SALT RIVER ELECTRIC COOPERATIVE CORPORATION KENTUCKY 21

FINANCIAL REPORT

December 31, 2024

C O N T E N T S

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salt River Electric Cooperative Corporation
Bardstown, Kentucky

Opinion

We have audited the accompanying financial statements of Salt River Electric Cooperative Corporation, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenue and comprehensive income, changes in members' equities, 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 Salt River Electric Cooperative Corporation 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General 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 the Salt River Electric Cooperative Corporation 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Certified Public Accountants and Advisors

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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 the Salt River Electric Cooperative Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Salt River Electric Cooperative Corporation'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2025, on our consideration of Salt River Electric Cooperative Corporation's internal control over financial reporting and our tests of its compliance with certain provisions 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 the Salt River Electric Cooperative Corporation'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 the Salt River Electric Cooperative Corporation's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 25, 2025

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

BALANCE SHEETS
December 31, 2024 and 2023

ASSETS	2024	2023
Electric Plant, at original cost:		
In service	$ 198,750,021	$ 189,121,873
Under construction	712,516	500,952
	199,462,537	189,622,825
Less accumulated depreciation	118,612,153	114,204,183
	80,850,384	75,418,642
Investments:		
Associated organizations	79,010,320	78,077,660
Other investments	691,342	458,572
Total investments	79,701,662	78,536,232
Current Assets:		
Cash and cash equivalents	20,080,985	20,924,137
Accounts receivable, less allowance for credit losses in 2024 of $300,146 and 2023 of $301,156	13,756,420	16,060,528
Other receivables	630,672	349,680
Material and supplies, at average cost	1,602,492	1,943,113
Prepayments	190,011	169,750
Total current assets	36,260,580	39,447,208
Other Assets:		
Pension asset	23,770,765	17,956,706
Deferred debits	438,677	689,349
Total assets	$ 221,022,068	$ 212,048,137
MEMBERS' EQUITIES AND LIABILITIES		
Members' Equities:		
Memberships	$ 2,731,130	$ 2,665,990
Patronage capital	124,775,212	123,983,117
Other equities	7,367,235	7,011,280
Accumulated other comprehensive income	3,923,233	625,067
Total members' equities	138,796,810	134,285,454
Long-term Liabilities:		
Long-term debt, less current portion	59,664,231	56,151,135
Accumulated postretirement benefits	542,384	562,049
Total long-term liabilities	60,206,615	56,713,184
Current Liabilities:		
Current portion of long-term debt	2,934,905	2,837,066
Accounts payable	12,095,335	11,311,053
Consumer deposits	3,978,089	3,848,958
Accrued expenses	1,769,863	2,080,608
Total current liabilities	20,778,192	20,077,685
Deferred Credits	1,240,451	971,814
Total members' equities and liabilities	$ 221,022,068	$ 212,048,137

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Sale of electric energy	$ 133,846,103	$ 128,433,617
Other electric revenues	1,804,417	1,831,292
	135,650,520	130,264,909
Operating Expenses		
Cost of power	111,282,179	106,185,793
Distribution - operations	3,263,843	2,997,917
Distribution - maintenance	4,862,532	4,962,165
Consumer accounts	1,798,390	1,966,456
Customer service and information	189,956	216,196
Sales	165,409	156,238
Administrative and general	3,380,221	3,430,614
Depreciation, excluding $279,338 in 2024 and $309,143 in 2023 charged to clearing accounts	6,464,096	6,518,543
Amortization of debt expense	250,672	250,672
Taxes, other than income	119,925	103,596
Interest on long-term debt	2,123,729	1,764,854
Other interest and deductions	218,296	165,299
Total cost of electric service	134,119,248	128,718,343
Operating Margins	1,531,272	1,546,566
Nonoperating Margins		
Interest income	1,137,157	1,153,049
Earnings (losses) from equity investment	(97,230)	37,262
Employee retention credit	- -	647,663
Other nonoperating (losses)	(7,731)	(31,582)
	1,032,196	1,806,392
Patronage Capital Credits		
Generation and transmission	725,100	2,034,812
Other associated organizations	424,307	367,844
	1,149,407	2,402,656
Net Margins	3,712,875	5,755,614
Other Comprehensive Income		
Pension plan actuarial net gain	3,287,640	2,120,217
Postretirement benefits amortization of net loss	10,526	10,526
	3,298,166	2,130,743
Net Margins and Comprehensive Income	$ 7,011,041	$ 7,886,357

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

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

		Patronage Capital							
	Memberships	Assigned	Assignable	Retirements	Unassigned	Total	Other Equities	Accumulated Other Comprehensive Income (Loss)	Total Members' Equities
Balance - December 31, 2022	$ 2,598,040	$ 164,302,770	$ 6,900,646	$ (50,411,571)	$ 277,595	$ 121,069,440	$ 6,658,584	$ (1,802,395)	$ 128,523,669
Comprehensive income:									
Net margins			5,755,614			5,755,614			5,755,614
Assigned margins		6,900,646	(6,900,646)			- -			- -
Pension plan									
Actuarial net gain								2,120,217	2,120,217
Postretirement benefit obligation									
Amortization of actuarial loss								10,526	10,526
Adjustment								296,719	296,719
Total comprehensive income									8,183,076
Net change in memberships	67,950								67,950
Refunds of capital credits				(2,841,937)		(2,841,937)			(2,841,937)
Other equities							352,696		352,696
Balance - December 31, 2023	2,665,990	171,203,416	5,755,614	(53,253,508)	277,595	123,983,117	7,011,280	625,067	134,285,454
Comprehensive income:									
Net margins			3,712,875			3,712,875			3,712,875
Assigned margins		5,755,614	(5,755,614)			- -			- -
Pension plan									
Actuarial net gain								3,287,640	3,287,640
Postretirement benefit obligation									
Amortization of actuarial loss								10,526	10,526
Total comprehensive income									7,011,041
Net change in memberships	65,140								65,140
Refunds of capital credits				(2,920,780)		(2,920,780)			(2,920,780)
Other equities							355,955		355,955
Balance - December 31, 2024	$ 2,731,130	$ 176,959,030	$ 3,712,875	$ (56,174,288)	$ 277,595	$ 124,775,212	$ 7,367,235	$ 3,923,233	$ 138,796,810

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 3,712,875	$ 5,755,614
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation		
Charged to expense	6,464,096	6,518,543
Charged to clearing accounts	279,338	309,143
Patronage capital credits and equity investment	(1,052,177)	(2,439,918)
Amortization of debt expense	250,672	250,672
Amortization of postretirement actuarial adjustments	10,526	10,526
Postretirement actuarial adjustment	- -	296,719
Pension benefit adjustment	(526,419)	(398,503)
Pension benefit contributions	(2,000,000)	(2,000,000)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Receivables, net	2,023,116	4,411,689
Material and supplies	340,621	(123,107)
Prepayments	(20,261)	(3,643)
Accounts payable	784,282	(1,949,737)
Consumer deposits	129,131	454,376
Accrued expenses	(310,745)	340,507
Consumer advances for construction	268,637	321,998
Postretirement liability	(19,665)	(329,884)
Net cash provided by operating activities	10,334,027	11,424,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction of plant	(11,863,874)	(10,204,159)
Plant removal cost	(462,859)	(655,824)
Salvage recovered from retired plant	55,696	66,964
Receipts (purchase) from other investments, net	(17,392)	561,799
Net cash (used in) investing activities	(12,288,429)	(10,231,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in memberships	65,140	67,950
Retirements of capital credits	(2,920,780)	(2,841,937)
Other equities	355,955	352,696
Advances of long-term debt	6,750,000	8,450,000
Principal payments on long-term debt	(3,139,065)	(2,693,520)
Net cash provided by financing activities	1,111,250	3,335,189
Net increase (decrease) in cash and cash equivelants	(843,152)	4,528,964
Cash and cash equivalents, beginning of year	20,924,137	16,395,173
Cash and cash equivalents, end of year	$ 20,080,985	$ 20,924,137
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	$ 2,711,333	$ 1,770,771

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Business activity

Salt River Electric Cooperative Corporation (Salt River) provides distribution electric services to residential and commercial consumers concentrated in a ten-county area in central Kentucky. Salt River 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:

Use of estimates

The preparation of 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 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 financial statements.

Electric plant

Electric 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 year.

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 electric plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Electric plant consists of the following as of December 31:

	2024	2023
Distribution plant	$ 183,250,644	$ 173,820,216
General plant	15,499,377	15,301,657
Total	$ 198,750,021	$ 189,121,873

Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Depreciation rates range from 2.2% to 5.0%, for a composite rate of 3.41% for distribution plant. General plant rates are as follows:

Structures and imporvements	3%
Transportation equipment	16%
Other general plant	6 - 16%

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Cash and cash equivalents

Salt River considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Salt River maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. These financial institutions have strong credit ratings and management believes that credit risk related to the accounts is minimal.

Accounts receivable and allowance for credit losses

Salt River 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 $13,756,420, $16,060,528, and $20,302,431, respectively.

Salt River 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 Salt River'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 Salt River.

Salt River 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

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

Deferred debits

Unamortized debt expense is being amortized over the remaining life of the refinanced debt.

Taxes

Salt River 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. Salt River's policy is to exclude taxes from revenue when collected and expenses when paid and instead, record collection and payment of taxes through a liability account.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Cost of power

Salt River is one of 16 members of East Kentucky Power Cooperative (East Kentucky). Under a wholesale power agreement, Salt River 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 Salt River that are passed on to consumers using a methodology prescribed by the PSC.

Advertising

Salt River expenses advertising costs as incurred. Advertising expense totaled $305,307 and $292,817 for the years ended December 31, 2024 and 2023, respectively.

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 and pension plan.

Risk management

Salt River 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

Salt River 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

Salt River 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

Salt River 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 Salt River 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 Salt River's financial position or its future cash flows.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Income tax status

Salt River qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. However, income from certain activities not directly related to Salt River's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income tax for the years ended December 31, 2024 and 2023. Accordingly, the financial statements of Salt River include no provision for income taxes.

Salt River'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. Salt River has no uncertain tax positions resulting in an accrual of tax expense or benefit.

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

Salt River'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 February 25, 2025, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

Note 2. Revenue Recognition

Revenue from contracts

Salt River is engaged in the distribution and sale of electricity to residential and commercial customers in ten counties in central Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Salt River 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 Salt River. 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 20 days of the date of the bill. Revenue for pole attachments are invoiced at the end of the year. The performance obligation is satisfied ratably over the time of the contract. These amounts are recorded as a receivable at the time of invoicing.

Significant judgements

Salt River bills customers on monthly cycles based on meter readings taken at approximately the same day each month. Industrial customers are billed at the end of each month, some residential customers are billed around the 20th day of the month, and the remaining residential customers are billed around the 10th day of the next month. Revenue is recognized in the month billed for billing cycles that fall on the 20th of the month, at the end of the month, and within 10 days of the next month. There is no material difference in revenue recognition from the timing difference of the billing cycles. This method of revenue recognition presents fairly, Salt River'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.

Performance obligations

Salt River customers generally have no minimum purchase commitments. Salt River recognizes revenue as each performance obligation is satisfied. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation to recognize as of December 31, 2024 and 2023.

Disaggregation of revenue

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

	2024	2023
Residential	$ 83,876,757	$ 80,447,761
Large Industrial	38,340,235	37,142,839
Commercial	11,011,089	10,232,938
Public Lights	618,022	610,079
Other	1,804,417	1,831,292
Total	$ 135,650,520	$ 130,264,909

NOTES TO FINANCIAL STATEMENTS

Note 2. Revenue Recognition (Continued)

Contract liabilities

Contract liabilities include consumer deposits. The balance in contract liabilities was as follows as of December 31:

	2024	2023	2022
Contract liabilities	$ 3,978,089	$ 3,848,958	$ 3,394,582

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	$ 301,156	$ 297,584
Provision for credit losses	(32,815)	253,569
Write-offs	(144,907)	(324,594)
Recoveries	176,712	74,597
Ending balance	$ 300,146	$ 301,156

Note 4. Investments in Associated Organizations

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

	2024	2023
East Kentucky, patronage capital	$ 74,393,416	$ 73,668,315
National Bank for Cooperatives (CoBank)		
Patronage capital	667,262	739,970
CFC CTCs and patronage capital	955,707	955,707
CFC member capital securities	1,000,000	1,000,000
Other associated organizations	1,993,935	1,713,668
	$ 79,010,320	$ 78,077,660

Salt River 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 4.00% and are scheduled to mature in 2085. The CFC member capital securities were purchased in December 2014 and bear interest at 5.00%. The member capital securities mature in December 2044 and are callable by CFC, in whole or in part, at any time after ten years from the date of issuance at 100 percent of the principal amount to be redeemed together with accrued and unpaid interest to the redemption date.

NOTES TO FINANCIAL STATEMENTS

Note 5. Other Investments

Salt River is a 50.00% equity owner of Lock 7 Hydro Partners, LLC (Lock 7), which generates electricity through hydro methods on the Kentucky River. The investment is accounted for using the equity method of accounting, and has been included in other investments in the accompanying balance sheets. The activity of the equity method investment is as follows for the years ended December 31:

	2024	2023
Lock 7 investment, beginning balance	$ 458,572	$ 421,310
Earnings (losses)	(97,230)	37,262
Lock 7 investment, ending balance	$ 361,342	$ 458,572

The following is summarized financial information of Lock 7 as of and for the years ended December 31:

	2024	2023
Assets	$ 644,303	$ 849,934
Liabilities	$ 21,462	$ 32,633
Equity	$ 622,841	$ 817,301
Revenues and other income	$ 533,223	$ 580,422
Expenses and other expenses	$ 727,683	$ 505,899
Net income (loss)	$ (194,460)	$ 74,523

As of December 31, 2024, other investments also includes an economic development loan that is secured by real property and improvements pledged by a Salt River consumer. The note is a zero-interest rate loan with monthly principal payments of $3,056 beginning in August 2025. The note is scheduled to mature in July 2034 and the balance on December 31, 2024 was $330,000.

Note 6. Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30.00% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25.00% of the net margins for the next preceding year, Salt River may distribute the difference between 25.00% and the payments made to such estates. The equity and margins as of December 31, 2024 and 2023 were 62.80% and 63.33% of total assets, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to RUS, Federal Financing Bank (FFB), and CFC under a joint mortgage agreement. The long-term debt is due in quarterly and monthly installments of varying amounts through 2052. RUS assesses 0.25 basis points to administer the FFB loans. Salt River had unadvanced loan funds from FFB in the amount of $45,000,000 and $6,750,000 as of December 31, 2024 and 2023, respectively. These funds will be used for future plant additions.

Salt River is participating in a RUS sponsored program which provides economic development funds to businesses in Salt River's service area. Salt River serves as a conduit for these funds and is contingently liable if the recipient fails to repay the loan.

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

	2024	2023
RUS, 1.25% to 3.00% fixed rate notes	$ 3,632,262	$ 3,997,426
FFB, 2.15% to 5.42% fixed rate notes	57,155,458	52,174,579
CoBank, 2.12% fixed rate note	1,811,416	2,816,196
	62,599,136	58,988,201
Less current portion	2,934,905	2,837,066
Long-term portion	$ 59,664,231	$ 56,151,135

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	$ 2,934,905
2026	2,757,076
2027	2,039,047
2028	2,108,179
2029	2,179,897
Thereafter	50,580,032
	$ 62,599,136

During 2021 Salt River consolidated and refinanced several notes with CoBank into one. As part of this refinancing Salt River paid a broken funding fee of $1,253,361. In accordance with RUS guidance this broken funding fee has been included in the accompanying balance sheet as deferred debits and will be amortized over the life of the note. Amortization expense was $250,672 for the years ended December 31, 2024 and 2023. The remaining balance of the broken funding fee to be amortized in future years was $438,677 and $689,349 as of December 31, 2024 and 2023, respectively. The broken funding fee is scheduled to be fully amortized in September 2026.

Note 8. Short-Term Borrowings

Salt River has a short-term line of credit of $4,000,000 available from CFC with variable interest rates of 6.50% and 5.91% as of December 31, 2024 and 2023, respectively. Salt River also has a short-term line of credit of $1,000,000 available from CoBank with variable interest rates of 6.24% and 7.26% as of December 31, 2024 and 2023, respectively. There were no advances against either line of credit as of December 31, 2024 and 2023. The lines of credit from CFC and CoBank mature in August 2025 and July 2025, respectively, and they renew on a regular basis throughout the term of the long-term debt (See Note 7).

Note 9. Savings Plans

All eligible employees of Salt River participate in the NRECA Retirement and Security Program (Program), a defined contribution pension plan qualified under section 401(k) and tax-exempt under section 501(a) of the Internal Revenue Code. Salt River makes annual contributions to the Program equal to the amounts accrued for pension expense. There have been no significant changes that affect the comparability of 2024 and 2023.

Salt River sponsors a savings plan covering all employees who are covered by a collective bargaining agreement and who meet certain length of service requirements. This salary deferral plan provides a 2.50% contribution by Salt River based on eligible employee wages. Salt River contributed $110,970 and $109,809 to this plan in 2024 and 2023, respectively.

Salt River also sponsors a plan covering all eligible employees not covered by a collective bargaining agreement which allows an employee salary deferral and also provides a 6.00% Salt River contribution based on eligible employee wages. Salt River's contribution is made on behalf of the employee regardless of their decision to participate with elective salary deferral contributions. Salt River contributed $137,155 and $131,682 in 2024 and 2023, respectively.

Note 10. Pension Plan

Salt River has a noncontributory defined benefit pension plan covering substantially all employees who meet minimum age and service requirements. The plan has a pay-related pension benefit formula. Salt River's policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act (ERISA). The plan is measured as of December 31, 2024 and 2023. There have been no significant changes that affect the comparability of 2024 and 2023.

The following is an assessment of the noncontributory defined benefit plan as of December 31:

	2024	2023
Projected benefit obligation	$ (15,455,411)	$ (14,764,648)
Fair value of plan assets	39,226,176	32,721,354
Funded status	$ 23,770,765	$ 17,956,706
Accumulated benefit obligation included in plan	$ 11,115,511	$ 10,603,854
Amount recognized as asset	$ 23,770,765	$ 17,956,706

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

The calculation of net periodic benefit cost, change in projected benefit obligation, and change in fair value of plan assets are as follows as of and for the years ended December 31:

	2024	2023
Net Periodic Benefit Cost (Benefit)		
Service cost	$ 999,905	$ 784,429
Interest cost	732,022	761,622
Expected return on assets	(2,258,346)	(1,896,651)
SFAS 88 Settlement	- -	(47,903)
Net periodic benefit cost (benefit)	$ (526,419)	$ (398,503)
Change in Projected Benefit Obligation		
Projected benefit obligation at beginning of year	$ 14,764,648	$ 14,582,313
Service cost	964,905	746,429
Interest cost	732,022	761,622
Settlement	- -	(1,657,676)
Disbursements	(612,038)	(37,387)
Actuarial (gain) loss	(394,126)	369,347
Projected benefit obligation at end of year	$ 15,455,411	$ 14,764,648
Change in Fair Value of Plan Assets		
Fair value of plan assets, beginning of year	$ 32,721,354	$ 28,020,299
Investment gain	5,151,131	4,431,358
Settlement	- -	(1,657,676)
Employer contributions	2,000,000	2,000,000
Benefits paid	(612,038)	(37,387)
Administrative costs	(34,271)	(35,240)
Fair value of plan assets, end of year	$ 39,226,176	$ 32,721,354
Amounts recognized in the balance sheets consists of:		
Unrecognized actuarial gain	$ 3,691,654	$ 404,014
Amounts included in other comprehensive income:		
Actuarial gain	$ 3,287,640	$ 2,120,217

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Assumptions used to develop the projected benefit obligation were as follows:

	2024	2023
Discount rate	5.50%	5.00%
Rate of increase in compensation level	3.00%	3.00%
Expected long-term rate of return on assets	7.00%	7.00%

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen from the best range determined by applying anticipated long-term returns for various asset categories to the target asset allocation of the plan, as well as taking into account historical returns.

The general investment objectives are to invest in a diversified portfolio, comprised of debt investments, equity investments, and fixed income investments. The diversification is designed to minimize the risk of large losses while maximizing total return within reasonable and prudent levels of risk. The investment objectives specify a targeted investment allocation for the pension plan of approximately 50% equities. The remaining may be allocated between fixed income or cash equivalent investments. The Plan's investments are reported at fair value as follows:

		Fair value mearsurements using:	
December 31, 2024	Fair value	Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Cash	$ 503,205	$ 503,205	$ - -
Large cap blend	20,080,777	20,080,777	- -
Stable value	11,268,109	- -	11,268,109
Large cap value	3,892,993	- -	3,892,993
Small cap value	3,481,092	- -	3,481,092
	$ 39,226,176	$ 20,583,982	$ 18,642,194

		Fair value mearsurements using:	
December 31, 2023	Fair value	Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Cash	$ 3,906	$ 3,906	$ - -
Large cap blend	17,297,019	17,297,019	- -
Stable value	8,571,682	- -	8,571,682
Large cap value	3,740,237	- -	3,740,237
Small cap value	3,108,510	- -	3,108,510
	$ 32,721,354	$ 17,300,925	$ 15,420,429

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Expected retiree pension benefit payments are projected to be as follows: 2025 - $605,155; 2026 - $623,060; 2027 - $850,746; 2028 - $241,908; 2029 - $866,973.

Contributions for the year ending December 31, 2025, are expected to be approximately $2,000,000.

Note 11. Postretirement Benefits

Salt River sponsors a noncontributory defined benefit plan that provides medical insurance coverage for retired employees under age 65 and have worked 30 or more years for Salt River. The plan for retirees is a continuation of the fully insured program now in place for active employees. 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	$ (542,384)	$ (562,049)
Fair value of plan assets	- -	- -
Funded status (deficit)	$ (542,384)	$ (562,049)

Note 11. Postretirement Benefits (Continued)

The components of net periodic postretirement benefit cost are as follows as of and for the year ended December 31:

	2024	2023
Benefit obligation at beginning of year	$ 562,049	$ 891,933
Components of net periodic benefit cost:		
Service cost	3,810	3,320
Interest cost	15,025	15,515
Net periodic benefit cost	18,835	18,835
Actuarial gain	- -	(296,719)
Benefits paid	(38,500)	(52,000)
Benefit obligation at end of year	$ 542,384	$ 562,049
Amounts recognized in the balance sheets consists of:		
Unrecognized actuarial gain	$ 231,579	$ 221,053
Accumulated postretirement benefits	$ 542,384	$ 562,049
Amounts included in other comprehensive income:		
Actuarial gain	$ - -	$ 296,719
Amortization of actuarial loss	$ 10,526	$ 10,526
Effect of 1.00% increase in the health care trend:		
Postemployment benefit obligation	$ 559,000	
Net periodic benefit cost	$ 19,400	

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 4.75% in 2024 and 2023.

Projected retiree benefit payments for the next five years are expected to be as follows: 2025 - $30,000; 2026 - $18,000; 2027 - $0; 2028 - $0; 2029 - $0.

Note 12. Related Party Transactions

Several of the Directors of Salt River and its President and CEO serve on the Boards of Directors of various associated organizations.

Note 13. Labor Force

Approximately 75.00% of Salt River's labor force is subject to a collective bargaining agreement. An eight-year agreement was negotiated and approved for the period starting in June 2020 through June 2028 between Salt River and the International Brotherhood of Electric Workers (IBEW).

Note 14. Contingencies

Salt River, on occasion, is 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 outcome will not have a material adverse effect on the financial statements.

Note 15. Employee Retention Credits

Under provisions of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), Salt River determined it met the criteria and was eligible for the refundable Employee Retention Credit (ERC). Salt River amended its Form 941 Employer Quarterly Federal Tax Return for three quarters to claim refunds related to this credit. For the years ended December 31, 2024 and 2023, Salt River claimed zero and $647,663, respectively, with the amount recognized as nonoperating margins, in accordance with IAS 20, in the statements of revenue and comprehensive income. The IRS may subsequently initiate an ERC audit and request a refund, including penalties and interest, if they determine that Salt River was not eligible for the ERC claimed. The general statute of limitations is three years but the IRS has extended the statute to five years for ERC. Salt River engaged a third-party service provider to assist in determining that Salt River met the criteria for the ERC and management believes Salt River met the eligibility requirements.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Salt River Electric Cooperative Corporation
Bardstown, Kentucky

We have audited the financial statements of Salt River Electric Cooperative Corporation as of and for the years ended December 31, 2024 and 2023, and our report thereon dated February 25, 2025, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 3. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of deferred debits and deferred credits shown on page 23 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 25, 2025

Certified Public Accountants and Advisors

401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS
December 31, 2024 and 2023

	2024	2023	
Deferred Debits			
Unamortized debt expense	$ 438,677	$ 689,349	§1767, account #181
Deferred Credits			
Consumer advances for construction	$ 650,418	$ 658,176	§1767, account #252
Meter installation	590,033	313,638	§1767, account #253
Total deferred credits	$ 1,240,451	$ 971,814	

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Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Salt River Electric Cooperative Corporation
Bardstown, Kentucky

We have audited, in accordance with the 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 General of the United States, the financial statements of Salt River Electric Cooperative Corporation (the Cooperative), which comprise the balance sheet as of December 31, 2024 and the related statements of revenue and comprehensive income, changes in members' equities and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated February 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Certified Public Accountants and Advisors

401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 25, 2025