FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

ILLINOIS 34 JACKSON

EGYPTIAN ELECTRIC COOPERATIVE ASSOCIATION

December 31, 2019 and 2018

EGYPTIAN ELECTRIC COOPERATIVE ASSOCIATION

December 31, 2019 and 2018

CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Egyptian Electric Cooperative Association
Murphysboro, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Egyptian Electric Cooperative Association (the Cooperative), which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of earnings, 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 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 from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

We have also reported on specific aspects of loan funds advanced from the National Rural Utilities Cooperative Finance Corporation (CFC) and that communication is included as supplementary information to these financial statements.

Kerber, Eck + Braeckel, LLP

Marion, Illinois
March 26, 2020

EGYPTIAN ELECTRIC COOPERATIVE ASSOCIATION

BALANCE SHEETS

December 31

ASSETS

	2019	2018
ELECTRIC UTILITY PLANT (Note B)		
In service	$ 98,256,346	$ 95,899,105
Construction work in progress	125,149	61,374
	98,381,495	95,960,479
Less accumulated depreciation	34,209,173	31,429,436
	64,172,322	64,531,043
RESTRICTED CASH	54,000	-
OTHER RECEIVABLES	863,750	974,750
PREPAID RETIREMENT SECURITY PLAN (Note H)	893,260	1,156,889
INVESTMENTS IN ASSOCIATED ORGANIZATIONS (Note C)	24,530,775	23,162,639
DEFERRED CHARGES		
Unamortized accumulated postretirement benefit obligation (Note I)	1,578,989	1,769,696
CURRENT ASSETS		
Cash and cash equivalents	1,214,692	1,328,170
Current maturites of other receivables	111,000	111,000
Accounts receivable, consumers, less allowance for doubtful accounts of $32,892 in 2019 and $34,950 in 2018	4,552,226	4,435,296
Inventories	457,892	446,948
Other	113,658	149,178
Total current assets	6,449,468	6,470,592
	$ 98,542,564	$ 98,065,609

EQUITIES AND LIABILITIES

	2019	2018
EQUITIES AND MARGINS		
Memberships	$ 6,625	$ 6,625
Patronage capital	47,882,626	45,785,303
	47,889,251	45,791,928
LONG-TERM DEBT (Note E)	35,689,461	35,883,746
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION (Note I)	8,813,748	8,422,978
CONTRACT LIABILITIES (Note G)	1,053,851	902,248
CURRENT LIABILITIES		
Current maturities of long-term debt (Note E)	1,393,564	1,463,156
Note payable (Note F)	1,211,538	1,753,549
Accounts payable	1,584,862	2,981,928
Other accrued liabilities	906,289	866,076
Total current liabilities	5,096,253	7,064,709
	$ 98,542,564	$ 98,065,609

The accompanying notes are an intregral part of these statements.

EGYPTIAN ELECTRIC COOPERATIVE ASSOCIATION

STATEMENTS OF EARNINGS

Years Ended December 31

	2019	2018
Operating revenue	$ 42,662,035	$ 44,229,735
Operating expenses		
Cost of power	27,692,038	30,111,035
Distribution, operation	992,562	1,033,969
Distribution, maintenance	3,529,977	3,430,251
Consumer accounts	733,523	580,331
Consumer service and information	71,267	72,184
Administrative and general	2,677,066	2,411,418
Depreciation	3,993,561	3,350,550
Taxes	93,784	53,350
Interest	1,636,885	1,602,215
Total operating expense	41,420,663	42,645,303
Operating margin	1,241,372	1,584,432
Capital credits and patronage dividends received from investments	1,473,502	1,533,279
Net operating margin	2,714,874	3,117,711
Nonoperating revenue		
Interest income	45,213	81,217
Net margin	$ 2,760,087	$ 3,198,928

The accompanying notes are an integral part of these statements.

EGYPTIAN ELECTRIC COOPERATIVE ASSOCIATION

STATEMENTS OF PATRONAGE CAPITAL

Years Ended December 31

	2019	2018
Balance at beginning of year	$ 45,785,303	$ 43,093,340
Net margin	2,760,087	3,198,928
Retirement of patronage capital credits (Note D)	(662,764)	(506,965)
Balance at end of year	$ 47,882,626	$ 45,785,303

The accompanying notes are an integral part of these statements.

EGYPTIAN ELECTRIC COOPERATIVE ASSOCIATION

STATEMENTS OF CASH FLOWS

Years Ended December 31

	2019	2018
Cash flows from operating activities and nonoperating revenue		
Net margin	$ 2,760,087	$ 3,198,928
Adjustments to reconcile net margin to net cash provided by operating activities		
Depreciation	3,993,561	3,350,550
Capital credits and patronage dividends	(1,371,749)	(1,446,700)
Accumulated postretirement benefit obligation	390,770	553,830
Changes in:		
Accounts receivable	(116,930)	177,093
Inventories	(10,944)	31,521
Deferred Charges	190,707	(395,967)
Other	146,520	(1,117,863)
Accounts payable	(1,397,066)	(323,717)
Other accrued liabilities	40,213	222,657
Deferred credits	44,259	(158,288)
Retirement Security Plan	263,629	273,974
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	4,933,057	4,366,018
Cash flows from investing activities		
Extension and replacement of plant	(3,634,839)	(4,508,310)
Redemption of patronage capital credits	21,518	5,587
Purchase of capital term certificates	(16,765)	(19,589)
Investment in Southern Services	32	(30)
Investment in Cooperative Response Center	(1,172)	(901)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(3,631,226)	(4,523,243)
Cash flows from financing activities		
Retirement of patronage capital credits	(662,764)	(506,965)
Proceeds from note payable	34,088,375	25,550,800
Payments of note payable	(34,630,386)	(23,937,251)
Proceeds from long-term debt	1,204,329	1,050,000
Payments of long-term debt	(1,468,206)	(1,385,206)
Increase (decrease) in consumer deposits	107,343	60,467
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,361,309)	831,845
Increase (Decrease) in cash and cash equivalents	(59,478)	674,620
Cash and restricted cash and cash equivalents at beginning of year	1,328,170	653,550
Cash and restricted cash and cash equivalents at end of year	$ 1,268,692	$ 1,328,170

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Egyptian Electric Cooperative Association's (the Cooperative) significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization

The Cooperative is a non-profit corporation organized to provide electrical services to residential and business consumers located in Southern Illinois and extends unsecured credit to its customers/members.

The Cooperative is a member of and purchases energy from Southern Illinois Power Cooperative (a related organization), a generation and transmission cooperative located in Southern Illinois.

2. Basis of Accounting

The Cooperative abides by the accounting and reporting rules and regulations of the Rural Utilities Services (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts as modified by 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.

3. Income Taxes

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

The Cooperative has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. The Cooperative is not aware of any significant circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within 12 months of the balance sheet date. Penalties and interest assessed by taxing authorities are included in general and administrative expenses, if applicable. There were no interest or penalties paid during fiscal years 2019 and 2018.

4. Cash Equivalents

The Cooperative considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018, the Cooperative did not have any cash equivalents.

5. Receivables

Receivables are stated at the amount the Cooperative expects to collect from outstanding balances. The Cooperative provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Cooperative has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to the receivable accounts.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

5. Receivables - Continued

Because utility customer meters are billed on a cycle basis, unbilled revenues are estimated and recorded for services provided from the monthly meter-reading dates to month-end. The related power costs are recorded at month-end.

The Cooperative has taken out loans through the U.S. Department of Agriculture, Rural Development, in order to help finance projects within the Southern Illinois region. In 2018, the Cooperative loaned $750,000 to the Southern Illinois Airport Authority for the construction of hangers. This loan is for 10 years at 0% interest. In 2018, the Cooperative also loaned $360,000 to the Degognia and Fountain Bluff townships for the installation of water pumps. This loan is also for 10 years at 0% interest.

6. Inventories

Material and supplies inventories are stated at average cost, not in excess of net realizable value.

7. Investments

Investments in associated organizations include patronage capital and term certificates. The Cooperative's investment reflects the original cost and recognition of the Cooperative's share of undistributed earnings or losses of the organizations. The Cooperative periodically evaluates whether non-temporary decreases in values of the investments have occurred, and if so, they are adjusted for those price changes and other impairments.

The Cooperative has acquired a 17% interest in Southern Services, LLC. Southern Services was formed to pursue business interests of its members. As of December 31, 2019, Southern Services was not involved in a significant business interest.

8. Electric Utility Plant

Plant is recorded at cost. The cost of additions to plant includes contracted work, direct labor and materials and allocable overheads. When utility units of property are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance. Any gains or losses on non-utility property and equipment retirements are reflected in current year operations.

Distribution plant is being depreciated using the straight-line composite basis at various rates ranging from 3.30% to 6.70%.

General plant is being depreciated over the estimated useful life of the assets using the straight-line method, at various rates ranging from 2.40% to 20.00%.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

9. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

10. Revenue Recognition

Energy Sales

Energy sales to members are the Cooperative's primary source of revenue. Energy sales revenues are recognized upon delivery of electricity. Electric customer meters are read and billed on a cycle basis, based on billing rates authorized by the Cooperative's Board of Directors, which are applied to member's usage of electricity. The Cooperative's services extend to a geographical area of Southern Illinois and caters to the following member classes: residential, single phase commercial, three phase commercial and major industrial members.

Residential, single phase commercial and three phase commercial members can have up to five components of monthly billing included in revenue - service availability charge, energy charge, outdoor lighting, fixed fees related to a utility power pack and purchase power cost adjustment (PPCA). The energy charge is applied by kilowatt hour (kWh) usage. The service availability charge is a monthly charge per meter. Outdoor lighting charges are applied based on the size and type of light chosen and if the member chooses to add additional lighting. Utility power pack charges comprise of three flat fee rates if the member chooses to add one to their utility pole. The PPCA can be assessed when the Cooperative experiences fluctuations in the cost of purchasing demand, energy or related transmission service from its power supplier and can be a charge or bill credit depending on costs related to purchase power.

Major industrial members can also have up to five components of monthly billing included in revenue - service availability charge, energy charge, demand charges, customer related charges and purchase power cost adjustment (PPCA). The energy charge is applied by kilowatt hour (kWh) usage. The service availability charge is a monthly charge per meter. The demand charge and customer related charge is applied by kilowatt (kW) usage. The PPCA can be assessed when the Cooperative experiences fluctuations in the cost of purchasing demand, energy or related transmission service from its power supplier and can be a charge or bill credit depending on costs related to purchase power.

Other Miscellaneous Revenue

Other miscellaneous revenues are made up of various agreements with customers such as: pole rentals, public Street and highway lighting, and other public services. Revenue from these services are recognized monthly when billed.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

10. Revenue Recognition - Continued

Other Miscellaneous Revenue - Continued

The Cooperative accrues revenue and a related receivable for services provided but not yet billed to customers based on an estimate of average usage. The components of this unbilled revenue can fluctuate based on factors including rate structure, weather, period of use, cost of purchased power and other factors. The Cooperative accrues contract liabilities for consideration received from customers before the Cooperative has transferred a good or service to the customer. No revenue is recognized from performance obligations satisfied in prior periods. Any material performance obligations that remain unsatisfied as of the end of the reporting period are recorded within contract liabilities.

11. Change in Accounting Principle

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides clarification with respect to classification of several cash flow issues on the Statement of Cash Flows including debt prepayment or extinguishment costs, proceeds from the settlement of insurance claims, and distributions received from equity method investees. The new standard is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The adoption of this guidance had no effect on net assets.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which replaced most of the previous guidance related to revenue recognition. ASU 2014-09 requires an entity to recognize revenue as its performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive in exchange for those goods and services. ASU 2014-09 and became effective for nonpublic entities for fiscal years beginning after December 15, 2018. Accordingly, the Cooperative adopted ASU 2014-09 using the modified retrospective transition approach.

The Cooperative has determined that there was no change in either the measurement or the timing of revenues recognized under ASU 2014-09 as compared to previous guidance. The adoption of this guidance had no effect on net assets.

NOTE B - ELECTRIC UTILITY PLANT

The utility plant is stated at historical cost. The cost of additions to the electric utility plant includes contractual work, direct labor, materials, allocable overhead, and equipment. Listed below are the major classes of the utility plant as of December 31, 2019 and 2018:

	2019	2018
Distribution plant	$ 82,895,423	$ 80,774,143
Transmission plant	235,160	235,159
General plant		
Land and land rights	282,832	282,832
Structures and improvements	10,440,764	10,440,764
Office furniture and fixtures	323,239	317,813
Computer equipment	244,691	244,942
Transportation equipment	3,098,616	2,879,031
Power operated equipment	337,686	340,092
Communications equipment	183,549	183,549
Other	214,386	200,780
	98,256,346	95,899,105
Construction work in progress	125,149	61,374
	$ 98,381,495	$ 95,960,479

Construction work in progress at December 31, 2019, consists of various small projects.

All assets are pledged as security for long-term debt to CFC. The cost of units of property retired, replaced, or renewed are removed from electric utility plant. These costs, plus removal costs, less salvage value, are charged to accumulated depreciation. Maintenance and repairs of property and the replacement and removal of items that are considered to be less than a complete unit of plant are charged to operating expenses.

NOTE C - INVESTMENTS IN ASSOCIATED ORGANIZATIONS

	2019	2018
National Rural Utilities Cooperative		
Capital term certificates (CTC)	$ 961,720	$ 983,238
Patronage capital certificates	566,195	512,600
Patronage capital certificates	22,555,791	21,243,361
	447,069	423,440
	$ 24,530,775	$ 23,162,639

NOTE D - RETIREMENT OF PATRONAGE CAPITAL CREDITS

The Cooperative has adopted a policy on general retirement of capital credits on a 30 year cycle. The amount retired is a result of dividing the outstanding balance by 30 years. Estates are currently refunded on a discounted basis upon the request of the executor of deceased members.

NOTE E - LONG-TERM DEBT

	2019	2018
Notes payable-CFC (a)	$ 16,058,228	$ 9,903,201
Notes payable-CFC (b)	8,301,982	14,502,843
Notes payable-CFC (c)	11,754,065	11,897,108
Notes payable-USDA (d)	668,750	743,750
Notes payable-USDA (e)	300,000	300,000
	37,083,025	37,346,902
Less current maturities	1,393,564	1,463,156
	$ 35,689,461	$ 35,883,746

Maturities of long-term debt as of December 31, 2019 were as follows:

2020	$ 1,393,564
2021	1,446,190
2022	1,501,430
2023	1,400,682
2024	1,296,898
Thereafter	30,044,261
	$ 37,083,025

(a) Seven to thirty year mortgage notes payable; equal quarterly installments of principal and interest at rates varying from 3.56% to 7.45% at December 31, 2019. The notes mature from 2025 to 2049.

(b) Thirty year mortgage notes payable with semiannual installments of principle and interest at rates of 2.49% to 2.88% at December 31, 2019. The notes mature from 2023 to 2044.

(c) Thirty-five year mortgage note payable with quarterly installments of principle and interest. Interest rate is fixed at 4.80%. The note matures in 2052.

All of the CFC notes are secured by all assets of the Cooperative.

NOTE E - LONG-TERM DEBT - CONTINUED

(d) U.S. Department of Agriculture, Rural Development dated November 28, 2018. Original amount of $750,000 payable in monthly installments of principal which includes 0% interest; the note matures November 28, 2028 and is secured by a promissory note.

(e) U.S. Department of Agriculture, Rural Development dated January 28, 2018. Original amount of $300,000 payable in full once the grant program has been terminated with 0% interest. This loan is secured by a promissory note.

NOTE F - NOTE PAYABLE

The Cooperative has renewed a $10,000,000 line of credit with CFC with interest rates assigned upon advances made to the Cooperative. The Cooperative draws down on the line of credit when funds are needed to cover overhead and operating costs. The line of credit is secured by assets of the Cooperative. Outstanding advances were $1,211,538 and $1,753,549 at December 31, 2019 and 2018, respectively.

NOTE G - REVENUE

See note A for the Cooperative's policy on how they recognize revenue for contracts with customers.

The following table presents the Cooperative's operating revenues by major source and customer class:

	2019	2018
Residential	$ 28,329,162	$ 29,176,529
Commercial	13,719,690	14,460,540
Other	217,099	227,972
Total revenues from contracts with customers	42,265,951	43,865,041
Forfeited discounts	347,258	327,957
Rental revenue	12,955	13,138
Other electric	35,871	23,599
Total operating revenue	$ 42,662,035	$ 44,229,735

Economic factors that could impact the nature, amount, timing, and uncertainty of revenue and cash flows include the type of member/contract and the weather.

NOTE G - REVENUE RECOGNITION - CONTINUED

Amounts in accounts receivable considered to be contract receivables at December 31, 2019 and 2018 is comprised of the following:

	2019	2018
Consumer Accounts Receivable	$ 1,591,988	$ 1,240,451
Unbilled Revenue	2,993,130	3,229,795
Less: Allowance for Doubtful Accounts	(32,892)	(34,950)
Total Accounts Receivable	$ 4,552,226	$ 4,435,296

Amounts considered to be contract liabilities at December 31, 2019 and 2018 is comprised of the following:

	2019	2018
Consumer Deposits	$ 741,507	$ 634,163
Consumer Prepayments	312,344	268,085
Total Contract Liabilities	$ 1,053,851	$ 902,248

NOTE H - PENSION PLAN

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

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

The Cooperative's contributions to the RS Plan in 2019 and in 2018 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of $827,131 in 2019 and $949,635 in 2018. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

In 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 at January 1, 2019 and 2018 based on the PPA funding target and PPA actuarial value of assets on those dates.

NOTE H - PENSION PLAN - CONTINUED

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.

The Cooperative supplements this plan with an NRECA sponsored defined contribution plan. The Cooperative made monthly contributions equal to 3% of the employees' salary. In addition to the base rate, the Cooperative will match employee contributions up to 4% of the employees' salary. Employees may also contribute. Employer contributions to the plan were $257,784 in 2019 and $247,603 in 2018.

In February of 2014, the Board of Directors approved a voluntary retirement plan prepayment option offered by the NRECA. The plan was funded by a long term loan from the Cooperative Finance Corporation. By prefunding the retirement security plan, the Cooperative will experience lower on-going contribution rates. The prepayment amount is being amortized over 10 years. Management has estimated that the savings in reduced RS Plan contributions as compared to the cost of financing will begin to payback in approximately eleven years.

NOTE I - OTHER POSTRETIREMENT BENEFITS

In addition to providing pension benefits, the Cooperative sponsors a postretirement medical plan that covers its employees and directors. This plan covers seventy-five percent of the medical insurance cost, including prescription drug coverage, to retired employees (normal retirement age is 60), and retired directors who have attained the age of 60 with nine years of service. The plan is unfunded.

Effective July 1, 2010, the plan was amended to exclude employees hired on or after July 1, 2010. For these employees, the Cooperative will contribute 2% of gross wages to an established fund. Upon retirement, the employee will receive payment from the fund for the purchase of post retirement health care benefits. In addition, amendments effective January 1, 2011 are expected to decrease health insurance premiums.

The Cooperative has determined the actuarially computed expense associated with these benefits and the components of net periodic postretirement benefit costs are as follows:

	2019	2018
Service cost - benefit earned during the period	$ 205,410	$ 73,152
Interest cost on accumulated benefit obligation	479,290	170,688
Net Periodic postretirement benefit cost	$ 684,700	$ 243,840

NOTE I - OTHER POSTRETIREMENT BENEFITS - CONTINUED

The following assumptions were used in determining the accumulated postretirement benefit obligation and related expense:

1. The discount rate used in determining the benefit obligation was 5.0% for 2019 and 2018.

2. The health care cost trend rate for NRECA benefits will be 5.5% for those under the age of 65 and 5.5% for those 65 and older in 2016 and 2017. For 2018 and later years, the indexing rate will move to 7.0% per year.

3. The health care cost trend rate for LINECO benefits will be 5.5% for those under the age of 65 and 5.5% for those 65 and older in 2017. For 2018 and later years, the indexing rate will move to 7.0% per year.

Change in benefit obligation for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Benefit obligation at beginning of year	$ 8,422,978	$ 7,869,148
Service cost	205,410	73,152
Interest cost	479,290	170,688
Additional cost based on actuarial valuation	-	533,340
Benefits paid	(293,930)	(223,350)
	$ 8,813,748	$ 8,422,978

The Cooperative obtains an updated actuarial valuation every three years. In 2017, an updated actuarial valuation was performed. The report dated January 1, 2018, resulted in a $533,340 and $1,379,729 increase in the accumulated post retirement benefit obligation at December 31, 2018 and 2017, respectively. The Cooperative has recorded this expense as a regulatory asset and it will be amortized over 10 years starting January 1, 2018.

NOTE J - RELATED PARTIES

The Cooperative, along with other electric distribution cooperatives, is a member of (and, therefore, part owner of) the Southern Illinois Power Cooperative (SIPC). SIPC is a generation and transmission cooperative. The Cooperative purchases its power from SIPC. For the years ended December 31, 2019 and 2018 investments in SIPC amounted to $22,555,791 and $21,243,361 respectively. In addition, amounts owed to SIPC for purchased power at December 31, 2019 and 2018 were $1,366,811 and $2,572,336, respectively. Transactions with SIPC are considered by management to be on an arms-length basis.

NOTE K - CONCENTRATION OF CREDIT RISK

The Cooperative is located in Murphysboro, Illinois. Cooperative accounts receivable are due from local consumers.

At December 31, 2019 the Cooperative had deposits in local financial institutions which exceeded Federal Depository Insurance limits by approximately $680,000 Management believes that credit risk related to these deposits is minimal.

NOTE L - ADDITIONAL CASH FLOW INFORMATION

Cash paid during the year for:

	2019	2018
Interest expense	$ 1,577,781	$ 1,544,890

NOTE M - RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with the current year presentation. Their reclassifications had no effect on the reported results of operations.

NOTE N - SUBSEQUENT EVENTS

Management evaluated all events and transactions that occurred after December 31, 2019 through March 26, 2020, the issue date of these financial statements.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' CERTIFICATION

Board of Trustees
Egyptian Electric Cooperative Association
Murphysboro, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Egyptian Electric Cooperative Association as of December 31, 2019 and the related statements of earnings, patronage capital and cash flows for the year then ended, and have issued our report thereon dated March 26, 2020.

During the year ended December 31, 2019, the Cooperative received $1,204,329 in long-term loan fund advances from the National Rural Utilities Cooperative Finance Corporation (CFC) on loans controlled by the 100% CFC Mortgage and Loan Agreement. Based on our review of construction work orders and other plant accounting records during the year ended December 31, 2019, it is our opinion that CFC loan funds were expended for purposes contemplated in the loan agreement.

The Cooperative received $34,088,375 in advances and repaid $34,630,386 in advances under a short term line of credit arrangement with CFC. The loans were used to pay the Cooperatives power bill to Southern Illinois Power Cooperative. Based on our review of construction work orders and other plant accounting records during the year ended December 31, 2019, it is our opinion that CFC loan funds were expended for purposes contemplated in the loan agreement.

This report is intended solely for the information and use of the Board of Directors and management of Egyptian Electric Cooperative Association and CFC and should not be used for any other purpose.

Kerber, Eck + Braeckel, LLP

Marion, Illinois
March 26, 2020