

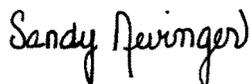
Board Treasurer’s Report

The financial performance of an electric utility in the Midwest is inherently susceptible to changes in the weather. In 2018, Southwestern Electric Cooperative’s service area experienced temperatures that deviated dramatically from the historical average. Most notably, an unseasonably cool April and our warmest May on record increased heating and cooling energy use among our membership.

The unusual temperatures are depicted by the increase in electric revenue on the cooperative’s Statement of Operations. Nearly 5.5% of the revenue from kilowatt hour sales in 2018 fell to the bottom line for a total of \$3.3 million in net margins. As part of our fiscal stewardship, the cooperative continues to monitor operating expenses, investment in capital improvements, and comply with all debt covenants. Accordingly, Southwestern Electric was in compliance with all loan agreement provisions with CoBank, the sole lender of the cooperative’s long-term debt.

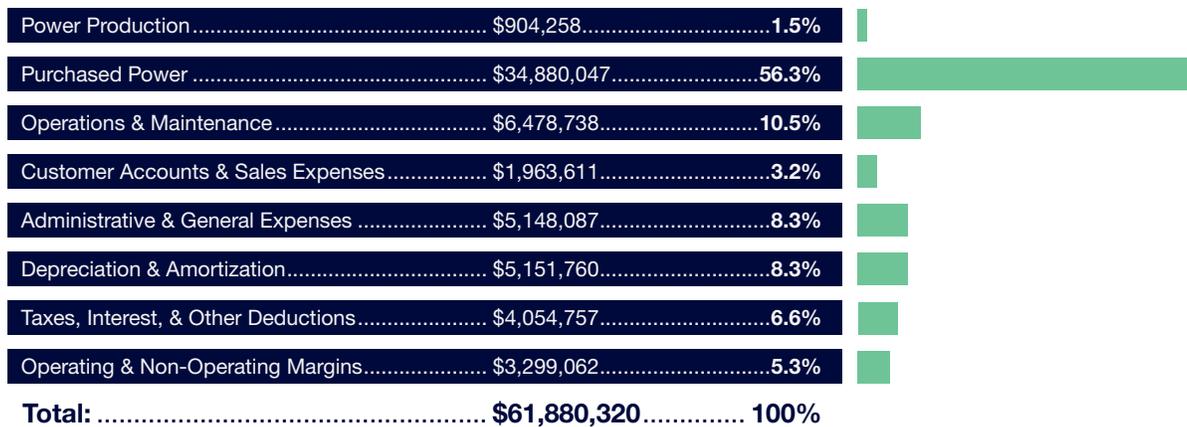
For additional information, please see the financial statements on the pages to follow.

Respectfully Submitted,

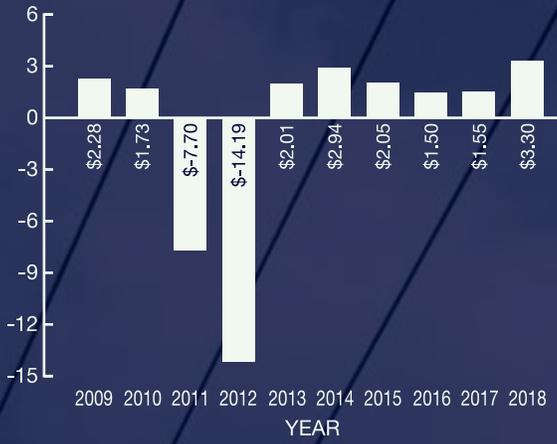


Sandy Nevinger
Board Treasurer

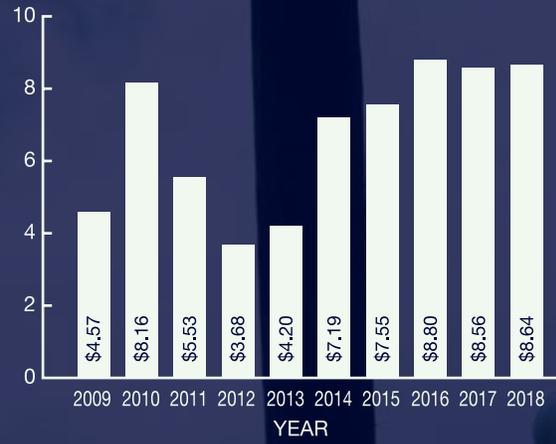
Where did the cooperative’s revenue go in 2018?



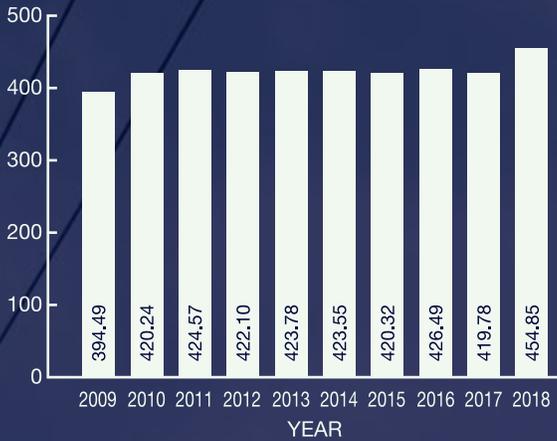
Margins
in millions of dollars



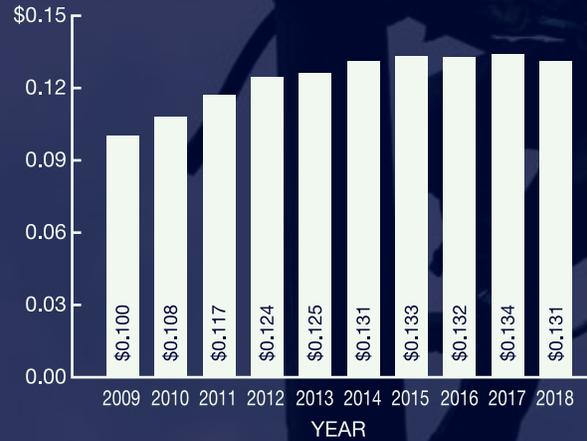
Capital Investment
in millions of dollars



Total Electricity Sold to Members
in millions of kWh



Rate per kWh to Residential Members
in dollars (includes infrastructure and operations charge)



Southwestern Electric Cooperative Financial Information

Statement of Operations	2018	2017	2016
OPERATING REVENUES			
Electric	\$60,263,464	\$53,815,941	\$54,260,874
Other	<u>393,774</u>	<u>370,676</u>	<u>401,527</u>
Total Operating Revenues	60,657,238	54,186,617	54,662,401
OPERATING EXPENSES			
Cost of Purchased Power	34,880,047	30,531,471	31,181,882
Power Production Expense - Operations	256,925	266,073	308,634
Power Production Expense - Maintenance	647,333	556,607	517,738
Transmission Expense - Maintenance	-	342	8,346
Distribution Expense - Operations	1,462,023	1,187,920	1,026,926
Distribution Expense - Maintenance	5,016,715	4,325,862	3,873,523
Consumer Account Expense	1,342,381	1,332,637	1,244,806
Consumer Service and Informational Expense	127,239	31,228	184,657
Sales Expense	493,991	535,483	572,254
Administrative and General Expense	5,148,087	6,020,097	6,220,481
Depreciation	5,151,760	4,906,186	4,775,424
Taxes	207,222	202,558	208,565
Other Interest	19,786	39,426	72,487
Other Deductions	<u>36,472</u>	<u>35,006</u>	<u>44,983</u>
Total Operating Expenses	<u>54,789,981</u>	<u>49,970,896</u>	<u>50,240,706</u>
OPERATING MARGINS BEFORE FIXED CHARGES	5,867,257	4,215,721	4,421,695
INTEREST ON LONG-TERM DEBT	<u>3,791,277</u>	<u>3,719,041</u>	<u>3,717,202</u>
NET OPERATING MARGINS	2,075,980	496,680	704,493
NONOPERATING MARGINS			
Interest Income	83,582	63,260	63,231
Patronage Capital Credits	1,038,428	919,239	704,971
Other Nonoperating Margins	<u>101,072</u>	<u>67,616</u>	<u>26,001</u>
Total Nonoperating Margins	<u>1,223,082</u>	<u>1,050,115</u>	<u>794,203</u>
NET MARGINS	<u>\$3,299,062</u>	<u>\$1,546,795</u>	<u>\$1,498,696</u>

Balance Sheet (As of December 31, 2018)

ASSETS

Utility Plant

Electric Plant in Service	\$186,262,031
Construction Work in Progress	<u>4,203,244</u>
Total	190,465,275
Less: Accumulated Provision for Depreciation	<u>(55,901,747)</u>
Net Utility Plant	134,563,528

Other Assets And Investments

Investments in Associated Organizations	3,490,840
Notes Receivable, Net of Current Portion	770,993
Other Special Funds	<u>228,120</u>
Total Other Assets and Investments	4,489,953

Current Assets

Cash and Cash Equivalents	5,225,833
Accounts Receivable, Net	5,677,737
Materials and Supplies Inventory	1,564,402
Current Portion of Notes Receivable	82,675
Prepayments	577,626
Interest Receivable	<u>14,163</u>
Total Current Assets	13,142,436

Deferred Charges

	<u>5,752,427</u>
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Total Assets \$157,948,344

EQUITIES & LIABILITIES

Equities

Patronage Capital	\$44,144,186
Other Equities	<u>3,160,492</u>
Total Equities	47,304,678

Long-Term Debt, Net of Current Maturities

84,973,470

Accumulated Miscellaneous

Operating Provisions 2,892,936

Accumulated Provision for

Pension And Benefits 228,120

Current Liabilities

Current Maturities of Long-Term Debt	3,919,921
Accounts Payable	4,488,513
Consumer Deposits	766,123
Other Current and Accrued Liabilities	<u>1,258,174</u>
Total Current Liabilities	10,432,731

Deferred Credits

12,116,409

Total Equities and Liabilities \$157,948,344