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

and

SUPPLEMENTARY INFORMATION

March 31, 2022 and 2021

TRI-COUNTY ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARY

March 31, 2022 and 2021

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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.

Emphasis of Matter

As discussed in Note 14 to the consolidated financial statements, the Cooperative's Generation and Transmission provider filed for Chapter 11 bankruptcy in March 2021 due to a historical crisis caused by extreme cold weather in February 2021. Tri-County Electric Cooperative, Inc. and Subsidiary is a part owner and has a significant investment in this provider as shown on Note 4 to the consolidated financial statements. The effects are uncertain at the date of the consolidated financial statements and could possibly significantly affect the financial position of the Cooperative in future periods. Our opinion is not modified with respect to this matter.

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 (Note 3)		
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 (Note 4)	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 $1,263,969 in 2021)	11,522,399	11,088,987
Accrued utility revenues (Note 1)	23,770,000	14,940,000
Other receivables, less allowance for doubtful accounts	723,743	1,109,938
Prepaid expenses and other	1,870,453	1,752,026
Total current assets	**45,112,623**	**56,737,020**
Deferred tax asset (Note 13)	3,773,135	4,109,916
Deferred debits (Note 5)	227,837	785,306
TOTAL ASSETS	**$ 778,770,657**	**$ 701,341,297**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Balance Sheets

March 31, 2022 and 2021

LIABILITIES and EQUITIES	2022	2021
Equities and margins:		
Memberships	$ 2,489,618	$ 2,362,984
Patronage capital (Note 7)	469,466,326	458,234,877
Other deficit equities (Note 7)	(53,423,867)	(58,400,917)
Accumulated and other comprehensive income (loss) (Note 12)	582,372	(1,754,520)
Total equities and margins	**419,114,449**	**400,442,424**
Long-term liabilities:		
Long-term debt less current maturities (Note 8)	207,459,337	160,040,999
APBO other than pensions (Note 12)	20,029,725	21,374,616
Total long-term liabilities	**227,489,062**	**181,415,615**
Current liabilities		
Current maturities of long-term debt (Note 8)	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 (Note 1)	8,984,481	30,080,926
Accrued unbilled power cost (Note 1)	6,290,000	5,232,000
Accrued expenses	6,013,452	4,763,327
Accrued interest	574,282	530,286
Consumer deposits (Note 1)	5,317,026	5,642,191
Total current liabilities	**124,115,845**	**111,526,236**
Deferred credits (Note 10)	8,051,301	7,957,022
TOTAL LIABILITIES and EQUITIES	**$ 778,770,657**	**$ 701,341,297**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2022 and 2021

	2022	2021
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	**319,564,360**	**257,913,975**
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 (Note 3)	20,018,458	17,809,014
Interest and other deductions	7,823,553	6,546,162
Total operating expenses	**321,038,940**	**253,935,811**
Net operating margins	**(1,474,580)**	**3,978,164**
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	**$ 4,498,986**	**$ 3,574,547**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Income and Patronage Capital

For the Years Ended March 31, 2022 and 2021

	2022	2021
G & T and other capital credits	$ 19,176,908	$ 1,087,492
Net margins from continuing operations before income taxes	**22,201,314**	**8,640,203**
Income taxes benefit (expense) from continuing operations (Note 13)	(336,781)	545,236
Net margins from continuing operations	**21,864,533**	**9,185,439**
Discontinued Operations		
Loss from discontinued operations (Note 18)	-	(1,605,166)
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 (Note 6)	(5,093,434)	(3,938,709)
Reclass to other equities	(5,539,650)	2,788,756
Patronage capital - end of year (Note 7)	**$ 469,466,326**	**$ 458,234,877**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended March 31, 2022 and 2021

	2022	2021
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)	(1,569,996)	(1,569,996)
Comprehensive income	**$ 24,201,425**	**$ 12,818,204**

The accompanying notes are an integral part of these statements.

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)**

The accompanying notes are an integral part of these statements.

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 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)
Net cash from financing activities	**86,697,296**	**35,591,167**
Net change in cash and cash equivalents	**(20,620,041)**	**(7,161,530)**
Cash and cash equivalents at beginning of year	27,846,069	35,007,599
Cash and cash equivalents at end of year	**$ 7,226,028**	**$ 27,846,069**

	2022	2021
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 7,408,846	$ 6,092,483
Income taxes	-	-

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

March 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Organization

Tri-County Electric Cooperative, Inc. and Subsidiary (the Cooperative) is a non-profit corporation organized to provide electric service at the retail level to primarily residential and commercial accounts in a 16-county designated service area, headquartered in Aledo, Texas. Power delivered at retail is purchased wholesale from Brazos Electric Power Cooperative, Inc., of which the Cooperative is a member. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital in the balance sheet.

The wholly owned subsidiary, Value Choice, Inc. (Value Choice) is a for-profit corporation which was organized to own a partnership interest in Millennium Telcom, L.L.C.

In 2020, Value Choice set a plan in motion to sell their wholly owned subsidiary, Millennium, therefore their operations were discontinued on the consolidated financial statements as of March 31, 2020. The sale of Millennium was finalized in September 2020. The following disclosures pertaining to Millennium in this report are necessary due to prior year information and the operations of Millennium still being under Value Choice's control through the date of sale.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Principles of Consolidations

The consolidated financial statements include the accounts of the Cooperative and Value Choice. All material intercompany transactions have been eliminated.

Utility Plant

Electric utility plant is stated at original cost, which may include the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of the plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records, is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the replacement of minor items of the plant not comprising of a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Substantially all the operating revenues consist of the sale of electric power to the Cooperative's customers, under the terms and conditions of the cooperative's tariffs. These contracts contain a single performance obligation, the delivery of electric power. Revenue is measured as the consideration expected to be received for providing electrical service to the customer. The performance obligation of the Cooperative is measured using the output method and is recognized over time and is satisfied as energy is delivered to the customers as measured through reading of the electric meter. There are no significant financing components or variable consideration as contracts are short-term. The Cooperative reads meters to determine invoicing and may have several cycles per month. Customers receive one bill per month.

Pricing for electric service is determined by set rate tariffs and may include adjustment clauses for changes in the cost of power, cost of debt service, or other rate-stabilizing inputs. To match revenues with these costs, billings are adjusted and may be billed in subsequent periods. These are included in contract assets and contract liabilities (as applicable) at month-end. At month-end, amounts of electric power delivered to customers but not yet billed are estimated and a corresponding unbilled revenue is recognized.

Contract assets and contract liabilities are the result of timing differences between revenue recognition billings and cash collection and consisted of the following as of March 30, 2022 and 2021:

	2022	2021
Contract assets:		
Accounts receivable - energy	$ 12,740,858	$ 12,352,956
Accounts Receivable - pole contacts	$ 534,351	$ 950,069
Unbilled revenue	$ 23,770,000	$ 14,940,000
Contract liabilities:		
Accrued power cost	$ 6,290,000	$ 5,232,000
Accrued power cost recovery factor	$ 8,984,481	$ 30,080,926
Consumer energy prepayments	$ 1,221,621	$ 1,017,448

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the Cooperative for the years ending March 31, 2022 and 2021 was $486,347 and $464,151, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group Concentration of Credit Risk

The Cooperative's headquarters facility is located in Aledo, Texas. The service area for the Cooperative includes members located in an area which extends through 16 counties in Texas. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative requires a deposit from some of its members, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest and is returned periodically. As of March 31, 2022 and 2021, deposits on hand totaled $5,317,026 and $5,642,191, respectively.

The Cooperative maintains its checking accounts in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation at varying amounts dependent on type of account. Deposits at times exceeded insured amounts.

Allowance for Uncollectible Accounts

The Cooperative uses the aging method to allow for uncollectible accounts receivable. The Cooperative makes an evaluation of past due accounts on a monthly basis to determine collectability. An account is deemed uncollectible if the customer has been inactive for a period of three years, but service is disconnected after an average of two months of nonpayment. The uncollectible accounts list is provided to the Board of Directors for approval and uncollectible accounts are then written off annually.

Patronage Capital Certificates

Margins are allocated to members annually, based on billings and usage of electricity. Distributions to members are made at the discretion of the Board of Directors in accordance with the bylaws, subject to the restrictions contained in long-term debt agreements. Patronage capital from associated companies is recorded at the stated amount of the certificate.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash and temporary cash investments maturing in one year or less.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net margins.

2. ASSETS PLEDGED

All assets are pledged as security for the long-term debt due to National Rural Utilities Cooperative Finance Corporation (CFC).

3. PLANT AND RELATED DEPRECIATION

The major classes of utility plant are as follows:

	2022	2021
Distribution Plant	$ 559,825,345	$ 519,069,066
General Plant	100,840,306	93,060,842
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**

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Distribution Plant	3.08%
Structures and Improvements	2.86%
Office Furniture and Fixtures	6.66% - 33.34%
Transportation Equipment	16.67%
Stores Equipment	6.67%
Tools, Shop, and Garage Equipment	6.67%
Laboratory Equipment	6.67%
Power Operated Equipment	10.00%
Communication Equipment	8.00%
Miscellaneous Equipment	8.00%

Depreciation for the years ended March 31, 2022 and 2021, was $21,829,751 and $19,310,998, respectively, of which $20,018,458 and $17,809,014 was charged to depreciation expense, and $1,811,293 and $1,501,984 was allocated to other accounts.

4. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations include the following as of March 31:

	2022	2021
NRUCFC		
Capital Term Certificates	$ 7,220,750	$ 7,526,189
Patronage Capital	6,183,545	6,012,018
Membership	1,000	1,000
Member Capital Securities	10,000,000	10,000,000
Brazos Electric Power Cooperative, Inc.		
Patronage Capital	137,987,729	121,943,839
Membership	5	5
Texas Electric Cooperative, Inc.		
Patronage Capital	2,827,365	1,747,494
Membership	50	50
Meridian Cooperative, Inc.		
Patronage Capital	126,173	48,142
Federated Rural Electric Insurance Exchange		
Patronage Capital	129,350	86,737
Other	18,945	14,829
	$ 164,494,912	**$ 147,380,303**

5. DEFERRED DEBITS

Deferred debits include the following as of March 31:

	2022	2021
NRECA R&S Contribution Prepayment	$ 221,625	$ 517,125
Fiber project	-	84,427
AMI project	-	124,132
Other	6,212	59,622
	$ 227,837	**$ 785,306**

Deferred NRECA R&S Contribution Prepayment represents a lump sum contribution payment made by the Cooperative in 2013 to the NRECA's R&S multi-employer plan to receive a discount for future contribution requirements. The Cooperative is amortizing this prepayment over the expected benefit period of 10 years. Amortization for the years ended March 31, 2022 and 2021 was $295,500.

6. RETURN OF CAPITAL

The mortgage with CFC contains provisions that must be met for the Cooperative to make patronage capital retirements. These provisions include minimum equity, debt service, and earnings ratios. The equities and margins of the Cooperative represent 53.8% of the total assets at the balance sheet date. Patronage Capital totaling $5,093,434 and $3,938,709 was retired for the years ended March 31, 2022 and 2021, respectively.

7. PATRONAGE CAPITAL AND OTHER EQUITIES

	2022	2021
Patronage Capital		
Total Patronage Capital	$ 524,772,694	$ 508,447,811
Less: Retired	55,306,368	50,212,934
	$ 469,466,326	**$ 458,234,877**
Other Equities		
Retired Capital Credits - Gain	$ 990,068	$ 962,326
Other	61,326	61,326
Non-Operating Margins - (Deficit)	(54,475,261)	(59,424,569)
	$ (53,423,867)	**$ (58,400,917)**

8. CFC MORTGAGE NOTES AND NOTES UNDER CFC MANAGEMENT

Following is a summary of long-term debt due to CFC and those under CFC management but owned by Farmer Mac and maturing at various times through 2041:

	2022	2021
CFC - Fixed rate notes - 3.33% to 6.78%	$ 202,398,604	$ 154,097,040
Farmer MAC Fixed Rate Notes - 4.44%	16,545,576	17,120,444
Frost Bank - PPP Loan accruing interest at 1%	-	3,482,800
	218,944,180	**174,700,284**
Less: Unamortized conversion fees	(3,730,843)	(4,014,196)
Less: Current Maturities	(7,754,000)	(10,645,089)
	$ 207,459,337	**$ 160,040,999**

The Cooperative had an initial loss of $5,242,057 on the conversion of long-term debt in December 2016 to reprice the interest rate. The loss is being recognized over the life of the original debt as an increase in interest expense. During 2022, the Cooperative recognized $283,353 of this conversion fee to interest expense.

8. CFC MORTGAGE NOTES AND NOTES UNDER CFC MANAGEMENT (continued)

Principal and interest installments are due quarterly. As of March 31, 2022, annual maturities of long-term debt for the next five years are as follows:

2023	$ 7,754,000
2024	$ 8,089,000
2025	$ 8,439,000
2026	$ 8,595,000
2027	$ 8,962,000

9. SHORT-TERM BORROWING

The Cooperative has a $25,000,000 perpetual Line of Credit with CFC, which is an uncommitted facility and is based on the sole discretion of CFC pursuant to the terms of the loan agreement. The line of credit is at a variable interest rate and is subject to automatic renewal. As of March 31, 2022 and 2021, $25,000,000 and $20,000,000, respectively, was outstanding on the line of credit with CFC.

The Cooperative has a $125,000,000 Line of Credit with CFC, which is a secured revolving facility. Under the terms of this loan agreement, CFC must advance loan funds, except in the event of a material adverse change. The line of credit is at a variable interest rate that matures on February 17, 2024. As of March 31, 2022 and 2021, $39,500,000 and $0, respectively, was outstanding on the line of credit with CFC.

10. DEFERRED CREDITS

Deferred credits include the following as of as of March 31:

	2022	2021
Aid to Construction	$ 4,986,926	$ 5,009,036
Consumer Prepayments	1,221,621	1,017,448
Other	1,088,289	908,787
Scholarship Funds	754,465	696,375
Pole Contacts	-	325,376
	$ 8,051,301	**$ 7,957,022**

11. PENSION BENEFITS

The retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer 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 multi-employer 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.

Plan Information - The Cooperative's contributions to the RS Plan in 2022 and 2021 represented less than 5 percent of the total contributions made to the RS plan by all participating employers. The Cooperative made contributions to the RS Plan of $2,199,783 in 2022 and $1,803,385 in 2021.

For 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 on January 1, 2021 and over 80 percent funded on January 1, 2022 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 plan and may change as a result of plan experience.

Pension Fund	EIN	PPA Zone Status	Funding Improvement Plans and Surcharges	Contributions		
				2022	2021	2020
Retirement Security Plan number 333	53-0116145	Not required	Not applicable	$2,199,783	$1,803,385	$1,661,946

The Cooperative also has a 401(k) plan whereby the Cooperative matches 100% of the employees' contributions up to 5.5% of the employees' annual base salary. The total 401(k) plan expense for 2022 and 2021 was $664,379 and $617,447 respectively.

11. PENSION BENEFITS (continued)

RS Plan Prepayment Option - At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating corporations in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a corporation's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a corporation's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most corporations the billing rate is reduced by approximately 25%, retroactive to January 1st of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period.

12. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Cooperative sponsors a defined benefit medical insurance plan that covers all eligible employees. The plan calls for benefits to be paid for eligible participants upon retirement. Eligible employees are those hired prior to January 1, 2016 and retire from active employment on or after age fifty-five with ten or more years of service at the Cooperative. Effective January 1, 2017, the Cooperative's contribution has been capped at $1,500 monthly for a retiree and spouse, or $750 monthly for a retiree without a spouse or a surviving spouse. For the years ended March 31, 2022 and 2021, the coverage was being provided though the NRECA.

As of March 31, 2022 and 2021, the Cooperative has not funded any of the estimated APBO related to the defined benefit medical insurance plan. Since these costs would be immaterial, the Cooperative has chosen to pay them as they are incurred.

Amounts recognized in the Cooperative's March 31, 2022 and 2021 consolidated financial statements and funded status of the plan is as follows:

	2022	2021
(I) Net Post-retirement Benefit Cost		
Interest Cost	$ 980,996	$ 980,996
Service Cost	509,909	509,909
Amortization of Actuarial Loss/(Gain)	1,573,896	1,573,896
Amortization of Prior Service Cost/(Credit)	(1,569,996)	(1,569,996)
	$ 1,494,805	**$ 1,494,805**

12. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

	2022	2021
(II) Accumulated Post-retirement Benefit Obligation (APBO) Reconciliation:		
APBO Beginning of Year	$ 21,374,616	$ 25,673,796
Service and Interest Cost	1,490,904	1,490,904
Benefits Paid	(502,803)	(556,053)
Actuarial (Gain)/Loss Adjustment	(2,332,992)	(5,234,031)
Net Post-retirement Benefit Liability at Year End	**$ 20,029,725**	**$ 21,374,616**
(III) Reconciliation of Funded Status		
APBO at Year End	$ 20,029,725	$ 21,374,616
Fair Value of Plan Assets	-	-
Net APBO at Year End	**$ 20,029,725**	**$ 21,374,616**
(IV) Accumulated Other Comprehensive Income (Loss)		
Actuarial Loss - Beginning of Year	$ (1,754,520)	$ (6,992,451)
Amortization of Actuarial Loss/(Gain)	1,573,896	1,573,896
Amortization of Prior Service Cost/(Credit)	(1,569,996)	(1,569,996)
Current Actuarial Gain/(Loss)	2,332,992	5,234,031
Total	**$ 582,372**	**$ (1,754,520)**

The estimated actuarial (gain)/loss for the post-retirement medical benefit plan that will be amortized from accumulated other comprehensive income into net post-retirement benefit cost in fiscal year 2023 is expected to be $(406,687) and $1,569,996 will also be amortized in the fiscal year 2023 as a result of the prior service credit. The total recognized in other comprehensive income will be $1,163,309.

12. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (continued)

Estimated future benefit payments for the next five years and the subsequent five years thereafter are as follows:

2023	$ 862,751
2024	$ 953,533
2025	$ 1,023,880
2026	$ 1,102,095
2027	$ 1,196,071
2028-2032	$ 6,164,637

The following assumption was used in the measurement of the net periodic cost:

Weighted Average Discount Rate	4.00%

13. INCOME TAXES

During the 2021 calendar year, the Cooperative was exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code with at least 85% of its revenue coming from members for the sole purpose of meeting losses and expenses. Additionally, the Cooperative pays income tax on net unrelated business income. The Cooperative's unrelated business activities are primarily due to rental activities.

Value Choice is a for-profit taxable corporation and is required to file Form 1120 – "U.S. Corporation Income Tax Return".

In general, each corporation, limited liability company and limited partnership registered to do business in the state of Texas is subject to the state franchise tax on gross income, less applicable deductions, apportioned to the state. The Cooperative is exempt from the state franchise tax; however, Value Choice is recognized as a taxable company by the State of Texas. Therefore, current taxes are allocated on the basis of taxable gross revenue and deferred taxes are calculated on a stand-alone basis.

The Cooperative and the Subsidiary follow the asset and liability method for recording income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Cooperative and the Subsidiary assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

13. INCOME TAXES (continued)

Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. Deferred tax assets represent the future tax benefit that will result when the asset is realized. Deferred tax liabilities represent the future tax return consequences of those differences, which will result in a tax expense when the liability is recognized. The principal sources of deferred federal income taxes are due to net operating loss carryovers. Net operating losses (NOLs) may be carried forward indefinitely to offset up to 80% of the future taxable income of a corporation. As of March 31, 2022, the total NOL carryover available to Value Choice was $62,168,404. NOLs of $57,438,011 attributed to the 2001 through 2017 tax years expire in varying amounts from March 31, 2023 through March 31, 2038. The remaining NOLs of $4,730,393 do not expire and will carry over into future years indefinitely until fully utilized. Management believes it is more likely than not that a portion of the expiring NOL carryover will not be fully utilized before expiring. Therefore, a valuation allowance of the related deferred tax asset has been recorded as of March 31, 2022 and 2021. This valuation allowance was based on management's estimate of future taxable income when compared to NOL carryover expiration dates. As of the date of the audit report, management and the board of directors are still considering other taxable ventures for Value Choice. Management believes increasing the valuation allowance related to the deferred tax asset would be immaterial to the consolidated financial statements as a whole, so therefore, has elected not to record an adjustment or increase to the valuation allowance until all ventures that could utilize the Value Choice NOL's can be fully investigated. The only source of deferred state income taxes is a temporary tax credit, which approximates 4.5% of unused business loss carryovers recognized by Value Choice prior to the effective date of the revised Texas Franchise Tax.

The components of the deferred taxes recognized in the consolidated financial statements are as follows:

	2022	2021
Federal:		
Deferred tax assets	$ 13,055,365	$ 13,391,590
Deferred tax liabilities	-	-
	13,055,365	**13,391,590**
Valuation allowance	(9,285,010)	(9,285,010)
	3,770,355	**4,106,580**
State:		
Deferred tax assets	2,780	3,336
Valuation allowance	-	-
	2,780	**3,336**
Total deferred income tax asset	**$ 3,773,135**	**$ 4,109,916**

13. INCOME TAXES (continued)

The components of income taxes are as follows:

	2022	2021
Federal:		
Deferred tax benefit/(expense)	$ (336,781)	$ 545,236
	(336,781)	**545,236**
State:		
Current income tax expense	-	-
Deferred tax benefit/(expense)	-	-
	-	**-**
Total Federal and State income tax benefit/ (expense)	**$ (336,781)**	**$ 545,236**

The Cooperative and the Subsidiary have adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is that its filing status is as a tax-exempt entity. The Cooperative and the Subsidiary determined that it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service or other state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files its income tax return in the U.S. federal jurisdiction. The Subsidiary file income tax returns in the U.S. federal jurisdiction and in the State of Texas.

The Cooperative and the Subsidiary recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no material amounts of penalties or interest recognized during the years ended March 31, 2022 and 2021.

14. RELATED PARTY TRANSACTIONS

The Cooperative is required to purchase all of its electric power from Brazos Electric Power Cooperative, Inc. (Brazos), a cooperative of which it's a member and is represented on its Board.

14. RELATED PARTY TRANSACTIONS (continued)

During the years ended March 31, 2022 and 2021, the Cooperative purchased $238,421,388 and $184,713,043, respectively, from Brazos. As of March 31, 2022 and 2021, amounts due to Brazos included in accounts payable were $16,011,900 and $31,044,299, respectively.

During the years ended March 31, 2022 and 2021, the Cooperative received non-cash capital credit allocations from Brazos of $16,043,889 and $0, respectively.

Brazos, the Cooperative's Generation and Transmission provider, filed for Chapter 11 Bankruptcy due to a crisis caused by the extreme cold weather event that occurred in February 2021. As a participant in the Electric Reliability Council of Texas (ERCOT) market, Brazos was subjected to extreme power prices for energy procured during the event. In addition to power prices, Brazos was required to purchase natural gas for its generation plants, which were also at extreme price levels, at the prevailing market rates in order to meet the unprecedented demand for electricity during this extreme cold weather event. During the weather event, the Brazos generation assets also did not perform well; consequently, there was little revenue at the extreme power prices to offset the extreme costs. Normally, the costs to generate and/or procure power is billed to Brazos' distribution cooperative members, who then pass on this cost of power to their electric end-user members without markup. Because the distribution cooperatives were not able to immediately recover these costs from their members, Brazos was unable to immediately recover these costs from their distribution cooperative members. Brazos has sent the Cooperative estimated bills for these costs; however, due to the ongoing bankruptcy proceedings, these actual costs have not been disclosed to the Cooperative.

In July 2022, a summary of the principal economic terms of the mediated settlement that will be filed as the Chapter 11 Plan of Reorganization for Brazos was proposed as part of Brazos' exclusivity extension filing. The Cooperative may participate in a Brazos-led securitization to pay its respective "Temporary Affordability Adjustment" (or TAA) balance or otherwise pay its TAA balance through its own securitization transaction or other form of financing; provided, however, that, in either case, the Cooperative shall pay its respective TAA balance, if any, on the Plan's effective date.

As part of the Brazos Plan, the Cooperative's TAA balance to be paid is $476,747,686. Negotiations are ongoing with certain power suppliers, which could reduce this securitization amount. This amount may also be reduced further depending on any future negotiations and/or litigation results relating to the swap counterparties and/or gas claimants, each claim of which are currently the subject of contested matters or an adversary proceeding before the Bankruptcy Court. The Cooperative has discussed their options, but as of August 8, 2022, they have not decided on how they will pay their TAA balance.

14. RELATED PARTY TRANSACTIONS (continued)

In October 2019, the Cooperative sold all their inventory and entered into a Sole-Source Alliance with Texas Electric Cooperative, Inc. (TEC). Total material purchases from TEC for the years ending March 31, 2022 and 2021 was $45,649,985 and $46,784,972, respectively.

15. LITIGATION AND COMMITMENTS

The Cooperative is involved in several instances of litigation or potential unasserted claims. The ultimate outcome, if any, of these items cannot presently be determined. However, in management's opinion, the likelihood of any material adverse outcome is remote or in its infancy and no likelihood of outcome is attainable. Accordingly, adjustments if any, which might result from the resolution of these matters, have not been reflected in these consolidated financial statements.

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Cooperative and the Subsidiary used the following methods and significant assumptions to estimate fair value:

Patronage Capital from Associated Organizations – The right to receive cash is an inherent component of a financial instrument. The Cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, patronage capital from associated organizations are not considered financial instruments.

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period.

Cash and Temporary Cash Investments – Carrying value, given the short period to maturity.

17. NEW ACCOUNTING PRONOUNCEMENTS

Leases - In February 2016, FASB issued ASU 2016-02 (superseded by ASU 2020-05), *Leases*. The standard introduces a new lessee model that brings substantially all leases onto the balance sheet. Additionally, the guidance retains most of the principles of the existing lessor model in principles generally accepted in the United States of America, and it aligns many of those principles with *Revenue from Contracts with Customers*. This will be effective for annual reporting periods beginning after December 15, 2021. The Cooperative has determined that the impact of this standard will not have a material impact on its consolidated financial statements.

18. DISCONTINUED OPERATIONS

On June 26, 2020, Value Choice, Inc., a wholly owned subsidiary of Tri-County Electric Cooperative, Inc. entered into an agreement to sell the membership interests in its subsidiary, Millennium Telcom, LLC dba OneSource Communications. The board of Value Choice, Inc. decided to sell this subsidiary primarily because it had incurred significant operating losses for many years prior to the last few years. Further, the board felt that it was important to make this strategic shift in focus to allow the cooperative to focus all resources on the electric business in the cooperative's service territory rather than the subsidiary.

In September 2020, Value Choice completed the sale of their wholly owned subsidiary, Millennium. The net loss incurred by Millennium's operations from April 1, 2020 through September 30, 2020 was $1,605,166 and was recorded on the financial statements of Value Choice. The final sale price of $29,612,998 was recorded on Value Choice's books and the gain on sale of subsidiary is reflected in consolidated financial statements as of March 31, 2021.

The loss from discontinued operations presented in the consolidated statements of income consists of the following for the years ended March 31, 2022 and 2021:

	2022	2021
Operating revenues	$ -	$ 4,335,093
Operating expenses	-	(5,940,259)
Loss from discontinued operations before income taxes	-	(1,605,166)
Income tax expense	-	-
Loss from discontinued operations	**$ -**	**$ (1,605,166)**

19. PAYCHECK PROTECTION PROGRAM FUNDS

In April 2020, The Cooperative and Value Choice received loan proceeds in the amount of $3,482,800 and $305,900, respectively, under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" of 24 weeks if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

19. PAYCHECK PROTECTION PROGRAM FUNDS (continued)

Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Cooperative and Value Choice have used PPP loan proceeds for purposes consistent with the PPP and have applied for forgiveness within 10 months of the end of the covered period. To the extent that the Cooperative and Value Choice are not granted forgiveness, they will be required to pay interest on the PPP loan at a rate of 1% per annum. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Cooperative and Value Choice received forgiveness of their PPP loans in the 2022 and 2021 fiscal years, respectively, and both amounts are recorded in nonoperating margins in their respective years on the consolidated Statements of Income and Patronage Capital.

20. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, management has evaluated and disclosed all material subsequent events through August 8, 2022, which is the date these statements were available to be issued.

Consolidating and Accompanying Information

Briscoe, Burke & Grigsby LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Consolidating and Accompanying Information

Our audit of the consolidated financial statements presented in the preceding section of this report was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information shown on pages 27 through 36 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying information on pages 37 through 38 also is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other accompanying and other records used to prepare the consolidated financial statements. The consolidating and other accompanying information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Briscoe, Burke & Grigsby LLP

Certified Public Accountants

August 8, 2022
Tulsa, Oklahoma

Members American Institute of Certified Public Accountants
4120 East 51st Street Suite 100 Tulsa, Oklahoma 74135-3633 (918) 749-8337

Consolidating Information

Tri-County Electric Cooperative, Inc.

Consolidating Balance Sheet

March 31, 2022

ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Utility plant, at cost				
Plant in-service	$ 660,665,651	$ -	$ -	$ 660,665,651
Construction work in progress	104,784,133	-	-	104,784,133
	765,449,784	**-**	**-**	**765,449,784**
Less: accumulated depreciation	200,287,634	-	-	200,287,634
Net utility plant	**565,162,150**	**-**	**-**	**565,162,150**
Other property and investments, at cost				
Investments in associated enterprises	164,494,912	-	-	164,494,912
Investment in subsidiary	4,600,434	-	(4,600,434)	-
Total other property and investments	**169,095,346**	**-**	**(4,600,434)**	**164,494,912**
Current assets				
Cash and cash equivalents	6,320,293	905,735	-	7,226,028
Accounts receivable, less allowance for doubtful accounts of $1,218,459	11,522,399	-	-	11,522,399
Unbilled revenue	23,770,000	-	-	23,770,000
Other receivables, less allowance for doubtful accounts	723,743	-	-	723,743
Accounts receivable - Value Choice	78,436	-	(78,436)	-
Prepaid expenses and other	1,870,453	-	-	1,870,453
Total current assets	**44,285,324**	**905,735**	**(78,436)**	**45,112,623**
Deferred tax asset	-	3,773,135	-	3,773,135
Deferred debits	227,837	-	-	227,837
TOTAL ASSETS	**$ 778,770,657**	**$ 4,678,870**	**$ (4,678,870)**	**$ 778,770,657**

Tri-County Electric Cooperative, Inc.

Consolidating Balance Sheet

March 31, 2022

LIABILITIES and NET ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Equities and margins:				
Membership fees and common stock	$ 2,489,618	$ -	$ -	$ 2,489,618
Patronage capital and retained deficit	469,466,326	-	-	469,466,326
Other equities	(53,423,867)	4,600,434	(4,600,434)	(53,423,867)
Accumulated other comprehensive income	582,372	-	-	582,372
Total equities and margins	**419,114,449**	**4,600,434**	**(4,600,434)**	**419,114,449**
Long-term liabilities:				
Long-term debt less current maturities	207,459,337	-	-	207,459,337
APBO other than pensions	20,029,725	-	-	20,029,725
Total long-term liabilities	**227,489,062**	**-**	**-**	**227,489,062**
Current liabilities:				
Current maturities of long-term debt	7,754,000	-	-	7,754,000
Line of credit	64,500,000	-	-	64,500,000
Accounts payable	24,682,604	-	-	24,682,604
Accounts payable - Tri-County	-	78,436	(78,436)	-
Overbilled wholesale power cost adjustment	8,984,481	-	-	8,984,481
Accrued unbilled power cost	6,290,000	-	-	6,290,000
Accrued interest	574,282	-	-	574,282
Accrued expenses	6,013,452	-	-	6,013,452
Customer deposits	5,317,026	-	-	5,317,026
Total current liabilities	**124,115,845**	**78,436**	**(78,436)**	**124,115,845**
Deferred credits	8,051,301	-	-	8,051,301
TOTAL LIABILITIES and EQUITIES	**$ 778,770,657**	**$ 4,678,870**	**$ (4,678,870)**	**$ 778,770,657**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Margins

Year Ended March 31, 2022

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Operating revenue	**$ 319,564,360**	**$ -**	**$ -**	**$ 319,564,360**
Operating expenses:				
Cost of power	239,479,388	-	-	239,479,388
Distribution expense - operations	8,852,495	-	-	8,852,495
Distribution expense - maintenance	15,064,294	-	-	15,064,294
Consumer accounts	7,706,337	-	-	7,706,337
Customer service and information	1,112,072	-		1,112,072
Sales	855,747	-	-	855,747
Administrative and general	20,114,503	12,093	-	20,126,596
Depreciation and amortization	20,018,458	-	-	20,018,458
Taxes	2,080	-	-	2,080
Interest	7,014,330	-	-	7,014,330
Other interest and deductions	807,143	-	-	807,143
Total operating expenses	**321,026,847**	**12,093**	**-**	**321,038,940**
Net operating margins	**(1,462,487)**	**(12,093)**	**-**	**(1,474,580)**
Nonoperating margins				
Interest and dividend income	806,296	-	-	806,296
PPP loan forgiveness	3,482,800	-	-	3,482,800
Net margin from subsidiary	(348,874)	-	348,874	-
Gain on sale of assets	152,881	-	-	152,881
Other nonoperating income	57,009	-	-	57,009
Total nonoperating margins	**4,150,112**	**-**	**348,874**	**4,498,986**
G & T and other capital credits	19,176,908	-	-	19,176,908
Net margins before income taxes	**21,864,533**	**(12,093)**	**348,874**	**22,201,314**
Benefit (provision) from income taxes	-	(336,781)	-	(336,781)
Net margins	**21,864,533**	**(348,874)**	**348,874**	**21,864,533**
Patronage capital - beginning of year	458,234,877	4,949,308	(4,949,308)	458,234,877
Dividends paid	-	-	-	-
Reclass to other equities	(5,539,650)	-	-	(5,539,650)
Retirement of capital credits	(5,093,434)	-	-	(5,093,434)
Patronage capital - end of year	**$ 469,466,326**	**$ 4,600,434**	**$ (4,600,434)**	**$ 469,466,326**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Comprehensive Income

Year Ended March 31, 2022

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Net margins for year	**$ 21,864,533**	**$ (348,874)**	**$ 348,874**	**$ 21,864,533**
Other comprehensive income:				
Current gain on APBO	2,332,992	-	-	2,332,992
Amortization of loss on APBO	1,573,896	-	-	1,573,896
Amortization of prior year service cost (credit)	(1,569,996)	-	-	(1,569,996)
Comprehensive income	**$ 24,201,425**	**$ (348,874)**	**$ 348,874**	**$ 24,201,425**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Cash Flows

Year Ended March 31, 2022

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Cash flows from operating activities:				
Net margins	$ 21,864,533	$ (348,874)	$ 348,874	$ 21,864,533
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	21,829,751	-	-	21,829,751
Amortization	253,476	-	-	253,476
Loss from subsidiary	348,874	-	(348,874)	-
Investment allocations from associated	(19,176,908)	-	-	(19,176,908)
Postretirement benefits accruals	1,494,805	-	-	1,494,805
Unbilled revenue accruals	(8,830,000)	-	-	(8,830,000)
Deferred income taxes	-	336,781	-	336,781
PPP loan forgiveness	(3,482,800)	-	-	(3,482,800)
Changes in:				
Investments in associated organizations	2,062,299	-	-	2,062,299
Accounts receivable	(59,295)	-	12,078	(47,217)
Other current and accrued assets	(118,427)	-	-	(118,427)
Deferred debits	261,969	-	-	261,969
Accounts payable	(9,949,813)	12,078	(12,078)	(9,949,813)
Payments on postretirement health benefits	(502,803)	-	-	(502,803)
Consumer deposits	(325,165)	-	-	(325,165)
Deferred credits	419,655	-	-	419,655
Other current and accrued liabilities	(18,744,324)	-	-	(18,744,324)
Net cash from operating activities	**(12,654,173)**	**(15)**	**-**	**(12,654,188)**
Cash flows from investing activities:				
Extension and replacement of plant	(92,753,127)	-	-	(92,753,127)
Plant removal cost	(1,912,033)	-	-	(1,912,033)
Material returned to stock from retirements	2,011	-	-	2,011
Net cash from investing activities	**(94,663,149)**	**-**	**-**	**(94,663,149)**
Cash flows from financing activities:				
Memberships and other equities	(435,966)	-	-	(435,966)
Advances on line of credit	44,500,000	-	-	44,500,000
Borrowings on long-term debt	55,000,000	-	-	55,000,000
Payments on long-term debt	(7,273,304)	-	-	(7,273,304)
Retirement of patronage capital	(5,093,434)	-	-	(5,093,434)
Net cash from financing activities	**86,697,296**	**-**	**-**	**86,697,296**
Net decrease in cash and cash equivalents	**(20,620,026)**	**(15)**	**-**	**(20,620,041)**
Cash and cash equivalents at beginning of year	26,940,319	905,750	-	27,846,069
Cash and cash equivalents at end of year	**$ 6,320,293**	**$ 905,735**	**$ -**	**$ 7,226,028**

Tri-County Electric Cooperative, Inc.

Consolidating Balance Sheet

March 31, 2021

ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Utility plant, at cost				
Plant in-service	$ 612,129,908	$ -	$ -	$ 612,129,908
Construction work in progress	70,245,733	-	-	70,245,733
	682,375,641	**-**	**-**	**682,375,641**
Less: accumulated depreciation	190,046,889	-	-	190,046,889
Net utility plant	**492,328,752**	**-**	**-**	**492,328,752**
Other property and investments, at cost				
Investments in associated enterprises	147,380,303	-	-	147,380,303
Investment in subsidiary	4,949,308	-	(4,949,308)	-
Total other property and investments	**152,329,611**	**-**	**(4,949,308)**	**147,380,303**
Current assets				
Cash and cash equivalents	26,940,319	905,750	-	27,846,069
Accounts receivable, less allowance for doubtful accounts of $1,263,969	11,088,987	-	-	11,088,987
Unbilled revenue	14,940,000	-	-	14,940,000
Other receivables, less allowance for doubtful accounts	1,109,938	-	-	1,109,938
Accounts receivable - Value Choice	66,358	-	(66,358)	-
Materials and supplies	-	-	-	-
Prepaid expenses and other	1,752,026	-	-	1,752,026
Total current assets	**55,897,628**	**905,750**	**(66,358)**	**56,737,020**
Deferred tax asset	-	4,109,916	-	4,109,916
Deferred debits	785,306	-	-	785,306
Assets of discontinued operations	-	-	-	-
TOTAL ASSETS	**$ 701,341,297**	**$ 5,015,666**	**$ (5,015,666)**	**$ 701,341,297**

Tri-County Electric Cooperative, Inc.

Consolidating Balance Sheet

March 31, 2021

LIABILITIES and NET ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Equities and margins:				
Membership fees and common stock	$ 2,362,984	$ -	$ -	$ 2,362,984
Patronage capital and retained deficit	458,234,877	-	-	458,234,877
Other equities	(58,400,917)	4,949,308	(4,949,308)	(58,400,917)
Accumulated other comprehensive income	(1,754,520)	-	-	(1,754,520)
Total equities and margins	**400,442,424**	**4,949,308**	**(4,949,308)**	**400,442,424**
Long-term liabilities:				
Long-term debt less current maturities	160,040,999	-	-	160,040,999
APBO other than pensions	21,374,616	-	-	21,374,616
Total long-term liabilities	**181,415,615**	**-**	**-**	**181,415,615**
Current liabilities:				
Current maturities of long-term debt	10,645,089	-	-	10,645,089
Line of credit	20,000,000	-	-	20,000,000
Accounts payable	34,632,417	-	-	34,632,417
Accounts payable - Tri-County	-	66,358	(66,358)	-
Overbilled wholesale power cost adjustment	30,080,926	-	-	30,080,926
Accrued unbilled power cost	5,232,000	-	-	5,232,000
Accrued interest	530,286	-	-	530,286
Accrued expenses	4,763,327	-	-	4,763,327
Customer deposits	5,642,191	-	-	5,642,191
Total current liabilities	**111,526,236**	**66,358**	**(66,358)**	**111,526,236**
Deferred credits	7,957,022	-	-	7,957,022
Liabilities of discontinued operations	-	-	-	-
TOTAL LIABILITIES and EQUITIES	**$ 701,341,297**	**$ 5,015,666**	**$ (5,015,666)**	**$ 701,341,297**

Tri-County Electric Cooperative, Inc.
Consolidating Statement of Margins
Year Ended March 31, 2021

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/Elimination Entries	Consolidated
Operating revenue	**$ 257,913,975**	**$ -**	**$ -**	**$ 257,913,975**
Operating expenses:				
Cost of power	185,135,043	-	-	185,135,043
Distribution expense - operations	9,501,438	-	-	9,501,438
Distribution expense - maintenance	12,559,019	-	-	12,559,019
Telecommunication operations	-	-		-
Consumer accounts	6,677,994	-	-	6,677,994
Customer service and information	1,108,620	-		1,108,620
Sales	550,073	-	-	550,073
Administrative and general	14,029,572	18,876	-	14,048,448
Depreciation and amortization	17,809,014	-	-	17,809,014
Taxes	4,997	-	-	4,997
Interest	6,091,040	-	-	6,091,040
Other interest and deductions	450,125	-	-	450,125
Total operating expenses	**253,916,935**	**18,876**	**-**	**253,935,811**
Net operating margins	**3,997,040**	**(18,876)**	**-**	**3,978,164**
Nonoperating margins				
Interest and dividend income	988,501	-	-	988,501
PPP loan forgiveness	-	305,900	-	305,900
Net margin from subsidiary	1,538,707	(1,605,166)	66,459	-
Gain on sale of subsidiary	-	2,311,613	-	2,311,613
Gain on sale of assets	(53,536)	-	-	(53,536)
Other nonoperating income	22,069	-	-	22,069
Total nonoperating margins	**2,495,741**	**1,012,347**	**66,459**	**3,574,547**
G & T and other capital credits	1,087,492	-	-	1,087,492
Net margins before income taxes	**7,580,273**	**993,471**	**66,459**	**8,640,203**
Benefit (provision) from income taxes	-	545,236	-	545,236
Net margins from continuing operations	**7,580,273**	**1,538,707**	**66,459**	**9,185,439**
Loss from discontinued operations	-	-	(1,605,166)	(1,605,166)
Net margins	**7,580,273**	**1,538,707**	**(1,538,707)**	**7,580,273**
Patronage capital - beginning of year	451,804,557	33,023,599	(33,023,599)	451,804,557
Dividends paid	-	(29,612,998)	29,612,998	-
Reclass to other equities	2,788,756	-	-	2,788,756
Retirement of capital credits	(3,938,709)	-	-	(3,938,709)
Patronage capital - end of year	**$ 458,234,877**	**$ 4,949,308**	**$ (4,949,308)**	**$ 458,234,877**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Comprehensive Income

Year Ended March 31, 2021

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/Elimination Entries	Consolidated
Net margins for year	**$ 7,580,273**	**$ 1,538,707**	**$ (1,538,707)**	**$ 7,580,273**
Other comprehensive income:				
Current gain on APBO	5,234,031	-	-	5,234,031
Amortization of loss on APBO	1,573,896	-	-	1,573,896
Amortization of prior year service cost (credit)	(1,569,996)	-	-	(1,569,996)
Comprehensive income	**$ 12,818,204**	**$ 1,538,707**	**$ (1,538,707)**	**$ 12,818,204**

Tri-County Electric Cooperative, Inc.

Consolidating Statement of Cash Flows

Year Ended March 31, 2021

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/Elimination Entries	Consolidated
Cash flows from operating activities:				
Net margins	$ 7,580,273	$ 1,538,707	$ (1,538,707)	$ 7,580,273
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	19,310,998	-	-	19,310,998
Amortization	145,019	-	-	145,019
(Gain) loss on equity method investment	(1,538,707)	1,605,166	(66,459)	-
Investment allocations from associated	(1,087,492)	-	-	(1,087,492)
Gain on sale of subsidiary	-	(2,311,613)	-	(2,311,613)
Postretirement benefits accruals	1,494,805	-	-	1,494,805
Unbilled revenue accruals	(2,060,000)	-	-	(2,060,000)
Deferred income taxes	-	(545,236)	-	(545,236)
PPP loan forgiveness	-	(305,900)	-	(305,900)
Loss on discontinued operations	-	-	1,605,166	1,605,166
Changes in:				
Investments in associated organizations	5,014,461	-	-	5,014,461
Accounts receivable	(2,380,653)	-	66,358	(2,314,295)
Materials and supplies	-	-	-	-
Other current and accrued assets	(843,178)	-	-	(843,178)
Deferred debits	11,768,297	-	-	11,768,297
Accounts payable	16,976,449	66,358	(66,358)	16,976,449
Payments on postretirement health benefits	(556,053)	-	-	(556,053)
Consumer deposits	(775,283)	-	-	(775,283)
Deferred credits	593,927	-	-	593,927
Other current and accrued liabilities	10,746,267	-	-	10,746,267
Net cash from operating activities	**64,389,130**	**47,482**	**-**	**64,436,612**
Cash flows from investing activities:				
Dividends received	29,612,998	-	(29,612,998)	-
Proceeds from sale of subisdiary	-	30,165,366	-	30,165,366
Extension and replacement of plant	(136,027,625)	-	-	(136,027,625)
Plant removal cost	(1,397,977)	-	-	(1,397,977)
Material returned to stock from retirements	70,927	-	-	70,927
Net cash from investing activities	**(107,741,677)**	**30,165,366**	**(29,612,998)**	**(107,189,309)**
Cash flows from financing activities:				
Dividends paid	-	(29,612,998)	29,612,998	-
Memberships and other equities	(2,807,083)	-	-	(2,807,083)
Advances on line of credit	20,000,000	-	-	20,000,000
Borrowings on long-term debt	25,000,000	-	-	25,000,000
Borrowings on PPP loan	3,482,800	305,900	-	3,788,700
Payments on long-term debt	(6,451,741)	-	-	(6,451,741)
Retirement of patronage capital	(3,938,709)	-	-	(3,938,709)
Net cash from financing activities	**35,285,267**	**(29,307,098)**	**29,612,998**	**35,591,167**
Net increase (decrease) in cash and cash equivalents	**(8,067,280)**	**905,750**	**-**	**(7,161,530)**
Cash and cash equivalents at beginning of year	35,007,599	-	-	35,007,599
Cash and cash equivalents at end of year	**$ 26,940,319**	**$ 905,750**	**$ -**	**$ 27,846,069**

Accompanying Information

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Electric Plant in Service

For the year Ended March 31, 2022

	Balance 4/1/2021	Additions	Retirements	Balance 3/31/2022
Distribution plant				
Land and land rights	$ 131,555	$ 2,206,086	$ -	$ 2,337,641
Structures and improvements	1,666	-	-	1,666
Station equipment	763,806	-	-	763,806
Poles, towers, and fixtures	75,494,246	6,942,130	1,475,640	80,960,736
Overhead conductors and devices	75,881,218	5,612,138	837,056	80,656,300
Underground conduit	77,040,359	8,752,649	39,884	85,753,124
Underground conductors and devices	85,896,729	12,289,664	384,482	97,801,911
Line transformers	99,042,022	8,693,313	2,756,028	104,979,307
Services	49,273,762	661,848	48,845	49,886,765
Meters	40,630,779	568,648	-	41,199,427
Street lights and signals	14,912,924	846,911	275,173	15,484,662
Total	**519,069,066**	**46,573,387**	**5,817,108**	**559,825,345**
General Plant				
Land and land rights	37,004,188	-	-	37,004,188
Structures and improvements	23,431,687	300,553	100,323	23,631,917
Office furniture and equipment	8,726,980	1,156,076	-	9,883,056
Transportation equipment	3,893,901	1,972,297	226,115	5,640,083
Store equipment	9,725	-	-	9,725
Tools, shop and garage equipment	687,195	37,775	-	724,970
Laboratory equipment	117,244	46,404	-	163,648
Power operated equipment	10,993,183	3,054,579	795,333	13,252,429
Communications equipment	8,167,697	2,553,842	220,291	10,501,248
Miscellaneous equipment	29,042	-	-	29,042
Total	**93,060,842**	**9,121,526**	**1,342,062**	**100,840,306**
Total classified electric plant in service	**612,129,908**	**55,694,913**	**7,159,170**	**660,665,651**
Construction work in progress	70,245,733	-	-	104,784,133
Total utility plant	**$ 682,375,641**	**$ 55,694,913**	**$ 7,159,170**	**$ 765,449,784**

TRI-COUNTY ELECTRIC COOPERATIVE, INC.
Accumulated Provision for Depreciation
For the year Ended March 31, 2022

	Balance 4/1/2021	Depreciation Accruals	Retirements	Transfers	Balance 3/31/2022
Distribution plant	**$ 174,804,490**	**$ 17,557,573**	**$ 7,437,220**	**$ -**	**$ 184,924,843**
General plant					
Structures and improvements	3,924,079	834,915	-	-	4,758,994
Office furniture and equipment	6,273,568	792,226	-	-	7,065,794
Transportation equipment	2,002,394	594,328	214,572	-	2,382,150
Stores equipment	4,734	228	-	-	4,962
Tools, shop and garage equipment	491,158	34,140	-	-	525,298
Laboratory equipment	86,876	7,088	-	-	93,964
Power operated equipment	3,914,916	1,183,732	635,379	-	4,463,269
Communications equipment	1,117,779	825,056	-	-	1,942,835
Miscellaneous equipment	25,561	464	-	-	26,025
Total general plant	**17,841,065**	**4,272,177**	**849,951**	**-**	**21,263,291**
Total classified electric plant in service	**192,645,555**	**21,829,750**	**8,287,171**	**-**	**206,188,134**
Retirement work in progress	(2,598,666)	-	-	-	(5,900,500)
Total electric plant	**$ 190,046,889**	**$ 21,829,750**	**$ 8,287,171**	**$ -**	**$ 200,287,634**

(1) Charged to depreciation expense	$ 20,018,458	
Charged to clearing and other accounts	1,811,293	
	$ 21,829,751	
(2) Original cost of units retired		$ 6,377,149
Add: cost of removal		1,912,033
Less: salvage and other credits		2,011
Net loss due to retirement		**$ 8,287,171**

Briscoe, Burke & Grigsby LLP
CERTIFIED PUBLIC ACCOUNTANTS

Letter to Board of Directors Regarding Policies Concerning Audits of CFC Borrowers

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

We have audited the consolidated balance sheets of Tri-County Electric Cooperative, Inc. and Subsidiary as of March 31, 2022 and 2021, and the related consolidated statements of income and patronage capital, comprehensive income, and cash flows for the years then ended, and have issued our report dated.

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 consolidated financial statements are free of material misstatement.

In connection with our audits, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Cooperative Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

During our audits for the years ending March 31, 2022 and 2021 you requested us to review your construction work order and general plant expenditures. Based on our review of construction work orders and other plant accounting records it is our opinion that CFC loan funds were expended for the purposes contemplated in the Loan Agreement with CFC.

This report is intended solely for the information and use of the Boards of Directors and management of Tri-County Electric Cooperative, Inc. and Subsidiary and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Briscoe, Burke & Grigsby LLP
Certified Public Accountants

August 8, 2022
Tulsa, Oklahoma