POLK-BURNETT ELECTRIC COOPERATIVE
AND SUBSIDIARIES
CENTURIA, WI
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

and

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

POLK-BURNETT ELECTRIC COOPERATIVE
AND SUBSIDIARIES
CENTURIA, WISCONSIN

CONTENTS

Bauman Associates Ltd.
Certified Public Accountants & Advisors

Members of:

American Institute of
Certified Public Accountants

Wisconsin Institute of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Polk-Burnett Electric Cooperative and Subsidiaries
Centuria, Wisconsin

Opinion

We have audited the accompanying consolidated financial statements of Polk-Burnett Electric Cooperative and Subsidiaries as of December 31, 2023 and 2022, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, members' equity, 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 Polk-Burnett Electric Cooperative and Subsidiaries as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 Polk-Burnett Electric Cooperative and Subsidiaries 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Polk-Burnett Electric Cooperative and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

P.O. Box 1225 | Eau Claire, WI 54702
816 Dominion Dr. Ste 201 | Hudson, WI 54016
715-834-2001 | FAX 715-834-2774
715-386-8181 | FAX 715-836-6020

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 Polk-Burnett Electric Cooperative and Subsidiaries' 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 Polk-Burnett Electric Cooperative and Subsidiaries' 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.

Bauman Associates, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire, Wisconsin
February 08, 2024

POLK-BURNETT ELECTRIC COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

ASSETS	2023	2022
PLANT, PROPERTY, AND EQUIPMENT:		
Plant	$ 118,051,828	$ 112,918,819
Construction work in progress	2,196,470	2,140,263
Total	120,248,298	115,059,082
Less accumulated depreciation	32,152,985	30,744,476
Net plant, property, and equipment	88,095,313	84,314,606
INVESTMENTS:		
Investments in associated cooperatives	17,637,054	16,901,276
Notes Receivable	455,556	579,044
Other investments	14,890	14,461
Total investments	18,107,500	17,494,781
CURRENT ASSETS:		
Cash and cash equivalents	4,328,785	4,384,365
Temporary cash investments	402,233	583,464
Accounts receivable (less allowance for credit losses of $18,000 in 2023 and $27,000 in 2022)	2,457,226	2,251,565
Notes receivable - current portion	124,000	124,000
Materials and supplies	1,416,960	2,605,602
Prepayments	596,133	800,065
Total current assets	9,325,337	10,749,061
DEFERRED DEBITS	79,228	127,766
TOTAL ASSETS	$ 115,607,378	$ 112,686,214

EQUITIES AND LIABILITIES		2023		2022
EQUITIES:				
Patronage capital	$	55,641,196	$	54,032,402
Other equities		10,293,676		8,453,800
Total equities		65,934,872		62,486,202
LONG-TERM DEBT, NET OF CURRENT		36,630,850		35,755,036
LEASE OBLIGATIONS, NET OF CURRENT		169,055		118,173
CURRENT LIABILITIES:				
Current portion of long-term debt and lease obligations		2,077,579		2,092,116
Accounts payable		825,283		1,940,642
Accounts payable - billed power costs		1,738,137		1,947,454
Propane customer deposits		3,439,892		3,533,213
Other current liabilities		1,559,387		1,432,781
Total current liabilities		9,640,278		10,946,206
DEFERRED CREDITS		3,232,323		3,380,597
TOTAL EQUITIES AND LIABILITIES	$	115,607,378	$	112,686,214

The accompanying notes are an integral part of these consolidated financial statements.

POLK-BURNETT ELECTRIC COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES	$ 42,669,209	$ 43,018,306
LESS COST OF GOODS SOLD	24,173,550	25,954,596
GROSS MARGINS	18,495,659	17,063,710
OPERATING EXPENSES:		
Operations	2,176,657	1,958,396
Maintenance	2,654,393	2,417,846
Customer accounts	736,186	683,961
Customer service and information	584,353	525,395
Sales	23,548	16,659
Administrative and general	3,289,117	3,027,019
Depreciation	3,579,131	3,559,464
Rent	3,690	4,350
Other	517,823	470,507
Total operating expenses	13,564,898	12,663,597
OPERATING MARGINS BEFORE CAPITAL CREDITS	4,930,761	4,400,113
CAPITAL CREDITS FROM OTHER COOPERATIVES	1,225,201	978,106
OPERATING MARGINS	6,155,962	5,378,219
NON-OPERATING MARGINS:		
Interest income	189,289	85,263
Finance charges	11,922	13,594
Gain on sale of property and equipment	64,400	19,805
Other non-operating income (expense)	540,828	933,376
Total non-operating margins	806,439	1,052,038
MARGINS BEFORE INTEREST AND INCOME TAX	6,962,401	6,430,257
INTEREST EXPENSE	1,477,461	1,262,017
INCOME TAX EXPENSE (BENEFIT)	259,898	247,406
NET MARGINS	$ 5,225,042	$ 4,920,834

The accompanying notes are an integral part of these consolidated financial statements.

POLK-BURNETT ELECTRIC COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2023 and 2022

	Patronage Capital	Accumulated Unallocated Non-operating Margins	Other Equities	Accumulated Margins of Subsidiaries	Total
Balance December 31, 2021	$ 53,746,037	$ 3,011,167	$ 955,235	$ 3,291,431	$ 61,003,870
Unallocated 2021 margins	(488,111)	488,111	-	-	-
Net margins (losses)	4,287,393	-	-	633,441	4,920,834
Retirement of capital credits	(3,512,917)	-	74,415	-	(3,438,502)
Balance December 31, 2022	54,032,402	3,499,278	1,029,650	3,924,872	62,486,202
Unallocated 2022 margins	(1,068,015)	1,068,015	-	-	-
Net margins (losses)	4,565,234	-	-	659,808	5,225,042
Retirement of capital credits	(1,888,425)	-	112,053	-	(1,776,372)
Balance December 31, 2023	$ 55,641,196	$ 4,567,293	$ 1,141,703	$ 4,584,680	$ 65,934,872

The accompanying notes are an integral part of these consolidated financial statements.

POLK-BURNETT ELECTRIC COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	$ 5,225,042	$ 4,920,834
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	3,802,558	3,787,282
Non-cash portion of patronage capital received	(1,225,201)	(978,106)
Loss (Gain) on asset disposal	(64,400)	(19,806)
Regulatory liability deferral recognition	(388,298)	(549,332)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(205,661)	(104,228)
Decrease (increase) in materials and supplies	1,188,642	(1,769,129)
Decrease (increase) in other current assets	203,932	(86,282)
Increase (decrease) in deferred debits	48,538	755,632
Increase (decrease) in accounts payable	(1,324,676)	1,582,732
Increase (decrease) in propane customer deposits	(93,321)	819,642
Increase (decrease) in other current liabilities	126,606	64,222
Increase (decrease) in other deferred credits	240,024	22,312
Net cash provided by (used in) operating activities	7,533,785	8,445,773
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	355,882	21,326
Extension and replacement of plant	(9,193,415)	(9,998,096)
Contributions in aid of construction	1,457,316	1,278,330
Proceeds from investments and notes receivable	612,482	508,443
Net cash provided by (used in) investing activities	(6,767,735)	(8,189,997)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(2,167,325)	(2,227,359)
Net borrowings (payments) on line of credit	1,000,000	-
Principal payments on leases	(59,164)	(18,717)
Proceeds from long-term debt	2,000,000	5,000,000
Retirements of patronage capital, net of gain	(1,776,372)	(3,438,502)
Net cash provided by (used in) financing activities	(1,002,861)	(684,578)
Net decrease in cash and cash equivalents	(236,811)	(428,802)
Cash and cash equivalents at beginning	4,967,829	5,396,631
Cash and cash equivalents at end	$ 4,731,018	$ 4,967,829

The accompanying notes are an integral part of these consolidated financial statements.

POLK-BURNETT ELECTRIC COOPERATIVE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Supplemental disclosure of cash flow information:		
Cash payments during the year for:		
Interest paid	$ 1,477,461	$ 1,262,017
Income tax paid (received)	$ 91,916	$ 128,787
Supplemental disclosure of non-cash investing and financing activities:		
The Cooperative and its subsidiaries record patronage capital allocations from associated organizations as revenue and as investments in associated organizations as follows:		
Patronage capital allocations	$ 1,225,201	$ 978,106
Finance and operating right-of-use assets and lease liabilities	$ 140,087	$ 173,176

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Polk-Burnett Electric Cooperative and Subsidiaries' (the Cooperative) principal line of business is providing electric service to residential and business customers residing in six rural counties in west central Wisconsin. The Cooperative, through the Subsidiary, sells propane at rates which are determined by management. Electric rates charged to customers are established by the Board of Directors.

Financial Statement Presentation

As a member-elected Board of Director regulated entity, the Cooperative accounts for the financial effects of regulation in accordance with the Financial Accounting Standards Board Accounting Standards Codification 980 Regulated Operations (FASB ASC 980). This statement allows for the recording of a regulatory asset or liability for amounts that will be collected or refunded through the rate-making process in the future. The accounting policies followed by the Cooperative are subject to the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities. The accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated electric utilities. The Cooperative uses the accrual method of accounting. 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.

Principles of Consolidation

The consolidated financial statements include the accounts of Polk-Burnett Diversified Services, Inc. and its subsidiary Polk-Burnett Propane Services, Inc. as well as its affiliate Polk-Burnett Economic Development Corporation. All material intercompany transactions and accounts have been eliminated.

Concentrations of Credit Risk

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist principally of cash equivalents, accounts receivable and notes receivable. The Cooperative places its cash deposits and cash investment with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to accounts receivable are limited due to the Cooperative's large number of customers. The Cooperative believes it is not exposed to any significant credit risks.

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the financial statements are plant useful lives and the self-funded medical insurance reserve. Actual results could differ from those estimates.

Investments in Associated Cooperatives

Investments in associated cooperatives are recorded at cost plus undistributed allocated equities from other cooperatives. Patronage allocations are recognized in the year the allocation pertains to and are redeemable only at the option of the issuing cooperative.

Other Investments

Other investments are recorded at cost, which approximates fair market value.

General

The Cooperative maintains its books in conformance with the Uniform System of Accounts prescribed by the Rural Development Utilities Program (RDUP).

Cash and Cash Equivalents

The Cooperative considers all highly liquid cash instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates fair market value.

Accounts Receivable

Receivables are stated at the amount the Cooperative expects to collect from outstanding balances. The Cooperative provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current expected credit losses described below. Balances that are still outstanding after the Cooperative has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable accounts. Changes in the valuation allowance have not been material to the financial statements.

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

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 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.

Inventories

Electric materials and supplies are recorded at average unit cost and propane inventory is recorded at the lower of average unit cost or market. Balances as of December 31, 2023 and 2022 are:

	2023	2022
Electric materials and supplies	$ 1,034,380	$ 2,107,124
Propane inventory	382,580	498,478
Total	$ 1,416,960	$ 2,605,602

Plant, Maintenance and Depreciation

Plant, property, and equipment are recorded at cost. The cost of additions includes contracted work, direct labor, materials and allocable overheads. When units of property are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost, less net salvage, is charged to accumulated depreciation. Included in accumulated depreciation are non-legal costs of removing plant. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance. Any gains or losses on utility and non-utility plant and equipment using individual unit depreciation are reflected in operations. Depreciation for electric distribution plant is computed on the straight-line composite rate method which expenses the cost of plant over their estimated useful lives. General plant depreciation rates have been applied on a straight-line unit basis which expenses the cost of plant over their estimated useful lives. Depreciation rates are adopted by the Board of Directors.

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Retirement Obligation

The FASB ASC 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 long-lived assets as described by the FASB ASC, and accordingly has not recognized any asset retirement obligation costs in its financial statements for the years ended December 31, 2023 and 2022.

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.

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 the impact shown at Note 9.

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Patronage Capital

Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. Certain amounts received by the Cooperative from its other operations in excess of costs and expenses are allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior deficits. Dividends paid from the Cooperative’s subsidiaries may be allocated to electric patrons on a patronage basis.

Revenue From Contracts with Customers

Performance obligations related to the sale of energy are satisfied as energy or propane is delivered to members. The Cooperative recognizes revenue that corresponds to the price of the energy or propane delivered to the member. The measurement of energy sales to members is generally based on a meter reading. The measurement of propane sales to members is based on the current market rate set by the Cooperative or the rate specified in a customer pre-buy contract in which they have the opportunity to purchase. The Cooperative cycle bills for energy sales and meters are read at different times for different cycles but are consistent on a monthly basis. The Cooperative does not provide an estimate for unbilled revenues at month end for electric service as the financial statement impact is minimal and accounting treatment is consistent. Payments for energy and propane 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):

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue From Contracts with Customers (Continued)

Electric customer accounts receivable

2023	2022	2021
$ 2,247,800	$ 1,935,632	$ 1,834,851

Propane customer accounts receivable

2023	2022	2021
$ 117,604	$ 226,189	$ 192,787

Contract liabilities - propane customer deposits

2023	2022	2021
$ (3,042,321)	$ (3,320,990)	$ (2,400,297)

At times electric customers can carry a credit balance but these are generally not significant and balances are netted within the total customer accounts receivable balance.

Following is a summary of revenues by source for the years presented:

	2023	2022
Electric:		
Sales to customers	$ 35,926,956	$ 34,819,695
Other	434,227	583,166
	36,361,183	35,402,861
Propane:		
Sales to customers	6,060,306	7,397,126
Other	273,468	245,299
Less intercompany sales	(25,748)	(26,980)
	6,308,026	7,615,445
Total operating revenues	$ 42,669,209	$ 43,018,306

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.

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Self-funded Health Insurance

The Cooperative has a self-funded health insurance plan which provides medical payments to employees and their dependents that are not covered by the high deductible insurance plan. The health care expense is based on actual claims paid, reinsurance premiums, administrative fees and unpaid claims at year end. All health care costs are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred.

Derivative Instruments and Hedging Activities

The Cooperative's policy is to not use freestanding derivatives and to not enter into contracts with terms that cannot be designated as normal purchases or sales. Management has determined that the Cooperative has no freestanding or embedded derivatives.

Income Taxes

The Cooperative has been granted tax exempt status by the Internal Revenue Service and the State of Wisconsin.

Polk-Burnett Diversified Services, Inc. and its subsidiary Polk-Burnett Propane Services, Inc. and Polk-Burnett Economic Development Corporation are taxable at the federal and state level, and a provision for income taxes is included in the financial statements. A deferred tax liability for Polk-Burnett Propane Services, Inc. is recorded for future tax consequences attributable to temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. Principally these differences relate to depreciation of property and equipment and operating loss carryforwards.

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.

Note 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard (Continued)

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.

Date of Management Review

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through February 08, 2024, the date the financial statements were available to be issued.

Note 2 PLANT, PROPERTY, AND EQUIPMENT

The cost and composite depreciation rates for plant, property, and equipment are as follows:

	Composite Depreciation Rates %	2023	2022
Electric Utility Plant			
Intangible		$ 348	$ 348
Leased assets		110,852	7,697
Distribution	3.35%	95,155,514	90,206,534
General	3.61%	14,296,889	14,910,410
Total in service		109,563,603	105,124,989
Under construction		2,196,470	2,140,263
Less accumulated depreciation		(27,716,815)	(26,630,893)
Subtotal Electric Plant		84,043,258	80,634,359
Non-Utility Plant			
Non-Utility Plant	1.27%	1,021,437	1,030,886
Less accumulated depreciation		(540,719)	(527,788)
Total Non-Utility Plant		480,718	503,098
Total Electric Cooperative Plant		84,523,976	81,137,457
Propane Subsidiary Plant			
In service	4.36%	7,466,788	6,762,944
Less accumulated depreciation		(3,895,451)	(3,585,795)
Subtotal		3,571,337	3,177,149
Net plant, property, and equipment		$ 88,095,313	$ 84,314,606

The non-utility plant is held in the electric utility and is leased to the subsidiaries or held directly by the subsidiary.

Note 3 INVESTMENTS

Investments in Associated Cooperatives

	2023	2022
Patronage Capital Credits		
Dairyland Power Cooperative (DPC)	$ 14,181,703	$ 13,456,084
National Rural Utilities Cooperative Finance Corporation (CFC)	1,613,873	1,589,906
Federated Rural Electric Insurance Exchange	305,144	294,302
Rural Electric Supply Cooperative (RESCO)	328,919	256,582
Subtotal	16,429,639	15,596,874
CFC member capital securities (matures 1/9/44, 5.0%)	100,000	100,000
Capital Term Certificates of the National Rural Utilities Cooperative Finance Corporation		
Capital term certificates - maturities 10/1/2070-2080; interest rate, 5.0%	532,131	532,131
Loan term certificates - maturities 10/1/2025; interest rate, 3.0%	36,250	36,250
Loan capital certificates - maturities 5/1/2030 to 11/1/2039 non-interest bearing	365,425	468,295
Subtotal	933,806	1,036,676
Other	173,609	167,726
Total	$ 17,637,054	$ 16,901,276

The investment in DPC consists primarily of capital credits for the Cooperative's share of DPC's operating margins that have been allocated but not received and its share of unallocated operating losses. Operating margins and losses are recognized based on the Cooperative's percentage of DPC's power output sold to its members each year, which approximates the Cooperative's ownership in DPC. During December 31, 2023 and 2022, the Cooperative recognized income of $977,130 and $741,214, respectively, related to its portion of DPC's margin.

Investments in CFC represent undistributed capital credits allocated to the Cooperative as well as loan and capital term certificates. The certificates represent investments made pursuant to CFC borrowing requirements. During 2023 and 2022 the Cooperative recognized income of $116,589 and $95,193, respectively, related to its portion of CFC's margins. All CFC securities are classified as held-to-maturity.

Note 3 INVESTMENTS (Continued)

Investments in Associated Cooperatives (Continued)

The investments in Federated Rural Electric Insurance Exchange and Rural Electric Supply Cooperative represent undistributed capital credits allocated to the Cooperative. The Cooperative purchases insurance and material and supplies from these two Cooperatives. During 2023 and 2022 Polk-Burnett recognized income of $13,785 and $35,986, respectively, from Federated and $108,070 and $66,625 respectively, from RESCO related to its portion of these Cooperative's margins.

Economic Development Notes Receivable

In 2014, the Cooperative executed an interest-free loan in the amount of $360,000 to the Grantsburg Fire Association which will be repaid with ten annual payments of $36,000 beginning in December of 2015. $300,000 was funded with an interest free loan from the USDA and $60,000 was provided by the Cooperative. This note has a balance of $36,000 and $72,000 as of December 31, 2023 and 2022, respectively.

In 2021, the Cooperative executed an interest-free loan in the amount of $180,000 to the Town of Lorain which will be repaid with ten annual payments of $18,000 which began in 2022. This note has a balance of $144,000 and $162,000 as of December 31, 2023 and 2022, respectively.

The Cooperative has $180,000 and $126,000 available as of December 31, 2023 and 2022, respectively, exclusively for this purpose.

Rural Development Note Receivable

In 2019, the Cooperative executed an interest-free loan in the amount of $694,880 to Allied Emergency Services, Inc which will be repaid with monthly payments of $5,791 beginning in October of 2019, until the full amount is paid off or the tenth anniversary, whichever first occurs. The full amount was funded with an interest free loan from the USDA. This note has a balance of $399,556 and $469,044 as of December 31, 2023 and 2022, respectively.

Note 4 DEFERRED DEBITS

The balance of deferred debits consists of the following:

	2023	2022
NRECA RS Plan prepayment	$ -	$ 41,860
Unamortized debt expense	79,228	85,906
	$ 79,228	$ 127,766

Note 4 DEFERRED DEBITS (Continued)

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 a 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 a prepayment of $2,385,677 ($2,129,726 Electric Cooperative and $255,951 Propane) was made to the NRECA RS Plan. The Cooperative is amortizing this amount over ten years.

Note 5 EQUITIES

Patronage Capital

	2023	2022
Assignable	$ 4,565,234	$ 4,287,393
Assigned to date	83,769,924	80,550,546
Subtotal	88,335,158	84,837,939
Retired to date	32,693,962	30,805,537
Total	$ 55,641,196	$ 54,032,402

The mortgage provisions restrict the retirement of patronage capital unless, after retirement, the total equity of the Cooperative equals at least 20% of the assets of the Cooperative. However, retirements (exclusive of any distributions to the estates of deceased patrons) can be made if such distributions do not exceed 30% of the preceding year's net consolidated margin. No distribution can be made if there is unpaid, when due, any installments of principal or interest on the notes.

Distributions to estates are made at the request of the estates. The retirement paid out is discounted, and the excess is retained by the Cooperative as a gain on retirement of capital credits. Patronage capital credits, arising from prior years' margins, are retired chronologically.

No interest shall be paid or payable to the patrons on any capital furnished by the patrons.

Note 5 EQUITIES (Continued)

Other Equities

	2023	2022
Accumulated unallocated non-operating margins	$ 4,567,293	$ 3,499,278
Gain on early retirement of capital credits	1,141,703	1,029,650
Accumulated margins of subsidiaries	4,584,680	3,924,872
Total	$ 10,293,676	$ 8,453,800

Accumulated Unallocated Non-Operating Margins

Accumulated unallocated non-operating margins consist of non-operating margins less deficits from operating divisions.

Gain on Early Retirements of Capital Credits

Gain on early retirement of capital credits consists of the discounted portion of capital credits paid to estates, due to early retirement.

Accumulated Margins of Subsidiaries

The accumulated margins of subsidiaries consist of the income, net of losses, from the wholly owned subsidiaries from their date of incorporation to December 31, 2023 and 2022.

Note 6 LONG-TERM DEBT AND LINE OF CREDIT

Long term debt is as follows:

	2023	2022
National Rural Utilities Cooperative Finance Corporation (CFC) Mortgage notes - interest rates of 2.96% to 7.25%, notes payable in quarterly installments with maturities at various dates from 2027 to 2053.	$ 35,415,032	$ 35,410,340
Farmer Mac notes serviced through CFC - interest rates of 6.48% payable in semi-annual installments with maturities at various dates from 2036 to 2037.	1,525,090	1,604,839
United States Department of Agriculture (USDA) note, non-bearing interest, with monthly installments. Polk-Burnett is the intermediary. See Note 3 for detail.	405,347	474,835
Rural Economic Development note payable, interest rate of zero percent unless used for unapproved purposes at which time interest at a rate established in 31 CFR 901.9 would begin to accumulate until repaid. No maturity as long as used for economic development, as stated.	300,000	300,000
National Cooperative Services Corporation (NCSC) note, interest rate of 3.85%, payable in quarterly installments and matures in 2023.	-	22,780
CoBank line of credit, interest rate of 7.26%, payable in monthly installments.	1,000,000	-
	38,645,469	37,812,794
Less amount due within one year	2,014,619	2,057,758
Total long-term debt	$ 36,630,850	$ 35,755,036

Substantially all assets are pledged to CFC and NCSC as a security on the mortgage notes. The notes mature from 18 to 40 years from the date of issuance. The notes payable to CFC contain provisions for changing the rate of interest at specified future dates.

Note 6 LONG-TERM DEBT AND LINE OF CREDIT (Continued)

Approximate annual principal payments on the existing long-term debt for the next five years are:

2024	$	2,014,619
2025	$	2,018,662
2026	$	2,101,319
2027	$	2,172,518
2028	$	2,215,404

Un-advanced loan funds of $13,000,000 are available to the Cooperative from CFC. The mortgage agreement with CFC requires, among other provisions, that the Cooperative maintain certain annual debt service coverage levels. The Cooperative was in compliance with the annual debt service coverage covenant at December 31, 2023.

Line of Credit

The Cooperative has a perpetual line of credit agreement with the National Rural Utilities Cooperative Finance Corporation providing the Cooperative with loans up to $5.0 million on a revolving basis. Interest is payable quarterly at rates established by CFC, which are not to exceed the lowest prime rate as published in the "Money Rates" column of *The Wall Street Journal* plus 1% or lesser rate as fixed by CFC. The agreement provides that combined borrowing on this and any other line of credit shall not exceed $5.0 million. Outstanding advances in any single calendar year may not exceed the prior calendar year's plant additions plus one-twelfth of annual operations and maintenance expenses. Any advances must be paid in full within 360 days of the advance or remain as long-term debt as the Cooperative can convert its line of credit to long-term at the discretion of the Board of Directors. The Cooperative did not have any outstanding balance on the line of credit as of December 31, 2023 and 2022.

The Cooperative has a revolving line of credit with CoBank providing the Cooperative with loans up to $1.0 million on a revolving basis. Interest is payable monthly at rates established by CoBank. The rate was 7.26% at December 31, 2023. The term of the commitment is up to and including November 30, 2024. The commitment will be renewed for an additional year if the lender provides the borrower a renewal notice. The unpaid principal is due on the last day of the term of the commitment. The Cooperative had outstanding balances of $1,000,000 and $0 as of December 31, 2023 and 2022, respectively. The Cooperative has the intent and the ability to refinance on a long-term basis and therefore this is included in long-term debt on the consolidated balance sheets.

Note 6 LONG-TERM DEBT AND LINE OF CREDIT (Continued)

Line of Credit (Continued)

The Cooperative guarantees, through its propane subsidiary, a perpetual line of credit agreement with the NCSC providing the Cooperative with loans up to $3.0 million on a revolving basis. Interest is payable quarterly at rates established by NCSC, which are not to exceed the lowest prime rate as published in the "Money Rates" column of *The Wall Street Journal* plus 1% or lesser rate as fixed by NCSC. The agreement provides that combined borrowing on this and any other line of credit shall not exceed the prior calendar year's plant additions plus one-twelfth of annual operations and maintenance expenses. Any advances must be paid in full within 360 days of the advance and remain at a zero balance for at least five consecutive business days. The Cooperative did not have any outstanding balance on the line of credit as of December 31, 2023 and 2022.

All outstanding lines of credit are classified as long-term on the balance sheet due to the long-term financing that the Cooperative has available.

Note 7 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	2023	2022
Electric customer deposits	$ 241,508	$ 206,158
Taxes other than income	65,153	12,382
Accrued interest	250,955	216,852
Accrued payroll	293,097	320,198
Self-funded health insurance	19,999	60,001
Accrued employee vacations	619,036	603,586
State tax collections payable	64,277	8,604
Miscellaneous	5,362	5,000
Total	$ 1,559,387	$ 1,432,781

Note 8 DEFERRED CREDITS

The balance of deferred credits consists of the following:

		2023		2022
Unclaimed patronage capital retirement refunds, and general fund checks	$	822,384	$	621,258
Deferred gain on RDUP buy out, net of amortization		40,408		50,510
Regulatory liabilities		1,527,531		1,915,829
Deferred tax liability (See note 10)		842,000		793,000
Total	$	3,232,323	$	3,380,597

In 1995 and 1996, the Cooperative refinanced its RDUP debt of $9.3 million with funds from CFC and RDUP resulting in a gain of $1,396,538. The gain is deferred and is being amortized over the remaining lives of the original notes using the effective interest rate amortization method. The amortization amounted to $10,102 for December 31, 2023 and $10,502 for 2022 and was credited to interest expense and the accumulated amortization is $1,356,130 and $1,346,028 at December 31, 2023 and 2022, respectively. The deferred gain on refinancing has been deferred in accordance with the FASB ASC.

In January 2013, Dairyland Power Cooperative received settlement proceeds from a lawsuit it filed against the United States Government and decided to refund 50% of the total settlement back to its member cooperatives. The portion of the settlement proceeds received in 2013 by the Cooperative totaled $1,069,031 and was recorded as a regulatory liability. The Cooperative intends to use the regulatory liability to offset costs as part of the future process of setting rates. In 2016, Dairyland Power Cooperative received $73.5 million of settlement proceeds from a lawsuit it filed against the United States Government and decided to refund approximately $47.6 million of the total settlement back to its member cooperatives. The portion of the settlement proceeds received in 2017 by the Cooperative totaled $2,657,267 and $1,657,267 was recorded as a regulatory liability. The remaining $1 million was recorded as non-operating margins in 2017. The Cooperative intends to use the regulatory liability to offset costs as part of the future process of setting rates. The Cooperative recognized $388,298 and $338,000 of these deferrals during the years ended December 31, 2023 and 2022, respectively.

In 2018, the board resolved to defer $988,484 of the Cooperative's revenue to offset anticipated service costs in future periods. The deferral will be recognized over a four-year period starting in 2019 and going through 2022. The Cooperative recognized $0 and $211,332 of this deferral during the year ended December 31, 2023 and 2022.

Note 8 DEFERRED CREDITS (Continued)

In 2020, the board resolved to defer $1,000,000 of the Cooperative's revenue to offset anticipated service costs in future periods primarily as a result of reduced expenses and credits from their power provider which were not anticipated during the year. None of this deferral was used during 2023 or 2022.

Note 9 LEASES

The Company leases its tank utility monitors under finance leases with 5-year initial terms. These leases automatically renew, and the Company has the option to do a $1 buyout at the end of the lease. The Company must inform the lessor of cancellation within 30 days of the original term or any extension and return the equipment in good working order.

The Company also has a separate finance lease agreement for tank utility monitors with a 5-year term. This lease states that the Company does not have the right to purchase assets at any time, however, the Company believes the lease term is for a major part of the remaining economic life of the monitors.

The following summarizes the line items in the balance sheet which include amounts for operating and financing leases as of December 31, 2023:

	Balance Sheet Classification	2023	2022
Right-of-use assets:			
Finance leases	Property and equipment, net	$ 304,013	$ 167,470
Operating leases	Property and equipment, net	4,267	5,706
Accumulated depreciaton	Property and equipment, net	(79,753)	(21,380)
Total right-of-use assets		$ 228,527	151,796
Lease liabilities:			
Current finance leases	Current portion of long-term liab.	$ 61,433	$ 32,831
Non-current finance leases	Lease obligations (net of current)	166,001	113,592
Current operating leases	Current portion of long-term liab.	1,527	1,527
Non-current operating leases	Lease obligations (net of current)	3,054	4,581
Total lease liabilities		$ 232,015	$ 152,531

Note 9 LEASES (Continued)

Lease liability maturities as of December 31, 2023, are as follows:

	Financing	Operating	Total
2024	$ 63,964	$ 1,527	$ 65,491
2025	60,284	1,527	61,811
2026	52,900	1,527	54,427
2027	41,594	-	41,594
2028	8,692	-	8,692
Thereafter	-		-
Total lease liabilities	$ 227,434	$ 4,581	$ 232,015

The weighted-average remaining lease term related to the Company's finance lease liabilities as of December 31, 2023, was 7.63 years. The weighted-average lease term related to the Company's operating lease liability was 3 years. The weighted-average discount rate for the operating lease was 5.75% as of December 31, 2023. The weighted-average discount rate for the finance leases was 0.68% as of December 31, 2023.

The following summarizes the line items in the income statements which include the components of lease expense for the year ended December 31:

	2023	2022
Operating lease costs:		
Operating lease expense included in administrative and general expense	$ 1,439	$ 1,928
Finance lease costs:		
Amortization of lease assets included in depreciation and amortization expense	$ 57,667	$ 19,452
Interest on lease liabilities included in interest expense	9,391	4,921
Total finance lease costs	$ 67,058	$ 24,373

The cumulative effect adjustment of implementing FASB ASC 842 as of January 1, 2022 was to recognize a right-of-use asset of $29,186 and related liability in the same amount.

Note 10 INCOME TAXES

The provision for income tax expense (benefit) includes the following components:

	2023	2022
Current expense (benefit)		
Federal	$ 146,626	$ 72,125
State	64,272	30,281
Deferred income tax expense (benefit)		
Federal	35,000	103,000
State	14,000	42,000
Total	$ 259,898	$ 247,406

Deferred income taxes based upon timing differences resulting primarily from depreciation are summarized as follows:

	2023	2022	2021
Deferred income tax assets	$ -	$ -	$ -
Deferred income tax liabilities	842,000	793,000	648,000
	842,000	793,000	648,000
Less - valuation allowance	-	-	-
Net deferred income tax liability	$ 842,000	$ 793,000	$ 648,000

Note 11 SELF-FUNDED HEALTH INSURANCE

The Cooperative has a self-funded program for employee health insurance. Stop-loss insurance coverage limits the Cooperative's risk to a maximum of $45,000 per insured individual and approximately $979,070 for all insured in the aggregate. The plan is administered and claims are validated by a benefits management company. All claims are expensed on the accrual basis when the benefits management company becomes aware of their validity. A liability of $20,000 and $60,000 as of December 31, 2023 and 2022, respectively, has been recorded to cover potential claims that may have occurred but which the benefits management company has not yet become aware of at December 31, 2023 and 2022.

Actual medical claims paid by the Cooperative for medical and prescription benefits was $766,004 and $467,380 in 2023 and 2022, respectively. The Cooperative offers a high deductible plan with deductibles of $2,000 and $3,000 for single plans and $4,000 and $6,000 for family plans.

Note 12 EMPLOYEE BENEFITS

Multi-employer Defined Benefit Pension Plan

The Cooperative participates in two pension plans covering union and nonunion employees through participation in the National Rural Electric Company Association (NRECA) Retirement and Security Program, a defined benefit pension plan qualified under Section 401 and tax exempt under 501(a) of the Internal Revenue Code. It is 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.

The Cooperative made contributions to the plan of $1,035,105 and $940,639 in 2023 and 2022, respectively, and represent less than 5 percent of the total contributions made to the plan by all participating employers. There have been no significant changes that affect the comparability of 2023 and 2022 contributions. The Cooperative is required to make contributions for those employees covered by the collective bargaining agreement through April 30, 2024.

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 Retirement Security Plan was over 80 percent funded on January 1, 2023 and 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.

Defined Contributions Plan

The Cooperative has a NRECA 401(k) defined contribution savings plan for employees who meet certain age and service requirements The Cooperative matches employee contributions up to 1.0% for union employees and 6.0% for non-union employees' compensation into the plan. Non-union employees have to contribute 6% to get the employer’s 6% contribution. Savings plan expense was $190,924 in 2023 and $172,989 in 2022.

Note 12 EMPLOYEE BENEFITS (Continued)

Other Plans

The Cooperative also provides employees with medical and dental insurance coverage, short-term and long-term disability, and life insurance, which are funded by employer and employee contributions. Along with these benefits, they also fund contributions to a health savings account for each employee. The Cooperative's cost related to these benefits was $1,037,174 and $748,874 in 2023 and 2022, respectively.

Compensated Absences

The cost of compensated absences (vacation, sick leave taken, and holidays) was $660,605 and $586,014 in 2023 and 2022, respectively.

Note 13 RELATED PARTY TRANSACTIONS AND COMMITMENTS

Purchased Power Agreement

Polk-Burnett Electric Cooperative is a member of Dairyland Power Cooperative (DPC) which is an electric generation and transmission cooperative. The Cooperative obtained most of its purchased power from DPC for the years ended December 31, 2023 and 2022. The Cooperative also purchases solar output from SoCore Energy. In 2023 and 2022, the Cooperative's total purchased power was $20,485,338 and $20,809,110 respectively.

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from DPC until December 31, 2060. The rates paid to DPC are subject to periodic review.

Management Consulting, Accounting and Other Services to Propane Subsidiary

Polk-Burnett Electric Cooperative has an agreement with the Propane subsidiary, whereby the Cooperative furnishes management consulting, accounting, building and office space, and bulk facility maintenance and other related products and services as may be required by them. Compensation for such services is at cost. The agreement is to continue in force for one year and is automatically renewable for successive one-year terms unless, either party, sixty days prior to the expiration of any contract term notifies the other of its desire to renegotiate the substantial provisions of the agreement or terminate the contract. The total costs charged to the subsidiary under the agreements amounted to $57,567 and $46,522 per year in 2023 and 2022, respectively. This activity has been eliminated in the consolidated financial statements.

Note 13 RELATED PARTY TRANSACTIONS AND COMMITMENTS (Continued)

Lease of Office and Bulk Plant Facilities to Propane Subsidiary

The Cooperative leases office space and bulk plant facilities to the Propane subsidiary. The annual base rent is $32,880 and $16,848 in 2023 and 2022, respectively, plus taxes, other than real estate assessments, insurance premiums and utility services. The base rent shall increase 1% each year. The lease is effective January 1, 2023 and the office space and bulk plant facilities have a five year term. The office space and bulk plant facilities shall automatically renew for successive five-year periods upon like terms unless either party, no later than ninety days prior to the first or any subsequent termination date, notifies the other party in writing of its intention of non-renewal. The total costs charged to the subsidiary under the agreements amounted to $32,880 and $16,848 in 2023 and 2022, respectively. This activity has been eliminated in the consolidated financial statements.

Other Related Party Transactions

The Cooperative purchased $25,629 and $26,980 in propane from the Propane subsidiary and had a balance of $0 in propane deposits at year end in 2023 and 2022.

Substation Service Contract Commitment

In August 2002 the Cooperative entered into an agreement to utilize a substation from another rural electric cooperative under a non-cancelable operating lease agreement. The lease agreement currently requires a monthly base lease payment of $1,439 and expires August 10, 2032.

Note 13 RELATED PARTY TRANSACTIONS AND COMMITMENTS (Continued)

Substation Service Contract Commitment (Continued)

The annual expense under this agreement was $17,268 for 2023 and 2022. Scheduled future minimum payments under the agreement are as follows:

Year Ending December 31,		
2024	$	17,268
2025		17,268
2026		17,268
2027		17,268
2028		17,268
Thereafter		61,877
	$	148,217

Propane Contract Commitments

At December 31, 2023, Polk-Burnett Propane Services, Inc., has contracted for approximately 1,217,142 gallons of propane gas purchases with suppliers and had 1,676,220 gallons deliverable to prepaid contract members. No gains or losses on these contracts are included in the financial statements.

Note 14 CASH AND CASH EQUIVALENTS

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

	2023	2022
Cash - general	$ 4,328,785	$ 4,384,365
Temporary cash investments	402,233	583,464
Total	$ 4,731,018	$ 4,967,829

Note 15 FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) REIMBURSEMENTS

During 2020 the Cooperative submitted information for a claim for FEMA funds related to emergency weather related construction and maintenance costs that were incurred during 2019. The Cooperative has considered the likelihood that they will receive funds as well as considering past results and have recorded a receivable of $1,248,650 in 2019 which represents approximately 75% of the total claim. This amount is recorded in accounts receivable in the 2019 consolidated balance sheet.

During 2020 the Cooperative was notified that the amounts had been received by the state and they are anticipating receiving an amount of $2,018,504. The receivable was adjusted and is reflected in accounts receivable in the 2020 consolidated balance sheet. The Cooperative received $1,953,580 and $64,924 in 2021 and 2022, respectively, and has a remaining receivable of $0 for admin costs as of the end of 2022.

Note 16 LAWSUIT PROCEEDS AND REFUNDS

During 2022, the Cooperative received $725,639 from its power provider, Dairyland Power Cooperative (DPC), as part of settlement fees from the U.S. government passed through to members to secure and store spent nuclear fuel from DPC's prior shut-down nuclear facility. The Cooperative's board of directors has resolved to return the proceeds to members in 2022. The full amount is recorded as other non-operating income on the 2022 income statement.

During 2023, the Cooperative received $293,243 from Dairyland Power Cooperative (DPC) as a refund of business development funds. The Cooperative has recorded this as non-operating margins on its statement of operations.