Jo-Carroll Energy, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2024 and 2023

Contents

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Independent Auditor's Report

Board of Directors
Jo-Carroll Energy, Inc.
Elizabeth, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jo-Carroll Energy, Inc. and its subsidiary (collectively the "Cooperative"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of margin, members' equities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Cooperative, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Cooperative, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 Cooperative's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 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 Cooperative’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 Cooperative’s ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2025, on our consideration of the Cooperative’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 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 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 Cooperative’s internal control over financial reporting and compliance.

Forvis Mazars, LLP

St. Louis, Missouri
March 14, 2025

Jo-Carroll Energy, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023

ASSETS

	2024	2023	Increase (Decrease)
Utility Plant, at Cost			
Electric, gas and broadband plant in service	$ 212,167,438	$ 196,244,346	$ 15,923,092
Construction work in progress	33,478,469	22,114,655	11,363,814
	245,645,907	218,359,001	27,286,906
Accumulated depreciation and amortization	(76,475,608)	(71,163,083)	5,312,525
Net utility plant	169,170,299	147,195,918	21,974,381
Investments and Other Assets			
Investments in associated organizations, at cost	17,142,648	15,931,886	1,210,762
Long-term notes receivable	58,786	180,501	(121,715)
Non-utility property, net of accumulated depreciation: 2024 - $1,342,957, 2023 - $886,298	1,283,457	1,667,473	(384,016)
Other investments, at cost	1,437,878	1,426,495	11,383
Total investments and other assets	19,922,769	19,206,355	716,414
Current Assets			
Cash and cash equivalents	25,123,757	4,138,245	20,985,512
Accounts receivable:			
Customers, net of allowance: 2024 - $58,000 and 2023 - $50,000	3,204,533	3,323,981	(119,448)
Unbilled revenues	1,504,791	1,710,205	(205,414)
Other	648,877	766,160	(117,283)
Notes receivable	121,715	121,715	-
Inventories:			
Materials and supplies	6,577,063	7,150,709	(573,646)
Natural gas	592,931	629,758	(36,827)
Prepaid expenses and other	799,724	259,948	539,776
Total current assets	38,573,391	18,100,721	20,472,670
Deferred Charges	4,052,309	4,569,048	(516,739)
Total Assets	$ 231,718,768	$ 189,072,042	$ 42,646,726

See Notes to Consolidated Financial Statements

MEMBERS' EQUITIES AND LIABILITIES

	2024	2023	Increase (Decrease)
Equities			
Patronage capital	$ 28,327,562	$ 28,585,460	$ (257,898)
Retained earnings	14,656,863	13,753,121	903,742
Members' equities	42,984,425	42,338,581	645,844
Accumulated other comprehensive income	95,429	65,356	30,073
Total equities	43,079,854	42,403,937	675,917
Long-Term Debt	140,524,389	119,160,945	21,363,444
Postretirement Benefits	1,281,935	1,228,364	53,571
Current Liabilities			
Accounts payable	9,034,696	6,741,746	2,292,950
Current maturities of long-term debt	6,435,053	5,927,609	507,444
Lines of credit	4,000,000	5,000,000	(1,000,000)
Postretirement benefits	125,985	83,327	42,658
Customer deposits	342,989	327,424	15,565
Other current liabilities	2,859,937	1,818,888	1,041,049
Total current liabilities	22,798,660	19,898,994	2,899,666
Deferred Credits	24,033,930	6,379,802	17,654,128
Total Equities and Liabilities	$ 231,718,768	$ 189,072,042	$ 42,646,726

Jo-Carroll Energy, Inc.
Consolidated Statements of Margin
Years Ended December 31, 2024 and 2023

	2024	2023	Increase (Decrease)	% to Total Operating Revenue 2024	% to Total Operating Revenue 2023
Operating Revenues					
Electric	$ 53,582,952	$ 50,279,771	$ 3,303,181	77.9%	78.4%
Natural gas	8,874,081	8,925,108	(51,027)	12.9%	13.9%
Broadband	5,653,692	4,134,938	1,518,754	8.2%	6.4%
Other operating revenue	661,338	821,465	(160,127)	1.0%	1.3%
Total Operating Revenue	68,772,063	64,161,282	4,610,781	100.0%	100.0%
Operating Expenses					
Purchased power	31,472,330	32,112,003	(639,673)	45.8%	50.0%
Distribution - Operations	4,923,370	4,480,868	442,502	7.2%	7.0%
Distribution - Maintenance	8,175,656	6,260,979	1,914,677	11.9%	9.8%
Consumer accounts	2,687,759	2,401,458	286,301	3.9%	3.7%
Customer services and information	1,117,961	1,070,302	47,659	1.6%	1.7%
Sales	671,299	602,049	69,250	1.0%	0.9%
General and administrative	7,185,397	5,674,057	1,511,340	10.4%	8.8%
Depreciation and amortization	5,868,234	5,330,918	537,316	8.5%	8.3%
Taxes, other than income	174,318	163,933	10,385	0.3%	0.3%
Other deductions	230,206	236,459	(6,253)	0.3%	0.4%
Total Operating Expenses	62,506,530	58,333,026	4,173,504	90.9%	90.9%
Operating Margin Before Interest Expense	6,265,533	5,828,256	437,277	9.1%	9.1%
Interest Expense	6,373,736	5,007,242	1,366,494	9.3%	7.8%
Operating Margin (Loss) After Interest Expense	(108,203)	821,014	(929,217)	-0.2%	1.3%
Generation and Transmission and Other Capital Credits	1,617,886	1,688,561	(70,675)	2.4%	2.6%
Operating Margin	1,509,683	2,509,575	(999,892)	2.2%	3.9%
Non-Operating Margin (Loss)					
Interest income	22,737	20,240	2,497	0.0%	0.0%
Gain on disposal of equipment	3,946	214,244	(210,298)	0.0%	0.3%
Other non-operating margin (loss)	(146,916)	26,139	(173,055)	-0.2%	0.0%
	(120,233)	260,623	(380,856)	-0.2%	0.4%
Net Margin	1,389,450	2,770,198	(1,380,748)	2.0%	4.3%
Other Comprehensive Margin (Loss)					
Change in postretirement benefit plan	30,073	(142,892)	172,965	0.1%	-0.2%
Comprehensive Margin	$ 1,419,523	$ 2,627,306	$ (1,207,783)	2.1%	4.1%

Jo-Carroll Energy, Inc.
Consolidated Statements of Members' Equities
Years Ended December 31, 2024 and 2023

	Patronage Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2023	$ 27,924,825	$ 12,433,021	$ 208,248	$ 40,566,094
Net margin	2,509,575	260,623	-	2,770,198
Other comprehensive loss	-	-	(142,892)	(142,892)
Patronage capital retirement	(1,848,940)	1,059,477	-	(789,463)
Balance, December 31, 2023	28,585,460	13,753,121	65,356	42,403,937
Net margin (loss)	1,509,683	(120,233)	-	1,389,450
Other comprehensive margin	-	-	30,073	30,073
Patronage capital retirement	(1,767,581)	1,023,975	-	(743,606)
Balance, December 31, 2024	$ 28,327,562	$ 14,656,863	$ 95,429	$ 43,079,854

Jo-Carroll Energy, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Net margin	$ 1,389,450	$ 2,770,198
Items not requiring (providing) cash		
Depreciation and amortization	6,400,388	5,855,719
Capital credits	(1,617,886)	(1,688,561)
Postretirement benefits	126,302	96,524
Provision for credit losses on accounts receivable	38,500	10,000
Gain on disposal of equipment	(3,946)	(214,244)
Deferred charges	-	(1,140,256)
Deferred credits	(1,073,853)	(1,331,307)
Loss on sale of Cooperative Community Solar, LLC	164,576	-
Changes in		
Accounts receivable - customers and other	198,231	303,922
Unbilled revenues	205,414	1,223,970
Inventories	610,473	(1,093,255)
Prepaid expenses and other	(539,776)	33,442
Deferred charges	66,739	-
Accounts payable	(2,455,677)	632,763
Customer deposits and other current liabilities	1,056,614	284,741
Net Cash Provided by Operating Activities	4,565,549	5,743,656
Investing Activities		
Proceeds from disposal of utility plant	8,969	247,537
Additions to utility plant, net and non-utility property	(22,797,149)	(22,505,981)
Proceeds from capital credit retirements	130,023	120,038
Collections on notes receivable	121,715	121,715
Decrease in investments and other assets	101,142	227,528
Net Cash Used in Investing Activities	(22,435,300)	(21,789,163)
Financing Activities		
Patronage capital retirement	(743,606)	(789,463)
Borrowings on line of credit agreements	19,500,000	27,682,248
Repayments on line of credit agreements	(20,500,000)	(25,682,248)
Proceeds from issuance of long-term debt	27,500,000	21,000,000
Principal payments on long-term debt	(5,507,397)	(5,115,084)
Payments under USDA REDL program	(121,715)	(121,715)
Grant proceds received	18,727,981	1,484,883
Net Cash Provided by Financing Activities	38,855,263	18,458,621
Net Increase in Cash and Cash Equivalents	20,985,512	2,413,114
Cash and Cash Equivalents, Beginning of Year	4,138,245	1,725,131
Cash and Cash Equivalents, End of Year	$ 25,123,757	$ 4,138,245
Supplemental Cash Flows Information		
Interest paid	$ 6,243,848	$ 4,875,359
Deferred charges capitalized as utility plant	$ 450,000	$ 338,922
Utility plant in accounts payable	$ 4,748,627	$ 515,838

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Jo-Carroll Energy, Inc. (“Cooperative” or “Jo-Carroll”) is a not-for-profit organization engaged in the distribution of electric, natural gas and fiber services to its members located throughout northwest Illinois, Iowa, and Wisconsin. The primary purpose of the Cooperative is to provide electricity, natural gas, and fiber to its members through the purchase of electricity, natural gas, and fiber from wholesale providers and the subsequent distribution of these services to its members. The Cooperative extends unsecured credit to its members.

The Cooperative’s rates charged to members are established by the board of directors. The board of directors consists of 10 members elected by the members of the Cooperative to serve three-year terms. Such rates charged to members are determined on a cost of service basis. The Cooperative is not subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) or the regulatory authority of the Illinois Commerce Commission.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, Cooperative Community Solar, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

During 2024, the Cooperative sold 100% of its ownership in Cooperative Community Solar, LLC. The loss recognized as a result of this sale was $164,576, and is included in other non-operating margin (loss) on the consolidated statements of margin.

Basis of Accounting

The accounting records of the Cooperative are substantially maintained in accordance with the Uniform System of Accounts prescribed by FERC. In accordance with FERC guidelines, the Cooperative also maintains its accounts in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*. The accompanying consolidated financial statements and the related notes have been prepared on the basis of U.S. generally accepted accounting principles (GAAP).

Use of Estimates

The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities as of 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. Significant estimates include the allowance for credit losses, unbilled revenues, and postretirement benefits.

Cash and Cash Equivalents

The Cooperative considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of a daily investment sweep account.

At December 31, 2024, the Cooperative’s cash accounts exceeded federally insured limits by approximately $24,308,000.

Accounts Receivable

Accounts receivable include billed and unbilled amounts for goods and services provided to members for which the Cooperative has an unconditional right to payment. The Cooperative provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

Accounts receivable are generally due within 21 days after the date of the billing. Accounts that are unpaid after the due date are charged a late payment penalty. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the member.

During the years ended December 31, 2024 and 2023, credit loss expense related to doubtful accounts receivable, where collectability is not reasonably assured, was approximately $39,000 and $59,000, respectively.

Notes Receivable

Notes receivable are stated at the outstanding principal amount. The Cooperative provides an allowance for credit losses for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. The Cooperative determined no allowance for credit losses was necessary at December 31, 2024 and 2023.

Inventories

Inventories consist of materials, supplies and natural gas. Materials and supplies inventory is valued at the lower of cost or net realizable value using the average unit cost method. Natural gas is valued at the average cost of the gas constituting the common supply of the system.

Utility Plant

Utility plant is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset group. Maintenance, repairs, and major renewals are expensed as incurred.

Intangible plant includes acquisition adjustments from purchase of electric and gas distribution assets. Acquisition adjustments are amortized on a straight-line basis over the estimated life of the assets acquired, ranging from 26 - 27 years.

Electric transmission and distribution plants is depreciated on the group basis using the straight-line method at an average composite rate of 2.65% and 2.68% per annum in 2024 and 2023, respectively, except for certain underground conductor, which is being depreciated at rates up to 6.66%.

Gas distribution plant is depreciated on the group basis using the straight-line method at an average composite rates of 2.67% and 3.02% per annum in 2024 and 2023, respectively.

The annual depreciation rates for each major depreciable classification of the general plant and non-utility property are as follows:

Structures and improvements	3 - 10%
Office furniture and equipment	6 - 20%
Certain computer equipment	20 - 33%
Transportation equipment	10 - 15%
Power operated equipment	6 - 20%
Communications equipment	3 - 15%
Broadband/SCADA equipment	5 - 20%
Other general plant	6 - 20%

Nonutility Property

Nonutility property consists of land and improvements not currently used for utility purposes.

Long-Lived Asset Impairment

The Cooperative evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair market value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Investments in Associated Organizations

Investments in associated organizations consist of allocated patronage capital and capital term certificates. Patronage capital allocations are generally recorded in the year in which the assignments are related to. Retirements of patronage capital are generally recorded when cash is received or upon notification from the association organization. Patronage capital allocations are included in G&T and other capital credits in the statements of margin. These equity investments are measured under the practicability exception and do not have readily determinable fair values and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. No impairment or observable price changes were recording during 2024 and 2023.

Patronage Capital

Current and future margins will be assigned as patronage capital.

Income Taxes

The Cooperative is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Cooperative is subject to federal and certain state income tax on any unrelated business taxable income. The Cooperative files income tax returns in the U.S. federal and state of Illinois jurisdictions. Cooperative Community Solar, LLC was treated as a disregarded entity for tax purposes until the time it was sold in 2024.

Revenue Recognition

The Cooperatives revenues are primarily derived from the sale of electric power, natural gas, and fiber services to members.

Revenue is recognized when control of electricity, natural gas, and fiber services is transferred to the Cooperative’s members in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. Unbilled revenues of $1,504,791 and $1,710,205 at December 31, 2024 and 2023, respectively, represent amounts delivered through December 31 and not billed to the members until the following month. See Note 12 for additional information about the Cooperative’s revenue.

Taxes Collected from Members and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of margin on a net basis.

Comprehensive Margin

Comprehensive margin consists of net margin and other comprehensive margin (loss). Other comprehensive margin (loss) includes changes in the funded status of the postretirement benefit plan.

Revisions

An immaterial revision has been made to the 2023 consolidated financial statements to present deferred grant proceeds in deferred credits instead of other current liabilities. The consolidated statement of cash flows was also revised to present the grant proceeds received as a financing activity instead of customer deposits and other current liabilities as an operating activity. This revision did not have a significant impact on the financial statement line items impacted. See Note 11 for additional information on the deferred grant proceeds.

An immaterial revision has been made to the 2023 consolidated financial statements to present utility plant in accounts payable within supplemental cash flow information. The consolidated statement of cash flows was revised to reduce accounts payable in net cash provided by operating activities and also reduce additions to utility plant, net and non-utility property in net cash used in financing activities. This revision did not have a significant impact on the financial statement line items impacted.

Note 2. Utility Plant

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

	2024	2023
Intangible plant	$ 7,532,686	$ 7,532,686
Electric transmission plant	499,221	499,221
Electric distribution plant	144,066,159	134,450,279
Gas distribution plant	18,740,093	18,095,884
General plant	41,329,279	35,666,276
	212,167,438	196,244,346
Construction work in progress	33,478,469	22,114,655
	245,645,907	218,359,001
Accumulated depreciation and amortization	(76,475,608)	(71,163,083)
	$ 169,170,299	$ 147,195,918

Note 3. Investments

Associated Organizations

The Cooperative is a voting member in both Dairyland Power Cooperative and Prairie Power, Inc., generation and transmission facilities supplying power to distribution cooperatives. As voting members or owners, the Cooperative share margins, on the cooperative principle, based on power purchased. These investments or patronage capital earned by voting members are being returned annually as approved by their Board of Directors. These investments are recorded at cost, minus impairment, if any, plus undistributed patronage capital allocations.

National Rural Utilities Cooperative Finance Cooperation ("NRUCFC") investments and capital term certificates are required pursuant to certain loan and guarantee agreements held by the Cooperative. NRUCFC capital term certificates include investments in NRUCFC capital term certificates, loan term certificates, and zero term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070; loan term certificates bear interest at 3% and begin maturing in the year 2025; and zero term certificates bear interest of 0% and begin maturing in the year 2025. Such investments and investments in other associated organizations are carried at cost.

Investments in associated organizations consist of the following at December 31, 2024 and 2023:

	2024	2023
Dairyland Power Cooperative - patronage capital	$ 10,397,342	$ 9,261,625
NRUCFC - patronage capital	3,080,269	2,977,321
NRUCFC capital term certificates	1,224,148	1,233,225
Prairie Power, Inc. - patronage capital	1,577,548	1,463,403
Four County Renewable Energy, LLC	-	164,576
Other associated organizations	863,341	831,736
	$ 17,142,648	$ 15,931,886

Other Investments

Other investments include investments in organizations that are related to the operations of the Cooperative or are expected to enhance the performance of the Cooperative. These investments are carried at cost.

Note 4. Notes Receivable

The Cooperative participates in the U.S. Department of Agriculture ("USDA") Rural Economic Development Loans ("REDL") Program. In the REDL Program, the USDA provides zero interest loans to local utility companies, who then provide loans to local business recipients. The local business recipients repay the utility companies in accordance with promissory notes.

During 2016, the Cooperative entered into two 10-year loans through the REDL Program. In February 2016, the Cooperative received the first loan for $447,155 which went to a large family owned potato and vegetable farm who received the loan to expand business and add equipment. In August 2016, the Cooperative received the second loan for $770,000 which went to a local agricultural cooperative who received the loan to build a Fast Stop station. Each note is payable in monthly installments of $3,716 and $6,417, respectively, and is secured by an irrevocable letter of credit. The Company receives monthly payments then, in turn, repays the USDA. At December 31, 2024 and 2023, the total notes receivable balance was $180,501 and $302,216, respectively.

Note 5. Deferred Charges

Deferred charges consist of the following at December 31, 2024 and 2023:

	2024	2023
Fiber capacity - DPC N-38 line	$ 272,504	$ 285,277
Preliminary survey and investigation - natural gas	607,859	672,410
NRECA RS pension prepayments (See Note 10)	3,050,000	3,500,000
Other	121,946	111,361
	$ 4,052,309	$ 4,569,048

The Cooperative is amortizing these charges over various periods ranging from two to 30 years.

Note 6. Patronage Capital and Retained Earnings

The following is a summary of patronage capital assignable and assigned at December 31, 2024 and 2023:

	2024	2023
Assignable	$ 1,509,683	$ 2,509,575
Assigned	26,817,879	26,075,885
	$ 28,327,562	$ 28,585,460

Outstanding loan agreements restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 20% of total assets of the Cooperative; provided, however, that retirements can be made if such distributions do not exceed 30% of the preceding year's margin. No distribution can be made if there are unpaid, when due, any installments of principal and interest on the notes.

The Cooperative's capital credit retirement policy is a hybrid calculation where the total credits earned in 1998 along with 5% of all remaining credits earned from 1998 through 2023, at a discounted rate, is paid out.

Distributions to estates are made at the request of the estates on a discounted basis. Special retirements may also be recorded on a discounted basis to recover from patrons who are indebted to the Cooperative. Discounts are retained by the Cooperative and transferred to gain on retirement of patronage capital. As of December 31, 2024, capital credits through 1998 for the Cooperative's system had been fully retired.

Retained earnings consist of the following at December 31, 2024 and 2023:

	2024	2023
Non-operating margin	$ 1,974,958	$ 2,095,191
Donated capital	182,328	182,328
Gain on retirement of patronage capital	10,284,842	9,244,100
Other margin	2,214,735	2,231,502
	$ 14,656,863	$ 13,753,121

The Cooperative segregates electric patronage capital margin in order to provide for contingency and other reserves as determined by the board of directors and Cooperative By-Laws. These contingency and other reserves are based on the results of prior year margin using a formula approved by the Board of Directors.

The Cooperative, with By-Law authority, allocates interest and dividend non-operating margin to Retained Earnings.

Note 7. Lines of Credit

The Cooperative has a $20,000,000 unsecured, perpetual line of credit with NRUCFC. During 2024, an additional $30,000,000 unsecured, perpetual line of credit with NRUCFC was opened. These lines of credit have annual paydown requirements. For each 12 month period and for a period of at least five consecutive business days, the Cooperative shall pay down the entire outstanding principal balance. At December 31, 2024 and 2023, there was $4,000,000 and $5,000,000, borrowed against these lines, respectively. Interest varies with the CFC's line of credit rate, which was 6.50% and 7.25% on December 31, 2024 and 2023, respectively.

The Cooperative also has a $3,000,000 unsecured line of credit with Illinois Bank & Trust expiring in February 2026. At December 31, 2024 and 2023, there were no borrowings against this line. Interest varied with the bank's prime rate plus 2%, which was 8.5% and 9.5% on December 31, 2024 and 2023, respectively, and is payable quarterly.

The Cooperative also has a $1,000,000 unsecured line of credit with CoBank expiring in December 31, 2025. At December 31, 2024 and 2023, there were no borrowings against this line. Interest varies with the bank's prime rate, which was 6.60% and 7.61% on December 31, 2024 and 2023, respectively, and is payable monthly.

Note 8. Long-Term Debt

	2024	2023
NRUCFC secured promissory notes 2.74% - 7.40% notes due 2025 - 2064	$ 142,066,608	$ 118,563,825
USDA Rural Development, maturing in 2026; payable approximately $10,000 monthly, no interest; secured by a letter of credit guarantee	180,501	302,216
Morgan Stanley Termination and Transition Agreement, maturing in 2028; payable monthly based on power consumption estimated at $155,000 per month, no interest (See Note 13)	4,712,333	6,165,197
Unamortized premium	-	57,316
	146,959,442	125,088,554
Less current maturities	6,435,053	5,927,609
	$ 140,524,389	$ 119,160,945

The NRUCFC loan agreements impose certain restrictions upon the Cooperative relating to the purchase, sale, construction, and maintenance of distribution plant, as well as future financing and retirement of patronage capital. These notes are secured by substantially all assets of the Cooperative.

As of December 31, 2024, the Cooperative has an additional available borrowing balance with NRUCFC beyond the operating line of credit of approximately $43,250,000.

Aggregate annual maturities of long-term debt at December 31, 2024, are:

2025	$	6,435,053
2026		6,573,073
2027		5,878,501
2028		5,130,019
2029		5,386,480
Thereafter		117,556,316
	$	146,959,442

Note 9. Postretirement Benefits

The Cooperative has a postretirement health care benefit plan whereby the Cooperative pays 80% of the cost of health insurance premiums for retired employees and dependents when the retiree's age is between 62 and 65 years old. Outside union employees are eligible for benefits prior to age 62, upon completion of 30 years of service. The Cooperative pays 80% of the cost of health insurance premiums between retirement and age 65, for those eligible outside union employees. All other employees are required to pay 100% of their premiums between retirement and age 62, in order to participate in the plan between ages 62 and 65. The plan does not provide for the payment of benefits after age 65 and is unfunded as of December 31, 2024 and 2023.

The Cooperative uses a December 31 measurement date for the plan. Information about the plan's funded status follows:

		2024		2023
Benefit obligation	$	(1,407,920)	$	(1,311,691)
Fair value of plan assets		-		-
Funded status	$	(1,407,920)	$	(1,311,691)

Amounts recognized in the consolidated balance sheets:

		2024		2023
Current liability	$	125,985	$	83,327
Noncurrent liability		1,281,935		1,228,364
	$	1,407,920	$	1,311,691

Amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic benefit cost consist of:

	2024	2023
Net income	$ 95,429	$ 65,356

The accumulated benefit obligation for the plan was $1,407,920 and $1,311,691 at December 31, 2024 and 2023, respectively.

Employer contributions were $83,327 and $103,386 for 2024 and 2023, respectively.

The discount rate used to determine the benefit obligation was 5.65% and 5.70% for 2024 and 2023, respectively.

For measurement purposes, a 6.50% annual rate of increase in the per capita cost of covered medical care benefits was assumed for 2024. The rate for 2024 is assumed to decrease by 0.25% annually until reaching 4.75% and remain at that level thereafter. Further, the annual rate of increase in the per capita costs of covered dental and vision care benefits was assumed to be 5.00% for 2024 and 2023, respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

2025	$ 125,985
2026	142,627
2027	192,186
2028	224,011
2029	163,665
2030 - 2034	571,780
	$ 1,420,254

The Cooperative applies ASU 2017-07, *Compensation - Retirement Benefits* (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which was deemed to be immaterial to the consolidated financial statements as there was no effect on net margins.

Note 10. Employee Benefit Plans

Multiemployer Pension Plan

Substantially all of the employees of the Cooperative participate in the National Rural Electric Cooperative Association ("NRECA") Retirement Security Plan ("RS Plan"). The RS Plan is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The Plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single-employer plan is that all Plan assets are available to pay benefits of any Plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative's contributions to the RS Plan in 2024 and 2023 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan totaling approximately $1,935,000 and $1,559,000 in 2024 and 2023, respectively.

For 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% funded on January 1, 2024 and 2023, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of 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.

RS Plan Prepayments

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from that expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15 year period.

Two prepayment options were available to participating cooperatives:

1. Use current assets to make the prepayment over a period of not more than four years.
2. Borrow funds sufficient to make the prepayment in a lump sum, with the repayment of the borrowed amount determined by the loan's amortization schedule.

On March 31, 2013, the Cooperative made a prepayment of $3,532,278 to the NRECA RS Plan. This prepayment was funded with the line of credit through NRUCFC. The Cooperative recorded this prepayment on the balance sheets as a deferred charge. The Cooperative was amortizing this amount over 10 years and amortized $88,922 for 2023, until it was full amortized in March of 2023.

Starting in 2018, participating cooperatives in the NRECA RS Plan may make an additional contribution prepayment as a Voluntary Contribution Acceleration Program ("VCAP") contribution in order to reduce future required contributions. The reduction in future contributions (contribution discount) and the length of the period over which the contribution reduction extends (discount period), is selected by the Cooperative. The VCAP contribution amount is then determined such that it is expected to fund the contribution discount over the discount period. After making the VCAP contribution, the RS Plan billing rate is reduced to reflect the selected contribution discount, which becomes effective the subsequent January 1. The VCAP contribution is accounted for on a monthly basis by crediting it with the actual monthly RS Plan investment return, and reducing it by the reduction in monthly contributions obtained through the contribution discount, until the account value reduces to zero. Note that change in Plan provisions, demographic changes, asset returns different from the long term expected return on Plan assets, and other factors will have an impact on the length of the discount period. On December 13, 2019, the Cooperative made a VCAP contribution of $2,500,000 to the NRECA RS Plan. The Cooperative recorded this prepayment on the consolidated balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized $250,000 for 2024 and 2023.

On December 28, 2023, the Cooperative made a VCAP contribution of $2,000,000 to the NRECA RS Plan. The Cooperative recorded this prepayment on the consolidated balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized $200,000 for 2024. No amortization was recorded for 2023.

Defined Contribution Plan

The Cooperative has a 401(k) defined-contribution plan covering substantially all employees, which allows for both employee and Cooperative contributions. The Cooperative contribution for 2024 consists of matching contributions of employee contributions, up to 5% of participating non-union employees' compensation and up to 3% of participating union employee's compensation. Contributions to the Plan were approximately $418,000 and $338,000 for 2024 and 2023, respectively.

Note 11. Deferred Credits

Deferred credits consist of the following at December 31, 2024 and 2023:

	2024	2023
Deferred grant proceeds	$ 20,212,864	$ 1,484,883
Customer prepayments	596,082	533,349
Unclaimed capital credit checks	84,462	81,239
Special equipment installation charges	-	31,790
Deferred revenue	1,500,000	3,250,000
Unamortized gain on reacquired debt	9	478
Over recovered purchased gas	1,619,722	975,004
Other	20,791	23,059
	$ 24,033,930	$ 6,379,802

Deferred Grant Proceeds

Beginning in 2023, the Cooperative became a United States Department of Agriculture ("USDA") Rural Utilities Services ("RUS") grantee, specifically for the ReConnect Program. These funds are being utilized to facilitate fiber deployment in areas of rural America that currently do not have sufficient access to fiber. During 2024, the Cooperative received approximately $11,710,000 of grant advances to be utilized in aid of the fiber buildout. As of December 31, 2024, approximately $8,195,000 had been utilized, leaving approximately $5,000,000 of deferred grant proceeds to be used in future periods. During 2023, the Cooperative received approximately $3,200,000 of grant advances to be utilized in aid of the fiber buildout. As of December 31, 2023, approximately $1,715,000 had been utilized, leaving approximately $1,485,000 of deferred grant proceeds to be used in future periods.

Beginning in 2024, the Cooperative became an Illinois ReConnect Loan and Grant Program grantee. These funds are being utilized to facilitate fiber deployment in areas of rural Illinois that currently do not have sufficient access to fiber. During 2024, the Cooperative received approximately $17,475,000 of grant advances to be utilized in aid of the fiber deployment. As of December 31, 2024, approximately $2,263,000 had been utilized, leaving approximately $15,212,000 of deferred grant proceeds to be used in future years, expiring in 2026.

Deferred Revenue

The board of directors has established a deferred revenue plan, which seek to stabilize members' rates to mitigate the effects of expected increases in rates. The plans defers margins resulting from reduced capacity charges.

Note 12. Revenue from Contracts with Customers

Performance Obligations

Rates charged for distribution of electric, natural gas, and fiber service are established at least annually by the Cooperative's Board of Directors. The Cooperative provides energy and capacity to members as one stand-ready performance obligation. Revenue is recognized by the Cooperative upon transfer of control of promised services to members in an amount that reflects the consideration expected to be received in exchange for those services.

The Cooperative transfers control of the electric power and natural gas to members at each member's meter point and the members simultaneously receive and consume the benefits of the energy provided. Electric power and natural gas provided to members is accounted for as a series of performance obligations. Progress towards completion is measured using the output method (kilowatt hour (Kwh) received by the customer), meter readings are taken at the end of each month for billing purposes, the quantity of power and gas transferred is determined after the meter readings. Payments from members are typically received in accordance with each member's contract, which is less than 21 days from the invoice date.

The Cooperative transfers control of fiber services as members receive and consume the benefits over the service period. The transfer of service is accounted for as one performance obligation and revenue is recognized primarily based on monthly billings for the service period as this corresponds directly with the services provided to date. Payments from members are typically received in accordance with each member's contract, which is less than 21 days from the invoice date.

Revenue associated with electric power, natural gas, and fiber service performance obligations to members are recorded as sales to members in our accompanying consolidated statements of margin.

The Cooperative has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are primarily affected by factors that impact demand.

Contract Balances

The following table provides information about the Cooperative's receivables from contracts with members:

	2024	2023
Accounts receivable - customers, beginning of year	$ 3,323,981	$ 3,748,890
Accounts receivable - customers, end of year	$ 3,204,533	$ 3,323,981
Unbilled revenues, beginning of year	$ 1,710,205	$ 2,934,175
Unbilled revenues, end of year	$ 1,504,791	$ 1,710,205

Note 13. Commitments and Contingencies

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Concentration of Credit

The Cooperative provides electric, natural gas and fiber services to its members located throughout northwest Illinois, Iowa, and Wisconsin. The accounts receivable balance represents amounts due from these consumers. The collectability of the accounts receivable arising from sales is based on the economy of the service area. Credit is issued after payment of a deposit and approval by the board of directors.

Power Supply

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Dairyland Power Cooperative (“Dairyland Power”) through December 31, 2060, for the Alliant service area. The rates are subject to review annually.

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Prairie Power, Inc. through December 31, 2060, for the Farmers Mutual Electric Company service area. The rates are subject to review annually.

The Cooperative entered into a five year agreement on May 13, 2014, with Morgan Stanley Capital Group (“Morgan Stanley”), to purchase its electric power and energy requirements currently supplied by Interstate Power and Light Company (“IPL”) beginning April 1, 2018 through March 31, 2023. On October 27, 2017, the Cooperative, Morgan Stanley and Dairyland Power agreed to a Termination and Release Agreement which released the Cooperative from the five year agreement with Morgan Stanley. At that time, a Termination and Transition Agreement was signed with Dairyland Power to transition the former IPL load to Dairyland Class “A” Member load, beginning April 1, 2018, and through the end date of the current Wholesale Power Contract between Jo-Carroll and Dairyland Power, which is December 31, 2060. The Termination and Release Agreement also requires the Cooperative to pay $16,500,000 to Dairyland Power over a period of 10 years from April 1, 2018 through March 31, 2028, as a pass-through cost from Dairyland Power to Jo-Carroll as a result of the assumption by Dairyland Power of release fees owed to Morgan Stanley relating to the original five year agreement between Jo-Carroll and Morgan Stanley. This amount was recorded as a deferred charge as of April 1, 2018, and was being amortized over a period of five years, becoming fully amortized in April 2023.

The Cooperative entered into a natural gas purchase agreement on September 7, 2007, with the Illinois Public Energy Agency (IPEA). This agreement was set to expire March 31, 2024. In March 2024, it was extended for a period of 4 years and is now set to expire March 31, 2028.

Labor Agreements

Approximately 58% of the Cooperative’s employees are covered by collective bargaining agreements. Two collective bargaining agreements covering these employees expire in 2028.

Letter of Credit

The Cooperative had $333,355 at December 31, 2024 and 2023, in an outstanding letter of credit to be used for the purchase of natural gas.

Inventory Futures – Natural Gas

As of December 31, 2024, the Cooperative has committed to purchase natural gas in various periods through December 2027, for a total value of approximately $5,447,000.

Note 14. Subsequent Events

Subsequent events have been evaluated through March 14, 2025, which is the date the consolidated financial statements were available to be issued.

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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*

Board of Directors
Jo-Carroll Energy, Inc.
Elizabeth, Illinois

We have audited, 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 *(Government Auditing Standards)*, the consolidated financial statements of Jo-Carroll Energy, Inc. (the "Cooperative"), which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of margin, members' equities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 14, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's consolidated 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 consolidated financial statements. 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 the internal control and compliance and the results 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.

Forvis Mazars, LLP

St. Louis, Missouri
March 14, 2025

Reference Number	Finding
	No matters are reportable.