixed assets	-	-
<b>TOTAL NON-OPERATING MARGINS</b>	<b>1,280,311</b>	<b>1.56</b>
<b>NET MARGINS</b>	<b>\$ 4,442,788</b>	<b>5.40</b>

The accompanying notes are an integral part of these statements.

<u>2017</u>	<u>% Of Operating Revenue</u>
<u>\$ 77,953,172</u>	<u>100.00</u>
4,261,321	5.47
32,060,298	41.13
733,428	0.94
7,418,390	9.52
3,027,813	3.88
5,474,310	7.02
2,129,356	2.73
1,346,663	1.73
122,173	0.16
4,670,993	5.99
6,414,443	8.23
2,787,844	3.58
7,416	0.01
<u>70,454,448</u>	<u>90.38</u>
<u>7,498,724</u>	<u>9.62</u>
4,493,046	5.76
51,632	0.07
<u>4,544,678</u>	<u>5.83</u>
2,954,045	3.79
425,304	0.55
<u>3,379,349</u>	<u>4.34</u>
241,125	0.31
965,458	1.24
(594,899)	-0.76
<u>611,684</u>	<u>0.78</u>
<u>\$ 3,991,033</u>	<u>5.12</u>



**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**STATEMENT OF EQUITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Memberships	Patronage capital	Other equities	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2017	\$ 132,330	\$ 29,318,364	\$ 1,938,284	\$ (517,314)	\$ 30,871,664
Adjustment for SFAS No. 158				91,474	91,474
Memberships issued	8,090				8,090
Other equity transactions			44,497		44,497
Retirement of capital credits		(67,627)			(67,627)
Current year margins		4,633,251	(642,218)		3,991,033
Balance, December 31, 2017	140,420	33,883,988	1,340,563	(425,840)	34,939,131
Adjustment for SFAS No. 158					
Memberships issued	8,390				8,390
Other equity transactions		152,853	293,378		446,231
Retirement of capital credits		(39,477)			(39,477)
Current year margins		4,442,788			4,442,788
Balance, December 31, 2018	<u>\$ 148,810</u>	<u>\$ 38,440,152</u>	<u>\$ 1,633,941</u>	<u>\$ (425,840)</u>	<u>\$ 39,797,063</u>

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 82,656,915	\$ 76,787,716
Cash paid to suppliers and employees	(66,546,114)	(58,015,614)
Interest received	262,521	241,117
Interest paid	(5,380,697)	(4,490,888)
Taxes paid	(2,910,749)	(2,644,205)
	<u>8,081,876</u>	<u>11,878,126</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Construction and acquisition of plant	(7,901,786)	(7,644,212)
Plant removal costs	(2,007,142)	(1,810,893)
(Increase) decrease in:		
Materials inventory	379,015	(851,452)
Investments in associated organizations	289,296	114,078
	<u>(9,240,617)</u>	<u>(10,192,479)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term borrowings	-	6,000,000
Line of credit borrowing (Payment) - Net	3,650,000	(4,200,000)
Retirement of patronage capital credits	(39,477)	(67,627)
Donated capital & sales tax refunds	446,231	(44,497)
Payments on debt	(4,882,633)	(3,983,785)
Use of cushion of credit	1,645,354	(84,866)
Decrease (increase) in deferred debits	625,335	585,335
Memberships issued, net	8,390	8,090
	<u>1,453,200</u>	<u>(1,787,350)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>294,459</b>	<b>(101,703)</b>
<b>CASH AND TEMPORARY CASH INVESTMENTS, beginning</b>	<b>2,688,657</b>	<b>2,790,360</b>
<b>CASH AND TEMPORARY CASH INVESTMENTS, ending</b>	<b>\$ 2,983,116</b>	<b>\$ 2,688,657</b>

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
(Continued)

	2018	2017
<b>RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net margins	\$ 4,442,788	\$ 3,991,033
Adjustments to reconcile net margins to net cash provided by Operating activities:		
Depreciation and amortization	6,550,064	6,289,192
Capital credits	(398,824)	(412,393)
Loss (Gain) on the sale of fixed assets	16,415	(4,299)
Loss on investment in wholly-owned subsidiary	-	642,218
Earnings on investment in associated organization	(1,018,333)	(998,361)
(Increase) decrease in:		
Customer and other accounts receivable	353,703	152,324
Current & accrued assets - other	(676,291)	182,247
Refundable power costs	(1,330,172)	1,528,605
Increase (decrease) in:		
Accounts payable, net of capital items	1,814,573	387,791
Accrued interest payable	(874,382)	(15,625)
Current and accrued liabilities – other	(596,475)	71,780
Accrued postretirement benefits other than pensions	(201,190)	63,614
Total adjustments	3,639,088	7,887,093
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 8,081,876</b>	<b>\$ 11,878,126</b>

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 14):

The accompanying notes are an integral part of these statements.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the accounting policies adopted by Cloverland Electric Cooperative, Inc. which have a significant effect on the financial statements.

Nature of Operations

Cloverland Electric Cooperative is a member-owned, not-for-profit corporation whose purpose is to provide electric service to its members. As a cooperative, all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Electric Plant

Additions, with a life expectancy of more than one year, are recorded at cost, less contributions in aid of construction received from customers. As items are retired or otherwise disposed of, the asset account is credited for the cost and the accumulated depreciation account is charged. The cost of removal less salvage is also charged to the accumulated depreciation account.

Revenue

Cloverland records revenue monthly, as billed, on the basis of automated meter readings. Automated readings can be taken at any time, and the actual receivable due at the end of the period can be booked with certainty. A small number of accounts are billed based on manual meter readings. Cloverland's accounts receivable balance, found on their balance sheet, includes amount for revenues accrued but not billed as of year-end.

Cloverland continually reviews its customer's creditworthiness and requests deposits and refunds based on that review. Cloverland's three largest customers accounted for approximately 9.11% of total revenues in 2018.

Concentration of Credit Risk

Cloverland maintains allowances for potential credit losses and, historically, such losses have been within management's estimates.

Investments

The carrying values of investments in associated organizations are stated at cost, adjusted for capital credits earned or retired. Investments related directly to deferred compensation obligations are carried at market value and changes in market value are recorded as changes in the related liability.

Regulation

In 2015, Cloverland elected to become self-regulated under PA 167 of 2010. Accounting and rate matters became subject to the Board of Directors and membership approval beginning January, 2016.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less. Certificates of deposit and commercial paper with maturities between 90 days and one year are classified as short-term investments and stated at cost, which approximates market value. Certificates of deposit and commercial paper with maturities beyond one year are classified as other investments and stated at cost, which approximates market value.

Accounts receivable

Accounts receivable consist primarily of amounts due from members for electric service. An allowance for doubtful accounts has been estimated based on collection history. When a member's account becomes past due and uncollectible, the member's service is terminated.

Materials and Supplies

Electrical materials and supplies are valued at the lower of market value or average unit cost. Merchandise held for resale is valued on the first-in, first-out basis.

Advertising

The cost of advertising is expensed as incurred.

Retirement Plan

Cloverland has a retirement plan and a savings plan for substantially all employees. Under the terms of the savings plan, Cloverland is required to contribute 8 percent of the employee's base annual earnings to the plan for non-union employees. Union employees receive an employer match based on the amount of the employees' contribution.

Contributions in Aid of Construction

Contributions in aid of construction are received from customers on electrical installations and re-applied against the construction costs.

Income Taxes

The Cooperative is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part that the Cooperative derive at least 85 percent of its annual gross income from members to retain the exemption. The Cooperative expects to meet the requirements for the tax year ended December 31, 2018. Accordingly, no provision for income taxes has been made in the financial statements. The Cooperative's federal information returns for Calendar year 2014 and after are subject to examination by the Internal Revenue Service.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: ELECTRIC PLANT AND DEPRECIATION RATES AND PROCEDURES**

Major classes of electric plant as of December 31, 2018 and 2017 consisted of:

	<u>2018</u>	<u>2017</u>
Intangible plant	\$ 7,508,661	\$ 7,508,661
Distribution plant	145,727,003	143,329,658
Generation plant	30,401,847	25,332,590
Transmission plant	83,442	83,442
General plant	<u>18,571,108</u>	<u>18,325,802</u>
	202,292,061	194,580,153
Construction work in progress	<u>3,516,568</u>	<u>3,317,475</u>
<b>TOTAL</b>	<u><u>\$ 205,808,629</u></u>	<u><u>\$ 197,897,628</u></u>

Provision has been made for depreciation of the distribution plant, generation plant and transmission plant at straight-line composite rates of 2.8, 3.0 and 2.7 percent per annum for the years ended December 31, 2018 and 2017.

General and generation plant depreciation rates have been applied on a straight-line basis and were as follows for the years ended December 31, 2018 and 2017:

	<u>Life Range in Years</u>
Structures and improvements	5 – 50
Office furniture	3 – 20
Transportation equipment	5 – 14
Power operated equipment	3 – 15
Other general plant	3 – 15
Communications equipment	5 – 10
Other generation plant	10 – 33

Depreciation charges for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Charged to:		
Depreciation on electric plant in service	\$ 5,818,676	\$ 5,557,803
Other depreciation and amortization	<u>731,389</u>	<u>731,389</u>
	6,550,064	6,289,192
Charged to other expenses	39,874	78,878
Capitalized	<u>146,194</u>	<u>152,409</u>
<b>TOTAL DEPRECIATION</b>	<u><u>\$ 6,736,132</u></u>	<u><u>\$ 6,520,479</u></u>

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: INVESTMENTS AND MEMBERSHIPS**

Investments consisted of the following as of December 31, 2018 and 2017:

	2018	2017
National Rural Utilities Cooperative Finance Corporation:		
Capital term and zero term certificates maturing through 2080, interest rates between 0% and 5%	\$ 772,539	\$ 772,539
Long-term certificates maturing through 2030 at an interest rate of 3%	48,000	48,000
Patronage capital credits	302,092	298,566
American Transmission Company, LLC	11,791,338	11,029,467
Federated Rural Electric Ins. Co.	497,500	451,643
CoBank	581,079	555,983
Section 457 plan investments	737,353	854,520
Other	710,895	676,847
TOTAL	\$ 15,440,796	\$ 14,687,565

The Cooperative holds a .611% ownership interest in American Transmission Company, LLC; a partnership. The investment at December 31, 2018 and 2017 is \$11,791,338 and \$11,029,467, respectively.

**NOTE 4: CASH AND CASH EQUIVALENTS**

Statements of Financial Accounting Standards (SFAS) No. 105 require disclosure of significant concentrations of credit risk arising from cash deposits in excess of federally insured limits. The details of these amounts are as follows:

	Per Institution
Insured	\$ 604,914
Uninsured	3,924,057
Total deposits at banks	4,528,971
In transit items	(1,549,406)
	2,979,565
Working funds	3,150
Money market funds and other special funds	400
Total Cash	\$ 2,983,116

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: PATRONAGE CAPITAL**

Patronage capital balances as of December 31, 2018 and 2017 consisted of:

	<u>2018</u>	<u>2017</u>
Amounts assignable	\$ 4,595,641	\$ 4,633,251
Prior Assigned	<u>50,494,191</u>	<u>45,860,940</u>
	55,089,832	50,494,191
Less retirements to date	<u>16,649,680</u>	<u>16,610,203</u>
Balance	<u>\$ 38,440,152</u>	<u>\$ 33,883,988</u>

In accordance with 7 CFR 1717.617, published in the Federal Register on December 29, 1995, RUS approval is already given for distribution borrowers declaring or paying patronage capital retirements if the following requirements are met: after the distribution, the borrower's equity is equal to/or greater than 30 percent of its total assets; the borrower is current on all payments due on all notes secured under the mortgage; the borrower is not in default under its loan documents; and after distribution, the borrower's current and accrued assets will not be less than its current and accrued liabilities. Additionally, approval from CFC is not necessary, if the cooperatives equity position immediately following the refund is greater than the 20 percent minimum mentioned in the CFC Mortgage. Cloverland's board of directors voted not to retire patronage capital credits in 2018.

The equities and margins of Cloverland represent 19.98% and 17.91% of the total assets at December 31, 2018 and 2017, respectively. The borrower is current on all payments due and is not in default under its loan documents.

**NOTE 6: OTHER EQUITIES**

Other equities consisted of the following for the years ending December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pre-1978 non-operating margins	\$ 49,495	\$ 49,495
Sales tax refunds on patronage capital	160,217	50,521
Capital gains	11,254	11,254
Donated capital	790,311	606,629
Non-assignable margins	(262,133)	(262,133)
Non-refundable capital	<u>884,797</u>	<u>884,797</u>
TOTAL	<u>\$ 1,633,941</u>	<u>\$ 1,340,563</u>



**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: MORTGAGE NOTES**

Long-term debt is composed of 1.576% to 4.50% mortgage notes payable to the Federal Financing Bank, National Rural Utilities Cooperation Finance Corporation, CoBank, and Freddie Mac. The notes are scheduled to be fully repaid at various times from 2020 through 2047.

Detail of the long-term debt is as follows:

	2018	2017
Federal Financing Bank notes bearing interest at 1.576% to 3.587% per annum, with final maturity ranging from 2045 to 2047.	\$ 115,594,930	\$ 119,067,128
CoBank notes bearing interest at 2.32% to 3.84% per annum, with final maturity ranging from 2022 to 2041.	21,560,925	22,656,700
National Rural Utilities Cooperation Finance Corporation notes bearing interest at 4.5% per annum, payable in quarterly installment to the year 2032.	1,243,927	1,309,544
Notes payable to Freddie Mac in quarterly installments, including interest at 3.409% per annum, with final maturity ranging from 2020 to 2034. Secured by substantially all assets.	1,989,230	2,238,274
	140,389,012	145,271,646
Less:		
RUS Cushion of credit	4,228	1,649,582
Current maturities	4,280,950	4,207,031
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 136,103,834</b>	<b>\$ 139,415,033</b>

Unadvanced loan funds were available to Cloverland on the loan commitments from FFB in the amount of \$15,050,082 for 2018 and \$19,759,000 for 2017.

Maturities of long-term debt for each of the next five years are as follows:

2019	\$ 4,280,950
2020	4,406,865
2021	4,470,652
2022	4,569,793
2023	3,452,901

The loan agreement requires certain financial ratios to be met in the operation and management of its business. The company did meet these ratio requirements for 2018 and 2017.

**NOTE 8: ASSETS PLEDGED**

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

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: LINE OF CREDIT**

The Cooperative has available a line of credit with CoBank in the amount of \$10,000,000 for 2018. The Cooperative had an outstanding balance of \$0 for 2018 and \$0 in 2017. Interest at December 31, 2018 was charged at 3.97%.

The Cooperative has another available a line of credit with CFC in the amount of \$19,500,000 for 2018. The Cooperative had an outstanding balance of \$3,900,000 for 2018 and \$250,000 in 2017. Interest at December 31, 2018 was charged at 3.35%.

**NOTE 10: DEFERRED DEBITS AND CREDITS**

The balance of the regulatory pension asset was \$8,248,417 at December 31, 2018 and \$8,798,311 at December 31, 2017. The Cooperative has concluded that substantially all of the unrecognized costs resulting from the recognition of the funded status of the pension and OPEB plans qualify as a regulatory asset.

As a result of a plan amendment, Cloverland will pay NRECA Retirement Security Plan a sum of \$1,357,935, for past service credit, which is to be amortized over 18 years. The balance at December 31, 2018 was \$1,163,041 and \$1,238,482 at December 31, 2017.

**NOTE 11: PARTICIPATION IN THE RETIREMENT SECURITY PLAN**

**Narrative Description** - 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.

**Plan Information** – Cloverland's contributions to the RS Plan in 2018 and in 2017 represented less than 5 percent of the total contributions made to the plan by all participating employers. Cloverland made contributions to the plan of \$1,444,033 in 2018 and \$1,344,297 in 2017. There have been no significant changes that affect the comparability of 2018 and 2017 contributions.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11: PARTICIPATION IN THE RETIREMENT SECURITY PLAN – continued**

**RS Plan Prepayment Option** - At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period. For the RS Plan 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 Pension Protection Act (PPA) funding target and actuarial value of assets on those dates.

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

**Retirement Savings Plan for Employees-** The Cooperative offers selective retirement savings plans to employees. The plans are offered to employees, pursuant to Section 401(k) of the Internal Revenue Code. The Cooperative and employees make contributions to the employees' accounts. The Cooperative's contributions are equal to the amounts reflected as an expense in the financial statements. The Cooperative contributed approximately \$562,858 and \$557,957 during 2018 and 2017, respectively. Employees vest immediately in their contributions and in the contributions made by the Cooperative.

**NOTE 12: NON-CASH INVESTING AND FINANCING ACTIVITIES**

Non-cash investing activities for 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Patronage capital allocated	\$ 398,824	\$ 412,393
Capitalized depreciation	146,194	152,409

**CLOVERLAND ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13: LEASES AND POWER PURCHASE AGREEMENTS**

The Cooperative's primary source of generation is its 30-megawatt hydroelectric-generating plant located on the St. Marys River in Sault Ste. Marie, Michigan. The water for this facility is leased under a contract with the United States Corps of Engineers with tenure to December 31, 2075. However, the Secretary of the Army has the right to terminate the contract subsequent to December 2050 by providing at least a five-year termination notice. No such notice can be given prior to December 31, 2045. The Cooperative pays for all water taken from the St. Marys River at predetermined rates with a minimum annual payment of \$200,000. Rentals under this contract were \$1,510,386 and \$1,491,251 in 2018 and 2017, respectively. The total flow of water taken out of Lake Superior, which in effect is the flow of water in the St. Marys River, is under the direction and control of the International Joint Commission, created by the Boundary Water Treaty of 1909 between the United States and Great Britain, now represented by Canada.

Hydroelectric generation is also purchased by Cloverland under contract from the United States Corps of Engineers' hydroelectric-generating plant located within the Soo Locks complex on the St. Marys River in Sault Ste. Marie, Michigan. This 17-megawatt contract has tenure to November 1, 2040, and cannot be terminated by the United States Government prior to November 1, 2030. Payments under the contract were \$1,640,834 and \$1,458,833 in 2018 and 2017, respectively, with modifications to such payments for power outages and the cost of designated repairs in excess of the federal share of such costs.

**NOTE 14: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

The plan sponsored by the cooperative is an unfunded defined benefit post-retirement plan that covers all employees who were hired before October 1, 1995, and who retire after the attainment of age 60 and completion of 15 years of service. Spouses of pensioners are included, with coverage continuing to the spouse after the pensioner's death. Employees of the cooperative as of October 1, 1995 had the option to participate in the defined benefit post-retirement health insurance plan or have a Rabbi trust established in their name (see below). The Actuarial calculated amount of liability has been recounted as expense in prior years.

The plan's net periodic postretirement benefit cost include the following components:

<b>Components of Benefit Cost</b>	2018	2017
Service Cost	\$ -	\$ -
Interest Cost	32,307	34,952
Amortization of prior service cost	-	-
Amortization of transition obligation	-	-
Recognition of net Gain/loss	23,739	23,963
Net periodic post-retirement benefit cost	\$ 56,046	\$ 58,915

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS – continued**

The following table sets forth the plan funded status and amounts reported on the Cooperative's balance sheets:

<b>Change in Benefit Obligation</b>	2018	2017
Benefit obligation at beginning of year	\$ 1,110,395	\$ 1,255,633
Beginning of year actuarial adjustment	-	-
Interest cost	32,307	34,952
Decrease due to change in assumptions	-	(2,816)
Net actuarial loss/(gain) for the prior year	-	(64,706)
Benefits paid	(116,330)	(112,668)
Benefit obligation at end of year	\$ 1,026,372	\$ 1,110,395
 <b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contributions	116,330	112,678
Benefits paid	(116,330)	(112,678)
<b>Fair value of plan assets at end of year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Recognized Benefit Obligation</b>	<b>\$ (1,026,372)</b>	<b>\$ (1,110,395)</b>
<b>Amounts Recognized in Accumulated Other Comprehensive Loss</b>	<b>\$ 425,840</b>	<b>\$ 425,840</b>

For measurement purposes a 5.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2018 and 2017.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 3.25 percent.

Expected benefit payments are \$112,052 for 2019, \$107,336 for 2020, \$102,245 for 2021, \$94,828 for 2022, and \$368,835 for the following five years.

A Rabbi Trust was established for the employees who were hired before October 1, 1995 and who elected not to be covered by the Cooperatives post-retirement health insurance. Some employees elected the total buyout under this option. The buyout costs were expensed when paid. The Rabbi Trust was fully funded at December 31, 2018.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15: DEFERRED COMPENSATION**

Cloverland has executive compensation plans for certain highly compensated employees and directors. The plans are designed in accordance with Section 457(b) of the Internal Revenue Code. The plan for highly compensated employees became effective in August, 2009, and the plan for directors became effective in May, 2000. The Cooperative maintains ownership of the related investments until benefits are distributed. Investment selections are made by the individual plan participants. Changes in value of the plan investments are recognized as an adjustment to deferred compensation liability. The amount of deferred compensation related to the plans at December 31, 2018 and 2017 was \$737,353 and \$854,520, respectively.

**NOTE 16: LETTERS OF CREDIT**

The Cooperative has a letter of credit outstanding to the Midwest Independent Transmission System Operator (MISO) for \$1,000,000 at December 31, 2018. This letter of credit is required in order to mitigate risk of loss in financial operations.

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

**St. Ignace division Remediation Project** – A decommissioned diesel-generating site located at the St. Ignace Division’s service center is currently being remediated for diesel fuel. The Michigan Department of Natural Resources and Environment (DNRE) is working with the Cooperative at the site. The cost of monitoring and remediation was \$8,686 and \$18,630, for the years ended December 31, 2018 and 2017, respectively. At this time, we cannot reasonably estimate future monitoring and remediation expenses.

***Dasho v Cloverland Electric Cooperative*** - On July 23, 2018, Cloverland terminated its President and Chief Executive Officer. On November 29, 2018 this individual filed a complaint in the Chippewa County Circuit Court alleging the termination was not for cause and is therefore owed liquidated damages according to the termination provisions of a purported employment contract. On January 8, 2019, Cloverland filed a counterclaim requesting the Court find the purported employment contract not a valid and binding contract. Mediation of this matter is ongoing and Cloverland does not expect this matter to have a material impact on our financial statements.

**NOTE 18: RECLASSIFICATION OF AMOUNTS**

Certain amounts previously reported have been reclassified to conform to the 2018 presentation.

**NOTE 19: SUBSEQUENT EVENTS**

Cooperative management has evaluated the impact of subsequent events as they relate to the financial statements through March 4, 2019, the date the financial statements were available to be issued.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Cloverland Electric Cooperative, Inc.  
Dafter, Michigan

We 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 Cloverland Electric Cooperative, Inc., and have issued our report thereon dated March 4, 2019

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cloverland Electric 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cloverland Electric Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cloverland Electric 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether Cloverland Electric Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harris Group CPA's*

Traverse City, MI  
March 4, 2019





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF  
CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS  
FOR ELECTRIC BORROWERS**

Board of Directors  
Cloverland Electric Cooperative, Inc.  
Dafer, MI

We have audited, 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, the financial statements of Cloverland Electric Cooperative, which comprise the balance sheet as of December 31, 2018, and related statements of revenue and patronage capital, changes in cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2019. In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019 on our consideration of Cloverland Electric Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Cloverland Electric Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2015, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Cloverland Electric Cooperative noncompliance with the above-referenced items, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters.

In connection with our audit, we noted no matters regarding Cloverland Electric Cooperative's accounting and records to indicate they did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease and transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Harris Group CPA's*

Traverse City, MI  
March 4, 2019