

BOONE REMC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
UTILITY PLANT IN SERVICE, NET	\$ 125,690,949	\$ 120,620,961
RIGHT-OF-USE ASSETS	1,027,947	624,144
INVESTMENTS	18,814,782	16,873,307
DEFERRED CHARGES, less current portion	76,543	38,203
CURRENT ASSETS		
Cash and cash equivalents	9,326,071	9,594,772
Accounts receivable, consumer, less reserve of \$72,161 for 2024 and \$74,000 for 2023	11,391,052	10,693,770
Materials, supplies and inventories	7,278,135	5,902,143
Recoverable power costs	2,025,112	493,592
Current portion of deferred charges	28,203	28,203
Prepaid expenses	599,478	53,123
TOTAL CURRENT ASSETS	<u>30,648,051</u>	<u>26,765,603</u>
TOTAL ASSETS	<u>\$ 176,258,272</u>	<u>\$ 164,922,218</u>
<u>EQUITIES AND LIABILITIES</u>		
LONG-TERM DEBT, less current portion	\$ 69,271,551	\$ 71,990,332
FINANCE LEASE, less current portion	791,456	439,993
ACCUMULATED POST RETIREMENT BENEFIT	6,761,367	6,327,513
CUSTOMER DEPOSITS	772,516	954,799
PATRONAGE CAPITAL AND RETAINED EARNINGS	87,804,980	75,167,128
CURRENT LIABILITIES		
Accounts payable	6,083,725	5,000,678
Accrued expenses	1,823,706	1,838,602
Current portion of long-term debt	2,700,557	3,005,757
Current portion of finance lease	248,414	197,416
TOTAL CURRENT LIABILITIES	<u>10,856,402</u>	<u>10,042,453</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 176,258,272</u>	<u>\$ 164,922,218</u>

The accompanying notes are an integral part of these statements.

BOONE REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE

Years Ended December 31, 2024 and 2023

	Amount		Percent	
	2024	2023	2024	2023
REVENUES	\$ 73,491,928	\$ 67,356,032	100.0	100.0
OPERATING EXPENSES				
Purchased power	42,044,567	39,090,643	57.2	58.0
Operations	3,715,525	3,590,059	5.1	5.3
Maintenance	2,170,844	1,819,057	3.0	2.7
Consumer accounting expense	920,115	808,543	1.3	1.2
Consumer service and sales expense	379,992	366,003	0.5	0.5
Administrative expense	6,151,425	5,218,193	8.4	7.7
Depreciation	5,468,037	5,105,763	7.4	7.6
Taxes	329,365	273,332	0.4	0.4
TOTAL OPERATING EXPENSES	61,179,870	56,271,593	83.3	83.4
OPERATING MARGINS BEFORE OTHER ITEMS	12,312,058	11,084,439	16.7	16.6
OTHER OPERATING ITEMS, NET				
Patronage revenue	2,311,040	1,143,655	3.2	1.7
Interest expense	(2,579,860)	(2,711,976)	(3.5)	(4.0)
TOTAL OTHER OPERATING ITEMS, NET	(268,820)	(1,568,321)	(0.3)	(2.3)
OPERATING MARGINS	12,043,238	9,516,118	16.4	14.3
NON-OPERATING ITEMS, NET				
Interest and dividend revenue	574,516	426,417	0.8	0.5
All other, net	168,456	148,910	0.2	0.2
TOTAL NON-OPERATING ITEMS, NET	742,972	575,327	1.0	0.7
NET MARGINS	\$ 12,786,210	\$ 10,091,445	17.4	15.0

The accompanying notes are an integral part of these statements.

BOONE REMC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2024 and 2023

	Amount		Percent	
	2024	2023	2024	2023
NET MARGINS	\$ 12,786,210	\$ 10,091,445	17.4	15.0
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on postretirement benefit obligation	<u>-</u>	<u>3,724,276</u>	<u>0.0</u>	<u>5.5</u>
COMPREHENSIVE INCOME	<u>\$ 12,786,210</u>	<u>\$ 13,815,721</u>	<u>17.4</u>	<u>20.5</u>

The accompanying notes are an integral part of these statements.

BOONE REMC AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Years Ended December 31, 2024 and 2023

	Total	Patronage Capital Assigned	Patronage Capital Assignable	Donated Capital	Boone Cooperative Advantage, LLC	Other Comprehensive Income
BALANCE, December 31, 2022	\$ 61,451,293	\$ 58,141,801	\$ 4,848,804	\$ 1,772,440	\$ (2,447)	\$ (3,309,305)
Net margins	10,091,445	-	10,095,358	-	(3,913)	-
Patronage refunds	(99,886)	(294,080)	-	194,194	-	-
Unrecognized post-retirement benefit cost	3,724,276	-	-	-	-	3,724,276
Assign 2022 margins	<u>-</u>	<u>4,848,804</u>	<u>(4,848,804)</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE, December 31, 2023	\$ 75,167,128	\$ 62,696,525	\$ 10,095,358	\$ 1,966,634	\$ (6,360)	\$ 414,971
Net margins	12,786,210	-	12,893,109	-	(106,899)	-
Patronage refunds	(148,358)	(190,044)	-	41,686	-	-
Assign 2023 margins	<u>-</u>	<u>10,095,358</u>	<u>(10,095,358)</u>	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE, December 31, 2024	<u>\$ 87,804,980</u>	<u>\$ 72,601,839</u>	<u>\$ 12,893,109</u>	<u>\$ 2,008,320</u>	<u>\$ (113,259)</u>	<u>\$ 414,971</u>

The accompanying notes are an integral part of these statements.

BOONE REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from consumers	\$ 72,758,646	\$ 65,954,631
Cash paid to suppliers, vendors and employees	(57,651,670)	(54,696,125)
Interest and dividends received	574,516	426,417
Interest paid	(2,594,225)	(2,727,948)
Patronage revenue received	274,770	198,479
All other, net	162,669	75,257
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,524,706	9,230,711
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CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of utility plant in service, net of retirements	(10,430,627)	(11,482,772)
Proceeds from sale of utility plant in service	110,247	180,282
Purchase of investments	-	(151,908)
Acquisition of right of use assets	(615,661)	-
Proceeds from sale/redemption of investments	94,795	11,969,926
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NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(10,841,246)	515,528
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CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on borrowings	(3,023,981)	(3,197,401)
Patronage refunds paid	(148,358)	(99,886)
Borrowings of capital lease obligations	615,661	-
Repayment of capital lease obligations	(213,200)	(241,298)
Repayments of customer advances and deposits	(612,533)	(1,151,606)
Collection of customer advances and deposits	430,250	594,856
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NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(2,952,161)	(4,095,335)
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(268,701)	5,650,904
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,594,772	3,943,868
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,326,071	\$ 9,594,772
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The accompanying notes are an integral part of these statements.

BOONE REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	2024	2023
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net margins	\$ 12,786,210	\$ 10,091,445
Non-cash items		
Depreciation	5,468,037	5,105,763
Amortization of deferred charges	(38,340)	58,501
(Gain) loss on disposal of assets	(5,787)	(73,653)
Patronage revenue	(2,036,270)	(945,176)
Decrease (increase) in assets		
Accounts receivable, consumer	(697,282)	(1,312,644)
Materials and supplies	(1,375,992)	(2,453,128)
Prepaid expenses	(546,355)	10,231
Increase (decrease) in liabilities		
Accounts payable	1,083,047	(735,658)
Accrued expenses	(14,896)	112,208
Postretirement benefit expense	433,854	744,365
Refundable / recoverable power costs	(1,531,520)	(1,371,543)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>13,524,706</u>	\$ <u>9,230,711</u>

The accompanying notes are an integral part of these statements.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(1) Summary of significant accounting policies

The significant accounting policies followed by Boone REMC and Subsidiary are summarized below.

Nature of operations – Boone REMC (the REMC) is a non-profit organization engaged principally in the distribution and sale of electricity in Boone and parts of Clinton, Montgomery, Hendricks, and Hamilton counties in central Indiana. Boone Cooperative Advantage, LLC (the Subsidiary) is a for profit entity that operates the REMC's non-exempt activities, specifically fiber. These entities are collectively referred to as the REMC, as the Subsidiary's policies are substantially the same as Boone REMC, where applicable.

Principles of consolidation – The consolidated financial statements include the accounts of the REMC and its wholly owned subsidiary. All significant intercompany transactions have been eliminated.

Accounting records – The REMC maintains its records in accordance with policies prescribed or permitted by the Indiana Utility Regulatory Commission (IURC) and United States Department of Agriculture Rural Utilities Service (RUS), although the REMC is not regulated by these two agencies. The applicable uniform system of accounts prescribed by these regulatory bodies conform in all material respects with generally accepted accounting principles as applied to rate regulated utilities.

Regulation – Effective April 20, 1998, the membership of the REMC voted to remove itself from the regulation of the IURC.

Financial statement estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Additions to utility plant – Additions to utility plant are capitalized at cost, which includes material, direct and indirect labor and related operating overhead but does not include capitalized interest during construction. Although the capitalization of interest during construction is a generally accepted accounting principle, the effect on the financial statements is immaterial. The cost of maintenance and repairs of utility property, including renewals of minor items of property, are charged to operations and maintenance.

Retirements of transmission and distribution property – Transmission and distribution property retired or otherwise disposed, including the cost of removal, are charged to accumulated depreciation. Accordingly, no gain or loss is recognized upon retirement or disposition of transmission and distribution property.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(1) Summary of significant accounting policies (continued)

Depreciation – Depreciation of utility plant is computed by the straight-line method of depreciation using the following rates: distribution plant, 3.6%; transmission plant, 2.4%; structures and improvements, 2%; transportation equipment, 10%-15%; power operated equipment, communication equipment, stores, tools and work, and laboratory equipment, 10%; office furniture and equipment, 7-33%.

Deferred charges – Deferred charges represent costs incurred for future periods and include rate case expenditures and work plan costs. The work plan charges are being amortized over a period of 36 months. Rate case expenditures was being amortized over 48 months and was fully amortized during 2023. Amortization of deferred charges was (\$38,340) and \$58,501 for the years ended December 31, 2024 and 2023.

Cash and cash equivalents – Cash and cash equivalents represent cash on hand and in bank accounts, certificates of deposits and commercial paper. At times, such cash and cash equivalents may be in excess of the FDIC insurance limits.

Accounts receivable – The REMC carries its accounts receivable at cost, less an allowance for doubtful accounts. Management reviews all receivables on a regular basis. Any amounts written off for nonpayment must be approved by the Board. Amounts written off are first applied to customer deposits on hand, then patronage refunds, prior to being recorded in the statement of revenues and expenses. Interest does not accrue on accounts receivable. The collection policy is to turn over accounts to a collection agency for services provided if no payment has been received within 90 days.

Materials, supplies, and inventory – Material, supplies, and inventory are carried at average cost.

Refundable or recoverable power costs – Changes in the cost of power not recovered through rates are deferred and are being refunded or recovered in future periods.

Patronage capital – The REMC is operated on a cooperative not-for-profit basis for the mutual benefit of its members. The REMC is obligated to account on a patronage basis to all its members for annual revenue, in excess of the cost of providing service. Such amount is allocated in the form of capital credits to the members' capital accounts on the basis of patronage. The REMC maintains a separate allocation and retirement of the capital credited to the account of the REMC by the organization furnishing electric service to the REMC. The REMC allocates said generation and transmission patronage capital to the members when such capital is allocated to the REMC. Patronage revenue is recognized in the year in which the cooperative allocates its earnings to their respective members.

Advertising – Advertising costs are charged to administrative expense when incurred. Total advertising expense was \$14,319 and \$29,420 for the year ended December 31, 2024 and 2023, respectively.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(1) Summary of significant accounting policies (continued)

Revenue recognition – The REMC follows Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“Contract Revenue”). Under Contract Revenue, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the REMC expects to be entitled to receive in exchange for goods or services. See Note 12 for further information on Contract Revenue.

Accounting for Uncertain Tax Positions – The REMC follows “Accounting for Uncertainty in Income Taxes.” The generally accepted accounting principal provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements. The accounting principal requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the REMC does not believe they are taking any uncertain tax positions.

Taxes on revenue producing transactions – It is the REMC’s policy to show revenues associated with the collection of sales tax net of any remittance to the taxing authority on the Statement of Revenue.

Subsequent events – Subsequent events have been evaluated through March 26, 2025, the date of the independent auditor’s report, which is the date the financial statements were available to be issued.

(2) Utility plant in service, net

Utility plant in service consists of the following:

	2024	2023
Cost		
Distribution system	\$ 146,688,433	\$ 134,739,456
General plant	11,871,608	10,476,940
Construction in progress	4,581,556	9,576,422
Total cost	163,141,597	154,792,818
Less Accumulated depreciation	37,450,648	34,171,857
UTILITY PLANT IN SERVICE, NET	<u>\$ 125,690,949</u>	<u>\$ 120,620,961</u>

The aggregate depreciation charged to operations was \$5,468,037 and \$5,105,763 for the year ended December 31, 2024 and 2023, respectively. The depreciation policies followed by the REMC are described in Note 1. Utility plant in service is pledged to secure long-term debt as described in Note 6.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(3) Investments

Investments in associated organizations consist of the following:

	<u>2024</u>	<u>2023</u>
Capital term certificates, at cost, issued by National Rural		
Utilities Cooperative Finance Corp. (CFC)	\$ 382,327	\$ 382,327
Patronage capital		
Wabash Valley Power Association (WVPA)	16,141,119	14,217,452
CFC	430,623	415,169
National Information Solutions Cooperative	143,111	141,540
United Utility Supply Cooperative Corporation	319,099	193,617
CoBank	932,992	1,054,503
Federated Rural Electric Insurance Exchange	143,734	142,331
IEC	80,065	78,243
ERMCO	148,858	154,999
NRTC	74,338	75,178
All other	<u>18,516</u>	<u>17,948</u>
TOTAL INVESTMENTS	<u>\$ 18,814,782</u>	<u>\$ 16,873,307</u>

The accounting policies for recognition of patronage revenue are described in Note 1. Investments are pledged to secure long-term debt as described in Note 6.

(4) Retirement plan

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) 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 REMC contributions to the RS Plan in 2024 and in 2023 represented less than 5 percent of the total contributions made to the plan by all participating employers. The REMC made contributions to the plan of \$905,176 and \$818,312 for the year ended December 31, 2024 and 2023, respectively.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(4) Retirement plan (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 percent funded on January 1, 2024 and over 80 percent funded on January 1, 2023 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.

The REMC sponsors a 401(k) savings plan, under which eligible employees may choose to save up to the maximum allowed by IRS limits. The Cooperative contributes 1% of all base salary and matches employee contributions up to a maximum of 4% of base salary. The expense for the 401(k) match was approximately \$335,000 and \$299,000 for the year ended December 31, 2024 and 2023, respectively.

(5) Fair value measurement

The REMC has adopted generally accepting accounting principles relating to accounting for fair value measurements and disclosures. These principles define fair value, establish a framework for measuring fair value and expand disclosures on fair value measurements. Disclosure is required surrounding the various inputs that are used in determining the fair value of the REMC's investments. These inputs are summarized into three broad levels listed below.

Level 1 - quoted prices in active markets for identical securities

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)

Level 3 - significant unobservable inputs (including the REMC's own assumptions in determining the fair value of investments)

Investments in other entities are unsecured and measured using level 3 inputs. Factors such as historical and project financial results economic conditions, financial conditions of investee, and other factors and events subject to change are considered in the determination of fair value. Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(5) Fair value measurement (continued)

Investments held at December 31, 2024 and 2023, valued at \$0 and \$0, respectively, are valued with level 1 inputs, due to the nature of the investment (certificates of deposit). Realized gains/(losses) from changes in market value of Level 1 investments were \$0 and \$46,069 for the period ended December 31, 2024 and December 31, 2023. Redemptions of level 1 investments totaled \$0 and \$11,882,277 for the year ended December 31, 2024 and 2023, respectively. Increases resulting from purchases, reinvested interest and dividends of level 1 investments totaled \$0 and \$105,823 for the years ended December 31, 2024 and 2023.

Investments held at December 31, 2024 and 2023, valued at \$18,814,782 and \$16,873,307, respectively, are valued with level 3 inputs, due to the nature of the investment (investments in other cooperative's or associations). No gains or losses were recognized for the period ended December 31, 2024 and December 31, 2023 on the level 3 investments. Increases resulting from patronage totaled \$2,036,270 and \$945,176 for the year ended December 31, 2024 and 2023, respectively. Redemptions of level 3 investments totaled \$94,795 and \$87,633 for the year ended December 31, 2024 and 2023, respectively. Purchases of level 3 investments totaled \$0 for both years ended December 31, 2024 and 2023.

(6) Long-term debt

Long-term debt consists of the following:

	<u>2024</u>	<u>2023</u>
3.95% to 4.75% fixed rate notes, payable to CFC in quarterly installments approximating \$442,000, including interest, with maturities ranging from 2037 to 2050. Secured by all REMC assets.	\$ 23,233,324	\$ 24,016,435
1.78% to 6.30% fixed rate notes, payable to CoBank in quarterly and monthly installments approximating \$190,000 and \$250,000, including interest, with final maturities ranging from 2027 to 2052. Secured by all REMC assets.	<u>48,738,784</u>	<u>50,979,654</u>
Total long-term debt	71,972,108	74,996,089
Less current portion	<u>2,700,557</u>	<u>3,005,757</u>
LONG-TERM DEBT, less current portion	<u>\$ 69,271,551</u>	<u>\$ 71,990,332</u>

As of December 31, 2024, future maturities of long-term debt principal are as follows: 2025 - \$2,700,557; 2026 - \$2,778,244; 2027 - \$2,771,272; 2028 - \$2,526,326; 2029 - \$2,553,683; thereafter - \$58,642,026. In addition, the loan agreements require the REMC to meet certain financial ratios, which have been met at December 31, 2024.

BOONE REMC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023

(6) Long-term debt (continued)

Unadvanced long-term loan funds of \$23,000,000 are available to the REMC under a loan agreement with CFC.

The REMC has a variable line of credit with CoBank of up to \$20,000,000 which expires October 31, 2024. The outstanding balance with CoBank on the line was \$0 and \$0 for December 31, 2024 and 2023, respectively. The interest rate on the line was 6.39% and 7.41% at December 31, 2024 and 2023.

The REMC has a variable line of credit with CFC of up to \$20,000,000. The outstanding balance with CFC on the line of credit was \$0 for December 31, 2024 and 2023. The interest rate on the line was 7.25% and 7.25% at December 31, 2024 and 2023, respectively.

Both lenders required that the outstanding balance on the combined line of credit is no greater than \$20,000,000.

(7) Postretirement benefits other than pension

The REMC sponsors a defined benefit postretirement plan that covers employees. The plan provides for medical benefits. The postretirement health care plan is contributory, with retiree contributions reviewed for adjustment annually.

The accumulated postretirement benefit obligation was \$6,761,367 and \$6,327,513 at December 31, 2024 and 2023, respectively. The REMC's pay-as-you-go funding policy means that the fair value of plan assets was \$0 for 2024 and 2023, with an accrued postretirement benefit cost liability of \$7,176,338 and \$6,742,484 for 2024 and 2023, respectively. The net periodic benefit cost was \$799,953 and \$799,953 for the year ended December 31, 2024 and 2023, respectively. Amounts included in accumulated other comprehensive income are unrecognized actuarial gains / (losses) of \$0 and \$3,724,276 at December 31, 2024 and 2023, respectively.

For actuarial measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits was assumed; the rate was assumed to decrease gradually from 9% to 5% by the year 2033 and remain at that level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.83% and 4.83% for December 31, 2024 and 2023, respectively. A postretirement actuarial study was last prepared as of December 31, 2023.

The estimated amortization from accumulated other comprehensive income to the net periodic benefit cost over the next fiscal year is \$0. The estimated net periodic benefit cost for 2025 is \$532,017.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(7) Postretirement benefits other than pension (continued)

Amounts recognized in accumulated other comprehensive income include the following:

	<u>2024</u>	<u>2023</u>
Net actuarial gain/(loss)	\$ 414,971	\$ 414,971
Total amount recognized in accumulated other comprehensive income	\$ <u>414,971</u>	\$ <u>414,971</u>

The net periodic postretirement benefit cost is comprised of the following:

	<u>2024</u>	<u>2023</u>
Service cost	\$ 228,829	\$ 384,496
Interest cost	303,188	243,058
Amortization of (gain) or loss	<u>-</u>	<u>172,399</u>
Total net periodic postretirement benefit cost	\$ <u>532,017</u>	\$ <u>799,953</u>

The following benefit payments, which reflect future service, are expected to be paid to plan participants: 2025 - \$111,410; 2025 - \$160,033; 2026 - \$164,036; 2027 - \$215,614; 2028 - \$215,614; 2029 through 2033 - \$1,049,292.

(8) Income taxes

No provision for income tax, for the REMC, has been included in these statements since the REMC operates as a not-for-profit organization as provided for in Section 501(c)(12) of the Internal Revenue Code, and therefore is exempt from income taxes. The Subsidiary is a single member LLC which has elected to be disregarded as an entity separate from its owner for income tax purposes. Thus, any income or loss recognized by the Subsidiary is reported by the REMC as unrelated business income, and is subject to tax. No income taxes have been included in these statements for unrelated business income for the year ended December 31, 2024 and 2023. Both the REMC and Subsidiary have open tax years for 2023, 2022 and 2021 for both Federal and State filings. No interest or penalties for income taxes have been included in these financial statements.

(9) Commitments

The REMC is committed to purchase its electric power and energy requirements from WVPA under a wholesale power supply contract expiring in year 2060. The rates paid for such purchases are subject to review annually.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(10) Concentrations of credit risk

The REMC provides electric service in an approximate five county territory with its customers representing local residents and businesses. Customers with prior credit problems may be required to pay a deposit to continue or reinstate service. Such deposits are applied to any amounts owed to the REMC in the event of nonpayment. Also, customers whose costs for the initial service exceed the normal standard may be required to deposit a portion of such cost, which may be reimbursed after service has been established.

(11) Finance lease obligations

The REMC leases certain vehicles, which have been classified as capital leases, and follows Accounting Standards Update No. 2016-02, Leases (Topic 842) to account for these transactions as capital leases. The leases have an original term of 84 months. The components of the lease were as follows: amortization of the right of use assets was \$211,858 and \$238,483 for the years ended December 31, 2024 and 2023, respectively; interest on these lease liabilities was \$15,309 and \$18,186 for the years ended December 31, 2024 and 2023, respectively.

During the years ended December 31, 2024 and 2023, the amounts paid for capital lease obligations was \$228,509 and \$259,484, respectively. The cost included in right-of-use assets equals \$1,713,891 with accumulated amortization of \$685,944. The leases have remaining lives ranging from 5 months to 82 months with discount rates ranging from 1.43% to 4.61%. The following is a schedule of minimum future rentals on the leases as of December 31, 2024.

Year ending December 31	
2025	\$ 248,414
2026	184,533
2027	183,556
2028	154,989
2029	113,941
Thereafter	<u>154,437</u>
TOTAL MINIMUM FUTURE RENTALS	<u>\$ 1,039,870</u>

(12) Revenue recognition

Customer payments for contracts are generally due within 17 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the REMC elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

BOONE REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(12) Revenue recognition (continued)

Revenue is generated primarily from electric services delivered to customers. These contracts contain a single performance obligation, the delivery of electricity, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration.

Revenues include amounts billed to customers on a cycle basis. Revenues include amounts billed to customers on a cycle basis. The REMC reads meters throughout the month therefore has unbilled revenues at December 31, 2024.

The amounts that the REMC has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The REMC also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

Contract assets and contract liabilities are the result of timing differences between revenue recognition billings and cash collection. The REMC has contract liabilities on the financial statements for recoverable / (refundable) power costs of \$2,025,112 and \$493,592 for the years ended December 31, 2024 and 2023. The REMC has contract assets in the financial statements as follows:

	2024	2023	2022
Accounts receivable, less reserve	\$ 4,913,636	\$ 5,113,900	\$ 3,665,359
Unbilled revenues	5,781,013	4,890,562	4,806,415
Other accounts receivable	696,403	689,308	909,352
Total	\$ <u>11,391,052</u>	\$ <u>10,693,770</u>	\$ <u>9,381,126</u>

The following table provides operating revenues disaggregated for the years ended December 31, 2024 and 2023.

	2024	2023
Residential	\$ 41,967,345	\$ 39,492,018
Small Commercial	5,949,604	5,742,010
Large Commercial	20,772,540	18,511,658
All other electric revenue	4,802,439	3,610,346
Total revenues	\$ <u>73,491,928</u>	\$ <u>67,356,032</u>