NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY
KENTUCKY 51

CONSOLIDATED FINANCIAL REPORT

December 31, 2022

C O N T E N T S

JNM

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nolin Rural Electric Cooperative Corporation and Subsidiary
Elizabethtown, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nolin Rural Electric Cooperative Corporation and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of revenue and comprehensive income, changes in members' equities, 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 Nolin Rural Electric Cooperative Corporation and Subsidiary as of December 31, 2022 and 2021, and the results of their operations and their 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nolin Rural Electric Cooperative Corporation and Subsidiary 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 consolidated 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 consolidated 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 Nolin Rural Electric Cooperative Corporation and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 consolidated 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 Nolin Rural Electric Cooperative Corporation and Subsidiary'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 Nolin Rural Electric Cooperative Corporation and Subsidiary'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 have identified during the audit.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
April 4, 2023

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

	2022	2021
ASSETS		
Utility Plant, at original cost		
In service	$ 137,909,061	$ 132,762,268
Under construction	1,727,501	1,239,300
	139,636,562	134,001,568
Less accumulated depreciation	62,511,590	58,707,797
	77,124,972	75,293,771
Investments in Associated Organizations	52,502,459	51,418,367
Current Assets		
Cash and cash equivalents	16,964,991	12,943,855
Accounts receivable, less allowance for 2022 of $1,566,544 and 2021 of $1,440,497	11,661,886	9,845,789
Accounts receivable, other	5,663,309	6,120,262
Material and supplies, at average cost	1,600,750	1,071,959
Other current assets	10,704	100,671
Total current assets	35,901,640	30,082,536
Non-current Assets		
Long-term portion of accounts receivable, other	8,048,695	11,866,699
Prepaid pension costs	30,682	398,868
Total non-current assets	8,079,377	12,265,567
Total assets	$ 173,608,448	$ 169,060,241
MEMBERS' EQUITIES AND LIABILITIES		
Members' Equities		
Memberships	$ 252,920	$ 256,145
Patronage capital	87,907,612	80,729,324
Other equities	6,066,749	5,093,313
Accumulated other comprehensive loss	(1,388,302)	(1,550,338)
Total members' equities	92,838,979	84,528,444
Long-Term Liabilities		
Long-term debt, less current portion	57,306,280	62,012,412
Accumulated postretirement benefits	6,814,199	6,799,732
Total long-term liabilities	64,120,479	68,812,144
Current Liabilities		
Current portion of long-term debt	2,929,749	4,009,482
Accounts payable	9,261,344	7,725,624
Consumer deposits	2,203,916	2,187,311
Accrued expenses	1,929,751	1,587,343
Total current liabilities	16,324,760	15,509,760
Consumer Advances	324,230	209,893
Total members' equities and liabilities	$ 173,608,448	$ 169,060,241

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Sales of electric energy	$ 87,106,255	$ 73,172,678
Other operating revenues	5,049,218	3,734,798
	92,155,473	76,907,476
Operating Expenses		
Cost of power	65,721,695	52,724,360
Distribution - operations	4,307,757	4,322,890
Distribution - maintenance	5,022,514	2,618,703
Consumer accounts	2,685,977	2,415,838
Customer services	518,898	430,751
Administrative and general	4,207,977	3,872,058
Depreciation, excluding $286,012 in 2022 and $274,073 in 2021 charged to clearing accounts	4,843,756	4,705,661
Interest on long-term debt	2,238,442	2,048,378
Other interest charges	10,213	2,635
Other deductions	44,008	47,989
Total cost of electric service	89,601,237	73,189,263
Operating Margins	2,554,236	3,718,213
Nonoperating Margins and Capital Credits		
Interest income	743,998	619,106
Gain (loss) on sale of equipment	(1,857)	41,731
Other non-operating margins	7,505,319	5,877
PPP loan forgiveness	- -	2,371,947
Generation and transmission capital credits	2,182,023	653,988
Other capital credits	323,505	395,017
	10,752,988	4,087,666
Net Margins	13,307,224	7,805,879
Other Comprehensive Income		
Amortization of postretirement benefit actuarial loss	162,036	162,036
Net Margins and Comprehensive Income	$ 13,469,260	$ 7,967,915

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
Years Ended December 31, 2022 and 2021

		Patronage Capital								
	Memberships	Assigned	Assignable	Prior Deficits	Unassigned	Retirements	Total	Other Equities	Accumulated Other Comprehensive Income (Loss)	Total Members' Equities
Balance - December 31, 2020	$ 259,695	$ 108,293,675	$ 5,837,161	$ (10,082,186)	$ 319,934	$ (26,667,201)	$ 77,701,383	$ 4,526,709	$ (1,712,374)	$ 80,775,413
Comprehensive income:										
Net margins			7,805,879				7,805,879			7,805,879
Postretirement benefit obligation										
Amortization of actuarial loss									162,036	162,036
Total comprehensive income										7,967,915
Net change in memberships	(3,550)									(3,550)
General refund of capital credits						(4,496,640)	(4,496,640)			(4,496,640)
Refunds to estates						(281,298)	(281,298)			(281,298)
Allocate margins		4,810,300	(5,837,161)	1,026,861						- -
Other equities								566,604		566,604
Balance - December 31, 2021	256,145	113,103,975	7,805,879	(9,055,325)	319,934	(31,445,139)	80,729,324	5,093,313	(1,550,338)	84,528,444
Comprehensive income:										
Net margins			13,307,224				13,307,224			13,307,224
Postretirement benefit obligation										
Amortization of actuarial loss									162,036	162,036
Total comprehensive income										13,469,260
Net change in memberships	(3,225)									(3,225)
General refund of capital credits						(5,823,870)	(5,823,870)			(5,823,870)
Refunds to estates						(305,066)	(305,066)			(305,066)
Allocate margins		4,793,815	(7,805,879)	3,012,064						- -
Other equities								973,436		973,436
Balance - December 31, 2022	$ 252,920	$ 117,897,790	$ 13,307,224	$ (6,043,261)	$ 319,934	$ (37,574,075)	$ 87,907,612	$ 6,066,749	$ (1,388,302)	$ 92,838,979

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 13,307,224	$ 7,805,879
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation:		
Charged to expense	4,843,756	4,705,661
Charged to clearing accounts	286,012	274,073
Patronage capital credits assigned	(2,505,528)	(1,049,005)
Amortization of postretirement actuarial loss	162,036	162,036
(Gain) loss on disposition of equipment	1,857	(41,731)
PPP loan forgiveness	- -	(2,371,947)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables, net	(1,359,144)	573,126
Material and supplies	(528,791)	38,496
Other current assets	89,967	(62,623)
Prepaid pension costs	368,186	659,633
Accounts payable	1,535,720	688,518
Consumer deposits	16,605	(148,778)
Accrued expenses	342,408	15,333
Consumer advances	114,337	24,818
Accumulated postretirement benefits	14,467	17,800
Net cash provided by operating activities	16,689,112	11,291,289
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(6,674,107)	(5,705,198)
Plant removal costs	(509,211)	(427,909)
Salvage recovered from retired plant	220,492	188,957
Receipts from investments, net	1,421,436	161,283
Net cash (used in) investing activities	(5,541,390)	(5,782,867)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in memberships	(3,225)	(3,550)
Other finance receivables	3,818,004	4,627,547
Principal payments on long-term debt	(5,785,865)	(3,945,769)
Retirement of capital credits	(6,128,936)	(4,777,938)
Other equities	973,436	566,604
Net cash (used in) financing activities	(7,126,586)	(3,533,106)
Net increase in cash and cash equivalents	4,021,136	1,975,316
Cash and cash equivalents, beginning of year	12,943,855	10,968,539
Cash and cash equivalents, end of year	$ 16,964,991	$ 12,943,855
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	$ 2,254,992	$ 2,083,325

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Description of business

Nolin Rural Electric Cooperative Corporation (Nolin) maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with accounting principles generally accepted in the United States of America. The significant accounting policies are as follows:

Principals of consolidation

The consolidated financial statements include the accounts of Nolin Rural Electric Cooperative Corporation and its wholly-owned subsidiary, Wide Open Utility Service LLC (Wide Open). All significant intercompany accounts and transactions have been eliminated.

Business activities

Nolin provides distribution electric service to residential, business, and commercial consumers in a nine-county area of central Kentucky. Wide Open's principal operations consist of providing vegetation management and fleet mechanic services to support the operations of Nolin.

Nolin is operating the distribution system for a local government unit through a privatization process with the federal government. Nolin is reimbursed for all costs incurred, plus a management fee, on a monthly basis. Payments for the construction of plant facilities are recorded as contributions to plant for the total cost of each project, therefore, there is no net original cost for electric plant from the privatization process.

Nolin also provides demand side management and energy efficiency services to the local federal government installation. Nolin subcontracts almost all work performed, then bills the federal government installation for the subcontractor costs, plus a management fee. The reimbursements are due over a 10-year period. Included in accounts receivable other, is $10,860,438 and $14,678,442 for 2022 and 2021, respectively. Nolin charges the government installation 1.05% times Nolin's current variable interest rate on the unpaid balance. Interest income recognized was $480,153 and $444,279 for 2022 and 2021, respectively.

Use of estimates

The preparation of consolidated financial statements in accordance 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Utility plant

Electric plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the years ended December 31, 2022 and 2021.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Utility plant consists of the following as of December 31, 2022 and 2021:

	2022	2021
Distribution plant	$ 114,816,872	$ 111,248,428
General plant	21,274,546	20,347,314
Subtotal electric plant	136,091,418	131,595,742
Vehicles	742,032	575,022
Trailers and equipment	1,075,611	591,504
Subtotal subsidiary plant	1,817,643	1,166,526
Utility plant, at original cost	$ 137,909,061	$ 132,762,268

Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Distribution plant depreciation is based on a composite rate of 3.85% per annum. General plant rates are as follows:

Structures and improvements	2.5%
Transportation equipment	10.0 - 20.0%
Other general plant	5.0 - 10.0%

Cash and cash equivalents

Nolin considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Nolin maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. Management believes that credit risk related to these accounts is minimal.

Note 1. Significant Accounting Policies (Continued)

Accounts receivable

Accounts receivable consists of amounts due for sales of electricity. Accounts receivable are recorded at their net realizable value consisting of the carrying amount less an allowance for uncollectible accounts. Nolin uses the allowance method to account for uncollectible accounts receivable balances. Management charges off uncollectible receivables to the allowance when it is determined the amounts will not be realized.

Materials and supplies

Nolin values materials and supplies at the lower of average cost or net realizable value.

Leases

Adoption of Accounting Pronouncement

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

Nolin adopted the standard effective January 1, 2022. The adoption of this ASU had no material impact on Nolin's financial position or results of operations.

Taxes

Nolin is required to collect, on behalf of the Commonwealth of Kentucky, sales taxes based on 6 percent of gross sales from non-residential consumers, a 3 percent school tax from certain counties on most gross sales, and franchise fees in certain cities. Nolin's policy is to exclude taxes from revenues when collected and expenses when paid and instead, record collection and payment of taxes through a liability account.

Cost of power

Nolin is one of 16 members of East Kentucky Power Cooperative, Inc. (East Kentucky). Under a wholesale power agreement, Nolin is committed to purchase its electric power and energy requirements from East Kentucky until 2051. The rates charged by East Kentucky are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from East Kentucky. There are certain surcharges, clauses, and credits that East Kentucky includes to Nolin that are passed on to consumers using a methodology prescribed by the PSC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Advertising

Nolin expenses advertising costs as incurred. Advertising expenses were $52,116 and $39,114 for the years ended December 31, 2022 and 2021, respectively.

Comprehensive income

Comprehensive income includes both net margin and other comprehensive income. Other comprehensive income represents the change in funded status of the accumulated postretirement benefit obligation.

Risk management

Nolin is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

Credit risk

Nolin grants credit to residents within its service territory. Concentrations of credit risk with respect to accounts receivables are limited due to its large number of customers.

Income tax status

Nolin qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. As a single member limited liability company, Wide Open is considered a disregarded entity for federal income tax purposes. Income from certain activities not directly related to Nolin's tax-exempt purpose is subject to taxation as unrelated business income. Nolin is responsible for reporting any unrelated business income generated by Wide Open. There was no unrelated business income activity reported for the years ended December 31, 2022 and 2021.

Nolin's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Nolin has no uncertain tax positions resulting in an accrual of tax expense or benefit.

Nolin's Federal Return of Organization Exempt from Income Tax is subject to possible examination by taxing authorities until the expiration of related statutes of limitations on the return, which is generally three years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Pension accounting

In May 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard specifies how the amount of pension costs and costs for post-retirement benefits other than pensions (PBOP) should be presented on the income statement under accounting principles generally accepted in the United States of America, and what components of those costs are eligible for capitalization in assets. This standard is effective for years beginning after December 15, 2018. The Federal Energy Regulatory Commission (FERC) issued Docket No. AI18-1-000 that allowed jurisdictional public utilities to continue to record PBOP costs in their entirety, less amounts capitalized, without change. Pension and PBOP costs are made up of several components: service cost, interest cost, actual return on plan assets, gain or loss, amortization of prior service cost or credit, and amortization of FASB Accounting Standards Codification (ASC) Subtopic 715-30. Though pension and PBOP costs are computed using the aggregate total of these various components, the Commission's longstanding policy is to consider the amount as a singular cost to the employer. This cost is calculated based on ASC 715 and reported as an expense under net margins from continuing operations.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of revenue and comprehensive income will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year ending December 31, 2023.

Nolin is currently in the process of evaluating the impact of the adoption of this ASU on the consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through April 4, 2023, the date the consolidated financial statements were available to be issued.

Note 2. Revenue Recognition

Revenue from contracts

Nolin is engaged in the distribution and sale of electricity to residential and commercial customers in nine counties in central Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Nolin satisfies their performance obligation upon the delivery of electricity to customers. Revenue is recognized over-time as the customer simultaneously receives and consumes the benefits provided by Nolin. The amount of revenue recognized is the billed volume of electricity multiplied by a tariff rate per-unit of energy, plus any applicable fixed or additional regulatory charges. Customers are billed monthly and outstanding amounts are typically due within 18 days of the date of the bill. Revenue for pole attachments is invoiced at the end of the year. The performance obligation is satisfied ratably over the time of the contract and revenue is recognized monthly as earned.

Nolin is also engaged in the operation and maintenance of Fort Knox Army Base through a privatization process with the United States Federal government. The contract includes an energy security and power efficiency program and a solar array project. The contract is renewed annually and runs from June 1st through May 31st. The annual contract amount is based on estimated management and maintenance costs, and Nolin earns a fixed margin on top of the actual costs incurred for maintenance and improvements.

Significant judgements

Nolin bills consumers on monthly cycles based on meter readings taken at approximately the same day each month. There are four billing cycles each month consisting of an approximate thirty-day period. Nolin calculates customer bills based on actual kilowatt hour usage obtained through meter readings using advanced metering infrastructure. There is no material difference in revenue recognition from the timing difference of the billing cycles as a full 30-days of revenue is recognized monthly for each cycle. This method of revenue recognition presents fairly, Nolin's transfer of electricity to customers as the amount recognized is based on actual volumes delivered and the tariff rate per-unit of energy and any applicable fixed charges as set by the PSC.

Nolin bills Fort Knox in 12 equal monthly installments in accordance with the annual contract. Revenue is recognized each month based on the actual cost of maintenance and improvements multiplied by a fixed margin. The revenue is recognized as work is completed each month. When the costs of maintenance and improvements exceed the budgeted amount, Nolin records a receivable from Fort Knox. Conversely, when the costs of maintenance and improvements are less than the budgeted amount, Nolin records a payable to Fort Knox. The payable or receivable due to or from Fort Knox is settled annually in May when the contract expires. Amounts payable to Fort Knox are used to pay down the principal balance of the long-term receivables.

Performance obligations

Nolin customers generally have no minimum purchase commitments. Performance obligations are limited to the service requested and received to date. There are no performance obligations remaining related to revenues recognized through year-end related to the Fort Knox contract. Accordingly, there is no unsatisfied performance obligation to recognize as of December 31, 2022 and 2021.

Note 2. Revenue Recognition (Continued)

Disaggregation of revenue

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended December 31, 2022 and 2021:

	2022	2021
Sales of electric energy:		
Residential rural	$ 65,308,017	$ 55,231,335
Small commercial	12,415,945	10,309,319
Large commercial	8,966,353	7,248,308
Public lights	415,940	383,716
	$ 87,106,255	$ 73,172,678
Other operating revenues:		
Ft. Knox privatization	$ 3,596,355	$ 2,308,819
Ft. Knox modifications	198,557	383,743
Rent of electric property	282,829	391,909
Late charges	489,375	365,813
Miscellaneous charges	170,950	191,346
Private party	311,152	93,168
	$ 5,049,218	$ 3,734,798

Contract cost liabilities

Contract cost liabilities related to electric distribution include consumer deposits. Contract cost liabilities related to the Fort Knox privatization contract include the annual true-up included in accounts payable. The balances in contract liabilities were as follows as of December 31:

	2022	2021	2020
Consumer deposits	$ 2,203,916	$ 2,187,311	$ 2,336,089
Ft. Knox true-up	376,184	989,280	274,636
	$ 2,580,100	$ 3,176,591	$ 2,610,725

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investments in Associated Organizations

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

	2022	2021
East Kentucky, patronage capital	$ 47,542,384	$ 46,633,068
CFC, patronage capital and CTCs	3,174,979	3,101,300
KAEC, patronage capital	1,001,733	924,805
Federated Insurance, patronage capital	443,278	407,042
Other associated organizations	340,085	352,152
	$ 52,502,459	$ 51,418,367

Nolin records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates (CTCs) of CFC are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 3.00% and 5.00% and are scheduled to mature at varying times from 2025 to 2080.

Note 4. Patronage Capital

Under provisions of CFC's long-term debt agreement, return to patrons of capital contributed by them is limited to a maximum of 30.00% of total margins for the preceding calendar year, unless, after giving effect to the distribution, the total equity will be at least 20.00% of total assets. Nolin returned $5,823,870 and $4,496,640 of capital to members for the years ended December 31, 2022 and 2021, respectively. Total members' equity as of December 31, 2022 and 2021 was 53.48% and 49.99% of total assets, respectively.

Note 5. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to CFC under its mortgage agreement. The long-term debt is due in quarterly installments of varying amounts through 2043. Nolin received a $25,000,000 loan from CFC in 2019, of which no funds were advanced as of December 31, 2022 and 2021. These funds will be used for future plant additions.

Long-term debt consists of the following as of December 31:

	2022	2021
First mortgage notes due CFC:		
5.75% variable rate (2.45% in 2021)	$ 242,313	$ 288,749
3.60% to 4.10% fixed rate	19,165,275	20,538,059
5.75% variable rate (2.35% in 2021)	6,943,640	9,839,625
4.00% and 4.30% fixed rate	12,733,942	13,261,591
5.75% variable rate for local government programs (2.45% in 2021)	21,150,859	22,093,870
	60,236,029	66,021,894
Less current portion	(2,929,749)	(4,009,482)
	$ 57,306,280	$ 62,012,412

Note 5. Long-Term Debt (Continued)

As of December 31, 2022, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2023	$ 2,929,749
2024	3,710,082
2025	5,038,131
2026	5,218,422
2027	5,103,950
Thereafter	38,235,695
	$ 60,236,029

Note 6. Short-Term Notes Payable

As of December 31, 2022 and 2021, Nolin had a short-term line of credit of $7,000,000 available from CFC with variable interest rates of 5.75% and 2.45%, respectively. There were no advances against the line of credit as of December 31, 2022 and 2021. The line of credit renews on a regular basis throughout the term of the long-term debt (See Note 5).

Note 7. Pension Plans

All eligible employees of Nolin participate in the NRECA Retirement and Security Plan (RS Plan), a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The Plan sponsor's 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.

Nolin's contributions to the RS Plan in 2022 and 2021 represent less than 5.00% of the total contributions made to the plan by all participating employers. Nolin made contributions to the plan for eligible employees of $1,760,746 in 2022 and $1,672,115 in 2021. There have been no significant changes that affect the comparability of 2022 and 2021. Nolin employees hired prior to January 1, 2021 can also participate in the NRECA 401(k) plan. Employer contributions to the 401(k) plan for these employees totaled $136,321 and $135,285 for 2022 and 2021, respectively. Nolin employees hired on or after January 1, 2021, can only participate in the NRECA 401(k) plan. Employer contributions to the 401(k) plan for these employees totaled $43,362 and $10,721 for 2022 and 2021, respectively. Wide Open employees are also eligible to participate in the NRECA 401(k) plan. Employer contributions totaled $22,885 and $821 for 2022 and 2021, respectively.

Note 7. Pension Plans (Continued)

In the RS Plan, a zone status determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80.00% funded at January 1, 2022 and 2021 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the 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.

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 (a defined benefit multiemployer pension plan) to make a prepayment and reduce future required contributions. The prepayment amount is a cooperative share, as of January 1, 2013, of future contributions required to fund the RS Plan’s unfunded value of benefits earned to date using Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative’s annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from that expected, plan assumptions changes, and other factors may have an impact on the differential in billing rates and the 15-year period.

Two prepayment options were available to participating cooperatives:

1. Use current assets to make the prepayment over a period of not more than 4 years, or,
2. Borrow funds sufficient to make the prepayment in a lump sum, with the prepayment of the borrowed amount determined by the loan’s amortization schedule.

On February 14, 2013, RUS issued a memorandum to all of its borrowers regarding the proper accounting treatment of the RS Plan prepayment. RUS stipulated that the prepayment shall be recorded as a long-term prepayment in Account 186, Miscellaneous Deferred Debits. This prepaid expense shall be amortized to Account 926, Employee Pensions and Benefits, over a ten-year period. Alternatively, RUS borrowers may calculate the amortization period by subtracting the cooperative’s average age of its workforce as provided by NRECA from the cooperative’s normal retirement age under the RS Plan, up to a maximum period of 20 years. If the entity choses to finance the prepayment, interest expense associated with the loan shall be recorded in the year incurred as is required under the RUS Uniform System of Accounts (USoA). During February 2013, Nolin made a prepayment of $3,681,860 to the RS Plan. The amount is being amortized over 10 years.

Note 8. Postretirement Benefits

Nolin sponsors a defined benefit plan that provides medical insurance coverage to retired employees and dependents. Participating retirees and dependents contribute 10.00% of the cost of coverage. For measurement purposes, an annual rate of increase of 4.00% in 2022 in the per capita cost of covered health care benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 4.50%. There have been no significant changes that affect the comparability of 2022 and 2021.

The funded status of the plan was as follows as of December 31:

	2022	2021
Projected benefit obligation	$ (6,814,199)	$ (6,799,732)
Plan assets at fair value	- -	- -
Funded status (deficit)	$ (6,814,199)	$ (6,799,732)

The components of net periodic postretirement benefit costs are as follows:

	2022	2021
Benefit obligation - beginning of period	$ 6,799,732	$ 6,781,932
Net periodic benefit cost:		
Service cost	72,580	73,145
Interest cost	238,244	237,679
Net period cost	310,824	310,824
Benefit payments to participants	(296,357)	(293,024)
Benefit obligation - end of period	$ 6,814,199	$ 6,799,732
Amounts recognized in the balance sheet consists of:		
Accumulated postretirement benefits	$ 6,814,199	$ 6,799,732
Amounts included in other comprehensive income:		
Unrecognized actuarial loss	$ 162,036	$ 162,036
Effect of 1% increase in the health care trend:		
Postemployment benefit obligation	$ 7,155,000	
Net periodic benefit cost	$ 326,000	

Projected retiree benefit payments for the next five years are expected to be as follows: 2023 - $168,200; 2024 - $174,500; 2025 - $170,600; 2026 - $155,400; 2027 - $128,100.

Note 9. Commitments

Nolin has various other agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are one to three years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Related Party Transactions

Several of the Directors of Nolin, its President and General Manager, and another employee are on the Boards of Directors of various associated organizations.

Note 11. Environmental Contingency

Nolin from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants, and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require Nolin to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect Nolin's financial position or its future cash flows.

Note 12. Contingencies

Nolin, from time to time, may be involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the consolidated financial statements.

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Nolin Rural Electric Cooperative Corporation and Subsidiary
Elizabethtown, Kentucky

We have audited the consolidated financial statements of Nolin Rural Electric Cooperative Corporation and Subsidiary as of and for the years ended December 31, 2022 and 2021, and our report thereon dated April 4, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information shown on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
April 4, 2023

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
December 31, 2022

ASSETS	Nolin	Wide Open	Eliminations	Consolidated
Utility Plant, at original cost				
In Service	$ 136,091,418	$ 1,817,643	$ - -	$ 137,909,061
Under construction	1,727,501	- -	- -	1,727,501
	137,818,919	1,817,643	- -	139,636,562
Less accumulated depreciation	62,321,632	189,958	- -	62,511,590
	75,497,287	1,627,685	- -	77,124,972
Investments				
Associated organizations	52,502,459	- -	- -	52,502,459
Investment in subsidiary	1,825,900	- -	(1,825,900)	- -
Total investments	54,328,359	- -	(1,825,900)	52,502,459
Current Assets				
Cash and cash equivalents	16,868,787	96,204	- -	16,964,991
Accounts receivable, less allowance of $1,566,544	11,657,240	126,983	(122,337)	11,661,886
Accounts receivable, other	5,663,309	- -	- -	5,663,309
Materials and supplies, at average cost	1,600,750	- -	- -	1,600,750
Other current assets	10,704	- -	- -	10,704
Total current assets	35,800,790	223,187	(122,337)	35,901,640
Non-Current Assets				
Long-term portion of other receivables	8,048,695	- -	- -	8,048,695
Prepaid pension costs	30,682	- -	- -	30,682
Total non-current assets	8,079,377	- -	- -	8,079,377
Total assets	$ 173,705,813	$ 1,850,872	$ (1,948,237)	$ 173,608,448
Members' Equities and Liabilities				
Members' Equities				
Capital investment	$ - -	$ 1,825,900	$ (1,825,900)	$ - -
Memberships	252,920	- -	- -	252,920
Patronage capital	87,907,612	- -	- -	87,907,612
Other equities	6,066,749	- -	- -	6,066,749
Accumulated other comprehensive loss	(1,388,302)	- -	- -	(1,388,302)
Total members's equities	92,838,979	1,825,900	(1,825,900)	92,838,979
Long-Term Liabilities				
Long-term debt, less current portion	57,306,280	- -	- -	57,306,280
Accumulated postretirement benefits	6,814,199	- -	- -	6,814,199
Total long-term liabilities	64,120,479	- -	- -	64,120,479
Current Liabilities				
Current portion of long-term debt	2,929,749	- -	- -	2,929,749
Accounts payable	9,365,225	18,456	(122,337)	9,261,344
Consumer deposits	2,203,916	- -	- -	2,203,916
Accrued expenses	1,923,235	6,516	- -	1,929,751
Total current liabilities	16,422,125	24,972	(122,337)	16,324,760
Consumer Advances	324,230	- -	- -	324,230
Total members' equities and liabilities	$ 173,705,813	$ 1,850,872	$ (1,948,237)	$ 173,608,448

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME
Year Ended December 31, 2022

	Nolin	Wide Open	Eliminations	Consolidated
Operating Revenues				
Sales of electric energy	$ 87,106,255	$ - -	$ - -	$ 87,106,255
Other operating revenues	4,738,061	2,199,578	(1,888,421)	5,049,218
	91,844,316	2,199,578	(1,888,421)	92,155,473
Operating Expenses				
Cost of power	65,721,695	- -	- -	65,721,695
Distribution - operations	4,213,849	263,457	(169,549)	4,307,757
Distribution - maintenance	5,153,404	1,531,013	(1,661,903)	5,022,514
Consumer accounts	2,685,260	717	- -	2,685,977
Customer services	485,619	33,279	- -	518,898
Administrative and general	3,946,408	318,538	(56,969)	4,207,977
Depreciation, excluding $286,102 charged to clearing accounts	4,792,215	51,541	- -	4,843,756
Interest on long-term debt	2,238,442	- -	- -	2,238,442
Other interest charges	10,213	- -	- -	10,213
Other deductions	42,975	1,033	- -	44,008
Total operating expenses	89,290,080	2,199,578	(1,888,421)	89,601,237
Operating Margins	2,554,236	- -	- -	2,554,236
Nonoperating Margins and Capital Credits				
Interest income	743,998	- -	- -	743,998
Loss on sale of equipment	(1,857)	- -	- -	(1,857)
Other non-operating margins	7,505,319	- -	- -	7,505,319
Generation and transmission capital credits	2,182,023	- -	- -	2,182,023
Other capital credits	323,505	- -	- -	323,505
	10,752,988	- -	- -	10,752,988
Net Margins	13,307,224	- -	- -	13,307,224
Other Comprehensive Income				
Postretirement benefits	162,036	- -	- -	162,036
Net Margins and Comprehensive Income	$ 13,469,260	$ - -	$ - -	$ 13,469,260