

**ANNUAL REPORT**

Of

Company Name:   
1878 W. White Mountain Blvd.  
0  
Mailing Address: Lakeside AZ  
85929  
Docket No.:   
For the Year Ended:

**RECEIVED  
BY EMAIL**  
03/24/2021, 11:09 AM  
**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION**

**ELECTRIC**

To

Arizona Corporation Commission

**Due on April 15th**

Email: Util-Compliance@azcc.gov, mail or deliver the completed Annual Report to:  
Arizona Corporation Commission  
Compliance Section - Utilities Division  
1200 West Washington Street  
Phoenix, Arizona 85007

Application Type:   
Application Date:

ARIZONA CORPORATION COMMISSION  
 ELECTRIC UTILITY ANNUAL REPORT  
 COMPANY INFORMATION

For the Calendar Year Ended: 12/31/20

Company/Business Name:	Navopache Electric			
Mailing Address:	1878 W. White Mountain Blvd			
City:	Lakeside	State:	Arizona	Zip Code: 85929
Telephone Number:	928-368-5118	Fax Number:	none	
Email:	ggouker@navopache.org			

<b>Regulatory and Management Contact</b>				
Name:	Gayle L Gouker			
Title:	Manager of Financial Services			
Telephone No. :	928-368-5118			
Address:	1878 W. White Mountain Blvd			
City:	Lakeside	State:	Arizona	Zip Code: 85929
Email:	ggouker@navopache.org			

<b>On-Site Manager</b>				
Name:	Charles R Moore			
Title:	Chief Executive Officer			
Telephone No. :	928-368-5118			
Address:	1878 W. White Mountain Blvd			
City:	Lakeside	State:	Arizona	Zip Code: 85929
Email:	cmoore@navopache.org			

<b>Statutory Agent</b>				
Name:	Elizabeth Neal			
Title:	Executive Administrative Assistant			
Telephone No. :	928-368-5118			
Address:	1878 W. White Mountain Blvd			
City:	Lakeside	State:	Arizona	Zip Code: 85929
Email:	eneal@navopache.org			

<b>Attorney</b>				
Name:	Raymond Heyman, Snell & Wilmer			
Title:	Attorney			
Telephone No. :	602-382-6000			
Address:	400 E Van Buren, Suite 1900			
City:	Phoenix	State:	Arizona	Zip Code: 85929
Email:	rheyman@swlaw.com			

Ownership:

Counties Served:

<b>Important changes during the year</b>
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No	For those companies not subject to the affiliated interest rules, has there been a change in ownership or direct control during the year?
	If yes, please provide specific details in the box below
	In reference to "Counties Served" on prior page: NEC serves Navajo, Apache, Gila & Greenlee. The drop down only allows one selection

No	Has the company been notified by any other regulatory authorities during the year, that they are out of compliance
	If yes, please provide specific details in the box below
	None

**SERVICES AUTHORIZED TO PROVIDE**

Yes	Electric
No	Investor Owned Electric
Yes	Rural Electric Cooperative
No	Utility Distributed Company
N/A	Electric Service Provider
N/A	Transmission Service Provider
N/A	Meter Service Provider
N/A	Meter Reading Service Provider
N/A	Billing and Collection
N/A	Ancillary Services
N/A	Generation Provider
N/A	Aggregator/Broker

N/A Other (Specify)

**STATISTICAL INFORMATION**

**Retail Information**

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	37,163	264,807,861
Commercial	3,501	114,337,993
Industrial	32	43,251,828
Public Street and Highway Lighting	108	943,404
Irrigation	169	12,230,475
<b>Total Retail</b>	<b>40,973</b>	<b>435,571,561</b>

**Wholesale Information**

	Number of Customers	Number of kWh Sold
Resale	0	0
Short-term Sales (duration of less than one-year)	0	0
<b>Total Wholesale</b>	<b>0</b>	<b>0</b>

Total Sold	435,571,561	KW
Maximum Peak Load	90	MW
Distribution System Losses	35,332,532	KW
Distribution Losses	8.10%	
Transmission Losses	0.00%	
System Average Interruption Duration Index (SAIDI)	165	
Distribution System Losses	0	
Customer Average Interruption Duration Index (CAIDI)	786	
System Average Interruption Frequency Index (SAIFI)	1	

VERIFICATION AND SWORN STATEMENT (INTRASTATE REVENUE ONLY)

Verification:

State of Arizona, the undersigned of the  
(state name)  
County of (county name): Navajo  
Name (owner or official) title: Gayle L. Gouker, Manager of Financial Services  
Company name: Navopache Electric

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/20

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

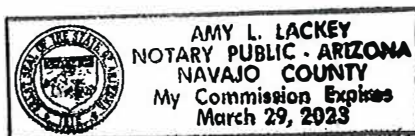
Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)  
\$54,272,444  
(The amount in the box above includes  
\$3,666,007 in sales taxes  
billed or collected)

[Signature]  
signature of owner/official

928-368-5118  
telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC  
IN AND FOR THE COUNTY Navajo  
(county name)  
THIS 24<sup>th</sup> DAY OF March 2021  
(month) and (year)  
MY COMMISSION EXPIRES 3/29/2023  
(date)



[Signature]  
(signature of notary public)

**VERIFICATION AND SWORN STATEMENT (RESIDENTIAL REVENUE)**

**Verification:**

State of Arizona I, the undersigned of the  
(state name)

County of (county name): Navajo  
Name (owner or official) title: Gayle L, Gouker, Manager of Financial Service  
Company name: Navopache Electric

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/20

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**Sworn Statement:** IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$36,331,472  
(The amount in the box above includes  
\$2,454,126 in sales taxes  
billed or collected)

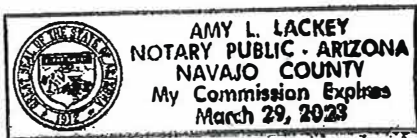
[Signature]  
signature of owner/official

928-368-5118  
telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC  
IN AND FOR THE COUNTY Navajo  
(county name)

THIS 24th DAY OF March 2021  
(month) and (year)

MY COMMISSION EXPIRES 3/29/2023  
(date)



[Signature]  
(signature of notary public)

Navopache Electric  
 ELECTRIC UTILITY ANNUAL REPORT  
 UTILITY SHUTOFFS / DISCONNECTS  
 12/31/20

<b>UTILITY SHUTOFFS / DISCONNECTS</b>			
Month	Termination without Notice R14-2-211.B	Termination with Notice R14-2- 211.C	Other
January	0	78	0
February	0	90	0
March	0	109	0
April	0	0	0
May	0	0	0
June	0	0	0
July	0	0	0
August	0	30	0
September	0	106	0
October	0	43	0
November	0	58	0
December	0	17	0
<b>Total</b>	<b>0</b>	<b>531</b>	<b>0</b>

**Other (description):**

N/A
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**Instructions:** Fill out the Grey Cells with the relevant information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Navopache Electric Cooperative, Inc.
	<b>BORROWER DESIGNATION</b>	<b>AZ013</b>
	<b>ENDING DATE</b>	12/31/2020

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION	
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.	<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; padding: 5px; margin-right: 10px;"> <div style="background-color: red; color: white; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-bottom: 5px;">1</div> <div style="background-color: yellow; color: black; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin-bottom: 5px;">2</div> <div style="background-color: green; color: white; border-radius: 50%; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center;">23</div> </div> <div> <p>Needs Attention</p> <p>Please Review</p> <p>Matches</p> </div> </div>	<b>AUTHORIZATION</b>  NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA? <div style="display: flex; justify-content: center; margin-top: 10px;"> <input checked="" type="radio"/> YES           <input type="radio"/> NO         </div>	
3-18-2021 Signature of Office Manager or Accountant Date			
3/10/2021 Signature of Manager Date			

**PART A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	52,262,163	56,646,831	54,329,890	7,039,627
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	22,945,852	23,324,587	24,393,136	2,281,352
4. Transmission Expense	223,362	173,748	221,998	12,037
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	3,984,056	4,250,807	4,235,696	416,156
7. Distribution Expense - Maintenance	3,423,780	3,583,865	3,734,173	328,736
8. Consumer Accounts Expense	1,989,744	2,029,568	2,383,788	192,446
9. Customer Service and Informational Expense	192,414	146,025	177,464	11,023
10. Sales Expense	0	0	0	0
11. Administrative and General Expense	6,091,352	5,741,317	6,640,677	518,219
<b>12. Total Operation &amp; Maintenance Expense (2 thru 11)</b>	<b>38,850,560</b>	<b>39,249,917</b>	<b>41,786,932</b>	<b>3,759,969</b>
13. Depreciation & Amortization Expense	5,774,119	5,952,823	6,315,327	505,739
14. Tax Expense - Property & Gross Receipts	0	0	0	0
15. Tax Expense - Other	16,423	(9,030)	11,795	(399)
16. Interest on Long-Term Debt	2,741,953	2,966,803	3,144,881	262,080
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	45,933	27,451	37,936	2,312
19. Other Deductions	44,685	167,118	165,785	13,230
<b>20. Total Cost of Electric Service (12 thru 19)</b>	<b>47,473,673</b>	<b>48,355,082</b>	<b>51,462,656</b>	<b>4,542,931</b>
<b>21. Patronage Capital &amp; Operating Margins (1 minus 20)</b>	<b>4,788,490</b>	<b>8,291,749</b>	<b>2,867,234</b>	<b>2,496,696</b>
22. Non Operating Margins - Interest	138,485	71,177	113,631	5,316
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0
25. Non Operating Margins - Other	58,547	36,429	13,821	3,718
26. Generation & Transmission Capital Credits	0	0	0	0
27. Other Capital Credits & Patronage Dividends	177,670	262,783	211,249	0
28. Extraordinary Items	0	0	0	0
<b>29. Patronage Capital or Margins (21 thru 28)</b>	<b>5,163,192</b>	<b>8,662,138</b>	<b>3,205,935</b>	<b>2,505,730</b>

**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	432	449	5. Miles Transmission	264	264
2. Services Retired	180	152	6. Miles Distribution Overhead	2,632	2,632
3. Total Services In Place	44,702	45,005	7. Miles Distribution Underground	638	638
4. Idle Services (Exclude Seasonal)	2,722	2,366	<b>8. Total Miles Energized (5+6+7)</b>	<b>3,534</b>	<b>3,534</b>



<b>NATIONAL RURAL UTILITIES</b> <b>COOPERATIVE FINANCE CORPORATION</b> <b>FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Navopache Elect
	<b>BORROWER DESIGNATION</b>	AZ013
	<b>ENDING DATE</b>	12/31/2020

<b>PART C. BALANCE SHEET</b>			
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ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	185,419,184	29. Memberships	176,705
2. Construction Work in Progress	17,223,498	30. Patronage Capital	42,183,803
<b>3. Total Utility Plant (1+2)</b>	<b>202,642,682</b>	31. Operating Margins - Prior Years	(12,389,458)
4. Accum. Provision for Depreciation and Amort	79,811,838	32. Operating Margins - Current Year	8,554,532
<b>5. Net Utility Plant (3-4)</b>	<b>122,830,844</b>	33. Non-Operating Margins	107,606
6. Nonutility Property - Net	0	34. Other Margins & Equities	2,715,874
7. Investment in Subsidiary Companies	0	<b>35. Total Margins &amp; Equities (29 thru 34)</b>	<b>41,349,062</b>
8. Invest. in Assoc. Org. - Patronage Capital	1,537,761	36. Long-Term Debt CFC (Net)	86,010,297
9. Invest. in Assoc. Org. - Other - General Funds	100,200	37. Long-Term Debt - Other (Net)	0
10. Invest in Assoc. Org. - Other - Nongeneral Funds	1,249,140	<b>38. Total Long-Term Debt (36 + 37)</b>	<b>86,010,297</b>
11. Investments in Economic Development Projects	0	39. Obligations Under Capital Leases - Non current	0
12. Other Investments	217	40. Accumulated Operating Provisions - Asset Retirement Obligations	719,385
13. Special Funds	0	<b>41. Total Other Noncurrent Liabilities (39+40)</b>	<b>719,385</b>
<b>14. Total Other Property &amp; Investments (6 thru 13)</b>	<b>2,887,318</b>	42. Notes Payable	5,550,000
15. Cash-General Funds	1,323,829	43. Accounts Payable	4,839,151
16. Cash-Construction Funds-Trustee	0	44. Consumers Deposits	1,302,984
17. Special Deposits	324,206	45. Current Maturities Long-Term Debt	4,249,005
18. Temporary Investments	730,000	46. Current Maturities Long-Term Debt-Economic Dev.	0
19. Notes Receivable - Net	1,473	47. Current Maturities Capital Leases	0
20. Accounts Receivable - Net Sales of Energy	3,096,715	48. Other Current & Accrued Liabilities	1,211,419
21. Accounts Receivable - Net Other	113,480	<b>49. Total Current &amp; Accrued Liabilities (42 thru 48)</b>	<b>17,152,559</b>
22. Renewable Energy Credits	0	50. Deferred Credits	1,466,786
23. Materials & Supplies - Electric and Other	4,517,762	<b>51. Total Liabilities &amp; Other Credits (35+38+41+49+50)</b>	<b>146,698,089</b>
24. Prepayments	548,467	<b>ESTIMATED CONTRIBUTION-IN-AID-OF-CONSTRUCTION</b>	
25. Other Current & Accrued Assets	5,584,102	Balance Beginning of Year	25,657,908
<b>26. Total Current &amp; Accrued Assets (15 thru 25)</b>	<b>16,240,034</b>	Amounts Received This Year (Net)	449,857
27. Deferred Debits	4,739,893	<b>TOTAL Contributions-In-Aid-Of-Construction</b>	<b>26,107,765</b>
<b>28. Total Assets &amp; Other Debits (5+14+26+27)</b>	<b>146,698,089</b>		

<b>PART D. THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.</b>			
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<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>		<b>BORROWER NAME</b>	Navopache Elect
		<b>BORROWER DESIGNATION</b>	AZ013
		<b>ENDING DATE</b>	12/31/2020

**PART E. CHANGES IN UTILITY PLANT**

	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1	Distribution Plant Subtotal	127,004,676	5,202,976	697,669	0	131,509,983
2	General Plant Subtotal	22,860,784	1,931,350	213,755	0	24,578,379
3	Headquarters Plant	12,449,857	227,930	952	0	12,676,834
4	Intangibles	228,075	0	0	0	228,075
5	Transmission Plant Subtotal	15,310,325	115,735	9,613	0	15,416,448
6	Regional Transmission and Market Operation Plant	0	0	0	0	0
7	Production Plant - Steam	0	0	0	0	0
8	Production Plant - Nuclear	0	0	0	0	0
9	Production Plant - Hydro	0	0	0	0	0
10	Production Plant - Other	0	0	0	0	0
11	All Other Utility Plant	1,009,465	0	0	0	1,009,465
12	<b>SUBTOTAL: (1 thru 11)</b>	<b>178,863,182</b>	<b>7,477,991</b>	<b>921,990</b>	<b>0</b>	<b>185,419,184</b>
13	Construction Work in Progress	8,750,676	8,472,822			17,223,498
14	<b>TOTAL UTILITY PLANT (12+13)</b>	<b>187,613,858</b>	<b>15,950,813</b>	<b>921,990</b>	<b>0</b>	<b>202,642,682</b>

CFC NO LONGER REQUIRES SECTIONS "F", "J", AND "M" DATA  
Those sections refer to data on "Materials and Supplies" (F), "Energy Efficiency and Conservation Loan Program" (J),  
and "Annual Meeting and Board Data" (M).

**PART H. SERVICE INTERRUPTIONS**

	ITEM	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	TOTAL (e)
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)	
1.	Present Year	0.00	0.00	26.70	137.90	164.60
2.	Five-Year Average	1.60	136.98	7.94	311.38	457.90

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

1.	Number of Full Time Employees	100	4.	Payroll - Expensed	5,154,040
2.	Employee - Hours Worked - Regular Time	208,266	5.	Payroll - Capitalized	1,631,143
3.	Employee - Hours Worked - Overtime	5,786	6.	Payroll - Other	1,868,382

**PART J. PATRONAGE CAPITAL**

	ITEM	THIS YEAR (a)	CUMULATIVE (b)	PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE	
				1. Amount Due Over 60 Days:	2. Amount Written Off During Year:
				64,390	
1.	General Retirement	0	2,654,881		
2.	Special Retirements	233,842	3,713,118	104,633	
3.	<b>Total Retirements (1+2)</b>	<b>233,842</b>	<b>6,367,999</b>		
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	0			
5.	System	94,206			
6.	<b>Total Cash Received (4+5)</b>	<b>94,206</b>			

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT							BORROWER NAME		Navopache Elect	
							BORROWER DESIGNATION		AZ013	
							ENDING DATE		12/31/2020	
PART L. KWH PURCHASED AND TOTAL COST										
	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	INCLUDED IN TOTAL COST		
								FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)
1	Tucson Electric Power			0 None	449,515,000	22,151,039	4.93	0	0	<a href="#">Comments</a>
2	Western Area Power Administration			0 None	24,726,787	725,077	2.93	0	0	<a href="#">Comments</a>
3	Arizona Electric Power Coop Inc			0 None	6,782,000	323,120	4.76	0	0	<a href="#">Comments</a>
4	Arizona Power Authority			0 None	3,458,000	125,351	3.62	0	0	<a href="#">Comments</a>
5				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
6				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
7				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
8				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
9				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
10				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
11				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
12				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
13				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
14				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
15				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
16				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
17				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
18				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
19				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
20				0 None	0	0	0.00	0	0	<a href="#">Comments</a>
21	<b>TOTALS</b>				<b>484,481,787</b>	<b>23,324,587</b>	<b>4.81</b>	<b>0</b>	<b>0</b>	

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	<b>BORROWER DESIGNATION</b>	AZ013
	<b>ENDING DATE</b>	12/31/2020

**PART L. KWH PURCHASED AND TOTAL COST (Continued)**

COMMENTS	
1	
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<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Navopache Elect
	<b>BORROWER DESIGNATION</b>	AZ013
	<b>ENDING DATE</b>	12/31/2020

**PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)**

*LIST BELOW ALL "RESTRICTED PROPERTY" \*\* HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")*

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.	Arizona State Land Department & Bureau of Land Management	Land - ROWs & easements	\$19,473
2.	Magnum Family Trust & J Albert Brown Ranches	Land	\$24,360
3.		<b>TOTAL</b>	<b>\$43,833</b>

\*\* "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000).

**PART O. LONG-TERM DEBT SERVICE REQUIREMENTS**

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1	National Rural Utilities Cooperative Finance Corporation	86,010,297	2,939,457	4,877,405	7,816,862	
2	NCSC	0	0	0	0	
3	Farmer Mac	0	0	0	0	
4		0	0	0	0	
5		0	0	0	0	
6		0	0	0	0	
7		0	0	0	0	
8		0	0	0	0	
9		0	0	0	0	
10	Principal Payments Received from Ultimate Recipients of IRP Loans			0		
11	Principal Payments Received from Ultimate Recipients of REDL Loans			0		
12	<b>TOTAL (Sum of 1 thru 9)</b>	<b>\$86,010,297</b>	<b>\$2,939,457</b>	<b>\$4,877,405</b>	<b>\$7,816,862</b>	

<b>COOPERATIVE FINANCE CORPORATION</b> <b>FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Navopache Elect
	<b>BORROWER DESIGNATION</b>	AZ013
	<b>ENDING DATE</b>	12/31/2020

**PART R. POWER REQUIREMENTS DATABASE**

CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS	DECEMBER CONSUMERS	AVERAGE CONSUMERS	TOTAL KWH SALES AND REVENUE
		(a)	(b)	(c)	(d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	37,896	38,542	38,219	
	b. KWH Sold				272,317,965
	c. Revenue				35,647,761
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	168	170	169	
	b. KWH Sold				12,291,193
	c. Revenue				1,381,654
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	3,703	3,708	3,706	
	b. KWH Sold				117,706,501
	c. Revenue				12,447,314
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	27	32	30	
	b. KWH Sold				43,251,828
	c. Revenue				3,641,106
6. Public Street & Highway Lighting	a. No. Consumers Served	115	115	115	
	b. KWH Sold				945,518
	c. Revenue				116,245
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
<b>10. TOTAL No. of Consumers (lines 1a thru 9a)</b>		<b>41,909</b>	<b>42,567</b>	<b>42,239</b>	
<b>11. TOTAL KWH Sold (lines 1b thru 9b)</b>					<b>446,513,005</b>
<b>12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)</b>					<b>53,234,080</b>
13. Transmission Revenue					0
14. Other Electric Revenue					3,412,751
15. KWH - Own Use					1,709,316
16. TOTAL KWH Purchased					484,481,787
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					23,324,587
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					90,000
<input type="radio"/> None <input checked="" type="radio"/> Non-coincident <input type="radio"/> Coincident					

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Navopache Elect
	<b>BORROWER DESIGNATION</b>	AZ013
	<b>ENDING DATE</b>	12/31/2020

**PART S. ENERGY EFFICIENCY PROGRAMS**

Line #	Classification	Added This Year			Total To Date		
		Number of Consumers (a)	Amount Invested (b)	ESTIMATED MMBTU Savings (c)	Number of Consumers (d)	Amount Invested (e)	ESTIMATED MMBTU Savings (f)
1.	Residential Sales (excluding seasonal)	0	0	0	0	0	0
2.	Residential Sales - Seasonal	0	0	0	0	0	0
3.	Irrigation Sales	0	0	0	0	0	0
4.	Comm. and Ind. 1000 KVA or Less	0	0	0	0	0	0
5.	Comm. and Ind. Over 1000 KVA	0	0	0	0	0	0
6.	Public Street and Highway Lighting	0	0	0	0	0	0
7.	Other Sales to Public Authorities	0	0	0	0	0	0
8.	Sales for Resales - RUS Borrowers	0	0	0	0	0	0
9.	Sales for Resales - Other	0	0	0	0	0	0
10.	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME		Navopache Elect
		BORROWER DESIGNATION		AZ013
		ENDING DATE		12/31/2020
(All investments refer to your most recent CFC Loan Agreement)				
<b>7a - PART 1 - INVESTMENTS</b>				
DESCRIPTION (a)		INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)
<b>2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS</b>				
5	Various Industry Cooperatives	1,113,603		74,371
6	GCSECA Membership	100		
7	CFC		1,773,397	62,399
8				
<b>Subtotal (Line 5 thru 8)</b>		<b>1,113,703</b>	<b>1,773,397</b>	<b>136,770</b>
<b>3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS</b>				
9	None			
10				
11				
12				
<b>Subtotal (Line 9 thru 12)</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>4. OTHER INVESTMENTS</b>				
13	Weatherization loans	217		20
14				
15				
16				
<b>Subtotal (Line 13 thru 16)</b>		<b>217</b>	<b>0</b>	<b>20</b>
<b>5. SPECIAL FUNDS</b>				
17				
18				
19				
20				
<b>Subtotal (Line 17 thru 20)</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>6. CASH - GENERAL</b>				
21	Cash	1,073,829	250,000	
22				
23				
24				
<b>Subtotal (Line 21 thru 24)</b>		<b>1,073,829</b>	<b>250,000</b>	<b>0</b>
<b>7. SPECIAL DEPOSITS</b>				
25	Renewables - ACC Surcharge	324,206		
26				
27				
28				
<b>Subtotal (Line 25 thru 28)</b>		<b>324,206</b>	<b>0</b>	<b>0</b>
<b>8. TEMPORARY INVESTMENTS</b>				
29	CFC		730,000	
30				
31				
32				
<b>Subtotal (Line 29 thru 32)</b>		<b>0</b>	<b>730,000</b>	<b>0</b>
<b>9. ACCOUNT &amp; NOTES RECEIVABLE - NET</b>				
33	Other	114,953		
34				
35				
36				
<b>Subtotal (Line 33 thru 36)</b>		<b>114,953</b>	<b>0</b>	<b>0</b>
<b>10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED</b>				
37				
38				
39				
40				
<b>Subtotal (Line 37 thru 40)</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>		<b>2,626,908</b>	<b>2,753,397</b>	<b>136,790</b>



NATIONAL RURAL UTILITIES			BORROWER NAME		Navopache Elect
COOPERATIVE FINANCE CORPORATION			BORROWER DESIGNATION		AZ013
FINANCIAL AND STATISTICAL REPORT			ENDING DATE	12/31/2020	
(All investments refer to your most recent CFC Loan Agreement)					
<b>7a - PART II. LOAN GUARANTEES</b>					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
<b>TOTALS (Line 1 thru 5)</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>7a - PART III. LOANS</b>					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
<b>TOTALS (Line 1 thru 5)</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES</b>					
1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				<b>2,626,908</b>
2	LARGER OF (a) OR (b)				<b>30,396,402</b>
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			<b>30,396,402</b>	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)			<b>20,674,531</b>	

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED APRIL 30, 2020 AND 2019**

**NAVOPACHE ELECTRIC COOPERATIVE, INC.  
TABLE OF CONTENTS  
YEARS ENDED APRIL 30, 2020 AND 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>3</b>
<b>STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6</b>
<b>INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES</b>	<b>18</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Navopache Electric Cooperative, Inc.  
Lakeside, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Navopache Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of April 30, 2020 and 2019, and the related statements of operations and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Navopache Electric Cooperative, Inc.

***Emphasis of a Matter***

During fiscal year ended April 30, 2020, the Cooperative adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). As a result of the implementation of ASU No. 2014-09, the Cooperative reported a restatement for a change in accounting principle (see Note 15). Our auditors' opinion was not modified with respect to the restatement.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of April 30, 2020 and 2019, and the changes in its operations and patronage capital and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
July 22, 2020

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**BALANCE SHEETS**  
**APRIL 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Electric Plant in Service	\$ 182,753,362	\$ 176,828,585
Construction Work in Progress	11,154,500	4,796,633
Electric Plant Acquisition Adjustment	(1,543,661)	(1,543,661)
Total	192,364,201	180,081,557
Less: Accumulated Provision for Depreciation	(76,369,732)	(70,846,747)
Net Utility Plant	115,994,469	109,234,810
<b>OTHER ASSETS AND INVESTMENTS</b>		
Investments in Associated Organizations	3,035,254	2,964,365
Notes Receivable	492	3,956
Total Other Assets and Investments	3,035,746	2,968,321
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	2,304,770	4,013,307
Accounts Receivable, Net	6,214,871	6,153,682
Materials and Supplies Inventory	4,082,315	3,865,549
Prepayments	572,374	583,087
Rent and Interest Receivable	182,113	181,769
Total Current Assets	13,356,443	14,797,394
<b>DEFERRED DEBITS</b>		
	4,968,442	545,757
Total Assets	\$ 137,355,100	\$ 127,546,282
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES</b>		
Patronage Capital	\$ 45,081,955	\$ 39,382,435
Memberships	174,340	170,095
Other Equities (Deficit)	(10,572,439)	(10,862,899)
Accumulated Other Comprehensive Income	806,885	952,008
Total Equities	35,490,741	29,641,639
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>		
	86,853,330	84,214,858
<b>ACCUMULATED PROVISION FOR POSTRETIREMENT BENEFITS</b>		
	668,356	606,770
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	1,914,200	3,238,700
Current Portion of Postretirement Benefit Obligation	23,029	22,169
Notes Payable	3,137,271	-
Accounts Payable	3,474,257	2,533,270
Consumer Deposits	1,241,821	1,281,998
Accrued Interest Payable	236,510	140,949
Accumulated Power Cost Adjustment	1,135,027	2,564,331
Other Current and Accrued Liabilities	2,111,655	1,954,245
Total Current Liabilities	13,273,770	11,735,662
<b>DEFERRED CREDITS</b>		
	1,068,903	1,347,353
Total Equities and Liabilities	\$ 137,355,100	\$ 127,546,282

See accompanying Notes to Financial Statements.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL**  
**YEARS ENDED APRIL 30, 2020 AND 2019**

	2020	2019
<b>OPERATING REVENUES</b>		
Electric	\$ 51,914,175	\$ 49,755,145
Other	1,476,791	1,184,746
Total Operating Revenues	53,390,966	50,939,891
<b>OPERATING EXPENSES</b>		
Cost of Power	22,860,196	22,777,638
Transmission Expense	213,540	178,448
Distribution Expense - Operations	3,961,990	4,132,605
Distribution Expense - Maintenance	3,547,603	2,666,431
Consumer Account Expense	1,974,848	1,974,319
Consumer Service and Informational Expense	155,049	181,264
Administrative and General Expense	6,100,621	5,842,155
Depreciation	5,824,494	5,605,886
Taxes	17,286	9,169
Other Interest	30,140	75,885
Other Deductions	8,058	6,372
Total Operating Expenses	44,693,825	43,450,172
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	8,697,141	7,489,719
<b>INTEREST ON LONG-TERM DEBT</b>	2,923,566	2,705,391
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	5,773,575	4,784,328
<b>CAPITAL CREDITS</b>	181,989	195,679
<b>NET OPERATING MARGINS</b>	5,955,564	4,980,007
<b>NONOPERATING MARGINS</b>		
Interest Income	114,717	114,773
Gain on Disposition of Assets	14,200	39,577
Other Nonoperating Gain (Loss)	11,099	(13,423)
Total Nonoperating Margins	140,016	140,927
<b>NET MARGINS</b>	6,095,580	5,120,934
<b>OTHER COMPREHENSIVE MARGINS</b>		
Change in Postretirement Benefit Obligation	(145,123)	93,869
Other Comprehensive Margins	\$ 5,950,457	\$ 5,214,803
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	\$ 39,382,435	\$ 31,901,434
Restatement (Note 15)	-	2,543,126
As Restated	39,382,435	34,444,560
Postretirement Benefit Obligation Adjustment	145,123	(93,869)
Transfer to Other Equities	(197,036)	38,545
Capital Credits Retired	(199,024)	(221,604)
<b>PATRONAGE CAPITAL - END OF YEAR</b>	\$ 45,081,955	\$ 39,382,435

See accompanying Notes to Financial Statements.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED APRIL 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 6,095,580	\$ 5,120,934
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	6,328,193	6,108,610
Capital Credits	(181,989)	(195,679)
Gain on Disposition of Assets	(14,200)	(39,577)
Provision for Postretirement Benefits Charged to Operations	(82,677)	(8,253)
(Increase) Decrease in Assets:		
Accounts Receivable	(61,189)	(734,744)
Materials and Supplies Inventory	(216,766)	638,483
Other Current and Accrued Assets	10,369	(118,175)
Deferred Debits	(4,422,685)	53,479
Increase (Decrease) in Liabilities:		
Accounts Payable	940,987	363,584
Accumulated Power Cost Adjustment	(1,429,303)	1,252,809
Other Current and Accrued Liabilities	212,794	47,912
Deferred Credits	(278,450)	(75,818)
Net Cash Provided by Operating Activities	6,900,664	12,413,565
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction and Acquisition of Plant	(12,452,624)	(5,428,741)
Plant Removal Costs, Net of Salvage	(621,029)	(1,128,124)
Proceeds from Capital Credit Retirements	52,678	100,606
Change in Other Assets and Investments	60,575	(4,261)
Issuance of Notes Receivable	-	(1,500)
Principal Payments on Notes Receivable	1,311	6,123
Net Cash Used by Investing Activities	(12,959,089)	(6,455,897)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Retirement of Capital Credits	(105,600)	(133,701)
Increase in Memberships and Other Equities	4,245	950
Proceeds from Issuance of Long-Term Debt	6,662,895	-
Principal Payments on Long-Term Debt	(2,211,652)	(4,091,768)
Net Cash Provided (Used) by Financing Activities	4,349,888	(4,224,519)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,708,537)	1,733,149
Cash and Cash Equivalents - Beginning of Year	4,013,307	2,280,158
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,304,770	\$ 4,013,307
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Payments for Interest	\$ 2,828,005	\$ 2,713,221
<b>NONCASH FINANCING ACTIVITY</b>		
Refinancing of RUS & FFB Long-Term Debt with NRUCFC	\$ 77,653,565	\$ -

See accompanying Notes to Financial Statements.



**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principal Business Activity**

Navopache Electric Cooperative, Inc. (the Cooperative) is a nonprofit electric distribution cooperative headquartered in Lakeside, Arizona. The primary purpose of the Cooperative is to provide electricity to its members in eastern Arizona and western New Mexico through purchase of electricity from wholesale providers and the subsequent distribution of these services to its member consumers. The governing body consists of a board of directors elected by the members of the Cooperative.

**Basis of Accounting**

The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by the Rural Utilities Service (RUS). The accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated electric utilities.

**Use of Estimates**

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

**Electric Plant and Depreciation Procedures**

Plant, property, and equipment are stated at cost. Major improvements and betterments to existing plant equipment are capitalized in accordance with generally accepted electric utility accounting procedures. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expense as incurred.

The distribution and transmission plant is depreciated using composite straight-line methods and the general plant is depreciated using straight-line methods on an item basis. When distribution plant assets are sold or retired, the original cost is removed from the accounts and charged, together with any cost of removal, to the accumulated provision for depreciation. Any salvage realized is credited to the same accumulated provision. When general plant assets are sold or retired, the original cost and accumulated provision for depreciation are removed from the accounts and any gain or loss is recognized in operations.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Electric Plant and Depreciation Procedures (Continued)**

The following is a summary of depreciation and amortization presented in the statements of cash flows for the years ended April 30:

	<u>2020</u>	<u>2019</u>
Depreciation Expense per Statement of Operations	\$ 5,824,494	\$ 5,605,886
Depreciation Expense Allocated to Other Accounts	503,699	502,724
Depreciation Expense per Statement of Cash Flows	<u>\$ 6,328,193</u>	<u>\$ 6,108,610</u>

**Investments in Associated Organizations**

Investments in Associated Organizations include patronage capital and National Rural Utilities Cooperative Finance Corporation (NRUCFC) term certificates. Patronage capital is recorded at cost plus undistributed patronage capital allocations. NRUCFC term certificates are carried at cost.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Cooperative considers short-term investments with original maturities of three months or less to be cash equivalents. The following is a summary of these items at April 30:

	<u>2020</u>	<u>2019</u>
Cash in Checking	\$ 1,306,420	\$ 1,889,529
Cash on Hand	4,119	4,121
CFC Commercial Paper	994,231	2,119,657
Total	<u>\$ 2,304,770</u>	<u>\$ 4,013,307</u>

The Cooperative maintains cash and investments in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these financial institutions, at times, may exceed federally insured limits.

**Accounts Receivable**

The Cooperative provides for an allowance for bad debts using the allowance method based on management's judgment. Services are sold on an unsecured basis. Payment is generally required within 30 days after the date of billing. Accounts past due are individually analyzed for collectability. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. The Cooperative writes-off accounts on a monthly basis, as approved by the board of directors. Accounts written off are assigned to a third party for collection. At April 30, 2020 and 2019, the allowance for uncollectible accounts was \$43,448 and \$7,298, respectively.

**Inventories**

Materials and supplies inventory is valued at the lower of cost or net realizable value using the average unit cost method.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Patronage Capital**

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

**Recognition of Power Costs**

Cost of Power is billed to the Cooperative on a calendar month basis and recognized as expense through the end of the accounting period.

**Income Taxes**

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code (IRC).

The Cooperative evaluated its tax positions and determined it has no uncertain tax positions as of April 30, 2020 and 2019.

**Sales Taxes**

The Cooperative does business in various jurisdictions which impose sales taxes on the Cooperative's sales to nonexempt consumers. The Cooperative collects that sales tax from consumers and remits the entire amount to the various jurisdictions. The Cooperative's accounting policy is to exclude the tax collected and remitted to the jurisdictions from revenues and cost of sales.

**Revenue from Contracts with Customers**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606).

The objective of the standard is to enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets.

The largely principles-based guidance in this ASU provides a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. GAAP. It can be applied to all contracts with customers regardless of industry-specific or transaction-specific fact patterns.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue from Contracts with Customers (Continued)**

The Cooperative adopted the requirements of the new guidance as of May 1, 2019, utilizing the full retrospective method of transition. As a result, the adoption of this guidance required a restatement of the Cooperative's beginning equity. See Note 15 for additional explanation and calculation of the restatement.

The Cooperative primarily generates revenue from the distribution and sale of electricity to members. The Cooperative satisfies the performance obligation when the energy is delivered to the member. The Cooperative recognizes revenue from energy sales based on meter readings of the member's usage for 7 different billing cycles. Meters are read on the last day of the billing cycle, bills are sent and due in the subsequent month. Rates charged to members are based on rates approved by the Arizona Corporation Commission and the New Mexico Public Regulatory Commission. The Cooperative has elected to use the Invoice Practical Expedient allowing the Cooperative to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

The Purchased Power and Fuel Cost Adjustor (PPFCA) changes quarterly. It is not due to a change in electric rates, but due to the changing costs of the fuel used to generate the electricity that customers use. The Cooperative does not make any extra revenue from this item as it is a pass-through cost.

The following table presents the Cooperative's revenues disaggregated by revenue class at April 30:

	<u>2020</u>	<u>2019</u>
Residential	\$ 33,516,047	\$ 33,149,684
Irrigation	1,250,663	1,358,689
Commercial & Industrial - Small	12,321,925	13,575,988
Commercial & Industrial - Large	3,282,598	2,813,205
Public Street & Highway Lighting	113,639	110,388
Electric Sales Power Cost Adjustment	1,429,303	(1,252,809)
Total Revenue	<u>\$ 51,914,175</u>	<u>\$ 49,755,145</u>

**Reclassifications**

Certain reclassifications have been made to the 2019 financial statements to make them conform to the 2020 presentation. The reclassifications had no effect on net margins.

**Subsequent Events**

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through July 22, 2020, the date the financial statements were available to be issued.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 2 ASSETS PLEDGED**

Substantially all assets are pledged as security for the long-term debt to NRUCFC.

**NOTE 3 UTILITY PLANT IN SERVICE**

The following are the major classes of the Utility Plant in Service as of April 30:

	2020	2019
Intangible Plant	\$ 298	\$ 298
Generation Plant	2,780,902	2,780,902
Transmission Plant	15,331,321	15,284,377
Distribution Plant	128,745,879	125,221,606
General Plant	35,894,962	33,541,402
Total Electric Plant in Service	<u>182,753,362</u>	<u>176,828,585</u>
Construction Work in Progress	11,154,500	4,796,633
Electric Plant Acquisition Adjustment	(1,543,661)	(1,543,661)
Total Utility Plant in Service	<u>\$ 192,364,201</u>	<u>\$ 180,081,557</u>

Depreciation of utility plant is provided on the straight-line method using rates based on estimated average service lives as follows:

Transmission Plant	2.75%
Distribution Plant	3.24 - 6.72%
Structures and Improvements	3.33 - 33.30%
Office Furniture and Fixtures	6.67 - 33.30%
Transportation Equipment	6.67 - 33.30%
Store Equipment	6.67 - 33.30%
Tools, Shop, and Garage Equipment	6.67 - 33.30%
Laboratory Equipment	5.00 - 20.00%
Power Operated Equipment	5.00 - 20.00%
Communication Equipment	1.59 - 20.00%
Miscellaneous	10.00 - 20.00%

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 4 INVESTMENTS IN ASSOCIATED ORGANIZATIONS**

Investments in Associated Organizations as of April 30 are as follows:

	2020	2019
NRUCFC		
Term Certificates	\$ 1,281,240	\$ 1,288,051
Patronage Capital	344,702	344,603
Member Capital Securities	100,000	100,000
Membership	1,000	1,000
Subtotal	1,726,942	1,733,654
ERMCO	134,723	160,327
Federated Rural Insurance Exchange	467,150	437,432
National Information Solutions Cooperative	236,052	226,185
Western United Supply Corporation	333,181	286,090
Other Patronage Capital and Memberships	137,206	120,677
Total	\$ 3,035,254	\$ 2,964,365

Term certificates include investments in NRUCFC capital term certificates, loan term certificates, and zero term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070, loan term certificates bear interest at 3% and begin maturing in the year 2020, and zero term certificates bear interest of 0% and begin maturing in the year 2022.

**NOTE 5 DEFERRED DEBITS**

Deferred debits consist of the following at April 30:

	2020	2019
R&S Deferral	\$ 284,162	\$ 265,037
SRP Transmission Connection Deposit	277,500	277,500
RUS & FFB Prepayment Premium	4,061,594	-
Other	345,186	3,220
Total	\$ 4,968,442	\$ 545,757

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 6 PATRONAGE CAPITAL**

The following is a summary of patronage capital assignable and assigned at April 30:

	<u>2020</u>	<u>2019</u>
Assignable	\$ 6,095,580	\$ 5,120,934
Assigned	38,986,375	34,261,501
Total	<u>\$ 45,081,955</u>	<u>\$ 39,382,435</u>

The mortgage provisions restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 20% of the total assets of the Cooperative. If, after taking into account the effect of the retirement, the capital of the Cooperative will be less than 20% of the total assets of the Cooperative, then retirements can still be made if such distributions do not exceed 30% of the preceding year's margins. No distribution can be made if there are any past due installments of principal and interest on the notes.

As of April 30, 2020, the Cooperative's capital to total assets equaled 24.29%.

Distributions to estates are made at the request of the estates' administrator. As of April 2020, capital credits prior to 1974 have been retired.

**NOTE 7 OTHER EQUITIES (DEFICIT)**

Other equities (deficit) consist of the following at April 30:

	<u>2020</u>	<u>2019</u>
Unclaimed Capital Credits	\$ 1,191,893	\$ 1,108,986
Donated Capital	625,126	614,608
Accumulated Losses	<u>(12,389,458)</u>	<u>(12,586,493)</u>
Total	<u>\$ (10,572,439)</u>	<u>\$ (10,862,899)</u>

**NOTE 8 LONG-TERM DEBT**

In October 2019, the Cooperative issued \$77,653,565 of NRUCFC loans to payoff \$25,429,296 of RUS debt and \$52,224,269 of FFB debt. The payoff of the RUS and FFB loans represents a noncash financing activity on the 2020 statement of cash flows. A prepayment premium of \$4,153,605 was included in the payoff of the FFB debt and was recorded as a deferred debit. This deferred debit is being amortized monthly over the remaining life of the debt.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

The following is a summary of outstanding Long-Term Debt as of April 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
RUS mortgage notes;		
2.66% to 4.84% fixed rate notes; maturing through 2046	\$ -	\$ 25,773,933
FFB mortgages notes;		
1.04% to 5.27% fixed rate notes; maturing through 2047	-	53,354,008
NRUCFC mortgage notes;		
3.35% to 5.05% fixed rate notes; maturing through 2058	<u>88,767,530</u>	<u>8,325,617</u>
Total Long-Term Debt	88,767,530	87,453,558
Less: Current Maturities	<u>(1,914,200)</u>	<u>(3,238,700)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 86,853,330</u>	<u>\$ 84,214,858</u>

The Cooperative had unadvanced loan funds of \$9,761,000 through NRUCFC as of April 30, 2020.

The aggregate five-year maturities of long-term debt are as follows:

<u>Year Ending April 30,</u>	<u>Amount</u>
2021	\$ 1,914,200
2022	7,310,000
2023	5,324,000
2024	3,810,000
2025	3,889,000
Thereafter	<u>66,520,330</u>
Total	<u>\$ 88,767,530</u>

**NOTE 9 NOTES PAYABLE**

The Cooperative has available a \$7,000,000 line of credit with NRUCFC at a variable interest rate. At April 30, 2020 and 2019, the interest rate on this line of credit was 2.85% and 5.5%, respectively. The line of credit is scheduled to expire on April 18, 2021. The Cooperative had \$3,137,271 and \$-0- outstanding balance on the line of credit as of April 30, 2020 and 2019, respectively.

The Cooperative has available a guaranteed letter of credit with NRUCFC for \$93,600 as of April 30, 2020 and 2019. The line of credit is set to expire on February 7, 2021. The Cooperative had \$-0- outstanding balance on the letter of credit as of April 30, 2020 and 2019, respectively.



**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 10 DEFERRED CREDITS**

Deferred credits at April 30 are as follows:

	2020	2019
Unclaimed Checks	\$ 5,806	\$ 12,160
Accrued Consumer Deposit Interest	171,830	223,379
Environmental Portfolio	877,458	1,096,801
Other	13,809	15,013
Total	\$ 1,068,903	\$ 1,347,353

**NOTE 11 EMPLOYEE BENEFIT PLANS**

**Narrative Description**

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

**Plan Information**

The Cooperative's contributions to the RS Plan in 2020 and in 2019 represented less than 5% of the total contributions made to the plan by all participating employers. Contributions to the plan for the years ended April 30, 2020 and 2019 were \$1,642,923 and \$1,581,120, respectively. There have been no significant changes that affect the comparability of 2020 and 2019 contributions.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 11 EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Plan Information (Continued)**

For the RS Plan, a “zone status” determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2017 and 2016 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

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.

In addition to the above retirement plan, the Cooperative has adopted a 401(k) Employees Savings Plan. Employees completing one (1) year of service with the Cooperative are eligible to receive the Cooperative contribution. The Cooperative will match up to 5.9% of the effective base salary of employees covered under the International Brotherhood of Electrical Workers collective bargaining agreement and 8.5% of the effective base salary for all other employees. The Cooperative’s contributions to the plan were \$500,269 and \$494,215 for 2020 and 2019, respectively.

**NOTE 12 ACCRUED POSTRETIREMENT BENEFITS**

The Cooperative provides postretirement benefits for eligible employees and directors through a PPO plan with Blue Cross Blue Shield of Arizona. The plan is available to all union employees who have reached age 55 with at least seven years of continuous service, as well as directors elected or appointed prior to January 1, 1996, retiring with ten or more years continuous service. The percentage of benefit paid will be based on the year of retirement.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 12 ACCRUED POSTRETIREMENT BENEFITS (CONTINUED)**

The method used to account for this plan is the projected unit credit cost method as described in accounting principles generally accepted in the United States of America.

	<u>2020</u>	<u>2019</u>
Obligations and Funded Status:		
Accumulated Postretirement Benefit Obligation	\$ 691,385	\$ 628,939
Fair Value of Plan Assets	-	-
Funded Status	<u>\$ 691,385</u>	<u>\$ 628,939</u>
Employer Contributions	\$ 22,169	\$ 20,798
Plan Participant Contributions	-	-
Net Benefits Paid	<u>\$ 22,169</u>	<u>\$ 20,798</u>
Amounts Recognized in the Balance Sheet in Accumulated Provisions for Pension and Benefits	<u>\$ 691,385</u>	<u>\$ 628,939</u>
Components of Net Postretirement Benefit Cost and Other Amounts Recognized in Other Comprehensive Income:		
Service and Interest Cost	\$ 58,306	\$ 76,301
Amortization of Net Gain	(52,714)	(36,156)
Amortization of Prior Service Cost	(66,100)	(66,100)
Change in Net Gain Recognized in Other Comprehensive Margins	145,123	(93,869)
Net Periodic Benefit Costs	<u>\$ 84,615</u>	<u>\$ (119,824)</u>
Assumptions Used to Determine the Net Postretirement Benefit Cost:		
Weighted Average Discount Rate for Obligations	4.25%	4.25%
Health Care Cost Trend Rate Assumed for Next Year	6.60%	6.60%
Rate to Which the Cost Trend Rate is Assumed to Decline	5.00%	5.00%
Year that the Rate Reaches the Ultimate Trend Rate	2028	2025

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (benefit payments are in future year dollars):

<u>Year Ending April 30.</u>	<u>Amount</u>
2021	\$ 23,029
2022	28,654
2023	31,339
2024	39,339
2025	50,134
2026 - 2030	253,340
Total	<u>\$ 425,835</u>

The Cooperative has unrecognized actuarial gains totaling \$806,885 included in accumulated other comprehensive loss at April 30, 2020. The estimated related net gain that will be amortized over the next fiscal year is \$47,126.

**NAVOPACHE ELECTRIC COOPERATIVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2020 AND 2019**

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

Accounting principles generally accepted in the United States of America require disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations.

**Purchase Commitment**

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Tucson Electric Power Company through January 1, 2042.

**Concentration of Credit**

The Cooperative extends credit to its consumers on terms no more favorable than the standard terms of the industry it serves. The Cooperative's consumers are located in eastern Arizona and western New Mexico, in a designated service territory. The Cooperative's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

**NOTE 14 SUBSEQUENT EVENTS**

Management evaluated subsequent events through July 22, 2020, the date the financial statements were available to be issued. There were no events or transactions recognized occurring after April 30, 2020, but prior to July 22, 2020 that provided additional evidence about conditions that existed at April 30, 2020.

**NOTE 15 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended April 30, 2020, the Cooperative adopted the provisions of the Financial Accounting Standards Board (FASB) ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Implementation of this standard required the restatement of the May 1, 2018 Patronage Capital and Other Equities of the Cooperative, related to unbilled revenue earned between billing periods (see also Note 1), as follows:

Patronage Capital and Other Equity - May 1, 2018, as Previously Stated	\$ 31,901,434
Cumulative Effect of Application of FASB No. 2014-09	2,543,126
Patronage Capital and Other Equity - May 1, 2018, as Restated	<u>\$ 34,444,560</u>



## INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors  
Navopache Electric Cooperative, Inc.  
Lakeside, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Navopache Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheet as of April 30, 2020, and the related statements of operations and patronage capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2020.

During the year ended April 30, 2020, the Cooperative received \$85,790,835 in advances from National Rural Utilities Cooperative Finance Corporation (NRUCFC) on loans controlled by the NRUCFC Loan Agreement and/or Mortgage or Security Agreements. In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative was not in compliance with the intended purpose of the loan funds as contemplated in the Loan Agreement. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above referenced agreements, insofar as they relate to accounting matters.

This report is intended for the information and use of the board of directors, management, and the NRUCFC, and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
July 22, 2020