

**SOUTHWEST IOWA RURAL ELECTRIC COOP
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**



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**SOUTHWEST IOWA RURAL ELECTRIC COOP
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**SOUTHWEST IOWA RURAL ELECTRIC COOP
DIRECTORS AND OFFICERS (UNAUDITED)
DECEMBER 31, 2023**

Marilyn Werner	President
Mark Herzberg	Vice President
Kay Fast-Deyoe	Secretary
Jason Smith	Treasurer
Terry Barnes	Director
Deena Moore	Director
Dana Morgan	Director
Bonnie Larson	Director
Alan Spencer	Director
Dale Walkup	Director

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Phil Kinser	CEO & General Manager
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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 sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in 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 the Cooperative 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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 19, 2024, 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.



CliftonLarsonAllen LLP

Rochester, Minnesota
March 19, 2024

**SOUTHWEST IOWA RURAL ELECTRIC COOP
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
UTILITY PLANT		
Electric Plant in Service	\$ 52,393,604	\$ 50,709,788
Construction Work in Progress	1,939,547	1,924,932
Total	54,333,151	52,634,720
Less: Accumulated Provision for Depreciation	(18,579,838)	(17,862,277)
Net Utility Plant	35,753,313	34,772,443
OTHER PROPERTY AND INVESTMENTS		
Investments in Associated Organizations	3,614,377	3,365,603
Other Investments	592,921	687,297
Total Other Property and Investments	4,207,298	4,052,900
CURRENT ASSETS		
Cash and Cash Equivalents	893,896	700,652
Accounts Receivable, Net of Allowances of \$29,015 in 2023 and \$26,116 in 2022	1,247,268	1,537,534
Materials and Supplies Inventory	1,292,183	1,361,172
Other Current and Accrued Assets	72,364	70,212
Current Portion of Notes Receivable	69,261	67,803
Total Current Assets	3,574,972	3,737,373
DEFERRED DEBITS		
	950,106	27,215
Total Assets	\$ 44,485,689	\$ 42,589,931
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$ 7,942,449	\$ 7,681,133
Other Equities	11,180,296	10,926,843
Total Equities	19,122,745	18,607,976
LONG-TERM DEBT, Net of Current Maturities		
	21,150,428	20,196,951
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	1,038,838	994,951
Notes Payable - Line of Credit	1,400,000	425,000
Accounts Payable	739,113	1,267,542
Consumer Deposits	114,330	119,718
Other Current Accrued Liabilities	709,392	759,690
Total Current Liabilities	4,001,673	3,566,901
DEFERRED CREDITS		
	210,843	218,103
Total Equities and Liabilities	\$ 44,485,689	\$ 42,589,931

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
OPERATING REVENUES	\$ 12,441,515	\$ 12,808,231
OPERATING EXPENSES		
Cost of Power	6,688,924	7,015,755
Distribution Expense - Operations	826,873	793,084
Distribution Expense - Maintenance	1,061,310	1,278,406
Consumer Account Expense	589,242	589,927
Sales Expense	14,574	17,673
Administrative and General Expense	952,923	916,678
Depreciation	1,368,812	1,335,197
Taxes	(11,532)	-
Other Deductions	5,073	5,893
Total Operating Expenses	11,496,199	11,952,613
OPERATING MARGINS BEFORE FIXED CHARGES	945,316	855,618
INTEREST ON LONG-TERM DEBT	798,518	739,283
OPERATING MARGINS AFTER FIXED CHARGES	146,798	116,335
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	625,673	297,020
NET OPERATING MARGINS	772,471	413,355
NONOPERATING MARGINS		
Interest Income	61,549	57,378
Gain on Disposal of Property	33,000	53,564
Other Nonoperating Margins	28,217	34,163
Total Nonoperating Margins	122,766	145,105
NET MARGINS	\$ 895,237	\$ 558,460

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Patronage Capital	Assignable Margins	Total Patronage Capital	Other Equities	Total Equities
BALANCE - DECEMBER 31, 2021	\$ 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)
BALANCE - DECEMBER 31, 2022	7,122,673	558,460	7,681,133	10,926,843	18,607,976
Assigned 2022 Margins	303,184	(558,460)	(255,276)	255,276	-
Retirement of Capital Credits	(378,645)	-	(378,645)	8,830	(369,815)
2023 Margins	-	895,237	895,237	-	895,237
Changes in Other Equities	-	-	-	(10,653)	(10,653)
BALANCE - DECEMBER 31, 2023	<u>\$ 7,047,212</u>	<u>\$ 895,237</u>	<u>\$ 7,942,449</u>	<u>\$ 11,180,296</u>	<u>\$ 19,122,745</u>

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 895,237	\$ 558,460
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation	1,368,812	1,335,197
G & T and Other Capital Credits	(625,673)	(297,020)
Interest Income Credited to Cushion of Credit	(14,064)	(6,956)
Interest Expense Paid by Cushion of Credit	224,725	218,058
Gain on Disposition of Assets	(33,000)	(53,564)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	290,266	(329,157)
Materials and Supplies Inventory	68,989	(743,487)
Other Current and Accrued Assets	(2,152)	18,711
Deferred Debits	(922,891)	7,563
Increase (Decrease) in:		
Accounts Payable	(528,429)	528,064
Customer Deposits	(5,388)	(11,625)
Other Current and Accrued Liabilities	(50,298)	(19,877)
Deferred Credits	(7,260)	86,745
Net Cash Provided by Operating Activities	658,874	1,291,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(2,316,682)	(3,166,890)
Cash Received from Retirement of Patronage Capital	376,900	390,488
Cash Received from Payment of Notes Receivable	91,460	79,848
Net Change in Other Property and Investments	1,457	-
Net Cash Used by Investing Activities	(1,846,865)	(2,696,554)
NET CASH FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	1,500,000	1,300,000
Principal Payments on Long-Term Debt	(713,297)	(714,038)
Borrowing on Line of Credit	975,000	425,000
Change in Other Equities	(10,653)	(10,564)
Retirement of Capital Credits	(369,815)	(362,904)
Net Cash Provided by Financing Activities	1,381,235	637,494
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	193,244	(767,948)
Cash and Cash Equivalents - Beginning of Year	700,652	1,468,600
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 893,896	\$ 700,652
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 834,112	\$ 793,540
Principal Payments Paid by Cushion of Credit	\$ 245,576	\$ 225,961

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023 AND 2022

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.

Notes receivable and the Allowance for Loan Losses:

Notes receivable consist of economic development loans to companies within or near the Cooperative's service territory for purposes of promoting economic development.

The allowance for credit losses on loans (allowance) is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans 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 for credit losses on loans.

Loans are evaluated on an individual basis. When management determines that the borrower is experiencing financial difficulty at the reporting date, management determines the amount that is expected to be collected on the loan, including the value of collateral pledged by the borrower as security on the loan, and an allowance for loan credit losses is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loan. Loan balances are charged off against the allowance when management believes the uncollectibility of the loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The valuation of the allowance for loan credit losses is determined as follows: repayment is expected to be provided substantially through the operation or sale of collateral so expected loan losses are based on the fair value of the collateral, adjusted for selling costs as appropriate.

Accrued interest receivable totaled \$-0- at December 31, 2023 and 2022, and was reported in accrued interest receivable on the balance sheet and is excluded from the estimate of loan credit losses. Interest income is accrued on the unpaid principal balance.

At December 31, 2023 and 2022, the allowance for credit losses for notes receivable was \$-0-.

SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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>2023</u>	<u>2022</u>
Cash – General	\$ 83,365	\$ 67,679
Revolving Loan Funds	662,059	554,791
Short-Term Investments	<u>148,472</u>	<u>78,182</u>
Total	<u>\$ 893,896</u>	<u>\$ 700,652</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.

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 electric energy to its consumers whose payment is generally required within 20 days after the date of billing. An allowance for credit losses is estimated using the allowance method based on management’s judgment. The Cooperative uses historical loss information and an analysis of the collectability of individual accounts to determine expected credit losses for receivables. The majority of receivables are aged current, and there have been very limited losses over the lifetime of the Cooperative. The Cooperative believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The Cooperative believes that current economic conditions are consistent with its historical assumptions. Management applied an inflation rate to the current historical factor and determined that the effect was not material to the allowance. When all collection efforts have been exhausted, the accounts are written off against the related allowance after one year. At December 31, 2023 and 2022, the allowance for credit losses was as follows:

	<u>2023</u>	<u>2022</u>
Allowance for Credit Losses:		
Balance - Beginning of Year	\$ 26,116	\$ 29,312
Provision for Losses	-	-
Recoveries on Accounts Previously Charged Off	(2,955)	(12,219)
Accounts Charged Off	<u>5,854</u>	<u>9,023</u>
Balance - End of Year	<u>\$ 29,015</u>	<u>\$ 26,116</u>

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022.

The Cooperative has evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2023 and 2022.

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.

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

	<u>2023</u>	<u>2022</u>
Residential	\$ 9,353,371	\$ 9,708,720
Commercial and Industrial-Small	2,545,612	2,576,198
Commercial and Industrial-Large	207,664	160,955
Public Street and Highway Lighting	15,823	15,157
Sales for Resale	246,952	272,127
Other Operating Revenue	72,093	75,074
Total	<u>\$ 12,441,515</u>	<u>\$ 12,808,231</u>

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through March 19, 2024, the date the financial statements were available to be issued.

The Cooperative was approved for \$3,964,450 from FEMA for the hazard mitigation project during the year ended December 31, 2023. The work on this project will begin in 2024. A construction contract of approximately \$4.2 million was entered into in February 2024 for the completion of the FEMA hazard mitigation project.

Adoption of New Accounting Standards

The Cooperative has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, as amended, which modified the measurement of expected credit losses. The Cooperative adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Cooperative’s financial statements but did change how the allowance for credit losses is determined.

NOTE 2 ELECTRIC PLANT IN SERVICE

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

	2023	2022
Intangible Plant	\$ 30,515	\$ 30,515
Distribution Plant	46,595,544	45,119,622
General Plant	5,767,545	5,559,651
Total Electric Plant in Service	52,393,604	50,709,788
Construction Work in Progress	1,939,547	1,924,932
Total	<u>\$ 54,333,151</u>	<u>\$ 52,634,720</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.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 INVESTMENTS IN ASSOCIATED ORGANIZATIONS (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Central Iowa Power Cooperative	\$ 2,201,281	\$ 2,005,254
NRUCFC - Patronage Capital Credits	161,178	161,450
NRUCFC - Capital Term Certificates	550,025	550,240
Federated - Patronage Capital Credits	160,143	154,240
CoBank - Patronage Capital Credits	338,760	309,927
NISC - Patronage Capital Credits	85,962	89,204
Other Associated Organizations	117,028	95,288
Total	<u>\$ 3,614,377</u>	<u>\$ 3,365,603</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>2023</u>	<u>2022</u>
Economic Development Loans		
City of Stanton, 5% interest through 2036	\$ 53,740	\$ 56,742
Corning Hotel, 1% interest through 2030	473,511	511,660
Forward with Faith, 3% interest through 2029	134,931	157,164
Stanton Area Industrial Foundation, 2% interest through 2029	-	29,534
Total	<u>662,182</u>	<u>755,100</u>
Less: Current Portion of Economic Development Loans	<u>(69,261)</u>	<u>(67,803)</u>
Total Other Investments	<u>\$ 592,921</u>	<u>\$ 687,297</u>

NOTE 5 DEFERRED DEBITS

Deferred debits consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Unamortized Debt Expense	\$ 4,046	\$ 3,922
Preliminary Survey and Investigation	9,431	18,862
GIS Field Inventory	933,938	-
Other Deferred Debits	2,691	4,431
Total	<u>\$ 950,106</u>	<u>\$ 27,215</u>

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 DETAIL OF PATRONAGE CAPITAL

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

	<u>2023</u>	<u>2022</u>
Assignable	\$ 895,237	\$ 558,460
Assigned	7,047,212	7,122,673
Total	<u>\$ 7,942,449</u>	<u>\$ 7,681,133</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>2023</u>	<u>2022</u>
Reserve for Contingent Losses	\$ 5,000,298	\$ 4,745,022
Statutory Surplus	6,059,136	6,059,136
Unclaimed Patronage Capital	62,510	73,164
Donated Capital	58,352	49,521
Total	<u>\$ 11,180,296</u>	<u>\$ 10,926,843</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.

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

SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 LONG-TERM DEBT

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

	2023	2022
Federal Financing Bank (FFB) Mortgage Notes		
Fixed Interest 1.08%-4.53% maturing 2047-2052	\$ 9,173,743	\$ 9,419,318
Rural Utilities Service (RUS) Treasury Notes		
Fixed Interest 3.77% maturing 2052	1,500,000	-
Advance Payments on Long-Term Debt	(21,942)	(514,255)
National Rural Utilities Cooperative Finance Corporation		
Fixed interest 1.88%-4.85% maturing 2024-2040	2,574,282	2,711,250
CoBank Mortgage Notes		
Fixed Interest 2.96%-4.51% maturing 2028-2044	8,097,391	8,709,797
USDA Rural Economic Development Grant	865,792	865,792
Subtotal	22,189,266	21,191,902
Less: Current Maturities	(1,038,838)	(994,951)
Total	\$ 21,150,428	\$ 20,196,951

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, 2023, the Cooperative has unadvanced loan funds of \$-0- from FFB, NRUCFC and CoBank as well as \$5,500,000 from RUS.

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

Year Ending December 31,	Amount
2024	\$ 1,038,838
2025	1,042,591
2026	1,003,434
2027	1,081,568
2028	984,675

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, 2023 AND 2022**

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, 2023 and 2022, the interest rate on this line of credit was 7.25% and 5.75%, respectively. There was outstanding balances on this line of credit of \$1,400,000 and \$425,000 as of December 31, 2023 and 2022, 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, 2023 and 2022 was 7.41% and 6.35%, respectively. The line of credit matures on January 31, 2024. No funds were advanced on this line of credit as of December 31, 2023 and 2022.

NOTE 10 DEFERRED CREDITS

Deferred credits at December 31 are as follows:

	2023	2022
Customer Advances for Construction	\$ 60,829	\$ 105,118
Customer Energy Prepayments	82,812	63,079
Operation Roundup	60,499	46,263
Other Deferred Credits	6,703	3,643
Total	\$ 210,843	\$ 218,103

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.

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. Special rules apply to a coop that withdraws from the plan, requiring the coop to pay to the plan an amount based on the underfunded status of the plan. The plan sponsor's Employer Identification Number is 42-1438152 (Hawkeye Insurance Association is the plan administrator for the Hawkeye Pension Plan) and the plan number is 001.

SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 PENSION AND RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

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 2023 and in 2022 represented less than 5% of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the Plan of \$482,816 and \$430,227 in 2023 and 2022, respectively.

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. As of July 1, 2022, the Plan was over 80% funded, using special funded status calculations applicable to the Plan under the Pension Protection Act (PPA).

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 \$64,378 and \$60,615 for the years ended December 31, 2023 and 2022, 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 2062. The rates are subject to review annually.



**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 sheets as of December 31, 2023, 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 19, 2024.

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 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 certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

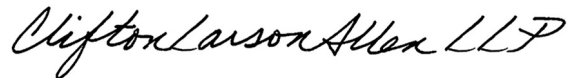
As part of obtaining reasonable assurance about whether the Cooperative’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 19, 2024

**SOUTHWEST IOWA RURAL ELECTRIC COOP
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023**

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

FINDING: 2023-001 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.



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, 2023, 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 19, 2024.

During the year ended December 31, 2023, 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 19, 2024



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