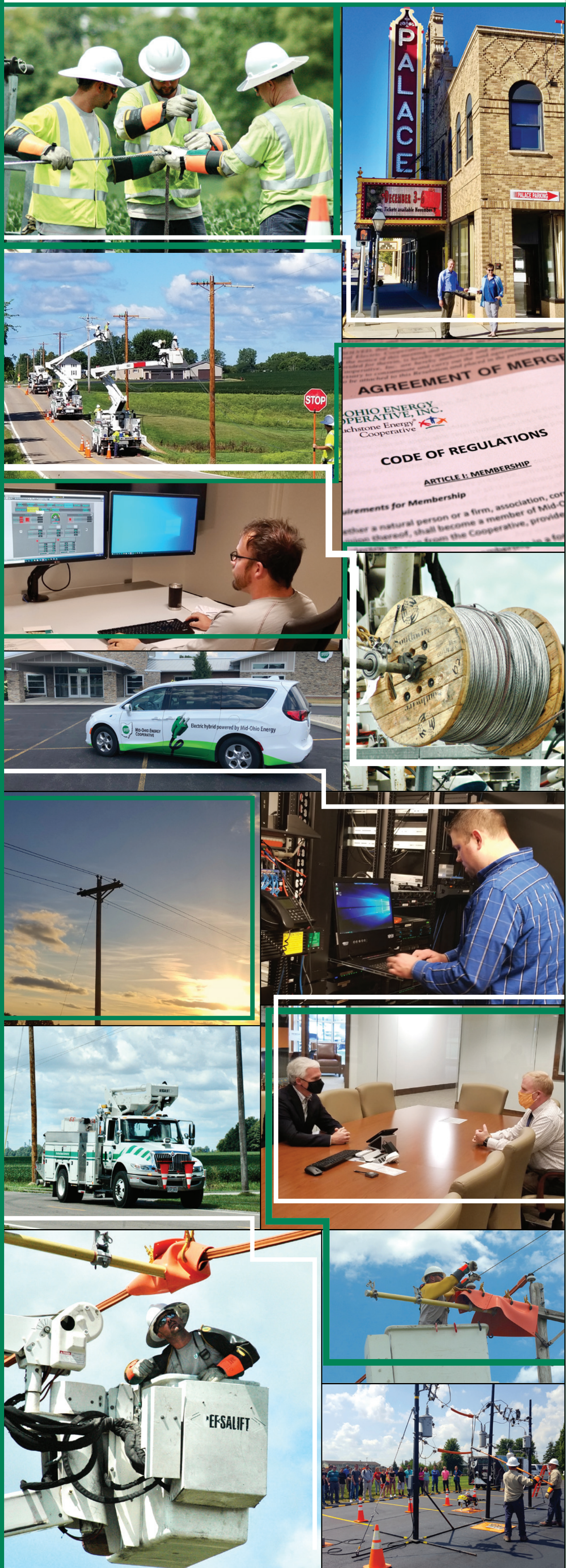
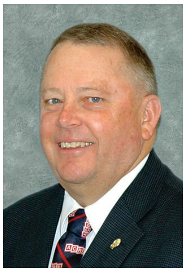


ANNUAL REPORT 2020

REPORT FROM MANAGEMENT



Daniel Harris
Chairman

John Metcalf
President & CEO

An unexpected year

At the end of each year, people throughout the world celebrate the beginning of a new year. To ring in the new year, many people focus on Times Square in New York City to watch the famous ball drop at midnight. This was no different on January 1, 2020, as the day began with massive celebrations consistent with previous years. In that moment, nobody could've predicted how much our world was about to change.

Things changed quickly as a deadly virus, identified as COVID-19, began to spread on the other side of the globe in the city of Wuhan, China. By the middle of March, the virus was a global pandemic and had spread across the entire United States, forcing government officials to issue stay-at-home orders and closing many businesses considered nonessential.

Precautions and restrictions were put into place as a result of the virus. Many of us hoped these measures would only last a few weeks, yet they are still in effect today, over a year later. Changes in our lives that many Americans never imagined have been sustained and are perhaps feared to become the "new normal."

Your electric cooperative routinely plans for different scenarios, such as the pandemic, that could impact the cooperative's operations. Each year, Mid-Ohio Energy formalizes detailed budgets and plans to replace and upgrade portions of its distribution network. We routinely perform cost of service studies and carry out strategic plans to ensure the needs of the membership are best being served. Additionally, we conduct an annual emergency response planning exercise to prepare for potential disaster situations.

Prepared to serve in any scenario

The emergency response exercise reviews scenarios such as ice storms, tornados, earthquakes, cyber attacks, and pandemics that are presented to the cooperative's staff by an outside facilitator. The intent of these exercises is to force each of the cooperative's departments to review established protocols to identify and correct any weaknesses before such an event could actually happen. These exercises help prepare your cooperative to react to nearly any situation in a timely and efficient manner.

In 2010, Mid-Ohio Energy rehearsed a global pandemic scenario as an emergency response exercise during the outbreak of the H1N1 virus in the United States. This exercise proved very valuable in helping your cooperative navigate through the current COVID-19 pandemic. Mid-Ohio Energy already had in place the infrastructure and protocols that allowed your cooperative to operate with little or no negative impact to our members.

However, what was not factored in our 2010 plan was how long the pandemic would last, nor the long-term restrictions in effect, such as social distancing and public gatherings. As a result, your board and employee team have learned many lessons throughout 2020 and have been working on recommendations to solve many of the roadblocks presented by this long-term pandemic.

Updating the map for the road ahead

As a cooperative operating within the state of Ohio, we are required by law to maintain two documents that are approved by the members. One is our Articles of Incorporation, and the other is the Code of Regulations. As with all other corporations in Ohio, the Articles of Incorporation is a legal document that details how a company is created. This document is maintained on file by Ohio's Secretary of State. The Articles of Incorporation were created in 1936 and have only been amended when major changes to the cooperative's business structure occur, such as the merger of Marion and United Rural Electric Cooperatives to form Mid-Ohio Energy Cooperative in 1999.

The other member-approved legal document, called the Code of Regulations, also known as the cooperative's bylaws, is different from the Articles of Incorporation because it contains the rules by which the cooperative will operate. From time to time it is necessary to review and revise this document to ensure that the cooperative is operating to meet members' needs.

One of the topics addressed by the Code of Regulations concerns annual and special meetings of members. In 2020, for the first time in the co-op's history, Mid-Ohio Energy was unable to conduct an in-person Annual Meeting of Members due to concern for the safety of our members and gathering restrictions enacted for the entire state. Instead, your cooperative's board and staff conducted a live virtual annual meeting on April 14, 2020. Along with reports and voting results presented online, each member received a mailing prior to that annual meeting giving them an opportunity to offer revisions to the 2019 annual meeting minutes and also submit any new business before the membership. In the midst of a long-term global pandemic, the co-op's board and staff felt this was the best possible way to conduct the business of your cooperative.

Since current language within the Code of Regulations dictates that the Annual Meeting of Members must be held in the month of April, the meeting must be held virtually again in 2021. Even with the phenomenal speed of the creation and distribution of a COVID-19 vaccine, proper immunity levels for the virus will not likely be achieved to allow for a safe indoor gathering of our members in April.

To ensure your cooperative can continue to conduct business (such as the annual meeting) in a manner that is properly stated within the Code of Regulations, certain updates are necessary throughout the document—updates that not only recognize today's technology and current laws, but also streamline language that has become outdated or redundant as changes have been made over the years. An updated code allows the cooperative to efficiently serve members and aligns our operations with current best practices for conducting business.

This year, prior to the annual meeting, members are once again asked to participate in the co-op's annual election, voting to elect trustees in districts 1, 2, and 3. In addition, you will have the opportunity to vote to accept proposed updates to the current Code of Regulations (last updated and approved in 2013).

Proposed updates include greater flexibility for holding future annual meetings and spells out how and when such a meeting should be held virtually.

Since the proposed updates are not specifically focused on one particular section of the Code of Regulations, but rather throughout the entire document, it is recommended that you visit our website at www.MidOhioEnergy.com to review the proposed updates at your convenience. A clean copy of these proposed changes was also mailed in the March issue of *Ohio Cooperative Living* magazine. If you would rather review a paper copy of the Code of Regulations updates, please call or stop in at our Kenton or Marion offices and we will be glad to provide you with copies or answer any questions you may have.

Again, we would like to encourage you to review and consider the proposed updates to the Code of Regulations. Even though some of the proposed updates would allow for virtual meetings in the future, this shouldn't be considered the new normal. Your cooperative's board and staff intend to return to in-person member events like the Annual Meeting of Members or member appreciation events when possible. It is our experience that these events foster goodwill and engagement that fuel the long-term success of the cooperative. Our focus is to maintain strong relationships with members. In other words, we really miss the in-person interactions with our members!

Thank you

Your cooperative's board and employee team would like to take a moment and thank you for your patience and understanding through the unique challenges of 2020.

With members spending unprecedented amounts of time at home, keeping your power reliable and affordable was more important than ever. We're proud to have provided a high level of service, support, and trusted expertise for our members and communities.

We hope that when the ball dropped in Times Square marking the end of 2020 and the beginning of 2021, it will also prove to be a symbol of moving beyond a global pandemic and emerging with a renewed path for moving forward.

Mid-Ohio Energy Cooperative's Statement of Principles

As a Touchstone Energy® cooperative, we are guided by the principles of Integrity, Accountability, Innovation, and Commitment to Community.

Quick Cooperative Facts:

8,195 meters served ● 13 substations

1,335 miles of energized lines

BALANCE SHEETS
December 31, 2020 and 2019

	2020	2019
ASSETS		
ELECTRIC PLANT		
In service - at cost	$ 55,536,854	$ 54,469,875
Construction work in progress	289,382	205,130
Subtotal Electric Plant	55,826,236	54,675,005
Less: accumulated provision for depreciation and amortization	(13,849,132)	(12,955,675)
NET ELECTRIC PLANT	41,977,104	41,719,330
INVESTMENTS AND OTHER ASSETS		
Investments - patronage capital	9,989,522	9,954,980
Investments - equity capital	900,694	900,744
Other investments	397,699	404,700
Deferred charges, less current portion	337,509	341,684
Prepayments, less current portion	155,216	167,390
TOTAL INVESTMENTS AND OTHER ASSETS	11,780,640	11,769,498
CURRENT ASSETS		
Cash and cash equivalents	1,975,836	1,269,892
Accounts receivable, less provision for uncollectible accounts of $53,220 and $43,120, respectively	2,424,097	2,081,051
Materials and supplies	529,654	448,082
Interest receivable	4,749	4,757
Current portion of deferred charges	254,174	170,841
Current portion of prepayments	1,540,362	1,053,593
TOTAL CURRENT ASSETS	6,728,872	5,028,216
TOTAL ASSETS	$ 60,486,616	$ 58,517,044
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	$ 71,085	$ 71,445
Patronage capital	27,199,638	25,863,788
TOTAL EQUITIES	27,270,723	25,935,233
LONG-TERM DEBT		
FFB mortgage notes, less current maturities	17,483,316	15,681,890
CoBank mortgage notes, less current maturities	3,366,839	3,655,051
NRUCFC mortgage notes, less current maturities	6,914,524	7,676,626
Capital lease obligations, less current portion	455,577	424,831
TOTAL LONG-TERM DEBT	28,220,256	27,438,398
OTHER NONCURRENT LIABILITIES		
Accumulated provision for non-pension postretirement benefits	108,576	93,342
TOTAL OTHER NONCURRENT LIABILITIES	108,576	93,342
CURRENT LIABILITIES		
Current maturities of long-term debt	1,526,185	1,498,122
Current portion of capital lease obligations	167,954	143,471
Accounts payable - cost of purchased power	1,159,426	1,073,187
Accounts payable - other	402,038	167,864
Patronage capital payable	321,884	883,448
Consumer deposits	189,400	164,245
Accrued taxes	798,343	794,633
Other current liabilities	321,831	325,101
TOTAL CURRENT LIABILITIES	4,887,061	5,050,071
TOTAL EQUITIES AND LIABILITIES	$ 60,486,616	$ 58,517,044

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

STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
For the years ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES	$ 22,085,412	$ 21,679,722
OPERATING EXPENSES		
Cost of purchased power	12,535,961	12,380,527
Distribution - operation	903,786	819,457
Distribution - maintenance	1,412,640	1,532,856
Consumer accounts	731,263	746,829
Administrative and general	1,999,908	2,186,642
Depreciation and amortization	1,944,423	1,902,546
Taxes	723,087	728,376
Interest	1,005,272	1,095,888
Other deductions	12,174	3,043
TOTAL OPERATING EXPENSES	21,268,514	21,396,164
Operating margins before capital credits	816,898	283,558
Buckeye Power, Inc. capital credits	640,039	596,080
Other capital credits	81,077	92,664
NET OPERATING MARGINS	1,538,014	972,302
NON-OPERATING MARGINS		
Interest income	41,248	118,537
Miscellaneous non-operating income	328,316	2,201
Gain on disposition of property	18,591	37,480
TOTAL NON-OPERATING MARGINS	388,155	158,218
NET MARGINS	1,926,169	1,130,520
Patronage capital, beginning of year	25,863,788	25,867,512
Retirement of capital credits	(590,319)	(1,134,244)
Patronage capital, end of year	$ 27,199,638	$ 25,863,788

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

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 1,926,169	$ 1,130,520
Adjustments to reconcile net margins to net cash provided by operating activities:		
Change in provision for uncollectible accounts	10,100	4,553
Depreciation and amortization	2,134,474	2,114,510
Other deductions	12,174	3,043
Non-cash capital credits allocation	(721,116)	(688,744)
Gain on disposition of property	(18,591)	(37,480)
Changes in assets and liabilities:		
Accounts receivable	434,085	444,036
Materials and supplies	(81,572)	(52,002)
Deferred charges, interest receivable and prepayments	(565,919)	(745,010)
Accounts payable	320,413	(129,768)
Accumulated provision for non-pension postretirement benefits, patronage capital payable, accrued taxes, and other current liabilities	(545,890)	235,950
Total adjustments	978,158	1,149,088
Net cash provided by operating activities	2,904,327	2,279,608
CASH FLOWS FROM INVESTING ACTIVITIES		
Extension and replacement of electric plant, net of salvage and cost of retirements	(2,991,328)	(2,490,813)
Proceeds from sale of scrap	16,755	16,975
Proceeds from sale of assets	20,272	37,480
Proceeds from redemption of investments - patronage capital	693,625	464,291
Net cash used in investing activities	(2,260,676)	(1,972,067)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in consumer memberships and deposits	24,795	6,065
Net change in cushion of credit	-	1,572,878
Proceeds from long-term debt	2,300,000	2,650,000
Payments on long-term debt	(1,520,825)	(3,361,952)
Payments on capital lease obligations	(151,358)	(153,317)
Patronage capital credits retired	(590,319)	(1,134,244)
Net cash provided by (used in) financing activities	62,293	(420,570)
Increase (decrease) in cash and cash equivalents	705,944	(113,029)
Cash and cash equivalents at beginning of year	1,269,892	1,382,921
Cash and cash equivalents at end of year	$ 1,975,836	$ 1,269,892

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NATURE OF ORGANIZATION

Mid-Ohio Energy Cooperative, Inc. (the Cooperative) was incorporated under the laws of the State of Ohio, operates as a cooperative, and is exempt from federal taxation under Section 501(c)(12) of the Internal Revenue Code. The Cooperative's primary business is that of providing electric service to rural consumers in Hardin, Allen, Auglaize, Marion, Logan, Wyandot, Morrow, Union and Crawford counties in Ohio. Providing electric service includes construction of plant as well as purchasing electricity to sell to consumers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cooperative's accounting policies conform to generally accepted accounting principles, as applied to Rural Electric Cooperatives, substantially in accordance with the Uniform System of Accounts of the Rural Utilities Service (RUS). Following is a description of the more significant accounting policies used by the Cooperative in the preparation of its financial statements:

Electric plant and depreciation - The Cooperative records improvements and additions to the distribution plant at cost using continuing property records. Retirements are removed from the cost and accumulated depreciation accounts at standard costs which are updated periodically. The actual cost of removing retirements is charged to accumulated depreciation during the year the retirement is completed. General plant and equipment are recorded at cost based on the unit method. Any retirements or disposals of general plant and equipment are removed from the cost and accumulated depreciation accounts. Any salvage received is credited to accumulated depreciation.

Investments - Investments are primarily in the form of patronage and equity capital of other cooperatives. They are included on the balance sheets as long-term assets. These investments are considered equity investments without readily determinable fair values and are accounted for at cost, minus impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment. No impairment or observable price changes were recorded during 2020 and 2019.

Materials and supplies - Inventories of material and supplies not allocated to construction work in progress are valued at the lower of cost (determined using the average cost method) or net realizable value.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides a valuation allowance for potentially uncollectible accounts through a charge to earnings. In establishing the valuation allowance, management considers their knowledge of customers, historical losses, and current economic conditions in their market area. Balances that are still outstanding after reasonable collection efforts have been exhausted are written-off through a charge to the valuation allowance. Changes in the valuation allowance historically have not been significant. The Cooperative performs ongoing credit evaluations of its consumers and requires a security deposit for consumers meeting specified criteria.

Compensated absences - The Cooperative accrues a liability for compensated absences for which the employee has earned a vested, non-forfeitable right. Non-vested benefits related to accumulated sick leave, which cannot be reasonably estimated, are expensed as incurred.

Financial instruments -The Cooperative believes that the carrying amount of its financial instruments, which include cash and cash equivalents, receivables, and other current assets and liabilities, approximates fair value based on their short-term duration. The Cooperative has determined that it is not practical to calculate the fair value of investments in other cooperatives and long-term debt due to the excessive cost involved.

Income taxes - The Cooperative has been recognized by the Internal Revenue Service as an organization exempt from income taxes under Internal Revenue Code Section 501(c)(12). Accordingly, no provision for federal income taxes has been recorded.

The Cooperative complies with Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes.* ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. Management is not aware of any tax positions taken by the Cooperative on its tax returns that they consider to be uncertain or that would jeopardize its tax-exempt status. Tax returns for the years ended 2019, 2018 and 2017 are still open and subject to examination by the Internal Revenue Service.

Retirement related benefits - Generally accepted accounting principles requires the recognition of the funded status of the non-pension postretirement benefit plan as an asset or a liability on the balance sheets. It also requires the recognition of the changes in that funded status in the year in which they occur through other comprehensive income and the recognition of previously unrecognized gains and losses, prior service costs and credits and transition assets or liabilities as a component of accumulated other comprehensive income. However, these amounts were not significant for the Cooperative, therefore other comprehensive income has not been recorded.

Patronage capital and margins - Mid-Ohio Energy Cooperative, Inc., operates under the Cooperative form of organization. As provided in the code of regulations, any excess of revenues over expenses from operations is treated as advances of capital by the patrons and credited to each of them on an individual basis. Generally, it is the Cooperative's policy to retire capital contributed by patrons periodically as deemed appropriate by management and the Board of Trustees. Capital credits due to patrons who become deceased are paid to the estates of such patrons.

Cash and cash equivalents - The Cooperative considers cash and cash equivalents to be cash on hand, demand deposits, certificates of deposit, money market accounts, and investments in commercial paper having a maturity of ninety days or less. There were no investments in commercial paper at December 31, 2020 or 2019.

Statement of cash flows - Net cash flows from operating activities include cash payments for interest of $1,004,145 and $1,092,925 for 2020 and 2019, respectively. There were no payments for federal income taxes. The Cooperative acquired vehicles with a total value of $206,586 and $349,187 in 2020 and 2019 respectively, utilizing capital leases in non-cash transactions. Additional non-cash activity is provided in the **"LONG-TERM DEBT"** note.

Revenue recognition and cost of purchased power - Revenues represent amounts billed monthly to members using established rates applied to energy consumption. Revenues and the related cost of purchased power are recognized during the month in which energy is consumed. Revenues from all other sources, primarily services and late charges, are recognized as the service is provided or the consumer is charged. The Cooperative generally meets its performance obligations related to the service within a month of the order. Payments for the service are due upon delivery of the service. The sales price for the services are fixed at the amounts in the contract or agreed to at the time of the sale of the power and services.

Some of the Cooperative's operations provide for deposits or prepayments for power. The revenue and gross profit related to these transactions is not recognized until the power is consumed by the member. These consumer deposit contract liabilities are classified as current liabilities on the balance sheets.

The table below includes disaggregated information by the significant type of consumer and services for the years ended December 31:

	2020	2019
Residential	$ 15,362,838	$ 14,822,740
General service	1,951,631	1,848,543
Large commercial	897,791	891,441
Large power	3,637,981	3,805,562
Late charges	108,462	169,181
Pole attachments, net	79,023	76,877
Miscellaneous service	47,686	65,378
Total Operating Revenue	$ 22,085,412	$ 21,679,722

Concentration of credit risk - At various times throughout the year, the Cooperative may have deposits in financial institutions that exceed the federally insured limit. The Cooperative's investments with Cooperative Response Center Inc. (CRC) and National Rural Utilities Finance Corporation (NRUCFC) are uninsured. Management does not believe it is exposed to any significant credit risk related to its cash deposits.

Credit risk for accounts receivable is concentrated because substantially all the balances are unsecured credit to consumers, primarily for the sale of electricity, located within the same geographic region. The Cooperative has four major consumers that represent approximately 16% and 17% of revenue for the years ended December 31, 2020 and 2019, respectively.

Use of estimates - The preparation of financial statements in accordance with generally accepted accounting principles 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.

Recent accounting standards - In February 2016, the FASB issued ASU 2016-02, *Leases.* ASU 2016-02 requires recognition of a lease liability and a right-of-use asset for all leases (except for short-term leases) on the balance sheets. The guidance is effective for annual periods beginning after December 15, 2021. The guidance requires a modified retrospective transition approach be applied to all periods presented. The Cooperative is currently evaluating the impact that the adoption will have on its financial statements for fiscal year 2022.

LITIGATION

The Cooperative is from time to time subjected to litigation through the ordinary course of business. As of December 31, 2020, management is not aware of any litigation pending or pertaining to the Cooperative that is material to the financial statements. The Cooperative is fully insured against any pending litigation.

DEFERRED CHARGES

On February 28, 2013, the Cooperative, along with many of the participating employers, made a prepayment to the National Rural Electric Cooperative Association (NRECA) Retirement Security (RS) Plan, a defined benefit pension plan, to improve the plan's funded status. The Cooperative recorded the payment of $875,083 in deferred charges on the balance sheets and is amortizing it over ten years. The prepayment and the interest expense associated with the prepayment are being accounted for in accordance with RUS policies and procedures.

Starting in 2018, participating Cooperatives in the RS Plan may make an additional contribution prepayment (voluntary contribution acceleration program or 'VCAP' contribution) in order to reduce future required contributions. The reduction in future contributions (contribution discount) and the length of the period over which the contribution reduction extends (discount period) is selected by the Cooperative. The VCAP contribution amount is then determined such that it is expected to fund the contribution discount over the discount period. After making the VCAP contribution, the RS Plan billing rate is reduced to reflect the selected contribution discount, which becomes effective the subsequent January 1. The VCAP contribution is accounted for on a monthly basis by crediting it with the actual monthly RS Plan investment return and reducing it by the reduction in monthly contributions obtained through the contribution discount, until the account value reduces to zero. Changes in plan provisions, demographic changes, asset returns different from the long-term expected return on plan assets, and other factors will have an impact on the length of the discount period. On December 6, 2019, the Cooperative made a voluntary $250,000 prepayment to the NRECA RS Plan with a three-year discount period. On December 2, 2020, the Cooperative made a voluntary $250,000 prepayment to the NRECA RS Plan with a three-year discount period. The Cooperative recorded both prepayments in deferred charges on the balance sheets and is amortizing each over three years.

ELECTRIC PLANT

Listed below are the major classes of the electric plant as of December 31:

	2020	2019
Intangible plant	$ 339	$ 339
Transmission plant	129,800	129,800
Distribution plant	42,505,800	41,605,296
General plant	12,900,915	12,734,440
Electric plant in service	55,536,854	54,469,875
Construction work in progress	289,382	205,130
Total Electric Plant	$ 55,826,236	$ 54,675,005

General plant depreciation rates have been applied on a composite and straight-line basis as follows:

Structures and improvements	10 to 50 years	Office furniture and fixtures	5 to 24 years
Transportation equipment	5 to 15 years	Laboratory equipment	5 to 10 years
Communications equipment	5 to 12 years	Shop equipment	5 to 20 years

Provisions have been made for depreciation of transmission plant and distribution plant at a straight-line composite rate of 3.10 percent per annum. The depreciation and amortization expense for the years ended December 31, 2020 and 2019 totaled $2,134,474 and $2,114,510, respectively, of which $190,051 and $211,964, respectively, have been allocated to accumulated depreciation, capitalized to distribution plant and expensed to numerous accounts in accordance with RUS policies and procedures.

LEASES

During 2020 and 2019, the Cooperative leased vehicles under capital lease agreements. For financial reporting purposes, the present value of the minimum lease payments has been capitalized. The equipment has a total cost of $961,330 and $1,025,092 at December 31, 2020 and 2019, respectively, and accumulated amortization of $354,664 and $475,147 at December 31, 2020 and 2019, respectively. Amortization of property leased under capital leases is included in depreciation expense and was $149,337 and $148,622 for the years ended December 31, 2020 and 2019, respectively. Interest expense related to these leases and charged to operations was $23,039 and $22,632 during 2020 and 2019, respectively. During 2020 and 2019, the Cooperative executed the purchase option upon the expiration of capital lease contracts for $21,138 and $27,381, respectively, for vehicles with a net book value of $528 and $0, respectively.

Future minimum lease payments required under capital lease agreements for the years subsequent to December 31, 2020 are as follows:

2021	$ 167,954
2022	147,380
2023	142,757
2024	79,456
2024	58,086
Thereafter	27,898

INVESTMENTS

Investments consisted of the following as of December 31:

	2020	2019
Patronage Capital:		
Buckeye Power, Inc.	$ 9,250,371	$ 9,233,928
United Utility Supply (UUS) (formerly Rural Electric Supply Cooperative or RESCO)	218,957	235,365
Southeastern Data Cooperative, Inc. (SEDC)	95,596	91,038
NRUCFC	151,294	136,349
National Rural Telecommunications Cooperative, Inc. (NRTC)	24,417	24,417
National Information Solutions Cooperative (NISC)	7,588	7,588
CRC	6,005	5,166
Central Ohio Farmers Coop	1,661	2,775
CoBank	120,079	109,692
Federated Rural Electric Insurance Exchange (Federated)	113,554	108,662
Equity Capital:		
Buckeye Power, Inc.	896,059	896,059
RESCO	-	50
SEDC	100	100
NRUCFC	1,000	1,000
NRTC	1,000	1,000
NISC	25	25
CRC	2,500	2,500
Central Ohio Farmers Coop	10	10
Other Investments:		
NRUCFC member capital securities	170,000	170,000
NRUCFC capital term certificates	215,050	221,050
NRUCFC other	2,649	3,650
CRC	10,000	10,000
Total Investments	$ 11,287,915	$ 11,260,424

The member capital securities held by NRUCFC earn interest at an annual rate of 5.0%, payable semiannually with a maturity date of July 2044. The NRUCFC has the option to redeem all or a portion of the principal in July 2024. The capital term certificates held by NRUCFC earn interest at an annual rate of 3.0% or 5.0%, payable semi-annually with maturity dates ranging from 2025 to 2080. The $10,000 equity investment with CRC earns dividends annually at the discretion of its Board of Directors.

LONG-TERM DEBT

Long-term debt is represented by mortgage notes payable to the Federal Financing Bank (FFB) of the United States of America acting by and through RUS, NRUCFC and CoBank. Following is a summary of outstanding long-term debt as of December 31:

	2020	2019
Mortgage notes payable to FFB:		
3.403% note due December 2042	$ 2,361,920	$ 2,432,982
4.197% note due December 2042	3,199,079	3,285,973
2.314% note due December 2042	1,144,482	1,183,957
0.081% variable rate note due March 2021	2,210,521	2,293,783
2.398% note due January 2046	1,825,251	1,877,972
2.352% note due January 2050	1,572,918	1,610,348
3.055% note due January 2050	1,616,365	1,650,557
2.527% note due January 2050	1,740,102	1,780,327
1.121% note due January 2050	788,549	-
1.188% note due December 2053	1,500,000	-
Subtotal FFB	17,959,187	16,115,899
Mortgage notes payable to NRUCFC:		
4.70% note due March 2020	-	20,919
4.10% to 4.25% notes due March 2021 and 2022	53,436	97,881
4.75% note due September 2020	-	9,159
5.00% note due December 2023	67,832	88,286
4.35% note due December 2029	7,409,517	8,068,527
5.35% note due March 2032	145,842	155,067
Subtotal NRUCFC	7,676,627	8,439,839
Mortgage notes payable to CoBank:		
6.36% note due August 2020	-	24,416
6.50% notes due March 2029 and December 2030	348,461	372,935
3.78% note due October 2030	2,513,542	2,719,846
3.00% note due September 2034	793,047	838,754
Subtotal CoBank	3,655,050	3,955,951
Total mortgage notes payable	29,290,864	28,511,689
Less: current maturities	(1,526,185)	(1,498,122)
Total Long-Term Debt	$ 27,764,679	$ 27,013,567

The Cooperative has one variable rate note due to FFB in March 2021 that is classified as long-term debt. This note has a recurring 90-day maturity extension feature with a final maturity date of January 2046. Management intends to continue with the recurring extensions up to the final maturity date. Substantially all assets of the Cooperative are pledged as security for the long-term debt to FFB, NRUCFC and CoBank. Loan agreements contain various financial covenants, and the Cooperative is in compliance with all such covenants.

Effective January 1, 2019 three separate notes payable due to NRUCFC with interest rates of 6.95% (two notes) and 5.30% were repriced with new rates of 4.75%, 5.00% and 5.35%, respectively, with no change to maturity dates.

As of December 31, 2020, there are unadvanced loan funds available to the Cooperative from NRUCFC and CoBank for lines of credit of $2,000,000 and $1,000,000, respectively, of which there was no outstanding balance as of December 31, 2020 and 2019. Unadvanced loan funds available to the Cooperative through FFB as of December 31, 2020 and 2019 totaled $6,500,000 and $800,000, respectively.

LONG-TERM DEBT - continued

During 2019 RUS issued a notice that borrowers may use their advance principal payments unapplied (hereinafter 'cushion of credit') balance to prepay outstanding FFB loans. The notice states that the principal portion of any loan prepaid with cushion of credit balances during a specified period will not be subject to a prepayment premium. Also, prepayments using funds not in cushion of credit accounts will remain subject to existing agreements (i.e., prepayment premiums). On September 10, 2019, the Cooperative applied the balance of $1,140,842 in its cushion of credit account to accrued interest, then outstanding principal to the FFB note payable with an interest rate of 3.608% maturing January 2046. The remaining principal balance on this FFB note was refinanced with proceeds of $850,000 received from CoBank with an interest rate of 3.00% maturing September 2034. The principal remaining on the FFB note subsequent to the application of the cushion of credit balance was subject to a prepayment penalty of $182,608 and is included in prepayments on the balance sheets and is being amortized over fifteen years. The amortization expense is included in other deductions on the statements of revenue and capital patronage.

As of December 31, 2020, annual maturities of all long-term debt outstanding for the next five years are as follows:

2021	$ 1,526,185
2022	1,594,134
2023	1,626,400
2024	1,673,775
2025	1,741,494

PATRONAGE CAPITAL

Patronage capital is the retained net margins arising from operations of the Cooperative which have been or are expected to be allocated to its members in the form of capital credits, determined by each member's billings during the year the margins were generated. No portion of any current allocation is paid in cash. Patronage capital consisted of the following as of December 31:

	2020	2019
Assignable	$ 1,926,169	$ 1,130,520
Assigned to date	43,809,319	42,678,799
	45,735,488	43,809,319
Less: retirements to date	(18,535,850)	(17,945,531)
Total Patronage Capital	$ 27,199,638	$ 25,863,788

Under the provisions of the mortgage agreement with RUS, until the equities and margins equal or exceed 30 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 45.1% in 2020 and 44.3% in 2019 of the total assets at the balance sheet dates. The Board of Trustees approved a 2% general retirement of capital credits totaling $502,787 for the year ended December 31, 2019, which is included in patronage capital payable on the balance sheets. During 2020 the Board of Trustees concurred to declare general retirement of capital credits subsequent to December 31, 2020. Therefore, general retirement of 2020 capital credits will be approved and paid during 2021.

PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS

The Cooperative sponsors three retirement related benefit plans, a defined benefit pension plan, a defined contribution retirement plan and a postretirement health care plan. Following is a brief description of each of the plans including financial data recognized in the accompanying financial statements related to each plan.

Defined Contribution Retirement Plan - The Cooperative maintains a 401(k) profit The Cooperative maintains a 401(k) profit sharing plan that covers substantially all employees. In accordance with this plan, the Cooperative contributes 0.5% of each participant's base salary for each 1% of salary that the participant contributes to the plan. The maximum contribution by the Cooperative is 3% of salary. For the years 2020 and 2019, the Cooperative made contributions to the plan of $56,752 and $58,526, respectively.

Defined Benefit Pension Plan - Substantially all the employees of the Cooperative are covered by the NRECA RS Plan, which 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 plan of $270,049 and $360,450 for 2020 and 2019, respectively, represented less than 5% of the total contributions made to the plan by all employers. There have been no significant changes that affect the comparability of 2020 and 2019 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% funded on January 1, 2020 and January 1, 2019 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 RS Plan and may change as a result of plan experience.

Non-Pension Postretirement Benefit Plan - The Cooperative sponsors a defined benefit postretirement health care plan covering substantially all employees. The plan is funded by the Cooperative on a "pay as you go" basis and provides a fixed annual benefit for retired employees with 20 years of service between the ages of 61 and 65. ASC 715 Compensation - Retirement Benefits, requires the recognition of the funded status of pension plans and non-pension postretirement benefit plans as an asset or liability on the balance sheets, the recognition of changes in that funded status in the year in which they occur through other comprehensive income and the recognition of previously unrecognized gains and losses, prior service costs and credits and transition assets and liabilities as a component of accumulated other comprehensive income. Since the Cooperative's postretirement benefit plan covers a limited time period for the retiree (between ages 61 and 65) and the benefits paid cannot exceed a total of $19,200 per participant for the four-year period,management did not obtain an actuarial study and did not implement all of the provisions of this standard. Management estimated the maximum potential liability for the Cooperative and determined that the impact of not implementing the standard was not significant.

The following table sets forth the plan's estimated funded status and presents the amounts shown in the Cooperative's financial statements as of December 31:

	2020	2019
Accumulated postretirement benefit obligation	$ 168,113	$ 139,319
Accrued benefit cost included on the balance sheets	108,576	93,342
Net periodic postretirement benefit cost for the year	15,234	(9,314)
Benefits paid	4,000	-

As noted above, the total estimated accumulated postretirement benefit obligation is not recorded on the balance sheets but will eventually be recorded through annual charges of net periodic postretirement benefit cost. The accumulated postretirement benefit obligation ($108,576 as of December 31, 2020) includes estimates for unamortized transition obligation, experience gains and losses and unrecognized prior service costs. The discount rate used in determining the accumulated postretirement benefit obligation is 6 percent. The estimated maximum potential for benefits to be paid over the next five years approximates $45,600. Management believes the estimated accrued benefit cost included on the balance sheets is very conservative since no allowance is included for employee turnover and no reduction in the obligation was made for employees that choose to not retire between ages 61 and 65.

RELATED PARTY TRANSACTIONS

The Cooperative purchases all of its power from Buckeye Power, Inc. at rates determined in its wholesale power agreement (see "**COMMITMENTS AND CONTINGENCIES**" note). Buckeye Power, Inc. is a cooperative whose membership includes Mid-Ohio Energy Cooperative, Inc. The Cooperative has an investment in and receives patronage from Buckeye Power, Inc.

There is also a prepaid balance with Buckeye Power, Inc. of $1,431,486 and $972,012 as of December 31, 2020 and 2019, respectively, that earns interest at an annual weighted average rate of 1.71% and 5.00%, respectively. The prepaid balance is included in current portion of prepayments on the accompanying balance sheets.

The Cooperative borrows funds from CoBank, in which it is an owner and a member. The Cooperative has an investment in CoBank and may receive patronage from time to time.

The Cooperative is a member of the NRUCFC, which provides a portion of the Cooperative's financing. Investments in NRUCFC include stock and patronage capital as well as interest bearing capital term certificates and capital security investments.

The Cooperative purchases most of its materials and supplies from UUS (formerly RESCO) of which it is an owner and member. Investments in this organization include patronage capital.

The Cooperative purchases data processing services from SEDC of which it is an owner and member. Investments in this organization include stock and patronage capital.

The Cooperative previously purchased data processing services from NISC of which it is still an owner and member. Investments in this organization include a membership fee and patronage capital.

The Cooperative is a member of NRTC. Membership in this association required an investment of $1,000.

The Cooperative is a member of CRC. Membership in this association required an investment of $2,500.

Federated, a non-assessable reciprocal insurer, provides property and liability insurance to the Cooperative. The carrying value of this investment represents the Cooperative's contributions and share of patronage capital.

The Cooperative purchases fuel and other miscellaneous materials from Central Ohio Farmers Coop of which it is a member. Investments in this organization includes a membership fee and patronage capital.

Additional information, including the investment balances in these related entities, is provided in the **"INVESTMENTS"** note.

Following is a summary of related party purchases for the years ended December 31:

	2020	2019
UUS (formerly RESCO)	$ 452,003	$ 474,611
SEDC	264,775	286,449
CRC	36,714	35,399
Federated	81,766	-
Central Ohio Farmers Coop	36,768	49,244

Accounts payable due to related parties included the following as of December 31:

	2020	2019
UUS (formerly RESCO)	$ 52,363	$ 6,868
SEDC	19,749	18,939
CRC	2,662	2,747
Central Ohio Farmers Coop	3,380	4,009

The above amounts are included in accounts payable – other on the accompanying balance sheets.

COMMITMENTS AND CONTINGENCIES

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Buckeye Power, Inc. until December 31, 2057. The rates paid for such purchases are subject to review not less than annually.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and the world. On March 27, 2020, The President of the United States (U.S.) signed the Coronavirus Aid, Relief, and Economic Security Act (CARES). The CARES Act aims to reduce the negative economic impact of the coronavirus through the disbursement of $2.1 trillion in aid and relief to multiple sectors of the U.S. economy. On December 27, 2020, The President of the United States signed the Consolidated Appropriations Act, which gave further relief to individuals and small businesses in multiple sectors of the U.S. economy. Although the disruption from COVID-19 is currently expected to be temporary, there is significant uncertainty around the duration and the overall impact on the world economy. Due to this uncertainty, the Cooperative cannot reasonably estimate the impact of COVID-19; however, they have seen disruptions in various aspects of the U.S. economy throughout 2020. The Cooperative anticipates this disruption could have an adverse effect on the Cooperative's results of operations, balance sheet and cash flows for the year ended December 31, 2021.

In May 2020, the Cooperative entered into a promissory note with a bank made under the U.S. Small Business Administration's Paycheck Protection Program ("PPP") as part of the CARES Act. There are no prepayment penalties or other financial covenants on these loans. As part of the PPP, if certain criteria relating to the use of the loans and the number of employees retained during the reporting period are met, the loans may be forgiven. In November 2020, the total loan amount of $528,767 was forgiven in full. The Cooperative recognized $324,979 in miscellaneous non-operating income on the statements of revenue and patronage capital, allocated $96,961 to numerous wage and benefit expense accounts and capitalized $106,827 to distribution plant.

SUBSEQUENT EVENTS

Subsequent events were evaluated through February 9, 2021, which is the date the financial statements were available to be issued.

Independent Auditor's Report

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Mid-Ohio Energy Cooperative, Inc.
Kenton, Ohio

We have audited the accompanying financial statements of Mid-Ohio Energy Cooperative, Inc., which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of revenue and patronage capital and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 Mid-Ohio Energy Cooperative, Inc., as of December 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2021, on our consideration of Mid-Ohio Energy Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-Ohio Energy Cooperative, Inc.'s internal control over financial reporting and compliance.

Circleville, Ohio
February 9, 2021

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Board of Trustees

Mid-Ohio Energy Cooperative, Inc., serves portions of 10 counties in north-central Ohio. The current board is made up of one trustee from each of the cooperative's nine districts. Each year prior to the Annual Meeting of Members, members vote (either by mail or by online ballot) to elect trustee representatives. Board members are responsible for cooperative policies, rates, and contracts. They are the ambassadors of the cooperative's rural community, focusing on the problems and needs of the membership.

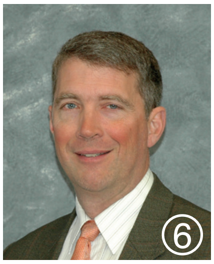
Tony Hastings

Brice Turner

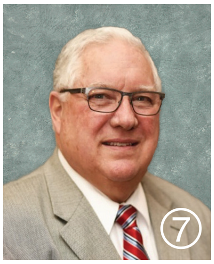
Trevor Fremont

Daniel Harris

Howard Lyle

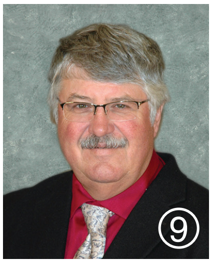


Paul Beineke



Gene McCluer

John Thiel



Robert Imbody