

March 10, 2023

To the Board of Directors
Adams-Columbia Electric Cooperative
Friendship, Wisconsin

Dear Board Members:

We have audited the financial statements of Adams-Columbia Electric Cooperative for the year ended December 31, 2022, and have issued our report thereon dated March 10, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Adams-Columbia Electric Cooperative are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. Management's estimate of the depreciation of plant is based on assumptions of the estimated useful life and industry standards. We evaluated the key factors and assumptions used to develop the depreciation estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Qualitative Aspects of Accounting Practices (Continued)

2. Management's estimate of the accumulated provision for uncollectible accounts (both accounts and notes receivable) is based on management's estimate of the likelihood that existing receivables will become uncollectible. This is based on conditions known as of December 31, 2022 as well as a review of write off history from prior years. We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No such misstatements were noted and there were no significant audit entries proposed to management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We appreciate the opportunity to be of service to Adams-Columbia Electric Cooperative. This letter is intended solely for the use of the Board of Directors and management of Adams-Columbia Electric Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Bauman Associates, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE
FRIENDSHIP, WISCONSIN
FINANCIAL STATEMENTS
December 31, 2022 and 2021
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE
FRIENDSHIP, WISCONSIN**

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Report of Independent Certified Public Accountants

Board of Directors
Adams-Columbia Electric Cooperative
Friendship, Wisconsin

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Adams-Columbia Electric Cooperative, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, equities, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adams-Columbia Electric Cooperative as of December 31, 2022 and 2021, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Adams-Columbia Electric Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Adams-Columbia Electric Cooperative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Adams-Columbia Electric Cooperative'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adams-Columbia Electric Cooperative'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Balance Sheets – Intermediary Relending Program and the Schedule of Income and Fund Balance – Intermediary Relending Program on pages 27 - 30 are presented for purposes of additional analysis and are not a required part of the 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 basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 basic financial statements as a whole.

Bauman Associates, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire, Wisconsin
March 10, 2023

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
BALANCE SHEETS
December 31, 2022 and 2021

	2022	2021
ASSETS		
PLANT:		
In service	\$ 288,396,458	\$ 278,620,745
Construction work in progress	1,335,346	1,560,011
Total plant	289,731,804	280,180,756
Less - Accumulated provision for depreciation	87,014,606	80,111,176
Net plant	202,717,198	200,069,580
INVESTMENTS AND OTHER ASSETS:		
Nonutility plant	37,445	37,445
Investments in associated organizations	26,556,953	26,253,396
Deferred compensation - Investments held in trust	316,578	468,972
Notes receivable - Net of current portion	759,815	1,273,710
Total investments and other assets	27,670,791	28,033,523
CURRENT ASSETS:		
Cash - General	712,701	2,781,154
Temporary cash investments	3,627,673	5,364,861
Notes receivable - Current portion	288,815	137,404
Accounts receivable (less accumulated provision for uncollectible accounts of \$622,085 in 2022 and \$655,249 in 2021)	8,841,658	7,682,610
Materials and supplies	3,025,846	1,978,848
Other current assets	532,227	483,463
Total current assets	17,028,920	18,428,340
DEFERRED DEBITS	293,676	715,349
TOTAL ASSETS	\$ 247,710,585	\$ 247,246,792

The accompanying notes are an integral part of these statements.

	2022	2021
EQUITIES AND LIABILITIES		
EQUITIES:		
Patronage capital	\$ 88,294,857	\$ 90,725,140
Other equities	<u>23,312,053</u>	<u>19,785,036</u>
Total equities	<u>111,606,910</u>	<u>110,510,176</u>
LONG-TERM LIABILITIES	<u>119,569,282</u>	<u>120,176,613</u>
DEFERRED COMPENSATION	<u>316,578</u>	<u>468,972</u>
CURRENT LIABILITIES:		
Current maturities of long-term liabilities	5,285,000	5,327,000
Accounts payable	4,811,656	4,661,675
Customer deposits	1,518,518	1,524,714
Other current liabilities	<u>2,287,102</u>	<u>2,782,636</u>
Total current liabilities	<u>13,902,276</u>	<u>14,296,025</u>
DEFERRED CREDITS	<u>2,315,539</u>	<u>1,795,006</u>
TOTAL EQUITIES AND LIABILITIES	\$ <u>247,710,585</u>	\$ <u>247,246,792</u>

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
STATEMENTS OF OPERATIONS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES	\$ <u>85,549,570</u>	\$ <u>73,322,588</u>
OPERATING EXPENSES:		
Cost of power	50,611,180	35,701,842
Power Generation - Riverside	729,299	663,656
Distribution - Operations	3,523,281	2,859,821
Distribution - Maintenance	3,917,767	3,306,084
Consumer accounts	1,480,547	1,400,873
Customer service and informational	517,744	444,018
Administrative and general	3,232,855	2,967,672
Depreciation	9,440,616	9,284,337
Taxes	<u>1,262,532</u>	<u>1,262,044</u>
Total operating expenses	<u>74,715,821</u>	<u>57,890,347</u>
OPERATING MARGINS BEFORE FIXED CHARGES	10,833,749	15,432,241
FIXED CHARGES:		
Interest on long-term liabilities	<u>5,049,367</u>	<u>5,148,149</u>
OPERATING MARGINS AFTER FIXED CHARGES	5,784,382	10,284,092
PATRONAGE CAPITAL ALLOCATIONS	<u>732,896</u>	<u>761,490</u>
NET OPERATING MARGINS	<u>6,517,278</u>	<u>11,045,582</u>
NON-OPERATING MARGINS:		
Interest and dividend income	460,608	327,112
Other non-operating margins	<u>5,037,228</u>	<u>3,000,931</u>
Total non-operating margins	<u>5,497,836</u>	<u>3,328,043</u>
NET MARGINS FOR PERIOD	\$ <u><u>12,015,114</u></u>	\$ <u><u>14,373,625</u></u>

The accompanying notes are an integral part of these statements.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
STATEMENTS OF EQUITIES
Years Ended December 31, 2022 and 2021

	<u>Patronage Capital</u>		<u>Other Equities</u>			
	<u>Assigned</u>	<u>Assignable</u>	<u>Nonoperating Margins</u>	<u>Donated Capital</u>	<u>Other Equities</u>	<u>Total</u>
Balance at December 31, 2020	\$ 73,184,751	\$ 10,562,140	\$ 14,557,748	\$ 3,526,667	\$ 73,602	\$ 101,904,908
Assignment of 2020 operating margins and retention of 2020 nonoperating margins	9,170,598	(10,562,140)	1,391,542	-	-	-
Retirements of equities	(6,003,834)	-	-	-	-	(6,003,834)
Net other equity changes 12-31-21	-	-	-	235,477	-	235,477
Net margins - year ended 12-31-21	<u>-</u>	<u>14,373,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,373,625</u>
Balance at December 31, 2021	76,351,515	14,373,625	15,949,290	3,762,144	73,602	110,510,176
Assignment of 2021 operating margins and retention of 2021 nonoperating margins	11,372,694	(14,373,625)	3,000,931	-	-	-
Retirements of equities	(11,444,466)	-	-	-	-	(11,444,466)
Net other equity changes 12-31-22	-	-	-	526,086	-	526,086
Net margins - year ended 12-31-22	<u>-</u>	<u>12,015,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,015,114</u>
Balance at December 31, 2022	<u>\$ 76,279,743</u>	<u>\$ 12,015,114</u>	<u>\$ 18,950,221</u>	<u>\$ 4,288,230</u>	<u>\$ 73,602</u>	<u>\$ 111,606,910</u>

The accompanying notes are an integral part of these statements.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 12,015,114	\$ 14,373,625
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation:		
Operating expense	9,440,616	9,284,337
Clearing	531,588	508,209
Patronage capital allocations	(732,896)	(761,490)
Loss (gain) on disposition of property	(43,963)	9,228
Equity allocations from LLC investments	(1,058,360)	(1,174,587)
Write-offs net of recoveries	(33,164)	136,157
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,125,884)	(1,204,611)
Decrease (increase) in resale and other inventory	(57,664)	4,162
Decrease (increase) in other current assets and deferred debits	372,909	144,483
Increase (decrease) in accounts payable	149,981	1,566,561
Increase (decrease) in other current liabilities	(552,029)	(333,490)
Total adjustments	<u>6,891,134</u>	<u>8,178,959</u>
Net cash provided by operating activities	<u>18,906,248</u>	<u>22,552,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments	1,850,183	1,713,403
Purchase of investments	-	(14,562)
West Riverside investments	-	(2,562,297)
Extensions and replacements of plant	(12,877,712)	(11,760,209)
Plant removal costs	(659,732)	(663,930)
Proceeds on salvaged plant	<u>44,300</u>	<u>142,840</u>
Net cash used in investing activities	<u>(11,642,961)</u>	<u>(13,144,755)</u>

The accompanying notes are an integral part of these statements.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of patronage capital	\$ (10,419,597)	\$ (5,927,020)
Proceeds from debt issuance	5,000,000	-
Principal payments on long-term liabilities	<u>(5,649,331)</u>	<u>(4,724,931)</u>
Net cash provided by (used in) financing activities	<u>(11,068,928)</u>	<u>(10,651,951)</u>
Net change in cash and cash equivalents	(3,805,641)	(1,244,122)
Cash and cash equivalents at beginning	<u>8,146,015</u>	<u>9,390,137</u>
Cash and cash equivalents at end	<u>\$ 4,340,374</u>	<u>\$ 8,146,015</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ <u>5,065,435</u>	\$ <u>5,124,198</u>
Supplemental information on non-cash investing and financing activities:		
The Cooperative records patronage capital allocations from associated organizations, as revenue and as an increase in investments in associated organizations. The amounts recorded were as follows:		
Patronage capital allocations	\$ <u>732,896</u>	\$ <u>761,490</u>
The Cooperative records allocations of investee company earnings as revenue and as an increase in investments. The amounts were:		
Net credits to investment income - equity in the partnership income of LLC investments	\$ <u>1,058,360</u>	\$ <u>1,174,587</u>

The accompanying notes are an integral part of these statements.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Adams-Columbia Electric Cooperative (“the Cooperative”) was incorporated December 12, 1938. The Cooperative is a corporation operating as a not-for-profit rural electric distribution cooperative headquartered in Friendship, Wisconsin. The primary purpose of the Cooperative is to provide electricity to its members through wholesale power purchases and subsequent distribution. The Cooperative’s primary service area is located in the central Wisconsin counties of Adams, Marquette, Columbia, and Waushara Counties and portions of Dodge, Green Lake, Wood, Sauk, Jefferson, Dane, Waupaca, and Portage Counties. Net operating margins are allocated to members on the books of the Cooperative on a patronage basis in the form of patronage capital. The Cooperative presently retires patronage capital on a percentage of total year margins.

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Development Utilities Program Service (RDUP).

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Cooperative considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Plant, Maintenance and Depreciation

Plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials and overhead items. Contributions from others toward the construction of electric 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.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant, Maintenance and Depreciation (Continued)

Maintenance and repairs, including the renewal of minor items of plant not comprising 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.

Depreciation of distribution plant is provided through the use of composite straight-line rates as set forth in Note 3. General plant is depreciated on a straight-line basis.

Non-utility property is recorded at cost and depreciated over the estimated useful lives on a straight-line basis.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or their fair value less cost to sell.

Asset Retirement Obligation

GAAP requires entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accrued to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. The Cooperative has determined it does not have a material legal obligation to remove the long-lived assets as described by current GAAP, and accordingly has not recognized any asset retirement obligation costs in its financial statements for the years ended December 31, 2022 and 2021.

Investments

Investments are generally in other cooperatives and are recorded at their original cost, including undistributed patronage capital allocations. These investments are not transferable. No cash is received until such time as they are redeemed at the discretion of the issuing cooperative. Capital credits and patronage refunds are recorded as a reduction in the investment in the year in which they are received.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

The Cooperative's investment in Mid-Wisconsin DBS, LLC of 50% for 2022 and 2021, is accounted for under the equity method because the Cooperative exercises significant influence over its operating and financial activities. Accordingly, the investment in Mid-Wisconsin DBS, LLC is carried at cost and adjusted for the company's proportionate share of earnings or losses. This is considered a related party.

The Cooperative's investment of 0.59% in American Transmission Company, LLC is accounted for under the equity method because the LLC maintains a specific ownership account for the Cooperative and this method is a better approximation of the Cooperative's economic interests in this LLC. Accordingly, the investment in American Transmission Company, LLC is carried at cost and adjusted for the company's proportionate share of earnings and losses. This is considered a related party.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations, which generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount plus accrued interest. Unpaid accounts over thirty days old bear interest at 1% per month. Notes receivable are stated at principal and are collateralized.

Account balances with invoices over 60 days old are considered delinquent. Account balances that remain unpaid after 75-90 days will have any patronage capital balances applied to the unpaid balance at a discounted rate. If an unpaid balance remains after patronage capital is applied, the balance is turned over to a collection agency at that time. A note receivable is considered delinquent when the debtor fails to make two or more consecutive payments. Payments of accounts receivable are applied to the specific invoices on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices. Payments of notes receivable are allocated first to unpaid interest with the remainder to the outstanding principal balance.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual notes receivable and accounts receivable balances based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses. Changes in the valuation allowance have not been material to the financial statements.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Materials and supplies and resale merchandise are valued at the lower of average cost or market. Materials and supplies inventory consist of line materials.

Income Taxes

The Cooperative is exempt from income taxes under Section 501 (c) (12) of the Internal Revenue Code as long as more than 85 percent of revenue is received from its members. Deferred taxes are provided for timing differences between financial accounting and income tax reporting as well as the estimated future benefit of net operating losses relative to unrelated business taxable income.

The Organization will recognize any accrued interest and penalties related to unrecognized benefits in income tax, if incurred.

Concentrations of Credit Risk

Financial instruments that potentially subject the Cooperative to concentrations of credit risk consist principally of cash equivalents, accounts receivable and notes receivable.

The Cooperative maintains cash and investment balances at financial institutions, which at times, may exceed federally insured (FDIC) limits and amounts pledged as collateral. The Cooperative has a pledge of \$800,000 in investments as collateral for deposits in excess of the FDIC limits from one of its banks. The Cooperative has not experienced any losses from these accounts and the Cooperative believes it is not exposed to any significant risk on such balances.

The Cooperative grants unsecured credit for service to members, all of whom are located in the service area. The collectability of accounts is dependent upon the economy of the service area, which is primarily agricultural. The members are located in the rural areas of Adams, Marquette, Columbia, and Waushara Counties and portions of Dodge, Green Lake, Wood, Sauk, Jefferson, Dane, Waupaca, and Portage Counties. The Cooperative also grants unsecured credit through loans issued for energy conservation and economic development projects in its service area.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Utility Regulation

The Cooperative is subject to regulation for rates and other matters by the Board of Directors and follows accounting policies prescribed by the Board. The Cooperative prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which includes the provisions of Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 980 Regulated Operations (FASB ASC 980). FASB ASC 980 requires cost-based, rate regulated enterprises, such as the Cooperative, to reflect the impact of regulatory decisions in their financial statements. The balance sheets include regulatory assets and liabilities as appropriate. The Cooperative reports no regulatory assets or liabilities as of December 31, 2022 and 2021. The Cooperative believes, based on current regulatory circumstances, that its use of regulatory accounting is appropriate and in accordance with the provisions of FASB ASC 980.

Revenue from Contracts with Customers

Performance obligations related to the sale of energy are satisfied as energy is delivered to members. The Cooperative recognizes revenue that corresponds to the price of the energy delivered to the member. The measurement of energy sales to members is generally based on cycle reading of member's meters. Accruals for unbilled revenue are made at the end of each month for cycle periods that differ from month end. Payments for energy delivered are due from members the following month. The following table presents receivables and liabilities which relate to customer activity (there are no contract assets):

Electric customer accounts receivable:

2022	2021	2020
\$ <u>9,044,782</u>	\$ <u>7,940,585</u>	\$ <u>6,789,138</u>

Contract liabilities - customer deposit and prepayments on customer balance:

2022	2021	2020
\$ <u>1,518,518</u>	\$ <u>1,524,714</u>	\$ <u>1,548,688</u>

The Cooperative does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature. The Cooperative presents its revenue net of any excise or sales taxes or fees.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Cooperative's advertising costs are expensed as they are incurred.

Subsequent Events

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through March 10, 2023, the date the financial statements were available to be issued.

Deferred Compensation

The Cooperative has deferred compensation agreements with a retired CEO and elective deferrals of former Directors of the Board. The funds are segregated in a separate investment account, the purpose of which is to provide the funding for the deferred compensation in the future. These funds plus investment income earned on them are to be paid out over a fifteen-year period following retirement.

Leases

Effective January 1, 2022 the Cooperative adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the term.

The company elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Cooperative to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. As a result, the Cooperative reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 840.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (continued)

The Cooperative elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The cooperative also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The adoption of FASB ASC 842, *Leases*, resulted in no impact to the financial statements.

Note 2 ASSETS PLEDGED

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

Note 3 PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of December 31, 2022 and 2021:

	2022	2021
Organization	\$ 62,481	\$ 64
Distribution plant	237,082,938	227,917,590
General plant	18,403,473	18,281,057
Riverside generation plant	32,847,566	32,422,034
Plant in service	288,396,458	278,620,745
Construction work in progress	1,335,346	1,560,011
 Total plant, at cost	 \$ 289,731,804	 \$ 280,180,756

Depreciation rates for individual distribution plant accounts are as follows:

Underground conductor	3.50%
Other distribution plant	2.88%
Automated meter reading (AMR) devices	6% - 10%

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 3 PLANT AND DEPRECIATION PROCEDURES

General plant depreciation rates have been applied on a straight-line basis and are as follows:

Structures and improvements	2 - 14%
Transportation equipment	7 - 15%
Office furniture and equipment	5 - 33%
Power operated equipment	7 - 15%
Communications equipment	3 - 25%
Other general plant	3 - 33%

Generation plant assets relate to the Cooperative's 4.5% interest in a natural gas-fired combined cycle generation facility, referred to as the West Riverside Generating Station in Rock County, Wisconsin. These assets are depreciated using a rate of 2.86% per annum rate.

Note 4 INVESTMENTS

The Cooperative is also associated with NRUCFC. The repayment terms of the capital term certificates (CTC's) are such that the first return of investment will be received in 2070. The CTC's earn interest at 5%. The loan term certificates (LTC's) bear interest at 3% and mature starting in 2025. The zero term certificates (ZTC's) are non-interest bearing and began maturing serially in 2011. CFC member capital securities bear interest at 5.0% as of December 31, 2022, are callable on December 30, 2023 and mature on December 30, 2043.

A summary of investments at December 31, 2022 and 2021 consisted of the following:

	2022	2021
<u>Investments in associated organizations:</u>		
NRUCFC	\$ 3,647,421	\$ 3,468,677
Investments in other associated organizations	2,964,968	3,059,420
Investment in Mid-Wisconsin DBS, LLC (related party)	1,201,655	1,262,452
Investment in ATC, LLC (related party)	13,976,104	13,679,119
Investments in Securities to be held-to-maturity:		
Investment in CFC member capital securities - 5.0%	2,500,000	2,500,000
Investment in NRUCFC - CTC - 5%	1,049,278	1,049,278
Investment in NRUCFC - LTC - 3%	216,000	216,000
Investment in NRUCFC - ZTC	1,001,527	1,018,450
Investments in associated organizations	<u>\$ 26,556,953</u>	<u>\$ 26,253,396</u>

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 4 INVESTMENTS (Continued)

<u>Notes receivable:</u>	<u>2022</u>	<u>2021</u>
3% note to Ship-Rec Logistics, Inc. Monthly payments of \$1,352 due by the 1st of each month from 5/1/2016 to maturity on 12/31/2023 at which time a balloon payment is due. Secured by a mortgage on property, liens on all equipment and personal guarantees.	\$ 53,485	\$ 67,869
3% note to Ship-Rec Logistics, Inc. Monthly payments of \$2,410 due by the 1st of each month from 1/1/2016 to maturity on 12/31/2023, at which time a balloon payment is due. Secured by a mortgage on property, liens on all equipment and personal guarantees.	84,042	110,016
1% note to Chula Vista, Inc. 23 monthly payments of \$870 are due by the 1st of each month beginning 6/1/2018. A final installment of all remaining principal and accrued interest is due on 6/1/2023. Secured by a second lien on real estate purchased with these loan funds. Note was paid off in 2022.	-	121,432
3.75% note to Tween the Lakes Motel, LLC. 59 monthly payments of \$1,818 are due by the 1st of each month beginning 10/1/2018. A final installment of all remaining principal and accrued interest is due on 9/1/2023. Secured by a first lien on real estate purchased with these loan funds.	200,620	214,625

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 4 INVESTMENTS (Continued)

Notes receivable (continued):

	<u>2022</u>	<u>2021</u>
1.0% note to Chula Vista, Inc. 23 monthly payments of \$870 are due by the 1st of each month beginning 6/1/2018. A final installment of all remaining principal and accrued interest is due on 6/1/2023. Secured by a first lien on real estate purchased with these loan funds. Note paid off in 2022.	-	121,432
3% note to Seed Link, LLC. 118 monthly payments of \$2,415 are due by the 1st of each month beginning 11/1/2019. A final installment of all remaining principal and accrued interest is due on 9/1/2029. Secured by a mortgage on the property to be purchased with these funds.	179,374	202,593
3% note to Seed Link, LLC. 118 monthly payments of \$386 are due by the 1st of each month beginning 11/1/2019. A final installment of all remaining principal and accrued interest is due on 9/1/2029. Secured by a mortgage on the property to be purchased with these funds.	28,596	32,345
3% note to Dez Holdings, LLC. 59 monthly payments of \$693 are due by the 1st of each month beginning 6/1/2019. A final installment of all remaining principal and accrued interest is due on 5/1/2024. Secured by a mortgage on the property to be purchased with these funds.	107,830	112,833

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 4 INVESTMENTS (Continued)

<u>Notes receivable (continued):</u>	<u>2022</u>	<u>2021</u>
3% note to Dez Holdings, LLC. 59 monthly payments of \$693 are due by the 1st of each month beginning 6/1/2019. A final installment of all remaining principal and accrued interest is due on 5/1/2024. Secured by a mortgage on the property to be purchased with these funds.	107,830	112,833
3% note to Hoozel's at the Lakes LLC. 59 monthly payments of \$1,079 are due by the 1st of each month beginning 6/1/2020. A final installment of all remaining principal and accrued interest is due on 5/1/2025. Secured by a mortgage on the property to be purchased with these funds	32,323	44,109
4% note to Hoozel's at the Lakes LLC. 59 monthly payments of \$526 are due by the 1st of each month beginning 6/1/2020. A final installment of all remaining principal and accrued interest is due on 6/1/2025. Secured by a mortgage on the property to be purchased with these funds	105,726	107,764
4% note to Hoozel's at the Lakes LLC. 59 monthly payments of \$1,194 are due by the 1st of each month beginning 6/1/2020. A final installment of all remaining principal and accrued interest is due on 6/1/2025. Secured by a mortgage on the property to be purchased with these funds	240,330	244,944
	1,140,156	1,492,795
Less - Allowance for doubtful notes receivable	95,440	95,440
Net notes receivable - Intermediary relending and economic development loan programs	1,044,716	1,397,355
Rural Energy Savings Program loan.	3,914	13,759
Less - Current portion of notes receivable	288,815	137,404
Noncurrent portion of notes receivable	\$ 759,815	\$ 1,273,710

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 5 MATERIALS AND SUPPLIES

At December 31, 2022 and 2021, materials and supplies were classified into the following categories:

	2022	2021
Electric line materials	\$ 2,948,881	\$ 1,959,547
Resale and other	76,965	19,301
Total	<u>\$ 3,025,846</u>	<u>\$ 1,978,848</u>

Note 6 DEFERRED DEBITS

At December 31, 2022 and 2021, deferred debits consisted of:

	2022	2021
NRECA RS plan prepayment	\$ -	\$ 362,987
Miscellaneous	293,676	352,362
Total	<u>\$ 293,676</u>	<u>\$ 715,349</u>

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the Retirement Security (RS) Plan (a defined benefit multiemployer pension plan) to make a prepayment and reduce future required contributions. The prepayment amount is the cooperative'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 Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from that expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15-year period. On April 30, 2013 the Cooperative made a prepayment of \$3,629,877 to the NRECA RS Plan. The Cooperative has amortized this amount over ten years.

Note 7 LINE OF CREDIT

The Cooperative has available lines of credit with NRUCFC which totaled \$10,000,000 as of December 31, 2022 and 2021. Amounts borrowed under these agreements totaled \$0 as of December 31, 2022 and 2021. Interest is payable quarterly at a variable rate. The interest rate as of December 31, 2022 and 2021 on \$3,000,000 was 5.75% and 2.45%, respectively and on the other \$7,000,000 the rate was 5.55% and 2.25% for 2022 and 2021, respectively. The line of credit is secured by substantially all assets of the Cooperative and is in effect until 2049.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 8 LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	<u>2022</u>	<u>2021</u>
Notes payable to NRUCFC: principal and interest of approximately \$10,820,000 due during the next twelve months; individual notes will be repaid from December 2023 through April 2052; secured by all assets. Various fixed rate loans ranging from 2.46% to 5.44%; notes are repriced at various dates and subject to volume and equity level discounts	\$ <u>123,957,100</u>	\$ <u>124,548,851</u>
1% note payable to the USDA dated 6/26/1995; principal and interest payments due annually. Secured by the portfolio of investments derived from the loan proceeds of notes receivable Principal and interest totaling \$24,678 due in 2023.	66,349	90,126
1% note payable to the USDA dated 12/10/14; \$ 1 million available to be drawn, first drawn down in 2015. 30 year note with interest only for the first 3 years, and then 27 annual payments of principal and interest. Secured by the revolving fund including the portfolio of investments derived from the loan proceeds of notes receivable. Principal and interest totaling \$42,450 due in 2023.	830,833	864,636
	<u>897,182</u>	<u>954,762</u>
	124,854,282	125,503,613
Less - Current maturities	<u>5,285,000</u>	<u>5,327,000</u>
	\$ <u>119,569,282</u>	\$ <u>120,176,613</u>

Unadvanced loan funds of \$12,800,000 are available to the Cooperative from NRUCFC.

Amortization of the debt issuance costs is reported as interest expense on the statements of operations.

Unamortized debt issuance and premium costs are amortized over the term of the underlying debt.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 8 LONG-TERM LIABILITIES (Continued)

Aggregate maturities on long-term liabilities for the five years following December 31, 2022 are as follows:

2023	\$	5,285,000
2024	\$	5,175,000
2025	\$	5,084,000
2026	\$	5,282,000
2027	\$	5,508,000

The Cooperative incurred interest costs totaling \$5,033,796 and \$5,138,312 and capitalized interest of \$0 and \$5,694 for the years ended December 31, 2022 and 2021, respectively.

Note 9 DEFERRED CREDITS

Deferred credits consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred sick leave and vacation	407,908	468,453
Deferred health reimbursement accounts	361,767	351,509
Capital credit checks outstanding	1,406,843	908,060
Estimated cost of installing special equipment	122,487	50,438
Other	16,534	16,546
Total	\$ <u><u>2,315,539</u></u>	\$ <u><u>1,795,006</u></u>

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 10 PATRONAGE CAPITAL

The loan agreement with NRUCFC requires that until the equities and margins equal or exceed twenty percent of the total assets of the Cooperative, the return to patrons of contributed capital is generally limited to thirty percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The patronage capital and other equities of the Cooperative represent 45.06% and 44.70% of the total assets at December 31, 2022 and 2021, respectively.

The Cooperative presently retires patronage capital on a percentage of total year margins. Patronage capital retirements to estates that are made prior to the general retirement are done so on a discounted basis, with the excess retained by the Cooperative as a gain on retirement of patronage capital (shown in the other equities section as donated capital and a discount rate of 4.51 and 4.47% for 2022 and 2021, respectively). All retirements are based on the discretion and approval of the Board of Directors.

Note 11 OTHER EQUITIES

At December 31, 2022 and 2021, other equities consisted of:

	2022	2021
Donated capital	\$ 4,288,230	\$ 3,762,144
Capital losses	(3,167)	(3,167)
Nonoperating margins	18,950,221	15,949,290
Other margins	76,769	76,769
	<u>\$ 23,312,053</u>	<u>\$ 19,785,036</u>

Note 12 EMPLOYEE BENEFITS

Retirement Plans

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

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 12 EMPLOYEE BENEFITS (Continued)

Retirement Plans (Continued)

The Cooperative's contributions to the RS Plan for 2022 and 2021 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of \$614,808 in 2022 and \$728,999 in 2021. The Cooperative elected to change pension benefits for non-represented employees which resulted in a decrease of RS Plan contributions in 2022 compared to 2021. The Cooperative is required to make contributions for those employees covered by the collective bargaining agreement through December 31, 2022.

In 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 at January 1, 2021 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.

In addition to the above retirement plan, employees of the Cooperative are eligible for a 401(k) savings plan, a defined contribution plan. The annual contribution to the RS plan and 401(k) is capped at a total of 15% of an employee's eligible wages. The matching contribution will change year to year depending on the percentage of wages contributed to the RS plan. To be eligible, the employees must complete one year of full-time service. The Cooperative requires an employee to contribute elective deferrals to the plan before contributing a matching contribution. The cost of this plan was \$350,239 and \$184,048 in 2022 and 2021, respectively.

Health and Welfare Benefits

The Cooperative participates in the Electric Coalition of Wisconsin Health Plan, a Multiple Employer Welfare Association (MEWA). The MEWA provides health insurance benefits to employees of the Cooperative and other employer/member Cooperative's. The MEWA maintains stop-loss insurance coverage whereby if individual claims of those insured exceed \$125,000 annually; these excess amounts are covered by the stop-loss policy. Employee health benefits up to \$125,000 annually are the responsibility of the MEWA and the employer/member Cooperatives. On an annual basis, the plan administrator determines monthly contribution amounts based on funding requirements and plan experience. Costs to the Cooperative totaled \$1,289,748 and \$1,158,044 for 2022 and 2021, respectively, based on monthly contribution amounts

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 13 COMMITMENTS

Under an agreement dated February 15, 2012, the Cooperative is committed to purchase its electric power requirements from Alliant Energy Corporate Services, Inc. as agent for Wisconsin Power and Light Company at rates established under the Federal Energy Regulatory Commission. The power purchase agreement has an annual renewal, with a minimum five-year notice required for the Cooperative to exit the agreement. The rate paid for such purchases is subject to periodic review.

Note 14 LITIGATION

There currently is no pending litigation, claims or assessments against the Cooperative at December 31, 2022.

Note 15 CASH AND CASH EQUIVALENTS

At December 31, 2022 and 2021, cash and cash equivalents as defined in Note 1 consisted of:

	2022	2021
Cash - General	\$ 712,701	\$ 2,781,154
Temporary cash investments	3,627,673	5,364,861
	<u>\$ 4,340,374</u>	<u>\$ 8,146,015</u>

Note 16 INCOME TAXES

Deferred income taxes relate to timing differences between financial accounting and income taxes relative to bad debts expense and future net operating losses available to the Cooperative. The Cooperative has net operating losses totaling approximately \$1,794,000 available for offset of taxable income in future years related to the Cooperative's federal 990-T and state 4T filings. These net operating losses carry forward and begin to expire in 2024.

Deferred tax assets and deferred tax liabilities based upon these timing differences and carry forwards are as follows:

	2022	2021	2020
Federal deferred tax assets	\$ 368,170	\$ 369,723	\$ 371,581
State deferred tax assets	138,500	139,086	139,785
Federal deferred tax liabilities	-	-	-
State deferred tax liabilities	-	-	-
	<u>506,670</u>	<u>508,809</u>	<u>511,366</u>
Valuation allowance	<u>506,670</u>	<u>508,809</u>	<u>511,366</u>
Net recognized deferred liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The current and deferred provision for or (benefit from) income taxes was \$-0- for the years ended December 31, 2022 and 2021, respectively.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 17 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, the Cooperative engaged in transactions with the following related parties as follows:

	<u>2022</u>	<u>2021</u>
American Transmission Company, LLC:		
Sales	\$ 68,343	\$ 102,453
Purchases	5,190,373	4,907,101
Accounts receivable	1,510	46,412
Distributions	849,536	848,699
Accounts payable	432,408	416,522
MidWisconsin DBS, LLC:		
Accounts receivable	\$ 26	\$ -
Distributions	60,000	60,000
Board of Directors:		
Sales	\$ 18,467	\$ 25,544
Accounts and notes receivable	980	1,014

Note 18 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Cooperative has several financial instruments, none of which are held for trading purposes. The Cooperative estimates that the fair value of all financial instruments at December 31, 2022 and 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Cooperative using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Cooperative could realize in a current market exchange.

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
SCHEDULE OF BALANCE SHEETS - INTERMEDIARY RELENDING PROGRAM (D01)
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash - General	\$ 38,510	\$ 176,593
Temporary cash investment	151,362	-
Current portion of note receivable	195,160	21,336
Interest receivable	<u>1,756</u>	<u>692</u>
Total current assets	<u>386,788</u>	<u>198,621</u>
INVESTMENTS:		
Notes receivable	414,176	435,222
Less - Reserve for doubtful accounts	(19,747)	(19,747)
Less - Current portion above	<u>(195,160)</u>	<u>(21,336)</u>
Total investments	<u>199,269</u>	<u>394,139</u>
TOTAL ASSETS	<u>\$ 586,057</u>	<u>\$ 592,760</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 23,777	\$ 23,541
Accrued interest	<u>340</u>	<u>464</u>
Total current liabilities	<u>24,117</u>	<u>24,005</u>
LONG-TERM LIABILITIES:		
Note payable - USDA	66,349	90,126
Less - Current maturities above	<u>(23,777)</u>	<u>(23,541)</u>
Total long-term liabilities	<u>42,572</u>	<u>66,585</u>
Total liabilities	<u>66,689</u>	<u>90,590</u>
FUND BALANCE:		
Principal	150,000	150,000
Income	<u>369,368</u>	<u>352,170</u>
Total fund balance	<u>519,368</u>	<u>502,170</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 586,057</u>	<u>\$ 592,760</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE
SCHEDULE OF INCOME AND FUND BALANCE -
INTERMEDIARY RELENDING PROGRAM (D01)
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
INTEREST AND PROGRAM INCOME	\$ 18,132	\$ 16,694
OPERATING EXPENSES:		
Interest and related fees expense	<u>934</u>	<u>1,258</u>
CHANGE IN FUND BALANCE	17,198	15,436
FUND BALANCE, BEGINNING OF YEAR	<u>502,170</u>	<u>486,734</u>
FUND BALANCE, END OF YEAR	\$ <u><u>519,368</u></u>	\$ <u><u>502,170</u></u>

ADAMS-COLUMBIA ELECTRIC COOPERATIVE
SCHEDULE OF BALANCE SHEETS - INTERMEDIARY RELENDING PROGRAM (D04)
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash - General	\$ 72,675	\$ 543,207
Temporary cash investment	625,000	-
Current portion of note receivable	48,800	69,394
Interest receivable	3,895	1,067
Total current assets	<u>750,370</u>	<u>613,668</u>
INVESTMENTS:		
Notes receivable	581,019	749,671
Less - Reserve for doubtful accounts	(75,000)	(75,000)
Less - Current portion above	(48,800)	(69,394)
Total investments	<u>457,219</u>	<u>605,277</u>
TOTAL ASSETS	<u>\$ 1,207,589</u>	<u>\$ 1,218,945</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 33,804	\$ 33,469
Accrued interest	432	497
Total current liabilities	<u>34,236</u>	<u>33,966</u>
LONG-TERM LIABILITIES:		
Note payable - USDA	830,833	864,636
Less - Current maturities above	(33,804)	(33,469)
Total long-term liabilities	<u>797,029</u>	<u>831,167</u>
Total liabilities	<u>831,265</u>	<u>865,133</u>
FUND BALANCE (DEFICIT):		
Principal	276,850	276,850
Income (deficit)	99,474	76,962
Total fund balance	<u>376,324</u>	<u>353,812</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 1,207,589</u>	<u>\$ 1,218,945</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE
SCHEDULE OF INCOME AND FUND BALANCE -
INTERMEDIARY RELENDING PROGRAM (D04)
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
INTEREST AND PROGRAM INCOME	\$ 31,123	\$ 28,374
OPERATING EXPENSES:		
Interest and related fees expense	<u>8,611</u>	<u>9,000</u>
CHANGE IN FUND BALANCE	22,512	19,374
FUND BALANCE, BEGINNING OF YEAR	<u>353,812</u>	<u>334,438</u>
FUND BALANCE, END OF YEAR	<u>\$ 376,324</u>	<u>\$ 353,812</u>