Consolidated Financial Statements
December 31, 2022 and 2021

Presque Isle Electric & Gas Co-op and Subsidiary

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Independent Auditor's Report

The Board of Directors
Presque Isle Electric & Gas Co-op and Subsidiary
Onaway, Michigan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Presque Isle Electric & Gas Co-op and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presque Isle Electric & Gas Co-op and Subsidiary as of December 31, 2022 and 2021, and the results of its operations and cash flows for the year then ended in conformity 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Presque Isle Electric & Gas Co-op and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Presque Isle Electric & Gas Co-op and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Presque Isle Electric & Gas Co-op 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Presque Isle Electric & Gas Co-op 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 identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The listing of board of directors, consolidating balance sheet, and consolidating statement of operations are presented for the 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. With the exception of the listing of board of directors, the information has been subjected to the auditing procedures applied in the audits 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. The listing of board of directors has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we do not express and opinion or provide any assurance on them.

Eide Bailly LLP

Fargo, North Dakota
April 21, 2023

	2022	2021
Assets		
Utility Plant		
In service - at cost	$ 201,740,819	$ 194,216,148
Construction work in progress	22,387,430	2,431,517
Total utility plant	224,128,249	196,647,665
Less accumulated depreciation and amortization	(87,854,153)	(83,233,329)
Utility plant - net	136,274,096	113,414,336
Other Assets and Investments		
Investments in associated organizations	24,630,290	23,953,102
Current Assets		
Cash and temporary cash investments	7,306,149	5,703,297
Accounts receivable, less allowance for doubtful accounts of $121,760 in 2022 and 2021	6,764,024	6,729,174
Unbilled revenue	1,089,613	990,197
Materials and supplies	10,550,148	7,363,697
Prepaid expenses	216,471	182,659
Total current assets	25,926,405	20,969,024
Deferred Debits	45,406	251,665
Total Assets	$ 186,876,197	$ 158,588,127

Presque Isle Electric & Gas Co-op and Subsidiary
Consolidated Balance Sheets - Equities and Liabilities
December 31, 2022 and 2021

	2022	2021
Equities and Liabilities		
Equities		
Memberships	$ 318,220	$ 310,615
Patronage capital	45,928,134	51,038,107
Other equities	5,185,846	5,046,726
Total equities	51,432,200	56,395,448
Long-Term Liabilities		
Long-term debt, net of current maturities	105,949,734	79,391,733
Deferred tax liability	376,000	-
Accrued post-retirement benefits	1,020,412	1,012,836
Total long-term debt	107,346,146	80,404,569
Current Liabilities		
Current maturities of long-term debt	3,677,939	2,940,453
Note payable - line of credit	15,180,974	10,576,530
Accounts payable		
Purchased energy	2,224,152	2,076,263
Other	3,037,161	3,003,238
Accrued payroll, sick and vacation	985,287	922,016
Accrued property taxes	1,173,413	682,937
Customer deposits	515,260	544,950
Accrued interest	461,677	335,879
Patronage capital payable	-	51,163
Other	89,473	289,487
Total current liabilities	27,345,336	21,422,916
Deferred Credits	752,515	365,194
Total equities and liabilities	$ 186,876,197	$ 158,588,127

	2022	2021
Operating Revenues		
Electric and gas sales	$ 53,394,447	$ 49,015,220
Fiber sales	230,067	-
Other sales	375,538	324,978
	54,000,052	49,340,198
Operating Expenses		
Cost of energy	28,993,930	25,959,068
Operation and maintenance	9,988,680	8,599,882
Customer accounts	2,660,267	2,530,698
Customer service and information expense	593,589	900,275
Administrative and general	3,241,086	3,021,932
Fiber	1,513,163	-
Depreciation and amortization	6,205,807	5,431,454
Depreciation and amortization - fiber	59,889	-
Taxes - property	1,635,623	1,382,597
Taxes - other	28,514	44,642
Total operating expenses	54,920,548	47,870,548
Operating (Loss) Margin before Fixed Charges	(920,496)	1,469,650
Fixed Charges		
Interest on long-term debt	4,268,100	3,155,009
Operating Loss after Fixed Charges	(5,188,596)	(1,685,359)
Capital Credits	2,070,419	1,873,364
Net Operating (Loss) Margin	(3,118,177)	188,005
Non-Operating Margins		
Interest income	48,512	47,733
Fiber grant income	1,126,354	-
Other income (expense)	(1,688,749)	(658,533)
Total Non-Operating Loss	(513,883)	(610,800)
Net Loss Before Income Taxes	(3,632,060)	(422,795)
Income Taxes of Subsidiary	376,000	-
Net Loss	$ (4,008,060)	$ (422,795)

	Memberships	Patronage Capital	Other Equities	Total
Balance, December 31, 2020	$ 301,545	$ 52,917,069	$ 4,713,037	$ 57,931,651
Memberships issued - net	9,070	-	-	9,070
Retirement of capital credits	-	(1,456,167)	333,689	(1,122,478)
Current year net loss	-	(422,795)	-	(422,795)
Balance, December 31, 2021	310,615	51,038,107	5,046,726	56,395,448
Memberships issued - net	7,605	-	-	7,605
Other equity transactions	-	-	115,352	115,352
Retirement of capital credits	-	(1,477,913)	399,768	(1,078,145)
Current year net loss	-	(3,632,060)	(376,000)	(4,008,060)
Balance, December 31, 2022	$ 318,220	$ 45,928,134	$ 5,185,846	$ 51,432,200

	2022	2021
Operating Activities		
Cash received from customers	$ 52,383,296	$ 47,075,517
Cash received from grantors	1,126,354	-
Cash paid to suppliers and employees	(46,023,089)	(39,386,227)
Interest received	48,512	47,733
Interest paid	(4,142,302)	(3,125,685)
Taxes paid	(1,549,661)	(1,293,058)
Net Cash from Operating Activities	1,843,110	3,318,280
Investing Activities		
Net utility plant additions and replacements	(30,606,347)	(16,268,605)
Capital credit distributions received	1,393,231	1,868,371
Change in materials and supplies	(2,329,516)	(3,796,540)
Net Cash Used for Investing Activities	(31,542,632)	(18,196,774)
Financing Activities		
Proceeds from debt	31,500,000	15,000,000
Payments of debt	(4,204,513)	(2,607,463)
Net change in line of credit	4,604,444	6,576,530
Capital credits paid	(1,078,145)	(1,122,478)
Proceeds from memberships issued	7,605	9,070
Decrease in consumer deposits	(29,690)	(49,197)
Increase (decrease) in deferred credits	387,321	(114,246)
Change in other equities	115,352	-
Net Cash from Financing Activities	31,302,374	17,692,216
Net Change in Cash and Cash Equivalents	1,602,852	2,813,722
Cash and Cash Equivalents, Beginning of Year	5,703,297	2,889,575
Cash and Cash Equivalents, End of Year	$ 7,306,149	$ 5,703,297

	2022	2021
Reconciliation of Net Loss to Net Cash from Operating Activities		
Net loss	$ (4,008,060)	$ (422,795)
Adjustments to reconcile net loss to net cash from Operating activities		
Depreciation and amortization	7,184,059	5,272,003
Loss on disposal of assets	1,218,861	654,072
Capital credits	(2,070,419)	(1,873,365)
Change in assets and liabilities		
Customer and other accounts receivable	(34,850)	(1,010,432)
Unbilled revenue	(99,416)	(444,996)
Prepaid expenses	(33,812)	208,116
Deferred debits	206,259	(150,719)
Accounts payable	(1,331,456)	626,332
Accrued interest payable	125,798	29,324
Accrued property taxes	490,476	134,181
Accrued post retirement benefits	7,576	93,509
Deferred tax liability	376,000	-
Current and accrued liabilities - other	(187,906)	203,050
Total adjustments	5,851,170	3,741,075
Net Cash from Operating Activities	$ 1,843,110	$ 3,318,280
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	$ 4,142,302	$ 2,945,468
Income taxes	$ 27,634	$ 40,000
Supplemental Disclosure of Non-Cash Investing Activities		
Accounts payable incurred for plant	$ 656,333	$ 830,015
Accounts payable incurred for materials and supplies	$ 856,935	$ 857,842

Note 1 - Summary of Significant Accounting Policies

Principal Business Activity

Presque Isle Electric & Gas Co-op (“PIE&G”, “the Cooperative”) is a member-owned, not-for-profit corporation whose purpose is to provide retail energy services to its members. As a cooperative, all monies in excess of cost of providing electric and natural gas services are capital, at the moment of receipt, and are credited to each member’s capital account.

During 2021, the Cooperative entered into another like business activity, to provide high speed internet services (fiber to the home) to its electric members, with the goal to build out to all of its members. The fiber business is considered a division within the cooperative.

Presque Isle Aurora Gas Assets (“PIAGA”) is a wholly-owned subsidiary of Presque Isle Electric & Gas Cooperative, acquired in 2018. PIE&G has a rental agreement with PIAGA for use of building, equipment, and transportation assets. In addition, there is an irrevocable right to use agreement that grants PIE&G access and use of PIAGA natural gas pipelines and related property. In consideration, PIE&G manages, operates, and maintains the assets.

Consolidation Policy and Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements combine the accounts of the Cooperative and its wholly owned subsidiary, Presque Isle Aurora Gas Assets, as required. Presque Isle Electric and Gas Cooperative, Inc. has accounted for the investment using the equity method. All significant inter-company transactions have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting.

Utility Plant and Depreciation

Property and equipment are carried at cost less contributions in aid of construction. The cost of additions to electric and natural gas plant includes contracted work, direct labor and materials and allocable overheads. When units of property that are specifically identifiable are retired, sold ,or otherwise disposed of in the ordinary course of business, their book cost less net salvage is recognized as a gain or loss. All other units of property that are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

The Cooperative utilizes composite depreciation methods for each distribution plant account. The rates are determined based on management’s estimate of the average useful life of the assets along with future cost of removal and salvage factor estimates. Industry guidelines are also utilized to assist with determining the appropriate rates.

Depreciation of the following assets is determined by straight-line method based upon the estimated useful lives of the various classes of property.

	Years
Structures and improvements	10-50
Office furniture equipment	1.5-7
Transportation equipment	4-7
Power operated equipment	3-16
Other	4-5

Recoverability of Long-Lived Assets

The Cooperative reviews the carrying value of electric and natural gas plant for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset are less than the carrying value of the asset. Management has determined that no impairment exists at December 31, 2022 and 2021.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be temporary cash investments.

Investments

The Cooperative has investments in associated companies and other investments which are accounted for as equity securities. The Cooperative has determined that these investments do not have a readily determinable fair value. Investments in associated companies are recorded at the Cooperative's share of allocated patronage capital and the other investments are recorded at cost. These investments are assessed for impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Cooperative has not identified any impairments and there has not been observable price changes during the years ended December 31, 2022 and 2021.

Receivables and Credit Policies

The Cooperative’s revenue contracts provide it with the unconditional right to consideration upon delivery of electricity and natural gas to its customers; therefore, a receivable is recognized in the period the Cooperative provides energy to its customers, so no contract assets or liabilities exist. The unconditional right to consideration is represented by contract receivables which are presented on the balance sheet as accounts receivable.

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 21 days from the billing date. Unpaid trade receivables with dates over 30 days old are assessed a late fee of 2% of the unpaid balance. Seasonal account billings are accounted for as deferred credits and recognized as income on a straight-line basis over a period of one year. There were no estimated net unbilled revenues for the year.

Payments on trade and notes receivables are allocated to the earliest unpaid billings. The carrying amounts of trade receivables are reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all trade receivable balances periodically and adjusts the allowance accounts based on current economic conditions and past experience. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approves all accounts charged off.

The Cooperative records an estimate of the unbilled revenues pertaining to seasonal members as of year-end as a result of the timing of when the meters are read.

The beginning and ending balances of customer prepayments, accounts receivable, and unbilled revenues, net of allowances for doubtful accounts, were as follows for the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021	January 1, 2021
Billed	$ 6,764,024	$ 6,729,174	$ 5,718,742
Unbilled	1,089,613	990,197	545,201
Customer Deposits (Contract Liability)	(515,260)	(544,950)	(594,147)
Total accounts receivable	$ 7,338,377	$ 7,174,421	$ 5,669,796

Materials and Supplies

Electric, natural gas, and fiber materials and supplies are valued at average cost. Natural gas inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first out (FIFO) method.

Deferred Debits

Deferred debits consists of prepaid tap fees, prepaid years of service, and under collection of amounts.

Patronage Capital

The Cooperative operates on a nonprofit basis. Amounts received from the furnishing of electric energy and natural gas 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, to the extent they are not needed to offset current or prior losses, may be credited to a general unallocated reserve, at the discretion and determination of the Board of Directors.

Revenue Recognition

The Cooperative accounts for customer revenues under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers.*

The Cooperative's performance obligation related to the sale of energy and natural gas is satisfied as energy and natural gas are delivered to customers; therefore, revenue from the delivery of energy and natural gas are recognized over time as energy and natural gas are delivered to the customers. The Cooperative's members read their meters and bills are sent to customers each month.

The Cooperative's performance obligation related to merchandising, electrical, and other services are satisfied at the point in time when projects have been completed; therefore, revenue is recorded upon the completion of the service.

The Cooperative does not have any significant financing components related to contracts with customers as payment is received shortly after being billed to customers.

The following table depicts revenues by timing of revenue recognition and type of revenue for the years ended December 31, 2022 and 2021, respectively:

	2022	2021
Electric Revenues (Transferred over Time)	$ 41,168,897	$ 38,527,715
Gas Revenues (Transferred over Time)	12,225,550	10,487,505
Fiber Revenues (Transferred over Time)	230,067	-
Service Charge (Transferred at Point in Time)	248,197	205,694
Other Revenue (Transferred at Point in Time)	127,341	119,284
Revenue from contracts with customers	$ 54,000,052	$ 49,340,198

Power Costs

Power costs include all power delivered to the Cooperative, regardless of whether the power supplier has billed the Cooperative for power delivered.

Deferred Credits

Deferred credits consist primarily of advance payments made by consumers in connection with electric and natural gas service, overcollection of power supplier PSCR costs, and excess collections of contribution in aid to construction.

Business and Credit Risk

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist primarily of temporary cash instruments and trade receivables. The Cooperative provides electrical and natural gas service on account to its members located in Michigan. The Cooperative has established policies for extending the credit based upon factors surrounding the credit risk of specified members, historical trends, and other information. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of members. Nonetheless, the Cooperative's ability to collect from its members is affected by the economic conditions in which it operates.

The Cooperative maintains cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022, and December 31, 2021, the Cooperative had approximately $2,800,000 and $2,511,000, respectively, in excess of FDIC-insured limits.

Accounting 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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sales Taxes

The Cooperative has members in a state which imposes a sales tax on certain sales. The Cooperative collects the sales taxes from its members and remits the entire amount to the State of Michigan. The Cooperative's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosure*s provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Cooperative does not have any assets or liabilities subject to the level 1, 2, or 3 valuation as of December 31, 2022 and 2021 and does not anticipate participating in transactions of this type in the future.

Income Taxes

Income taxes are provided for the tax effects of transactions reporting in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, inventories, property and equipment, intangible property, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2022 and 2021, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Advertising Costs

Advertising costs of $389,372 and $293,470 in 2022 and 2021, respectively, are expensed as incurred.

Retirement Plan

Presque Isle has a retirement savings plan for substantially all employees. Under the terms of the plan, Presque Isle is required to contribute 10 to 16 percent of the employee's total base earnings to the retirement plan.

Contributions in Aid of Construction

Contributions in aid of construction are received from members on electrical and gas service requests and re-applied against the construction costs.

Regulation

Electric accounting and rate matters are subject to the Board of Directors and membership approval. Natural gas accounting and rate matters are either subject to Home Rule approval pursuant to the Michigan Home Rule Statute or subject to the approval of the Michigan Public Service Commission.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net loss or members' equity.

Note 2 - Plant and Equipment

Plant in service consists of the following:

	2022	2021
Distribution Plant	163,882,568	178,077,952
General Plant	35,352,457	13,632,402
Transmission Plant	834,898	834,898
Intangible Plant	1,670,896	1,670,896
	201,740,819	194,216,148
Construction Work in Progress	22,387,430	2,431,517
Total	$ 224,128,249	$ 196,647,665

Note 3 - Investments in Associated Organizations

Investments in associated organizations consisted of the following at December 31, 2022 and 2021:

	2022	2021
Wolverine Power Supply Cooperative, Inc. - Patronage Capital Credits	$ 19,940,247	$ 19,457,298
National Rural Utilities Cooperative Finance Corporation		
Capital term certificates	1,370,582	1,394,779
Patronage capital credits	2,451,227	2,360,567
RESCO - Patronage Capital Credits	400,882	355,628
National Information Services Cooperative - Patronage Capital Credits	252,756	257,396
CoBank - Patronage Capital Credits	119,443	96,825
Other	95,153	30,609
Total	$ 24,630,290	$ 23,953,102

Note 4 - Deferred Debits and Credits

Following is a summary of the amounts recorded as deferred debits as of December 31, 2022 and 2021:

	2022	2021
Prepaid Tap Fees	$ 45,406	$ 47,402
Prepaid Years of Service	-	2,789
Under-Collection of WPSC PSCR Costs	-	167,940
Other	-	33,534
Total	$ 45,406	$ 251,665

Following is a summary of the amounts recorded as deferred credits as of December 31, 2022 and 2021:

	2022	2021
Customer Prepayments	$ 338,154	$ 365,194
Over-Collection of WPSC PSCR Costs	56,901	-
Excess contribution in aid to construction	357,460	-
	$ 752,515	$ 365,194

Note 5 - Patronage Capital

Patronage capital consisted of the following at December 31, 2022 and 2021:

	2022	2021
Assignable	$ (3,632,060)	$ (422,795)
Assigned to Date	73,580,393	74,003,188
	69,948,333	73,580,393
Less Retirements to Date	(24,020,199)	(22,542,286)
Total	$ 45,928,134	$ 51,038,107

Under the provisions of the Mortgage Agreements, until the equities and margins equal or exceed thirty percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to twenty-five percent of the patronage capital or margins received by the Cooperative in the next preceding year.

The equities and margins of the Cooperative represent 27.52% and 35.56% of the total assets at December 31, 2022 and 2021, respectively.

Note 6 - Memberships and Other Equities

At December 31, 2022 and 2021, other equities consisted of:

	2022	2021
Unclaimed Patronage Capital	$ 2,250,849	$ 2,406,967
(Loss) Equity from Subsidiary	-	260,648
Patronage Capital Abandoned	2,206,681	1,652,713
Donated Capital	609,024	607,107
Capital Gains and Losses	119,292	119,291
	$ 5,185,846	$ 5,046,726

Memberships have been adjusted to reflect the number of members currently receiving service. In accordance with the Co-op by-laws, memberships are not refunded when a member leaves the service area. The membership fee is transferred to donated capital when the member terminates service.

Note 7 - Mortgage Notes

Long-term debt consists of the following:

	2022	2021
NRUCFC mortgage notes payable in equal quarterly installments including interest at 2.84%-6.28%, maturing through 2051, secured by utility plant assets	$ 109,627,673	$ 82,332,186
Less Current Maturities	(3,677,939)	(2,940,453)
	$ 105,949,734	$ 79,391,733

As of December 31, 2022, approximate annual maturities of long-term debt outstanding for the next five years are as follows:

2023	$ 3,677,939
2024	3,761,219
2025	3,897,249
2026	4,064,666
2027	4,239,988
Thereafter	89,986,612
	$ 109,627,673

Substantially all assets are pledged as collateral on long-term debt payable to the National Rural Utilities Cooperative Finance Corporation (NRUCFC). Additionally, the Cooperative has $56,281,599 of unadvanced loan funds available from NRUCFC as of December 31, 2022.

Note 8 - Line of Credit

Lines of credit consists of the following:

	2022	2021
NRUCFC Line of Credit (Perpetual)		
Available at December 31	$ 8,000,000	$8,000,000
Outstanding at December 31	7,218,401	3,500,000
Interest rate at December 31	5.75%	2.45%
CoBank Line of Credit		
Available at December 31	$ 8,000,000	$8,000,000
Outstanding at December 31	7,962,573	7,076,530
Interest rate at December 31	6.45%	2.41%

The line of credit agreement requires that when the agreement is for a term of more than twelve months, then within 360 days of the first advance, the cooperative will reduce to zero for a period of at least five consecutive business days amounts outstanding. The Cooperative was in compliance with this requirement for 2022 and 2021.

The Cooperative has a letter of credit agreement issued by NRUCFC with Sequent Energy Management as beneficiary. The agreement provides a letter of credit up to $1,689,530 and $1,500,000 at December 31, 2022 and 2021. There were no outstanding balances on the letter of credit at December 31, 2022 and 2021. This letter of credit is required in order to mitigate counter party risk in natural gas purchase transactions. This also is a risk management tool for the Co-op with respect to mark to market issues.

The Cooperative has a letter of credit agreement issued by NRUCFC with Universal Service Administrative Company (USAC) as beneficiary. The agreement provides a letter of credit up to $1,689,530 and $1,126,354 at December 31, 2022 and 2021, respectively. There were no outstanding balances on the letter of credit at December 31, 2022 and 2021.

Note 9 - Benefit Plans

Pension Plan

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is 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 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.

The Cooperative's contributions to the RS Plan in 2022 and 2021 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the plan of $772,832 and $643,511 for the years ended December 31, 2022 and 2021, respectively. In 2013, the Cooperative made a $152,257 prepayment to the NRECA for the RS Plan to enhance the Plan's funded status. The prepayment is being amortized over 10 years. The amortization expense was $15,226 in 2022 and 2021.

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 percent funded on January 1, 2022 and January 1, 2021 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

Postretirement Health Insurance Benefits

The cooperative has chosen to recognize the accounting method required by the Statement of Financial Accounting Standards No. 106 for Employer's Accounting for Post-retirement Benefits Other Than Pensions. The statement requires a transition from accounting, for these benefits, on a pay-as-you go (cash basis) to recognizing the benefit cost as they are earned (accrual basis). The change in accounting method requires the accounting for costs incurred to date but unpaid, which is called the Transition amount. This amount may be either expensed in the year of transition or it may be amortized over either the benefit period or twenty-years.

The plan sponsored by the company is a defined benefit post-retirement plan that covers all employees who retire from the cooperative before April 1, 1997, after (i) attainment of age 55 and completion of 30 years of service, or (ii) attainment of age 62. Spouses of pensioners are also insured until the pensioner's death.

At the end of 2020 there were no active participants and the accounting rules of the Financial Accounting Standards Board Statement No. 88 regarding curtailment must be recognized. The reconciliation of the funded status at December 31, 2020 is as follows:

	2022	2021
Accumulated Postretirement Benefit Obligation, Beginning of Year	$ 1,012,836	$ 1,129,353
Actuarial Gain on Assumption Changes	120,888	-
Benefit Payments	(126,169)	(130,993)
Interest Cost on Accumulated Postretirement Benefit Obligations	12,857	14,476
Net periodic postretirement cost (benefit)	7,576	(116,517)
Contribution to Plan	126,296	130,993
Benefit Payments	(126,296)	(130,993)
Net plan funding	-	-
Accumulated Postretirement Benefit Obligation End of Year	1,020,412	1,012,836
Less: Current obligation	-	-
Long-term	$ 1,020,412	$ 1,012,836

For measurement purposes, a 6.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2021; the rate was assumed to decrease gradually to an ultimate rate of 4.5% per annum. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated post-retirement benefit obligation $32,155. Decreasing the assumed health care cost trend rates by 1 percentage point in each year would decrease the accumulated post-retirement benefit obligation $27,668.

The weighted-average discount rate used in determining the accumulated post-retirement benefit obligation was 1.45 percent.

Note 10 - Commitments and Contingencies

Power Supply Cost Recovery Clause

On October 12, 1982, the Governor of the State of Michigan signed PA 304 of 1982 into law creating the Power Supply Cost Recovery Clause (PSCR), a power cost recovery mechanism.

Wolverine Power Supply Cooperative, Inc. (Wolverine) and the member-distribution Cooperatives, including Presque Isle, obtained authority to implement and apply PSCR clauses and monthly factors. Presque Isle's monthly base rate is $0.08785 per kWh for the current period.

Due to fluctuations in market conditions, over-collections or under-collections could result between the generation cooperative and distribution cooperative as well as between the distribution cooperatives and their member-consumers.

The PSCR clause includes provisions whereby power cost recovery over-collections must be remedied by refunds and power cost recovery under-collections must be remedied by additional collections.

Presque Isle's balance sheets reflect an amount due to from member-consumers for (over) under collections in the amounts of ($33,851) and $852,724 at December 31, 2022 and 2021, respectively. These amounts are included in the accounts receivable balance.

The GCR mechanism includes provisions whereby gas cost recovery over-collections must be remedied by refunds and gas cost recovery under-collections must be remedied by additional collections. Presque Isle’s balance sheet reflects an amount due from member-consumers for under collections in the amounts of $336,755 and $163,881 for the years ended December 31, 2022 and 2021, respectively. This amount is recorded in accounts receivable.

Transportation Contract

PIE&G has entered into a transportation contract expiring March 31, 2024, requiring PIE&G to deliver certain daily quantities of gas to designated points, and to receive certain daily quantities of gas at designated points. Transportation will be billed at $0.27 per Dth, paid in monthly installments of $52,448 through March 2024.

Concentration of Sources of Labor

At December 31, 2022, the Cooperative has approximately 71% of its employees covered by a collective bargaining agreement. The collective bargaining agreement for employees will expire on March 31, 2026.

Forward Contracts

Certain contracts that literally meet the definition of a derivative may be exempted from derivative accounting as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal and are documented as normal are exempted from the derivative accounting and reporting requirements.

The Company uses forward contracts to reduce the risk related to changes in market prices of fixed natural gas purchases contracts that meet the requirements of normal purchases and normal sales.

All contracts are entered into at a specified price and quantity that is not subject to change. The quantities are based on projected future demand and the sales price of natural gas to customers is determined by the aggregate cost of the contracts.

The future commitments on gas forward contracts is as follows:

Years Ending December 31,	Amount
2023	$ 4,094,945
2024	2,422,905
2025	1,350,425
2026	375,485
Total commitment	$ 8,243,760

Note 11 - Related Party Transactions

The Cooperative is a member of and purchases its energy requirements from Wolverine Power Supply Company, a related party.

Following is a summary of material transactions with Wolverine for the years ended December 31, 2021 and 2020:

	2022	2021
Purchase of Wholesale Power	$ 23,758,924	$ 22,116,218
Accounts Payable for Purchased Power at December 31	$ 2,224,152	$ 2,076,263
Accumulated Investment in Patronage Capital Credits	$ 19,940,248	$ 19,457,298
Capital Credits Allocated During the Year	$ 1,543,116	$ 1,506,149
Capital Credits Retired During the Year	$ 165,419	$ 773,970

Note 12 - Subsequent Events

The Cooperative has evaluated subsequent events through April 21, 2023, the date which the financial statements were available to be issued.

Supplementary Information
December 31, 2022 and 2021

Presque Isle Electric & Gas Co-op and Subsidiary

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidating Balance Sheet - Assets

December 31, 2022

(With Comparative totals for 2021)

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Totals 2022	Consolidated Totals 2021
Assets					
Utility Plant					
In service	196,226,049	$ 5,514,770	$ -	$ 201,740,819	194,216,148
Construction work in progress	22,387,430	-	-	22,387,430	2,431,517
Total utility plant	218,613,479	5,514,770	-	224,128,249	196,647,665
Less accumulated depreciation and amortization	(84,195,951)	(3,658,202)	-	(87,854,153)	(83,233,329)
Utility plant - net	134,417,528	1,856,568	-	136,274,096	113,414,336
Other Assets and Investments					
Investments in associated organizations	24,630,290	-	-	24,630,290	23,953,102
Investment in subsidiary	2,456,557	-	(2,456,557)	-	-
Total other assets and investments	27,086,847	-	(2,456,557)	24,630,290	23,953,102
Current Assets					
Cash and temporary cash investments	6,340,953	965,196	-	7,306,149	5,703,297
Accounts receivable, less allowance for doubtful accounts of $121,760 in 2022 and 2021	6,745,439	18,585	-	6,764,024	6,729,174
Unbilled revenue	1,089,613	-	-	1,089,613	990,197
Materials and supplies	10,550,148	-	-	10,550,148	7,363,697
Prepaid expenses	216,471	-	-	216,471	182,659
Total current assets	24,942,624	983,781	-	25,926,405	20,969,024
Deferred Debits	45,406	-	-	45,406	251,665
Total assets	$ 186,492,405	$ 2,840,349	$ (2,456,557)	$ 186,876,197	$ 158,588,127

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidating Balance Sheet - Equities and Liabilities

December 31, 2022

(With Comparative totals for 2021)

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Totals 2022	Consolidated Totals 2021
Equities and Liabilities					
Equities					
Memberships	$ 318,220	$ -	$ -	$ 318,220	$ 310,615
Patronage capital	45,928,134	-	-	45,928,134	51,038,107
Other equities	5,185,846	2,456,557	(2,456,557)	5,185,846	5,046,726
Total equities	51,432,200	2,456,557	(2,456,557)	51,432,200	56,395,448
Long-Term Liabilities					
Long-term debt, less current maturities	105,949,734	-	-	105,949,734	79,391,733
Deferred tax liability	-	376,000	-	376,000	-
Accrued post-retirement benefits	1,020,412	-	-	1,020,412	1,012,836
Total long-term debt	106,970,146	376,000	-	107,346,146	80,404,569
Current Liabilities					
Current maturities of long-term debt	3,677,939	-	-	3,677,939	2,940,453
Note payable - line of credit	15,180,974	-	-	15,180,974	10,576,530
Accounts payable					
Purchased power	2,224,152	-	-	2,224,152	2,076,263
Other	3,037,161	-	-	3,037,161	3,003,238
Accrued payroll and vacation	985,287	-	-	985,287	922,016
Accrued property taxes	1,165,621	7,792	-	1,173,413	682,937
Customer deposits and prepayments	515,260	-	-	515,260	544,950
Accrued interest	461,677	-	-	461,677	335,879
Patronage capital payable	-	-	-	-	51,163
Other	89,473	-	-	89,473	289,487
Total current liabilities	27,337,544	7,792	-	27,345,336	21,422,916
Deferred Credits	752,515	-	-	752,515	365,194
Total equities and liabilities	$ 186,492,405	$ 2,840,349	$ (2,456,557)	$ 186,876,197	$ 158,588,127

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidating Statement of Operations
Year Ended December 31, 2022
(With Comparative totals for 2021)

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Totals 2022	Consolidated Totals 2021
Operating Revenues					
Electric and gas sales	$ 53,394,447	$ -	$ -	$ 53,394,447	$ 49,015,220
Fiber sales	230,067			230,067	-
Other sales	375,538	-	-	375,538	324,978
Total operating revenues	54,000,052	-	-	54,000,052	49,340,198
Operating Expenses					
Cost of power and gas	28,993,930	-	-	28,993,930	25,959,068
Distribution - operation and maintenance	9,988,680	-	-	9,988,680	8,599,882
Customer accounts	2,660,267	-	-	2,660,267	2,530,698
Customer service	593,589	-	-	593,589	900,275
Administrative and general	3,413,375	5,002	(177,291)	3,241,086	3,021,932
Fiber	1,513,163	-	-	1,513,163	-
Depreciation and amortization	6,072,054	133,753	-	6,205,807	5,431,454
Depreciation and amortization - fiber	59,889	-	-	59,889	-
Taxes - property	1,624,721	10,902	-	1,635,623	1,382,597
Taxes - other	880	27,634	-	28,514	44,642
Total operating expenses	54,920,548	177,291	(177,291)	54,920,548	47,870,548
Operating (Loss) Margins before Fixed Charges	(920,496)	(177,291)	177,291	(920,496)	1,469,650
Fixed Charges					
Interest on long-term debt	4,268,100	-	-	4,268,100	3,155,009
Operating Loss after Fixed Charges	(5,188,596)	(177,291)	177,291	(5,188,596)	(1,685,359)
Capital Credits	2,070,419	-	-	2,070,419	1,873,364
Net Operating (Loss) Margins	(3,118,177)	(177,291)	177,291	(3,118,177)	188,005
Non-Operating Margins					
Interest income	48,512	901	(901)	48,512	47,733
Fiber grant income	1,126,354	-	-	1,126,354	-
Other income (expense)	(1,688,749)	176,390	(176,390)	(1,688,749)	(658,533)
Total Non-Operating (Loss) Margins	(513,883)	177,291	(177,291)	(513,883)	(610,800)
Net Margins Before Income Taxes	(3,632,060)	-	-	(3,632,060)	(422,795)
Income Tax Expense	-	376,000	-	376,000	-
Net Loss	$ (3,632,060)	$ (376,000)	$ -	$ (4,008,060)	$ (422,795)