

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**



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**SOUTHWEST IOWA RURAL ELECTRIC COOP  
DIRECTORS AND OFFICERS (UNAUDITED)  
DECEMBER 31, 2022**

Marilyn Werner	President
Mark Herzberg	Vice President
Ken Peppmeier	Secretary
Kay Fast	Treasurer
Terry Barnes	Director
Deena Moore	Director
Dana Morgan	Director
Jason Smith	Director
Alan Spencer	Director
Dale Walkup	Director
* * * * *	
Phil Kinser	CEO & General Manager





## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Southwest Iowa Rural Electric Coop  
Corning, Iowa

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Southwest Iowa Rural Electric Coop (the Cooperative), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in equity, and cash flows for the year 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 the Cooperative as of December 31, 2022, and the results of its operations and its cash flows for the year 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

#### ***Prior Period Financial Statements***

The financial statements of the Cooperative as of December 31, 2021, were audited by other auditors whose report dated March 14, 2022, expressed an unmodified opinion on those financial statements.

#### ***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 the Cooperative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 the 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 the 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.

**Other Information Included in the Annual Report**

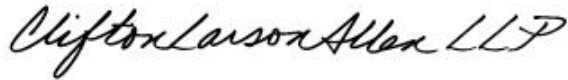
Management is responsible for the other information included in the annual report. The other information comprises the listing of directors and officers and the Cooperative's annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



Board of Directors  
Southwest Iowa Rural Electric Coop

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
March 21, 2023

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**SOUTHWEST IOWA RURAL ELECTRIC COOP  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Electric Plant in Service	\$ 50,709,788	\$ 49,124,404
Construction Work in Progress	1,924,932	823,199
Total	52,634,720	49,947,603
Less: Accumulated Provision for Depreciation	(17,862,277)	(17,060,417)
Net Utility Plant	34,772,443	32,887,186
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investments in Associated Organizations	3,365,603	3,459,071
Other Investments	687,297	768,507
Total Other Property and Investments	4,052,900	4,227,578
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	700,652	1,468,600
Accounts Receivable, Net	1,537,534	1,208,377
Materials and Supplies Inventory	1,361,172	617,685
Other Current and Accrued Assets	70,212	88,923
Current Portion of Notes Receivable	67,803	66,441
Total Current Assets	3,737,373	3,450,026
<b>DEFERRED DEBITS</b>		
	27,215	34,778
Total Assets	\$ 42,589,931	\$ 40,599,568
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES</b>		
Patronage Capital	\$ 7,681,133	\$ 8,011,061
Other Equities	10,926,843	10,411,923
Total Equities	18,607,976	18,422,984
<b>LONG-TERM DEBT, Net of Current Maturities</b>		
	20,196,951	19,468,855
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	994,951	925,983
Notes Payable - Line of Credit	425,000	-
Accounts Payable	1,267,542	739,478
Consumer Deposits	119,718	131,343
Other Current Accrued Liabilities	759,690	779,567
Total Current Liabilities	3,566,901	2,576,371
<b>DEFERRED CREDITS</b>		
	218,103	131,358
Total Equities and Liabilities	\$ 42,589,931	\$ 40,599,568

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>OPERATING REVENUES</b>	\$ 12,808,231	\$ 11,748,776
<b>OPERATING EXPENSES</b>		
Cost of Power	7,015,755	6,151,929
Distribution Expense - Operations	793,084	879,295
Distribution Expense - Maintenance	1,278,406	1,145,318
Consumer Account Expense	589,927	530,580
Sales Expense	17,673	9,251
Administrative and General Expense	916,678	850,090
Depreciation	1,335,197	1,300,497
Taxes	-	11,532
Other Deductions	5,893	8,092
Total Operating Expenses	11,952,613	10,886,584
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	855,618	862,192
<b>INTEREST ON LONG-TERM DEBT</b>	739,283	735,440
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	116,335	126,752
<b>GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS</b>	297,020	468,480
<b>NET OPERATING MARGINS</b>	413,355	595,232
<b>NONOPERATING MARGINS</b>		
Interest Income	57,378	80,106
Gain on Disposal of Property	53,564	6,300
Other Nonoperating Margins	34,163	561,757
Total Nonoperating Margins	145,105	648,163
<b>NET MARGINS</b>	\$ 558,460	\$ 1,243,395

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Patronage Capital	Assignable Margins	Patronage Capital	Other Equities	Total Equities
<b>BALANCE - DECEMBER 31, 2020</b>	\$ 6,575,722	\$ 1,130,662	\$ 7,706,384	\$ 9,841,220	\$ 17,547,604
Assigned 2020 Margins	577,147	(1,130,662)	(553,515)	553,515	-
Retirement of Capital Credits	(385,203)	-	(385,203)	17,188	(368,015)
2021 Margins	-	1,243,395	1,243,395	-	1,243,395
<b>BALANCE - DECEMBER 31, 2021</b>	6,767,666	1,243,395	8,011,061	10,411,923	18,422,984
Assigned 2021 Margins	725,111	(1,243,395)	(518,284)	518,284	-
Retirement of Capital Credits	(370,104)	-	(370,104)	7,200	(362,904)
2022 Margins	-	558,460	558,460	-	558,460
Changes in Other Equities	-	-	-	(10,564)	(10,564)
<b>BALANCE - DECEMBER 31, 2022</b>	<u>\$ 7,122,673</u>	<u>\$ 558,460</u>	<u>\$ 7,681,133</u>	<u>\$ 10,926,843</u>	<u>\$ 18,607,976</u>

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 558,460	\$ 1,243,395
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation	1,335,197	1,300,497
G & T and Other Capital Credits	(297,020)	(468,480)
Interest Income Credited to Cushion of Credit	(6,956)	(36,652)
Interest Expense Paid by Cushion of Credit	218,058	190,974
Gain on Disposition of Assets	(53,564)	(6,300)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(329,157)	73,221
Materials and Supplies Inventory	(743,487)	(201,677)
Other Current and Accrued Assets	18,711	(32,405)
Deferred Debits	7,563	6,510
Increase (Decrease) in:		
Accounts Payable	528,064	(37,224)
Customer Deposits	(11,625)	59,077
Other Current and Accrued Liabilities	(19,877)	198,903
Deferred Credits	86,745	2,868
Net Cash Provided by Operating Activities	1,291,112	2,292,707
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction and Acquisition of Plant	(3,166,890)	(2,247,080)
Cash Received from Retirement of Patronage Capital	390,488	469,465
Forgiveness of Paycheck Protection Program Note	-	(524,793)
Cash Received from Payment of Notes Receivable	79,848	74,811
Net Change in Other Property and Investments	-	199
Net Cash Used by Investing Activities	(2,696,554)	(2,227,398)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt	1,300,000	1,200,000
Principal Payments on Long-Term Debt	(714,038)	(683,754)
Borrowing on Line of Credit	425,000	-
Change in Other Equities	(10,564)	17,188
Retirement of Capital Credits	(362,904)	(385,203)
Net Cash Provided by Financing Activities	637,494	148,231
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(767,948)	213,540
Cash and Cash Equivalents - Beginning of Year	1,468,600	1,255,060
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 700,652	\$ 1,468,600
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 793,540	\$ 706,918
Principal Payments Paid by Cushion of Credit	\$ 225,961	\$ 191,289

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Southwest Iowa Rural Electric Coop (the Cooperative) is a cooperative association organized under Iowa laws and statutes. The primary purpose of the Cooperative is to buy and sell electric energy to its members. The Cooperative serves members located primarily in rural areas of southwest Iowa.

**Basis of Accounting**

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS. The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied in the case of regulated electric utilities.

Rates charged to consumers are established by the board of directors.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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. Estimates may also affect the reported amounts of revenue and expense during the reported period. Accordingly, actual results could vary from those estimates.

**Electric Plant and Depreciation Procedures**

Utility plant is stated at cost. Major expenditures for property and equipment and those which substantially increase useful lives are capitalized. Maintenance, repairs, and major renewals are expensed as incurred. Gains or losses incurred on disposals of distribution plant items are recorded as adjustments to the related accumulated depreciation account. When general plant assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the account and the resulting gains or losses are included in current operations. There were no long-term construction projects requiring capitalization of interest for allowance of funds used during construction.

Distribution plant is depreciated through the use of an average composite, straight-line rate of 2.87% or on an individual unit straight-line basis using rates within RUS guidelines. General plant is depreciated on the estimated useful life of the asset using the straight-line method on a unit basis.

**Other Property and Investments**

*Investments in Associated Organizations:*

Investments in associated organizations include patronage capital, capital term certificates, and other investments. Patronage capital investments are stated at cost plus undistributed allocated equities from other cooperatives. Capital term certificates and other investments are carried at cost, which approximates market value.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Property and Investments (Continued)**

*Other Investments:*

Other investments include economic development notes receivable and other investments. Notes receivable and other investments are recorded at cost.

*Allowance for Loan Losses:*

The allowance for loan losses (allowance) is an estimate of loan losses inherent in the Cooperative's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after loan losses and loan growth. Loan losses are charged off against the allowance when the Cooperative determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance.

A loan is considered impaired when, based on current information and events, it is probable that the Cooperative will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans determined to be impaired are individually evaluated for impairment. When a loan is impaired, the Cooperative measures impairment based on the present value of the expected future cash flows discounted at the original contractual interest rate, except that as a practical expedient, it may measure impairment based on an observable market price, or the fair value of the collateral if collateral dependent. A loan is collateral dependent if the repayment is expected to be provided solely by the underlying collateral.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a regular basis, management reviews the adequacy of the allowance, including consideration of the relevant risks of the portfolio, current economic conditions, and other factors. If management determines that changes are warranted based on those reviews, the allowance is adjusted.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Cooperative considers short-term investments with maturities of three months or less to be cash equivalents. The following is a summary of these items at December 31:

	<u>2022</u>	<u>2021</u>
Cash – General	\$ 67,679	\$ 50,305
Revolving Loan Funds	554,791	463,507
Short-Term Investments	78,182	954,788
Total	<u>\$ 700,652</u>	<u>\$ 1,468,600</u>

The Cooperative maintains cash and investments in deposit accounts at financial institutions approved by the board of directors and insured by Federal Deposit Insurance Corporation (FDIC). Accumulated deposits at these financial institutions, at times, may exceed federally insured limits.



**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents (Continued)**

Revolving loan fund cash is restricted for the purpose of making economic development loans to businesses. The cash is provided through the Rural Economic Development Loan and Grant Program.

**Accounts Receivable**

The Cooperative provides an allowance for bad debts using the allowance method based on management's judgment. Services are sold on an unsecured basis. Payment is generally required within 20 days after the date of billing. Accounts past due are individually analyzed for collectibility. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. The Cooperative writes off accounts at various times throughout the year as deemed necessary. As of December 31, 2022 and 2021, the allowance for bad debts had a balance of \$26,115 and \$29,312, respectively.

**Inventories**

Inventories are valued at the lower of cost or net realizable value using the average unit cost method.

**Income Taxes**

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded at December 31, 2022 and 2021.

The Cooperative has evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2022 and 2021.

**Presentation of Sales Taxes**

The Cooperative does business in various taxing jurisdictions which impose sales taxes on sales to nonexempt customers. The Cooperative collects sales tax from customers and remits the entire amount to the taxing jurisdictions. The Cooperative's accounting policy is to exclude the tax collected and remitted to the taxing jurisdictions from revenues and costs of sales.

**Revenue from Contract with Customers**

The Cooperative primarily generates revenue from the distribution and sale of electricity to members. The Cooperative satisfies the performance obligation when the energy is delivered to the member. The Cooperative recognizes revenue from energy sales based on meter readings of the member's usage. Meters are read at month-end and bills are sent out early the next month with payments due 20 days after the bills are sent. Rates charged to members are based on rates approved by the Cooperative's board of directors. The Cooperative has elected to use the Invoice Practical Expedient allowing the Cooperative to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue from Contract with Customers (Continued)**

The following table presents the Cooperative's revenues disaggregated by type of customer at December 31:

	<u>2022</u>	<u>2021</u>
Residential	\$ 9,708,720	\$ 8,793,213
Commercial and Industrial-Small	2,576,198	2,402,230
Commercial and Industrial-Large	160,955	266,704
Public Street and Highway Lighting	15,157	15,073
Sales for Resale	272,127	205,561
Other Operating Revenue	75,074	65,995
Total	<u>\$ 12,808,231</u>	<u>\$ 11,748,776</u>

**Subsequent Events**

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through March 21, 2023, the date the financial statements were available to be issued.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Cooperative adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Cooperative has elected to adopt the package of practical expedients available in the year of adoption. The Company has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets.

The adoption of ASU 2016-02, *Leases (Topic 842)* did not have a material effect on the Cooperative's financial statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 ELECTRIC PLANT IN SERVICE**

The following are the major classes of the electric plant in service as of December 31:

	<u>2022</u>	<u>2021</u>
Intangible Plant	\$ 30,515	\$ 30,515
Distribution Plant	45,119,621	43,809,075
General Plant	<u>5,559,652</u>	<u>5,284,814</u>
Total Electric Plant in Service	50,709,788	49,124,404
Construction Work in Progress	<u>1,924,932</u>	<u>823,199</u>
Total	<u>\$ 52,634,720</u>	<u>\$ 49,947,603</u>

**NOTE 3 INVESTMENTS IN ASSOCIATED ORGANIZATIONS**

The Cooperative is a voting member of Central Iowa Power Cooperative (CIPCO), a generation and transmission facility headquartered in Cedar Rapids, Iowa, supplying power to distribution cooperatives in Iowa. These voting members or owners share margins realized by CIPCO, on the cooperative principle, based on power purchased.

Investments in associated organizations as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Central Iowa Power Cooperative	\$ 2,005,254	\$ 2,153,755
NRUCFC - Patronage Capital Credits	161,450	162,472
NRUCFC - Capital Term Certificates	550,240	550,447
Federated - Patronage Capital Credits	154,240	144,900
CoBank - Patronage Capital Credits	309,927	279,271
NISC - Patronage Capital Credits	89,204	92,882
Other Associated Organizations	<u>95,288</u>	<u>75,344</u>
Total	<u>\$ 3,365,603</u>	<u>\$ 3,459,071</u>

Capital term certificates include investments in National Rural Utilities Cooperative Finance Corporation (NRUCFC) capital term certificates, loan term certificates, and zero term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070; and loan term certificates bear interest at 3% and begin maturing in the year 2025.

**NOTE 4 OTHER INVESTMENTS**

Other investments at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Economic Development Loans		
City of Stanton, 5% interest through 2036	\$ 56,742	\$ 59,606
Corning Hotel, 1% interest through 2030	511,660	562,738
Forward with Faith, 3% interest through 2029	157,164	178,740
Stanton Area Industrial Foundation, 2% interest through 2029	<u>29,534</u>	<u>33,864</u>
Total	755,100	834,948
Less: Current Portion of Economic Development Loans	<u>(67,803)</u>	<u>(66,441)</u>
Total Other Investments	<u>\$ 687,297</u>	<u>\$ 768,507</u>

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 4 OTHER INVESTMENTS (CONTINUED)**

As of December 31, 2022 and 2021, the Cooperative has not reserved any allowance for loan losses on their rural economic development loans or notes receivable.

**NOTE 5 DEFERRED DEBITS**

Deferred debits consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Unamortized Debt Expense	\$ 3,922	\$ -
Preliminary Survey and Investigation	18,862	28,292
Other Deferred Debits	4,431	6,486
Total	<u>\$ 27,215</u>	<u>\$ 34,778</u>

**NOTE 6 DETAIL OF PATRONAGE CAPITAL**

The following is a summary of patronage capital assignable and assigned at December 31:

	<u>2022</u>	<u>2021</u>
Assignable	\$ 558,460	\$ 1,243,395
Assigned	7,122,673	6,767,666
Total	<u>\$ 7,681,133</u>	<u>\$ 8,011,061</u>

The mortgage provisions restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 30% of total assets of the Cooperative; provided; however, that retirements can be made if such distributions do not exceed 25% of the preceding year's margins. No distribution can be made if there are unpaid, when due, any installments of principal and interest on the notes.

**NOTE 7 OTHER EQUITIES**

Other equities consist of retained margins not allocated to patrons at December 31 as follows:

	<u>2022</u>	<u>2021</u>
Reserve for Contingent Losses	\$ 4,745,022	\$ 4,360,326
Statutory Surplus	6,059,136	5,925,548
Unclaimed Patronage Capital	73,164	83,728
Donated Capital	49,521	42,321
Total	<u>\$ 10,926,843</u>	<u>\$ 10,411,923</u>

The Cooperative's Articles of Incorporation require that at least 10% of Cooperative's earnings remaining after provision is made for depreciation, obsolescence, bad debts, or contingent losses or expense, must be added to statutory surplus until the surplus equals either \$1,000 or 30% of all capital paid in for memberships plus unpaid patronage dividends, earnings from nonmember business, and earnings from allocations of other cooperatives, whichever is greater, but is not to exceed 50% of that total.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 7 OTHER EQUITIES (CONTINUED)**

The Cooperative's Articles of Incorporation also allow earnings to be transferred to a Reserve for Obsolescence and Contingent Losses and Expenses.

**NOTE 8 LONG-TERM DEBT**

The following is a summary of outstanding long-term debt as of December 31:

	2022	2021
Federal Financing Bank (FFB) Mortgage Notes		
Fixed Interest 1.08%-3.18% maturing 2047-2052	\$ 9,419,318	\$ 8,345,279
Advance Payments on Long-Term Debt	(514,255)	(951,318)
National Rural Utilities Cooperative Finance Corporation		
Fixed interest 1.88%-4.85% maturing 2023-2040	2,711,250	2,842,056
CoBank Mortgage Notes		
Fixed Interest 2.96%-4.51% maturing 2028-2044	8,709,797	9,293,029
USDA Rural Economic Development Grant	865,792	865,792
Subtotal	21,191,902	20,394,838
Less: Current Maturities	(994,951)	(925,983)
Total	\$ 20,196,951	\$ 19,468,855

The loan agreements with RUS and NRUCFC impose certain restrictions upon the Cooperative relating to the purchase, sale, construction and maintenance of distribution plant, as well as future financing and retirement of patronage capital. These notes are secured by all assets of the Cooperative.

As of December 31, 2022, the Cooperative has unadvanced loan funds of \$0 from FFB and \$1,800,000 from NRUCFC.

The aggregate five-year maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2023	\$ 994,951
2024	1,037,070
2025	1,018,986
2026	1,023,409
2027	1,013,985

The Cooperative has received \$865,792 under the Rural Economic Development Loan and Grant Program. These are noninterest-bearing loans used to establish a fund to finance approved rural economic development projects. The original loans made from the fund are at 0% interest and loans made from the repayment of the original loans can bear interest up to the prevailing prime rate.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 9 NOTES PAYABLE**

The Cooperative has established a perpetual line of credit with NRUCFC in an amount totaling \$2,500,000. Borrowings are due on demand at interest rates that vary with the prime rate published in *The Wall Street Journal*. At December 31, 2022 and 2021, the interest rate on this line of credit was 5.75% and 2.45%, respectively. There was outstanding balances on this line of credit of \$425,000 and \$-0- as of December 31, 2022 and 2021, respectively.

The Cooperative has established an additional line of credit with CoBank in an amount totaling \$1,000,000. The interest rate as of December 31, 2022 and 2021 was 6.35% and 2.41%, respectively. The line of credit matures on September 30, 2023. No funds were advanced on this line of credit as of December 31, 2022 and 2021.

**NOTE 10 DEFERRED CREDITS**

Deferred credits at December 31 are as follows:

	2022	2021
Customer Advances for Construction	\$ 105,118	\$ 23,878
Customer Energy Prepayments	63,079	72,293
Operation Roundup	46,263	32,173
Other Deferred Credits	3,643	3,014
Total	\$ 218,103	\$ 131,358

**NOTE 11 PENSION AND RETIREMENT PLANS**

**Pension Plan**

The Hawkeye Pension Plan (the Plan) is a defined benefit pension plan intended to be qualified under Section 401 of the Internal Revenue Code (IRC). Its associated trust is intended to be tax-exempt under Section 501(a) of the IRC. All plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for individual participating coops. This means assets contributed by one coop may be used to provide benefits to employees of other participating coops. The Plan is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 42-1438152 and the Plan Number is 001.

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's contributions to the Plan in 2022 and in 2021 represented less than 5% of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the Plan of \$430,227 and \$431,496 in 2022 and 2021, respectively.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 11 PENSION AND RETIREMENT PLANS (CONTINUED)**

**Pension Plan (Continued)**

For the 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 Plan was over 65% and 80% funded on July 1, 2021 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the 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.

**Retirement Plan**

In addition to the above pension plan, employees of the Cooperative are eligible for a 401(k) savings plan. This plan is offered through the NRECA. Participants are not required to make contributions but may elect to contribute a percentage of their salary, subject to Internal Revenue Service maximum limitations. The Cooperative makes a contribution in an amount as determined by the Board of Directors. The Cooperative made contributions of approximately \$60,615 and \$57,840 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Sources of Supply**

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Central Iowa Power Cooperative through December 2045. The rates are subject to review annually.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY  
REQUIREMENTS FOR ELECTRIC BORROWERS**

Board of Directors  
Southwest Iowa Rural Electric Coop  
Corning, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Iowa Rural Electric Coop (the Cooperative), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2023. In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our Schedule of Findings and Responses related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, section 1773.33 and clarified in the Rural Utilities Service (RUS) policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting records to indicate that the Cooperative did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;

- Clear construction amounts and accrue depreciation on completed construction;
- Record and properly price the retirement plan;
- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower’s system if the contract covers all or substantially all of the electric system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);
- Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and
- Comply with the requirements for the detailed schedule of investments

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773.33(g) and the detail schedule of investments in affiliated companies required by 7 CFR 1773.33(h) and provided below are presented for purposes of additional analysis and are not required parts of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Schedule of Deferred Debits**

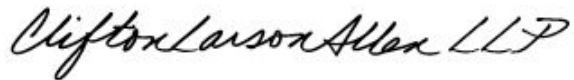
	<u>2022</u>
Unamortized Debt Expense	\$ 3,922
Preliminary Survey and Investigation	18,862
Other Deferred Debits	4,431
Total	<u>\$ 27,215</u>

**Schedule of Deferred Credits**

	<u>2022</u>
Customer Advances for Construction	\$ 105,118
Customer Energy Prepayments	63,079
Operation Roundup	46,263
Other Deferred Credits	3,643
Total	<u>\$ 218,103</u>

Board of Directors  
Southwest Iowa Rural Electric Coop

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
March 21, 2023

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Southwest Iowa Rural Electric Coop  
Corning, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Iowa Rural Electric Coop (the Cooperative), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in equity, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 21, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

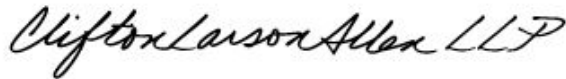
As part of obtaining reasonable assurance about whether the Cooperative’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Southwest Iowa Rural Electric Coop’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Cooperative’s response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Cooperative’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
March 21, 2023

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2022**

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**FINDING: 2022-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (U.S. GAAP)**

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The Cooperative does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with U.S. GAAP.

**Criteria or Specific Requirement:** Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. GAAP.

**Cause:** The Cooperative has not adopted an internal control policy over the annual financial reporting under U.S. GAAP. The Cooperative engages the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Effect:** The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected and corrected by the Cooperative's internal control.

**Recommendation:** The Cooperative should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

**Views of Responsible Officials and Planned Corrective Actions:** Management will continue to engage the audit firm to create the draft financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

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## INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors  
Southwest Iowa Rural Electric Coop  
Corning, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Southwest Iowa Rural Electric Coop (the Cooperative), which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2023.

During the year ended December 31, 2022, the Cooperative received no advances from National Rural Utilities Cooperative Finance Corporation (NRUCFC) on loans controlled by NRUCFC's Loan Agreements and Mortgage. In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative was not in compliance with the intended purpose of the loan funds as contemplated in the Loan Agreement. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced agreements, insofar as they relate to accounting matters.

This report is intended for the information and use of the board of directors, management, and the NRUCFC and is not intended to be and should not be used for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
March 21, 2023



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