

Union Rural Electric  
Cooperative, Inc.  
*Audited Financial Statements*

As of and for the Years Ended  
December 31, 2024 and 2023



## TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report .....	1
Balance Sheets.....	2
Statements of Revenue and Expense.....	3
Statements of Patronage Capital.....	4
Statements of Cash Flows .....	5
Notes to the Financial Statements .....	6-16

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Union Rural Electric Cooperative, Inc.  
Marysville, Ohio 43040

### **Report on the Audit of the Financial Statements**

#### Opinion

We have audited the financial statements of Union Rural Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2024 and 2023, the related statements of revenue and expense, patronage capital and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Other Matter

During the years ended December 31, 2024 and 2023, the Cooperative received \$6,100,000 and \$1,000,000, respectively, in long-term loan fund advances from CFC on loans controlled by the CFC Loan Agreement and/or Mortgage or Security Agreement.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 misstatements 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Rea & Associates, Inc.*

Millersburg, OH  
March 6, 2025

UNION RURAL ELECTRIC COOPERATIVE, INC.

BALANCE SHEETS  
AS OF DECEMBER 31, 2024 AND 2023

ASSETS

	2024	2023
<b>UTILITY PLANT:</b>		
Utility plant in service	\$ 109,139,643	\$ 106,211,668
Construction work in progress	9,598,888	5,020,528
	118,738,531	111,232,196
Less: provision for accumulated depreciation	39,213,302	36,678,628
Net utility plant	79,525,229	74,553,568
<b>OTHER ASSETS AND INVESTMENTS:</b>		
Investments in associated organizations	959,426	962,738
Patronage capital from associated organizations	28,456,429	28,893,119
Homestead receivable	725,610	712,365
Union Rural Electric scholarship fund	113,802	85,464
Total other assets and investments	30,255,267	30,653,686
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	173,768	293,578
Accounts receivable, net of allowance	2,663,106	2,497,592
of \$29,653 and \$25,806 for 2024 and 2023, respectively		
Unbilled revenue	3,750,621	3,173,884
Materials and supplies	3,867,482	3,699,219
Other current assets	309,777	277,911
Total current assets	10,764,754	9,942,184
Total assets	\$ 120,545,250	\$ 115,149,438

EQUITIES AND LIABILITIES

	<u>2024</u>	<u>2023</u>
EQUITIES:		
Patronage capital	\$ 55,329,706	\$ 54,838,347
Other equities	4,443,053	4,359,771
Accumulated other comprehensive income	114,918	116,518
	<u>59,887,677</u>	<u>59,314,636</u>
LONG-TERM LIABILITIES:		
Mortgage notes payable	42,742,784	38,293,502
Deferred credits	1,438,013	1,661,980
Postretirement benefit obligation	927,015	913,039
Homestead retirement payable	710,631	700,927
	<u>45,818,443</u>	<u>41,569,448</u>
CURRENT LIABILITIES:		
Current maturities of mortgage notes payable	1,706,111	1,571,924
Line of credit	3,300,000	3,300,000
Accounts payable	5,566,841	4,945,808
Postretirement benefit obligation, current portion	72,280	87,525
Accrued taxes	2,290,045	2,133,903
Customers' deposits	166,087	165,858
Deferred credits, current portion	201,894	668,478
Current portion of Homestead retirement payable	14,979	11,438
Other current liabilities	1,520,893	1,380,420
	<u>14,839,130</u>	<u>14,265,354</u>
	<u>\$ 120,545,250</u>	<u>\$ 115,149,438</u>

The accompanying notes are an integral part of these financial statements.

UNION RURAL ELECTRIC COOPERATIVE, INC.

STATEMENTS OF REVENUE AND EXPENSE  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
OPERATING REVENUES	\$ 64,270,838	\$ 60,893,578
OPERATING EXPENSES:		
Cost of purchased power	44,319,428	42,851,745
Operations	3,658,954	3,359,795
Maintenance	1,816,824	1,890,953
Consumer accounts	755,381	737,346
Customer service and informational expense	910,263	907,514
Administrative and general	4,043,457	3,986,203
Depreciation	3,489,654	3,257,401
State excise tax expense	1,405,950	1,317,194
Interest - other	281,988	180,474
Other deductions	13,778	62,113
	60,695,677	58,550,738
Total cost of electric service		
Operating margins before fixed charges	3,575,161	2,342,840
FIXED CHARGES, interest on long-term debt	1,743,565	1,644,857
	1,831,596	697,983
Operating margins after fixed charges		
PATRONAGE CAPITAL CREDITS:		
Generation and transmission credits	1,135,560	2,287,616
Other credits	210,745	227,526
	1,346,305	2,515,142
Net operating margins	3,177,901	3,213,125
NON-OPERATING MARGINS:		
Interest income	25,828	26,442
Other items - income (loss)	8,052	(9,998)
Gain on disposition of property	36,150	3,000
	70,030	19,444
Net margins	3,247,931	3,232,569
UNUSUAL AND INFREQUENT INCOME	-	3,500,000
OTHER COMPREHENSIVE INCOME:		
Actuarial loss	(1,600)	(32,627)
Comprehensive income	\$ 3,246,331	\$ 6,699,942

The accompanying notes are an integral part of these financial statements.

UNION RURAL ELECTRIC COOPERATIVE, INC.

STATEMENTS OF PATRONAGE CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
PATRONAGE CAPITAL, beginning of year	\$ 54,838,347	\$ 54,345,037
Net margins	3,247,931	3,232,569
Retirement of capital credits	(2,756,572)	(2,739,259)
PATRONAGE CAPITAL, end of year	<u>\$ 55,329,706</u>	<u>\$ 54,838,347</u>

The accompanying notes are an integral part of these financial statements.

UNION RURAL ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net margins	\$ 3,247,931	\$ 3,232,569
Adjustments to reconcile net margins to net cash provided by operating activities:		
Unusual and infrequent income	-	3,500,000
Depreciation	3,489,654	3,257,401
Gain on disposition of property	(36,150)	(3,000)
Non-cash capital credits received	(1,392,230)	(2,514,440)
(Increase) decrease in assets:		
Accounts receivable, net of allowance	(165,514)	(202,384)
Unbilled revenue	(576,737)	121,186
Other current assets	(31,866)	92,141
Homestead receivable	(13,245)	(71,166)
Increase (decrease) in liabilities:		
Accounts payable	621,033	228,577
Postretirement benefit obligation	(1,269)	16,161
Accrued taxes	156,142	72,720
Customers' deposits	229	(10,194)
Other current liabilities	140,473	112,202
Deferred credits	(690,551)	(160,417)
Homestead payable	13,245	71,166
Total adjustments	1,513,214	4,509,953
Net cash provided by operating activities	4,761,145	7,742,522
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant	(8,461,315)	(5,413,322)
Proceeds from disposition of property	36,150	3,000
Increase in materials and supplies	(168,263)	(417,347)
Investments in associated organizations	3,312	7,055
Withdrawals of scholarship fund	14,865	9,882
Contributions to scholarship fund	(43,203)	(38,080)
Proceeds from redemption of capital credits	1,828,920	1,846,344
Net cash used in investing activities	(6,789,534)	(4,002,468)

	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net payments on line of credit	-	(500,000)
Proceeds from mortgage notes payable	6,100,000	1,000,000
Principal payments on mortgage notes payable	(1,516,531)	(1,547,982)
Patronage capital credits retired	(2,756,572)	(2,739,259)
Retired capital credits unclaimed	54,944	56,498
Appropriated margin gains	28,338	28,198
Actuarial losses	(1,600)	(32,627)
	<u>1,908,579</u>	<u>(3,735,172)</u>
Net cash provided by (used in) financing activities	1,908,579	(3,735,172)
Net (decrease) increase in cash and cash equivalents	(119,810)	4,882
CASH AND CASH EQUIVALENTS, beginning of year	293,578	288,696
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 173,768</u>	<u>\$ 293,578</u>

The accompanying notes are an integral part of these financial statements.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Union Rural Electric Cooperative, Inc. (the “Cooperative”) is incorporated under the laws of the State of Ohio, operates as a cooperative and is exempt from federal taxation under Section 501(c)(12) of the Internal Revenue Code. The cooperative’s primary business is that of providing electric and natural gas services to its membership. This membership consists of individuals, businesses and public authorities in Union, Delaware, Logan, Marion, Hardin and Champaign counties in Ohio. Providing electric and natural gas services includes construction of plant as well as purchasing electricity and natural gas to sell to its members.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Cooperative's accounting policies conform to generally accepted accounting principles of the United States of America following the accounting procedures common to rural electrical cooperatives and as recommended by the Rural Utilities Service (RUS).

Estimates

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

Electric Plant, Equipment and Depreciation

The Cooperative records improvements and additions to the distribution plant at cost using continuing property records. Retirements are removed from the asset and accumulated depreciation accounts at a standard cost, which approximates original cost, which is updated periodically.

The general plant and equipment is recorded at cost based on the unit method. Any retirements or disposals of general plant and equipment are removed at cost from the asset and accumulated depreciation.

Depreciation is provided for by the straight-line method over the estimated useful lives of the property. The provisions are determined by the use of functional composite rates as follows:

Distribution Plant	3.20-6.67%
General Plant:	
Structure and improvements	2.86 %
Office furniture and equipment	20.00%
Computer equipment	33.33%
Transportation equipment	20.00%
Power operating equipment	20.00%
Communications equipment	10.00-20.00%
Other general plant	10.00-20.00%

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in associated organizations are recorded at cost, which is the same as par value. The investments have no ready market and are included in the financial statements as long-term assets. These investments, for the most part, represent equity contributions in other cooperatives and patronage capital received from other cooperatives.

Materials and Supplies

Inventory of materials and supplies not allocated to construction in progress is valued at average cost.

Patronage Capital

Net margins arising from operations are allocated to the members in the form of capital credits based on each member's billings during the year.

Leases

The Cooperative applies Accounting Standards Codification (ASC) 842 in the accounting for leases. The Cooperative determines if a contract contains a lease when the contract conveys the right to control the use of identified assets for a period in exchange for consideration. Upon identification and commencement of a lease, the Cooperative establishes a right-of-use (ROU) asset and a lease liability. The total lease term is determined by considering the initial term per the lease agreement, which is adjusted to include any renewal or termination options that the Cooperative is reasonably certain to exercise. The Cooperative does not recognize ROU assets and lease liabilities for leases with a term of 12 months or less. As a result of evaluating any contracts that may contain a lease, management of the Cooperative determined that ASC 842 does not have material impact on the Cooperative and therefore no ROU assets or lease liabilities are included in the financial statements.

Income Taxes

The Cooperative is a Rural Electric Cooperative exempt from federal income taxes under Internal Revenue Code Section 501(c) (12). Accordingly, no provision for federal income taxes has been made. An informational tax return, Form 990, is prepared and filed each year with the Internal Revenue Service.

The Cooperative presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits. Interest and penalties would be recorded as operating expenses when they are incurred.

Statements of Cash Flows

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

Net cash flows from operating activities include cash payments for interest of \$2,054,593 and \$1,803,238 for the years ended December 31, 2024 and 2023, respectively. There were no payments for federal income taxes for 2024 or 2023.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: REVENUE

Revenue from the sale of electricity and natural gas is recorded monthly based on consumer usage. The Cooperative bills monthly for all consumers. The majority of consumers have automatic meters and are billed based upon automatic meter readings reported monthly. A few commercial consumers have "demand" meters and are billed based upon meter readings made by Cooperative personnel. Substantially all of the cooperative's consumers are located in Union, Delaware, Logan, Marion, Hardin and Champaign counties.

The Cooperative derives its revenues primarily from sales of electricity and natural gas. For such revenues, the Cooperative recognizes revenues in an amount derived from the electricity and natural gas delivered to customers.

The Cooperative calculates revenue earned but not yet billed based on meter readings completed at month-end.

The performance obligation in all arrangements is satisfied at a point in time because the customer simultaneously receives the benefits when the Cooperative delivers or sells the electricity and natural gas. The Cooperative records revenue for all of those sales based upon the volume delivered, which corresponds to the amount that the Cooperative has a right to invoice.

There are no material initial incremental costs of obtaining a contract in any of the arrangements. The Cooperative does not adjust the promised consideration for the effects of a significant financing component if it expects, at contract inception, that the time between the delivery of promised goods or service and customer payment will be one year or less. The Cooperative does not have any material significant payment terms because it receives payment at or shortly after the point of sale.

The Cooperative also has various other sources of revenue including billing, collection, other administrative charges, rent of utility property, and miscellaneous revenue. It classifies such revenues as other ASC 606 revenues to the extent they are not related to revenue generating activities from leasing.

NOTE 4: ACCOUNTS RECEIVABLE

The Cooperative operates in the electric cooperative industry and its accounts receivable are primarily derived from consumer electricity consumption. Effective January 1, 2023, at each balance sheet date, the Cooperative recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist.

The allowance estimate is derived from a review of the Cooperative's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions and reasonable and supportable forecasts regarding future events. The Cooperative believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Cooperative's customers have remained constant since the Cooperative's inception.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: ACCOUNTS RECEIVABLE (Continued)

The Cooperative writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Cooperative's accounting policy election. The total amount of write-offs was not material to the financial statements as a whole for the year ended December 31, 2024.

The Cooperative had an accounts receivable balance, net of allowance, of \$2,295,208 as of January 1, 2023.

NOTE 5: UTILITY PLANT

Listed below are the major classes of the utility plant as of December 31:

	2024	2023
Distribution Plant	\$ 92,759,921	\$ 90,249,016
General Plant	16,379,722	15,962,652
Utility Plant in Service	109,139,643	106,211,668
Construction Work in Progress	9,598,888	5,020,528
Total Utility Plant at Cost	\$118,738,531	\$111,232,196

NOTE 6: INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations consisted of the following on December 31:

	2024	2023
Investments in Associated Organizations:		
Capital term certificates of the National Rural Utilities Cooperative Finance Corporation (NRUCFC)	\$ 539,457	\$ 542,769
Buckeye Power, Inc. membership	416,969	416,969
Other investments in associated organizations	3,000	3,000
Total investments in associated organizations	\$ 959,426	\$ 962,738

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: PATRONAGE CAPITAL FROM ASSOCIATED ORGANIZATIONS

Patronage Capital from associated organizations consisted of the following on December 31:

	2024	2023
Patronage Capital from Associated Organizations:		
United Utility Supply Cooperative Corporation	\$ 322,889	\$ 233,039
Buckeye Power, Inc.	26,529,446	27,071,678
NRUCFC	1,212,853	1,203,512
Federated Rural Electric Insurance Exchange	223,780	223,346
National Rural Telecommunications Co-op	49,106	52,977
National Information Solutions Cooperative	90,191	88,728
Cooperative Response Center, Inc.	6,380	5,891
CoBank	21,784	13,948
Total patronage capital from associated organizations	\$ 28,456,429	\$ 28,893,119

NOTE 8: PATRONAGE CAPITAL

At December 31, 2024 and 2023, patronage capital consisted of:

	2024	2023
Patronage capital – assignable	\$ 3,247,931	\$ 3,232,569
Patronage capital – assigned to date	101,010,263	97,777,694
Total	104,258,194	101,010,263
Less: retirements to date	(48,928,488)	(46,171,916)
Total patronage capital	\$ 55,329,706	\$ 54,838,347

The Cooperative's patronage capital balance represent 45.9 percent and 47.6 percent of the total assets at December 31, 2024 and 2023, respectively. Capital credit retirements in the amount of \$2,756,572 and \$2,739,259 were paid in 2024 and 2023, respectively.

Patronage capital at December 31, 2024 and 2023 includes \$30,402,489 and \$29,885,816, respectively, of capital credits allocated to the Cooperative from Buckeye Power, Inc. that were subsequently allocated to members of the Cooperative.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: OTHER EQUITIES

At December 31, 2024 and 2023, other equities consisted of:

	2024	2023
Retired capital credit gain	\$ 1,071,408	\$ 1,016,464
Appropriated margins	113,802	85,464
Contribution of permanent capital	3,500,000	3,500,000
Subsidiary deficit	(242,157)	(242,157)
Total other equities	\$ 4,443,053	\$ 4,359,771

NOTE 10: ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table sets forth the accumulated other comprehensive income at December 31:

	2024	2023
Accumulated other comprehensive income, beginning of year	\$ 116,518	\$ 149,145
Actuarial loss	(1,600)	(32,627)
Accumulated other comprehensive income, end of year	\$ 114,918	\$ 116,518

NOTE 11: EMPLOYEE POSTRETIREMENT BENEFITS

The Cooperative sponsors an unfunded defined benefit postretirement medical insurance plan, which covers all employees retiring from the Cooperative that were hired prior to January 1, 2006. Such a plan requires the recording of the net periodic postretirement benefit cost as employees render services necessary to earn such benefits, and requires the accrual of the postretirement benefit obligation (including any unfunded portion of the plan).

NRECA is not requiring the Cooperative to fund the plan. The Cooperative is paying benefits to retirees on a “pay-as-you-go” basis. There is no trust fund established for the plan to pay plan benefits.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: EMPLOYEE POSTRETIREMENT BENEFITS (Continued)

The following table sets forth the plan's accrued postretirement benefit obligation ("APBO") at December 31:

	2024	2023
APBO, beginning of year	\$ 1,000,564	\$ 984,403
Service cost	20,516	15,863
Interest cost	47,515	45,688
Actuarial loss (See Note 10)	1,600	32,627
Less: expected benefit payments	(70,900)	(78,017)
APBO, end of year	999,295	1,000,564
Less: current portion	(72,280)	(87,525)
APBO, long-term portion	\$ 927,015	\$ 913,039

Benefits expected to be paid, representing expected future service, are as follows:

2025	\$ 72,280
2026	100,025
2027	85,515
2028	91,665
2029	69,661
2030-2034	608,903

The annual health care cost trend rates, which have a significant effect on the amounts reported, are assumed as follows:

	Pre-Age 65 Medical & Drug	Post-Age 65 Medical & Drug
2025	6.25%	5.00%
2026	6.00%	4.90%
2027	5.75%	4.80%
2028	5.50%	4.70%
2029	5.25%	4.60%
2030	5.00%	4.60%
2030 and later	4.75%	4.60%

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 5.55 percent.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: BENEFIT PLANS

All full-time employees of Union Rural Electric Cooperative, Inc. participate in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program, a multi-employer defined benefit pension plan qualified under Section 410 and tax exempt under Section 501(a) of the Internal Revenue Code.

The Cooperative makes annual contributions to the Program equal to the amounts accrued for pension expense except for the period when a moratorium on contributions is in effect. In this Plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The pension cost for 2024 and 2023 was \$949,216 and \$948,234, respectively.

Union Rural Electric Cooperative, Inc. also maintains a 401(k) plan in which all employees are eligible to participate. The Cooperative matches 50% of full-time participant contributions, with a minimum contribution of 2% and maximum contribution of 12% eligible for employer match. The Cooperative's cost was \$232,898 and \$216,102 for the years ended December 31, 2024 and 2023, respectively.

NOTE 13: DEFERRED CREDITS

Deferred credits are summarized as follows:

	2024	2023
Consumer utility prepayments	<u>\$ 1,639,907</u>	<u>\$ 2,330,458</u>

NOTE 14: LONG-TERM DEBT

Long-term debt is represented by mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation (CFC) and Federal Agricultural Mortgage Cooperation (Farmer Mac). Following is a summary of outstanding long-term debt as of December 31, 2024 and 2023:

Fixed Interest Rate	Maturity Date	2024	2023
4.000%	9/30/2028	\$ 143,271	\$ 177,670
4.700%-4.95%	3/31/2038	2,315,111	2,352,166
4.500%-4.750%	6/30/2042	1,897,432	1,969,721
4.750%	12/31/2043	1,784,813	1,841,482
4.450%-5.730%	9/30/2045	5,584,465	5,750,095
3.240%-6.700%	9/30/2052	17,525,623	17,993,910
5.290%-6.800%	3/31/2053	8,579,247	994,356
4.250%	3/31/2032	-	392,798
Mortgage notes subtotal		<u>\$ 37,829,962</u>	<u>\$ 31,472,198</u>

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: LONG-TERM DEBT (Continued)

Fixed Interest Rate	Maturity Date	2024	2023
Mortgage notes subtotal		\$ 37,829,962	\$ 31,472,198
4.350%	12/31/2036	-	298,067
4.350%	6/30/2037	-	304,168
4.670%	9/30/2040	681,786	708,698
4.430%	12/29/2041	-	582,378
4.670%	12/29/2041	990,788	1,026,733
3.730%	10/1/2035	977,191	1,047,876
5.767%	10/1/2039	241,487	255,907
5.767%	12/1/2040	113,475	119,783
5.767%	1/1/2039	203,287	216,384
5.767%	2/1/2043	91,210	95,519
5.767%	3/1/2042	704,246	739,712
3.620%	9/4/2039	1,051,415	1,103,394
3.790%	11/1/2042	315,992	328,050
3.730%	1/2/2043	1,097,762	1,139,913
3.150%	2/1/2026	150,294	246,646
Total mortgage notes		44,448,895	39,865,426
Less: current portion of mortgage notes		1,706,111	1,571,924
Long-term mortgage notes payable		<u>\$ 42,742,784</u>	<u>\$ 38,293,502</u>

The annual maturities of long-term debt for the next five years are as follows:

2025	\$ 1,706,111
2026	1,727,113
2027	1,748,878
2028	1,814,470
2029	1,728,171
Thereafter	35,724,152
	<u>\$ 44,448,895</u>

The Cooperative entered into \$20,000,000 loan facility 9028 under the Power Vision loan arrangement with National Rural Utilities Cooperative Finance Corporation during 2022. For the years ended December 31, 2024 and 2023, the facility made draws of \$7,677,410 and \$1,000,000, respectively. Total draws on the loan as of December 31, 2024 and 2023 were \$8,677,410 and 1,000,000, respectively.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: SHORT-TERM DEBT

The short-term line of credit of \$10,000,000 maximum is available to the Cooperative on loan commitments from NRUCFC at December 31, 2024. The interest rate on the line of credit was 6.30% and 7.05% at December 31, 2024 and 2023, respectively, with outstanding balances on the line of \$0 for both 2024 and 2023. The line of credit matures December 2069. Substantially all of the assets of the Cooperative are pledged for the mortgage notes payable and the line of credit. Principal and interest installments on the above notes are due either quarterly or monthly.

The Cooperative has established an unsecured short-term line of credit with CoBank in the amount of \$5,000,000. The interest rate was 6.39% and 7.41% at December 31, 2024 and 2023, respectively, with outstanding balances on the line of \$3,300,000 for both 2024 and 2023. The line of credit matures October 2025.

Total line on credit draws from NRUCFC and CoBank may not exceed \$10,000,000 combined.

NOTE 16: COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Cooperative purchases all of its power from Buckeye Power, Inc., a non-profit corporation operating on a cooperative basis whose membership includes Union Rural Electric Cooperative, Inc. Rates for service members of Buckeye Power, Inc. are in accordance with the provisions of the Wholesale Power Agreement. The Cooperative had accounts payable due to Buckeye Power, Inc. of \$3,795,949 and \$3,552,375 at December 31, 2024 and 2023, respectively.

Generation and transmission demand costs are billed to the cooperative based on past contributions to peak demands and will continue to be billed for a set period of time after the Balance Sheet date. Since demand can be highly variable depending on the weather and other factors, the billing is spread over future time periods. As a result, the cooperative has trailing obligations to pay generation and transmission demand charges to power providers for up to 17 months beyond the Balance Sheet date. The cooperative has contracted with some major customers to offset a portion of this future commitment. The remaining unbilled obligation for generation and transmission demand is expected to be offset by future billings to current and future customers.

The Cooperative purchases material from the United Utility Supply Cooperative of which it is an owner and member. Total purchases were \$1,384,293 and \$1,797,852 for the years ended December 31, 2024 and 2023, respectively.

The Cooperative has an agreement with National Information Solutions Cooperative (NISC), St. Louis, Missouri to participate in data processing services offered by NISC. This contract will continue until terminated by written notice given by either party. The total expense under this agreement was \$229,838 and \$228,121 for the years ended December 31, 2024 and 2023, respectively.

The Cooperative borrows funds from National Rural Utilities Cooperative Finance Corporation of which it is a member and owner (see also Notes 14 and 15).

The Cooperative has an investment in Cooperative Response Center (CRC). CRC provides after hours emergency telephone services for the Cooperative. Total fees for services were \$33,624 and \$32,359 for the years ended December 31, 2024 and 2023, respectively.

UNION RURAL ELECTRIC COOPERATIVE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: COMMITMENTS AND RELATED PARTY TRANSACTIONS (Continued)

The Cooperative maintains insurance coverage through Federated Rural Electric Insurance Exchange of which it is a member and owner. Total premiums paid were \$11,523 and \$166,575 for the years ended December 31, 2024 and 2023, respectively. Total deductibles paid were \$1,862 and \$0 for the years ended December 31, 2024 and 2023, respectively.

The Cooperative had investments in Rural Americas Cooperative Bank (CoBank) of \$1,000 as of December 31, 2024 and 2023 and patronage capital in CoBank of \$21,784 and \$13,948 as of December 31, 2024 and 2023, respectively. In addition the Cooperative has established an unsecured short-term line of credit with CoBank. See note 15 for additional information.

NOTE 17: UNUSUAL AND INFREQUENT INCOME

During 2023, the Cooperative entered into an agreement with a third party related to a load within its electric service territory. The Cooperative ceded the right to provide service to the load in exchange for a lump sum payment of \$3,500,000, which represented the present value of the projected margins over the next 20 years.

NOTE 18: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6, 2025, the date on which the financial statements were issued.

NOTE 19: NON-CASH TRANSACTIONS

During the year ended December 31, 2024, the Cooperative refinanced \$1,577,410 of long-term debt.