

**MID-CAROLINA ELECTRIC COOPERATIVE, INC.  
LEXINGTON, SOUTH CAROLINA**

**FINANCIAL STATEMENTS AS OF  
DECEMBER 31, 2024 AND 2023 AND  
INDEPENDENT AUDITOR'S REPORT**

**MID-CAROLINA ELECTRIC COOPERATIVE, INC.**

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February 13, 2025

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Trustees  
Mid-Carolina Electric Cooperative, Inc.

### **Opinion**

We have audited the financial statements of **Mid-Carolina Electric Cooperative, Inc.**, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and comprehensive income, changes in members' equity, 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 Mid-Carolina Electric Cooperative, Inc. 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 Mid-Carolina Electric Cooperative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 Mid-Carolina Electric Cooperative, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 Mid-Carolina Electric Cooperative, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-Carolina Electric Cooperative, Inc.'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.

*McNair, McLeMore, Middlebrooks & Co., LLC*  
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

**MID-CAROLINA ELECTRIC COOPERATIVE, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31**

**ASSETS**

	<u>2024</u>	<u>2023</u>
<b>Utility Plant</b>		
Electric Plant in Service	\$ 438,095,829	\$ 407,410,008
Construction Work in Progress	<u>14,876,057</u>	<u>16,430,700</u>
Gross Utility Plant	452,971,886	423,840,708
Accumulated Provision For Depreciation and Amortization	<u>(113,020,215)</u>	<u>(106,582,662)</u>
	<u>339,951,671</u>	<u>317,258,046</u>
<b>Other Property and Investments</b>		
Investments in Associated Organizations	14,610,100	13,172,315
Prepaid Postretirement Healthcare Obligation	13,906,075	13,071,996
Other Investments	<u>2,175,566</u>	<u>2,011,400</u>
	<u>30,691,741</u>	<u>28,255,711</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	3,092,243	4,038,422
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of \$597,414 and \$667,515 in 2024 and 2023, Respectively)	18,186,390	16,268,953
Interest Receivable	17,105	17,105
Materials and Supplies	3,031,931	3,161,975
Prepayments	<u>419,790</u>	<u>377,666</u>
	<u>24,747,459</u>	<u>23,864,121</u>
<b>Deferred Debits</b>	<u>9,186,968</u>	<u>93,454</u>
<b>Total Assets</b>	<u><u>\$ 404,577,839</u></u>	<u><u>\$ 369,471,332</u></u>

See accompanying notes which are an integral part of these financial statements.

**MID-CAROLINA ELECTRIC COOPERATIVE, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31**

**MEMBERS' EQUITY AND LIABILITIES**

	<u>2024</u>	<u>2023</u>
<b>Members' Equity</b>		
Membership Fees	\$ 759,655	\$ 750,210
Patronage Capital	77,087,210	71,414,594
Accumulated Other Comprehensive Income	846,300	1,217,100
Other Equities	<u>12,413,795</u>	<u>12,239,289</u>
	<u>91,106,960</u>	<u>85,621,193</u>
 <b>Long-Term Liabilities</b>		
Long-Term Debt	258,503,390	229,862,119
Long-Term Finance Lease Obligations	2,203,843	1,773,817
Other Long-Term Liabilities	<u>699,133</u>	<u>524,569</u>
	<u>261,406,366</u>	<u>232,160,505</u>
 <b>Current Liabilities</b>		
Current Maturities of Long-Term Debt	9,177,382	9,253,552
Current Maturities of Finance Lease Obligations	486,304	378,548
Lines-of-Credit	9,000,000	16,000,000
Accounts Payable	9,091,744	8,727,749
Consumer Deposits	1,096,119	1,032,004
Accrued and Withheld Taxes	11,535,542	7,416,582
Other Current and Accrued Liabilities	<u>3,090,089</u>	<u>2,638,613</u>
	<u>43,477,180</u>	<u>45,447,048</u>
 <b>Deferred Credits</b>	<u>8,587,333</u>	<u>6,242,586</u>
 <b>Total Members' Equity and Liabilities</b>	<u><u>\$ 404,577,839</u></u>	<u><u>\$ 369,471,332</u></u>

See accompanying notes which are an integral part of these financial statements.

**MID-CAROLINA ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**

	<u>2024</u>	<u>2023</u>
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 155,685,600</b>	<b>\$ 142,613,986</b>
<b>Operating Expenses</b>		
Cost of Power	86,332,730	80,998,888
Distribution Operations	4,746,210	4,463,660
Distribution Maintenance	19,203,938	15,694,043
Consumer Accounts	5,419,358	5,136,229
Consumer Service and Information	994,014	1,038,177
Sales	322,005	271,132
Administrative and General	6,894,302	6,343,338
Depreciation and Amortization	11,248,697	9,636,473
Other	1,203,434	1,106,081
<b>Total Operating Expenses</b>	<b>136,364,688</b>	<b>124,688,021</b>
<b>Operating Margins Before Interest Expense</b>	<b>19,320,912</b>	<b>17,925,965</b>
<b>Interest Expense</b>	<b>12,970,402</b>	<b>11,437,760</b>
<b>Operating Margins After Interest Expense</b>	<b>6,350,510</b>	<b>6,488,205</b>
<b>Nonoperating Margins</b>	<b>1,408,275</b>	<b>1,637,214</b>
<b>Generation and Transmission Cooperative Capital Credits</b>	<b>854,643</b>	<b>649,781</b>
<b>Other Capital Credits and Patronage Capital Allocations</b>	<b>1,014,981</b>	<b>1,481,950</b>
<b>Net Margins</b>	<b>9,628,409</b>	<b>10,257,150</b>
<b>Other Comprehensive Income (Loss)</b>		
Actuarial Gain (Loss)	(255,312)	(580,732)
Amortization of Actuarial Gain (Loss)	255,312	580,732
Amortization of Prior Service Cost	(370,800)	(370,800)
<b>Total Other Comprehensive Income (Loss)</b>	<b>(370,800)</b>	<b>(370,800)</b>
<b>Total Comprehensive Income</b>	<b>\$ 9,257,609</b>	<b>\$ 9,886,350</b>

See accompanying notes which are an integral part of these financial statements.

**MID-CAROLINA ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<b>Membership Fees</b>	<b>Patronage Capital</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Other Equities</b>	<b>Total Members' Equity</b>
<b>Balance, December 31, 2022</b>	\$ 744,455	\$ 65,116,486	\$ 1,587,900	\$ 12,136,389	\$ 79,585,230
Net Margins	-	10,257,150	-	-	10,257,150
Patronage Capital Retirements	-	(3,959,042)	-	-	(3,959,042)
Membership Fees	5,755	-	-	-	5,755
Other	-	-	-	102,900	102,900
Postretirement Benefits	-	-	(370,800)	-	(370,800)
<b>Balance, December 31, 2023</b>	<b>750,210</b>	<b>71,414,594</b>	<b>1,217,100</b>	<b>12,239,289</b>	<b>85,621,193</b>
Net Margins	-	9,628,409	-	-	9,628,409
Patronage Capital Retirements	-	(3,955,793)	-	-	(3,955,793)
Membership Fees	9,445	-	-	-	9,445
Other	-	-	-	174,506	174,506
Postretirement Benefits	-	-	(370,800)	-	(370,800)
<b>Balance, December 31, 2024</b>	<b>\$ 759,655</b>	<b>\$ 77,087,210</b>	<b>\$ 846,300</b>	<b>\$ 12,413,795</b>	<b>\$ 91,106,960</b>

See accompanying notes which are an integral part of these financial statements.



**MID-CAROLINA ELECTRIC COOPERATIVE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Net Margins	\$ 9,628,409	\$ 10,257,150
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities		
Accumulated Provision for Postretirement Benefits	(2,574,776)	(3,436,966)
Postretirement Benefit Contributions	(130,103)	(125,867)
Other Benefit Plan Redemption	1,500,000	1,000,000
Depreciation and Amortization	11,248,697	9,636,473
Deferred Debits	(9,093,514)	(51,724)
Deferred Credits	2,344,747	3,055,940
Patronage Capital from Associated Organizations	(2,131,732)	(2,131,732)
Change In		
Accounts Receivable	(1,917,437)	(1,999,135)
Other Current Assets	(42,124)	55,813
Materials and Supplies	130,044	(278,341)
Accounts Payable	363,995	(2,724,647)
Consumer Deposits	64,115	54,603
Other Current Liabilities	4,570,436	917,942
	<u>13,960,757</u>	<u>14,229,509</u>
<b>Cash Flows from Investing Activities</b>		
Extension and Replacement of Plant	(32,984,789)	(41,052,003)
Return of Equity from Associated Organizations	694,314	598,075
	<u>(32,290,475)</u>	<u>(40,453,928)</u>
<b>Cash Flows from Financing Activities</b>		
Principal Repayment of Long-Term Debt	(9,434,898)	(8,798,019)
Advances of Long-Term Debt	38,000,000	35,000,000
Lines-of-Credit Borrowings	(7,000,000)	5,000,000
Principal Repayment of Finance Lease Obligations	(419,752)	(337,368)
Membership Fees	9,445	5,755
Retirement of Patronage Capital	(3,955,793)	(3,959,042)
Other Equities	174,506	102,900
Capital Term Certificates	10,031	10,031
	<u>17,383,539</u>	<u>27,024,257</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(946,179)	799,838
<b>Cash and Cash Equivalents - Beginning</b>	<u>4,038,422</u>	<u>3,238,584</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 3,092,243</u>	<u>\$ 4,038,422</u>

See accompanying notes which are an integral part of these financial statements.

# **MID-CAROLINA ELECTRIC COOPERATIVE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **(1) Nature of Operations**

Mid-Carolina Electric Cooperative, Inc. (the Corporation) is a member-owned not-for-profit corporation whose purpose is to provide electric service to its members. The Corporation operates as a cooperative whereby all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

### **(2) Summary of Significant Accounting Policies**

Accounting policies of the Corporation reflect practices appropriate to the electric utility industry and generally accepted accounting principles of the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The following describes the more significant of those policies.

#### ***Basis of Presentation***

The Corporation's financial statements have been prepared in accordance with U.S. GAAP. The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the *Accounting Standards Codification (ASC)* and related Accounting Standards Updates (ASUs).

#### ***Regulated Operations***

The Corporation, in its rate-making capacity, accounts for certain revenue and expense deferrals in accordance with *ASC 980*.

#### ***Use of Estimates***

The preparation of financial statements in accordance with U.S. GAAP 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 that were assumed in preparing the financial statements.

#### ***Long-Lived Assets***

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

## **(2) Summary of Significant Accounting Policies (Continued)**

### ***Long-Lived Assets (Continued)***

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

### ***Utility Plant***

Construction work in progress (CWIP) consists of construction and retirement costs associated with Mid-Carolina Electric Cooperative's distribution system, as permitted under 7.CFR. 1767. CWIP charges principally include labor and applicable overheads, major materials, and contractor costs. Mid-Carolina Electric Cooperative does not capitalize any interest incurred during construction as the majority of its distribution construction projects are of short duration.

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

### ***Depreciation and Maintenance***

Depreciation of the capitalized cost is provided using composite rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant on a straight-line basis over the estimated useful lives of the assets. The rates range from 1.8 percent to 5.0 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2.0 percent to 20.0 percent per annum.

Depreciation of plant completed not yet classified is provided on a straight-line basis over the estimated useful lives of the various assets at the rate of 3.3 percent per annum.

The costs of maintenance, repairs, and replacements of minor items of property are charged to maintenance expense accounts.

### ***Cash and Cash Equivalents***

Cash equivalents include demand deposit accounts, commercial paper, and all highly liquid debt instruments with original maturities of three months or less.

## **(2) Summary of Significant Accounting Policies (Continued)**

### ***Materials and Supplies***

Materials and supplies are generally used for construction and for operation and maintenance work and are not for resale. Cost is determined by the moving average method of inventory valuation. They are charged to construction or operations at moving average cost when used.

### ***Investments in Associated Organizations***

Investments in associated organizations include investments in other cooperative organizations. Investments in other cooperative organizations represent capital investments made primarily to obtain an economical source of supply, financing, product, or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with *ASC 905-325-30*.

Capital credit allocations from associated organizations are included on the statements of operations as generation and transmission cooperative capital credits and other capital credits and patronage capital allocations. Generation and transmission cooperative capital credits represent the annual capital furnished to generation and transmission cooperatives through payment of power bills. The capital is recorded in the year provided, even though notification of the capital allocation is not received until later.

### ***Other Investments***

Other investments are comprised of funds deposited, representing deferred compensation, on behalf of qualified employees for have elected to defer certain amounts of compensation (see Note 10) and held-to-maturity debt securities.

### ***Held-to-Maturity Debt Securities***

Mid-Carolina Electric Cooperative's other investments include debt securities invested at the National Rural Utilities Cooperative Finance Corporation (NRUCFC) as capital term certificates.

The Corporation classifies all of its debt securities as held-to-maturity (HTM). HTM debt securities are those debt securities in which the Corporation has the ability and intent to hold the security until maturity. HTM debt securities are recorded at cost, as there are no associated premiums and discounts to amortize. A decline in the market value of any HTM security below cost that is deemed to be other than temporary, results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other than temporary, the Corporation considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performances of the investee and the general market conditions in the geographical area or industry in which the investee operates the average interest rate is 4.43 percent and range of maturities of October 1, 2025 to October 1, 2080. Based on the ongoing credit evaluations of these investments, the Corporation does not expect payment defaults or delinquencies and has not recorded an allowance for credit losses for these securities as of December 31, 2024 and 2023.

## **(2) Summary of Significant Accounting Policies (Continued)**

### ***Patronage Capital, Equities and Margins***

The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. Patronage capital represents the Corporation's accumulated retained excess of revenue over expenses that has been allocated annually to its members. Distributions to members are made at the discretion of the board of trustees in accordance with the bylaws, subject to the restrictions contained in the long-term debt agreements.

Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 20 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. The Corporation's equities were 22.52 percent and 23.17 percent of total assets as of December 31, 2024 and 2023, respectively.

### ***Leases***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* for lease accounting under U.S. GAAP to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The Corporation does not have any material operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Corporation has elected to use the implicit rate as its discount rate for each lease.

### ***Revenue Recognition***

Electric revenue is generated from contracts (service agreements) with retail electric customers and is recognized in accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

### ***Sales of Electricity***

Electric revenue, generated from the integrated service to deliver electricity when and if called upon by the customer, is recognized as a single performance obligation satisfied over time and as electricity is delivered to the customer during the month. Unbilled revenue related to retail sales are accrued at the end of each fiscal period. Electric revenue includes patronage capital and is billed monthly to consumers on a cycle basis. Electric rates for the Corporation include provisions to permit the board of trustees to adjust billings for fluctuations in fuel costs, purchased power costs, and certain other costs.

## (2) Summary of Significant Accounting Policies (Continued)

### *Pole Attachments and Network Access Fees*

The Corporation has contractual agreements with customers for the attachment of other utility services to existing utility poles and access to fiber optic network assets which it owns. Revenue is recognized monthly over the term of the agreements.

Customers are billed in accordance with the respective contracts; either monthly, annually in arrears or semi-annual in advance depending on the type of utility services attached to the poles or access fee arrangements. Payment is due within 30 days of the bill date.

Revenue is comprised of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Electric Revenue	\$ 148,950,032	\$ 137,320,327
Pole Attachment and Network Access Fees	5,992,997	4,561,523
Other Electric Revenue	<u>742,571</u>	<u>732,136</u>
	<u>\$ 155,685,600</u>	<u>\$ 142,613,986</u>

### *Cost of Purchased Power*

The Corporation has evaluated its wholesale power contracts and determined them to be capacity contracts that meet the criteria of *ASC 815-10-15-45-51*, qualifying them for the normal purchase and normal sales scope exception from the requirements of derivative accounting and reporting. For these contracts, the Corporation has elected to apply the normal purchase and normal sales scope exception. As such, the cost of power is expensed as consumed.

## (2) Summary of Significant Accounting Policies (Continued)

### *Receivables and Allowance for Credit Losses*

Accounts receivable includes billed receivables and accrued utility revenue and are stated at the amount management expects to collect. Once an electric consumer customer's service is shut off and the account is deemed uncollectible, the Corporation writes off the associated accounts receivable. An allowance for credit losses is based on experience and other circumstances which may affect the ability of members to meet their obligations. Accounts considered uncollectible are charged against the allowance. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the members. Recoveries of accounts receivable previously written off are recorded against the allowance when received.

Credit evaluations are performed on most potential electric consumers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If an electric consumer does not pay its bill based on the terms of the service agreement, the Corporation may require an additional deposit as a condition of continued service. Expected credit losses are determined on the basis of how long a receivable has been outstanding, current economic conditions and historical loss information.

The allowance for credit loss activity was as follows for the years ended December 31:

	<b>2024</b>	<b>2023</b>
Beginning Balance	\$ 667,515	\$ 638,476
Credit Loss Accruals	-	83,333
Write-Offs, Net of Recoveries	<u>(70,101)</u>	<u>(54,294)</u>
	<u><u>\$ 597,414</u></u>	<u><u>\$ 667,515</u></u>

### *Sales Tax*

Certain portions of the Corporation's sales are subject to sales tax imposed by jurisdictions. When required, the Corporation collects sales tax from customers and remits it to the applicable jurisdiction. The Corporation's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales

### *Income Taxes*

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part, that the Corporation derive at least 85 percent of its annual gross income from members to retain the exemption. The Corporation met the requirement for the tax year ended December 31, 2024. The Corporation's federal information returns for the tax year 2021 and after are subject to examination by the Internal Revenue Service. Accordingly, no provision for income taxes has been made in the financial statements.

## (2) Summary of Significant Accounting Policies (Continued)

### *Comprehensive Income*

The objective of comprehensive income is to report a measure of all changes in equity of the Corporation that result from transactions and other economic events of the period other than membership fees and patronage capital retirements. Other comprehensive income consists of postretirement healthcare costs not yet recognized as a component of income related to the Corporation's postretirement healthcare plan.

### *Subsequent Events*

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through February 13, 2025, the date the financial statements were available to be issued.

## (3) Accounts Receivable, Contract Assets, and Contract Liabilities

Billed receivables, contract assets and contract liabilities are as follows as of December 31:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>End of Year</b>	<b>End of Year</b>	<b>End of Year</b>
Billed Receivables	<b>\$ 8,525,169</b>	\$ 8,213,302	\$ 6,190,196
Accrued Utility Revenue	<b>10,258,635</b>	8,723,166	8,718,098
	<b>\$ 18,783,804</b>	16,936,468	14,908,294
Less: Allowance for Credit Losses	<b>(597,414)</b>	(667,515)	(638,476)
Accounts Receivable, Net of Allowance	<b>\$ 18,186,390</b>	\$ 16,268,953	\$ 14,269,818
<b>Contract Liabilities</b>			
Deferred Credits			
Margin Stabilization Plan	<b>\$ 7,970,394</b>	\$ 5,673,433	\$ 2,687,409
	<b>\$ 7,970,394</b>	\$ 5,673,433	\$ 2,687,409



#### (4) Utility Plant

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

	<u>2024</u>	<u>2023</u>
Distribution Plant	\$ 406,315,376	\$ 376,676,089
General Plant	28,856,667	27,810,133
Right-of-Use Assets - Financing Lease	<u>2,923,786</u>	<u>2,923,786</u>
<b>Electric Plant in Service</b>	<b>438,095,829</b>	<b>407,410,008</b>
Construction Work in Progress	<u>14,876,057</u>	<u>16,430,700</u>
	<u><u>\$ 452,971,886</u></u>	<u><u>\$ 423,840,708</u></u>

#### (5) Investments in Associated Organizations

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

	<u>2024</u>	<u>2023</u>
National Rural Utilities Cooperative Finance Corporation		
Capital Credits	\$ 3,735,565	\$ 3,507,109
Cooperative Electric Energy Utility Supply Corporation	3,482,751	3,146,898
Central Electric Cooperative, Inc.	6,735,714	5,881,071
National Information Solutions Cooperative, Inc.	136,755	126,611
Federated Rural Electric Insurance Exchange	497,480	494,023
Cooperative Response Center	9,001	8,503
Membership Fees	<u>12,834</u>	<u>8,100</u>
	<u><u>\$ 14,610,100</u></u>	<u><u>\$ 13,172,315</u></u>

## (6) Deferred Debits and Deferred Credits

Deferred debits are comprised of the following as of December 31:

	2024	2023
Systems Restoration - Hurricane Helene	\$ 8,675,529	\$ -
Other	511,439	93,454
	<u>\$ 9,186,968</u>	<u>\$ 93,454</u>

The Federal Emergency Management Agency (FEMA) declared all counties within the Corporation's service territory a disaster area (FEMA-DR-4829-GA) on September 30, 2024, due to Hurricane Helene. The Corporation is continuing to work with FEMA and the South Carolina Emergency Management (SCEM) in determining the amount which will be reimbursable through FEMA. The amount ultimately reimbursable by FEMA has yet to be determined.

Deferred credits are comprised of the following as of December 31:

	2024	2023
Margin Stabilization Plan	\$ 7,970,394	\$ 5,673,433
Unclaimed Capital Credits	616,939	569,153
	<u>\$ 8,587,333</u>	<u>\$ 6,242,586</u>

The Corporation established a margin stabilization plan under the provisions of *ASC 980*, approved by the board of trustees which, in effect, requires the Corporation to adjust electrical rates to members to achieve defined margins. The targeted Times Interest Earned Ratio (TIER) established by the board of trustees required that the Corporation earn net margins resulting in a TIER of 1.75 for 2024. The average TIER was 1.90 for 2023 based on the approved margin by the board of trustees. Actual margins above the established TIER are deferred and recorded as deferred credits. Actual margins below the established TIER are deferred and recorded as deferred debits.

The following is a summary of the change in the margin stabilization plan during the years ended December 31:

	2024	2023
Beginning Balance	\$ (5,673,433)	\$ (2,687,409)
Revenue Returned	5,673,433	2,687,409
TIER Adjustment	(7,970,394)	(5,673,433)
	<u>\$ (7,970,394)</u>	<u>\$ (5,673,433)</u>

## (7) Patronage Capital

Patronage capital is comprised of the following as of December 31:

	2024	2023
Assignable	\$ 9,628,409	\$ 10,257,150
Assigned	164,360,946	154,103,796
	173,989,355	164,360,946
Cumulative Retirements	(96,902,145)	(92,946,352)
	\$ 77,087,210	\$ 71,414,594

## (8) Debt

Long-term debt consists of mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation (NRUCFC). The notes are secured by a mortgage agreement between the Corporation and NRUCFC. Substantially all the assets of the Corporation are pledged as security for long-term debt of the Corporation. The notes generally have 35-year maturity periods and are payable on an installment basis.

Long-term debt is comprised of the following as of December 31:

Holder of Note	Weighted Average Interest Rate as of December 31, 2024	2024	2023
NRUCFC	5.049%	\$ 267,680,772	\$ 239,115,671
Maturities Due Within One Year		(9,177,382)	(9,253,552)
		\$ 258,503,390	\$ 229,862,119

Approximate principal maturities of long-term debt for each of the next five years are as follows:

Year	Amount
2025	\$ 9,177,382
2026	8,887,770
2027	9,207,036
2028	9,479,759
2029	9,537,324
Thereafter	221,391,501
	\$ 267,680,772

## **(8) Debt (Continued)**

The Corporation has \$31,017,929 in unadvanced loan funds on commitment from NRUCFC. The availability of the funds is contingent on the Corporation's compliance with one or more preconditions set forth in the mortgage agreements.

The Corporation currently has a line-of-credit with NRUCFC totaling \$20,000,000 with an outstanding balance of \$3,000,000 and \$11,000,000 as of December 31, 2024 and 2023. The rate of interest as of December 31, 2024 was 6.30 percent. The Corporation has an additional emergency line-of-credit with NRUCFC totaling \$15,000,000 with an outstanding balance of \$6,000,000 as of December 31, 2024. The rate of interest as of December 31, 2024 was 5.90 percent. The Corporation has a \$5,000,000 line-of-credit with CoBank with an outstanding balance of \$-0- and \$5,000,000 as of December 31, 2024 and 2023, respectively. The rate of interest as of December 31, 2024, was 6.59 percent. All lines-of-credit carry a variable interest rate based on a daily quoted price by the lender in accordance with credit facility agreements. The Corporation has available under these lines-of-credit of \$31,000,000 and \$9,000,000 as of December 31, 2024, and 2023, respectively.

Cash payments of interest totaled \$12,651,762 and \$11,195,473 for the years ended December 31, 2024 **and 2023**, respectively.

These note and line of credit agreements contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreements. At December 31, 2024 and 2023, the Corporation was in compliance with the covenants.

## (9) Finance Lease Obligations

The Corporation has entered into various lease obligations for vehicles under direct financing leases. The leased vehicles have been recorded as right-of-use assets and are amortized on a straight-line basis of 5-10 years as a component of depreciation and amortization expense. Accumulated amortization totaled \$1,781,853 and \$1,237,272 as of December 31, 2024 and 2023, respectively. The outstanding obligations for the years ended December 31, 2024 and 2023 totaled \$2,690,147 and \$2,152,365, respectively. The implicit interest rate related to the lease obligations range from 2.27 percent to 6.35 percent with maturity dates extending to April 2034.

Approximate future minimum lease payment for each of the next five years are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 486,304	\$ 127,250	\$ 613,554
2026	506,839	103,367	610,206
2027	479,500	78,741	558,241
2028	453,389	55,996	509,385
2029	256,043	35,793	291,836
Thereafter	508,072	59,650	567,722
	<u>\$ 2,690,147</u>	<u>\$ 460,797</u>	<u>\$ 3,150,944</u>

The amortization and interest expense components of financing leases were as follows for the years ended December 31:

	<b>2024</b>	<b>2023</b>
Amortization	\$ 544,581	\$ 416,327
Interest	<u>130,685</u>	<u>86,458</u>
	<u>\$ 675,266</u>	<u>\$ 502,785</u>

Noncash lease liabilities arising from obtaining vehicle lease obligations totaled \$957,534 and \$1,008,210 for the years ended December 31, 2024 and 2023, respectively.

## **(10) Retiree Benefits**

### ***Pension Plan (Defined Benefit)***

Pension benefits for substantially all employees of the Corporation are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan), a defined benefit plan qualified under Section 401 and tax-exempt under 501(a) of the IRC. 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 Corporation's annual contributions to the program represented less than 5 percent of total contributions made to the plan by all participating employers and are equal to the amounts recorded for pension cost. Contributions were \$3,923,742 and \$3,809,443 for the years ended December 31, 2024 and 2023, respectively.

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 at January 1, 2024 and 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.

## **(10) Retiree Benefits (Continued)**

### ***Pension Plan (Defined Contribution Plan)***

The Corporation also provides additional employee benefits to substantially all employees through the NRECA sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled \$911,544 and \$786,046 for the years ended December 31, 2024 and 2023, respectively.

### ***Postretirement Healthcare Benefits***

The Corporation provides healthcare benefits to qualified retirees and trustees. U.S. GAAP requires cooperatives to recognize the estimated future cost of providing healthcare and any other postretirement benefits on an accrual basis.

The Corporation implemented a cap on annual employer contributions for retiree healthcare coverage in 2013. The effect of the amendment will be recognized over the average service life of participants as of the amendment date.

The status of the Corporation's postretirement healthcare plan as of December 31 is detailed as follows:

	<b>2024</b>	2023
Accumulated Benefit Obligation, Beginning of Year	\$ 7,621,965	\$ 7,730,310
Service Cost	196,387	219,668
Interest Cost	379,224	378,586
Participant Contributions	336,683	323,952
Change in Actuarial Assumptions	(255,312)	(580,732)
Benefits Paid	(466,786)	(449,819)
Accumulated Benefit Obligation, End of Year	7,812,161	7,621,965
Fair Value of Plan Assets, Beginning of Year	20,693,961	18,610,273
Actual Return on Plan Assets	2,524,275	3,083,688
Other Benefit Plan Redemption	(1,500,000)	(1,000,000)
Employer Contributions	130,103	125,867
Participant Contributions	336,683	323,952
Benefits Paid	(466,786)	(449,819)
Fair Value of Plan Assets, End of Year	21,718,236	20,693,961
Funded Status	\$ (13,906,075)	\$ (13,071,996)

## **(10) Retiree Benefits (Continued)**

### ***Postretirement Healthcare Benefits (Continued)***

Net periodic postretirement benefit cost consists of the following for the years ended December 31:

#### **Postretirement Benefit Cost:**

	<b>2024</b>	2023
Service Cost	\$ 196,387	\$ 219,668
Interest Cost	379,224	378,586
Actual Return on Plan Assets	(2,524,275)	(3,083,688)
Amortization of Plan Amendments	(370,800)	(370,800)
Amortization of Actuarial Assumptions	(255,312)	(580,732)
	<u>\$ (2,574,776)</u>	<u>\$ (3,436,966)</u>

Amounts recognized as a component of equity consisted of:

	<b>2024</b>	2023
Prepayments	\$ -	\$ -
Noncurrent Liabilities	(13,906,075)	(13,071,996)
Current Liabilities	<u>-</u>	<u>-</u>
	<u>\$ (13,906,075)</u>	<u>\$ (13,071,996)</u>

The Corporation's accumulated postretirement benefit obligation and net periodic postretirement benefit cost are calculated using various actuarial assumptions and methodologies. The assumptions include discount rates, healthcare trend rates, mortality rates, and other factors. Actuarial assumptions are reviewed on an annual basis.

The components of net periodic postretirement benefit cost, other than the service cost component, are included in the line item nonoperating margins for the years ended December 31, 2024 and 2023.



**(10) Retiree Benefits (Continued)*****Postretirement Healthcare Benefits (Continued)***

The following table shows key assumptions used for the measurement of obligations for the plan as of December 31:

<b>Description</b>	<b>December 31</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Discount Rate on Benefit Obligation	<b>5.15%</b>	5.30%	5.30%
Discount Rate on Net Postretirement Benefit Cost	<b>5.20%</b>	5.20%	5.20%
Expected Return on Plan Assets	<b>4.84%</b>	4.93%	4.93%
Medical Trend Rate			
Initial (Pre-65/Post-65)	<b>4.66%/2.73%</b>	0.00%/4.68%	0.00%/4.68%
Ultimate (Pre-65/Post-65)	<b>4.75%/4.60%</b>	5.0%/4.30%	5.0%/4.30%
Fiscal Year Reached (Pre-65/Post-65)	<b>2031/2029</b>	2028/2026	2028/2026

The Corporation expects to amortize \$370,800 of prior service cost from accumulated other comprehensive income in the following period. The Corporation expects to make approximately \$150,000 in voluntary contributions to its postretirement healthcare plan in 2024.

The following benefits are expected to be paid:

<b>Year</b>	<b>Amount</b>
2025	\$ 462,973
2026	456,906
2027	478,093
2028	455,715
2029	460,466
2030-2033	2,878,299

The following table sets forth the weighted-average asset allocations of the Corporation's postretirement healthcare benefits at December 31, 2024 and 2023 by asset category.

<b>Year</b>	<b>Bonds</b>	<b>Equities</b>	<b>Total</b>
<b>2024</b>	<b>32.26%</b>	<b>67.74%</b>	<b>100.00%</b>
2023	35.54%	64.46%	100.00%

The Corporation employs a total-return investment approach whereby a mix of equities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk. The current asset allocation adheres to the Corporation's overall investment strategy for plan assets. Plan assets are measured at fair value (See Note 15).

## **(11) Deferred Compensation**

The Corporation has deposited funds, representing deferred compensation, on behalf of qualified employees who have elected to defer certain amounts of compensation. The Corporation is subject to assessment for any amounts by which the market valuation of the funds might fall short of contracted and guaranteed amounts due the employees. It is believed that any ultimate liability will not be material in relation to the total assets of the Corporation. The annual deferral of the compensation plan is calculated in accordance with the IRC Section 457, subject to changes under IRC Section 457(b). The plan assets and liabilities to employees are reported on the balance sheets as other investments and other long-term liabilities, respectively. The deferred compensation amount accrued was \$699,133 and \$524,569 for the years ended December 31, 2024, and 2023, respectively. Plan assets are measured at fair value using quoted prices in active markets for identical assets and are considered level 1 investments valued using the market approach in accordance with (ASC) 820. The plan assets are invested in index mutual funds.

## **(12) Commitments**

### ***Power Contracts***

The Corporation is committed to purchase all electric energy requirements from Central, as have other members of the organization in accordance with the wholesale power contract expiring in 2058. Under the contract, the cost of wholesale power purchases through Central may increase or decrease based upon rates established by the board of trustees of Central.

Central is continuing negotiations for acquisition of additional electric generating capacity and transmission facilities for the purpose, among others, of supplying electric power and energy to members of the organization. Such benefits or detriments, if any, arising from participation in proposed joint projects with wholesale power suppliers will be passed to the members of Central.

### ***Guarantees***

The Corporation has provided guarantees for credit agreements obtained by CarolinaConnect Cooperative, Inc., (CarolinaConnect) a cooperative organization of which the Corporation is a member. CarolinaConnect is incorporated under the laws of South Carolina as a member-owned not-for-profit cooperative organized to develop a regional fiber optic network that that will facilitate the provision of reliable and affordable broadband and telecommunication services throughout South Carolina. The Corporation is a provider of affordable high-speed internet. As an internet service provider, the Corporation is determined to improve internet access and, as a result, quality of life.

CarolinaConnect commenced its principal operations as a provider of affordable high-speed internet in early 2017, and its financial condition is characterized by significant expenditures on plant investment and business development costs to achieve planned principal operations. CarolinaConnect utilizes the Corporation's regional electric distribution system fiber optic network under an exclusive access agreement for additional fiber capacity as available. Access fees under the agreement were \$5,513,797 and \$4,142,703 for the years ended December 31, 2024 and 2023, respectively.

The Corporation's maximum exposure under the guarantees is \$19,983,480 CarolinaConnect has credit agreements in place of \$15,000,000 and \$44,250,000 with NRUCFC and CoBank, respectively. CarolinaConnect had outstanding obligations to NRUCFC on the guaranteed facilities of \$11,290,016 and \$12,481,881 for the years ended December 31, 2024 and 2023, respectively. The credit agreement with CoBank had outstanding obligations of \$23,148,744 and \$21,250,000 as of December 31, 2024 and 2023, respectively.

### **(13) Litigation**

The Corporation is periodically involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Corporation's future financial position or results from operations.

### **(14) Concentrations of Credit Risk**

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and consumer accounts receivable. The Corporation maintains its cash balances in financial institutions; cash balances throughout the year periodically exceed federally insured deposit limits of \$250,000. At December 31, 2024, the amount exceeding insured limits totaled \$2,959,113.

The Corporation serves consumers in the state of South Carolina. The geographic concentration of the Corporation's consumers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required.

### **(15) Accumulated Other Comprehensive Income and Fair Value**

The following table summarizes the components of accumulated other comprehensive income and the changes in accumulated other comprehensive income for the years ended December 31 related to postretirement healthcare benefits:

	<b>2024</b>	<b>2023</b>
Beginning Balance	<b>\$ 1,217,100</b>	<b>\$ 1,587,900</b>
Actuarial Gain (Loss)	<b>255,312</b>	<b>580,723</b>
Amortization of Actuarial (Gain) Loss	<b>(255,312)</b>	<b>(580,723)</b>
Amortization of Prior Service Cost	<b>(370,800)</b>	<b>(370,800)</b>
	<b>\$ 846,300</b>	<b>\$ 1,217,100</b>

## (15) Accumulated Other Comprehensive Income and Fair Value (Continued)

### *Fair Value Hierarchy*

The Corporation records certain financial and nonfinancial assets using fair value measurements. The Corporation uses a hierarchical disclosure framework that prioritizes the level of market price observability to measure investments at fair value.

The guidance establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.
- Level 2. Valuations based on quoted market prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

<u>Description</u>	<u>Level</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Postretirement Benefit Plan Assets (1)			
Short-Term Bond Fund		\$ 2,773,219	\$ 2,870,530
Intermediate Bond Fund		4,232,003	4,484,018
Stock Index Fund		3,768,349	3,263,667
Value Fund		3,226,095	3,039,838
Small-Company Stock Fund		2,663,943	2,645,059
Growth Fund		4,111,438	3,384,408
International Equity Fund		943,190	1,006,441
		<u>\$ 21,718,237</u>	<u>\$ 20,693,961</u>

February 13, 2025

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Board of Trustees  
Mid-Carolina Electric Cooperative, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of **Mid-Carolina Electric Cooperative, Inc.** (the Corporation), which comprise the balance sheet as of December 31, 2024 and the related statements of operations and comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2025

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the terms, covenants, provisions, or conditions of Article V of the National Rural Utilities Cooperative Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above-referenced terms, covenants, provisions, or conditions insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of trustees and management of Mid-Carolina Electric Cooperative, Inc. and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*McNair, McLeMore, Middlebrooks & Co., LLC*  
McNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC