Consolidated financial statements

TRI-COUNTY ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES

March 31, 2020 and 2019

TRI-COUNTY ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT

and

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

March 31, 2020 and 2019

TRI-COUNTY ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARIES

March 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Electric Cooperative, Inc. and Subsidiaries
Aledo, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tri-County Electric Cooperative, Inc. and Subsidiaries which comprise the consolidated balance sheets as of March 31, 2020 and 2019, and the related consolidated statements of income and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly in all material respects, the financial position of Tri-County Electric Cooperative, Inc. and Subsidiaries as of March 31, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Briscoe, Burke & Grigsby LLP
Certified Public Accountants

August 25, 2020
Tulsa, Oklahoma

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TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020 and 2019

ASSETS	2020	2019
Utility plant, at cost (Note 3)		
Plant in-service	$ 521,917,625	$ 481,131,696
Construction work in progress	29,805,315	23,619,449
	551,722,940	**504,751,145**
Less: accumulated depreciation	177,437,864	165,596,383
Net utility plant	**374,285,076**	**339,154,762**
Other property and investments, at cost		
Investments in associated organizations (Note 4)	151,307,272	143,563,325
Current assets		
Cash and cash equivalents	35,007,599	37,037,705
Accounts receivable (less allowance for uncollectibles of $1,377,004 in 2020 and $1,096,112 in 2019)	8,700,760	10,958,632
Accrued utility revenues (Note 1)	12,880,000	17,310,000
Other receivables, less allowance for doubtful accounts	1,183,870	1,204,949
Materials and supplies (Note 5)	-	3,928,584
Prepaid expenses and other	908,846	1,734,388
Total current assets	**58,681,075**	**72,174,258**
Deferred tax asset (Note 14)	3,564,680	2,779,861
Deferred debits (Note 6)	12,849,104	1,107,945
Assets of discontinued operations (Note 19)	34,620,031	35,516,762
TOTAL ASSETS	**$ 635,307,238**	**$ 594,296,913**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2020 and 2019

LIABILITIES and EQUITIES	2020	2019
Equities and margins:		
Memberships	$ 2,254,702	$ 2,182,871
Patronage capital (Note 8)	451,575,521	436,873,113
Other deficit equities (Note 8)	(48,481,468)	(45,024,576)
Accumulated and other comprehensive loss (Note 13)	(6,992,451)	(5,133,943)
Total equities and margins	**398,356,304**	**388,897,465**
Long-term liabilities:		
Long-term debt less current maturities (Note 9)	141,919,936	123,088,466
APBO other than pensions (Note 13)	25,673,796	22,921,396
Total long-term liabilities	**167,593,732**	**146,009,862**
Current liabilities		
Current maturities of long-term debt (Note 9)	6,451,740	5,841,000
Accounts payable	17,655,968	19,253,837
Overbilled wholesale power cost adjustment (Note 1)	20,636,357	10,886,423
Accrued unbilled power cost	4,810,000	6,330,000
Accrued expenses	3,990,591	3,230,169
Accrued interest	423,323	436,958
Consumer deposits (Note 1)	6,417,474	5,251,864
Total current liabilities	**60,385,453**	**51,230,251**
Deferred credits (Note 11)	7,796,929	7,009,308
Liabilities of discontinued operations (Note 19)	1,174,820	1,150,027
TOTAL LIABILITIES and EQUITIES	**$ 635,307,238**	**$ 594,296,913**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2020 and 2019

	2020	2019
Operating revenues		
Residential	$ 172,018,502	$ 167,505,187
Irrigation	1,263,754	1,416,218
Small commercial	42,120,184	39,173,705
Large commercial	36,247,856	33,626,339
Public streets and authorities	7,696,570	7,358,533
Unbilled revenue	(4,430,000)	630,000
Power cost underbilled/(overbilled)	(9,749,934)	(275,138)
Other electric revenue	3,702,688	3,293,437
Total operating revenues	**248,869,620**	**252,728,281**
Operating expenses:		
Cost of power	182,955,859	185,472,621
Distribution expense - operations	7,724,763	6,164,022
Distribution expense - maintenance	13,488,338	10,497,002
Consumer accounts	6,233,595	5,390,279
Administrative and general	11,572,274	12,702,583
Depreciation (Note 3)	15,998,745	14,849,478
Interest and other deductions	6,867,103	7,086,935
Total operating expenses	**244,840,677**	**242,162,920**
Net operating margins	**4,028,943**	**10,565,361**
Nonoperating margins		
Interest and dividend income	1,509,867	2,073,705
Loss from equity method investments	(4,229,140)	-
Other nonoperating income	99,007	66,536
Total nonoperating margins	**$ (2,620,266)**	**$ 2,140,241**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2020 and 2019

	2020	2019
G & T and other capital credits	$ 12,699,931	$ 11,672,986
Net margins from continuing operations before income taxes	**14,108,608**	**24,378,588**
Income taxes benefit (expense) from continuing operations (Note 14)	784,819	36,861
Net margins from continuing operations	**14,893,427**	**24,415,449**
Discontinued Operations		
Loss from discontinued operations (Note 19)	(867,003)	(8,740,367)
Net margins for year	**14,026,424**	**15,675,082**
Patronage capital - beginning of year	436,873,113	427,716,666
Retirement of capital credits (Note 7)	(3,711,989)	(4,092,970)
Reclass to other equities	4,387,973	(2,425,665)
Patronage capital - end of year (Note 8)	**$ 451,575,521**	**$ 436,873,113**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2020 and 2019

	2020	2019
Net margins for the year	**$ 14,026,424**	**$ 15,675,082**
Other comprehensive income:		
Current gain (loss) on APBO	(1,862,408)	1,652,957
Amortization of loss on APBO	1,573,896	1,573,896
Amortization of prior service cost (credit)	(1,569,996)	(1,569,996)
Comprehensive income	**$ 12,167,916**	**$ 17,331,939**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net margins	$ 14,026,424	$ 15,675,082
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	20,448,775	19,085,852
Amortization	145,019	98,629
Deferred income taxes	(721,268)	26,690
Investment allocations from associated organizations	(12,714,382)	(11,672,986)
Gain on disposal of fixed assets	(13,305)	-
Fair value adjustment of fixed assets	-	8,551,065
Postretirement benefits accruals	1,494,805	1,494,804
Unbilled revenue accruals	4,430,000	(630,000)
Loss on equity method investment	4,229,140	-
Changes in:		
Investments in associated organizations	4,956,656	4,865,611
Accounts receivable	2,364,905	(566,966)
Materials and supplies	3,935,790	200,498
Other current and accrued assets	840,129	(439,009)
Deferred debits	(12,004,560)	134,233
Accounts payable	(1,498,152)	3,010,078
Payments on postretirement health benefits	(600,912)	(621,551)
Consumer deposits	1,155,656	(222,965)
Deferred credits	1,221,455	3,683,569
Other current and accrued liabilities	8,911,754	1,313,926
Net cash from operating activities	**40,607,929**	**43,986,560**
Cash flows from investing activities:		
Purchases of short-term investments	2,009,261	(2,009,261)
Extension and replacement of plant	(52,120,096)	(43,034,190)
Plant removal cost	(1,808,051)	(1,295,027)
Material returned to stock from retirements	188,918	128,981
Net cash used in investing activities	**$ (51,729,968)**	**$ (46,209,497)**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2020 and 2019

	2020	2019
Cash flows from financing activities:		
Memberships and other equities	$ (3,212,417)	$ (1,751,735)
Borrowings on long-term debt	25,000,000	-
Payments on long-term debt	(5,841,143)	(5,633,914)
Retirement of patronage capital	(3,711,989)	(4,092,970)
Net cash provided (used) from financing activities	**12,234,451**	**(11,478,619)**
Net change in cash and cash equivalents	**1,112,412**	**(13,701,556)**
Cash and cash equivalents at beginning of year	39,226,764	52,928,320
Cash and cash equivalents at end of year	**$ 40,339,176**	**$ 39,226,764**
Discontinued Operations:		
Cash balance of discontinued operations at end of year	(5,331,577)	(2,189,059)
Cash and cash equivalents on continuing operations	**$ 35,007,599**	**$ 37,037,705**
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 5,335,656	$ 5,489,564
Income taxes	-	-

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Organization

Tri-County Electric Cooperative, Inc. and Subsidiaries (the Cooperative) is a non-profit corporation organized to provide electric service at the retail level to primarily residential and commercial accounts in a 16-county designated service area, headquartered in Aledo, Texas. Power delivered at retail is purchased wholesale from Brazos Electric Power Cooperative, Inc., of which the Cooperative is a member. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital in the balance sheet.

The wholly-owned subsidiary, Value Choice, Inc. (Value Choice) is a for-profit corporation which was organized to own a partnership interest in Millennium Telcom, L.L.C.

Millennium Telcom, L.L.C. DBA One Source Communications (Millennium) is a limited liability company that provides various telecommunications, internet, security, and cable television services in the Northeast Tarrant County area. Upon formation, the company had two members, Value Choice and One Source, L.L.C, (One Source), that each owned a 50% interest. On June 12, 2003, Value Choice acquired One Source's interest in the company thereby giving Value Choice sole ownership.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Principles of Consolidations

The consolidated financial statements include the accounts of the Cooperative, Value Choice, and Millennium. All material intercompany transactions have been eliminated.

Utility Plant

Electric utility plant is stated at original cost, which may include the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of the plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records, is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the replacement of minor items of the plant not comprising of a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Telecommunication Plant

Telecommunication plant in service is stated at the fair market value.

Inventories

In October 2019, the Cooperative sold all their inventory and entered into a Sole-Source Alliance with Texas Electric Cooperative, Inc. (TEC). As of March 31, 2019, materials and supplies inventories are valued at average unit cost.

Electric Revenues / Recognition of Income

Tri-County Electric Cooperative, Inc. - Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Cooperative recognizes electric revenue that corresponds to the price of the energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to consumers at March 31, 2020 and 2019 amounted to $12,880,000 and $17,310,000, respectively. This amount has been recorded as accrued utility revenues.

The Cooperative's tariffs for electric service include a power cost calculation under which electric rates charged to customers are adjusted to reflect changes in power costs. In order to match power costs and related revenues, under collected power cost to be billed to consumers in subsequent periods is recognized as a current asset and as an increase of classified operating revenues on the statement of income and patronage capital. Also, to match power cost and related revenues, over collected power cost to be credited to consumers in subsequent periods is recognized as a current liability and as a reduction of classified operating revenues on the statement of income and patronage capital. The Cooperative had over collected power cost of $20,636,357 and $10,886,423 at March 31, 2020 and 2019, respectively.

Millenium - The Company earns most of their revenue from contracts with residential and business customers, including local voice, television and broadband internet. Revenue from contracts with customers is accounted for under Accounting Standards Codification ("ASC") 606. The Company also earns revenue from governmental subsidy payments, which is not accounted for under ASC 606.

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes revenue for services when they provide the applicable service or when control is transferred. Recognition of certain payments received in advance of services being provided is deferred. These advance payments include certain activation and certain installation charges.

In certain cases, customers may be permitted to modify their contracts. The Company evaluates the change in scope or price to identify whether the modification should be treated as a separate contract, whether the modification is a termination of the existing contract and creation of a new contract, or if it is a change to the existing contract.

Customer contracts are evaluated to determine whether the performance obligations are separable. If the performance obligations are deemed separable and separate earnings processes exist, the total transaction price that the Company expects to receive with the customer is allocated to each performance obligation based on its relative standalone selling price. The revenue associated with each performance obligation is then recognized as earned.

Customer payments are made based on billing schedules included in the Company's customer contracts, which is typically on a monthly basis

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the Cooperative for the years ending March 31, 2020 and 2019 was $474,574 and $411,910, respectively. Advertising expense for Millennium for the years ending March 31, 2020 and 2019 was $106,071 and $103,446, respectively.

Group Concentration of Credit Risk

The Cooperative's headquarters facility is located in Aledo, Texas. The service area for the Cooperative includes members located in an area which extends through 16 counties in Texas. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative requires a deposit from some of its members, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest and is returned periodically. As of March 31, 2020 and 2019, deposits on hand totaled $6,417,474 and $5,251,864, respectively.

Millennium's headquarters facilities are located in Fort Worth, Texas. The service is concentrated in Keller and other outlying areas of the Dallas/Fort Worth Metroplex. The Company records a receivable for services billed to customers on a monthly basis. In certain circumstances, the Company requires a deposit from its telecommunications customers upon connection which is applied to unpaid bills in the event of default. The deposit and accrued interest is returned after a prompt payment history is established. As of March 31, 2020 and 2019, deposits on hand totaled $90,991 and $100,945, respectively.

The Cooperative maintains its checking accounts in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation at varying amounts dependent on type of account. Deposits at times exceeded insured amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Uncollectible Accounts

The Cooperative uses the aging method to allow for uncollectible accounts receivable. The Cooperative makes an evaluation of past due accounts on a monthly basis to determine collectability. An account is deemed uncollectible if the customer has been inactive for a period of three years, but service is disconnected after an average of two months of nonpayment. The uncollectible accounts list is provided to the Board of Directors for approval and uncollectible accounts are then written off annually.

Patronage Capital Certificates

Margins are allocated to members annually, based on billings and usage of electricity. Distributions to members are made at the discretion of the Board of Directors in accordance with the bylaws, subject to the restrictions contained in long-term debt agreements. Patronage capital from associated companies is recorded at the stated amount of the certificate.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash and temporary cash investments maturing in one year or less.

Use of Estimates in the Preparation of Financial Statements

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net margins.

2. ASSETS PLEDGED

All assets are pledged as security for the long-term debt due to National Rural Utilities Cooperative Finance Corporation (CFC).

3. PLANT AND RELATED DEPRECIATION

The major classes of utility plant are as follows:

	2020	2019
Distribution Plant	$481,789,735	$447,483,556
General Plant	40,127,890	33,648,140
Plant in-service	**521,917,625**	**481,131,696**
Construction Work in Progress	29,805,315	23,619,449
	$551,722,940	**$504,751,145**

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Distribution Plant	3.08%
Structures and Improvements	2.86%
Office Furniture and Fixtures	6.66% - 33.34%
Transportation Equipment	16.67%
Stores Equipment	6.67%
Tools, Shop, and Garage Equipment	6.67%
Laboratory Equipment	6.67%
Power Operated Equipment	10.00%
Communication Equipment	8.00%
Miscellaneous Equipment	8.00%

Depreciation for the years ended March 31, 2020 and 2019, was $17,300,649 and $15,625,920, respectively, of which $15,998,745 and $14,849,478 was charged to depreciation expense, and $1,301,904 and $776,442 was allocated to other accounts.

3. PLANT AND RELATED DEPRECIATION (continued)

Telecommunications plant in service as of March 31, 2020 is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and other overhead items. Listed below are the major classes of plant in service as of March 31, 2020:

	Original Cost	Accumulated Depreciation	Carrying Value
Vehicles	$ 306,799	$ 97,743	$ 209,056
Other Work Equipment	360,431	340,226	20,205
Buildings	1,241,974	1,028,656	213,318
Office Equipment and Computers	1,047,788	994,743	53,045
Digital Switching and Circuit Equipment	18,930,993	17,767,116	1,163,877
Aerial / Buried Cable and Fiber	46,840,059	28,319,239	18,520,820
Miscellaneous	5,614,621	2,628,120	2,986,501
CATV Equipment	18,128,031	16,197,362	1,930,669
Internet Equipment	8,711,321	6,812,830	1,898,491
Plant under construction	409,666	-	409,666
Intangible assets	237,358	237,358	-
Total	$ 101,829,041	$ 74,423,393	$ 27,405,648

As described in Note 19, the operations of Millenium Telcom, LLC dba OneSource Communications have been discontinued. In consolidation with Tri-County Electric Cooperative, Inc., the assets, liabilities, revenue and expenses of the discontinued operations were eliminated and not included in the consolidated balances as of March 31, 2020 and 2019. The amounts listed for major classes of plant in service for telecommunications in Note 3 for both years are for informational purposes only. The balances in Note 3 are not included in the consolidated balance sheets, but do correspond with the financial information of the discontinued operations found in Note 19.

3. PLANT AND RELATED DEPRECIATION (continued)

Impairment of Long-Lived Assets - In 2019, the Cooperative's subsidiary, Millennium, reviewed its various revenue streams which have been declining in recent years. Accordingly, the ongoing value of the telecommunications plant and equipment associated with its operation was evaluated. Based on this evaluation, it was determined that long-lived assets were no longer recoverable and were in fact impaired and written down to their estimated fair value of $29,232,205. Fair value was based on expected future cash flows using Level 2 inputs under ASC 820.

Long-lived assets held for use are recorded at fair value as of March 31, 2019. Listed below are the major classes of telecommunications plant in service as of March 31, 2019:

	Original Cost	Accumulated Depreciation	Carrying Value	Allocation of impairment loss	Adjusted carrying value
Vehicles	$ 476,717	$ 143,732	$ 332,985	$ (75,361)	$ 257,624
Other Work Equipment	359,361	331,604	27,757	(6,282)	21,475
Buildings	1,400,096	1,054,343	345,753	(78,250)	267,503
Office Equipment and Computers	1,074,700	954,206	120,494	(27,270)	93,224
Digital Switching and Circuit Equipment	19,379,645	17,410,848	1,968,797	(445,576)	1,523,221
Aerial / Buried Cable and Fiber	52,691,717	27,158,653	25,533,064	(5,778,613)	19,754,451
Miscellaneous	5,872,036	1,964,956	3,907,080	(884,246)	3,022,834
CATV Equipment	18,824,459	15,767,943	3,056,516	(691,747)	2,364,769
Internet Equipment	8,413,073	6,340,878	2,072,195	(468,977)	1,603,218
Plant under construction	418,629	-	418,629	(94,744)	323,885
Intangible assets	237,358	237,358	-	-	-
Total	$ 109,147,791	$ 71,364,521	$ 37,783,270	$ (8,551,065)	$ 29,232,205

4. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

	2020	2019
NRUCFC		
Capital Term Certificates	$ 7,878,085	$ 8,163,007
Patronage Capital	5,854,059	5,667,722
Membership	1,000	1,000
Member Capital Securities	10,000,000	10,000,000
Brazos Electric Power Cooperative, Inc.		
Patronage Capital	126,303,307	118,583,613
Membership	5	5
Texas Electric Cooperative, Inc.		
Patronage Capital	1,211,342	1,095,412
Membership	50	50
Southeastern Data Cooperative, Inc.		
Patronage Capital	48,142	41,874
Other	11,282	10,642
	$151,307,272	**$143,563,325**

5. MATERIALS AND SUPPLIES

Materials and supplies consist of:

	2020	2019
Electric	$ -	$ 3,928,584
	$ -	**$ 3,928,584**

In October 2019, the Cooperative sold all their inventory and entered into a Sole-Source Alliance with Texas Electric Cooperative, Inc. (TEC). As of March 31, 2019, materials and supplies inventories are valued at average unit cost.

6. DEFERRED DEBITS

Deferred debits include the following:

	2020	2019
NRECA R&S Contribution Prepayment	$ 812,625	$ 1,108,125
Aledo office	5,353,365	-
Fiber project	3,084,712	-
AMI project	1,471,548	-
TEC alliance	2,121,854	-
Other	5,000	(180)
	$ 12,849,104	**$ 1,107,945**

Deferred NRECA R&S Contribution Prepayment represents a lump sum contribution payment made by the Cooperative in 2013 to the NRECA's R&S multi-employer plan to receive a discount for future contribution requirements. The Cooperative is amortizing this prepayment over the expected benefit period of 10 years. Amortization for the years ended March 31, 2020 and 2019 was $295,500.

7. RETURN OF CAPITAL

The mortgage with CFC contains provisions that must be met for the Cooperative to make patronage capital retirements. These provisions include minimum equity, debt service, and earnings ratios. The equities and margins of the Cooperative represent 62.7% of the total assets at the balance sheet date. Patronage Capital totaling $3,711,989 and $4,092,970 was retired for the years ended March 31, 2020 and 2019, respectively.

8. PATRONAGE CAPITAL AND OTHER EQUITIES

	2020	2019
Patronage Capital		
Total Patronage Capital	$497,849,746	$479,435,349
Less: Retired	46,274,225	42,562,236
	$451,575,521	**$436,873,113**
Other Equities		
Retired Capital Credits - Gain	$ 937,605	$ 905,212
Other	61,326	61,326
Non-Operating Margins - (Deficit)	(49,480,399)	(45,991,114)
	$ (48,481,468)	**$ (45,024,576)**

9. CFC MORTGAGE NOTES AND NOTES UNDER CFC MANAGEMENT

Following is a summary of long-term debt due to CFC and those under CFC management but owned by Farmer Mac and maturing at various times through 2039:

	2020	2019
CFC - Fixed rate notes - 3.33% to 6.78%	$134,998,612	$ 99,147,573
Variable Rate Notes - 4.0%	-	16,165,651
Farmer MAC Fixed Rate Notes - 4.44%	17,670,612	18,197,143
	152,669,224	**133,510,367**
Less: Unamortized conversion fees	(4,297,548)	(4,580,901)
Less: Current Maturities	(6,451,740)	(5,841,000)
	$141,919,936	**$123,088,466**

The Cooperative had an initial loss of $5,242,057 on the conversion of long-term debt in December 2016 to reprice the interest rate. The loss is being recognized over the life of the original debt as an increase in interest expense. During 2020, the Cooperative recognized $283,353 of this conversion fee to interest expense.

9. CFC MORTGAGE NOTES AND NOTES UNDER CFC MANAGEMENT (continued)

Principal and interest installments are due quarterly. As of March 31, 2020, annual maturities of long-term debt for the next five years are as follows:

2021	$6,451,740
2022	$6,682,462
2023	$6,801,640
2024	$7,100,315
2025	$7,412,398

As of March 31, 2020, the Cooperative has total unadvanced loan funds available through CFC's Powervision program of $25,000,000. The Powervision draw period expires in August 2022.

10. SHORT-TERM BORROWING

The Cooperative has a $25,000,000 perpetual Line of Credit with CFC, which is an uncommitted facility and is based on the sole discretion of CFC pursuant to the terms of the loan agreement. The line of credit is at a variable interest rate and is subject to automatic renewal. At March 31, 2020 and 2019, $0 was outstanding on the line of credit with CFC.

11. DEFERRED CREDITS

Deferred credits include the following:

	2020	2019
Pole Contacts	$ 759,210	$ 1,193,045
Aid to Construction	4,949,595	4,057,678
Consumer Prepayments	921,511	1,098,319
Scholarship Funds	595,950	372,189
Other	570,663	288,077
	$ 7,796,929	**$ 7,009,308**

12. PENSION BENEFITS

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 2019 represented less than 5 percent of the total contributions made to the RS plan by all participating employers. The Cooperative made contributions to the RS Plan of $1,661,946 in 2020 and $1,386,591 in 2019.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2019 and over 80 percent funded on January 1, 2020 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.

Pension Fund	EIN	PPA Zone Status	Funding Improvement Plans and Surcharges	Contributions 2020	2019	2018
Retirement Security Plan number 333	53-0116145	Not required	Not applicable	$1,661,946	$1,386,591	$1,115,282

The Cooperative also has a 401(k) plan whereby the Cooperative matches 100% of the employees' contributions up to 5.5% of the employees' annual base salary. The total 401(k) plan expense for 2020 and 2019 was $372,606 and $252,562, respectively.

12. PENSION BENEFITS (continued)

Millennium Telcom offers a 401(k) plan to full time employees and matches 100% of the employees' contribution up to 2% of the employees' annual salary. The cost under the plan for the years ended March 31, 2020 and 2019 were $20,990 and $23,704, respectively.

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 corporations in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a corporation'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 corporation's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most corporations the billing rate is reduced by approximately 25%, retroactive to January 1st of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. 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.

13. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Cooperative sponsors a defined benefit medical insurance plan that covers substantially all eligible employees and directors. The plan calls for benefits to be paid for eligible participants upon retirement. Eligible employees are those hired prior to January 1, 2016 and retire from active employment on or after age fifty-five with ten or more years of service at the Cooperative. Effective January 1, 2017, the Cooperative's contribution has been capped at $1,500 monthly for a retiree and spouse, or $750 monthly for a retiree without a spouse or a surviving spouse. For the years ended March 31, 2020 and 2019, the coverage was being provided though the NRECA.

As of March 31, 2020 and 2019, the Cooperative has not funded any of the estimated APBO related to the defined benefit medical insurance plan.

13. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

Amounts recognized in the Cooperative's March 31, 2020 financial statements and funded status of the plan is as follows:

		2020	2019
(I)	Net Post-retirement Benefit Cost		
	Interest Cost	$ 980,996	$ 921,300
	Service Cost	509,909	569,604
	Amortization of Actuarial Loss/(Gain)	1,573,896	1,573,896
	Amortization of Prior Service Cost/(Credit)	(1,569,996)	(1,569,996)
		$ 1,494,805	**$ 1,494,804**
(II)	Accumulated Post-retirement Benefit Obligation (APBO) Reconciliation:		
	APBO Beginning of Year	$ 22,921,396	$ 23,705,000
	Service and Interest Cost	1,490,904	1,490,904
	Benefits Paid	(600,912)	(621,551)
	Actuarial (Gain)/Loss Adjustment	1,862,408	(1,652,957)
	Net Post-retirement Benefit Liability at Year End	**$ 25,673,796**	**$ 22,921,396**
(III)	Reconciliation of Funded Status		
	APBO at Year End	$ 25,673,796	$ 22,921,396
	Fair Value of Plan Assets	-	-
	Net APBO at Year End	**$ 25,673,796**	**$ 22,921,396**
(IV)	Accumulated Other Comprehensive Loss		
	Actuarial Loss - Beginning of Year	$ (5,133,943)	$ (6,790,800)
	Amortization of Actuarial Loss/(Gain)	1,573,896	1,573,896
	Amortization of Prior Service Cost/(Credit)	(1,569,996)	(1,569,996)
	Current Actuarial Gain/(Loss)	(1,862,408)	1,652,957
	Total	**$ (6,992,451)**	**$ (5,133,943)**

13. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

The estimated actuarial (gain)/loss for the post-retirement medical benefit plan that will be amortized from accumulated other comprehensive income into net post-retirement benefit cost in fiscal year 2021 is expected to be $(1,250,751) and $1,569,996 will also be amortized in the fiscal year 2021 as a result of the prior service credit. The total recognized in other comprehensive income will be $319,245.

Estimated future benefit payments for the next five years and the subsequent five years thereafter are as follows:

2021	$ 836,147
2022	$ 944,862
2023	$1,051,865
2024	$1,147,951
2025	$1,236,079
2026-2030	$7,369,808

The following assumption was used in the measurement of the net periodic cost:

Weighted Average Discount Rate	3.60%

14. INCOME TAXES

During the 2019 calendar year, the Cooperative was exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code with at least 85% of its revenue coming from members for the sole purpose of meeting losses and expenses. Additionally, the Cooperative pays income tax on net unrelated business income. The Cooperative's unrelated business activities primarily include the rental of radio tower facilities.

Value Choice and its subsidiary, Millennium, are taxable entities. Value Choice is a for-profit taxable corporation and is required to file Form 1120 – "U.S. Corporation Income Tax Return". Millennium is a single member limited liability company and considered a disregarded entity (i.e. division) of its sole owner, Value Choice. As such, all items of revenue, income, expense, gain or loss of Millennium are included in the federal income tax return filed by Value Choice. Therefore, current and deferred federal income taxes associated with the net income or net operating losses of Millennium are recorded on the books of Value Choice.

14. INCOME TAXES (continued)

In general, each corporation, limited liability company and limited partnership registered to do business in the state of Texas is subject to the state franchise tax on gross income, less applicable deductions, apportioned to the state. The Cooperative is exempt from the state franchise tax; however, both Value Choice and Millennium are recognized as taxable companies by the State of Texas. Therefore, current taxes are allocated to each company on the basis of taxable gross revenue and deferred taxes are calculated on a stand-alone basis.

The Cooperative and Subsidiaries follow the asset and liability method for recording income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Cooperative and Subsidiaries' assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. Deferred tax assets represent the future tax benefit that will result when the asset is realized. Deferred tax liabilities represent the future tax return consequences of those differences, which will result in a tax expense when the liability is recognized. The principal sources of deferred federal income taxes are due to (1) accelerated depreciation used for tax purposes (2) differences in the depreciable basis of telecommunications plant and (3) net operating loss carryovers. Net operating losses (NOLs) may be carried forward indefinitely to offset up to 80% of the future taxable income of a corporation. At March 31, 2020, the total NOL carryover available to Value Choice was $71,278,592. NOLs of $66,560,292 attributed to the 2001 through 2017 tax years expire in varying amounts from March 31, 2021 through March 31, 2038. The remaining NOLs of $4,718,300 do not expire and will carry over into future years indefinitely until fully utilized. Management believes it is more likely than not that a portion of the expiring NOL carryover will not be fully utilized before expiring. Therefore, a valuation allowance of the related deferred tax asset has been recorded at March 31, 2020 and 2019. This valuation allowance was based on management's estimate of future taxable income when compared to NOL carryover expiration dates.

The only source of deferred state income taxes is a temporary tax credit, which approximates 4.5% of unused business loss carryovers recognized by the companies prior to the effective date of the revised Texas Franchise Tax.

Due to changes in the Texas franchise tax reporting thresholds, which impacts the timing and amount of the temporary tax credit that may be utilized, management believes it is more likely than not that a portion of the tax credit will not be fully utilized before expiring. Therefore, a valuation allowance for the anticipated underutilization of the available tax credit had been recorded.

14. INCOME TAXES (continued)

The components of the deferred taxes recognized in the financial statements are as follows:

	2020	2019
Federal:		
Deferred tax assets	$ 14,982,298	$ 15,595,250
Deferred tax liabilities	(2,136,498)	(3,534,826)
	12,845,800	**12,060,424**
Valuation allowance	(9,285,010)	(9,285,010)
	3,560,790	**2,775,414**
State:		
Deferred tax assets	3,890	4,447
Valuation allowance	-	-
	3,890	**4,447**
Total deferred income tax asset	**$ 3,564,680**	**$ 2,779,861**

The components of income taxes are as follows:

	2020	2019
Federal:		
Deferred tax benefit/(expense)	$ 784,819	$ 36,861
	784,819	**36,861**
State:		
Current income tax expense	-	-
Deferred tax benefit/(expense)	-	-
	-	**-**
Total Federal and State income tax benefit/ (expense)	**$ 784,819**	**$ 36,861**

14. INCOME TAXES (continued)

The Cooperative and Subsidiaries have adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is that its filing status is as a tax exempt entity. The Cooperative and Subsidiaries determined that it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service or other state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files its income tax return in the U.S. federal jurisdiction. The Subsidiaries file income tax returns in the U.S. federal jurisdiction and in the State of Texas.

The Cooperative and Subsidiaries recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no material amounts of penalties or interest recognized during the years ended March 31, 2020 and 2019.

15. RELATED PARTY TRANSACTIONS

The Cooperative is required to purchase all of its electric power from Brazos Electric Power Cooperative, Inc., a cooperative of which it's a member and is represented on its Board.

During the years ended March 31, 2020 and 2019, the Cooperative purchased $184,475,859 and $184,642,621, respectively, from Brazos. At March 31, 2020 and 2019, amounts due to Brazos included in accounts payable were $12,679,182 and $16,115,151, respectively. At March 31, 2020 and 2019 amounts paid into the Brazos power prepayment program were $2 and $6,948,111, respectively.

During the years ended March 31, 2020 and 2019, the Cooperative received non-cash capital credit allocations from Brazos of $12,055,817 and $11,155,908, respectively.

16. LITIGATION AND COMMITMENTS

The Cooperative is involved in several instances of litigation or potential unasserted claims. The ultimate outcome, if any, of these items cannot presently be determined. However, in management's opinion, the likelihood of any material adverse outcome is remote or in its infancy and no likelihood of outcome is attainable. Accordingly, adjustments if any, which might result from the resolution of these matters, have not been reflected in these financial statements.

17. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The Cooperative and the Company used the following methods and significant assumptions to estimate fair value:

<u>Patronage Capital from Associated Organizations</u> – The right to receive cash is an inherent component of a financial instrument. The Cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, patronage capital from associated organizations are not considered financial instruments.

<u>CFC Capital Term Certificates</u> – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period.

<u>Cash and Temporary Cash Investments</u> – Carrying value, given the short period to maturity.

<u>Impaired Property, Plant and Equipment</u> – The fair value of impaired property, plant and equipment is based on the estimated future cash flows of the business for the next 5 years.

17. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value of long-lived assets held and used is as follows:

	Fair Value	Level 1	Level 2	Level 3
2020	$27,405,648	$ -	$27,405,648	$ -
2019	$29,232,205	$ -	$29,232,205	$ -

18. NEW ACCOUNTING PRONOUNCEMENTS

Revenue Recognition - The Cooperative implemented ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," effective January 1, 2019. Topic 606 requires entities to "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 ASU details a five-step model that should be followed to achieve the core principle. This accounting was applied to all contracts using the modified retrospective method, which requires an adjustment to retained earnings for the cumulative effect of adopting the standard as of the effective date. Because the standard did not result in any material change in how the Cooperative recognizes revenue, no adjustment to retained earnings was required. Similarly, there was no effect on revenues recognized under Topic 606 for the year ended March 31, 2020.

Revenues from electric service are recognized when services are transferred to the customer in an amount equal to what the Cooperative has the right to bill the customer because this amount represents the value of services provided to customers.

Leases - In February 2016, FASB issued ASU 2016-02, *Leases*. The standard introduces a new lessee model that brings substantially all leases onto the balance sheet. Additionally, the guidance retains most of the principles of the existing lessor model in principles generally accepted in the United States of America, and it aligns many of those principles with *Revenue from Contracts with Customers*. This will be effective for annual reporting periods beginning after December 15, 2019. The Cooperative is still evaluating the impact that this standard will have on its financial statements.

19. DISCONTINUED OPERATIONS

On June 26, 2020, Value Choice, Inc., a wholly owned subsidiary of Tri-County Electric Cooperative, Inc. entered into an agreement to sell the membership interests in its subsidiary, Millennium Telcom, LLC dba OneSource Communications. The board of Value Choice, Inc. decided to sell this subsidiary primarily because it had incurred significant operating losses for many years prior to the last few years. Further, the board felt that it was important to make this strategic shift in focus to allow the cooperative to focus all resources on the electric business in the cooperative's service territory rather than the subsidiary. The expected disposal date is fall 2020, pending a 90-day review period by the Texas Public Utilities Commission and Federal Communications Commission. Prior year financial statements for 2019 have been restated to present the operations of the Millennium Telcom, LLC dba OneSource Communications as a discontinued operation.

The assets and liabilities of the discontinued operations are presented separately under the captions "Assets of discontinued operations" and "Liabilities of discontinued operations," respectively, in the accompanying Balance Sheets at March 31, 2020 and 2019, and consist of the following:

	2020	2019
Assets of Discontinued Operations		
Cash and cash equivalents	$ 5,331,577	$ 2,189,059
Investments	8,151	2,017,445
Accounts receivable	616,485	702,439
Materials and supplies	470,806	478,012
Property, plant and equipment, net	27,405,648	29,232,205
Deferred and other assets	787,364	897,602
Total assets	**34,620,031**	**35,516,762**
Liabilities of Discontinued Operations		
Accounts payable	601,437	501,721
Advanced billing and payments	196,137	229,708
Accrued expenses, deposits and other	377,246	418,598
Total liabilities	**1,174,820**	**1,150,027**

19. DISCONTINUED OPERATIONS (continued)

The loss from discontinued operations presented in the statements of income consists of the following for the years ended March 31, 2020 and 2019:

	2020	2019
Operating revenues	9,135,495	10,791,668
Nonoperating income	41,682	53,346
Operating expenses	(9,980,629)	(19,521,830)
Loss from discontinued operations before income taxes	(803,452)	(8,676,816)
Income tax expense	(63,551)	(63,551)
Loss from discontinued operations	**$ (867,003)**	**$ (8,740,367)**

Total operating, investing and financing cash flows of the discontinued operations were $2,484,064, $700,995 and $(42,541), respectively, for the year ended March 31, 2020, and $3,326,986, $(3,513,482) and $10,408, respectively, for the year ended March 31, 2019**.**

20. SUBSEQUENT EVENTS

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

The Cooperative has evaluated subsequent events through August 25, 2020, the date which the financial statements were available to be issued.

Consolidating and Accompanying Information

Independent Auditor's Report on Consolidating and Accompanying Information

Our audit of the consolidated financial statements presented in the preceding section of this report was made for the purpose of forming an opinion on the financial statements taken as a whole. The consolidating information shown on pages 31 through 40 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying information on pages 41 through 42 also is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating and other accompanying and other records used to prepare the financial statements. The consolidating and other accompanying information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Briscoe, Burke & Grigsby LLP

Certified Public Accountants

August 25, 2020
Tulsa, Oklahoma

Consolidating Information

Tri-County Electric Cooperative, Inc.
Consolidating Balance Sheet
March 31, 2020

ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Utility plant, at cost					
Plant in-service	$ 521,917,625	$ -	$ -	$ -	$ 521,917,625
Construction work in progress	29,805,315	-	-	-	29,805,315
	551,722,940	**-**	**-**	**-**	**551,722,940**
Less: accumulated depreciation	177,437,864	-	-	-	177,437,864
Net utility plant	**374,285,076**	**-**	**-**	**-**	**374,285,076**
Telecommunications plant					
Telecommunications plant	-	-	101,182,017	(101,182,017)	-
Construction work in progress	-	-	409,666	(409,666)	-
Intangible assets	-	-	237,358	(237,358)	-
Less: accumulated depreciation	-	-	74,423,393	(74,423,393)	-
Total non-utility plant	**-**	**-**	**27,405,648**	**(27,405,648)**	**-**
Other property and investments, at cost					
Investments in associated enterprises	151,307,272	-	237,187	(237,187)	151,307,272
Investment in subsidiary	33,023,599	29,458,919	-	(62,482,518)	-
Total other property and investments	**184,330,871**	**29,458,919**	**237,187**	**(62,719,705)**	**151,307,272**
Current assets					
Cash and cash equivalents	35,007,599	-	5,331,577	(5,331,577)	35,007,599
Short-term investments	-	-	-	-	-
Accounts receivable, less allowance for doubtful accounts of $1,579,474	8,700,760	-	355,038	(355,038)	8,700,760
Unbilled revenue	12,880,000	-	-	-	12,880,000
Other receivables, less allowance for doubtful accounts	1,183,870	-	261,447	(261,447)	1,183,870
Materials and supplies	-	-	470,806	(470,806)	-
Prepaid expenses and other	908,846	-	195,085	(195,085)	908,846
Total current assets	**58,681,075**	**-**	**6,613,953**	**(6,613,953)**	**58,681,075**
Deferred tax asset	-	3,564,680	444,860	(444,860)	3,564,680
Deferred debits	12,849,104	-	147,419	(147,419)	12,849,104
Assets of discontinued operations	-	-	-	34,620,031	34,620,031
TOTAL ASSETS	**$ 630,146,126**	**$ 33,023,599**	**$ 34,849,067**	**$ (62,711,554)**	**$ 635,307,238**

Tri-County Electric Cooperative, Inc.
Consolidating Balance Sheet
March 31, 2020

LIABILITIES and NET ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Equities and margins:					
Membership fees and common stock	$ 2,254,702	$ -	$ -	$ -	$ 2,254,702
Patronage capital and retained deficit	451,804,556	-	-	(229,036)	451,575,520
Other equities	(52,696,796)	33,023,599	33,674,247	(62,482,518)	(48,481,468)
Additional paid in capital	-	-	-	-	-
Accumulated other comprehensive income	(6,992,451)	-	-	-	(6,992,451)
					-
Total equities and margins	**394,370,011**	**33,023,599**	**33,674,247**	**(62,711,554)**	**398,356,303**
Long-term liabilities:					
Long-term debt less current maturities	141,919,936	-	-	-	141,919,936
APBO other than pensions	25,673,796	-	-	-	25,673,796
Due to (from) affiliate	-	-	-	-	-
Total other property and investments	**167,593,732**	**-**	**-**	**-**	**167,593,732**
Current liabilities:					
Current maturities of long-term debt	6,451,740	-	-	-	6,451,740
Accounts payable	17,655,968	-	601,437	(601,437)	17,655,968
Overbilled wholesale power cost adjustment	20,636,357	-	-	-	20,636,357
Accrued unbilled power cost	4,810,000	-	-	-	4,810,000
Accrued interest	423,324	-	-	-	423,324
Accrued expenses	3,990,591	-	-	-	3,990,591
Advance billing and payments	-	-	196,137	(196,137)	-
Accrued payroll	-	-	55,315	(55,315)	-
Accrued taxes	-	-	101,870	(101,870)	-
Accrued compensated absences	-	-	49,830	(49,830)	-
Customer deposits	6,417,474	-	90,991	(90,991)	6,417,474
Other current and accrued liabilities	-	-	79,240	(79,240)	-
Total current liabilities	**60,385,454**	**-**	**1,174,820**	**(1,174,820)**	**60,385,454**
Deferred credits	7,796,929	-	-	-	7,796,929
Liabilities of discontinued operations	-	-	-	1,174,820	1,174,820
TOTAL LIABILITIES and EQUITIES	**$ 630,146,126**	**$ 33,023,599**	**$ 34,849,067**	**$ (62,711,554)**	**$ 635,307,238**

Tri-County Electric Cooperative, Inc.
Consolidating Statement of Margins
Year Ended March 31, 2020

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Operating revenue	**$ 248,869,620**	**$ -**	**$ 9,135,495**	**$ (9,135,495)**	**$ 248,869,620**
Operating expenses:					
Cost of power	182,955,859	-	-	-	182,955,859
Distribution expense - operations	7,724,763	-	-	-	7,724,763
Distribution expense - maintenance	13,488,338	-	-	-	13,488,338
Telecommunication operations	-	-	4,972,534	(4,972,534)	-
Consumer accounts	6,233,595	-	-	-	6,233,595
Customer service and information	-	-	708,614	(708,614)	-
Sales	-	-	-	-	-
Administrative and general	11,572,274	-	788,932	(788,932)	11,572,274
Depreciation and amortization	15,998,745	-	3,148,126	(3,148,126)	15,998,745
Taxes	-	-	360,684	(360,684)	-
Interest	5,494,768	-	1,739	(1,739)	5,494,768
Other interest and deductions	1,372,335	-	-	-	1,372,335
Total operating expenses	**244,840,677**	**-**	**9,980,629**	**(9,980,629)**	**244,840,677**
Net operating margins	**4,028,943**	**-**	**(845,134)**	**845,134**	**4,028,943**
Nonoperating margins					
Interest and dividend income	1,509,867	-	11,434	(11,434)	1,509,867
Net margin from subsidiary	(4,297,512)	(5,082,331)	-	5,150,703	(4,229,140)
Gain on sale of assets	104,548	-	-	-	104,548
Other nonoperating income	(5,541)	-	30,248	(30,248)	(5,541)
Total nonoperating margins	**(2,688,638)**	**(5,082,331)**	**41,682**	**5,109,021**	**(2,620,266)**
G & T and other capital credits	12,699,931	-	-	-	12,699,931
Net margins before income taxes	**14,040,236**	**(5,082,331)**	**(803,452)**	**5,954,155**	**14,108,608**
Benefit (provision) from income taxes	-	784,819	(63,551)	63,551	784,819
Net margins from continuing operations	**14,040,236**	**(4,297,512)**	**(867,003)**	**6,017,706**	**14,893,427**
Loss from discontinued operations	-	-	-	(867,003)	(867,003)
Net margins	**14,040,236**	**(4,297,512)**	**(867,003)**	**5,150,703**	**14,026,424**
Patronage capital - beginning of year	437,090,168	37,363,652	34,583,791	(72,164,499)	436,873,112
Reclass to other equities	4,387,973	-	-	-	4,387,973
Capital contributions	-	(42,541)	(42,541)	85,082	-
Retirement of capital credits	(3,713,821)	-	-	1,832	(3,711,989)
Patronage capital - end of year	**$ 451,804,556**	**$ 33,023,599**	**$ 33,674,247**	**$ (66,926,882)**	**$ 451,575,520**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Comprehensive Income

Year Ended March 31, 2020

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/Elimination Entries	Consolidated
Net margins for year	**$ 14,040,236**	**$ (4,297,512)**	**$ (867,003)**	**$ 5,150,703**	**$ 14,026,424**
Other comprehensive income:					
Current gain on APBO	(1,862,408)	-	-	-	(1,862,408)
Amortization of loss on APBO	1,573,896	-	-	-	1,573,896
Amortization of prior year service cost (gain) loss	(1,569,996)	-	-	-	(1,569,996)
Comprehensive income	**$ 12,181,728**	**$ (4,297,512)**	**$ (867,003)**	**$ 5,150,703**	**$ 12,167,916**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Cash Flows

Year Ended March 31, 2020

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Cash flows from operating activities:					
Net margins	$ 14,040,236	$ (4,297,512)	$ (867,003)	$ 5,150,703	$ 14,026,424
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	17,300,649	-	3,148,126	-	20,448,775
Amortization	145,019	-	-	-	145,019
Loss on equity method investment	4,297,512	5,082,331	-	(5,150,703)	4,229,140
Investment allocations from associated	(12,699,931)	-	(14,451)	-	(12,714,382)
Gain on disposal of fixed assets	-	-	(13,305)	-	(13,305)
Fair value adjustment of fixed assets	-	-	-	-	-
Postretirement benefits accruals	1,494,805	-	-	-	1,494,805
Unbilled revenue accruals	4,430,000	-	-	-	4,430,000
Deferred income taxes	-	(784,819)	63,551	-	(721,268)
Loss on discontinued operations	-	-	-	-	-
Changes in:					
Investments in associated organizations	4,955,984	-	2,504	(1,832)	4,956,656
Accounts receivable	2,278,951	-	85,954	-	2,364,905
Materials and supplies	3,928,584	-	7,206	-	3,935,790
Other current and accrued assets	825,542	-	14,587	-	840,129
Deferred debits	(12,036,660)	-	32,100	-	(12,004,560)
Accounts payable	(1,597,869)	-	99,717	-	(1,498,152)
Payments on postretirement health benefits	(600,912)	-	-	-	(600,912)
Consumer deposits	1,165,610	-	(9,954)	-	1,155,656
Deferred credits	1,221,455	-	-	-	1,221,455
Other current and accrued liabilities	8,976,722	-	(64,968)	-	8,911,754
		-		-	
Net cash provided by operating activities	**38,125,697**	**-**	**2,484,064**	**(1,832)**	**40,607,929**
Cash flows from investing activities:					
Capital contributions	42,541	-	-	(42,541)	-
Redemption of short-term investments	-	-	2,009,261		2,009,261
Extension and replacement of plant	(50,811,830)	-	(1,308,266)	-	(52,120,096)
Plant removal cost	(1,808,051)	-	-	-	(1,808,051)
Material returned to stock from retirements	188,918	-	-	-	188,918
Net cash provided (used) for investing activities	**(52,388,422)**	**-**	**700,995**	**(42,541)**	**(51,729,968)**
Cash flows from financing activities:					
Capital contributions	-	-	(42,541)	42,541	-
Memberships and other equities	(3,212,417)	-	-	-	(3,212,417)
Borrowings on long-term debt	25,000,000	-	-	-	25,000,000
Payments on long-term debt	(5,841,143)	-	-	-	(5,841,143)
Retirement of patronage capital	(3,713,821)	-	-	1,832	(3,711,989)
Net cash provided (used) by financing activities	**12,232,619**	**-**	**(42,541)**	**44,373**	**12,234,451**
Net increase (decrease) in cash and cash equivalents	**(2,030,106)**	**-**	**3,142,518**	**-**	**1,112,412**
Cash and cash equivalents at beginning of year	37,037,705	-	2,189,059	-	39,226,764
Cash and cash equivalents at end of year	**$ 35,007,599**	**$ -**	**$ 5,331,577**	**$ -**	**$ 40,339,176**

Tri-County Electric Cooperative, Inc.

Consolidating Balance Sheet

March 31, 2019

ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Utility plant, at cost					
Plant in-service	$ 481,131,696	$ -	$ -	$ -	$ 481,131,696
Construction work in progress	23,619,449	-	-	-	23,619,449
	504,751,145	**-**	**-**	**-**	**504,751,145**
Less: accumulated depreciation	165,596,383	-	-	-	165,596,383
Net utility plant	**339,154,762**	**-**	**-**	**-**	**339,154,762**
Telecommunications plant					
Telecommunications plant	-	-	100,035,483	(100,035,483)	-
Construction work in progress	-	-	323,885	(323,885)	-
Intangible assets	-	-	237,358	(237,358)	-
Less: accumulated depreciation	-	-	71,364,521	(71,364,521)	-
Total non-utility plant	**-**	**-**	**29,232,205**	**(29,232,205)**	**-**
Other property and investments, at cost					
Investments in associated enterprises	143,563,325	-	225,240	(225,240)	143,563,325
Other investments	-	-	-	-	-
Investment in subsidiary	37,363,652	34,583,791	-	(71,947,443)	-
Total other property and investments	**180,926,977**	**34,583,791**	**225,240**	**(72,172,683)**	**143,563,325**
Current assets					
Cash and cash equivalents	37,037,705	-	2,189,059	(2,189,059)	37,037,705
Short-term investments	-	-	2,009,261	(2,009,261)	-
Accounts receivable, less allowance for doubtful accounts of $1,579,474	10,958,632	-	460,700	(460,700)	10,958,632
Unbilled revenue	17,310,000	-	-	-	17,310,000
Other receivables, less allowance for doubtful accounts	1,204,949	-	241,739	(241,739)	1,204,949
Materials and supplies	3,928,584	-	478,012	(478,012)	3,928,584
Prepaid expenses and other	1,734,388	-	209,672	(209,672)	1,734,388
Total current assets	**72,174,258**	**-**	**5,588,443**	**(5,588,443)**	**72,174,258**
Deferred tax asset	-	2,779,861	508,411	(508,411)	2,779,861
Deferred debits	1,107,945	-	179,519	(179,519)	1,107,945
Assets of discontinued operations	-	-	-	35,516,762	35,516,762
TOTAL ASSETS	**$ 593,363,942**	**$ 37,363,652**	**$ 35,733,818**	**$ (72,164,499)**	**$ 594,296,913**

Tri-County Electric Cooperative, Inc.

Consolidating Balance Sheet

March 31, 2019

LIABILITIES and NET ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Equities and margins:					
Membership fees and common stock	$ 2,182,871	$ -	$ -	$ -	$ 2,182,871
Patronage capital and retained deficit	437,090,169	-	-	(217,056)	436,873,113
Other equities	(45,024,576)	37,363,652	34,583,791	(71,947,443)	(45,024,576)
Additional paid in capital	-	-	-	-	-
Accumulated other comprehensive income	(5,133,943)	-	-	-	(5,133,943)
Total equities and margins	**389,114,521**	**37,363,652**	**34,583,791**	**(72,164,499)**	**388,897,465**
Long-term liabilities:					
Long-term debt less current maturities	123,088,466	-	-	-	123,088,466
APBO other than pensions	22,921,396	-	-	-	22,921,396
Due to (from) affiliate	-	-	-	-	-
Total other property and investments	**146,009,862**	**-**	**-**	**-**	**146,009,862**
Current liabilities:					
Current maturities of long-term debt	5,841,000	-	-	-	5,841,000
Accounts payable	19,253,837	-	501,721	(501,721)	19,253,837
Overbilled wholesale power cost adjustment	10,886,423	-	-	-	10,886,423
Accrued unbilled power cost	6,330,000	-	-	-	6,330,000
Accrued interest	436,958	-	-	-	436,958
Accrued expenses	3,230,169	-	-	-	3,230,169
Advance billing and payments	-	-	229,708	(229,708)	-
Accrued payroll	-	-	28,257	(28,257)	-
Accrued taxes	-	-	162,776	(162,776)	-
Accrued compensated absences	-	-	41,713	(41,713)	-
Customer deposits	5,251,864	-	100,945	(100,945)	5,251,864
Other current and accrued liabilities	-	-	84,907	(84,907)	-
Total current liabilities	**51,230,251**	**-**	**1,150,027**	**(1,150,027)**	**51,230,251**
Deferred credits	7,009,308	-	-	-	7,009,308
Liabilities of discontinued operations	-	-	-	1,150,027	1,150,027
TOTAL LIABILITIES and EQUITIES	**$ 593,363,942**	**$ 37,363,652**	**$ 35,733,818**	**$ (72,164,499)**	**$ 594,296,913**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Margins

Year Ended March 31, 2019

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Operating revenue	**$ 252,728,281**	**$ -**	**$ 10,791,668**	**$ (10,791,668)**	**$ 252,728,281**
Operating expenses:					
Cost of power	185,472,621	-	-	-	185,472,621
Distribution expense - operations	6,164,022	-	-	-	6,164,022
Distribution expense - maintenance	10,497,002	-	-	-	10,497,002
Telecommunication operations	-	-	5,340,484	(5,340,484)	-
Consumer accounts	5,390,279	-	-	-	5,390,279
Customer service and information	-	-	841,730	(841,730)	-
Sales	-	-	-	-	-
Administrative and general	12,702,583	-	885,633	(885,633)	12,702,583
Depreciation and amortization	14,849,478	-	3,459,932	(3,459,932)	14,849,478
Taxes	-	-	442,332	(442,332)	-
Interest	5,701,507	-	654	(654)	5,701,507
Other interest and deductions	1,385,428	-	-	-	1,385,428
Impairment of fixed assets	-	-	8,551,065	(8,551,065)	-
Total operating expenses	**242,162,920**	**-**	**19,521,830**	**(19,521,830)**	**242,162,920**
Net operating margins	**10,565,361**	**-**	**(8,730,162)**	**8,730,162**	**10,565,361**
Nonoperating margins					
Interest and dividend income	2,073,705	-	42,538	(42,538)	2,073,705
Net margin from subsidiary	(8,703,506)	(8,740,367)	-	17,443,873	-
Gain on sale of assets	64,136	-	-	-	64,136
Other nonoperating income	2,400	-	10,808	(10,808)	2,400
Total nonoperating margins	**(6,563,265)**	**(8,740,367)**	**53,346**	**17,390,527**	**2,140,241**
G & T and other capital credits	11,672,986	-	-	-	11,672,986
Net margins before income taxes	**15,675,082**	**(8,740,367)**	**(8,676,816)**	**26,120,689**	**24,378,588**
Provision for income taxes	-	36,861	(63,551)	63,551	36,861
Net margins from continuing operations	**15,675,082**	**(8,703,506)**	**(8,740,367)**	**26,184,240**	**24,415,449**
Loss from discontinued operations	-	-	-	(8,740,367)	(8,740,367)
Net margins	**15,675,082**	**(8,703,506)**	**(8,740,367)**	**17,443,873**	**15,675,082**
Patronage capital - beginning of year	427,935,984	46,056,750	43,313,750	(89,589,819)	427,716,665
Reclass to other equities	(2,425,665)	-	-	-	(2,425,665)
Capital contributions	-	10,408	10,408	(20,816)	-
Retirement of capital credits	(4,095,233)	-	-	2,263	(4,092,970)
Patronage capital - end of year	**$ 437,090,168**	**$ 37,363,652**	**$ 34,583,791**	**$ (72,164,499)**	**$ 436,873,112**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Comprehensive Income

Year Ended March 31, 2019

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Net margins for year	**$ 15,675,082**	**$ (8,703,506)**	**$ (8,740,367)**	**$ 17,443,873**	**$ 15,675,082**
Other comprehensive income:					
Current gain on APBO	1,652,957	-	-	-	1,652,957
Amortization of loss on APBO	1,573,896	-	-	-	1,573,896
Amortization of prior year service cost (gain) loss	(1,569,996)	-	-	-	(1,569,996)
Comprehensive income	**$ 17,331,939**	**$ (8,703,506)**	**$ (8,740,367)**	**$ 17,443,873**	**$ 17,331,939**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Cash Flows

Year Ended March 31, 2019

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	OneSource Communications, Inc.	Consolidation/ Elimination Entries	Consolidated
Operating activities:					
Net margins	$ 15,675,082	$ (8,703,506)	$ (8,740,367)	$ 17,443,873	$ 15,675,082
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	15,625,920	-	3,459,932	-	19,085,852
Amortization	98,629	-	-	-	98,629
Loss from subsidiary	8,703,506	8,740,367	-	(17,443,873)	-
Investment allocations from associated	(11,672,986)	-	-	-	(11,672,986)
Fair value adjustment of fixed assets	-	-	8,551,065	-	8,551,065
Postretirement benefits accruals	1,494,804	-	-	-	1,494,804
Unbilled revenue accruals	(630,000)	-	-	-	(630,000)
Deferred income taxes	-	(36,861)	63,551	-	26,690
Changes in:					
Investments in associated organizations	4,866,452	-	1,422	(2,263)	4,865,611
Accounts receivable	(476,465)	-	(90,501)	-	(566,966)
Materials and supplies	105,242	-	95,256	-	200,498
Other current and accrued assets	(438,882)	-	(128)	-	(439,010)
Deferred debits	71,451	-	62,782	-	134,233
Accounts payable	3,106,030	-	(95,951)	-	3,010,079
Payments on postretirement health benefits	(621,551)	-	-	-	(621,551)
Consumer deposits	(215,482)	-	(7,483)	-	(222,965)
Deferred credits	3,683,569	-	-	-	3,683,569
Other current and accrued liabilities	1,286,518	-	27,408	-	1,313,926
Net cash provided by operating activities	**40,661,837**	**-**	**3,326,986**	**(2,263)**	**43,986,560**
Cash flows from investing activities:					
Capital contributions	(10,408)	-	-	10,408	-
Purchases of short-term investments	-	-	(2,009,261)	-	(2,009,261)
Extension and replacement of plant	(41,529,969)	-	(1,504,221)	-	(43,034,190)
Plant removal cost	(1,295,027)	-	-	-	(1,295,027)
Material returned to stock from retirements	128,981	-	-	-	128,981
Net cash (used) for investing activities	**(42,706,423)**	**-**	**(3,513,482)**	**10,408**	**(46,209,497)**
Cash flows from financing activities:					
Capital contributions	-	-	10,408	(10,408)	-
Memberships and other equities	(1,751,735)	-	-	-	(1,751,735)
Payments on long-term debt	(5,633,914)	-	-	-	(5,633,914)
Retirement of patronage capital	(4,095,233)	-	-	2,263	(4,092,970)
Net cash provided (used) by financing activities	**(11,480,882)**	**-**	**10,408**	**(8,145)**	**(11,478,619)**
Net increase (decrease) in cash and cash equivalents	**(13,525,468)**	**-**	**(176,088)**	**-**	**(13,701,556)**
Cash and cash equivalents at beginning of year	50,563,173	-	2,365,147	-	52,928,320
Cash and cash equivalents at end of year	**$ 37,037,705**	**$ -**	**$ 2,189,059**	**$ -**	**$ 39,226,764**

Accompanying Information

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Electric Plant in Service

For the year Ended March 31, 2020

	Balance 4/1/2019	Additions	Retirements	Balance 3/31/2020
Distribution plant				
Land and land rights	$ 10,260	$ 121,295	$ -	$ 131,555
Structures and improvements	1,666	-	-	1,666
Station equipment	763,806	-	-	763,806
Poles, towers, and fixtures	67,063,418	5,653,540	964,314	71,752,644
Overhead conductors and devices	69,124,298	3,838,363	363,077	72,599,584
Underground conduit	66,516,537	5,254,568	43,729	71,727,376
Underground conductors and devices	69,647,269	9,100,251	420,099	78,327,421
Line transformers	91,630,232	4,434,820	593,132	95,471,920
Services	45,326,236	3,609,547	185,455	48,750,328
Meters	24,216,548	4,140,547	1,534	28,355,561
Street lights and signals	13,183,286	886,830	162,242	13,907,874
Total	**447,483,556**	**37,039,761**	**2,733,582**	**481,789,735**
General Plant				
Land and land rights	1,739,266	244,643	-	1,983,909
Structures and improvements	14,898,090	666,942	-	15,565,032
Office furniture and equipment	6,218,407	564,634	-	6,783,041
Transportation equipment	2,809,932	895,719	441,689	3,263,962
Store equipment	9,725	-	-	9,725
Tools, shop and garage equipment	583,421	62,800	5,742	640,479
Laboratory equipment	108,470	-	-	108,470
Power operated equipment	5,949,316	4,586,813	658,639	9,877,490
Communications equipment	1,302,471	564,269	-	1,866,740
Miscellaneous equipment	29,042	-	-	29,042
Total	**33,648,140**	**7,585,820**	**1,106,070**	**40,127,890**
Total classified electric plant in service	**481,131,696**	**44,625,581**	**3,839,652**	**521,917,625**
Construction work in progress	23,619,449	-	-	29,805,315
Total utility plant	**$ 504,751,145**	**$ 44,625,581**	**$ 3,839,652**	**$ 551,722,940**

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Accumulated Provision for Depreciation

For the year Ended March 31, 2020

	Balance 4/1/2019	Depreciation Accruals	Retirements	Transfers	Balance 3/31/2020
Distribution plant	**$ 152,823,926**	**$ 14,794,288**	**$ 4,303,896**	**$ -**	**$ 163,314,318**
General plant					
Structures and improvements	2,856,447	415,019	(22,152)	-	3,293,618
Office furniture and equipment	4,820,418	639,557	-	-	5,459,975
Transportation equipment	1,733,231	378,993	425,671	-	1,686,553
Stores equipment	4,122	384	-	-	4,506
Tools, shop and garage equipment	444,656	20,687	351	-	464,992
Laboratory equipment	74,955	5,830	-	-	80,785
Power operated equipment	3,047,267	923,991	543,605	-	3,427,653
Communications equipment	677,869	121,436	-	-	799,305
Miscellaneous equipment	24,633	464	-	-	25,097
Total general plant	**13,683,598**	**2,506,361**	**947,475**	**-**	**15,242,484**
Total classified electric plant in service	**166,507,524**	**17,300,649**	**5,251,371**	**-**	**178,556,802**
Retirement work in progress	(911,141)		-	-	(1,118,938)
Total electric plant	**$ 165,596,383**	**$ 17,300,649**	**$ 5,251,371**	**$ -**	**$ 177,437,864**

(1) Charged to depreciation expense	$ 15,998,745	
Charged to clearing and other accounts	1,301,904	
	$ 17,300,649	
(2) Original cost of units retired		$ 3,254,402
Add: cost of removal		1,808,051
Less: salvage and other credits		188,918
Net Loss due to retirement		**$ 5,251,371**

Letter to Board of Directors Regarding
Policies Concerning Audits of CFC Borrowers

Board of Directors
Tri-County Electric Cooperative, Inc. and Subsidiaries
Aledo, Texas

We have audited the balance sheets of Tri-County Electric Cooperative, Inc. and Subsidiaries as of March 31, 2020 and 2019, and the related statements of income and patronage capital, comprehensive income, and cash flows for the years then ended, and have issued our report dated.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In connection with our audits, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Cooperative Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

During our audits for the years ending March 31, 2020 and 2019 you requested us to review your construction work order and general plant expenditures. Based on our review of construction work orders and other plant accounting records it is our opinion that CFC loan funds were expended for the purposes contemplated in the Loan Agreement with CFC.

This report is intended solely for the information and use of the Boards of Directors and management of Tri-County Electric Cooperative, Inc. and Subsidiaries and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Briscoe, Burke & Grigsby LLP
Certified Public Accountants

August 25, 2020
Tulsa, Oklahoma