

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
FRIENDSHIP, WISCONSIN  
FINANCIAL STATEMENTS  
December 31, 2023 and 2022  
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, 2023 and 2022, 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, 2023 and 2022, 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 11, 2024

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**BALANCE SHEETS**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
PLANT:		
In service	\$ 300,125,696	\$ 288,396,458
Construction work in progress	<u>4,631,675</u>	<u>1,335,346</u>
Total plant	304,757,371	289,731,804
Less - Accumulated provision for depreciation	<u>95,050,411</u>	<u>87,014,606</u>
Net plant	<u>209,706,960</u>	<u>202,717,198</u>
INVESTMENTS AND OTHER ASSETS:		
Nonutility plant	37,445	37,445
Investments in associated organizations	27,173,519	26,556,953
Deferred compensation - Investments held in trust	323,490	316,578
Notes receivable - Net of current portion	<u>814,460</u>	<u>759,815</u>
Total investments and other assets	<u>28,348,914</u>	<u>27,670,791</u>
CURRENT ASSETS:		
Cash - General	1,184,735	712,701
Temporary cash investments	3,133,240	3,627,673
Notes receivable - Current portion	119,478	288,815
Accounts receivable (less allowance for expected credit losses of \$566,635 in 2023 and \$622,085 in 2022)	8,104,733	8,841,658
Materials and supplies	3,763,138	3,025,846
Other current assets	<u>511,548</u>	<u>532,227</u>
Total current assets	<u>16,816,872</u>	<u>17,028,920</u>
DEFERRED DEBITS	<u>294,978</u>	<u>293,676</u>
TOTAL ASSETS	<u>\$ 255,167,724</u>	<u>\$ 247,710,585</u>

The accompanying notes are an integral part of these statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**BALANCE SHEETS (CONTINUED)**  
**December 31, 2023 and 2022**

	2023	2022
EQUITIES AND LIABILITIES		
EQUITIES:		
Patronage capital	\$ 87,073,512	\$ 88,294,857
Other equities	23,912,495	23,312,053
Total equities	110,986,007	111,606,910
LONG-TERM LIABILITIES	127,055,980	119,569,282
DEFERRED COMPENSATION	323,490	316,578
CURRENT LIABILITIES:		
Current maturities of long-term liabilities	5,313,000	5,285,000
Accounts payable	5,017,719	4,811,656
Customer deposits	1,701,586	1,518,518
Other current liabilities	2,776,838	2,287,102
Total current liabilities	14,809,143	13,902,276
DEFERRED CREDITS	1,993,104	2,315,539
TOTAL EQUITIES AND LIABILITIES	\$ 255,167,724	\$ 247,710,585

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**STATEMENTS OF OPERATIONS**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES	\$ <u>82,961,291</u>	\$ <u>85,549,570</u>
OPERATING EXPENSES:		
Cost of power	49,274,436	50,611,180
Power Generation - Riverside	820,068	729,299
Distribution - Operations	3,732,132	3,523,281
Distribution - Maintenance	4,060,029	3,917,767
Consumer accounts	1,471,132	1,480,547
Customer service and informational	448,670	517,744
Administrative and general	3,410,583	3,232,855
Depreciation	9,819,561	9,440,616
Taxes	1,160,299	1,262,532
Other Deductions	<u>123,909</u>	<u>-</u>
Total operating expenses	<u>74,320,819</u>	<u>74,715,821</u>
OPERATING MARGINS BEFORE FIXED CHARGES	8,640,472	10,833,749
FIXED CHARGES:		
Interest on long-term liabilities	<u>5,154,921</u>	<u>5,049,367</u>
OPERATING MARGINS AFTER FIXED CHARGES	3,485,551	5,784,382
PATRONAGE CAPITAL ALLOCATIONS	<u>804,308</u>	<u>732,896</u>
NET OPERATING MARGINS	<u>4,289,859</u>	<u>6,517,278</u>
NON-OPERATING MARGINS:		
Interest and dividend income	403,099	460,608
Other non-operating margins	<u>2,072,368</u>	<u>5,037,228</u>
Total non-operating margins	<u>2,475,467</u>	<u>5,497,836</u>
NET MARGINS FOR PERIOD	<u>\$ 6,765,326</u>	<u>\$ 12,015,114</u>

The accompanying notes are an integral part of these statements.



**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**STATEMENTS OF EQUITIES**  
**Years Ended December 31, 2023 and 2022**

	Patronage Capital		Other Equities			<u>Total</u>
	<u>Assigned</u>	<u>Assignable</u>	<u>Nonoperating</u> <u>Margins</u>	<u>Donated</u> <u>Capital</u>	<u>Other</u> <u>Equities</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	76,279,743	12,015,114	18,950,221	4,288,230	73,602	111,606,910
Assignment of 2022 operating margins and retention of 2022 nonoperating margins	11,863,989	(12,015,114)	151,125	-	-	-
Retirements of equities	(7,835,546)	-	-	-	-	(7,835,546)
Net other equity changes 12-31-23	-	-	-	449,317	-	449,317
Net margins - year ended 12-31-23	<u>-</u>	<u>6,765,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,765,326</u>
Balance at December 31, 2023	<u>\$ 80,308,186</u>	<u>\$ 6,765,326</u>	<u>\$ 19,101,346</u>	<u>\$ 4,737,547</u>	<u>\$ 73,602</u>	<u>\$ 110,986,007</u>

The accompanying notes are an integral part of these statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net margins	\$ 6,765,326	\$ 12,015,114
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation:		
Operating expense	9,819,561	9,440,616
Clearing	561,809	531,588
Patronage capital allocations	(804,308)	(732,896)
Loss (gain) on disposition of property	(6,193)	(43,963)
Equity allocations from LLC investments	(1,188,464)	(1,058,360)
Write-offs net of recoveries	(55,450)	(33,164)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	792,375	(1,125,884)
Decrease (increase) in resale and other inventory	(7,553)	(57,664)
Decrease (increase) in other current assets and deferred debits	19,377	372,909
Increase (decrease) in accounts payable	206,063	149,981
Increase (decrease) in other current liabilities	639,281	(552,029)
Total adjustments	9,976,498	6,891,134
Net cash provided by (used in) operating activities	16,741,824	18,906,248
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investments	1,490,898	1,850,183
Extensions and replacements of plant	(17,299,809)	(12,877,712)
Plant removal costs	(674,589)	(659,732)
Proceeds on salvaged plant	7,869	44,300
Net cash provided by (used in) investing activities	(16,475,631)	(11,642,961)

The accompanying notes are an integral part of these statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Retirement of patronage capital	\$ (7,803,290)	\$ (10,419,597)
Proceeds from debt issuance	12,800,000	5,000,000
Principal payments on long-term liabilities	<u>(5,285,302)</u>	<u>(5,649,331)</u>
Net cash provided by (used in) financing activities	<u>(288,592)</u>	<u>(11,068,928)</u>
Net change in cash and cash equivalents	(22,399)	(3,805,641)
Cash and cash equivalents at beginning	<u>4,340,374</u>	<u>8,146,015</u>
Cash and cash equivalents at end	<u>\$ 4,317,975</u>	<u>\$ 4,340,374</u>
 <b>Supplemental disclosure of cash flow information:</b>		
Interest paid	<u>\$ 5,209,455</u>	<u>\$ 5,065,435</u>
 <b>Supplemental information on non-cash investing and financing activities:</b>		
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>\$ 804,308</u>	<u>\$ 732,896</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>\$ 1,188,464</u>	<u>\$ 1,058,360</u>

The accompanying notes are an integral part of these statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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, 2023 and 2022**

**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, 2023 and 2022.

**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, 2023 and 2022**

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

The Cooperative's investment in Mid-Wisconsin DBS, LLC of 50% for 2023 and 2022, 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 0.56% 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 and Notes 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.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts and Notes Receivable (Continued)**

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. Probable uncollectible amounts are estimated based on current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts and notes considered at risk or uncollectible. The Cooperative assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customers balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance is recognized in customer accounts expense for accounts receivable and other nonoperating margins for notes receivable.

**Inventories**

Materials and supplies 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. As of December 31, 2023, the Cooperative has a pledge of \$1,022,819 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.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Concentrations of Credit Risk (Continued)**

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.

**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, 2023 and 2022. 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.



**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 members' 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:

2023	2022	2021
\$ <u>8,400,020</u> \$	<u>9,044,782</u> \$	<u>7,940,585</u>

Contract liabilities - customer deposit and prepayments on customer balance:

2023	2022	2021
\$ <u>1,701,586</u> \$	<u>1,518,518</u> \$	<u>1,524,714</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.

**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 11, 2024, the date the financial statements were available to be issued.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Adoption of new Accounting Standard**

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13" or "ASC 326"). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU 2016-13. On January 1, 2023, the Cooperative adopted the new accounting standard and all of the related amendments using the modified retrospective method. The adoption did not result in an adjustment to retained earnings and the impact is deemed to be insignificant.

**Note 2      ASSETS PLEDGED**

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

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 3 PLANT AND DEPRECIATION PROCEDURES**

Listed below are the major classes of plant as of December 31, 2023 and 2022:

	2023	2022
Organization	\$ 62,481	\$ 62,481
Distribution plant	247,461,138	237,082,938
General plant	19,705,049	18,403,473
Riverside generation plant	32,897,028	32,847,566
Plant in service	300,125,696	288,396,458
Construction work in progress	4,631,675	1,335,346
Total plant, at cost	\$ 304,757,371	\$ 289,731,804

Depreciation rates for individual distribution plant accounts are as follows:

Underground conductor	3.50%
Other distribution plant	2.88%
Automated meter reading (AMR) devices	5% - 10%

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.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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, 2023, and became callable on December 30, 2023 and mature on December 30, 2043.

A summary of investments at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
<b><u>Investments in associated organizations:</u></b>		
NRUCFC	\$ 3,836,985	\$ 3,647,421
Investments in other associated organizations	3,145,939	2,964,968
Investment in Mid-Wisconsin DBS, LLC (related party)	1,149,909	1,201,655
Investment in ATC, LLC (related party)	14,291,499	13,976,104
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	983,909	1,001,527
Investments in associated organizations	<u>\$ 27,173,519</u>	<u>\$ 26,556,953</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 4**    **INVESTMENTS (Continued)**

Notes Receivable:

The Cooperative holds eleven different notes receivables from intermediary relending programs, economic development loan programs, and the Rural Energy Savings Program for the years ended December 31, 2023 and 2022. The notes bear interest with rates ranging from 1-5.5%. The monthly payments range from \$158 to \$2,415, all of which are due on the first of each month. These notes mature in dates ranging from May 2024 to September 2029 and are secured by mortgages on the underlying property or liens on equipment purchased with the proceeds of these notes.

	<u>2023</u>	<u>2022</u>
Notes receivable	\$ 1,029,378	\$ 1,144,070
Less: Allowance for expected credit losses	<u>(95,440)</u>	<u>(95,440)</u>
Net notes receivable	933,938	1,048,630
Less: Current portion of notes receivable	<u>(119,478)</u>	<u>(288,815)</u>
Total noncurrent portion of notes receivable	<u>\$ 814,460</u>	<u>\$ 759,815</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 5 MATERIALS AND SUPPLIES**

At December 31, 2023 and 2022, materials and supplies were classified into the following categories:

	2023	2022
Electric line materials	\$ 3,763,138	\$ 3,025,846

**Note 6 DEFERRED DEBITS**

At December 31, 2023 and 2022, deferred debits consisted of:

	2023	2022
Miscellaneous	\$ 294,978	\$ 293,676

**Note 7 LINE OF CREDIT**

The Cooperative has available lines of credit with NRUCFC which totaled \$25,000,000 and \$10,000,000 as of December 31, 2023 and 2022, respectively. Amounts borrowed under these agreements totaled \$0 as of December 31, 2023 and 2022. Interest is payable quarterly at a variable rate. The interest rates ranged from 7.05%-7.25% and 5.55%-5.75% as of December 31, 2023 and 2022, 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, 2023 and 2022**

**Note 8 LONG-TERM LIABILITIES**

Long-term liabilities consist of the following:

	2023	2022
Notes payable to NRUCFC: principal and interest of approximately \$11,439,000 due during the next twelve months; individual notes will be repaid from April 2024 through October 2053; secured by all assets. Various fixed rate loans ranging from 2.46% to 6.84%; notes are repriced at various dates and subject to volume and equity level discounts	\$ <u>131,529,955</u>	\$ <u>123,957,100</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 Matures on June 26, 2025.	42,334	66,349
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. Matures on December 10, 2044.	<u>796,691</u> <u>839,025</u>	<u>830,833</u> <u>897,182</u>
	132,368,980	124,854,282
Less - Current maturities	<u>5,313,000</u>	<u>5,285,000</u>
	<u>\$ 127,055,980</u>	<u>\$ 119,569,282</u>

Unadvanced loan funds of \$0 are available to the Cooperative from NRUCFC. Subsequent to December 31, 2023, the Cooperative finalized a new \$50,000,000 power vision long-term loan with NRUCFC on January 30, 2024.

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, 2023 and 2022**

**Note 8 LONG-TERM LIABILITIES (Continued)**

Aggregate maturities on long-term liabilities for the five years following December 31, 2023 are as follows:

2024	\$	5,313,000
2025	\$	5,240,000
2026	\$	5,448,000
2027	\$	5,685,000
2028	\$	5,934,000

The Cooperative incurred interest costs totaling \$5,294,743 and \$5,033,796 for the years ended December 31, 2023 and 2022, respectively.

**Note 9 DEFERRED CREDITS**

Deferred credits consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Deferred sick leave and vacation	\$ 393,943	\$ 419,325
Deferred health reimbursement accounts	345,671	350,350
Capital credit checks outstanding	989,782	1,406,843
Estimated cost of installing special equipment	250,636	122,487
Other	13,072	16,534
Total	\$ <u>1,993,104</u>	\$ <u>2,315,539</u>



**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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 43.50% and 45.06% of the total assets at December 31, 2023 and 2022, respectively.

The Cooperative presently retires patronage capital on a percentage of total year margins. Patronage capital retirements to estates, certificates, and specials 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 6.95% and 4.9% for 2023 and 2022, respectively). All retirements are based on the discretion and approval of the Board of Directors.

**Note 11 OTHER EQUITIES**

At December 31, 2023 and 2022, other equities consisted of:

	2023	2022
Donated capital	\$ 4,737,547	\$ 4,288,230
Capital losses	(3,167)	(3,167)
Nonoperating margins	19,101,346	18,950,221
Other margins	76,769	76,769
	\$ 23,912,495	\$ 23,312,053

**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, 2023 and 2022**

**Note 12 EMPLOYEE BENEFITS (Continued)**

**Retirement Plans (Continued)**

The Cooperative's contributions to the RS Plan for 2023 and 2022 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 \$430,682 in 2023 and \$614,808 in 2022. The Cooperative elected to change pension benefits for non-represented employees which resulted in a decrease of RS Plan contributions in 2023 compared to 2022. The Cooperative is required to make contributions for those employees covered by the collective bargaining agreement through December 31, 2026.

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, 2023 and at January 1, 2022 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

In addition to the above retirement plan, employees of the Cooperative are eligible for a 401(k) savings plan, a defined contribution plan. In 2022, the annual contribution to the RS plan and 401(k) is capped at a total of 15% of an employee's eligible wage and the matching contribution would change year to year depending on the percentage of wages contributed to the RS plan. In 2023, the annual contribution to the RS plan decreased the benefit level paid on represented employees' base wage, while the 401(k) plan contribution increased to 10% of an employee's base wage for all eligible employees. 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 an additional matching contribution up to 3%. The cost of this plan was \$898,269 and \$350,239 in 2023 and 2022, respectively.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**Note 12 EMPLOYEE BENEFITS (Continued)**

**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 Cooperatives. 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 \$1,312,773 and \$1,289,748 for 2023 and 2022, respectively, based on monthly contribution amounts.

**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, 2023.

**Note 15 CASH AND CASH EQUIVALENTS**

At December 31, 2023 and 2022, cash and cash equivalents as defined in Note 1 consisted of:

	2023	2022
Cash - General	\$ 1,184,735	\$ 712,701
Temporary cash investments	3,133,240	3,627,673
	\$ 4,317,975	\$ 4,340,374

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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 \$1,834,000 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 2025.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Federal deferred tax assets	\$ 376,290	\$ 368,170	\$ 369,723
State deferred tax assets	141,560	138,500	139,086
Federal deferred tax liabilities	-	-	-
State deferred tax liabilities	-	-	-
	<u>517,850</u>	<u>506,670</u>	<u>508,809</u>
Valuation allowance	<u>517,850</u>	<u>506,670</u>	<u>508,809</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, 2023 and 2022, respectively.

**Note 17 RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2023 and 2022, the Cooperative engaged in transactions with the following related parties as follows:

	<u>2023</u>	<u>2022</u>
American Transmission Company, LLC:		
Sales	\$ 162,090	\$ 68,343
Purchases	6,118,783	5,190,373
Accounts receivable	1,781	1,510
Distributions	873,096	849,536
Accounts payable	509,899	432,408
MidWisconsin DBS, LLC:		
Accounts receivable	\$ 26	\$ 26
Distributions	51,720	60,000
Board of Directors:		
Sales	\$ 21,513	\$ 18,467
Accounts and notes receivable	1,034	980

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**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, 2023 and 2022 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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash - General	\$ 51,322	\$ 38,510
Temporary cash investment	158,787	151,362
Current portion of note receivable	23,112	195,160
Interest receivable	791	1,756
Total current assets	<u>234,012</u>	<u>386,788</u>
INVESTMENTS:		
Notes receivable	392,824	414,176
Less - Allowance for credit losses	(19,747)	(19,747)
Less - Current portion above	(23,112)	(195,160)
Total investments	<u>349,965</u>	<u>199,269</u>
TOTAL ASSETS	<u>\$ 583,977</u>	<u>\$ 586,057</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 24,015	\$ 23,777
Accounts payable	150	-
Accrued interest	217	340
Total current liabilities	<u>24,382</u>	<u>24,117</u>
LONG-TERM LIABILITIES:		
Note payable - USDA	42,334	66,349
Less - Current maturities above	(24,015)	(23,777)
Total long-term liabilities	<u>18,319</u>	<u>42,572</u>
Total liabilities	<u>42,701</u>	<u>66,689</u>
FUND BALANCE:		
Principal	150,000	150,000
Income	391,276	369,368
Total fund balance	<u>541,276</u>	<u>519,368</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 583,977</u>	<u>\$ 586,057</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
SCHEDULE OF INCOME AND FUND BALANCE -  
INTERMEDIARY RELENDING PROGRAM (D01)  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
INTEREST AND PROGRAM INCOME	\$ 22,748	\$ 18,132
OPERATING EXPENSES:		
Interest and related fees expense	<u>840</u>	<u>934</u>
CHANGE IN FUND BALANCE	21,908	17,198
FUND BALANCE, BEGINNING OF YEAR	<u>519,368</u>	<u>502,170</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 541,276</u></u>	<u><u>\$ 519,368</u></u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
SCHEDULE OF BALANCE SHEETS - INTERMEDIARY RELENDING PROGRAM (D04)**

**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash - General	\$ 241,565	\$ 72,675
Temporary cash investment	513,423	625,000
Current portion of note receivable	50,333	48,800
Interest receivable	1,092	3,895
Total current assets	<u>806,413</u>	<u>750,370</u>
<b>INVESTMENTS:</b>		
Notes receivable	532,318	581,019
Less - Allowance for Credit Losses	(75,000)	(75,000)
Less - Current portion above	(50,333)	(48,800)
Total investments	<u>406,985</u>	<u>457,219</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,213,398</u></b>	<b>\$ <u>1,207,589</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 34,142	\$ 33,804
Accrued interest	415	432
Total current liabilities	<u>34,557</u>	<u>34,236</u>
<b>LONG-TERM LIABILITIES:</b>		
Note payable - USDA	796,691	830,833
Less - Current maturities above	(34,142)	(33,804)
Total long-term liabilities	<u>762,549</u>	<u>797,029</u>
Total liabilities	<u>797,106</u>	<u>831,265</u>
<b>FUND BALANCE (DEFICIT):</b>		
Principal	276,850	276,850
Income (deficit)	139,442	99,474
Total fund balance	<u>416,292</u>	<u>376,324</u>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<b>\$ <u>1,213,398</u></b>	<b>\$ <u>1,207,589</u></b>



**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
SCHEDULE OF INCOME AND FUND BALANCE -  
INTERMEDIARY RELENDING PROGRAM (D04)  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
INTEREST AND PROGRAM INCOME	\$ 48,259	\$ 31,123
OPERATING EXPENSES:		
Interest and related fees expense	<u>8,291</u>	<u>8,611</u>
CHANGE IN FUND BALANCE	39,968	22,512
FUND BALANCE, BEGINNING OF YEAR	<u>376,324</u>	<u>353,812</u>
FUND BALANCE, END OF YEAR	<u>\$ 416,292</u>	<u>\$ 376,324</u>