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

and

SUPPLEMENTARY INFORMATION

March 31, 2023 and 2022

TRI-COUNTY ELECTRIC COOPERATIVE, INC.
AND SUBSIDIARY

March 31, 2023 and 2022

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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 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.

Briscoe, Burke & Grigsby LLP

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 (Note 3)		
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 (Note 4)	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 $1,218,459 in 2022)	14,486,427	11,522,399
Accrued utility revenues (Note 1)	25,688,047	23,770,000
Other receivables, less allowance for doubtful accounts	2,035,511	723,743
Prepaid expenses and other	2,015,744	1,870,453
Total current assets	**52,657,825**	**45,112,623**
Deferred tax asset (Note 13)	4,026,069	3,773,135
Regulatory assets (Note 5)	486,711,597	-
Deferred debits (Note 5)	85,051	227,837
TOTAL ASSETS	**$ 1,374,872,636**	**$ 778,770,657**

The accompanying notes are an integral part of these statements.

TRI-COUNTY ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Balance Sheets

March 31, 2023 and 2022

LIABILITIES and EQUITIES	2023	2022
Equities and margins:		
Memberships	$ 2,606,914	$ 2,489,618
Patronage capital (Note 7)	473,587,532	469,466,326
Other deficit equities (Note 7)	(53,721,226)	(53,423,867)
Accumulated other comprehensive income (Note 12)	7,961,119	582,372
Total equities and margins	**430,434,339**	**419,114,449**
Long-term liabilities:		
Long-term debt less current maturities (Note 8)	703,749,971	207,459,337
APBO other than pensions (Note 12)	13,597,881	20,029,725
Total long-term liabilities	**717,347,852**	**227,489,062**
Current liabilities		
Current maturities of long-term debt (Note 8)	16,515,000	7,754,000
Line of credit (Note 9)	117,500,000	64,500,000
Accounts payable	29,194,040	24,682,604
Overbilled wholesale power cost adjustment (Note 1)	42,328,056	8,984,481
Accrued unbilled power cost (Note 1)	-	6,290,000
Accrued expenses	6,365,139	6,013,452
Accrued interest	821,388	574,282
Consumer deposits (Note 1)	6,100,562	5,317,026
Total current liabilities	**218,824,185**	**124,115,845**
Deferred credits (Note 10)	8,266,260	8,051,301
TOTAL LIABILITIES and EQUITIES	**$ 1,374,872,636**	**$ 778,770,657**

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, 2023 and 2022

	2023	2022
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	**441,950,348**	**319,564,360**
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 (Note 3)	21,806,629	20,018,458
Interest and other deductions	20,828,463	7,823,553
Total operating expenses	**437,823,812**	**321,038,940**
Net operating margins	**4,126,536**	**(1,474,580)**
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	**$ 1,315,473**	**$ 4,498,986**

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, 2023 and 2022

	2023	2022
G & T and other capital credits	$ 2,939,577	$ 19,176,908
Net margins before income taxes	**8,381,586**	**22,201,314**
Income taxes benefit (expense) (Note 13)	252,934	(336,781)
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 (Note 6)	(5,155,690)	(5,093,434)
Reclass to other equities	642,376	(5,539,650)
Patronage capital - end of year (Note 7)	**$ 473,587,532**	**$ 469,466,326**

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, 2023 and 2022

	2023	2022
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)	(1,569,996)	(1,569,996)
Total other comprehensive income	**7,378,747**	**2,336,892**
Comprehensive income	**$ 16,013,267**	**$ 24,201,425**

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, 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)**

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, 2023 and 2022

	2023	2022
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)
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	7,226,028	27,846,069
Cash and cash equivalents at end of year	**$ 8,432,096**	**$ 7,226,028**

	2023	2022
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 16,219,079	$ 7,408,846
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, 2023 and 2022

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. The Cooperative is a member of Brazos Electric Power Cooperative, Inc., of whom power delivered at retail was purchased wholesale through February 28, 2023. Effective March 1, 2023, Tri-County entered into a power purchase agreement with [redacted] that is in effect through December 31, 2025. Additionally, [redacted] serves as the Cooperative's Qualified Scheduling Entity (QSE) in ERCOT.

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 membership interest in Millennium Telcom, L.L.C. Although that membership interest was sold in 2020, the subsidiary still remains an active organization and may be used in the future for other investments.

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 31, 2023 and 2022:

	2023	2022
Contract assets:		
Accounts receivable - energy	$ 16,161,118	$ 12,740,858
Accounts Receivable - pole contacts	$ 363,552	$ 534,351
Unbilled revenue	$ 25,688,047	$ 23,770,000
Contract liabilities:		
Accrued power cost	$ -	$ 6,290,000
Accrued power cost recovery factor	$ 42,328,056	$ 8,984,481
Consumer energy prepayments	$ 1,300,810	$ 1,221,621

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the Cooperative for the years ending March 31, 2023 and 2022 was $545,633 and $486,347, 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, 2023 and 2022, deposits on hand totaled $6,100,562 and $5,317,026, 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 the 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. The Cooperative believes that there is no significant risk with respect to these deposits.

Patronage Capital Certificates

Operating 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 consolidated statement of cash flows, cash and cash equivalents include cash and other cash investments purchased with a maturity of three months 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) and CoBank.

3. PLANT AND RELATED DEPRECIATION

The major classes of utility plant are as follows as of March 31:

	2023	2022
Distribution Plant	$ 629,436,021	$ 559,825,345
General Plant	105,563,398	100,840,306
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**

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, 2023 and 2022, was $24,326,209 and $21,829,751, respectively, of which $21,806,629 and $20,018,458 was charged to depreciation expense, and $2,519,580 and $1,811,293 was allocated to other accounts.

4. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

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

	2023	2022
NRUCFC		
Capital Term Certificates	$ 6,903,732	$ 7,220,750
Patronage Capital	6,421,075	6,183,545
Membership	1,000	1,000
Member Capital Securities	10,000,000	10,000,000
Brazos Electric Power Cooperative, Inc.		
Patronage Capital	137,987,729	137,987,729
Membership	5	5
Texas Electric Cooperative, Inc.		
Patronage Capital	4,048,042	2,827,365
Membership	50	50
Meridian Cooperative, Inc.		
Patronage Capital	117,159	126,173
Federated Rural Electric Insurance Exchange		
Patronage Capital	129,973	129,350
CoBank		
Patronage Capital	51,325	-
Other	22,689	18,945
	$ 165,682,779	**$ 164,494,912**

5. DEFERRED DEBITS AND REGULATORY ASSETS

Deferred debits

Deferred debits include the following as of March 31:

	2023	2022
NISC Conversion Costs	60,051	-
Substation Land Deposits	25,000	-
NRECA R&S Contribution Prepayment	-	221,625
Other	-	6,212
	$ 85,051	**$ 227,837**

5. DEFERRED DEBITS AND REGULATORY ASSETS (continued)

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, 2023 and 2022 was $221,625 and $295,500. As of March 31, 2023, this prepayment has been fully amortized.

Regulatory assets

Regulatory assets include the following as of March 31:

	2023	2022
Brazos Winter Storm Uri Costs	$ 479,052,976	$ -
Brazos Winter Storm Uri Costs - Legal Expenses	7,658,621	-
	$ 486,711,597	**$ -**

Storm Uri Costs - During February 2021, the region experienced historically cold temperatures. As a result of the extreme weather, natural gas pricing reached extraordinary levels, which caused increases in the cost of power to the Cooperative's power provider, Brazos Electric Power Cooperative, Inc. The Cooperative has elected to defer these costs to be amortized and recognized in future periods by adopting ASC 980.

The Cooperative's share of these costs was $476,747,686, of which $2,154,903 was amortized into expense in 2023. The remaining $474,592,783 will be amortized over the next 20 years. The Cooperative deferred loan origination fees for a total of $4,505,245 and legal fees for $7,735,981 associated with the February 2021 Storm Uri Recovery Process that will be amortized over the next 20 years, of which $45,052 and $77,360 was amortized into expense in 2023, respectively.

6. RETURN OF CAPITAL

The joint mortgage with CFC & CoBank 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 31.5% of the total assets at the balance sheet date. Patronage Capital totaling $5,155,690 and $5,093,434 was retired for the years ended March 31, 2023 and 2022, respectively.

7. PATRONAGE CAPITAL AND OTHER EQUITIES

	2023	2022
Patronage Capital		
Total Patronage Capital	$ 534,049,590	$ 524,772,694
Less: Retired	60,462,058	55,306,368
	$ 473,587,532	**$ 469,466,326**
Other Equities		
Retired Capital Credits - Gain	$ 1,041,583	$ 990,068
Other	61,326	61,326
Non-Operating Margins - (Deficit)	(54,824,135)	(54,475,261)
	$ (53,721,226)	**$ (53,423,867)**

8. MORTGAGE NOTES AND NOTES UNDER MANAGEMENT

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

	2023	2022
CFC - Fixed rate notes - 3.33% to 6.78%	$ 224,672,461	$ 202,398,604
Farmer MAC Fixed Rate Notes - 4.44%	15,944,902	16,545,576
CoBank - Fixed rate notes - 5.79% to 6.72%	483,095,098	-
	723,712,461	**218,944,180**
Less: Unamortized conversion fees	(3,447,490)	(3,730,843)
Less: Current Maturities	(16,515,000)	(7,754,000)
	$ 703,749,971	**$ 207,459,337**

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 the 2023 fiscal year, the Cooperative recognized $283,353 of this conversion fee to interest expense.

8. MORTGAGE NOTES AND NOTES UNDER MANAGEMENT (continued)

Principal and interest installments are due quarterly. As of March 31, 2023, annual maturities of long-term debt for the next five years are as follows:

2024	$ 16,515,000
2025	$ 17,451,000
2026	$ 111,396,000
2027	$ 16,788,000
2028	$ 62,179,000

Although it is listed above, the Cooperative has the opportunity to re-finance the CoBank debt at maturity so it is likely that it will not be payable in full at maturity.

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, 2023 and 2022, $25,000,000 and $25,000,000, 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, 2023 and 2022, $92,500,000 and $39,500,000, respectively, was outstanding on the line of credit with CFC.

The Cooperative has a $100,000,000 Committed Line of Credit with CoBank, which is a secured revolving facility. Under the terms of this loan agreement, CoBank 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 November 4, 2023. As of March 31, 2023 and 2022, $0 and $0, respectively, was outstanding on the line of credit with CoBank.

10. DEFERRED CREDITS

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

	2023	2022
Aid to Construction	$ 5,020,888	$ 4,986,926
Consumer Prepayments	1,300,810	1,221,621
Other	1,168,962	1,088,289
Scholarship Funds	775,600	754,465
	$ 8,266,260	**$ 8,051,301**

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 2023 and 2022 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 $2,484,846 in 2023 and $2,199,783 in 2022.

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, 2022 and over 80 percent funded on January 1, 2023 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		
				2023	2022	2021
Retirement Security Plan number 333	53-0116145	Not required	Not applicable	$2,484,846	$2,199,783	$1,803,385

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 2023 and 2022 was $773,121 and $664,379 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 March 31, 2023, the Cooperative's contribution has been capped at $1,020 monthly for a retiree and spouse, or $510 monthly for a retiree without a spouse or a surviving spouse. As of March 31, 2023 and 2022, 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.

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

Amounts recognized in the Cooperative's March 31, 2023 and 2022 consolidated financial statements and funded status of the plan is as follows:

	2023	2022
(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**
(II) Accumulated Post-retirement Benefit Obligation (APBO) Reconciliation:		
APBO Beginning of Year	$ 20,029,725	$ 21,374,616
Service and Interest Cost	1,490,904	1,490,904
Benefits Paid	(547,901)	(502,803)
Prior Service Cost (Credit) Adjustment	(4,020,389)	-
Actuarial (Gain)/Loss Adjustment	(3,354,458)	(2,332,992)
Net Post-retirement Benefit Liability at Year End	**$ 13,597,881**	**$ 20,029,725**
(III) Reconciliation of Funded Status		
APBO at Year End	$ 13,597,881	$ 20,029,725
Fair Value of Plan Assets	-	-
Net APBO at Year End	**$ 13,597,881**	**$ 20,029,725**
(IV) Accumulated Other Comprehensive Income (Loss)		
Actuarial Loss - Beginning of Year	$ 582,372	$ (1,754,520)
Amortization of Actuarial Loss/(Gain)	1,573,896	1,573,896
Amortization of Prior Service Cost/(Credit)	(1,569,996)	(1,569,996)
Prior Service (Cost) Credit Adjustment	4,020,389	-
Current Actuarial Gain/(Loss)	3,354,458	2,332,992
Total	**$ 7,961,119**	**$ 582,372**

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

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 2024 is expected to be $0 and $2,003,695 will also be amortized in the fiscal year 2024 as a result of the prior service credit. The total recognized in other comprehensive income will be $2,003,695.

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

2024	$ 901,383
2025	$ 943,927
2026	$ 992,078
2027	$ 1,052,682
2028	$ 1,026,415
2029-2033	$ 4,868,564

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

Weighted Average Discount Rate	5.30%

13. INCOME TAXES

During the 2023 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

13. INCOME TAXES (continued)

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.

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, 2023, the total NOL carryover available to Value Choice was $57,340,508. NOLs of $52,610,115 attributed to the 2001 through 2017 tax years expire in varying amounts from March 31, 2024 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, 2023 and 2022. 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.

13. INCOME TAXES (continued)

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

	2023	2022
Federal:		
Deferred tax assets	$ 12,041,507	$ 13,055,365
Deferred tax liabilities	-	-
	12,041,507	**13,055,365**
Valuation allowance	(8,018,218)	(9,285,010)
	4,023,289	**3,770,355**
State:		
Deferred tax assets	2,780	2,780
Valuation allowance	-	-
	2,780	**2,780**
Total deferred income tax asset	**$ 4,026,069**	**$ 3,773,135**

The components of income taxes are as follows:

	2023	2022
Federal:		
Deferred tax benefit/(expense)	$ 252,934	$ (336,781)
	252,934	**(336,781)**
State:		
Current income tax expense	-	-
Deferred tax benefit/(expense)	-	-
	-	**-**
Total Federal and State income tax benefit/ (expense)	**$ 252,934**	**$ (336,781)**

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.

13. INCOME TAXES (continued)

The Cooperative files its income tax return in the U.S. federal jurisdiction. The Subsidiary files 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, 2023 and 2022.

14. RELATED PARTY TRANSACTIONS

Until February 28, 2023, the Cooperative was 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. Effective March 1, 2023, the Cooperative is only required to purchase all of its transmission and distribution services from Brazos, and no longer buys power from Brazos.

During the years ended March 31, 2023 and 2022, the Cooperative purchased $332,032,546 and $238,421,388, respectively, from Brazos. As of March 31, 2023 and 2022, amounts due to Brazos included in accounts payable were $5,854,109 and $16,011,900, respectively.

During the years ended March 31, 2023 and 2022, the Cooperative received non-cash capital credit allocations from Brazos of $0 and $16,043,889, respectively.

Brazos, filed for Chapter 11 Bankruptcy due to a crisis caused by the extreme cold weather (Winter Storm Uri) 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 sent the Cooperative estimated bills for these costs; however, the final costs were not settled until the conclusion of the bankruptcy.

In November 2022, the Chapter 11 Plan of Reorganization for Brazos was approved. As part of the Brazos Plan, the Cooperative's TAA balance paid was $476,747,686, and was funded by a loan from CoBank (Note 8).

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, 2023 and 2022 was $54,822,104 and $45,649,985, 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:

<u>Patronage Capital from Associated Organizations</u> – 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.

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

<u>Cash and Temporary Cash Investments</u> – Carrying value, given the short period to maturity.

17. 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.

17. PAYCHECK PROTECTION PROGRAM FUNDS (continued)

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.

18. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, management has evaluated and disclosed all material subsequent events through September 12, 2023, 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

September 12, 2023
Tulsa, Oklahoma

Consolidating Information

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Consolidating Balance Sheet

March 31, 2023

ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Utility plant, at cost				
Plant in-service	$ 734,999,419	$ -	$ -	$ 734,999,419
Construction work in progress	134,889,727	-	-	134,889,727
	869,889,146	**-**	**-**	**869,889,146**
Less: accumulated depreciation	204,179,831	-	-	204,179,831
Net utility plant	**665,709,315**	**-**	**-**	**665,709,315**
Other property and investments, at cost				
Investments in associated organizations	165,682,779	-	-	165,682,779
Investment in subsidiary	4,849,042	-	(4,849,042)	-
Total other property and investments	**170,531,821**	**-**	**(4,849,042)**	**165,682,779**
Current assets				
Cash and cash equivalents	7,526,361	905,735	-	8,432,096
Accounts receivable, less allowance for doubtful accounts of $1,674,691	14,486,427	-	-	14,486,427
Accrued utility revenues	25,688,047	-	-	25,688,047
Other receivables, less allowance for doubtful accounts	2,035,511	-	-	2,035,511
Accounts receivable - Value Choice	82,762	-	(82,762)	-
Prepaid expenses and other	2,015,744	-	-	2,015,744
Total current assets	**51,834,852**	**905,735**	**(82,762)**	**52,657,825**
Deferred tax asset	-	4,026,069	-	4,026,069
Regulatory assets	486,711,597	-	-	486,711,597
Deferred debits	85,051	-	-	85,051
TOTAL ASSETS	**$ 1,374,872,636**	**$ 4,931,804**	**$ (4,931,804)**	**$ 1,374,872,636**

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Consolidating Balance Sheet

March 31, 2023

LIABILITIES and NET ASSETS	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Equities and margins:				
Membership fees and common stock	$ 2,606,914	$ -	$ -	$ 2,606,914
Patronage capital and retained deficit	473,587,532	-	-	473,587,532
Other equities	(53,721,226)	4,849,042	(4,849,042)	(53,721,226)
Accumulated other comprehensive income	7,961,119	-	-	7,961,119
Total equities and margins	**430,434,339**	**4,849,042**	**(4,849,042)**	**430,434,339**
Long-term liabilities:				
Long-term debt less current maturities	703,749,971	-	-	703,749,971
APBO other than pensions	13,597,881	-	-	13,597,881
Total long-term liabilities	**717,347,852**	**-**	**-**	**717,347,852**
Current liabilities:				
Current maturities of long-term debt	16,515,000	-	-	16,515,000
Line of credit	117,500,000	-	-	117,500,000
Accounts payable	29,194,040	-	-	29,194,040
Accounts payable - Tri-County	-	82,762	(82,762)	-
Overbilled wholesale power cost adjustment	42,328,056	-	-	42,328,056
Accrued unbilled power cost	-	-	-	-
Accrued interest	821,388	-	-	821,388
Accrued expenses	6,365,139	-	-	6,365,139
Consumer deposits	6,100,562	-	-	6,100,562
Total current liabilities	**218,824,185**	**82,762**	**(82,762)**	**218,824,185**
Deferred credits	8,266,260	-	-	8,266,260
TOTAL LIABILITIES and EQUITIES	**$ 1,374,872,636**	**$ 4,931,804**	**$ (4,931,804)**	**$ 1,374,872,636**

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Consolidating Statement of Margins

Year Ended March 31, 2023

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Operating revenue	**$ 441,950,348**	**$ -**	**$ -**	**$ 441,950,348**
Operating expenses:				
Cost of power	339,851,301	-	-	339,851,301
Distribution expense - operations	10,606,724	-	-	10,606,724
Distribution expense - maintenance	17,421,965	-	-	17,421,965
Consumer accounts	9,905,342	-	-	9,905,342
Customer service and information	1,244,935	-		1,244,935
Sales	806,923	-	-	806,923
Administrative and general	15,347,204	4,326	-	15,351,530
Depreciation and amortization	21,806,629	-	-	21,806,629
Taxes	9,198	-	-	9,198
Interest	16,466,185	-	-	16,466,185
Other interest and deductions	4,353,080	-	-	4,353,080
Total operating expenses	**437,819,486**	**4,326**	**-**	**437,823,812**
Net operating margins	**4,130,862**	**(4,326)**	**-**	**4,126,536**
Nonoperating margins				
Interest and dividend income	811,840	-	-	811,840
Net margin from subsidiary	248,608	-	(248,608)	-
Gain on sale of assets	452,821	-	-	452,821
Other nonoperating income	50,812	-	-	50,812
Total nonoperating margins	**1,564,081**	**-**	**(248,608)**	**1,315,473**
G & T and other capital credits	2,939,577	-	-	2,939,577
Net margins before income taxes	**8,634,520**	**(4,326)**	**(248,608)**	**8,381,586**
Income taxes benefit (expense)	-	252,934	-	252,934
Net margins	**8,634,520**	**248,608**	**(248,608)**	**8,634,520**
Patronage capital - beginning of year	469,466,326	4,600,434	(4,600,434)	469,466,326
Reclass to other equities	642,376	-	-	642,376
Retirement of capital credits	(5,155,690)	-	-	(5,155,690)
Patronage capital - end of year	**$ 473,587,532**	**$ 4,849,042**	**$ (4,849,042)**	**$ 473,587,532**

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Consolidating Statement of Comprehensive Income

Year Ended March 31, 2023

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation/ Elimination Entries	Consolidated
Net margins for year	**$ 8,634,520**	**$ 248,608**	**$ (248,608)**	**$ 8,634,520**
Other comprehensive income:				
Current gain on APBO	3,354,458	-	-	3,354,458
Prior service credit adjustment	4,020,389	-	-	4,020,389
Amortization of loss on APBO	1,573,896	-	-	1,573,896
Amortization of prior year service cost (credit)	(1,569,996)	-	-	(1,569,996)
Total other comprehensive income	**7,378,747**	**-**	**-**	**7,378,747**
Comprehensive income	**$ 16,013,267**	**$ 248,608**	**$ (248,608)**	**$ 16,013,267**

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Consolidating Statement of Cash Flows

Year Ended March 31, 2023

	Tri-County Electric Cooperative, Inc.	Value Choice, Inc.	Consolidation /Elimination Entries	Consolidated
Cash flows from operating activities:				
Net margins	$ 8,634,520	$ 248,608	$ (248,608)	$ 8,634,520
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	24,326,209	-	-	24,326,209
Amortization	2,782,293	-	-	2,782,293
Loss from subsidiary	(248,608)	-	248,608	-
Investment allocations from associated organizations	(2,939,577)	-	-	(2,939,577)
Postretirement benefits accruals	1,494,804	-	-	1,494,804
Unbilled revenue accruals	(1,918,047)	-	-	(1,918,047)
Deferred income taxes	-	(252,934)	-	(252,934)
Changes in:				
Investments in associated organizations	1,751,710	-	-	1,751,710
Accounts receivable	(4,280,122)	-		(4,280,122)
Other current and accrued assets	(145,291)	-	-	(145,291)
Regulatory assets	(488,988,912)	-	-	(488,988,912)
Deferred debits	(78,839)	-	-	(78,839)
Accounts payable	4,511,436	4,326	-	4,515,762
Payments on postretirement health benefits	(547,901)	-	-	(547,901)
Consumer deposits	783,536	-	-	783,536
Deferred credits	214,959	-	-	214,959
Other current and accrued liabilities	27,652,368	-	-	27,652,368
Net cash from operating activities	**(426,995,462)**	**-**	**-**	**(426,995,462)**
Cash flows from investing activities:				
Extension and replacement of plant	(119,004,818)	-	-	(119,004,818)
Plant removal cost	(5,871,338)	-	-	(5,871,338)
Material returned to stock from retirements	2,782	-	-	2,782
Net cash from investing activities	**(124,873,374)**	**-**	**-**	**(124,873,374)**
Cash flows from financing activities:				
Memberships and other equities	462,313	-	-	462,313
Advances on line of credit	53,000,000	-	-	53,000,000
Borrowings on long-term debt	515,000,000	-	-	515,000,000
Payments on long-term debt	(10,231,719)	-	-	(10,231,719)
Retirement of patronage capital	(5,155,690)	-	-	(5,155,690)
Net cash from financing activities	**553,074,904**	**-**	**-**	**553,074,904**
Net change in cash and cash equivalents	**1,206,068**	**-**	**-**	**1,206,068**
Cash and cash equivalents at beginning of year	6,320,293	905,735	-	7,226,028
Cash and cash equivalents at end of year	**$ 7,526,361**	**$ 905,735**	**$ -**	**$ 8,432,096**

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 organizations	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 $1,218,459	11,522,399	-	-	11,522,399
Accrued utility revenues	23,770,000	-	-	23,770,000
Other receivables, less allowance for doubtful accounts	723,743	-	-	723,743
Accounts receivable - Value Choice	78,436	-	(78,436)	-
Prepaid expenses and other	1,870,453	-	-	1,870,453
Total current assets	**44,285,324**	**905,735**	**(78,436)**	**45,112,623**
Deferred tax asset	-	3,773,135	-	3,773,135
Deferred debits	227,837	-	-	227,837
TOTAL ASSETS	**$ 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
Consumer 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**
Income taxes benefit (expense)	-	(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
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)
Total other comprehensive income	**2,336,892**	**-**	**-**	**2,336,892**
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 organizations	(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**

Accompanying Information

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Electric Plant in Service

For the Year Ended March 31, 2023

	Balance 4/1/2022	Additions	Retirements	Balance 3/31/2023
Distribution plant				
Land and land rights	$ 2,337,641	$ -	$ -	$ 2,337,641
Structures and improvements	1,666	-	-	1,666
Station equipment	763,806	-	-	763,806
Poles, towers, and fixtures	80,960,736	14,251,763	3,478,119	91,734,380
Overhead conductors and devices	80,656,300	13,998,601	1,913,544	92,741,357
Underground conduit	85,753,124	13,623,294	113,545	99,262,873
Underground conductors and devices	97,801,911	16,483,800	915,678	113,370,033
Line transformers	104,979,307	17,712,034	4,804,307	117,887,034
Services	49,886,765	2,506,041	182,676	52,210,130
Meters	41,199,427	749,608	-	41,949,035
Street lights and signals	15,484,662	2,141,797	448,393	17,178,066
Total	**559,825,345**	**81,466,938**	**11,856,262**	**629,436,021**
General Plant				
Land and land rights	37,004,188	427,252	-	37,431,440
Structures and improvements	23,631,917	287,938	427,252	23,492,603
Office furniture and equipment	9,883,056	1,290,361	45,472	11,127,945
Transportation equipment	5,640,083	1,632,900	633,804	6,639,179
Store equipment	9,725	-	-	9,725
Tools, shop and garage equipment	724,970	83,892	-	808,862
Laboratory equipment	163,648	6,586	-	170,234
Power operated equipment	13,252,429	2,435,634	400,943	15,287,120
Communications equipment	10,501,248	66,000	-	10,567,248
Miscellaneous equipment	29,042	-	-	29,042
Total	**100,840,306**	**6,230,563**	**1,507,471**	**105,563,398**
Total classified electric plant in service	**660,665,651**	**87,697,501**	**13,363,733**	**734,999,419**
Construction work in progress	104,784,133	-	-	134,889,727
Total utility plant	**$ 765,449,784**	**$ 87,697,501**	**$ 13,363,733**	**$ 869,889,146**

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

Accumulated Provision for Depreciation

For the Year Ended March 31, 2023

	Balance 4/1/2022	Depreciation Accruals	Retirements	Transfers	Balance 3/31/2023
Distribution plant	**$ 184,924,843**	**$ 19,147,393**	**$ 17,327,151**	**$ -**	**$ 186,745,085**
General plant					
Structures and improvements	4,758,994	819,881	38,221	-	5,540,654
Office furniture and equipment	7,065,794	855,051	4,555	-	7,916,290
Transportation equipment	2,382,150	1,059,017	619,502	-	2,821,665
Stores equipment	4,962	228	-	-	5,190
Tools, shop and garage equipment	525,298	32,954	-	-	558,252
Laboratory equipment	93,964	11,025	-	-	104,989
Power operated equipment	4,463,269	1,385,739	310,074	-	5,538,934
Communications equipment	1,942,835	1,014,457	-	-	2,957,292
Miscellaneous equipment	26,025	464	-	-	26,489
Total general plant	**21,263,291**	**5,178,816**	**972,352**	**-**	**25,469,755**
Total classified electric plant in service	**206,188,134**	**24,326,209**	**18,299,503**	**-**	**212,214,840**
Retirement work in progress	(5,900,500)	-	-	-	(8,035,009)
Total electric plant	**$ 200,287,634**	**$ 24,326,209**	**$ 18,299,503**	**$ -**	**$ 204,179,831**

(1) Charged to depreciation expense	$ 21,806,629	
Charged to clearing and other accounts	2,519,580	
	$ 24,326,209	
(2) Original cost of units retired		$ 12,430,947
Add: cost of removal		5,871,338
Less: salvage and other credits		2,782
Net loss due to retirement		**$ 18,299,503**

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, 2023 and 2022, 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, 2023 and 2022 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

September 12, 2023
Tulsa, Oklahoma

Members American Institute of Certified Public Accountants
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