

MAR 20 2019

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

REGULATED ENERGY BORROWER DESIGNATION

MI0020

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

PERIOD ENDED December, 2018 (Prepared with Audited Data)

BORROWER NAME Alger-Delta Co-Operative Electric Association

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.

Thomas Harrell

2/27/2019

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	15,009,406	15,006,047	14,914,262	1,335,623
2. Power Production Expense				
3. Cost of Purchased Power	6,870,018	6,910,281	6,705,606	679,047
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	645,857	651,962	672,444	55,591
7. Distribution Expense - Maintenance	2,217,717	2,037,256	2,049,070	248,156
8. Customer Accounts Expense	321,632	314,733	358,770	25,769
9. Customer Service and Informational Expense	9,512	10,899	9,943	775
10. Sales Expense				
11. Administrative and General Expense	1,113,893	1,083,026	1,233,055	75,984
12. Total Operation & Maintenance Expense (2 thru 11)	11,178,629	11,008,157	11,028,888	1,085,322
13. Depreciation and Amortization Expense	1,615,226	1,661,859	1,638,871	138,661
14. Tax Expense - Property & Gross Receipts	482,491	490,422	469,056	48,334
15. Tax Expense - Other				
16. Interest on Long-Term Debt	1,065,346	1,090,936	1,057,273	93,320
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other				
19. Other Deductions	45	334	3,600	20
20. Total Cost of Electric Service (12 thru 19)	14,341,737	14,251,708	14,197,688	1,365,657
21. Patronage Capital & Operating Margins (1 minus 20)	667,669	754,339	716,574	(30,034)
22. Non Operating Margins - Interest	169,329	242,079	167,520	20,539
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	117,068	118,104	102,509	29,169
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	200,430	202,368	181,551	33,709
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,154,496	1,316,890	1,168,154	53,383

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0020		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2018		
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	66	75	5. Miles Transmission		
2. Services Retired	142	158	6. Miles Distribution – Overhead	998.03	998.11
3. Total Services in Place	11,237	11,296	7. Miles Distribution - Underground	301.98	303.45
4. Idle Services (Exclude Seasonals)	572	585	8. Total Miles Energized (5 + 6 + 7)	1,300.01	1,301.56
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	53,319,922		30. Memberships	80,923	
2. Construction Work in Progress	1,971,580		31. Patronage Capital	596,288	
3. Total Utility Plant (1 + 2)	55,291,502		32. Operating Margins - Prior Years	14,200,911	
4. Accum. Provision for Depreciation and Amort.	18,095,145		33. Operating Margins - Current Year	754,337	
5. Net Utility Plant (3 - 4)	37,196,357		34. Non-Operating Margins	562,551	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	21,174	
7. Investments in Subsidiary Companies	0		36. Total Margins & Equities (30 thru 35)	16,216,184	
8. Invest. in Assoc. Org. - Patronage Capital	396,635		37. Long-Term Debt - RUS (Net)	0	
9. Invest. in Assoc. Org. - Other - General Funds	0		38. Long-Term Debt - FFB - RUS Guaranteed	12,478,044	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	455,313		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	0		40. Long-Term Debt Other (Net)	14,426,194	
12. Other Investments	1,365,846		41. Long-Term Debt - RUS - Econ. Devel. (Net)	0	
13. Special Funds	0		42. Payments – Unapplied	4,600,000	
14. Total Other Property & Investments (6 thru 13)	2,217,794		43. Total Long-Term Debt (37 thru 41 - 42)	22,304,238	
15. Cash - General Funds	901,862		44. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	73		45. Accumulated Operating Provisions and Asset Retirement Obligations	0	
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44 + 45)	0	
18. Temporary Investments	0		47. Notes Payable	0	
19. Notes Receivable (Net)	0		48. Accounts Payable	1,060,328	
20. Accounts Receivable - Sales of Energy (Net)	664,280		49. Consumers Deposits	173,665	
21. Accounts Receivable - Other (Net)	185,652		50. Current Maturities Long-Term Debt	1,334,965	
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development	0	
23. Materials and Supplies - Electric & Other	417,775		52. Current Maturities Capital Leases	0	
24. Prepayments	100,136		53. Other Current and Accrued Liabilities	698,345	
25. Other Current and Accrued Assets	3,437		54. Total Current & Accrued Liabilities (47 thru 53)	3,267,303	
26. Total Current and Accrued Assets (15 thru 25)	2,273,215		55. Regulatory Liabilities	0	
27. Regulatory Assets	0		56. Other Deferred Credits	323,381	
28. Other Deferred Debits	423,740		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	42,111,106	
29. Total Assets and Other Debits (5+14+26 thru 28)	42,111,106				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2018

PART D. NOTES TO FINANCIAL STATEMENTS

Part C Assets and Other Debits, Line 25 - \$3,437 Accrued Interest on NRUCFC CTC Certificate = \$3,437

Part C Assets and Other Debits, Line 28 - \$423,740 2018-2021 Construction Work Plan Costs = \$161,048 Cooperative participated in 2013 NRECA R&S Prepayment option. This prepaid expense shall be amortized over a 10 year period which represents the coops average age of its workforce as provided by NRECA form the Cooperatives normal retirement age. = \$262,691

Part C Liabilities and Other Credits, Line 50 - \$1,334,965 NRUCFC = \$121,466 FFB = \$316,335 CoBank = \$897,164

Part C Liabilities and Other Credits, Line 53 - \$698,345 Accrued Property Tax = \$309,378 Accrued Sales Tax = \$38,727 MI Low income Tax = \$9,258 Renewable Energy Blocks = \$150 Accrued LTD Interest CFC = \$4,776 Accrued LTD Interest CoBank = \$51,491 State Withholding Payable = \$4,165 Accrued Payroll = \$62,801 Accrued Vacation = \$151,508 Accrued Sick Leave = \$46,982 Accrued cost of CPA = \$19,000 Accrued Federal Unemployment Tax = \$17 Accrued State Unemployment Tax = \$88

Part C Liabilities and Other Credits, Line 56 - \$323,381 Advance Construction Deposits = \$78,613 Consumer Energy Prepayments=\$77,020 MI EO Program = \$22,673 Installation Costs = \$145,074

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2018
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0020 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	49,203,945	1,508,458	483,136		50,229,267		
2. General Plant	2,036,158	371,596	264,947		2,142,807		
3. Headquarters Plant	944,862	2,983	0		947,845		
4. Intangibles	0				0		
5. Transmission Plant	0				0		
6. Regional Transmission and Market Operation Plant	0				0		
7. All Other Utility Plant	0				0		
8. Total Utility Plant in Service (1 thru 7)	52,184,965	1,883,037	748,083		53,319,919		
9. Construction Work in Progress	1,595,066	376,513			1,971,579		
10. Total Utility Plant (8 + 9)	53,780,031	2,259,550	748,083		55,291,498		
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	320,500	650,380		521,527		(31,577)	417,776
2. Other	0						0
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	1.335	1.030	1.000	70.880	74.245		
2. Five-Year Average	8.990	41.870	0.000	65.360	116.220		
PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS							
1. Number of Full Time Employees	15	4. Payroll - Expensed			820,565		
2. Employee - Hours Worked - Regular Time	33,177	5. Payroll - Capitalized			201,296		
3. Employee - Hours Worked - Overtime	4,110	6. Payroll - Other			458,781		
PART I. PATRONAGE CAPITAL							
ITEM	DESCRIPTION		THIS YEAR (a)	CUMULATIVE (b)			
1. Capital Credits - Distributions	a.	General Retirements	542,270	2,335,076			
	b.	Special Retirements	78	462,744			
	c.	Total Retirements (a + b)	542,348	2,797,820			
2. Capital Credits - Received	a.	Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power					
	b.	Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System					
	c.	Total Cash Received (a + b)					
PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE							
1. Amount Due Over 60 Days	\$	14,568	2. Amount Written Off During Year	\$	15,864		
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					BORROWER DESIGNATION				
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION					MI0020				
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 Public Power Inc	20858	MI EO	Wind	85,900,489	6,910,281	8.04		
	Total				85,900,489	6,910,281	8.04		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0020	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2018	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0020	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2018	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0020	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2018	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/13/2018	2. Total Number of Members 8,914	3. Number of Members Present at Meeting 332	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 843	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 78,318	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0020		
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	922,076	62,277	131,215	193,492
3	CoBank, ACB	13,504,118	626,644	895,472	1,522,116
4	Federal Financing Bank	12,478,045	396,411	287,638	684,049
5	RUS - Economic Development Loans				
6	Payments Unapplied	4,600,000			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	22,304,239	1,085,332	1,314,325	2,399,657

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0020		
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	5,196	5,254	
	b. kWh Sold			39,851,864
	c. Revenue			7,478,748
2. Residential Sales - Seasonal	a. No. Consumers Served	4,334	4,253	
	b. kWh Sold			9,435,164
	c. Revenue			2,678,136
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	505	509	
	b. kWh Sold			13,470,606
	c. Revenue			2,135,872
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	1	1	
	b. kWh Sold			14,218,587
	c. Revenue			2,486,800
6. Public Street & Highway Lighting	a. No. Consumers Served	26	30	
	b. kWh Sold			323,358
	c. Revenue			64,498
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		10,062	10,047	
11. Total kWh Sold (lines 1b thru 9b)				77,299,579
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				14,844,054
13. Transmission Revenue				
14. Other Electric Revenue				161,992
15. kWh - Own Use				
16. Total kWh Purchased				85,900,489
17. Total kWh Generated				
18. Cost of Purchases and Generation				6,910,281
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				15,708

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE				BORROWER DESIGNATION MI0020		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION				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)	335	47,390	1,180	4,300	370,882	9,189
2. Residential Sales - Seasonal	264	37,235	927	2,484	187,717	4,125
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	13	9,391	775	95	183,929	4,353
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting				14	488	2
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	612	94,016	2,882	6,893	743,016	17,669

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0020			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		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 I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	NRUCFC		443,381	13,854	
	CUSHION OF CREDIT			228,171	X
	COBANK		201,844		
	NISC	60,246			
	RESCO	127,867			
	NRUCFC MEMBERSHIP		1,000		
	CRC MEMBERSHIP	2,501			
	NISC MEMBERSHIP	2,412			
	CRC	11,699			
	COBANK MEMBERSHIP		1,000		
	Totals	204,725	647,225	242,025	
4	Other Investments				
	FEDERATED	81,612			
	ATC	1,284,234			
	Totals	1,365,846			
6	Cash - General				
	CASH	651,862	250,000		
	Totals	651,862	250,000		
9	Accounts and Notes Receivable - NET				
	ACCOUNTS RECEIVABLE OTHER	185,652			
	Totals	185,652			
11	TOTAL INVESTMENTS (1 thru 10)	2,408,085	897,225	242,025	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		BORROWER DESIGNATION MI0020			
		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)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0020			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		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.					
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]					4.36 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				



Financial Statements
December 31, 2018 and 2017

Alger Delta Cooperative Electric Association

Alger Delta Cooperative Electric Association

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December 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Alger Delta Cooperative Electric Association, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, members' equity 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating 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 Alger Delta Cooperative Electric Association as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 on our consideration of Alger Delta Cooperative Electric Association'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 solely 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 effectiveness of Alger Delta Cooperative Electric Association's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alger Delta Cooperative Electric Association's internal control over financial reporting and compliance.

Report on Other legal and Regulatory Requirements

In accordance with the *Rural Utility Service's* requirements set forth in 7 CFR Part 1773, we have also issued a report dated March 14, 2019, on our consideration of Alger Delta Cooperative Electric Association's compliance with aspects of contractual agreements and regulatory requirements for electric borrowers. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of our procedures performed in accordance with *Rural Utility Service's* requirements In considering Alger Delta Cooperative Electric Association's compliance with certain regulatory requirements.

A handwritten signature in cursive script that reads "Erik Bailly LLP".

Fargo, North Dakota
March 14, 2019

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	2018	2017
Assets		
Electric Plant		
In service	\$ 53,319,923	\$ 52,184,968
Under construction	1,971,580	1,595,066
Total electric plant	55,291,503	53,780,034
Less accumulated depreciation	18,095,144	17,267,539
Electric plant - net	37,196,359	36,512,495
Other Assets and Investments		
Investments in associated organizations	851,949	829,875
Other investments	1,365,846	1,275,804
Total other assets and investments	2,217,795	2,105,679
Current Assets		
Cash and cash equivalents	901,935	2,823,319
Accounts receivable, less allowance for doubtful accounts and power cost adjustment (2018 - \$880,227; 2017 - \$835,055)	664,281	746,607
Accounts receivable - other	185,652	193,394
Materials and supplies	417,776	320,500
Prepayments	100,136	95,291
Interest receivable	3,437	3,469
Total current assets	2,273,217	4,182,580
Deferred Debits	423,739	466,423
Total Assets	\$ 42,111,110	\$ 43,267,177

See Notes to Financial Statements

Alger Delta Cooperative Electric Association

Balance Sheets

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Equities and Liabilities		
Equities		
Memberships	\$ 80,923	\$ 80,923
Patronage capital	15,517,802	14,742,548
Other equities	<u>617,462</u>	<u>508,716</u>
Total equities	<u>16,216,187</u>	<u>15,332,187</u>
Long-Term Liabilities		
Long-term debt, less current maturities	<u>22,304,240</u>	<u>24,142,682</u>
Current Liabilities		
Current maturities of long-term debt	1,334,965	1,314,325
Accounts payable	1,060,328	1,208,685
Accrued property taxes	361,783	351,129
Accrued payroll and vacation	261,291	245,295
Customer deposits	173,665	170,260
Accrued interest	56,267	60,215
Other	<u>19,004</u>	<u>18,500</u>
Total current liabilities	<u>3,267,303</u>	<u>3,368,409</u>
Deferred Credits	<u>323,380</u>	<u>423,899</u>
Total equities and liabilities	<u>\$ 42,111,110</u>	<u>\$ 43,267,177</u>

Alger Delta Cooperative Electric Association

Statements of Operations

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Electric sales	\$ 14,844,054	\$ 14,836,358
Other sales	161,992	173,049
	<u>15,006,046</u>	<u>15,009,407</u>
Operating Expenses		
Cost of power	6,910,281	6,870,018
Distribution - operation	651,962	683,344
Distribution - maintenance	2,037,257	2,180,235
Customer accounts	314,734	321,633
Customer service	10,899	9,512
Administrative and general	1,083,020	1,113,891
Depreciation and amortization	1,661,859	1,615,225
Taxes - property	490,422	482,491
Interest on long-term debt	1,090,937	1,065,346
Other	333	40
Total operating expenses	<u>14,251,704</u>	<u>14,341,735</u>
Operating Margins Before Capital Credits	754,342	667,672
Other Cooperative Capital Credits		
CoBank	148,143	157,072
Resco	16,386	8,475
CFC	6,276	6,960
Other associated companies and investments	31,563	27,923
Total other cooperative capital credits	<u>202,368</u>	<u>200,430</u>
Net Operating Margins	<u>956,710</u>	<u>868,102</u>
Non-Operating Margins		
Interest and investment income	352,619	277,699
Gain on disposal of assets	4,500	5,851
Other income, net	3,063	2,847
Total non-operating margins	<u>360,182</u>	<u>286,397</u>
Net Margins	<u>\$ 1,316,892</u>	<u>\$ 1,154,499</u>

Alger Delta Cooperative Electric Association
Statements of Members' Equity
Years Ended December 31, 2018 and 2017

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Other</u>	<u>Total</u>
Balance, December 31, 2016	\$ 80,923	\$ 14,161,372	\$ 374,608	\$ 14,616,903
Net margins	-	1,154,499	-	1,154,499
Retirement of capital credits	-	(573,323)	-	(573,323)
Unclaimed capital credits	<u>-</u>	<u>-</u>	<u>134,108</u>	<u>134,108</u>
Balance, December 31, 2017	80,923	14,742,548	508,716	15,332,187
Net margins	-	1,316,892	-	1,316,892
Retirement of capital credits	-	(541,638)	-	(541,638)
Unclaimed capital credits	<u>-</u>	<u>-</u>	<u>108,746</u>	<u>108,746</u>
Balance, December 31, 2018	<u>\$ 80,923</u>	<u>\$ 15,517,802</u>	<u>\$ 617,462</u>	<u>\$ 16,216,187</u>

Alger Delta Cooperative Electric Association

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Net margins	\$ 1,316,892	\$ 1,154,499
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation and amortization	1,866,095	1,854,083
Gain on sale of assets	(4,500)	(5,851)
Noncash patronage capital allocations	(306,428)	(343,923)
Changes in assets and liabilities		
Accounts receivable	90,068	(32,921)
Interest receivable	32	13,331
Prepaid expenses	(4,845)	3,362
Deferred debits	(19,126)	(39,338)
Accounts payable	(148,357)	339,086
Accrued taxes	10,654	17,758
Accrued interest	(3,948)	(3,728)
Other current liabilities	19,905	18,450
Deferred credits	(100,519)	217,107
Net Cash from Operating Activities	<u>2,715,923</u>	<u>3,191,915</u>
Investing Activities		
Construction and retirement costs	(2,885,539)	(2,554,340)
Purchase of general plant assets	(374,579)	(412,599)
Cash received from investments in associated organizations	194,406	212,899
Proceeds from sale of salvage property	8,363	13,023
Change in materials and supplies	(97,276)	(38,825)
Net Cash used for Investing Activities	<u>(3,154,625)</u>	<u>(2,779,842)</u>
Financing Activities		
Principal payments on long-term debt	(1,317,802)	(1,262,959)
Increase in cushion of credit	(1,500,000)	-
Proceeds from issuance of long-term debt	1,000,000	3,000,000
Member construction contributions received	768,012	240,537
Patronage capital retired	(432,892)	(439,215)
Net Cash (used for) from Financing Activities	<u>(1,482,682)</u>	<u>1,538,363</u>
Net Change in Cash and Cash Equivalents	(1,921,384)	1,950,436
Cash and Cash Equivalents at Beginning of Year	<u>2,823,319</u>	<u>872,883</u>
Cash and Cash Equivalents at End of Year	<u>\$ 901,935</u>	<u>\$ 2,823,319</u>

Alger Delta Cooperative Electric Association

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 1,094,885</u>	<u>\$ 1,069,074</u>
Increase in other equities due to unclaimed capital credits	<u>\$ 108,746</u>	<u>\$ 134,108</u>

Note 1 - Summary of Significant Accounting Policies

General

Alger Delta Cooperative Electric Association (Alger Delta or the Association), Gladstone, Michigan, a Michigan corporation, provides for the electric energy needs of its member-owners. Alger Delta's service area covers a six county region in the Upper Peninsula of Michigan.

Financial Statement Presentation

The Association is subject to the accounting and reporting rules and regulations of Rural Utility Service (RUS). The Association follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS.

Rates charged to consumers are established by the Board of Directors and are subject to approval by RUS and other regulatory and /or lending agencies.

As a result of the ratemaking process, the Association applies Accounting Standards Codification (ASC) 980, *Regulated Operations*. The application of generally accepted accounting principles by the Association differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Regulation

Under the authority of PA 167 of 2008, the Association is member-regulated for rate changes, billing practices, accounting standards, and terminations and connection of service. All other aspects of electric service continue to be regulated by the Michigan Public Service Commission. The Association's accounting policies and the accompanying financial statements, except as noted above, conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

Electric Plant and Retirements

Property and equipment are carried at cost less contributions in aid of construction. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. When units of general plant property that are specifically identifiable are retired, sold or otherwise disposed of in the ordinary course of business, their book cost less net salvage is recognized as a gain or loss. All other units of property, primarily distribution plant, that are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation

Depreciation for financial reporting purposes is determined by straight-line method based upon the estimated useful lives of the various classes of property.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in other cooperatives and associated organizations and other investments are stated at cost, including undistributed patronage capital allocations. The investments are increased by allocations and decreased by retirements. Management believes the carrying amounts of these investments at December 31, 2018 and 2017, included in investments in associated companies and other investments are not impaired.

Fair Value Measurements

The Association has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Association does not have any assets or liabilities subject to the level 1, 2, or 3 valuation as of December 31, 2018 and 2017 and does not anticipate participating in transactions of this type in the future.

Receivables and Credit Policies

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A trade receivable is considered to be past due if any portion of the receivable is outstanding for more than 30 days.

Materials and Supplies

Materials and supplies are stated at average cost.

Deferred Debits

Deferred debits consist primarily of engineering costs for future work plans and equipment clearing accounts. Engineering costs are amortized over the remaining term of the work plan. Clearing charges are spread to work orders based on equipment use for those work orders. Deferred debits also include a retirement security prepayment made to ensure proper funding of the Retirement Security Plan which is being amortized over a ten year period.

Patronage Capital

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

Revenue Recognition

Revenue is recorded in the accounting period during which the usage occurs.

Power Costs

Monthly billings from the wholesale power supplier for power costs are reflected in the financials statement to the end of the month.

Deferred Credits

Deferred credits consist primarily of customer advance payments made by consumers in connection with electric services, deferred installation costs on special equipment, and energy optimization grant funds.

Pension Costs

It is the policy of the Association to fund normal pension cost accrued.

Business and Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist primarily of temporary cash instruments and trade receivables. The Association provides electrical service on account to its members whom are located in the Upper Peninsula of Michigan. The Association has established policies for extending the credit based upon factors surrounding the credit risk of specified members, historical trends and other information. Concentrations of credit risk with respect to trade receivables from mining companies comprising approximately 16% and 17% of the balance as of December 31, 2018 and 2017, respectively.

The Association maintains its cash balances in two financial institutions located in the Upper Peninsula of Michigan. Such balances are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. The balances of those deposits may exceed the insurance coverage at various times during the year, therefore, the Association has received a pledge of collateral from the financial institution where the Association maintains its primary depository accounts.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Association expenses the costs of advertising as incurred.

Income Taxes

The Association is exempt from income taxes under Section 501(c)(12). The Association is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Association files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Association evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2018 and 2017, the unrecognized tax benefit accrual was zero. The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Sales Taxes

The Association has customers in a state which imposes a sales tax on certain sales. The Association collects those sales taxes from its customers and remits the entire amount to the state of Michigan. The Association's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Subsequent Events

The Association has evaluated subsequent events through March 14, 2019, the date which the financial statements were available to be issued.

Alger Delta Cooperative Electric Association

Notes to Financial Statements

December 31, 2018 and 2017

Note 2 - Electric Plant

	2018		2017	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Distribution plant	\$ 50,229,268	2.56% - 4.00%	\$ 49,203,946	2.56% - 4.00%
General plant	<u>3,090,655</u>	2% - 33%	<u>2,981,022</u>	2% - 33%
Electric plant in service	53,319,923		52,184,968	
Construction work-in-progress	<u>1,971,580</u>		<u>1,595,066</u>	
Total electric plant	<u>\$ 55,291,503</u>		<u>\$ 53,780,034</u>	

Note 3 - Accounts Receivable - Electric

	2018	2017
Billed electric accounts receivable	\$ 1,486,955	\$ 1,580,675
Unbilled electric usage	57,553	987
Allowance for doubtful accounts	(131,576)	(82,549)
Power cost adjustment allowance	<u>(748,651)</u>	<u>(752,506)</u>
Total	<u>\$ 664,281</u>	<u>\$ 746,607</u>

Alger Delta has set up a power cost adjustment allowance to cover any potential uncollectible accounts and allow the Association to keep rates stable should a large customer member cease or substantially decrease operations. The unbilled electric usage is power that has been delivered to members but not yet billed by the Association.

Alger Delta Cooperative Electric Association

Notes to Financial Statements

December 31, 2018 and 2017

Note 4 - Investments in Associated Organizations

	2018	2017
National Rural Utilities Cooperative Finance Corporation		
Capital term certificates	\$ 308,836	\$ 312,133
Patronage capital credits	134,546	131,408
National Information Services Cooperative		
Patronage capital credits	60,426	49,792
Rural Electric Supply Cooperative		
Patronage capital credits	127,867	131,398
Memberships	6,912	6,912
Other	213,362	198,232
	<u>\$ 851,949</u>	<u>\$ 829,875</u>

Note 5 - Other Investments

	2018	2017
American Transmission Company, LLC	\$ 1,284,144	\$ 1,201,443
ATC Management, Inc.	90	90
Federated Insurance	81,612	74,271
	<u>\$ 1,365,846</u>	<u>\$ 1,275,804</u>

Note 6 - Deferred Debits

	2018	2017
Deferred Debits		
Retirement security prepayment	\$ 262,691	\$ 324,501
Energy optimization	-	11,462
Deferred work plan	161,048	130,460
	<u>\$ 423,739</u>	<u>\$ 466,423</u>

Alger Delta Cooperative Electric Association
Notes to Financial Statements
December 31, 2018 and 2017

Note 7 - Patronage Capital

	2018	2017
Assignable	\$ 1,316,892	\$ 1,154,499
Assigned to date	16,998,111	15,843,612
Total	<u>18,315,003</u>	<u>16,998,111</u>
Retired to date	<u>2,797,201</u>	<u>2,255,563</u>
Total	<u>\$ 15,517,802</u>	<u>\$ 14,742,548</u>

Under the provisions of the Mortgage Agreements, until the equities and margins equal or exceed 30 percent of the total assets of the Association, the return to patrons of capital contributed by them is limited generally to 25 percent of the patronage capital or margins received by the Association in the preceding year. The equities and margins of the Association represent 38.51% and 35.44% percent of the total assets at December 31, 2018 and 2017, respectively.

Note 8 - Memberships and Other Equities

	2018	2017
Memberships	<u>\$ 80,923</u>	<u>\$ 80,923</u>
Other Equities		
Retired capital credits	596,288	487,775
Donated capital	21,174	20,941
Total other equities	<u>617,462</u>	<u>508,716</u>
Total memberships and other equities	<u>\$ 698,385</u>	<u>\$ 589,639</u>

Membership balances were \$80,923 at December 31, 2018 and 2017. Memberships, donated capital and capital gains and losses are considered permanent equity of the Association. The retired unclaimed capital credits will be refunded to members upon notice from the respective member.

Alger Delta Cooperative Electric Association

Notes to Financial Statements

December 31, 2018 and 2017

Note 9 - Mortgage Notes

Long-term debt consists of the following:

	2018	2017
FFB mortgage notes payable in quarterly installments including interest at 2.28% - 4.49%, maturing in the year 2048, secured by utility plant assets	\$ 12,794,382	\$ 12,085,496
RUS cushion of credit (prepayment) at 5.0%	(4,600,000)	(3,100,000)
NRUCFC mortgage notes payable in quarterly installments including interest at 3.40% - 7.20%, maturing in the year 2034, secured by utility plant assets	1,043,541	1,174,757
CoBank mortgage notes payable in monthly installments including interest at 3.02% - 4.33%, maturing in the year 2036, secured by utility plant assets	14,401,282	15,296,754
	23,639,205	25,457,007
	1,334,965	1,314,325
Less current maturities	<u>\$ 22,304,240</u>	<u>\$ 24,142,682</u>

Substantially all assets are pledged as collateral on long-term debt payable to the Rural Utilities Service (RUS) of the United States of America, Federal Financing Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank. Additionally, the Association has \$8,000,000 in loan funds available from FFB. The Association has no unadvanced loan funds from RUS, CoBank or CFC as of December 31, 2018.

It is estimated that the minimum principal requirements for the next five years are as follows:

	FFB	NRUCFC	CoBank	Total
2019	\$ 316,335	\$ 121,466	\$ 897,164	\$ 1,334,965
2020	325,401	110,405	904,644	1,340,450
2021	336,633	110,137	919,879	1,366,649
2022	353,810	94,966	932,253	1,381,029
2023	364,678	100,550	914,544	1,379,772
Thereafter	6,497,525	506,017	9,832,798	16,836,340
	<u>\$ 8,194,382</u>	<u>\$ 1,043,541</u>	<u>\$ 14,401,282</u>	<u>\$ 23,639,205</u>

All loan funds advanced by RUS, FFB, and CFC are deposited in a special trust bank account, the disbursements from which are restricted by the provisions of the loan agreement to purposes approved by RUS, FFB, and CFC.

The security agreement (mortgage) restricts the Association's debt limit to \$50,000,000.

Note 10 - Line of Credit

The Association has executed a perpetual line of credit with CFC, providing the Association with short-term loans in the total amount of \$500,000 on a revolving basis. Interest on unpaid principal is payable monthly at rates established by CFC. Interest rates as of December 31, 2018 and 2017 were 2.75% and 2.50% respectively. There were no outstanding balances on the line at December 31, 2018 and 2017.

The Association has executed a perpetual line of credit with CoBank, providing the Association with short-term loans in the total amount of \$1,000,000 on a revolving basis. Interest on unpaid principal is payable monthly at rates established by CoBank. Interest rates as of December 31, 2018 and 2017 were 4.61% and 3.67% respectively. There were no outstanding balances on the line at December 31, 2018 and 2017.

Note 11 - Benefit Plan

Pension Plan

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a 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.

Alger Delta Cooperative Electric Association's contributions to the RS Plan in 2018 and 2017 represented less than five percent of the total contributions made to the plan by all participating employers. The Association made contributions to the plan of \$216,817 and \$230,574 for the years ended December 31, 2018 and 2017, respectively. In 2013, the Association made a \$618,098 prepayment to the National Rural Electric Cooperative Association for the Retirement Security Plan to enhance the Plan's funded status. With this prepayment, the Association will pay 25% lower premiums than cooperatives in the Retirement Security Plan that did not make a prepayment. The prepayment will be amortized over ten years. The amortization expense was \$61,810 for both of the years ended December 31, 2018 and 2017.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2018 and over 80 percent funded on January 1, 2017 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans, and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

401(k) Plan

The Association offers a 401(k) plan through NRECA that covers all employees. Under the provision of the plan, eligible employees may contribute discretionary amounts up to the 401(k) contribution limits with no employer matching requirements. The plan has thirteen participating employees contributing with pre-tax dollars.

Alger Delta Cooperative Electric Association

Notes to Financial Statements

December 31, 2018 and 2017

Note 12 - Deferred Credits

	2018	2017
Energy optimization	\$ 22,673	\$ -
Deferred installation costs of special equipment	145,074	151,592
Customer prepayments	155,633	272,307
Total	<u>\$ 323,380</u>	<u>\$ 423,899</u>

Note 13 - Major Member

The Association derived 10% or more of its revenue from one member totaling \$2,429,483 and \$2,866,895 during the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Association has accounts receivable totaling \$228,932 and \$255,418 respectively, from this member.

Note 14 - Commitments and Contingencies

Wholesale Power Agreement

Under its wholesale power agreement, the Association is committed to purchase its electric power and energy requirements from Wisconsin Public Power Incorporated (WPPI), until January 25, 2055. The rates paid therefore are subject to review by the seller at such intervals as deemed appropriate.

Concentration of Sources of Labor

At December 31, 2018, the Association has approximately 73% of its employees covered by a collective bargaining agreement. The collective bargaining agreement for employees will expire on November 30, 2021.



Supplementary Information
December 31, 2018 and 2017

Alger Delta Cooperative Electric Association



Independent Auditor's Report on Supplementary Information

The Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

We have audited the financial statements of Alger Delta Cooperative Electric Association as of and for the years ended December 31, 2018 and 2017, and our report thereon dated March 14, 2019 which expressed an unmodified opinion on those financial statements, begins on page 1. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented on pages 19 through 22 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. With the exception of the listing of directors, officers, and manager, and the statistical profile, the information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The listing of directors, officers, and manager, and the statistical profile have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Fargo, North Dakota
March 14, 2019

Alger Delta Cooperative Electric Association
Directors, Officers and Manager (Unaudited)
December 31, 2018

Directors

<u>Name</u>	<u>Address</u>	<u>Principal Business</u>
Karen Alholm	Marquette, Michigan	Retired
David Prestin	Stephenson, Michigan	Retired
Ivy Netzel	Wilson, Michigan	Retired
Michael Lawless	Grand Marais, Michigan	Business Owner
Paul Sederquist	Daggett, Michigan	Retired
Kirk Bruno	Rapid River, Michigan	Consultant
Raymond Young	Cooks, Michigan	Retired
Darryl Small	Big Bay, Michigan	Retired
Doug Bovin	Gladstone, Michigan	Retired

Officers and Manager

Paul Sederquist	Chairperson
David Prestin	Vice Chairperson
Darryl Small	Secretary/Treasurer
Tom Harrell	CEO

Alger Delta Cooperative Electric Association

Schedule of Long-Term Debt

Years Ended December 31, 2018 and 2017

Note	Maturity Date	Interest Rate	Principal Amount	Principal Repayment	Net Obligation	
					2018	2017
RUS						
Cusion of Credit			\$ -	\$ 4,600,000	\$ (4,600,000)	\$ (3,100,000)
Total RUS			-	4,600,000	(4,600,000)	(3,100,000)
FFB						
H0010	2042	4.392	\$ 500,000	\$ 76,744	\$ 423,256	\$ 432,558
H0015	2042	4.095	500,000	73,379	426,621	436,985
H0020	2042	4.181	370,000	53,600	316,400	323,995
H0025	2042	4.486	700,000	96,801	603,199	617,073
H0030	2042	3.915	750,000	113,083	636,917	652,782
H0035	2042	3.512	1,000,000	162,049	837,951	860,017
H0040	2042	3.486	2,580,000	292,842	2,287,158	2,347,601
H0045	2042	3.150	600,000	68,670	531,330	546,031
F0050	2048	2.695	1,000,000	54,328	945,672	966,049
F0055	2048	2.563	1,000,000	55,577	944,423	965,233
F0060	2048	2.284	1,000,000	83,969	916,031	946,565
H0065	2048	2.750	500,000	17,552	482,448	492,746
H0070	2048	2.571	500,000	12,858	487,142	497,861
H0075	2048	2.684	2,000,000	40,689	1,959,311	2,000,000
H0080	2048	3.016	1,000,000	3,477	996,523	-
Total FFB			\$ 14,000,000	\$ 1,205,618	\$ 12,794,382	\$ 12,085,496
CFC						
7001	2019	6.75	\$ 488,000	\$ 470,575	\$ 17,425	\$ 50,573
8001	2021	7.00	366,667	296,704	69,963	92,271
9001	2023	7.20	658,333	453,622	204,711	237,596
10001	2027	3.40	608,333	336,803	271,530	296,905
11001	2034	5.95	675,000	195,088	479,912	497,412
Total CFC			\$ 2,796,333	\$ 1,752,792	\$ 1,043,541	\$ 1,174,757
CoBank						
2693474	2023	3.02	\$ 618,607	\$ 333,007	\$ 285,600	\$ 347,645
2434606	2027	4.33	2,697,222	1,834,549	862,673	1,067,596
2590375	2032	4.22	7,302,681	1,823,271	5,479,410	5,780,937
2932594	2033	3.98	1,047,186	134,381	912,805	958,230
2932586	2034	4.05	2,502,222	293,299	2,208,923	2,308,138
2932577	2036	4.15	5,190,346	538,475	4,651,871	4,834,208
Total CoBank			\$ 19,358,264	\$ 4,956,982	\$ 14,401,282	\$ 15,296,754
Total Long-Term Debt			\$ 36,154,597	\$ 12,515,392	\$ 23,639,205	\$ 25,457,007

Alger Delta Cooperative Electric Association
Statistical Profiles (Unaudited)
December 31, 2018, 2017 and 2016

	2017 CFC Key Ratio Trend Analysis			Alger Delta Cooperative Electric Association December 31		
	U. S.	M.I.	Major Current Power Supplier	2018	2017	2016
1. Times Interest Earned Ratio (TIER)	2.57	2.03	2.08	2.21	2.08	2.30
2. Average Times Interest Earned Ratio (TIER)	2.77	2.20	2.30	2.25	2.30	2.30
3. Operating TIER (OTIER)	1.94	1.72	1.99	1.69	1.63	1.87
4. Average OTIER	2.07	1.93	2.14	1.78	1.95	1.95
5. Debt Service Coverage (DSC)	2.04	1.71	1.65	1.70	1.65	1.74
6. Average DSC	2.17	1.77	1.77	1.72	1.77	1.77
7. Operating DSC (ODSC)	1.74	1.46	1.75	1.54	1.51	1.61
8. Average ODSC	1.85	1.60	1.60	1.57	1.66	1.65
9. MDSC	1.82	1.58	1.85	1.68	1.63	1.72
10. Blended interest rate	3.96	4.09	4.33	4.44	4.33	4.63
11. Plant revenue ratio	7.10	6.96	6.71	6.83	6.61	6.74
12. Equity ratio %	45.27	35.44	35.44	38.51	35.44	36.34
13. Debt ratio %	42.12	55.55	55.80	56.14	55.80	55.85
14. General funds/total plant	3.93	1.99	3.90	4.10	3.90	3.95
15. Current ratio	1.17	0.82	1.24	0.70	1.24	0.74
16. Rate of return	5.02	4.69	5.08	7.62	5.62	6.84

Alger Delta Cooperative Electric Association
Statistical Profiles (Unaudited)
December 31, 2018, 2017 and 2016

	2017 CFC Key Ratio Trend Analysis			Alger Delta Cooperative Electric Association December 31		
	U. S.	M.I.	Major Current Power Supplier	2018	2017	2016
17. Total customers (average number receiving service)	14,362	33,389	9,982	10,062	9,982	9,966
18. Customers/mile	6.08	7.68	7.68	7.73	4.68	4.68
19. Total margins/customer	\$ 151.93	\$ 93.71	\$ 115.66	\$ 130.88	\$ 115.66	\$ 143.78
20. Customer accounting expense/customer	\$ 58.67	\$ 41.65	\$ 32.22	\$ 31.28	\$ 32.22	\$ 33.25
21. Administrative and general expense/customer	\$ 143.47	\$ 98.51	\$ 111.59	\$107.63	\$111.59	\$107.02
22. Operations and maintenance/\$1,000 plant	\$ 41.36	\$ 38.38	\$ 53.25	\$ 48.64	\$ 53.25	\$ 43.90
25. Revenue/KWH sold (mills)	115.16	131.80	180.53	194.13	180.53	185.45
26. Power cost/KWH sold (mills)	72.41	82.63	82.63	89.40	82.63	8449.00
27. Power cost/revenue	61.30	58.18	45.77	46.05	45.77	45.56
28. System loss	5.48%	5.66%	8.71%	10.01%	8.71%	9.11%



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

To the Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

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 Alger Delta Cooperative Electric Association, which comprise the balance sheet as of December 31, 2018, and the related statement of operations, members' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Association's internal control or on compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
March 14, 2019



**Independent Auditor's Report on Compliance with Aspects of
Contractual Agreements and Regulatory Requirements for Electric Borrowers**

To the Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

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 Alger Delta Cooperative Electric Association which comprise the balance sheet as of December 31, 2018 and 2017, and the related statements of operations, members' equities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2019. In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019 on our consideration of Alger Delta Cooperative Electric Association'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 Alger Delta Cooperative Electric Association 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, 2014, 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 of Alger Delta Cooperative Electric Association's noncompliance with the above-referenced terms, 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 Alger Delta Cooperative Electric Association's accounting and records to indicate that Alger Delta Cooperative Electric Association 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 or 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;

During the period of this audit, the Association did not receive any long-term loan fund advances from CFC on loans controlled by the CFC Mortgage and Loan Agreement;

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.

Detailed Schedule of Deferred Debits and Deferred Credits

	2018	2017
Deferred Debits		
Retirement security prepayment	\$ 262,691	\$ 324,501
Energy optimization	-	11,462
Deferred work plan	161,048	130,460
Total	<u>\$ 423,739</u>	<u>\$ 466,423</u>
Deferred Credits		
Energy optimization	\$ 22,673	\$ -
Deferred installation costs of special equipment	145,074	151,592
Customer prepayments	155,633	272,307
Total	<u>\$ 323,380</u>	<u>\$ 423,899</u>

Detailed Schedule of Equity Investments

	<u>2018</u>	<u>2017</u>
American Transmission Company, LLC		
Member units: 2017 - 67,928; 2017 - 65,074	\$ 1,284,144	\$ 1,201,443
ATC Management, Inc.		
9 Shares class A common, \$0.01 par value	90	90
Federated Insurance		
175 shares preferred class E stock	<u>81,612</u>	<u>74,271</u>
	<u>\$ 1,365,846</u>	<u>\$ 1,275,804</u>

This report is intended solely for the information and use of the board of directors, management, the Rural Utilities Service 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.

Eide Bailly LLP

Fargo, North Dakota
March 14, 2019