



GRETCHEN WHITMER
GOVERNOR

State of Michigan
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSION

ORLENE HAWKS
DIRECTOR

TREMAINE L. PHILLIPS
COMMISSIONER

SALLY A. TALBERG
CHAIRMAN

DANIEL C. SCRIPPS
COMMISSIONER

Michigan Public Service Commission

Public Utility Assessment (PUA) Report for the Year-Ended 2019

Company Name: Cloverland Electric Cooperative

Address: 725 E. Portage Avenue

City: Sault Ste. Marie State: MI Zip: 49783

Contact Person: Aaron Wallin

Direct Phone: 906-632-5172

Direct E-mail: awallin@cloverland.com Fax Number: 906-632-8444

GROSS UTILITY REGULATED AND
UNREGULATED OPERATING REVENUE FOR 2019:

\$80,300,969

50% OF GROSS UTILITY REGULATED AND
UNREGULATED OPERATING REVENUE FOR 2019:

\$40,150,484

** The adjusted methodology will apply only to those cooperatives that were subject to member-regulation throughout the entire year of 2019. Case No. U-16552

** As a regulated public utility in Michigan your firm is subject to an annual public utility assessment provided in Public Act 299 of 1972. Failure to provide this information puts your firm in violation of this act.
Please submit the above information by **April 30, 2020** to the address listed below.

I certify that the foregoing statement is true and correct to the best of my knowledge, information and belief.

Signature:

Printed Name:

Aaron Wallin

Title:

CFO

Date:

6/30/2020

Mail or Deliver Hard Copy to:
Michigan Public Service Commission
Attn: Jennifer Brooks, Regulated Energy Division
7109 W. Saginaw Hwy
PO Box 30221
Lansing, MI 48909

Please direct any questions or email submissions regarding this report to:
Jennifer Brooks, Regulated Energy Division
brooksi10@michigan.gov

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.

Report submitted for year ending:	
December 31, 2019	
Present name of respondent:	
Cloverland Electric Cooperative	
Address of principal place of business:	
2916 W. M-28, Dafter, MI 49727	
Utility representative to whom inquires regarding this report may be directed:	
Name:	Aaron Wallin
Title:	CFO
Address: 725 E. Portage Avenue	
City:	Sault Ste Marie
State:	MI
Zip:	49783
Direct Telephone, Include Area Code: 906-632-5172	
If the utility name has been changed during the past year:	
Prior Name:	
Date of Change:	
Two copies of the published annual report to stockholders:	
[N/A]	were forwarded to the Commission
[]	will be forwarded to the Commission
	on or about
Annual reports to stockholders:	
[N/A]	are published
[]	are not published

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Jennifer Brooks) at
brooks.j10@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) 6/30/2020	Year of Report 12/31/2019
IMPORTANT CHANGES DURING THE YEAR			
<p>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.</p>			
<p>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</p> <p>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</p> <p>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</p> <p>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</p> <p>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</p> <p>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</p> <p>7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments. NONE</p> <p>8. State the estimated annual effect and nature of any important wage scale changes during the year. NONE</p> <p>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. NONE</p> <p>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</p> <p>11. (Reserved.)</p> <p>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</p>			

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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	5,323,312
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	5,878,696
5	Amortization of (Specify)	731,389
6	Intangible Plant	
7		
8		
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	(612,591)
11	Net (Increase) Decrease in Prepaids and other current assets	676,514
12	Net (Increase) Decrease in Postretirement Benefits other than Pensions	(171,573)
13	Net (Increase) Decrease in Payables and Accrued Expenses	82,641
14	Net (Increase) Decrease in Refundable Power Costs	819,441
15	Net (Increase) Decrease in Accrued Interest Payable	(21,596)
16	Net (Increase) Decrease in Accrued Liabilities	451,788
17	(Less) Undistributed Earnings from Subsidiary Companies	(1,170,236)
18	Other: Capital Credits	(341,515)
19	Other: Loss (Gain) on Sales of Fixed Assets	(17,866)
20		
21		
22	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 thru 21)	11,628,403
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(6,887,812)
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	219,964
32	Other: Plant Removal	(1,184,710)
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(7,852,558)
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	201,073
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)	

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STATEMENT OF CASH FLOWS (Continued)		
4. Investing Activities (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. (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.	5. Codes used: (a) Net proceeds or payments. (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)	(7,651,485)
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 (Decrease) in Short-Term Debt (c)	(1,200,000)
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	(1,200,000)
71		
72	Payments for Retirement of:	
73	Long Term Debt (b)	(6,048,685)
74	Preferred Stock	
75	Common Stock	
76	Other: Retirement of Patronage Capital Credits	(56,330)
	Other: Donated Capital	167,234
	Other: Use of FFB Cushion of Credit	4,228
77	Other: Memberships Issued (Net)	8,550
78	Other: Decrease (Increase) in Deferred Debits	625,336
79	Other: Decrease (Increase) in Customer Deposits and Prepayments	38,211
80		
81		
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	(6,461,456)
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	(2,484,538)
87		
88	Cash and Cash Equivalents at Beginning of Year	2,983,116
89		
90	Cash and Cash Equivalents at End of Year	498,578

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NONUTILITY PROPERTY (Account 121)				
1. Give a brief description and state the location of nonutility property included in Account 121. 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. 3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.		4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property. 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.		
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

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)		
Report below the information called for concerning depreciation and amortization of nonutility property.		
Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	81,894
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	8,917
5	Other Accounts (Specify):	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	8,917
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)	0
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	90,811

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INVESTMENTS (Accounts 123, 124, 136)			
<p>1. Report below the investments in Accounts 123, <i>Investments in Associated Companies</i>, 124, <i>Other Investment</i>, and 136, <i>Temporary Cash Investments</i>.</p> <p>2. Provide a subheading for each account and list thereunder the information called for:</p> <p>(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</p> <p>in Account 124, <i>Other Investments</i>), state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, <i>Temporary Cash Investments</i>, also may be grouped by classes.</p> <p>(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</p>			
Line No.	Description of Investment (a)	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (b) Original Cost Book Value	Purchases or Additions During Year (c)
1	NRTC-Lighthouse.net	\$ 161,242	\$ 161,242
2	NRUCFC	302,092	302,092
3	NISC	220,505	220,505
4	RESCO	297,491	297,491
5	NRTC	150	150
6	CRC	31,507	31,507
7	CoBank	581,079	581,079
8	Federated Insurance	497,500	497,500
9	CFC-Capital Term Certificates	820,539	820,539
10	CFC Membership	1,000	1,000
11	ATC - Invest in Associated Org.	11,791,338	11,791,338
12	Credit Union	10	10
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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) 06/30/20	Year of Report 12/31/2019	
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) Original Cost Book Value		Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
0	N/A	161,242	161,242	0		1
0	N/A	293,065	293,065	24,566		2
0	N/A	233,164	233,164	8,320		3
0	N/A	308,040	308,040	28,455		4
0	N/A	122	122	28		5
0	N/A	33,471	33,471	491		6
0	N/A	685,467	685,467	106,186		7
0	N/A	517,437	517,437	33,026		8
0	N/A	820,539	820,539	0		9
0	N/A	1,000	1,000	0		10
0	N/A	12,628,864	12,628,864	856,406		11
0	N/A	10	10	0		12
						13
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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) 06/30/20	12/31/2019

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	0	1,133,787	1,133,787	0	0
2	American Transmission Co.					
3						
4						
5						
6						
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22						
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24						
25	TOTAL	0	1,133,787	1,133,787	0	

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ALLOWANCES							
1. Report below the details called for concerning allowances. 2. Report all acquisitions of allowances at cost. 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. 4. Report the allowances transactions by the period they are first				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). 5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.			
Line No.	Allowance Inventory (a)	Current Year		20__			
		No. (b)	Amt. (c)	No. (d)	Amt. (e)		
1	Balance - Beginning of Year						
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.				8. Report on lines 22-27 the names of purchasers/transfers of allowances disposed of and identify associated companies.				
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).				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
								2-4
								5
								6-8
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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) 06/30/20	Year of Report 12/31/2019
LONG-TERM DEBT (Accounts 221, 222, 223 and 224)			
<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 (For new issue, give Commission Authorization numbers and dates) (a)	Principal Amount of Debt Issued (b)	Total Expense, Premium or Discount (c)
1	FFB	109,798,200	
2	NRUCFC	1,103,548	
3	CoBank	19,256,076	
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5			
6			
7			
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24			
25	TOTAL	130,157,824	

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) 06/30/20	Year of Report 12/31/2019			
LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)						
<p>10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.</p> <p>11. Explain any debits and credits other than amortization debited to Account 428, <i>Amortization of Debt-Discount and Expense</i>, or credited to Account 429, <i>Amortization of Premium on Debt-Credit</i>.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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, <i>Interest on Long-Term Debt</i>, and Account 430, <i>Interest on Debt to Associated Companies</i>.</p> <p>16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.</p>						
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		3,372,368	1
9/10/1998	2/28/2034	Various	Various		101,981	2
7/21/2015	6/30/2041	Various	Various		752,205	3
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					4,226,554	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) 06/30/20	Year of Report 12/31/2019			
PAYABLES TO ASSOCIATED COMPANIES* (Accounts 233, 234)						
<p>1. Report particulars of notes and accounts payable to associated companies at end of year.</p> <p>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.</p> <p>3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.</p> <p>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.</p> <p>5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.</p> <p style="text-align: center;">*See definition on page 226B</p>						
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)		
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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) 06/30/20	Year of Report 12/31/2019
RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES			
<p>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.</p> <p>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.</p>			
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	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) 06/30/20	12/31/2019

**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.
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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) 06/30/20	Year of Report 12/31/2019		
GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2)					
<p>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.</p> <p>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).</p> <p>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.)</p>					
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	Trade for New- 2007 Dodge Pickup	11,508	1/17/2019	800.00	
3	Trade for New- 2004 International 4400	30,058	1/17/2019	3,850.00	
4	Trade for New- 2005 Chevy Impala	13,111	2/19/2019	599.24	
5	Trade for New- 2005 Chevy tahoe	41,247	2/19/2019	2,250.00	
6	Trade for New- 4 wheelers	15,561	4/11/2019	3,742.96	
7	Trade for New- 2010 Dodge 1500	26,258	6/6/2019	3,445.00	
8	Trade for New- 2006 Ford Pick Up	32,784	6/6/2019	1,272.00	
9	Trade for New- 2004 Chevy Pickup	30,685	6/7/2019	2,385.00	
10					
11					
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15					
16					
17	Total Gain			18,344.20	

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) 06/30/20	Year of Report 12/31/2019	
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	Trade for New/Retire Asset- 2014 Trailer	11,597	8/2/2019		478.64
20					
21					
22					
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31					
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33					
34	Total Loss				478.64

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) 06/30/20	Year of Report 12/31/2019	
CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES					
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			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. 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. 3. Designate with an asterisk associated companies.		
Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	AUGUST MACK ENVIRONMENTAL INC Total 1302 N Meridian St Suite 300 Indianapolis, IN 46202	Generation Services	Contract	548.94/548.98/ 548.90.	33,736.25
13	BEST MAINTENANCE & LAWN CARE Total 730 East 3 Mile Rd Sault Ste. Marie, MI 49783	Contractor	Hourly	418.35/539.06/ 921.04/582.90/ 146.72/582.90/	29,976.82
2	BLACK & VEATCH CORPORATION Total PO Box 803823 Kansas City, MO 64180	Attorney/legal Consultant	Hourly, plus out-of-pocket	923.63	98,000.00
3	BOLZ CONSTRUCTION & EXCAVATING, INC. Total 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	40,411.56
4	DYKEMA GOSSETT PLLC Total 400 Renaissance Ctr, 35th Floor Detroit, MI 48243-1668	Attorney/legal Consultant	Hourly, plus out-of-pocket	923.63	28,046.60
5	EASTERN UPPER PENINSULA TITLE AGENCY Total 2700 Davitt St Suite 3 Sault Ste. Marie, MI 49783	Title Services	Contract	107.50/923.00.	35,768.80
6	EVASHEVSKI LAW OFFICE Total PO Box 373 838 North State St Saint Ignace, MI 49781	Attorney/legal Consultant	Hourly, plus out-of-pocket	923.62	25,292.23
7	HARRIS GROUP Total 731 S Garfield Ave Traverse City, MI 49686	Audit Firm	Hourly, plus out-of-pocket	231.10/418.35	31,701.56
8	KOKOSING INDUSTRIAL, INC Total Durocher Marine Division PO Box 226 Fredericktown, OH 43019	Hydro Canal Repairs	Contract	107.20/108.80	556,023.99
9	MAYER BROWN LLP Total 230 S LaSalle St Chicago, IL 60604	Attorney/legal Consultant	Hourly, plus out-of-pocket	923.63	49,590.00
10	NOVAK ENGINEERING, LLC Total Design and Consulting 901 Cunningham Rd Jackson, MI 49201	Engineering Consultants	Hourly	107.20.	71,240.50
11	OSMOSE UTILITIES SERVICES, INC Total PO Box 117284 Atlanta, GA 30368	Pole Testing Services	Contract	593.64	29,907.59
12	PALMER EXCAVATING Total 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	40,817.00
14	SIDOCK GROUP, INC. Total 45650 Grand River Ave Novi, MI 48374	Engineering Services	Contract	150.35/107.20/ 588.00/107.50/ 920.00/921.06/ 150.64	37,413.33
15	STANTEC CONSULTING SERVICES, INC. Total 13980 Collections Center Dr Chicago, IL 60693	Hydro Canal Services	Contract	107.20/107.53/ 543.09/	204,801.95
16	THUNDER BAY TREE SERVICE, LLC Total 1172 Halley Rd Alpena, MI 49707	Contractor	Contract	146.69/543.02/ 592.60/593.99	72,654.00
17	TREES, LLC Total 4695 44th St, Suite B-130 Kentwood, MI 49512	Contractor	Contract	107.20/ 593.60/593.65/ 593.66/593.99	1,253,471.89
18	VIBRA STEAM CLEANING SYSTEMS, LLC Total 4336 S Riverside Dr Sault Ste. Marie, MI 49783	Contractor	Contract	921.04/539.05/ 184.10/163.00/ 184.3	72,845.00
19	YORK REPAIR, INC Total 611 Andre St Bay City, MI 48706	Generation Services	Contract	107.20/544.03	185,784.97

FL34695\$\$

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) 06/30/20	Year of Report 12/31/2019
SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES					
<p>1. In column (a) report the name of the associated company.</p> <p>2. In column (b) describe the affiliation (percentage ownership, etc.).</p> <p>3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).</p> <p>4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.</p>					
Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
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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) 4/30/2020	Year of Report 12/31/2019			
SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)						
<p>5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.</p> <p>6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.</p> <p>7. In column (j) report the total.</p> <p>8. In column (k) indicate the pricing method (cost, per contract terms, etc.)</p>						
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.
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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) 06/30/20	Year of Report 12/31/2019
SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES					
<p>1. In column (a) report the name of the associated company.</p> <p>2. In column (b) describe the affiliation (percentage ownership, etc.).</p> <p>3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).</p> <p>4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.</p>					
Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
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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) 06/30/20	Year of Report 12/31/2019			
SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)						
<p>5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.</p> <p>6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.</p> <p>7. In column (j) report the total.</p> <p>8. In column (k) indicate the pricing method (cost, per contract terms, etc.)</p>						
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.
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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 FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION <div style="text-align: right;">MI0043</div> <hr/> PERIOD ENDED December 2019 (Prepared with Audited Data)
INSTRUCTIONS - See help in the online application.	BORROWER NAME <div style="text-align: right;">Cloverland Electric Co-operative</div>

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

6/30/2020
DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	82,201,346	80,300,969	79,765,952	7,178,222
2. Power Production Expense	4,377,806	5,449,387	5,190,655	442,349
3. Cost of Purchased Power	35,963,035	29,541,009	30,061,415	2,804,295
4. Transmission Expense	7,824,684	8,758,146	8,693,469	754,082
5. Regional Market Expense				
6. Distribution Expense - Operation	3,156,038	3,231,048	3,316,205	274,210
7. Distribution Expense - Maintenance	6,060,880	8,106,862	6,381,400	2,031,983
8. Customer Accounts Expense	2,315,002	1,840,863	2,399,386	(3,893)
9. Customer Service and Informational Expense	1,363,516	1,350,143	1,368,845	121,497
10. Sales Expense	99,763	161,169	105,813	18,897
11. Administrative and General Expense	4,504,695	4,423,996	5,031,134	474,474
12. Total Operation & Maintenance Expense (2 thru 11)	65,665,419	62,862,623	62,548,322	6,917,894
13. Depreciation and Amortization Expense	6,550,063	6,610,084	6,820,390	552,814
14. Tax Expense - Property & Gross Receipts	2,780,887	2,756,795	3,013,000	13,967
15. Tax Expense - Other	0		1,000	
16. Interest on Long-Term Debt	4,353,147	4,226,554	4,582,681	347,333
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	104,943	124,581	103,477	5,215
19. Other Deductions	13,139	51,567	60,000	5,368
20. Total Cost of Electric Service (12 thru 19)	79,467,598	76,632,204	77,128,870	7,842,591
21. Patronage Capital & Operating Margins (1 minus 20)	2,733,748	3,668,765	2,637,082	(664,369)
22. Non Operating Margins - Interest	262,521	85,715	103,210	5,510
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	0			
25. Non Operating Margins - Other	1,047,695	1,227,317	1,058,900	174,886
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	398,824	341,515	375,000	20,979
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	4,442,788	5,323,312	4,174,192	(462,994)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0043		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December 2019		
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	191	220	5. Miles Transmission		
2. Services Retired	390	103	6. Miles Distribution – Overhead	3,122.20	3,118.00
3. Total Services in Place	44,486	44,622	7. Miles Distribution - Underground	893.69	902.91
4. Idle Services (Exclude Seasonals)	1,584	1,699	8. Total Miles Energized (5 + 6 + 7)	4,015.89	4,020.91
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	207,228,094		30. Memberships	157,360	
2. Construction Work in Progress	5,565,643		31. Patronage Capital	38,693,763	
3. Total Utility Plant (1 + 2)	212,793,737		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	55,275,033		33. Operating Margins - Current Year	4,010,279	
5. Net Utility Plant (3 - 4)	157,518,704		34. Non-Operating Margins	1,100,394	
6. Non-Utility Property (Net)	381,186		35. Other Margins and Equities	1,437,719	
7. Investments in Subsidiary Companies	0		36. Total Margins & Equities (30 thru 35)	45,399,515	
8. Invest. in Assoc. Org. - Patronage Capital	1,029,105		37. Long-Term Debt - RUS (Net)	0	
9. Invest. in Assoc. Org. - Other - General Funds	0		38. Long-Term Debt - FFB - RUS Guaranteed	109,798,200	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	14,653,306		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	0		40. Long-Term Debt Other (Net)	20,359,624	
12. Other Investments	0		41. Long-Term Debt - RUS - Econ. Devel. (Net)	0	
13. Special Funds	585,132		42. Payments – Unapplied	0	
14. Total Other Property & Investments (6 thru 13)	16,648,729		43. Total Long-Term Debt (37 thru 41 - 42)	130,157,824	
15. Cash - General Funds	498,351		44. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	217		45. Accumulated Operating Provisions and Asset Retirement Obligations	1,432,466	
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44 + 45)	1,432,466	
18. Temporary Investments	10		47. Notes Payable	2,700,000	
19. Notes Receivable (Net)	0		48. Accounts Payable	6,758,923	
20. Accounts Receivable - Sales of Energy (Net)	7,187,200		49. Consumers Deposits	701,682	
21. Accounts Receivable - Other (Net)	1,096,492		50. Current Maturities Long-Term Debt	4,182,503	
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development	0	
23. Materials and Supplies - Electric & Other	3,716,620		52. Current Maturities Capital Leases	0	
24. Prepayments	484,179		53. Other Current and Accrued Liabilities	3,658,331	
25. Other Current and Accrued Assets	1,487,640		54. Total Current & Accrued Liabilities (47 thru 53)	18,001,439	
26. Total Current and Accrued Assets (15 thru 25)	14,470,709		55. Regulatory Liabilities	0	
27. Regulatory Assets	8,786,122		56. Other Deferred Credits	3,587,471	
28. Other Deferred Debits	1,154,451		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	198,578,715	
29. Total Assets and Other Debits (5+14+26 thru 28)	198,578,715				

<div>UNITED STATES DEPARTMENT OF AGRICULTURE</div> <div>RURAL UTILITIES SERVICE</div> <div>FINANCIAL AND OPERATING REPORT</div> <div>ELECTRIC DISTRIBUTION</div>	<div>BORROWER DESIGNATION</div> <div>MI0043</div>
<div>INSTRUCTIONS - See help in the online application.</div>	<div>PERIOD ENDED</div> <div>December 2019</div>
<div>PART D. NOTES TO FINANCIAL STATEMENTS</div>	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December 2019
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE				BORROWER DESIGNATION MI0043			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION				PERIOD ENDED December 2019			
INSTRUCTIONS - See help in the online application.							
PART E. CHANGES IN UTILITY PLANT							
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)		
1. Distribution Plant	145,727,004	4,916,985	788,060		149,855,929		
2. General Plant	13,264,830	443,615	323,026		13,385,419		
3. Headquarters Plant	5,306,279	10,678			5,316,957		
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	30,401,845	699,785	23,944		31,077,686		
8. Total Utility Plant in Service (1 thru 7)	202,292,061	6,071,063	1,135,030		207,228,094		
9. Construction Work in Progress	3,516,568	2,049,075			5,565,643		
10. Total Utility Plant (8 + 9)	205,808,629	8,120,138	1,135,030		212,793,737		
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	3,930,655	1,338,427	0	1,552,148		(6,243)	3,710,691
2. Other	5,929						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	10,500	1,715,200	31,000	283,300	2,040,000		
2. Five-Year Average	12,500	693,500	14,300	219,900	940,200		
PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS							
1. Number of Full Time Employees	113	4. Payroll - Expensed				7,459,223	
2. Employee - Hours Worked - Regular Time	234,744	5. Payroll - Capitalized				1,299,485	
3. Employee - Hours Worked - Overtime	18,520	6. Payroll - Other				2,896,487	
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			56,271	979,153		
	c. Total Retirements (a + b)			56,271	15,769,088		
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			97,155			
	c. Total Cash Received (a + b)			97,155			
PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE							
1. Amount Due Over 60 Days	\$	292,462	2. Amount Written Off During Year	\$	162,395		
ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM							
1. Anticipated Loan Delinquency %				4. Anticipated Loan Default %			
2. Actual Loan Delinquency %				5. Actual Loan Default %			
3. Total Loan Delinquency Dollars YTD	\$				6. Total Loan Default Dollars YTD	\$	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION					BORROWER DESIGNATION MI0043				
INSTRUCTIONS - See help in the online application					PERIOD ENDED December 2019				
PART K. kWh PURCHASED AND TOTAL COST									
No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Wisconsin Electric Power Co	20847			390,038,000	26,506,624	6.80		
2	U S Corps of Engineers	800285			137,770,880	1,638,118	1.19		
3	Midcontinent Independent System Operator, Inc. (IN)	800558				1,396,267	0.00		
	Total				527,808,880	29,541,009	5.60		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0043	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December 2019	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			
2			
3			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0043	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2019	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0043	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2019	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/6/2019	2. Total Number of Members 33,718	3. Number of Members Present at Meeting 56	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 9,006	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 213,005	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 MI0043		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December 2019		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)				
2	National Rural Utilities Cooperative Finance Corporation	1,103,548	106,810	2,057,850	2,164,660
3	CoBank, ACB	19,256,076	752,205	1,136,278	1,888,483
4	Federal Financing Bank	109,798,200	3,372,368	2,857,727	6,230,095
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				
	TOTAL	130,157,824	4,231,383	6,051,855	10,283,238

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0043		
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December 2019		
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	35,301	35,125	
	b. kWh Sold			283,963,448
	c. Revenue			36,387,287
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	7,071	7,186	
	b. kWh Sold			154,083,186
	c. Revenue			17,169,536
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	159	160	
	b. kWh Sold			275,563,604
	c. Revenue			24,551,469
6. Public Street & Highway Lighting	a. No. Consumers Served	82	82	
	b. kWh Sold			2,622,234
	c. Revenue			482,410
7. Other Sales to Public Authorities	a. No. Consumers Served	4	4	
	b. kWh Sold			3,670,671
	c. Revenue			129,905
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			4,557,500
	c. Revenue			61,693
10. Total No. of Consumers (lines 1a thru 9a)		42,618	42,558	
11. Total kWh Sold (lines 1b thru 9b)				724,460,643
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				78,782,300
13. Transmission Revenue				0
14. Other Electric Revenue				1,518,669
15. kWh - Own Use				2,973,457
16. Total kWh Purchased				527,808,880
17. Total kWh Generated				226,829,587
18. Cost of Purchases and Generation				43,748,542
19. Interchange - kWh - Net				0
20. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident___				136,825

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0043			
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December 2019			
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	1,562	557,668	8,400	40,434	4,727,754	82,460
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	52	659,165	13,789	2,325	5,851,025	137,233
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	1,614	1,216,833	22,189	42,759	10,578,779	219,693

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0043
	PERIOD ENDED December 2019

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

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

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	ESE Acquisition	51,472			
	Lighthouse	329,714			
	Totals	381,186			
2	Investments in Associated Organizations				
	NRUCFC		293,065	15,639	
	NISC	233,164		20,979	
	Resco	308,040		39,004	X
	NRTC	122		0	X
	CRC	33,471		2,455	
	NRTC Lighthouse	161,242		0	X
	CoBank		685,467	210,574	
	Federated Insurance	517,437		52,963	X
	NRUCFC-CTCs		820,539		
	NRUCFC		1,000		
	American Transmission Company	12,628,864		1,174,572	
	Totals	13,882,340	1,800,071	1,516,186	
5	Special Funds				
	457(b) Plan	585,132			
	Totals	585,132			
6	Cash - General				
	First National Bank		1,405		
	MBank		5,004		
	State Savings Bank		4,204		
	CSB Paystion	0	(2,889)		
	General Fund-Central Savings Bank	0	64,698		
	General Fund-Old Mission Bank	173,528	250,000		
	Working Funds (Petty Cash)	2,400			
	Totals	175,928	322,422		
8	Temporary Investments				
	Credit Union Membership	10			
	Totals	10			
9	Accounts and Notes Receivable - NET				
	A/R Other		1,096,492		
	Totals		1,096,492		
11	TOTAL INVESTMENTS (1 thru 10)	15,024,596	3,218,985	1,516,186	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0043			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December 2019			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1					
	TOTAL				
	TOTAL (Included Loan Guarantees Only)		0	0	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0043			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December 2019			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					7.06 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors	3/18/2022	4,265	3,254	
2	Energy Resources Conservation Loans				
	TOTAL		4,265	3,254	

Michigan 43
Chippewa
Cloverland
Electric
Cooperative,
Inc.



Years Ended
December 31,
2019 and 2018

Financial
Statements

CLOVERLAND ELECTRIC COOPERATIVE, INC.

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CLOVERLAND ELECTRIC COOPERATIVE, INC.

Board of Directors

Jason St. Onge	Chairperson
John Sawruk	Vice Chairperson
Carmine Bonacci Jr.	Secretary/Treasurer
Gerald Nettleton	Director
Jason Oberle	Director
Allan Ott	Director
Virgil Monroe	Director
Ronald Provo	Director
William LaLonde	Director

INDEPENDENT AUDITORS' REPORT

March 24, 2020

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

We have audited the accompanying financial statements of *Cloverland Electric Cooperative, Inc.* ("Cloverland"), which comprise the balance sheet as of December 31, 2019 and the related statements of income and comprehensive income, changes in equities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 auditor 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 Cloverland'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 Cloverland'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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, Cloverland adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

Predecessor Auditor

The financial statements of ***Cloverland Electric Cooperative, Inc.*** as of and for the year ended December 31, 2018, were audited by other auditors whose reported dated March 4, 2019, expressed an unmodified opinion on those financial statements.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 24, 2020, 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. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* in considering ***Cloverland Electric Cooperative, Inc.'s*** internal control over financial reporting and compliance.

Rehmann Lohman LLC

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Balance Sheets

	December 31	
	2019	2018
ASSETS		
Electric plant		
In service - at cost	\$ 207,228,094	\$ 202,292,061
Construction work in progress	5,565,643	3,516,568
	<hr/>	<hr/>
Subtotal	212,793,737	205,808,629
	<hr/>	<hr/>
Less accumulated depreciation	55,275,033	50,264,077
	<hr/>	<hr/>
Net electric plant	157,518,704	155,544,552
Other assets and investments		
Investments in associated organizations	15,682,411	14,704,443
Other	585,132	737,353
Net non-utility property, net of accumulated depreciation	381,186	390,103
Deferred retirement benefit	1,154,451	1,243,255
	<hr/>	<hr/>
Total other assets and investments	17,803,180	17,075,154
Current assets		
Cash and cash equivalents	498,578	2,983,116
Accounts receivable, less allowance for doubtful accounts		
of \$102,263 in 2019 and \$270,566 in 2018, respectively	9,761,288	9,148,697
Materials and supplies	3,716,620	3,936,584
Prepaid expenses and other current assets	494,223	1,081,933
	<hr/>	<hr/>
Total current assets	14,470,709	17,150,330
	<hr/>	<hr/>
Deferred debits	8,786,122	9,411,458
	<hr/>	<hr/>
Total assets	\$ 198,578,715	\$ 199,181,494
	<hr/>	<hr/>

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

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Balance Sheets

EQUITIES AND LIABILITIES	December 31	
	2019	2018
Equities		
Memberships	\$ 157,360	\$ 148,810
Patronage capital	43,867,410	38,440,152
Other equities	1,640,899	1,633,941
Accumulated other comprehensive loss	(266,154)	(425,840)
Total equities	45,399,515	39,797,063
Long-term liabilities		
Long-term debt, net of current portion	130,157,824	136,103,834
Accrued postretirement benefits other than pensions and deferred compensation	847,334	1,026,372
Deferred compensation	585,132	737,353
Total long-term liabilities	131,590,290	137,867,559
Current liabilities		
Short-term borrowings	2,700,000	3,900,000
Current portion of long-term debt	4,182,503	4,280,950
Accounts payable		
Purchased power	2,557,478	3,900,073
Other	4,225,155	2,799,919
Refundable power costs	2,981,143	2,161,702
Customer deposits and prepayments	701,682	663,471
Accrued interest	77,381	98,977
Accrued vacation and sick pay	1,357,419	1,284,700
Accrued taxes and other current liabilities	2,806,149	2,427,080
Total current liabilities	21,588,910	21,516,872
Commitments and contingencies (Notes 7, 9 and 10)		
Total equities and liabilities	\$ 198,578,715	\$ 199,181,494

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

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Statements of Income and Comprehensive Income

	Year Ended December 31	
	2019	2018
Operating revenues	\$ 80,366,922	\$ 82,266,338
Operating expenses		
Cost of power - produced	5,449,388	4,377,806
Cost of power - purchased	29,541,009	35,963,035
Transmission	8,758,146	7,824,684
Distribution - operations	3,231,048	3,156,038
Distribution - maintenance	8,106,859	6,060,880
Customer accounts	1,840,863	2,315,002
Customer service and information	1,350,142	1,363,516
Sales expense	161,169	99,763
Administrative and general	4,424,001	4,504,695
Depreciation and amortization	6,610,084	6,550,064
Taxes - property	2,756,795	2,780,887
Total operating expenses	72,229,504	74,996,370
Operating margins before interest expense	8,137,418	7,269,968
Interest expense		
Interest on long-term debt	4,239,318	4,369,872
Other interest	172,254	136,443
Total interest expense	4,411,572	4,506,315
Operating margins after interest expense	3,725,846	2,763,653
Capital credits	341,515	398,824
Net operating margins	4,067,361	3,162,477
Non-operating margins		
Interest	85,715	262,521
Other	1,170,236	1,017,790
Total non-operating margins	1,255,951	1,280,311
Net margins	5,323,312	4,442,788
Other comprehensive income		
Unrecognized change in postretirement benefit plans	159,686	-
Comprehensive income	\$ 5,482,998	\$ 4,442,788

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

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Statements of Changes in Equities

	Memberships	Patronage Capital	Other Equities	Accumulated Other Comprehensive Loss	Total Equities
Balances, January 1, 2018	\$ 140,420	\$ 33,883,988	\$ 1,340,563	\$ (425,840)	\$ 34,939,131
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
Balances, December 31, 2018	148,810	38,440,152	1,633,941	(425,840)	39,797,063
Comprehensive income	-	-	-	159,686	159,686
Memberships issued	8,550	-	-	-	8,550
Other equity transactions	-	160,276	6,958	-	167,234
Retirement of capital credits	-	(56,330)	-	-	(56,330)
Current year margins	-	5,323,312	-	-	5,323,312
Balances, December 31, 2019	<u>\$ 157,360</u>	<u>\$ 43,867,410</u>	<u>\$ 1,640,899</u>	<u>\$ (266,154)</u>	<u>\$ 45,399,515</u>

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

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Statements of Cash Flows

	Year Ended December 31	
	2019	2018
Cash flows from operating activities		
Cash received from customers	\$ 79,788,032	\$ 82,658,198
Cash paid to suppliers and employees	(61,049,571)	(66,546,114)
Interest received	85,715	262,521
Interest paid	(4,433,168)	(5,380,697)
Taxes paid	(2,762,605)	(2,910,749)
Net cash provided by operating activities	11,628,403	8,083,159
Cash flows from investing activities		
Construction and acquisition of plant	(6,887,812)	(7,901,786)
Plant removal costs	(1,184,710)	(2,007,142)
Decrease in:		
Material and supplies	219,964	379,015
Investments in associated organizations	201,073	289,296
Net cash used in investing activities	(7,651,485)	(9,240,617)
Cash flows from financing activities		
Net short-term (repayments) borrowings	(1,200,000)	3,650,000
Retirement of patronage capital credits	(56,330)	(39,477)
Donated capital and sales tax refunds	167,234	446,231
Repayments of long-term debt	(6,048,685)	(4,882,633)
Decrease in deferred debits	625,336	625,335
Use of cushion of credit	4,228	1,645,354
Customer deposits and prepayments	38,211	(1,283)
Memberships issued, net	8,550	8,390
Net cash (used in) provided by financing activities	(6,461,456)	1,451,917
Net (decrease) increase in cash and cash equivalents	(2,484,538)	294,459
Cash and cash equivalents, beginning	2,983,116	2,688,657
Cash and cash equivalents, ending	\$ 498,578	\$ 2,983,116

Continued...

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

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Statements of Cash Flows (Concluded)

	Year Ended December 31	
	2019	2018
Reconciliation of net margins to net cash provided by operating activities		
Net margins	\$ 5,323,312	\$ 4,442,788
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	6,610,084	6,550,064
Capital credits	(341,515)	(398,824)
(Gain) loss of the sale of fixed assets	(17,866)	16,415
Earnings on investment and memberships	(1,170,236)	(1,018,333)
Change in operating assets and liabilities:		
Accounts receivable	(612,591)	353,703
Prepaid expenses and other current assets	587,710	(765,095)
Deferred retirement benefit	88,804	88,804
Accrued interest	(21,596)	(874,382)
Accounts payable, net of capital items	82,641	1,814,572
Refundable power costs	819,441	(1,330,172)
Accrued vacation and sick pay	72,719	(181,702)
Accrued taxes and other current liabilities	379,069	(413,489)
Accrued postretirement benefits other than pensions and deferred compensation	(19,352)	(84,023)
Deferred compensation	(152,221)	(117,167)
Net cash provided by operating activities	\$ 11,628,403	\$ 8,083,159
		Concluded

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

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Concentration Risks

Cloverland Electric Cooperative, Inc. ("Cloverland") is a member-owned, non-profit corporation located in Sault Ste. Marie, Michigan, principally engaged in providing electrical service to over 42,000 residential and commercial members located in Chippewa, Delta, Luce, Mackinac, and Schoolcraft counties. As a cooperative, all monies in excess of cost of providing electric service are patronage capital, and are credited to each members' capital account. As discussed in Note 9, Cloverland generates a significant amount of electrical power from its own hydro plant. Additionally, energy requirements are sourced under long-term power supply agreements.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. The extent of the impact of COVID-19 on the Cooperative's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. While management reasonably expects the COVID-19 outbreak to negatively impact the Cooperative's financial condition, operating results, and cash flows, the related financial consequences and duration cannot be estimated at this time.

Basis of Accounting

The accounting records of Cloverland are maintained in accordance with accounting principles generally accepted in the United States of America ("GAAP"), the Uniform Systems of Accounts prescribed by the Michigan Public Service Commission ("MPSC") and the Rural Utilities Services ("RUS").

Regulation

Cloverland elected to be self-regulated under PA 167 of 2010. Accounting and rate matters are subject to the Board of Directors and membership approval.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates. Significant estimates include but are not limited to allowances for bad debts, determinations of discount and other rate assumptions for the post-retirement defined benefit pension plans, and the carrying values of electric plant.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in a bank and cash on hand. Cloverland maintains its deposits in various local financial institutions, which at times may exceed the federally insured limits. Management does not believe the Cloverland is exposed to any significant interest rate or other financial risk as a result of these deposits.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

Revenue from Contracts with Customers (Members)

Our revenues are derived from the sale of electricity to commercial and residential customers and are recognized under the accrual method when our performance obligation to the customer is satisfied. We have determined that each unit of electricity delivered represents a performance obligation. Utilizing this criteria, revenue is recognized at the point in time when the customer has obtained control over the commodity, which is when the electricity is physically delivered to the customer through their metered connections. It is at this point that we have a present right to payment which is fixed and determinable, collection is reasonably assured, and the customer has obtained the significant risks and rewards of ownership over the electricity provided. Customer contracts are on a month-to-month basis and customers may cancel at any time without penalty. Customers are billed and typically pay at least monthly, based on usage. Sales taxes are collected from customers in jurisdictions that impose such taxes. Revenues collected for sales taxes are correspondingly reduced when such amounts are remitted to the applicable taxing authority and thus we do not recognize these amounts as revenue.

Accounts Receivable

Accounts receivable consist primarily of amounts due from members for electric service and is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Materials and Supplies

Electrical materials and supplies are valued at the lower of weighted average cost, principally determined by the first-in, first-out basis, or net realizable value.

Investments in Associated Organizations

The carrying values of investments in associated organizations are stated at cost, adjusted for capital credits earned or retired.

Electric Plant

Electric plant is stated at cost. Major improvements are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets whenever events or changes in circumstances indicate the related carrying amount may not be recoverable to determine whether carrying values have been impaired. Construction work in progress represents the continual expansion, replacement and upgrading of the electrical distribution system, net of amounts received from members who are required to share the cost of plant additions. Intangible plant consists of goodwill, acquisition costs, and other intangibles in accordance with accounting requirements for RUS electric borrowers. Retirement or disposals of electric plant are relieved at cost or current standard cost, if the original cost is not determinable. Accumulated depreciation is charged for the cost of removing property, plant and equipment, net of salvaged parts.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

General and generation plant depreciation rates have been applied on a straight-line basis and were as follows for the years ended December 31, 2019 and 2018, as described in the RUS Bulletin 183-1:

	Life Ranges in Years
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

Income Taxes

Cloverland is a not-for-profit organization exempt from income tax under Section 501(c)(12) of the Internal Revenue Code and is exempt from similar state and local taxes, provided that Cloverland derives at least 85 percent of its annual gross income from members to retain the exemption. Although Cloverland was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from the membership.

Cloverland analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions.

Cloverland has evaluated its income tax filing positions for 2016 through 2019, the years that remain subject to examination as of December 31, 2019. Cloverland concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. Cloverland does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. Cloverland does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2019 or 2018, and is not aware of any claims for such amounts by federal or state income tax authorities.

New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Accounting Standards Codification Topic 606)*, in May 2014. The standard, as amended, requires revenue to be recognized when promised goods and services are transferred to customers in amounts that reflect the consideration to which Cloverland expects to be entitled in exchange for those goods or services. The standard also requires expanded disclosures regarding revenue and contracts with customers. On January 1, 2019, Cloverland adopted the standard using the modified retrospective method. There was no impact to the timing or amount of revenue recognized as a result of this adoption.

Reclassification

Certain amounts as reported in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2019, the most recent balance sheet presented herein, through March 24, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified other than the economic uncertainties matter described above.

2. ELECTRIC PLANT

Electric plant consists of the following amounts at December 31:

	2019	2018
Intangible plant	\$ 7,508,661	\$ 7,508,661
Distribution plant	149,855,929	145,727,003
Generation plant	31,077,686	30,401,847
Transmission plant	83,442	83,442
General plant	18,702,376	18,571,108
Construction work in progress	5,565,643	3,516,568
	<u>212,793,737</u>	<u>205,808,629</u>
Accumulated depreciation	<u>55,275,033</u>	<u>50,264,077</u>
Net electric plant	<u>\$ 157,518,704</u>	<u>\$155,544,552</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, 2019 and 2018.

3. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations consisted of the following at December 31:

	2019	2018
National Rural Utilities Cooperative Finance Corporation:		
Capital term and zero term certificates maturing through 2080, interest rates ranging from 0% and 5%	\$ 773,539	\$ 773,539
Long-term certificates maturing through 2030 at an interest rate of 3%	48,000	48,000
Patronage capital credits	293,065	302,092
American Transmission Company, LLC (.611% interest)	12,628,864	11,791,338
Federated Rural Electric Insurance Exchange	517,437	497,500
CoBank	685,467	581,079
Other	736,039	710,895
Total	<u>\$ 15,682,411</u>	<u>\$ 14,704,443</u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

4. PATRONAGE CAPITAL

Patronage capital consists of the following at December 31:

	2019	2018
Assignable margins	\$ 5,483,588	\$ 4,595,641
Assignable to date	55,089,832	50,494,191
	60,573,420	55,089,832
Less called for redemption to date	(16,706,010)	(16,649,680)
Total	\$ 43,867,410	\$ 38,440,152

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 at least 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 RUS is not necessary if the Cooperative's equity immediately following the distribution is greater than 20 percent of total assets and the total of all distributions during the year is less than or equal to 25% of prior year's margins. Cloverland's Board of Directors elected not to retire capital credits in 2019.

The equities and margins of Cloverland represent 22.86% and 19.98% of the total assets at December 31, 2019 and 2018, respectively.

5. OTHER EQUITIES

Other equities consisted of the following at December 31:

	2019	2018
Pre-1978 non-operating margins	\$ 49,495	\$ 49,495
Sales tax refunds on patronage capital	149,664	160,217
Capital gains	11,254	11,254
Donated capital	807,822	790,311
Non-assignable margins	(262,133)	(262,133)
Non-refundable capital	884,797	884,797
Total	\$ 1,640,899	\$ 1,633,941

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

6. LONG-TERM DEBT

Long-term debt consists of the following obligations at December 31:

	2019	2018
Federal Financing Bank notes bearing interest at 1.576% to 3.587%, collateralized by substantially all assets, due in quarterly installments of \$1,521,735, with final maturities ranging from 2045 to 2047.	\$ 112,737,203	\$ 115,594,930
CoBank notes bearing interest at 2.32% to 3.84%, collateralized by substantially all assets, due in monthly installments of \$158,550, including interest, with final maturities ranging from 2022 to 2041.	20,427,817	21,560,925
National Rural Utilities Cooperative Finance Corporation notes bearing interest at 4.50%, collateralized by substantially all assets, payable in quarterly installments of \$19,574, including interest through 2032.	745,433	1,243,927
Notes payable to Freddie Mac in quarterly installments of \$11,288, including interest at 4.50%, collateralized by substantially all assets, with final maturities ranging from 2020 to 2034.	429,874	1,989,230
Total long-term debt	134,340,327	140,389,012
Less RUS cushion of credit	-	(4,228)
Less current portion	(4,182,503)	(4,280,950)
Long-term debt, net of current portion	\$ 130,157,824	\$ 136,103,834

Unadvanced loan funds were available to Cloverland on the loan commitments from FFB in the amount of \$42,900,000 for 2019 and \$15,050,082 for 2018.

Scheduled principal maturities of long-term debt for each of the five years succeeding December 31, 2019, and thereafter, are summarized as follows:

Year	Amount
2020	\$ 4,182,503
2021	4,284,571
2022	4,381,303
2023	4,462,351
2024	4,605,440
Thereafter	112,424,159
Total	\$ 134,340,327

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

The borrowing agreements contain certain customary affirmative and restrictive covenants that require the Cooperative to, among other things, maintain, in the two best years out of the three most recent calendar years, a debt service coverage ratio of not less than 1.25:1, operating debt service coverage ratio of not less than 1.10:1, interest coverage ratio of not less than 1.10:1 and operating interest coverage ratio of not less than 1.25:1.

7. SHORT-TERM BORROWINGS

Cloverland has an unsecured available line of credit with CoBank in the amount of \$10,000,000 maturing August 31, 2020. Outstanding borrowings as of December 31, 2019 were \$1,900,000. There was no outstanding balance as of December 31, 2018. Interest is charged at a weekly quoted variable rate determined by the Bank (effective rate of 3.86% as of December 31, 2019).

Cloverland has an unsecured available line of credit with CFC in the amount of \$19,500,000 maturing April 26, 2022. Outstanding borrowings as of December 31, 2019 and 2018 were \$800,000 and \$3,900,000, respectively. Interest is charged at a variable rate determined by the Bank (effective rate of 2.85% as of December 31, 2019).

Cloverland has a letter of credit outstanding to the Midwest Independent Transmission System Operator (MISO) for \$1,000,000 at December 31, 2019. This letter of credit is required in order to mitigate risk of loss in financial operations.

8. RETIREMENT PLANS

Multiemployer Defined Benefit 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.

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.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in its multiemployer plan, the Company may be required to pay that plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

Cloverland's participation in the plan for the annual years ended December 31, 2019 and 2018, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2019 and 2018 is for the plan's year-end at January 1, 2019 and 2018, respectively. The zone status is based on information that Cloverland received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Cloverland Contributions		Surcharge Imposed	Expiration Date of Collective- Bargaining Agreement
		2019	2018		2019	2018		
NRECA RS Plan	53-0116145/ 333	Green as of 1/1/19	Green as of 1/1/18	No	\$ 1,392,340	\$ 1,444,033	N/A	10/1/2021

Cloverland was not listed on the plan's Form 5500 as providing more than 5% of total contributions to the plan.

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, 2019 and January 1, 2018 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

Cloverland sponsors a retirement savings plan to employees. The plan is offered to employees, pursuant to Section 401(k) of the Internal Revenue Code. Cloverland and employees make contributions to the employees' accounts. Cloverland contributed \$586,081 and \$562,858 during 2019 and 2018, respectively. Employees vest immediately in their contributions and in the contributions made by Cloverland.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

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. Cloverland maintains ownership of the related investments until benefits are distributed. Investment selections are made by the individual plan participants. The balance of deferred compensation related to the plans at December 31, 2019 and 2018 was \$585,132 and \$737,353, respectively.

9. COMMITMENTS AND CONTINGENCIES

Refundable Power Costs

State of Michigan Public Act 304 of 1982 created the Power Supply Cost Recovery Clause ("PSCR"), a power cost recovery mechanism. Electric utilities, including the member owned cooperatives, like Cloverland, are authorized to apply PSCR clauses and monthly PSCR factors. Cloverland did not charge a monthly factor during 2019.

Rates charged to members include a forecasted cost for energy, capacity and transmission requirements known as power supply costs. No margin is charged on the cost of energy, therefore, Cloverland is obligated to return any over collection of power supply costs to members. Conversely, Cloverland also is able to collect any under recovery of power supply costs from members due to differences between the forecasted power supply costs incorporated in rates and the actual power supply costs incurred.

The PSCR clause includes provisions whereby power cost recovery over-collections may be remedied by refunds and power cost recovery under-collections may be remedied by additional collections. Any under collection would constitute a contract asset whereas over collections would constitute a contract liability.

Cloverland had a contract liability of \$2,981,143 and \$2,161,702 for over collections from member-consumers at December 31, 2019 and 2018, respectively.

Deferred Debits and Credits

The balance of the regulatory pension asset obtained as a result of an acquisition in prior years was \$7,698,522 and \$8,248,417 at December 31, 2019 and 2018, respectively. Cloverland 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. Amortization expense amounted to \$549,895 in both 2019 and 2018, and is expected to be \$549,895 for each of the next five years.

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 was \$1,087,600 and \$1,163,041 at December 31, 2019 and 2018, respectively. Amortization expense amounted to \$75,441 in both 2019 and 2018, and is expected to be \$75,441 for each of the next five years.

Litigation

Cloverland is periodically involved in litigation in the normal course of business and does not expect that the outcome of any ongoing litigation at December 31, 2019, will have a material impact on future operations.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

Leases and Power Purchase Agreements

Cloverland'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. Cloverland 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 \$1,578,498 and \$1,510,386 in 2019 and 2018, 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 \$1,638,118 and \$1,640,834 in 2019 and 2018, respectively, with modifications to such payments for power outages and the cost of designated repairs in excess of the federal share of such costs.

Cloverland additionally purchases power from Wisconsin Electric Power Company ("WEPCO"), a Wisconsin corporation. The contract with WEPCO for capacity and energy terminates on May 31, 2029. Payments under the contract were \$26,506,624 and \$25,130,920 in 2019, and 2018, respectively.

Future minimum payments required under purchase power agreements or water lease agreements that have initial or remaining noncancelable terms in excess of one year for the five years succeeding December 31, 2019, and thereafter, are summarized as follows:

Year	Amount
2020	\$ 26,249,994
2021	27,473,752
2022	28,793,469
2023	29,466,868
2024	29,664,992
Thereafter	<u>266,676,424</u>
Total	<u><u>\$408,325,499</u></u>

10. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Cloverland sponsors 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.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

The components of net periodic income are as follows for the years ended December 31:

	2019	2018
Interest cost	\$ 22,678	\$ 32,307
Recognition of net gain	14,411	23,739
Net periodic income	\$ 37,089	\$ 56,046

The following table sets forth the plan's funded status and amounts reported on Cloverland's balance sheets as of December 31:

	2019	2018
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 1,026,372	\$ 1,110,395
Interest cost	22,678	32,307
Benefits paid	(86,948)	(116,330)
Actuarial loss	(114,768)	-
Projected benefit obligations at end of year	\$ 847,334	\$ 1,026,372
Change in plan assets		
Employer contributions	\$ 93,133	\$ 116,330
Benefits paid	(93,133)	(116,330)
Fair value of plan assets at end of year	\$ -	\$ -
Recognized benefit liability	\$ (847,334)	\$ (1,026,372)
Amounts recognized in accumulated other comprehensive loss, beginning	\$ 425,840	\$ 425,840
Current year comprehensive income	(159,686)	-
Amounts recognized in accumulated other comprehensive loss, ending	\$ 266,154	\$ 425,840

The weighted-average discount rate was 3.25% and 3.75% at December 31, 2019 and 2018, respectively.

CLOVERLAND ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

The Cooperative assumes for measurement purposes a 7.00% annual rate of increase in the per capita cost of covered health care benefits for 2019. The rate was assumed to increase by 2.00% per year to an ultimate rate of 5%, and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point would increase the accumulated post-retirement obligation by \$23,270. Decreasing the assumed health care cost trend rates by 1 percentage point would decrease the accumulated post-retirement obligation by \$22,137.

Cloverland expects to contribute an amount equal to the expected benefit payment to its plan in 2020. Expected benefit payments for each of the five years succeeding December 31, 2019, and for the five years thereafter are estimated as follows:

Year	Amount
2020	\$ 89,339
2021	86,032
2022	80,235
2023	74,531
2024	70,188
2025-2029	269,342

A Rabbi Trust was established for the employees who were hired before October 1, 1995 and who elected not to be covered by Cloverland's 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, 2019.

11. SUPPLEMENTAL CASH FLOWS INFORMATION

Cash paid for interest amounted to \$4,433,168 and \$5,380,697 during 2019 and 2018, respectively.

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**Independent Auditors' 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***

March 24, 2020

Board of Directors
Cloverland Electric Cooperative, Inc.
Dafer, 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.*** ("Cloverland"), which comprise the balance sheet as of December 31, 2019 and the related statements of income and comprehensive income, changes in patron equities, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Cloverland's basic financial statements, and have issued our report thereon dated March 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cloverland'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Cloverland'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cloverland's financial statements are free from 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 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 Cloverland'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lohman LLC

**Independent Auditors' Report on Compliance With Aspects
of Contractual Agreements and Regulatory Requirements
For Electric Borrowers**

March 24, 2020

Board of Directors
Cloverland Electric Cooperative, Inc.
Dafer, 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 **Cloverland Electric Cooperative, Inc.**, which comprise the balance sheet as of December 31, 2019, and related statements of income and comprehensive income, changes in equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2020. In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020 on our consideration of Cloverland'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 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 such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Cloverland'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 Cloverland'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.

Rehmann Lohman LLC