

Consolidated financial statements

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

March 31, 2023 and 2022

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

INDEPENDENT AUDITOR'S REPORT

and

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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 and Subsidiary, which comprise the consolidated balance sheets as of March 31, 2023 and 2022, 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, 2023 and 2022, 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.

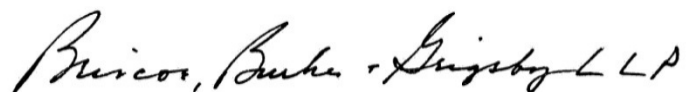
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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.



Certified Public Accountants

September 12, 2023
Tulsa, Oklahoma

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TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Balance Sheets

March 31, 2023 and 2022

ASSETS	2023	2022
Utility plant, at cost		
Plant in-service	\$ 734,999,419	\$ 660,665,651
Construction work in progress	134,889,727	104,784,133
	869,889,146	765,449,784
Less: accumulated depreciation	204,179,831	200,287,634
Net utility plant	665,709,315	565,162,150
Other property and investments, at cost		
Investments in associated organizations	165,682,779	164,494,912
Current assets		
Cash and cash equivalents	8,432,096	7,226,028
Accounts receivable (less allowance for uncollectibles of \$1,674,691 in 2023 and \$1,218,459 in 2022)	14,486,427	11,522,399
Accrued utility revenues	25,688,047	23,770,000
Other receivables, less allowance for doubtful accounts	2,035,511	723,743
Prepaid expenses and other	2,015,744	1,870,453
Total current assets	52,657,825	45,112,623
Deferred tax asset	4,026,069	3,773,135
Regulatory assets	486,711,597	-
Deferred debits	85,051	227,837
TOTAL ASSETS	\$ 1,374,872,636	\$ 778,770,657

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Balance Sheets

March 31, 2023 and 2022

LIABILITIES and EQUITIES	<u>2023</u>	<u>2022</u>
Equities and margins:		
Memberships	\$ 2,606,914	\$ 2,489,618
Patronage capital	473,587,532	469,466,326
Other deficit equities	(53,721,226)	(53,423,867)
Accumulated other comprehensive income	7,961,119	582,372
Total equities and margins	<u>430,434,339</u>	<u>419,114,449</u>
Long-term liabilities:		
Long-term debt less current maturities	703,749,971	207,459,337
APBO other than pensions	13,597,881	20,029,725
Total long-term liabilities	<u>717,347,852</u>	<u>227,489,062</u>
Current liabilities		
Current maturities of long-term debt	16,515,000	7,754,000
Line of credit	117,500,000	64,500,000
Accounts payable	29,194,040	24,682,604
Overbilled wholesale power cost adjustment	42,328,056	8,984,481
Accrued unbilled power cost	-	6,290,000
Accrued expenses	6,365,139	6,013,452
Accrued interest	821,388	574,282
Consumer deposits	6,100,562	5,317,026
Total current liabilities	<u>218,824,185</u>	<u>124,115,845</u>
Deferred credits	8,266,260	8,051,301
TOTAL LIABILITIES and EQUITIES	<u>\$ 1,374,872,636</u>	<u>\$ 778,770,657</u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Residential	\$ 317,987,952	\$ 193,885,190
Irrigation	2,763,619	1,416,917
Small commercial	80,257,068	48,141,186
Large commercial	53,541,480	33,711,407
Public street and highway lighting	1,033,129	975,855
Other sales to public authorities	12,106,486	7,447,483
Unbilled revenue	1,918,047	8,830,000
Power cost underbilled/(overbilled)	(33,343,575)	21,096,444
Other electric revenue	5,686,142	4,059,878
Total operating revenues	<u>441,950,348</u>	<u>319,564,360</u>
Operating expenses:		
Cost of power	339,851,301	239,479,388
Distribution expense - operations	10,606,724	8,852,495
Distribution expense - maintenance	17,421,965	15,064,294
Consumer accounts	9,905,342	7,706,337
Customer service and information	1,244,935	1,112,072
Sales	806,923	855,747
Administrative and general	15,351,530	20,126,596
Depreciation	21,806,629	20,018,458
Interest and other deductions	20,828,463	7,823,553
Total operating expenses	<u>437,823,812</u>	<u>321,038,940</u>
Net operating margins	<u>4,126,536</u>	<u>(1,474,580)</u>
Nonoperating margins		
Interest and dividend income	811,840	806,296
PPP loan forgiveness	-	3,482,800
Other nonoperating income (expense)	503,633	209,890
Total nonoperating margins	<u>\$ 1,315,473</u>	<u>\$ 4,498,986</u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
G & T and other capital credits	\$ 2,939,577	\$ 19,176,908
Net margins before income taxes	<u>8,381,586</u>	<u>22,201,314</u>
Income taxes benefit (expense)	<u>252,934</u>	<u>(336,781)</u>
Net margins for year	8,634,520	21,864,533
Patronage capital - beginning of year	469,466,326	458,234,877
Retirement of capital credits	(5,155,690)	(5,093,434)
Reclass to other equities	<u>642,376</u>	<u>(5,539,650)</u>
Patronage capital - end of year	<u><u>\$ 473,587,532</u></u>	<u><u>\$ 469,466,326</u></u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net margins for the year	\$ 8,634,520	\$ 21,864,533
Other comprehensive income:		
Current gain on APBO	3,354,458	2,332,992
Prior service adjustment credit	4,020,389	-
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>
Total other comprehensive income	<u>7,378,747</u>	<u>2,336,892</u>
Comprehensive income	<u><u>\$ 16,013,267</u></u>	<u><u>\$ 24,201,425</u></u>

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net margins	\$ 8,634,520	\$ 21,864,533
Adjustments to reconcile net margins to net cash from operating activities:		
Depreciation	24,326,209	21,829,751
Amortization	2,782,293	253,476
Deferred income taxes	(252,934)	336,781
Investment allocations from associated organizations	(2,939,577)	(19,176,908)
Postretirement benefits accruals	1,494,804	1,494,805
Unbilled revenue accruals	(1,918,047)	(8,830,000)
PPP loan forgiveness	-	(3,482,800)
Changes in:		
Investments in associated organizations	1,751,710	2,062,299
Accounts receivable	(4,280,122)	(47,217)
Other current and accrued assets	(145,291)	(118,427)
Regulatory assets	(488,988,912)	-
Deferred debits	(78,839)	261,969
Accounts payable	4,515,762	(9,949,813)
Payments on postretirement health benefits	(547,901)	(502,803)
Consumer deposits	783,536	(325,165)
Deferred credits	214,959	419,655
Other current and accrued liabilities	27,652,368	(18,744,324)
Net cash from operating activities	(426,995,462)	(12,654,188)
Cash flows from investing activities:		
Extension and replacement of plant	(119,004,818)	(92,753,127)
Plant removal cost	(5,871,338)	(1,912,033)
Material returned to stock from retirements	2,782	2,011
Net cash from investing activities	\$ (124,873,374)	\$ (94,663,149)

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from financing activities:		
Memberships and other equities	\$ 462,313	\$ (435,966)
Advances on line of credit	53,000,000	44,500,000
Borrowings on long-term debt	515,000,000	55,000,000
Payments on long-term debt	(10,231,719)	(7,273,304)
Retirement of patronage capital	(5,155,690)	(5,093,434)
	<u>553,074,904</u>	<u>86,697,296</u>
Net cash from financing activities	553,074,904	86,697,296
Net change in cash and cash equivalents	1,206,068	(20,620,041)
Cash and cash equivalents at beginning of year	<u>7,226,028</u>	<u>27,846,069</u>
Cash and cash equivalents at end of year	<u>\$ 8,432,096</u>	<u>\$ 7,226,028</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 16,219,079	\$ 7,408,846
Income taxes	-	-