

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
BOARD OF DIRECTORS AND OFFICERS
DECEMBER 31, 2021**

Thomas Hotz	President
Kathrine Wunderlich	Vice President
Kenneth Purdy	Secretary
Kurt Olson	Treasurer
Dan Heater	Assistant Secretary
Ron Stover	Director
Allan Duffe	Director
Glenn McCulloh	Director
Michael Moes	Director
Gary Kester	Director
William Petersen	Director
Joel Carstensen	Director
Mike Bixler	Director
Michael Shuger	Director
Nancy Varner	Director

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Kirk Trede	Chief Executive Officer
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Iowa Light and Power Cooperative
and Subsidiary
Wilton, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Eastern Iowa Light and Power Cooperative and Subsidiary (the Cooperative), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related statements of operations and patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2021 and 2020, 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 the *Government Auditing Standards* (*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 consolidated 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 for one year after the date the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2022, 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

Cedar Rapids, Iowa
April 13, 2022

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
UTILITY PLANT		
Electric Plant in Service	\$ 182,294,221	\$ 177,117,267
Construction Work in Progress	<u>23,211,148</u>	<u>18,416,428</u>
Total	205,505,369	195,533,695
Less: Accumulated Provision for Depreciation	<u>(71,390,266)</u>	<u>(67,502,965)</u>
Net Utility Plant	134,115,103	128,030,730
OTHER PROPERTY AND INVESTMENTS		
Investments in Associated Organizations	32,011,258	32,169,145
Nonutility Property, Net	260,859	260,859
Other Investments, Net of Current Portion	<u>573,530</u>	<u>251,968</u>
Total Other Property and Investments	32,845,647	32,681,972
CURRENT ASSETS		
Cash and Cash Equivalents	7,164,104	7,010,477
Accounts Receivable, Net	6,083,310	6,383,214
Materials and Supplies Inventory	2,699,486	2,236,514
Current Portion of Other Investments	33,885	8,506
Other Current and Accrued Assets	<u>90,788</u>	<u>243,287</u>
Total Current Assets	16,071,573	15,881,998
DEFERRED DEBITS	<u>4,882,368</u>	<u>7,142,587</u>
Total Assets	<u><u>\$ 187,914,691</u></u>	<u><u>\$ 183,737,287</u></u>

See accompanying Notes to Consolidated Financial Statements.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2021 AND 2020**

EQUITIES AND LIABILITIES	<u>2021</u>	<u>2020</u>
EQUITIES		
Memberships	\$ 185,780	\$ 184,800
Patronage Capital	41,271,125	40,055,087
Other Equities	<u>53,074,174</u>	<u>51,438,768</u>
Total Equities	94,531,079	91,678,655
LONG-TERM DEBT, Less Current Maturities		
CoBank Notes	77,143,287	73,472,178
CFC Mortgage Notes	3,482,724	3,652,259
Economic Development Loans and Grants	<u>545,000</u>	<u>2,080,895</u>
Total Long-Term Debt	81,171,011	79,205,332
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	3,967,525	3,691,980
Notes Payable	175,363	701,451
Accounts Payable	4,108,925	4,256,872
Other Current Accrued Liabilities	<u>1,834,675</u>	<u>1,949,434</u>
Total Current Liabilities	10,086,488	10,599,737
DEFERRED CREDITS	<u>2,126,113</u>	<u>2,253,563</u>
 Total Equities and Liabilities	 <u><u>\$ 187,914,691</u></u>	 <u><u>\$ 183,737,287</u></u>

See accompanying Notes to Consolidated Financial Statements.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND PATRONAGE CAPITAL
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Electric Revenue	\$ 57,956,909	\$ 58,790,672
Other Operating Revenue	<u>246,474</u>	<u>197,379</u>
Total Operating Revenue	58,203,383	58,988,051
OPERATING EXPENSES		
Cost of Power	35,732,964	36,603,715
Distribution Expense - Operations	3,158,656	3,695,605
Distribution Expense - Maintenance	4,576,652	4,157,833
Consumer Account Expense	944,527	916,038
Customer Service and Information Expense	228,812	206,296
Sales Expense	80,254	88,762
Administrative and General Expense	3,731,229	3,627,804
Depreciation Expense	5,731,290	5,851,176
Other Deductions	<u>15,263</u>	<u>13,759</u>
Total Operating Expenses	54,199,647	55,160,988
OPERATING MARGINS BEFORE FIXED CHARGES	4,003,736	3,827,063
INTEREST ON LONG-TERM DEBT	<u>2,749,456</u>	<u>2,594,547</u>
OPERATING MARGINS AFTER FIXED CHARGES	1,254,280	1,232,516
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	<u>2,190,432</u>	<u>3,458,257</u>
NET OPERATING MARGINS	3,444,712	4,690,773
NONOPERATING MARGINS		
Interest Income	103,914	107,543
Equity in Earnings of Associated Companies	(1,523)	(955)
Other Nonoperating Margins	<u>1,899,320</u>	<u>30,222</u>
Total Nonoperating Margins	2,001,711	136,810
NET MARGINS	5,446,423	4,827,583
Patronage Capital - Beginning of Year	40,055,087	39,618,260
Transfers to Other Equities	(1,583,892)	(1,935,466)
Capital Credits Retired	<u>(2,646,493)</u>	<u>(2,455,290)</u>
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 41,271,125</u>	<u>\$ 40,055,087</u>

See accompanying Notes to Consolidated Financial Statements.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 5,446,423	\$ 4,827,583
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	5,883,129	6,003,015
G & T and Other Capital Credits	(2,190,432)	(3,458,257)
Interest Income Credited to Cushion of Credit	-	-
Forgiveness of Payroll Protection Program Loan	(1,835,895)	-
(Increase) Decrease in Assets:		
Accounts Receivable	299,904	28,012
Materials and Supplies Inventory	(462,972)	346,109
Other Current and Accrued Assets	152,499	(17,785)
Deferred Debits	2,108,380	(3,801,801)
Increase (Decrease) in Liabilities:		
Accounts Payable	(147,947)	602,364
Other Current and Accrued Liabilities	(114,759)	(13,530)
Deferred Credits	(127,450)	191,644
Total Adjustments	<u>3,564,457</u>	<u>(120,229)</u>
Net Cash Provided by Operating Activities	<u>9,010,880</u>	<u>4,707,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(11,815,663)	(8,296,166)
Cash Received from Retirement of Patronage Capital	2,350,100	2,590,468
Change in Investments in Associated Organizations and Other Investments	<u>(348,722)</u>	<u>5,886</u>
Net Cash Used by Investing Activities	<u>(9,814,285)</u>	<u>(5,699,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	7,800,000	6,500,000
Principal Payments on Long-Term Debt	(3,722,881)	(3,454,787)
Change in Notes Payable	(526,088)	-
Proceeds from Payroll Protection Program	-	1,835,895
Increase in Memberships and Other Equities	52,494	64,334
Retirements of Patronage Capital	<u>(2,646,493)</u>	<u>(2,455,290)</u>
Net Cash Provided by Financing Activities	<u>957,032</u>	<u>2,490,152</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	153,627	1,497,694
Cash and Cash Equivalents - Beginning of Year	<u>7,010,477</u>	<u>5,512,783</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,164,104</u></u>	<u><u>\$ 7,010,477</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u><u>\$ 2,744,234</u></u>	<u><u>\$ 2,578,706</u></u>

See accompanying Notes to Consolidated Financial Statements.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Eastern Iowa Light and Power Cooperative (the Cooperative) is a rural electric cooperative which provides electric energy to consumers. The majority of these consumers are located in rural areas of seven counties in eastern Iowa.

The Cooperative's wholly owned subsidiary, New Ventures, Inc. (New Ventures), is a nonprofit corporation formed for the purpose of promoting economic development.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Cooperative and New Ventures. All significant intercompany transactions and accounts have been eliminated in consolidation.

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 generally accepted accounting principles as applied in the case of regulated electric utilities.

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

Cash and Cash Equivalents

Cash in excess of daily requirements is invested in commercial paper and select notes of the National Rural Utilities Cooperative Finance Corporation with maturities of three months or less and are deemed to be cash equivalents for purposes of the statements of cash flows, in addition to cash on hand and in the bank.

The following is a summary of these items at December 31:

	2021	2020
Cash	\$ 6,959,331	\$ 6,822,901
Revolving Loan Funds	128,720	111,583
Commercial Paper – NRUCFC	76,053	75,993
Total	<u>\$ 7,164,104</u>	<u>\$ 7,010,477</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 in these institutions may at times exceed FDIC insurance 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.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable, Net

The Cooperative provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Services are sold on an unsecured basis. Payment is required 20 days after receipt of invoice. Accounts past due are individually analyzed for collectibility and accounts determined uncollectible are written off annually. In addition, an allowance is provided for other accounts based on historical experience of the Cooperative. At December 31, 2021 and 2020, the allowance for uncollectible accounts was \$390,584 and \$437,448, respectively.

Materials and Supplies Inventory

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

Electric Plant and Depreciation Procedures

Property and equipment are stated at cost. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred.

Provisions for depreciation of distribution plant are computed using a composite straight-line method. When distribution plant assets are sold or retired, the original cost is removed from the accounts and charged, together with any cost of removal, to the accumulated provision for depreciation. Any salvage realized is credited to the same accumulated provision.

Provisions for depreciation of general plant are computed using straight-line methods on an item basis. When general plant assets are sold or retired, the original cost and accumulated provision for depreciation are removed from the accounts and any gain or loss is recognized in operations.

Investments

Investments in Associated Organizations

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

Other Investments

Other investments include energy efficiency loans, economic development notes receivable, and land held for resale. Loans and notes receivable are recorded at cost. Land held for resale is recorded at the lower of cost or market.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Cooperative considers an allowance for each portfolio segment. These portfolio segments included energy efficiency loans and economic development notes receivable, with risk characteristics described as follows:

Economic Development: Economic development loans receivable generally possess a moderate amount of inherent risk as the loans are generally underwritten for construction and expansion of businesses within the Cooperative's geographical footprint. Borrowers are evaluated for credit quality and loans are generally collateralized with a first or second mortgage on real property or an irrevocable line of credit.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least annually, 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.

Income Taxes

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code, thus there is no provision for income taxes at December 31, 2021 and 2020.

New Ventures is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code, thus there is no provision for income taxes at December 31, 2021 and 2020.

The Cooperative evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2021 and 2020.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation of Sales Taxes

The Cooperative does business in various taxing jurisdictions which impose sales taxes on sales to nonexempt customers. The Cooperative collects that 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

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 the last day of the month. Bills are sent out the third day after the meter reading and payment is due in 30 days. 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:

	2021	2020
Residential	\$ 35,565,953	\$ 36,356,438
Seasonal	783,965	779,884
Irrigation	574,476	595,300
Small Commercial	6,380,161	5,542,940
Large Commercial	12,988,176	13,822,576
Public Street & Highway	49,475	58,991
Sales to Public Buildings	279,006	259,241
Sales for Resale	1,335,697	1,375,302
Total	<u>\$ 57,956,909</u>	<u>\$ 58,790,672</u>

Subsequent Events

In preparing these consolidated financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through April 13, 2022, the date the consolidated financial statements were available to be issued.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 ASSETS PLEDGED

Substantially all assets are pledged as security for the long-term debt to NRUCFC and CoBank.

NOTE 3 ELECTRIC PLANT

The following is a summary of major classes of the electric plant as of December 31:

	2021	2020
Intangible Plant	\$ 8,334	\$ 8,334
Distribution Plant	154,996,331	152,227,607
General Plant	27,289,556	24,881,326
Electric Plant in Service	182,294,221	177,117,267
Construction Work in Progress	23,211,148	18,416,428
Total Utility Plant	<u>\$ 205,505,369</u>	<u>\$ 195,533,695</u>

Distribution plant is depreciated at a straight-line composite rate of 3.17% per annum. General plant is depreciated on a unit basis using the straight-line method with a range of useful lives from 3 to 50 years.

NOTE 4 OTHER PROPERTY AND INVESTMENTS

Investments in Associated Organizations

Investments in associated organizations consist of the following at December 31:

	2021	2020
National Rural Utilities Cooperative Finance Corporation:		
Membership	\$ 1,000	\$ 1,000
Term Certificates	1,702,865	1,702,865
Capital Credits	104,742	108,916
Central Iowa Power Cooperative	28,531,248	28,807,143
Rural Electric Supply Cooperative:		
Common Stock	500	500
Capital Credits	638,912	590,601
CoBank:		
Membership	1,000	1,000
Capital Credits	605,283	557,299
New Resources, Inc. - Equity	191,339	192,862
Other Associated Organizations	234,369	206,959
Total	<u>\$ 32,011,258</u>	<u>\$ 32,169,145</u>

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 OTHER PROPERTY AND INVESTMENTS (CONTINUED)

Investments in Associated Organizations (Continued)

Investments in associated organizations include patronage capital, capital term certificates, and loan term certificates of the National Rural Utilities Cooperative Finance Corporation (NRUCFC). Capital term certificates bear interest at 5% and mature in the years 2070 to 2080. Loan term certificates bear interest at 3% and mature in the year 2025.

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 12 distribution cooperatives in Iowa. These voting members or owners share margins realized by CIPCO, on the Cooperative principle, based on power purchased. This investment or patronage capital earned by voting members is being returned as approved by CIPCO's board of directors.

Investments in associated organizations also includes an investment accounted for using the equity method. The Cooperative has a 47.5% ownership interest in New Resources, Inc., a joint venture with two other area distribution cooperatives. The Cooperative's returns on this investment were (\$955) and \$-0- for the years ended December 31, 2021 and 2020, respectively.

Nonutility Property

Nonutility property consists of the Cooperative's former headquarters which is held for sale as of December 31, 2021. The property is reported at its estimated fair value less costs to sell which was determined by an appraisal of the property by a certified general real estate appraiser.

Other Investments

Other investments at December 31 are as follows:

	2021	2020
Economic Development Notes Receivable	\$ 544,273	\$ 197,332
Land Held for Resale	63,142	63,142
Total Other Investments	607,415	260,474
Less: Current Portion	(33,885)	(8,506)
Other Investment - Net of Current Portion	<u>\$ 573,530</u>	<u>\$ 251,968</u>

Economic development notes receivable are amounts loaned to businesses for the purpose of promoting economic development in the Cooperative's service territory. The loans bear interest at a rate of 0% to 5% and are due from August 2019 to November 2031. The Cooperative has not provided an allowance for uncollectible notes receivable at December 31, 2021 and 2020. All loans were current as of December 31, 2021 and 2020.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 DEFERRED DEBITS

The following is a summary of amounts recorded as deferred debits as of December 31:

	2021	2020
NRECA Pension Prepayment	\$ 293,566	\$ 587,133
CoBank Refinance Fee	191,387	239,233
Deferred penalty and interest of RUS Debt	2,048,906	2,152,898
Wapello Office Construction Project	-	2,167,759
Other	2,348,509	1,995,564
Total	<u>\$ 4,882,368</u>	<u>\$ 7,142,587</u>

Noted the Wapella Office Construction Project was construction in progress in the year ended December 31, 2020, and was capitalized into general plant once completed in the year ended December 31, 2021.

NOTE 6 DETAIL OF PATRONAGE CAPITAL

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

	2021	2020
Assignable	\$ 5,446,423	\$ 4,827,583
Assigned	35,824,702	35,227,504
Balance	<u>\$ 41,271,125</u>	<u>\$ 40,055,087</u>

The mortgage provisions restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 30% of the 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 or interest on the notes.

Distributions to estates are made at the request of the estates. As of December 31, 2021, capital credits through 2004 had been fully retired.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 OTHER EQUITIES

As of December 31, other equities consisted of the following:

	2021	2020
Surplus – Operating Margins	\$ 34,261,256	\$ 33,661,257
Donated Capital	158,749	158,749
Contingency Reserve	16,600,000	15,625,000
Appropriated Margins Education	83,790	83,790
Capital Gains and Losses	80,702	80,702
Retained Patronage Capital	675,275	664,687
Unclaimed Patronage Capital	1,214,402	1,164,583
Total	<u>\$ 53,074,174</u>	<u>\$ 51,438,768</u>

The Cooperative's Articles of Incorporation require that at least 10% of the 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 Contingency Reserve was established to provide a reserve fund for maintenance, depreciation, obsolescence, bad debts, and contingent losses or expenses.

The Cooperative's Articles of Incorporation also provide that no less than 1% nor more than 5% of the above-mentioned earnings may be placed to Appropriated Margins Education. The Cooperative has not added to the education fund in 2021 or 2020.

Unclaimed Patronage Capital is retained by the Cooperative as allowed by Iowa law and will be used for education and economic development.

NOTE 8 LONG-TERM DEBT

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

	2021	2020
CoBank Mortgage Notes:		
2.56% to 4.60% Fixed Rate Notes Due Through 2060	\$ 80,941,277	\$ 77,001,136
CFC Mortgage Notes:		
3.53% to 4.84% Fixed Rate Notes Due Through 2037	3,652,259	3,815,281
Rural Economic Development Grants	545,000	245,000
Paycheck Protection Program Loan	-	1,835,895
Total Long-Term Debt	<u>85,138,536</u>	<u>82,897,312</u>
Less: Current Maturities	<u>(3,967,525)</u>	<u>(3,691,980)</u>
Total Long-Term Debt (Net of Current Maturities)	<u>\$ 81,171,011</u>	<u>\$ 79,205,332</u>

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 LONG-TERM DEBT (CONTINUED)

Annual maturities of long-term debt outstanding for the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 3,967,525
2023	3,732,843
2024	3,705,066
2025	3,746,753
2026	3,551,312

The loan agreements with CoBank 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.

The Cooperative has received a total of \$545,000 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. At the termination of the loan program, the balance in the fund is due back to the government.

On April 17, 2020, the Cooperative received a loan from Community Bank & Trust totaling \$1,835,895 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted by the SBA to the lender or, if the Cooperative fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts are subject to forgiveness based on compliance with program requirements and approval by the SBA. The covered period from April 19, 2020 to October 3, 2020 is the time that the Cooperative had to spend their PPP Loan funds.

The Cooperative is following ASC 470, *Debt*, to account for the initial receipts related to the PPP Loan. On April 14, 2021, the SBA processed the Cooperative's PPP Loan forgiveness applications and notified The Community Bank & Trust the PPP Loans qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Cooperative was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt, which is included in other nonoperating margins during the year ended December 31, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 NOTES PAYABLE

The Cooperative has available from NRUCFC a perpetual line of credit of \$8,000,000. The interest rate was 2.45% at December 31, 2021 and 2020. There were no outstanding balances at December 31, 2021 and 2020.

Additionally, the Cooperative has available from CoBank a line of credit of \$6,000,000. The interest rate was 2.26% and 2.30% at December 31, 2021 and 2020, respectively. The outstanding balance on the line of credit was \$175,363 and \$701,451 at December 31, 2021 and 2020, respectively

NOTE 10 RETIREMENT PLANS

Narrative Description

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Plan Information

The Cooperative's contributions to the RS Plan in 2021 and in 2020 represented less than 5% of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of \$1,253,587 and \$1,212,938 in 2021 and 2020, respectively. There have been no significant changes that affect the comparability of 2021 and 2020 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2021 and January 1, 2020 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 RETIREMENT PLANS (CONTINUED)

Plan Information (Continued)

At the December 2012 meeting of the I&FS Committee of the NRECA board of directors, the committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period.

NOTE 11 DEFERRED CREDITS

Deferred credits are made up of the following amounts at December 31:

	2021	2020
Consumer Advances for Construction	\$ 1,413,171	\$ 1,545,481
Unclaimed Patronage Credits	708,996	704,779
Other	3,946	3,303
Total	<u>\$ 2,126,113</u>	<u>\$ 2,253,563</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

Sources of Supply

Under its wholesale power agreement, the Cooperative is committed to purchase electric power and energy requirements from Central Iowa Power Cooperative through December 31, 2045. Although there are other suppliers of electric power, a change in suppliers would cause a delay, which could ultimately affect operating results.

NOTE 13 MAJOR CUSTOMER

During the years ended December 31, 2021 and 2020, approximately 10.0% of its sales were to one member.

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2021**

	Eastern Iowa Light and Power Cooperative	New Ventures	Eliminations	Consolidated	PY Consolidated
ASSETS					
UTILITY PLANT					
Electric Plant in Service	\$ 182,294,221	\$ -	\$ -	\$ 182,294,221	\$ 177,117,267
Construction Work in Progress	23,211,148	-	-	23,211,148	18,416,428
Total	205,505,369	-	-	205,505,369	195,533,695
Less: Accumulated Provision for Depreciation	(71,390,266)	-	-	(71,390,266)	(67,502,965)
Net Utility Plant	134,115,103	-	-	134,115,103	128,030,730
OTHER PROPERTY AND INVESTMENTS					
Investments in Associated Organizations	32,293,655	636	(283,033)	32,011,258	32,169,145
Nonutility Property, Net	260,859	-	-	260,859	260,859
Other Investments, Net of Current Portion	510,388	63,142	-	573,530	251,968
Total Other Property and Investments	33,064,902	63,778	(283,033)	32,845,647	32,681,972
CURRENT ASSETS					
Cash and Cash Equivalents	6,956,691	207,413	-	7,164,104	7,010,477
Accounts Receivable, Net	6,071,445	11,942	(77)	6,083,310	6,383,214
Materials and Supplies Inventory	2,699,486	-	-	2,699,486	2,236,514
Current Portion of Other Investments	33,885	-	-	33,885	8,506
Other Current and Accrued Assets	90,788	-	-	90,788	243,287
Total Current Assets	15,852,295	219,355	(77)	16,071,573	15,881,998
DEFERRED DEBITS	4,882,368	-	-	4,882,368	7,142,587
Total Assets	<u>\$ 187,914,668</u>	<u>\$ 283,133</u>	<u>\$ (283,110)</u>	<u>\$ 187,914,691</u>	<u>\$ 183,737,287</u>

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021**

	Eastern Iowa Light and Power Cooperative	New Ventures	Eliminations	Consolidated	PY Consolidated
EQUITIES AND LIABILITIES					
EQUITIES					
Memberships	\$ 185,780	\$ -	\$ -	\$ 185,780	\$ 184,800
Patronage Capital	41,271,125	283,033	(283,033)	41,271,125	40,055,087
Other Equities	53,074,174	-	-	53,074,174	51,438,768
Total Equities	94,531,079	283,033	(283,033)	94,531,079	91,678,655
LONG-TERM DEBT, Less Current Maturities					
CoBank Notes	77,143,287	-	-	77,143,287	73,472,178
CFC Mortgage Notes	3,482,724	-	-	3,482,724	3,652,259
Economic Development Loans and Grants	545,000	-	-	545,000	2,080,895
Total Long-Term Debt	81,171,011	-	-	81,171,011	79,205,332
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	3,967,525	-	-	3,967,525	3,691,980
Notes Payable	175,363	-	-	175,363	701,451
Accounts Payable	4,108,925	77	(77)	4,108,925	4,256,872
Other Current Accrued Liabilities	1,834,652	23	-	1,834,675	1,949,434
Total Current Liabilities	10,086,465	100	(77)	10,086,488	10,599,737
DEFERRED CREDITS					
	2,126,113	-	-	2,126,113	2,253,563
Total Equities and Liabilities	<u>\$ 187,914,668</u>	<u>\$ 283,133</u>	<u>\$ (283,110)</u>	<u>\$ 187,914,691</u>	<u>\$ 183,737,287</u>

**EASTERN IOWA LIGHT AND POWER COOPERATIVE
AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL
YEAR ENDED DECEMBER 31, 2021**

	Eastern Iowa Light and Power Cooperative	New Ventures	Eliminations	Consolidated	PY Consolidated
OPERATING REVENUES					
Electric Revenue	\$ 57,956,909	\$ -	\$ -	\$ 57,956,909	\$ 58,790,672
Other Operating Revenue	246,474	-	-	246,474	197,379
Total Operating Revenues	58,203,383	-	-	58,203,383	58,988,051
OPERATING EXPENSES					
Cost of Power	35,732,964	-	-	35,732,964	36,603,715
Distribution Expense - Operations	3,158,656	-	-	3,158,656	3,695,605
Distribution Expense - Maintenance	4,576,652	-	-	4,576,652	4,157,833
Consumer Account Expense	944,527	-	-	944,527	916,038
Customer Service and Information	228,812	-	-	228,812	206,296
Sales Expense	80,254	-	-	80,254	88,762
Administrative and General Expense	3,746,229	-	(15,000)	3,731,229	3,627,804
Depreciation Expense	5,731,290	-	-	5,731,290	5,851,176
Other Deductions	15,263	-	-	15,263	13,759
Total Operating Expenses	54,214,647	-	(15,000)	54,199,647	55,160,988
OPERATING MARGINS BEFORE FIXED CHARGES	3,988,736	-	15,000	4,003,736	3,827,063
INTEREST ON LONG-TERM DEBT	2,749,456	-	-	2,749,456	2,594,547
OPERATING MARGINS AFTER FIXED CHARGES	1,239,280	-	15,000	1,254,280	1,232,516
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	2,190,432	-	-	2,190,432	3,458,257
NET OPERATING MARGINS	3,429,712	-	15,000	3,444,712	4,690,773
NONOPERATING MARGINS					
Interest Income	102,898	16,016	(15,000)	103,914	107,543
Equity in Earnings of Assoc. Companies	(3,263)	-	1,740	(1,523)	(955)
Other Nonoperating Margins (Expenses)	1,917,076	(17,756)	-	1,899,320	30,222
Total Nonoperating Margins	2,016,711	(1,740)	(13,260)	2,001,711	136,810
NET MARGINS	5,446,423	(1,740)	1,740	5,446,423	4,827,583
Patronage Capital - Beginning of Year	40,055,087	284,773	(284,773)	40,055,087	39,618,260
Transfers to Other Equities	(1,583,892)	-	-	(1,583,892)	(1,935,466)
Capital Credits Retired	(2,646,493)	-	-	(2,646,493)	(2,455,290)
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 41,271,125</u>	<u>\$ 283,033</u>	<u>\$ (283,033)</u>	<u>\$ 41,271,125</u>	<u>\$ 40,055,087</u>



INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors
Eastern Iowa Light and Power Cooperative
and Subsidiary
Wilton, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Eastern Iowa Light and Power Cooperative and Subsidiary (the Cooperative), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations and patronage capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 13, 2022.

During the year ended December 31, 2021, the Cooperative received no advances from the National Rural Utilities Cooperative Finance Corporation (NRUCFC) on loans controlled by the NRUCFC Loan Agreement and/or Mortgage or Security Agreements. 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 NRUCFC and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 13, 2022