

Consolidated financial statements

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

March 31, 2022 and 2021

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

INDEPENDENT AUDITOR'S REPORT

and

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

Briscoe, Burke & Grigsby LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

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

Opinion

We have audited the consolidated financial statements of Tri-County Electric Cooperative, Inc. which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Tri-County Electric Cooperative, Inc. and Subsidiary as of March 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tri-County Electric Cooperative, Inc and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management of Tri-County Electric Cooperative, Inc and Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri-County Electric Cooperative, Inc and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tri-County Electric Cooperative, Inc and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tri-County Electric Cooperative, Inc and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Briscoe, Burke & Grigsby LLP
Certified Public Accountants

August 8, 2022
Tulsa, Oklahoma

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TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Balance Sheets

March 31, 2022 and 2021

ASSETS	2022	2021
Utility plant, at cost		
Plant in-service	\$ 660,665,651	\$ 612,129,908
Construction work in progress	104,784,133	70,245,733
	765,449,784	682,375,641
Less: accumulated depreciation	200,287,634	190,046,889
Net utility plant	565,162,150	492,328,752
Other property and investments, at cost		
Investments in associated organizations	164,494,912	147,380,303
Current assets		
Cash and cash equivalents	7,226,028	27,846,069
Accounts receivable (less allowance for uncollectibles of \$1,218,459 in 2022 and \$1,263,969 in 2021)	11,522,399	11,088,987
Accrued utility revenues	23,770,000	14,940,000
Other receivables, less allowance for doubtful accounts	723,743	1,109,938
Prepaid expenses and other	1,870,453	1,752,026
Total current assets	45,112,623	56,737,020
Deferred tax asset	3,773,135	4,109,916
Deferred debits	227,837	785,306
TOTAL ASSETS	\$ 778,770,657	\$ 701,341,297

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Balance Sheets

March 31, 2022 and 2021

LIABILITIES and EQUITIES	<u>2022</u>	<u>2021</u>
Equities and margins:		
Memberships	\$ 2,489,618	\$ 2,362,984
Patronage capital	469,466,326	458,234,877
Other deficit equities	(53,423,867)	(58,400,917)
Accumulated and other comprehensive income (loss)	<u>582,372</u>	<u>(1,754,520)</u>
Total equities and margins	<u>419,114,449</u>	<u>400,442,424</u>
Long-term liabilities:		
Long-term debt less current maturities	207,459,337	160,040,999
APBO other than pensions	<u>20,029,725</u>	<u>21,374,616</u>
Total long-term liabilities	<u>227,489,062</u>	<u>181,415,615</u>
Current liabilities		
Current maturities of long-term debt	7,754,000	10,645,089
Line of credit	64,500,000	20,000,000
Accounts payable	24,682,604	34,632,417
Overbilled wholesale power cost adjustment	8,984,481	30,080,926
Accrued unbilled power cost	6,290,000	5,232,000
Accrued expenses	6,013,452	4,763,327
Accrued interest	574,282	530,286
Consumer deposits	<u>5,317,026</u>	<u>5,642,191</u>
Total current liabilities	<u>124,115,845</u>	<u>111,526,236</u>
Deferred credits	<u>8,051,301</u>	<u>7,957,022</u>
TOTAL LIABILITIES and EQUITIES	<u><u>\$ 778,770,657</u></u>	<u><u>\$ 701,341,297</u></u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Residential	\$ 193,885,190	\$ 181,414,321
Irrigation	1,416,917	1,466,427
Small commercial	48,141,186	42,449,627
Large commercial	33,711,407	30,064,360
Public street and highway lighting	975,855	917,950
Other sales to public authorities	7,447,483	5,965,197
Unbilled revenue	8,830,000	2,060,000
Power cost underbilled/(overbilled)	21,096,444	(9,444,568)
Other electric revenue	4,059,878	3,020,661
Total operating revenues	<u>319,564,360</u>	<u>257,913,975</u>
Operating expenses:		
Cost of power	239,479,388	185,135,043
Distribution expense - operations	8,852,495	9,501,438
Distribution expense - maintenance	15,064,294	12,559,019
Consumer accounts	7,706,337	6,677,994
Customer service and information	1,112,072	1,108,620
Sales	855,747	550,073
Administrative and general	20,126,596	14,048,448
Depreciation	20,018,458	17,809,014
Interest and other deductions	7,823,553	6,546,162
Total operating expenses	<u>321,038,940</u>	<u>253,935,811</u>
Net operating margins	<u>(1,474,580)</u>	<u>3,978,164</u>
Nonoperating margins		
Interest and dividend income	806,296	988,501
PPP loan forgiveness	3,482,800	305,900
Gain on sale of subsidiary	-	2,311,613
Other nonoperating income (expense)	209,890	(31,467)
Total nonoperating margins	<u>\$ 4,498,986</u>	<u>\$ 3,574,547</u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
G & T and other capital credits	\$ 19,176,908	\$ 1,087,492
Net margins from continuing operations before income taxes	<u>22,201,314</u>	<u>8,640,203</u>
Income taxes benefit (expense) from continuing operations	<u>(336,781)</u>	<u>545,236</u>
Net margins from continuing operations	21,864,533	9,185,439
Discontinued Operations		
Loss from discontinued operations	<u>-</u>	<u>(1,605,166)</u>
Net margins for year	21,864,533	7,580,273
Patronage capital - beginning of year	458,234,877	451,804,557
Retirement of capital credits	(5,093,434)	(3,938,709)
Reclass to other equities	<u>(5,539,650)</u>	<u>2,788,756</u>
Patronage capital - end of year	<u><u>\$ 469,466,326</u></u>	<u><u>\$ 458,234,877</u></u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net margins for the year	\$ 21,864,533	\$ 7,580,273
Other comprehensive income:		
Current gain on APBO	2,332,992	5,234,031
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>
Comprehensive income	<u>\$ 24,201,425</u>	<u>\$ 12,818,204</u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net margins	\$ 21,864,533	\$ 7,580,273
Adjustments to reconcile net margins to net cash from operating activities:		
Depreciation	21,829,751	19,310,998
Amortization	253,476	145,019
Deferred income taxes	336,781	(545,236)
Investment allocations from associated organizations	(19,176,908)	(1,087,492)
Gain on sale of subsidiary	-	(2,311,613)
Postretirement benefits accruals	1,494,805	1,494,805
Unbilled revenue accruals	(8,830,000)	(2,060,000)
PPP loan forgiveness	(3,482,800)	(305,900)
Loss on discontinued operations	-	1,605,166
Changes in:		
Investments in associated organizations	2,062,299	5,014,461
Accounts receivable	(47,217)	(2,314,295)
Other current and accrued assets	(118,427)	(843,178)
Deferred debits	261,969	11,768,297
Accounts payable	(9,949,813)	16,976,449
Payments on postretirement health benefits	(502,803)	(556,053)
Consumer deposits	(325,165)	(775,283)
Deferred credits	419,655	593,927
Other current and accrued liabilities	(18,744,324)	10,746,267
Net cash from operating activities	(12,654,188)	64,436,612
Cash flows from investing activities:		
Proceeds from sale of subsidiary	-	30,165,366
Extension and replacement of plant	(92,753,127)	(136,027,625)
Plant removal cost	(1,912,033)	(1,397,977)
Material returned to stock from retirements	2,011	70,927
Net cash from investing activities	\$ (94,663,149)	\$ (107,189,309)

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities:		
Memberships and other equities	\$ (435,966)	\$ (2,807,083)
Advances on line of credit	44,500,000	20,000,000
Borrowings on long-term debt	55,000,000	25,000,000
Borrowings on PPP loan	-	3,788,700
Payments on long-term debt	(7,273,304)	(6,451,741)
Retirement of patronage capital	(5,093,434)	(3,938,709)
	<u>86,697,296</u>	<u>35,591,167</u>
Net cash from financing activities	(20,620,041)	(7,161,530)
Net change in cash and cash equivalents	(20,620,041)	(7,161,530)
Cash and cash equivalents at beginning of year	<u>27,846,069</u>	<u>35,007,599</u>
Cash and cash equivalents at end of year	<u>\$ 7,226,028</u>	<u>\$ 27,846,069</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 7,408,846	\$ 6,092,483
Income taxes	-	-