

## financial report for year 2023

On Oct. 10, 1936, when Steele County Cooperative and Waseca Cooperative Electric voted to consolidate, there were 860 members. By the end of 2023, Steele-Waseca Cooperative Electric (SWCE) service locations had grown to 11,902.

SWCE's first office was located in Waseca. After Rice County joined with Steele-Waseca in 1937, the office was moved to Owatonna to provide a more central location. The office was located on West Bridge Street and then on Cedar Avenue until 1954, when a new building was constructed on East Rose Street. That building served as the headquarters until 1994 when the present facility on West Bridge Street was built.

The first part of SWCE's line was energized in February 1938. When completed, the initial project consisted of 350 miles of line. By 1950, that number had grown to 1,562. Today, SWCE has a total of 2,192 miles of line, 20 substations in service, and 900 square miles of service area.

In 1950, SWCE had 2.6 members per mile of line. Currently, SWCE has 5.4 members per mile of line. In comparison, investor-owned electric utilities on average serve 34 customers per mile of line while municipal electric utilities average 48 customers per mile of line.

### BALANCE SHEETS DECEMBER 31, 2023 AND 2022

| ASSETS   | 2023                 | 2022                |
|--|----------------------|---------------------|
| <b>UTILITY PLANT</b>   |                      |                     |
| Electric Plant in Service  | \$102,924,169        | \$98,588,860        |
| Construction Work in Progress  | 216,484              | 891,080             |
| Total  | 103,140,653          | 99,479,940          |
| Less: Accumulated Provision for Depreciation                                       | (36,760,420)         | (35,579,822)        |
| Net Utility Plant  | 66,380,233           | 63,900,118          |
| <b>OTHER ASSETS AND INVESTMENTS</b>  |                      |                     |
| Investments in Associated Organizations  | 25,297,855           | 21,325,117          |
| Investments in Related Companies   | 711,192              | 711,223             |
| Other Investments  | 3,040,355            | 2,646,456           |
| Notes Receivable - Net of Current Portion  | 613,845              | 782,817             |
| Special Funds - Deferred Revenue   | 3,500,000            | 2,500,000           |
| Total Other Assets and Investments   | 33,163,247           | 27,965,613          |
| <b>CURRENT ASSETS</b>  |                      |                     |
| Cash and Cash Equivalents  | 3,022,607            | 739,506             |
| Accounts Receivable, Net of Allowances<br>of \$11,198 in 2023 and \$10,520 in 2022 | 5,354,009            | 4,374,649           |
| Materials and Supplies Inventory   | 1,717,450            | 1,757,931           |
| Interest Receivable  | 191,067              | 22,720              |
| Current Portion of Notes Receivable  | 168,973              | 244,059             |
| Total Current Assets   | 10,454,106           | 7,138,865           |
| <b>DEFERRED DEBITS</b>   | 812,527              | 895,036             |
| <b>TOTAL ASSETS</b>  | <b>\$110,810,113</b> | <b>\$99,899,632</b> |
| <b>EQUITIES AND LIABILITIES</b>  |                      |                     |
| <b>EQUITIES</b>  |                      |                     |
| Patronage Capital  | \$48,813,792         | \$45,580,476        |
| Memberships  | -                    | 17,346              |
| Other Equities   | 1,565,940            | 1,134,856           |
| Total Equities   | 50,379,732           | 46,732,678          |
| <b>LONG-TERM DEBT, Less Current Maturities</b>                                     |                      |                     |
| RUS Mortgage Notes   | 35,254,377           | 30,780,785          |
| CoBank Notes Payable   | 6,512,525            | 7,818,145           |
| Total Long-Term Debt   | 41,766,902           | 38,598,930          |
| <b>CURRENT LIABILITIES</b>   |                      |                     |
| Current Maturities of Long-Term Debt   | 2,587,978            | 2,236,519           |
| Accounts Payable   | 4,475,667            | 2,956,837           |
| Consumer Deposits  | 181,070              | 188,000             |
| Other Current and Accrued Liabilities  | 1,551,650            | 1,342,610           |
| Total Current Liabilities  | 8,796,365            | 6,723,966           |
| <b>DEFERRED CREDITS</b>  | 9,867,114            | 7,844,058           |
| <b>TOTAL EQUITIES AND LIABILITIES</b>  | <b>\$110,810,113</b> | <b>\$99,899,632</b> |

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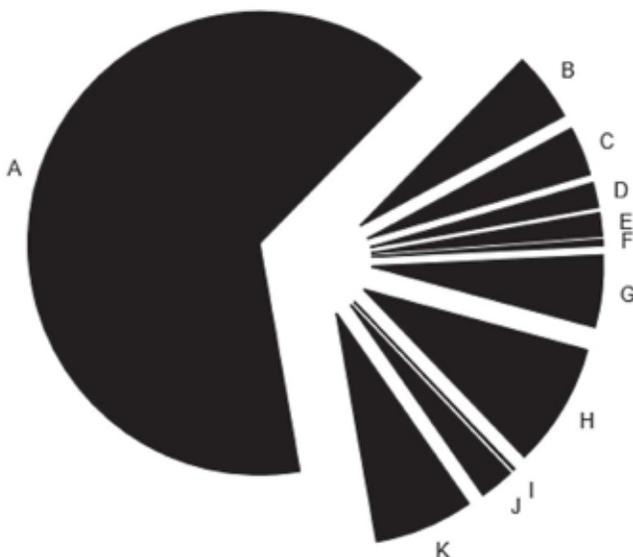
## STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2023 AND 2022

|  | <u>2023</u>               | <u>2022</u>               |
|--|---------------------------|---------------------------|
| <b>OPERATING REVENUES</b>  | <b>\$43,242,331</b>       | <b>\$38,282,535</b>       |
| <b>OPERATING EXPENSES</b>  |                           |                           |
| Cost of Power  | 28,150,246                | 25,558,331                |
| Distribution Expense - Operation                                   | 2,088,010                 | 1,707,576                 |
| Distribution Expense - Maintenance                                 | 1,483,345                 | 1,283,413                 |
| Customer Accounts Expense  | 719,201                   | 676,449                   |
| Customer Service & Informational Expense                           | 695,640                   | 647,833                   |
| Sales Expense  | 171,594                   | 170,712                   |
| Administrative and General Expense                                 | 2,148,310                 | 2,156,178                 |
| Depreciation   | 3,722,750                 | 3,570,205                 |
| Other  | 31,819                    | 18,830                    |
| Total Operating Expenses   | <u>39,210,915</u>         | <u>35,789,527</u>         |
| <b>OPERATING MARGINS BEFORE<br/>FIXED CHARGES</b>                  | <b>4,031,416</b>          | <b>2,493,008</b>          |
| <b>INTEREST ON LONG-TERM DEBT</b>                                  | <u>1,049,727</u>          | <u>874,055</u>            |
| <b>OPERATING MARGINS AFTER<br/>FIXED CHARGES</b>                   | <b>2,981,689</b>          | <b>1,618,953</b>          |
| <b>GENERATION AND TRANSMISSION &amp;<br/>OTHER CAPITAL CREDITS</b> | <u>1,776,295</u>          | <u>678,556</u>            |
| <b>NET OPERATING MARGINS</b>                                       | <b>4,757,984</b>          | <b>2,297,509</b>          |
| <b>NONOPERATING MARGINS</b>  |                           |                           |
| Investment Income  | 547,841                   | 123,251                   |
| Other Nonoperating Margins   | 62,102                    | 5,434                     |
| Total Nonoperating Margins   | <u>609,943</u>            | <u>128,685</u>            |
| <b>NET MARGINS</b>   | <u><b>\$5,367,927</b></u> | <u><b>\$2,426,194</b></u> |

The mission of SWCE is to provide every member with dependable, reliable, high quality electricity. We work daily to accomplish this mission by striving for excellence through continual improvement, applying prudent leadership, partnering and following cooperative principles.

During the year 2023, the average SWCE member had power for 8,758.97 hours out of a possible 8,760 hours. That's a reliability record of 99.99 percent!

For each dollar received from consumers, 6.9 cents goes into operating margins. These margins are used to help finance construction and improvements, pay capital credits, and make payments on our debt. Since 6.9 cents per dollar is not enough to do all of this, we borrow money to finance the shortage of funds needed for these purposes.



## WHAT YOUR 2023 CONSUMER DOLLAR PAID FOR

|    |       |                            |
|----|-------|----------------------------|
| A. | 65.1% | Purchased Power            |
| B. | 4.8%  | Operations                 |
| C. | 3.4%  | Maintenance                |
| D. | 1.7%  | Billing & Collection       |
| E. | 1.6%  | Customer Information       |
| F. | 0.4%  | Sales                      |
| G. | 5.0%  | Administrative & General   |
| H. | 8.6%  | Depreciation               |
| I. | 0.1%  | Other Income Deductions    |
| J. | 2.4%  | Interest on Long-Term Debt |
| K. | 6.9%  | Margins                    |

# financial report for year 2023

## Nature of Operations

Steele-Waseca Cooperative Electric's (SWCE) principal line of business is providing electric service primarily to local residential and business customers residing in the nine-county rural area surrounding Owatonna, MN. Rates charged to customers are established by the board of directors.

## Financial Statement Presentation

SWCE prepares its financial statements in conformity with accounting principles generally accepted in the United States. These principles require management to make informed judgments, best estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could vary from those estimates.

## Patronage Capital

SWCE operates as a cooperative. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the cooperative from its operations in excess of costs and expenses are allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior deficits.

## Income Taxes

SWCE has been granted tax exempt status by the Internal Revenue Service and the State of Minnesota. Therefore, the financial statements do not include a provision for income taxes.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

|  | <u>2023</u>                | <u>2022</u>              |
|--|----------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                          |
| Net Margins  | \$ 5,367,927               | \$ 2,426,194             |
| Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities: |                            |                          |
| Depreciation   | 3,894,512                  | 3,570,205                |
| G & T and Other Capital Credits  | (1,776,295)                | (678,556)                |
| Loss on Sale/Disposal of Assets  | (5,254)                    | (4,618)                  |
| Gain (Loss) on Equity Investments  | 393,898                    | (253,544)                |
| Interest Income Credited to Cushion of Credit                                      | -                          | (147)                    |
| Interest Expense Paid by Cushion of Credit   | -                          | 250,919                  |
| Changes in Assets and Liabilities - (Increase) Decrease in:                        |                            |                          |
| Accounts Receivable  | (1,147,707)                | (98,971)                 |
| Materials and Supplies Inventory   | 40,481                     | (508,501)                |
| Deferred Debits  | 82,509                     | 259,366                  |
| Increase (Decrease) in:  |                            |                          |
| Accounts Payable   | 1,518,830                  | (428,283)                |
| Deferred Credits   | 1,023,056                  | 188,188                  |
| Other Current and Accrued Liabilities  | 209,040                    | (11,890)                 |
| Net Cash Provided by Operating Activities  | <u>9,600,997</u>           | <u>4,710,362</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                          |
| Construction and Acquisition of Plant  | (6,369,373)                | (6,105,169)              |
| Change in Other Assets and Investments   | (393,868)                  | 253,427                  |
| Cash Received from Retirement of Patronage   | 803,557                    | 626,972                  |
| Cash Paid for Investments  | (3,000,000)                | (7,400,000)              |
| Payments Received on Notes Receivable  | 244,058                    | 309,657                  |
| Net Cash Used by Investing Activities  | <u>(8,715,626)</u>         | <u>(12,315,113)</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                            |                          |
| Increase (Decrease) in Memberships   | (17,346)                   | 124                      |
| Retirement of Capital Credits  | (2,097,425)                | (1,811,473)              |
| Change in Customer Deposits  | (6,930)                    | 14,435                   |
| Proceeds from Issuance of Long-Term Debt   | 5,764,000                  | 7,000,000                |
| Principal Payments on Long-Term Debt   | (2,244,569)                | (1,554,946)              |
| Net Cash Provided by Financing Activities  | <u>1,397,730</u>           | <u>3,648,140</u>         |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                        | <b>2,283,101</b>           | <b>(3,956,611)</b>       |
| Cash and Cash Equivalents - Beginning of Year                                      | <u>739,506</u>             | <u>4,696,117</u>         |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                     | <b><u>\$ 3,022,607</u></b> | <b><u>\$ 739,506</u></b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                            |                            |                          |
| Interest Paid  | <u>\$ 1,005,251</u>        | <u>\$ 580,758</u>        |
| <b>NONCASH FINANCING ACTIVITY</b>  |                            |                          |
| Principal Payments on Long-Term Debt Paid by Cushion of Credit                     | <u>\$ -</u>                | <u>\$ 425,065</u>        |

# financial report for year 2023

## STATEMENTS OF PATRONAGE CAPITAL AND OTHER EQUITIES YEARS ENDED DECEMBER 31, 2023 AND 2022

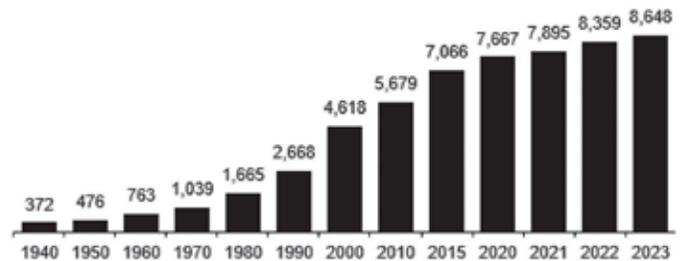
|   | <u>Memberships</u> | <u>Patronage Capital</u> | <u>Other Equities</u> | <u>Total</u> |
|---|--------------------|--------------------------|-----------------------|--------------|
| <b>BALANCE, DECEMBER 31, 2021</b>         | \$17,222           | \$45,004,028             | \$1,350,127           | \$46,371,377 |
| Unassigned Current Year Margins           | -                  | 2,426,194                | -                     | 2,426,194    |
| Net Loss on Available-for-Sale Securities | -                  | -                        | (253,544)             | (253,544)    |
| Retirement of Capital Credits             | -                  | (1,695,346)              | -                     | (1,695,346)  |
| Estate Settlements                        | -                  | (154,400)                | 38,273                | (116,127)    |
| Membership Changes - Net                  | 124                | -                        | -                     | 124          |
| <b>BALANCE, DECEMBER 31, 2022</b>         | 17,346             | 45,580,476               | 1,134,856             | 46,732,678   |
| Unassigned Current Year Margins           | -                  | 5,367,927                | -                     | 5,367,927    |
| Net Gain on Available-for-Sale Securities | -                  | -                        | 393,901               | 393,901      |
| Retirement of Capital Credits             | -                  | (1,981,172)              | -                     | (1,981,172)  |
| Estate Settlements                        | -                  | (153,439)                | 37,183                | (116,256)    |
| Membership Changes - Net                  | (17,346)           | -                        | -                     | (17,346)     |
| <b>BALANCE, DECEMBER 31, 2023</b>         | \$ -               | \$48,813,792             | \$1,565,940           | \$50,379,732 |

### INDEPENDENT AUDITORS' REPORT

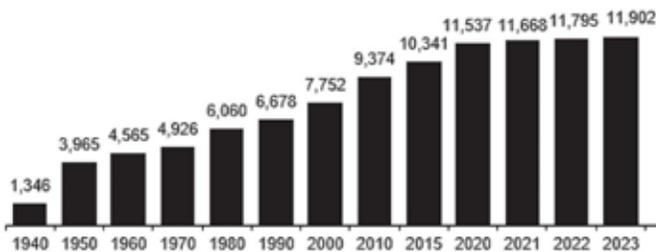
The balance sheets, statements of operations, patronage capital and other equities, and cash flows were taken from complete financial statements which were audited by CliftonLarsonAllen LLP, Certified Public Accountants, who expressed their unmodified opinion on those statements.

Copies of the complete financial statements together with the independent auditors' report may be examined at the office of Steele-Waseca Cooperative Electric.

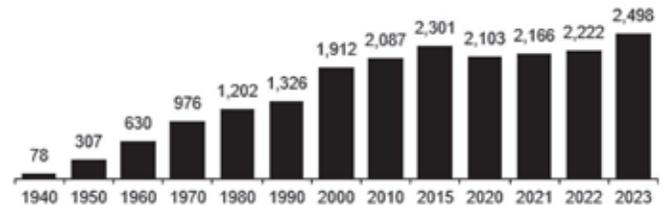
### PLANT \$ INVESTMENT PER CONSUMER



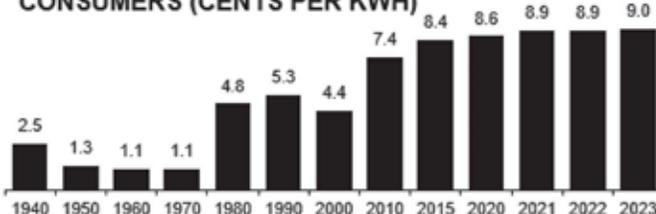
### AVERAGE NUMBER OF CONSUMERS



### AVERAGE KWH USED PER CONSUMER (PER MONTH)



### AVERAGE WHOLESALE POWER COST FOR RESIDENTIAL CONSUMERS (CENTS PER KWH)



### AVERAGE ELECTRIC RATE TO RESIDENTIAL CONSUMERS (CENTS PER KWH)

