

*Consolidated financial statements*

**TRI-COUNTY ELECTRIC COOPERATIVE, INC.  
AND SUBSIDIARIES**

March 31, 2021 and 2020

**TRI-COUNTY ELECTRIC COOPERATIVE, INC.  
AND SUBSIDIARIES**

INDEPENDENT AUDITOR'S REPORT

and

CONSOLIDATED FINANCIAL STATEMENTS

*March 31, 2021 and 2020*

## 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, 2021 and 2020, 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, 2021 and 2020 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.

*Burton, Burke & Gungor LLP*  
Certified Public Accountants

August 10, 2021  
Tulsa, Oklahoma

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# TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

March 31, 2021 and 2020

ASSETS	2021	2020
<b>Utility plant, at cost</b>		
Plant in-service	\$ 612,129,908	\$ 521,917,625
Construction work in progress	70,245,733	29,805,315
	<b>682,375,641</b>	<b>551,722,940</b>
Less: accumulated depreciation	190,046,889	177,437,864
<b>Net utility plant</b>	<b>492,328,752</b>	<b>374,285,076</b>
<b>Other property and investments, at cost</b>		
Investments in associated organizations	147,380,303	151,307,272
<b>Current assets</b>		
Cash and cash equivalents	27,846,069	35,007,599
Accounts receivable (less allowance for uncollectibles of \$1,263,969 in 2021 and \$1,377,004 in 2020)	11,088,987	8,700,760
Accrued utility revenues	14,940,000	12,880,000
Other receivables, less allowance for doubtful accounts	1,109,938	1,183,870
Prepaid expenses and other	1,752,026	908,846
<b>Total current assets</b>	<b>56,737,020</b>	<b>58,681,075</b>
Deferred tax asset	4,109,916	3,564,680
Deferred debits	785,306	12,849,104
<i>Assets of discontinued operations</i>	-	34,620,031
<b>TOTAL ASSETS</b>	<b>\$ 701,341,297</b>	<b>\$ 635,307,238</b>

# TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

*March 31, 2021 and 2020*

<b>LIABILITIES and EQUITIES</b>	<u>2021</u>	<u>2020</u>
<b>Equities and margins:</b>		
Memberships	\$ 2,362,984	\$ 2,254,702
Patronage capital	458,234,877	451,575,521
Other deficit equities	(58,400,917)	(48,481,468)
Accumulated and other comprehensive loss	<u>(1,754,520)</u>	<u>(6,992,451)</u>
<b>Total equities and margins</b>	<b><u>400,442,424</u></b>	<b><u>398,356,304</u></b>
 <b>Long-term liabilities:</b>		
Long-term debt less current maturities	160,040,999	141,919,936
APBO other than pensions	<u>21,374,616</u>	<u>25,673,796</u>
<b>Total long-term liabilities</b>	<b><u>181,415,615</u></b>	<b><u>167,593,732</u></b>
 <b>Current liabilities</b>		
Current maturities of long-term debt	10,645,089	6,451,740
Line of credit	20,000,000	-
Accounts payable	34,632,417	17,655,968
Overbilled wholesale power cost adjustment	30,080,926	20,636,357
Accrued unbilled power cost	5,232,000	4,810,000
Accrued expenses	4,763,327	3,990,591
Accrued interest	530,286	423,323
Consumer deposits	<u>5,642,191</u>	<u>6,417,474</u>
<b>Total current liabilities</b>	<b><u>111,526,236</u></b>	<b><u>60,385,453</u></b>
Deferred credits	7,957,022	7,796,929
<i>Liabilities of discontinued operations</i>	<u>-</u>	<u>1,174,820</u>
<b>TOTAL LIABILITIES and EQUITIES</b>	<b><u><u>\$ 701,341,297</u></u></b>	<b><u><u>\$ 635,307,238</u></u></b>

# TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

## Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating revenues</b>		
Residential	\$ 181,414,321	\$ 172,018,502
Irrigation	1,466,427	1,263,754
Small commercial	42,449,627	42,120,184
Large commercial	30,064,360	36,247,856
Public streets and authorities	6,883,147	7,696,570
Unbilled revenue	2,060,000	(4,430,000)
Power cost underbilled/(overbilled)	(9,444,568)	(9,749,934)
Other electric revenue	3,020,661	3,702,688
<b>Total operating revenues</b>	<b><u>257,913,975</u></b>	<b><u>248,869,620</u></b>
<b>Operating expenses:</b>		
Cost of power	185,135,043	182,955,859
Distribution expense - operations	9,501,438	7,724,763
Distribution expense - maintenance	12,559,019	13,488,338
Consumer accounts	6,677,994	6,233,595
Administrative and general	14,048,448	11,572,274
Depreciation	17,809,014	15,998,745
Interest and other deductions	8,204,855	6,867,103
<b>Total operating expenses</b>	<b><u>253,935,811</u></b>	<b><u>244,840,677</u></b>
<b>Net operating margins</b>	<b><u>3,978,164</u></b>	<b><u>4,028,943</u></b>
<b>Nonoperating margins</b>		
Interest and dividend income	988,501	1,509,867
PPP loan forgiveness	305,900	-
Loss from equity method investments	-	(4,229,140)
Gain on sale of subsidiary	2,311,613	-
Other nonoperating income (expense)	(31,467)	99,007
<b>Total nonoperating margins</b>	<b><u>\$ 3,574,547</u></b>	<b><u>\$ (2,620,266)</u></b>



# TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

## Consolidated Statements of Income and Patronage Capital

*For the Years Ended March 31, 2021 and 2020*

	<u>2021</u>	<u>2020</u>
G & T and other capital credits	<u>\$ 1,087,492</u>	<u>\$ 12,699,931</u>
<b>Net margins from continuing operations before income taxes</b>	<b><u>8,640,203</u></b>	<b><u>14,108,608</u></b>
Income taxes benefit from continuing operations	<u>545,236</u>	<u>784,819</u>
<b>Net margins from continuing operations</b>	<b>9,185,439</b>	<b>14,893,427</b>
<b>Discontinued Operations</b>		
Loss from discontinued operations	<u>(1,605,166)</u>	<u>(867,003)</u>
<b>Net margins for year</b>	<b>7,580,273</b>	<b>14,026,424</b>
Patronage capital - beginning of year	451,575,521	436,873,113
Retirement of capital credits	(3,938,709)	(3,711,989)
Reclass to other equities	<u>3,017,792</u>	<u>4,387,973</u>
<b>Patronage capital - end of year</b>	<b><u>\$ 458,234,877</u></b>	<b><u>\$ 451,575,521</u></b>

# TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

*For the Years Ended March 31, 2021 and 2020*

	<u>2021</u>	<u>2020</u>
<b>Net margins for the year</b>	<b>\$ 7,580,273</b>	<b>\$ 14,026,424</b>
<b>Other comprehensive income:</b>		
Current gain (loss) on APBO	5,234,031	(1,862,408)
Amortization of loss on APBO	1,573,896	1,573,896
Amortization of prior service cost (credit)	<u>(1,569,996)</u>	<u>(1,569,996)</u>
<b>Comprehensive income</b>	<b><u>\$ 12,818,204</u></b>	<b><u>\$ 12,167,916</u></b>

# TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

*For the Years Ended March 31, 2021 and 2020*

	2021	2020
<b>Cash flows from operating activities:</b>		
Net margins	\$ 7,580,273	\$ 14,026,424
<b>Adjustments to reconcile net margins to net cash provided by operating activities:</b>		
Depreciation	19,310,998	20,448,775
Amortization	145,019	145,019
Deferred income taxes	(545,236)	(721,268)
Investment allocations from associated organizations	(1,087,492)	(12,714,382)
Gain on disposal of fixed assets	-	(13,305)
Gain on sale of subsidiary	(2,311,613)	-
Postretirement benefits accruals	1,494,805	1,494,805
Unbilled revenue accruals	(2,060,000)	4,430,000
Loss on equity method investment	-	4,229,140
PPP loan forgiveness	(305,900)	-
Loss on discontinued operations	1,605,166	-
<b>Changes in:</b>		
Investments in associated organizations	5,014,461	4,956,656
Accounts receivable	(2,314,295)	2,364,905
Materials and supplies	-	3,935,790
Other current and accrued assets	(843,178)	840,129
Deferred debits	11,768,297	(12,004,560)
Accounts payable	16,976,449	(1,498,152)
Payments on postretirement health benefits	(556,053)	(600,912)
Consumer deposits	(775,283)	1,155,656
Deferred credits	593,927	1,221,455
Other current and accrued liabilities	10,746,267	8,911,754
	<b>64,436,612</b>	<b>40,607,929</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of subsidiary	30,165,366	-
Redemptions of short-term investments	-	2,009,261
Extension and replacement of plant	(136,027,625)	(52,120,096)
Plant removal cost	(1,397,977)	(1,808,051)
Material returned to stock from retirements	70,927	188,918
	<b>\$ (107,189,309)</b>	<b>\$ (51,729,968)</b>

# TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

*For the Years Ended March 31, 2021 and 2020*

	<u>2021</u>	<u>2020</u>
<b>Cash flows from financing activities:</b>		
Memberships and other equities	\$ (2,807,083)	\$ (3,212,417)
Advances on line of credit	20,000,000	-
Borrowings on long-term debt	25,000,000	25,000,000
Borrowings on PPP loan	3,788,700	-
Payments on long-term debt	(6,451,741)	(5,841,143)
Retirement of patronage capital	(3,938,709)	(3,711,989)
	<u>35,591,167</u>	<u>12,234,451</u>
<b>Net cash from financing activities</b>	<b>35,591,167</b>	<b>12,234,451</b>
<b>Net change in cash and cash equivalents</b>	<b>(7,161,530)</b>	<b>1,112,412</b>
Cash and cash equivalents at beginning of year	35,007,599	39,226,764
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 27,846,069</u></b>	<b><u>\$ 40,339,176</u></b>
<b>Discontinued Operations:</b>		
Cash balance of discontinued operations at end of year	-	(5,331,577)
<b>Cash and cash equivalents on continuing operations</b>	<b><u>\$ 27,846,069</u></b>	<b><u>\$ 35,007,599</u></b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 6,092,483	\$ 5,335,656
Income taxes	-	-