

**NOLIN RURAL ELECTRIC COOPERATIVE
CORPORATION AND SUBSIDIARY
KENTUCKY 51**

CONSOLIDATED FINANCIAL REPORT

December 31, 2024

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Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nolin Rural Electric Cooperative Corporation and Subsidiary
Elizabethtown, Kentucky

Opinion

We have audited the accompanying consolidated financial statements of Nolin Rural Electric Cooperative Corporation and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of revenue and comprehensive income, changes in members' equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nolin Rural Electric Cooperative Corporation and Subsidiary as of December 31, 2024 and 2023, and the results of their operations and their 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nolin Rural Electric Cooperative Corporation and Subsidiary 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 the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nolin Rural Electric Cooperative Corporation and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Jones, Nale & Mattingly P.C.

Louisville, Kentucky
March 21, 2025

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Utility Plant, at original cost		
In service	\$ 152,586,129	\$ 146,224,524
Under construction	2,323,451	1,641,117
	<u>154,909,580</u>	<u>147,865,641</u>
Less accumulated depreciation	70,700,333	66,301,419
	<u>84,209,247</u>	<u>81,564,222</u>
Investments in Associated Organizations	<u>54,714,159</u>	<u>53,946,459</u>
Current Assets		
Cash and cash equivalents	11,298,761	12,630,796
Accounts receivable, less allowance for credit losses		
in 2024 of \$1,644,762 and 2023 of \$1,659,888	11,682,187	10,164,908
Accounts receivable, other	4,482,426	6,441,967
Material and supplies, at average cost	1,746,829	1,918,465
Other current assets	109,575	68,406
Total current assets	<u>29,319,778</u>	<u>31,224,542</u>
Non-Current Assets		
Long-term portion of accounts receivable, other	-	2,654,820
Total assets	<u>\$ 168,243,184</u>	<u>\$ 169,390,043</u>
<u>MEMBERS' EQUITIES AND LIABILITIES</u>		
Members' Equities		
Memberships	\$ 249,310	\$ 250,980
Patronage capital	91,778,694	89,122,261
Other equities	7,755,085	7,398,474
Accumulated other comprehensive income (loss)	713,734	(1,226,266)
Total members' equities	<u>100,496,823</u>	<u>95,545,449</u>
Long-Term Liabilities		
Long-term debt, less current portion	46,589,656	51,702,833
Accumulated postretirement benefits	5,123,080	6,843,154
Total long-term liabilities	<u>51,712,736</u>	<u>58,545,987</u>
Current Liabilities		
Current portion of long-term debt	3,554,350	2,956,628
Accounts payable	7,058,566	7,475,843
Consumer deposits	2,380,442	2,335,570
Accrued expenses	2,661,331	2,160,461
Total current liabilities	<u>15,654,689</u>	<u>14,928,502</u>
Consumer Advances	<u>378,936</u>	<u>370,105</u>
Total members' equities and liabilities	<u>\$ 168,243,184</u>	<u>\$ 169,390,043</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Sales of electric energy	\$ 86,979,049	\$ 81,074,792
Other operating revenues	6,428,395	4,691,813
	<u>93,407,444</u>	<u>85,766,605</u>
Operating Expenses		
Cost of power	63,302,776	59,298,279
Distribution - operations	4,948,970	4,446,549
Distribution - maintenance	7,220,433	5,610,769
Consumer accounts	2,542,899	2,707,732
Customer services	500,138	498,164
Administrative and general	4,312,010	3,889,368
Depreciation, excluding \$462,038 in 2024 and \$408,055 in 2023 charged to clearing accounts	5,296,434	5,069,637
Interest on long-term debt	2,785,547	3,093,406
Other interest charges	117,697	98,074
Other deductions	45,106	557,798
Total cost of electric service	<u>91,072,010</u>	<u>85,269,776</u>
Operating Margins	<u>2,335,434</u>	<u>496,829</u>
Nonoperating Margins and Capital Credits		
Interest income	1,131,023	1,440,511
Gain (loss) on sale of equipment	(2,952)	10,500
Other non-operating margins	35,987	5,980
Generation and transmission capital credits	407,966	1,070,621
Other capital credits	550,278	585,162
	<u>2,122,302</u>	<u>3,112,774</u>
Net Margins	4,457,736	3,609,603
Other Comprehensive Income		
Postretirement benefits actuarial net gain	1,771,665	--
Postretirement benefits amortization of net loss	168,335	162,036
	<u>1,940,000</u>	<u>162,036</u>
Net Margins and Comprehensive Income	<u>\$ 6,397,736</u>	<u>\$ 3,771,639</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
Years Ended December 31, 2024 and 2023

	Patronage Capital							Other Equities	Accumulated Other Comprehensive Income (Loss)	Total Members' Equities
	Memberships	Assigned	Assignable	Prior Deficits	Unassigned	Retirements	Total			
Balance - December 31, 2022	\$ 252,920	\$ 117,897,790	\$ 13,307,224	\$ (6,043,261)	\$ 319,934	\$ (37,574,075)	\$ 87,907,612	\$ 6,066,749	\$ (1,388,302)	\$ 92,838,979
Comprehensive income:										
Net margins			3,609,603				3,609,603			3,609,603
Postretirement benefit obligation										
Amortization of actuarial loss									162,036	162,036
Total comprehensive income										3,771,639
Net change in memberships	(1,940)									(1,940)
General refund of capital credits						(2,175,070)	(2,175,070)			(2,175,070)
Refunds to estates						(219,884)	(219,884)			(219,884)
Allocate margins		7,263,963	(13,307,224)	6,043,261						--
Other equities								1,331,725		1,331,725
Balance - December 31, 2023	250,980	125,161,753	3,609,603	--	319,934	(39,969,029)	89,122,261	7,398,474	(1,226,266)	95,545,449
Comprehensive income:										
Net margins			4,457,736				4,457,736			4,457,736
Postretirement benefit obligation										
Amortization of actuarial loss									168,335	168,335
Adjustments									1,771,665	1,771,665
Total comprehensive income										6,397,736
Net change in memberships	(1,670)									(1,670)
General refund of capital credits						(1,620,261)	(1,620,261)			(1,620,261)
Refunds to estates						(181,042)	(181,042)			(181,042)
Allocate margins		3,609,603	(3,609,603)							--
Other equities								356,611		356,611
Balance - December 31, 2024	\$ 249,310	\$ 128,771,356	\$ 4,457,736	\$ --	\$ 319,934	\$ (41,770,332)	\$ 91,778,694	\$ 7,755,085	\$ 713,734	\$ 100,496,823

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	\$ 4,457,736	\$ 3,609,603
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation:		
Charged to expense	5,296,434	5,069,637
Charged to clearing accounts	462,038	408,055
Patronage capital credits assigned	(958,244)	(1,655,783)
Amortization of postretirement benefits actuarial loss	168,335	162,036
Postretirement benefits actuarial adjustment	1,771,665	--
(Gain) loss on disposition of equipment	2,952	(10,500)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables, net	(684,661)	718,320
Material and supplies	171,636	(317,715)
Other current assets	(41,169)	(57,702)
Prepaid pension costs	--	30,682
Accounts payable	(417,277)	(1,785,501)
Consumer deposits	44,872	131,654
Accrued expenses	500,870	230,710
Consumer advances	8,831	45,875
Accumulated postretirement benefits	(1,720,074)	28,955
Net cash provided by operating activities	9,063,944	6,608,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(8,191,653)	(9,504,542)
Plant removal costs	(557,781)	(637,338)
Salvage recovered from retired plant	342,985	235,438
Receipts from investments, net	190,544	211,783
Net cash (used in) investing activities	(8,215,905)	(9,694,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in memberships	(1,670)	(1,940)
Other finance receivables	3,781,743	5,393,875
Principal payments on long-term debt	(4,515,455)	(5,576,568)
Retirement of capital credits	(1,801,303)	(2,394,954)
Other equities	356,611	1,331,725
Net cash (used in) financing activities	(2,180,074)	(1,247,862)
Net (decrease) in cash and cash equivalents	(1,332,035)	(4,334,195)
Cash and cash equivalents, beginning of year	12,630,796	16,964,991
Cash and cash equivalents, end of year	\$ 11,298,761	\$ 12,630,796
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	\$ 2,915,737	\$ 3,038,136

The Notes to Consolidated Financial Statements are an integral part of these statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Description of business

Nolin Rural Electric Cooperative Corporation (Nolin) maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with accounting principles generally accepted in the United States of America. The significant accounting policies are as follows:

Principals of consolidation

The consolidated financial statements include the accounts of Nolin Rural Electric Cooperative Corporation and its wholly-owned subsidiary, Wide Open Utility Service LLC (Wide Open). All significant intercompany accounts and transactions have been eliminated.

Business activities

Nolin provides distribution electric service to residential, business, and commercial consumers in a nine-county area of central Kentucky. Wide Open's principal operations consist of providing vegetation management, custodial services, and fleet mechanic services to support the operations of Nolin.

Nolin is operating the distribution system for a local government unit through a privatization process with the federal government. Nolin is reimbursed for all costs incurred, plus a fixed margin, on a monthly basis. Payments for the construction of plant facilities are recorded as contributions to plant for the total cost of each project, therefore, there is no net original cost for utility plant from the privatization process.

Included in accounts receivable other, is \$1,684,820 and \$5,466,563 for 2024 and 2023, respectively. Nolin charges the government 1.05% times Nolin's current variable interest rate on the unpaid balance. Interest income recognized was \$296,332 and \$640,913 for 2024 and 2023, respectively.

Use of estimates

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Utility plant

Utility plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the years ended December 31, 2024 and 2023.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Wide Open's fixed assets consist primarily of vehicles, land, and trailers and equipment.

Utility plant consists of the following as of December 31, 2024 and 2023:

	2024	2023
Distribution plant	\$ 126,286,569	\$ 120,771,072
General plant	22,527,451	21,929,274
Subtotal electric plant	148,814,020	142,700,346
Vehicles	927,590	742,032
Land	1,096,172	1,096,172
Trailers and equipment	1,748,347	1,685,974
Subtotal subsidiary plant	3,772,109	3,524,178
Utility plant, at original cost	\$ 152,586,129	\$ 146,224,524

Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Distribution plant depreciation is based on a composite rate of 3.85% per annum. General plant rates are as follows:

Structures and improvements	2.5%
Transportation equipment	10.0 - 20.0%
Other general plant	5.0 - 10.0%

Wide Open's depreciation is computed using the straight-line method over the useful lives of its assets.

Cash and cash equivalents

Nolin considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Nolin maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. Management believes that credit risk related to these accounts is minimal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Accounts receivable and allowance for credit losses

Nolin operates in the electric services distribution industry, and its accounts receivable are primarily derived from the sales of electric energy. Accounts receivable are stated at net realizable value and are usually collected within thirty days. The balance in accounts receivable as of December 31, 2024, 2023, and 2022 was \$11,682,187, \$10,164,908, and \$11,661,886, respectively.

Nolin uses the allowance method to account for uncollectible accounts receivable. Management maintains an allowance for potential credit losses based on its assessment of the current status of the customer accounts using a pooled basis approach where similar characteristics exist (See Note 3). The allowance estimate is derived from a review of Nolin's historical losses based on the aging of receivables. The estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by Nolin.

Nolin writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. Subsequent recoveries are credited to the allowance for credit losses.

Materials and supplies

Nolin values materials and supplies at the lower of average cost or net realizable value.

Taxes

Nolin is required to collect, on behalf of the Commonwealth of Kentucky, sales taxes based on six percent of gross sales from non-residential consumers, a three percent school tax from certain counties on most gross sales, and franchise fees in certain cities. Nolin's policy is to exclude taxes from revenues when collected and expenses when paid and instead, record collection and payment of taxes through a liability account.

Cost of power

Nolin is one of 16 members of East Kentucky Power Cooperative, Inc. (East Kentucky). Under a wholesale power agreement, Nolin is committed to purchase its electric power and energy requirements from East Kentucky until 2068. The rates charged by East Kentucky are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from East Kentucky. There are certain surcharges, clauses, and credits that East Kentucky includes to Nolin that are passed on to consumers using a methodology prescribed by the PSC.

Advertising

Nolin expenses advertising costs as incurred. Advertising expenses were \$46,914 and \$50,073 for the years ended December 31, 2024 and 2023, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Comprehensive income (loss)

Comprehensive income (loss) includes both net margin and other comprehensive income (loss). Other comprehensive income (loss) represents the change in funded status of the accumulated postretirement benefit obligation.

Risk management

Nolin is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

Credit risk

Nolin grants credit to residents within its service territory. Concentrations of credit risk with respect to accounts receivables are limited due to its large number of customers.

Commitments

Nolin has various other agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are one to three years.

Environmental contingency

Nolin from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants, and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require Nolin to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect Nolin's financial position or its future cash flows.

Income tax status

Nolin qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. As a single member limited liability company, Wide Open is considered a disregarded entity for federal income tax purposes. Income from certain activities not directly related to Nolin's tax-exempt purpose is subject to taxation as unrelated business income. Nolin is responsible for reporting any unrelated business income generated by Wide Open. There was no unrelated business income activity reported for the years ended December 31, 2024 and 2023.

Nolin's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Nolin has no uncertain tax positions resulting in an accrual of tax expense or benefit.

Nolin recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Nolin did not recognize any interest or penalties during the years ended December 31, 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Income tax status (continued)

Nolin's Federal Return of Organization Exempt from Income Tax is subject to possible examination by taxing authorities until the expiration of related statutes of limitations on the return, which is generally three years.

Pension accounting

In May 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard specifies how the amount of pension costs and costs for post-retirement benefits other than pensions (PBOP) should be presented on the income statement under accounting principles generally accepted in the United States of America, and what components of those costs are eligible for capitalization in assets. This standard is effective for years beginning after December 15, 2018. The Federal Energy Regulatory Commission (FERC) issued Docket No. AI18-1-000 that allowed jurisdictional public utilities to continue to record PBOP costs in their entirety, less amounts capitalized, without change. Pension and PBOP costs are made up of several components: service cost, interest cost, actual return on plan assets, gain or loss, amortization of prior service cost or credit, and amortization of FASB Accounting Standards Codification (ASC) Subtopic 715-30. Though pension and PBOP costs are computed using the aggregate total of these various components, the Commission's longstanding policy is to consider the amount as a singular cost to the employer. This cost is calculated based on ASC 715 and reported as an expense under net margins from continuing operations.

Subsequent Events

Management has evaluated subsequent events through March 21, 2025, the date the consolidated financial statements were available to be issued.

Note 2. Revenue Recognition

Revenue from contracts

Nolin is engaged in the distribution and sale of electricity to residential and commercial customers in nine counties in central Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Nolin satisfies their performance obligation upon the delivery of electricity to customers. Revenue is recognized over-time as the customer simultaneously receives and consumes the benefits provided by Nolin. The amount of revenue recognized is the billed volume of electricity multiplied by a tariff rate per-unit of energy, plus any applicable fixed or additional regulatory charges. Customers are billed monthly and outstanding amounts are typically due within 18 days of the date of the bill. Revenue for pole attachments is invoiced at the end of the year. The performance obligation is satisfied ratably over the time of the contract and revenue is recognized monthly as earned.

Nolin is also engaged in the operation and maintenance of Fort Knox Army Base through a privatization process with the United States Federal government. The contract includes an energy security and power efficiency program and a solar array project. The contract is renewed annually and runs from June 1st through May 31st. The annual contract amount is based on estimated management and maintenance costs, and Nolin earns a fixed margin on top of the actual costs incurred for maintenance and improvements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Revenue Recognition (Continued)

Significant judgements

Nolin bills consumers on monthly cycles based on meter readings taken at approximately the same day each month. There are four billing cycles each month consisting of an approximate thirty-day period. Nolin calculates customer bills based on actual kilowatt hour usage obtained through meter readings using advanced metering infrastructure. There is no material difference in revenue recognition from the timing difference of the billing cycles as a full 30-days of revenue is recognized monthly for each cycle. This method of revenue recognition presents fairly, Nolin's transfer of electricity to customers as the amount recognized is based on actual volumes delivered and the tariff rate per-unit of energy and any applicable fixed charges as set by the PSC.

Nolin bills Fort Knox in twelve equal monthly installments in accordance with the annual contract. Revenue is recognized each month based on the actual cost of maintenance and improvements multiplied by a fixed margin. The revenue is recognized as work is completed each month. When the costs of maintenance and improvements exceed the budgeted amount, Nolin records a receivable from Fort Knox. Conversely, when the costs of maintenance and improvements are less than the budgeted amount, Nolin records a payable to Fort Knox. The payable or receivable due to or from Fort Knox is settled annually after the end of the contract year, which is in May when the contract expires.

Performance obligations

Nolin customers generally have no minimum purchase commitments. Performance obligations are limited to the service requested and received to date. There are no performance obligations remaining related to revenues recognized through year-end related to the Fort Knox contract. Accordingly, there is no unsatisfied performance obligation to recognize as of December 31, 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Revenue Recognition (Continued)

Disaggregation of revenue

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended December 31, 2024 and 2023:

	2024	2023
<u>Sales of electric energy:</u>		
Residential rural	\$ 63,753,691	\$ 59,853,730
Small commercial	13,917,980	12,123,612
Large commercial	8,878,883	8,677,888
Public lights	428,495	419,562
	\$ 86,979,049	\$ 81,074,792
 <u>Other operating revenues:</u>		
Ft. Knox privatization	\$ 4,319,920	\$ 3,123,149
Ft. Knox modifications	205,416	189,703
Rent of electric property	371,102	346,405
Late charges	460,678	448,968
Miscellaneous charges	201,264	186,305
Private party	870,015	397,283
	\$ 6,428,395	\$ 4,691,813

Contract liabilities

Contract liabilities related to electric distribution include consumer deposits. Contract cost liabilities related to the Fort Knox privatization contract include the annual true-up included in accounts payable on the consolidated balance sheets. The balances in contract liabilities were as follows as of December 31:

	2024	2023	2022
Consumer deposits	\$ 2,380,442	\$ 2,335,570	\$ 2,203,916
Ft. Knox true-up	(30,041)	847,089	376,184
	\$ 2,350,401	\$ 3,182,659	\$ 2,580,100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Allowance for Credit Losses

The allowance for credit losses for accounts receivable and the related activity are as follows:

	2024	2023
Beginning balance	\$ 1,659,888	\$ 1,566,544
Provision for credit losses	33,214	89,439
Write-offs	(83,163)	(58,038)
Recoveries	34,823	61,943
Ending balance	\$ 1,644,762	\$ 1,659,888

Note 4. Investments in Associated Organizations

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

	2024	2023
East Kentucky, patronage capital	\$ 49,020,971	\$ 48,613,005
CFC, patronage capital and CTCs	3,327,494	3,279,514
KAEC, patronage capital	1,539,208	1,233,874
Federated Insurance, patronage capital	461,099	459,429
Other associated organizations	365,387	360,637
	\$ 54,714,159	\$ 53,946,459

Nolin records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates (CTCs) of CFC are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 3.00% and 5.00% and are scheduled to mature at varying times from 2025 to 2080.

Note 5. Patronage Capital

Under provisions of CFC's long-term debt agreement, return to patrons of capital contributed by them is limited to a maximum of 30.00% of total margins for the preceding calendar year, unless, after giving effect to the distribution, the total equity will be at least 20.00% of total assets. Nolin returned \$1,620,261 and \$2,175,070 of capital to members for the years ended December 31, 2024 and 2023, respectively. Total members' equity as of December 31, 2024 and 2023 was 59.73% and 56.41% of total assets, respectively.

Note 6. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to CFC under its mortgage agreement. The long-term debt is due in quarterly installments of varying amounts through 2048. Nolin received a \$25,000,000 loan from CFC in 2019, of which no funds were advanced as of December 31, 2024 and 2023. These funds will be used for future plant additions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

Long-term debt consists of the following as of December 31:

	2024	2023
First mortgage notes due CFC:		
6.29% to 6.50% variable rate notes	\$ 6,520,203	\$ 7,137,989
3.80% to 4.10% fixed rate notes	27,872,528	29,924,837
6.50% variable rate notes for local government programs	15,751,275	17,596,635
	50,144,006	54,659,461
Less current portion	(3,554,350)	(2,956,628)
	\$ 46,589,656	\$ 51,702,833

As of December 31, 2024, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2025	\$ 3,554,350
2026	3,732,068
2027	3,918,671
2028	4,114,604
2029	4,320,335
Thereafter	30,503,978
	\$ 50,144,006

Note 7. Short-Term Note Payable

As of December 31, 2024 and 2023, Nolin had a short-term line of credit of \$7,000,000 available from CFC with a variable interest rate of 7.25%. There were no advances against the line of credit as of December 31, 2024 and 2023. The line of credit renews on a regular basis throughout the term of the long-term debt (See Note 6).

Note 8. Pension Plans

All eligible employees of Nolin participate in the NRECA Retirement and Security Plan (RS Plan), 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

Nolin's contributions to the RS Plan in 2024 and 2023 represent less than 5.00% of the total contributions made to the plan by all participating employers. Nolin made contributions to the plan for eligible employees of \$1,879,588 in 2024 and \$1,897,884 in 2023. There have been no significant changes that affect the comparability of 2024 and 2023. Nolin employees hired prior to January 1, 2021 can also participate in the NRECA 401(k) plan. Employer contributions to the 401(k) plan for these employees totaled \$136,569 and \$137,025 for 2024 and 2023, respectively. Nolin employees hired on or after January 1, 2021, can only participate in the NRECA 401(k) plan. Employer contributions to the 401(k) plan for these employees totaled \$28,080 and \$20,067 for 2024 and 2023, respectively. Wide Open employees are also eligible to participate in the NRECA 401(k) plan. Employer contributions totaled \$15,736 and \$13,698 for 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 80.00% 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.

Note 9. Postretirement Benefits

Nolin sponsors a defined benefit plan that provides medical insurance coverage to retired employees and dependents. Participating retirees and dependents contribute 10.00% of the cost of coverage. For measurement purposes, an annual rate of increase of 5.00% in 2024, then decreasing by .25% per year until 3.00% per year, in the per capita cost of covered health care benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 4.50%. There have been no significant changes that affect the comparability of 2024 and 2023.

The funded status of the plan was as follows as of December 31:

	2024	2023
Projected benefit obligation	\$ (5,123,080)	\$ (6,843,154)
Plan assets at fair value	-	-
Funded status (deficit)	\$ (5,123,080)	\$ (6,843,154)



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Nolin Rural Electric Cooperative Corporation and Subsidiary
Elizabethtown, Kentucky

We have audited the consolidated financial statements of Nolin Rural Electric Cooperative Corporation and Subsidiary as of and for the years ended December 31, 2024 and 2023, and our report thereon dated March 21, 2025, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information shown on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 21, 2025

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Postretirement Benefits (Continued)

The components of net periodic postretirement benefit costs are as follows:

	2024	2023
Benefit obligation - beginning of period	\$ 6,843,154	\$ 6,814,199
Net periodic benefit cost:		
Service cost	71,685	71,820
Interest cost	269,240	239,004
Net period cost	340,925	310,824
Actuarial gain	(1,771,665)	- -
Benefit payments to participants	(289,334)	(281,869)
Benefit obligation - end of period	\$ 5,123,080	\$ 6,843,154

Amounts recognized in the consolidated balance sheets consist of:

Unrecognized actuarial gain (loss)	\$ 713,734	\$ (1,226,266)
Accumulated postretirement benefits	\$ 5,123,080	\$ 6,843,154

Amounts included in other comprehensive income:

Actuarial gain	\$ 1,771,665	\$ - -
Amortization of actuarial loss	\$ 168,335	\$ 162,036

Effect of 1% increase in the health care trend:

Postemployment benefit obligation	\$ 5,379,000
Net periodic benefit cost	\$ 358,000

Projected retiree benefit payments for the next five years are expected to be as follows: 2025 - \$308,600; 2026 - \$325,600; 2027 - \$343,500; 2028 - \$362,400; 2029 - \$382,400.

Note 10. Related Party Transactions

Several of the Directors of Nolin, its President and General Manager, and another employee are on the Boards of Directors of various associated organizations.

Note 11. Contingencies

Nolin, from time to time, may be involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the consolidated financial statements.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2024

ASSETS	Nolin	Wide Open	Eliminations	Consolidated
Utility Plant, at original cost				
In service	\$ 148,814,020	\$ 3,772,109	\$ --	\$ 152,586,129
Under construction	2,323,451	--	--	2,323,451
	<u>151,137,471</u>	<u>3,772,109</u>	<u>--</u>	<u>154,909,580</u>
Less accumulated depreciation	70,142,734	557,599	--	70,700,333
	<u>80,994,737</u>	<u>3,214,510</u>	<u>--</u>	<u>84,209,247</u>
Investments				
Associated organizations	54,714,159	--	--	54,714,159
Investment in subsidiary	3,934,650	--	(3,934,650)	--
Total investments	<u>58,648,809</u>	<u>--</u>	<u>(3,934,650)</u>	<u>54,714,159</u>
Current Assets				
Cash and cash equivalents	11,126,660	172,101	--	11,298,761
Accounts receivable, less allowance for credit losses of \$1,644,762	11,223,029	559,794	(100,636)	11,682,187
Accounts receivable, other	4,482,426	--	--	4,482,426
Materials and supplies, at average cost	1,746,829	--	--	1,746,829
Other current assets	56,844	52,731	--	109,575
Total current assets	<u>28,635,788</u>	<u>784,626</u>	<u>(100,636)</u>	<u>29,319,778</u>
Total assets	<u>\$ 168,279,334</u>	<u>\$ 3,999,136</u>	<u>\$ (4,035,286)</u>	<u>\$ 168,243,184</u>
Members' Equities and Liabilities				
Members' Equities				
Capital investment	\$ --	\$ 3,934,650	\$ (3,934,650)	\$ --
Memberships	249,310	--	--	249,310
Patronage capital	91,778,694	--	--	91,778,694
Other equities	7,755,085	--	--	7,755,085
Accumulated other comprehensive income (loss)	845,460	(131,726)	--	713,734
Total members's equities	<u>100,628,549</u>	<u>3,802,924</u>	<u>(3,934,650)</u>	<u>100,496,823</u>
Long-Term Liabilities				
Long-term debt, less current portion	46,589,656	--	--	46,589,656
Accumulated postretirement benefits	4,954,954	168,126	--	5,123,080
Total long-term liabilities	<u>51,544,610</u>	<u>168,126</u>	<u>--</u>	<u>51,712,736</u>
Current Liabilities				
Current portion of long-term debt	3,554,350	--	--	3,554,350
Accounts payable	7,149,320	9,882	(100,636)	7,058,566
Consumer deposits	2,380,442	--	--	2,380,442
Accrued expenses	2,643,127	18,204	--	2,661,331
Total current liabilities	<u>15,727,239</u>	<u>28,086</u>	<u>(100,636)</u>	<u>15,654,689</u>
Consumer Advances	<u>378,936</u>	<u>--</u>	<u>--</u>	<u>378,936</u>
Total members' equities and liabilities	<u>\$ 168,279,334</u>	<u>\$ 3,999,136</u>	<u>\$ (4,035,286)</u>	<u>\$ 168,243,184</u>

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME

Year Ended December 31, 2024

	Nolin	Wide Open	Eliminations	Consolidated
Operating Revenues				
Sales of electric energy	\$ 86,979,049	\$ --	\$ --	\$ 86,979,049
Other operating revenues	5,558,380	3,194,901	(2,324,886)	6,428,395
	<u>92,537,429</u>	<u>3,194,901</u>	<u>(2,324,886)</u>	<u>93,407,444</u>
Operating Expenses				
Cost of power	63,302,776	--	--	63,302,776
Distribution - operations	4,903,183	276,829	(231,042)	4,948,970
Distribution - maintenance	6,825,326	2,388,873	(1,993,766)	7,220,433
Consumer accounts	2,541,825	1,074	--	2,542,899
Customer services	459,608	40,530	--	500,138
Administrative and general	4,052,083	360,005	(100,078)	4,312,010
Depreciation, excluding \$462,038 charged to clearing accounts	5,180,177	116,257	--	5,296,434
Interest on long-term debt	2,785,547	--	--	2,785,547
Other interest charges	117,697	--	--	117,697
Other deductions	43,975	1,131	--	45,106
Total operating expenses	<u>90,212,197</u>	<u>3,184,699</u>	<u>(2,324,886)</u>	<u>91,072,010</u>
Operating Margins	<u>2,325,232</u>	<u>10,202</u>	<u>--</u>	<u>2,335,434</u>
Nonoperating Margins and Capital Credits				
Interest income	1,131,023	--	--	1,131,023
Gain (loss) on sale of equipment	7,250	(10,202)	--	(2,952)
Other non-operating margins	35,987	--	--	35,987
Generation and transmission capital credits	407,966	--	--	407,966
Other capital credits	550,278	--	--	550,278
	<u>2,132,504</u>	<u>(10,202)</u>	<u>--</u>	<u>2,122,302</u>
Net Margins	4,457,736	--	--	4,457,736
Other Comprehensive Income (Loss)				
Postretirement benefits actuarial net gain (loss)	1,909,690	(138,025)	--	1,771,665
Postretirement benefits amortization of net loss	162,036	6,299	--	168,335
	<u>2,071,726</u>	<u>(131,726)</u>	<u>--</u>	<u>1,940,000</u>
Net Margins and Comprehensive Income (Loss)	<u>\$ 6,529,462</u>	<u>\$ (131,726)</u>	<u>\$ --</u>	<u>\$ 6,397,736</u>