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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mountain Electric Cooperative, Inc.

Opinion

We have audited the accompanying financial statements of Mountain Electric Cooperative, Inc. (a nonprofit organization), which comprise the balance sheets as of June 30, 2024 and 2023, and the related statements of revenue and expenses, comprehensive income, changes in members' and patrons' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain Electric Cooperative, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller of the United States. 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 Mountain Electric Cooperative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Mountain Electric Cooperative, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 Mountain 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024, on our consideration of Mountain Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mountain Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountain Electric Cooperative, Inc.'s internal control over financial reporting and compliance.



BAYLOR AND BACKUS
Certified Public Accountants

Johnson City, Tennessee
December 19, 2024

**TENNESSEE 51 JOHNSON
MOUNTAIN ELECTRIC COOPERATIVE, INC.**

MOUNTAIN CITY, TENNESSEE

BALANCE SHEETS

June 30, 2024 and 2023

ASSETS AND OTHER DEBITS

	<u>2024</u>	<u>2023</u>
Utility Plant		
Electric Plant in Service	168,964,886.39	162,635,635.03
Construction Work in Progress	<u>21,449,348.48</u>	<u>13,524,051.10</u>
	190,414,234.87	176,159,686.13
Less: Accumulated Depreciation	(62,853,178.28)	(60,165,685.95)
Total Net Utility Plant	<u>127,561,056.59</u>	<u>115,994,000.18</u>
Other Property and Investments		
Nonutility Property - Net	7,680.00	7,680.00
Rural Economic Development Loans Receivable	78,595.85	95,348.44
Other Investments	<u>976,716.21</u>	<u>991,143.66</u>
Total Other Property and Investments	<u>1,062,992.06</u>	<u>1,094,172.10</u>
Current Assets		
Cash and Cash Equivalents	4,139,172.75	2,849,954.88
Temporary Investments	406,003.57	340,850.58
Accounts Receivable	3,860,597.15	3,535,129.24
Less: Provision for Doubtful Accounts	(459,430.28)	(438,659.96)
Other Receivables and Prepayments	4,144,293.53	3,751,982.22
Materials and Supplies	<u>1,691,804.77</u>	<u>1,801,654.67</u>
Total Current Assets	<u>13,782,441.49</u>	<u>11,840,911.63</u>
Deferred Assets		
Miscellaneous Deferred Debits	36,909.64	36,909.64
Home Weatherization Program Receivables	<u>656,343.10</u>	<u>809,239.36</u>
Total Deferred Assets	<u>693,252.74</u>	<u>846,149.00</u>
Total Assets and Other Debits	<u>143,099,742.88</u>	<u>129,775,232.91</u>

LIABILITIES AND OTHER CREDITS

	<u>2024</u>	<u>2023</u>
Members' and Patrons' Equity		
Consumer Memberships	146,405.00	144,075.00
Accumulated Net Revenue	84,307,462.23	82,801,227.73
Accumulated Other Comprehensive Loss:		
Postretirement Benefit Obligation Adjustment	(2,116,170.00)	(747,830.00)
Total Members' and Patrons' Equity	<u>82,337,697.23</u>	<u>82,197,472.73</u>
Long-Term Debt		
RUS Mortgage Notes	38,090,242.06	25,656,431.97
Rural Economic Development Loans	400,000.00	400,000.00
CoBank - National Bank for Cooperatives	1,002,985.95	1,515,676.63
Less: Cushion of Credit Deposits - RUS		(311,196.00)
TVA Conservation Program Advances	<u>693,015.07</u>	<u>842,901.80</u>
Total Long-Term Debt	<u>40,186,243.08</u>	<u>28,103,814.40</u>
Current Liabilities		
Accounts Payable	7,165,182.84	7,858,429.89
Consumer Deposits	2,974,363.26	2,876,799.73
Accrued Taxes	519,541.31	554,213.40
Accrued Vacation and Sick Leave Pay	582,582.62	577,742.60
Other Current Liabilities	194,572.54	292,081.07
Long-Term Debt - Current Portion	1,580,143.00	1,402,917.09
Accrued Postretirement Benefit Obligation - Current Portion	<u>522,087.00</u>	<u>429,810.00</u>
Total Current Liabilities	<u>13,538,472.57</u>	<u>13,991,993.78</u>
Other Liabilities		
Development Loan	8,500.00	8,500.00
Accrued Postretirement Benefit Obligation - Long-Term Portion	<u>7,028,830.00</u>	<u>5,473,452.00</u>
Total Other Liabilities	<u>7,037,330.00</u>	<u>5,481,952.00</u>
Total Liabilities and Other Credits	<u>143,099,742.88</u>	<u>129,775,232.91</u>

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

See Independent Auditor's Report.

TENNESSEE 51 JOHNSON
MOUNTAIN ELECTRIC COOPERATIVE, INC.
MOUNTAIN CITY, TENNESSEE
STATEMENTS OF REVENUE AND EXPENSE
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues	71,320,370.94	72,708,015.52
Operating Expenses		
Cost of Power	50,016,991.21	52,053,604.42
Transmission - Operation	64,361.66	94,842.39
Distribution - Operation	2,231,818.38	2,176,123.70
Distribution - Maintenance	7,557,357.59	6,303,526.39
Consumer Accounts	1,618,686.88	1,459,310.26
Sales	5,000.00	15,000.00
Administrative and General	2,602,622.72	2,284,244.95
Miscellaneous	5,051.55	5,229.02
Depreciation	5,417,538.18	4,741,651.80
Less: Depreciation Distributed to Overhead	(790,303.92)	(396,661.27)
Total Operating Expenses	68,729,124.25	68,736,871.66
Operating Revenue	2,591,246.69	3,971,143.86
Interest on Debt	1,364,242.58	799,049.11
Net Operating Revenue	1,227,004.11	3,172,094.75
Nonoperating Revenues		
Interest on Investments	272,436.41	134,763.24
Net Revenue from Merchandise, Jobbing and Contract Work	942.98	10,365.80
Miscellaneous Income	5,851.00	13,926.25
Total Nonoperating Revenues	279,230.39	159,055.29
Net Revenue for Year	1,506,234.50	3,331,150.04

The accompanying notes are an integral part of the financial statements.
See Independent Auditor's Report.

**TENNESSEE 51 JOHNSON
MOUNTAIN ELECTRIC COOPERATIVE, INC.
MOUNTAIN CITY, TENNESSEE
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Net Revenue	1,506,234.50	3,331,150.04
Other Comprehensive Income:		
Postretirement Benefit Obligation Adjustment	(1,368,340.00)	(49,414.00)
Comprehensive Income	<u>137,894.50</u>	<u>3,281,736.04</u>

The accompanying notes are an integral part of the financial statements.
See Independent Auditor's Report.

TENNESSEE 51 JOHNSON
MOUNTAIN ELECTRIC COOPERATIVE, INC.
MOUNTAIN CITY, TENNESSEE
STATEMENTS OF CHANGES IN MEMBERS' AND PATRONS' EQUITY
For the Years Ended June 30, 2024 and 2023

	<u>Members'</u> <u>Contributed</u> <u>Capital</u>	<u>Accumulated</u> <u>Net</u> <u>Revenue</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income (Loss)</u>	<u>Total</u>
Increase in Members' Contributed Capital (Net)	1,865.00			1,865.00
Net Revenue		3,331,150.04		3,331,150.04
Other Comprehensive Income – Postretirement Benefit Obligation Adjustment	_____	_____	(49,414.00)	(49,414.00)
Balance as of June 30, 2023	144,075.00	82,801,227.73	(747,830.00)	82,197,472.73
Increase in Members' Contributed Capital (Net)	2,330.00			2,330.00
Net Revenue		1,506,234.50		1,506,234.50
Other Comprehensive Income – Postretirement Benefit Obligation Adjustment	_____	_____	(1,368,340.00)	(1,368,340.00)
Balance as of June 30, 2024	<u>146,405.00</u>	<u>84,307,462.23</u>	<u>(2,116,170.00)</u>	<u>82,337,697.23</u>

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TENNESSEE 51 JOHNSON
MOUNTAIN ELECTRIC COOPERATIVE, INC.
MOUNTAIN CITY, TENNESSEE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Net Revenue	1,506,234.50	3,331,150.04
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
Depreciation	5,417,538.18	4,849,794.87
Change in Postretirement Benefit Obligation Adjustment	(1,368,340.00)	(49,414.00)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable, Other Receivables and Prepayments	(697,008.90)	322,010.91
(Increase) Decrease in Accounts Payable	(693,247.05)	360,060.05
(Increase) in Consumer Deposits	97,563.53	110,656.88
(Increase) Decrease in Accrued Taxes	(34,672.09)	17,472.82
Increase (Decrease) in Accrued Vacation and Sick Leave Pay	4,840.02	(82,400.05)
Increase (Decrease) in Other Current Liabilities	(97,508.53)	87,375.69
Increase (Decrease) in Accrued Postretirement Benefit Obligation	1,647,655.00	(3,879.00)
Net Cash Provided by Operating Activities	<u>5,783,054.66</u>	<u>8,942,828.21</u>
Investing Activities		
Material and Supplies	109,849.90	(522,680.77)
Rural Economic Development Loans Receivable	16,752.59	25,769.95
Purchase of Plant	(16,135,070.79)	(16,407,272.90)
Removal Cost	(855,561.40)	(966,237.95)
Home Weatherization Program	152,896.26	104,977.47
Salvage	6,037.60	7,424.11
Temporary Investments	(65,152.99)	(118,036.11)
Deferred Debits	(458.77)	(458.77)
Net Change in Other Investments	14,427.45	82,403.61
Net Cash (Used) by Investing Activities	<u>(16,755,821.38)</u>	<u>(17,794,111.36)</u>
Financing Activities		
Proceeds from Long-Term Debt	13,504,000.00	4,260,000.00
Payment of Long-Term Debt Principal	(1,142,723.95)	(1,202,863.45)
Decrease in Cushion of Credit	48,265.27	1,365,736.22
Net (Decrease) in Conservation Advances	(149,886.73)	(106,693.31)
Net Increase in Membership Fees	2,330.00	1,865.00
Net Cash Provided by Financing Activities	<u>12,261,984.59</u>	<u>4,318,044.46</u>
Change in Cash	<u>1,289,217.87</u>	<u>(4,533,238.69)</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,849,954.88</u>	<u>7,383,193.57</u>
Cash and Cash Equivalents - End of Year	<u>4,139,172.75</u>	<u>2,849,954.88</u>

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

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