Report of Independent Auditors and
Consolidated Financial Statements
with Supplementary Information

Midwest Energy Cooperative

December 31, 2024 and 2023

MOSSADAMS

Table of Contents

Midwest Energy Cooperative
Board of Directors
December 31, 2024

Clarence A. Barth	Chairman
Dan Bodette	Vice Chairman
Ronald Armstrong	Secretary
John Green	Treasurer
Fred Turk	Director
Jim Wiseley	Director
Gerry Bundle	Director
Jeff Diehl	Director
Erika Escue-Cadieux	Director
Terry Rubenthaler	President and CEO

Report of Independent Auditors

The Board of Directors
Midwest Energy Cooperative

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Midwest Energy Cooperative (the Cooperative), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, equities and margins, 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 referred to above present fairly, in all material respects, the consolidated financial position of the Cooperative as of December 31, 2024 and 2023, and the changes in financial position and, where applicable, cash flows thereof 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 (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 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 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 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 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 U.S. 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 U.S. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements that collectively comprise the Cooperative's financial statements as whole. The consolidating balance sheet and consolidating statement of operations (collectively, supplementary information) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2025, on our consideration of the Cooperative's internal control over financial reporting and on 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 Cooperative'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 Cooperative's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
March 28, 2025

Consolidated Financial Statements

Midwest Energy Cooperative
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
ELECTRIC PLANT AND EQUIPMENT		
In service – at cost	$ 545,488,559	$ 427,438,307
Construction work in progress	83,029,911	82,066,538
	628,518,470	509,504,845
Less accumulated depreciation	132,399,744	118,076,858
Net electric plant and equipment	496,118,726	391,427,987
OTHER ASSETS AND INVESTMENTS		
Investments in associated organizations	45,868,252	41,526,795
Notes receivable	1,458,930	1,455,943
Total other assets and investments	47,327,182	42,982,738
CURRENT ASSETS		
Cash and cash equivalents	14,370,930	8,089,223
Accounts receivable, less allowance for credit losses of $427,232 and $381,259 in 2024 and 2023, respectively	9,410,895	9,939,620
Grant receivable	10,598	20,381
Unbilled revenue	5,800,730	5,570,359
Income taxes receivable	133,416	-
Current portion of notes receivable	17,000	30,000
Materials and supplies	9,681,174	13,371,723
Inventory of subsidiary	377,660	485,509
Other current assets	5,198,456	4,773,365
Total current assets	45,000,859	42,280,180
Total assets	$ 588,446,767	$ 476,690,905

See accompanying notes.

Midwest Energy Cooperative
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
LIABILITIES, EQUITIES, AND MARGINS		
EQUITIES AND MARGINS		
Patronage capital and other equities	$ 173,887,360	$ 135,458,493
LONG-TERM DEBT, less current maturities	287,116,962	270,530,279
OTHER LIABILITIES		
Post retirement benefits other than pensions	2,858,175	2,537,263
Accrued pension liability	242,928	200,398
Total other liabilities	3,101,103	2,737,661
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
CURRENT LIABILITIES		
Current maturities of long-term debt	10,930,185	10,422,312
Line of credit	80,000,000	25,000,000
Accounts payable		
Purchased power and cooperative payables	16,079,235	17,149,797
Regulatory liabilities – energy optimization	120,505	127,644
Power supply cost recovery	3,758,132	1,651,182
Customer deposits	2,755,536	2,550,967
Income taxes payable	-	290,610
Accrued liabilities	9,078,106	9,264,035
Total current liabilities	122,721,699	66,456,547
DEFERRED TAX LIABILITY, net	1,619,643	1,505,925
DEFERRED CREDITS	-	2,000
Total liabilities, equities, and margins	$ 588,446,767	$ 476,690,905

See accompanying notes.

Midwest Energy Cooperative
Consolidated Statements of Operations
Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING REVENUES	$ 140,276,475	$ 131,746,664
OPERATING EXPENSES		
Cost of power	49,416,900	48,383,538
Cost of goods sold	5,747,550	5,509,054
Distribution – operations	7,442,187	3,985,281
Distribution – maintenance	14,023,322	13,951,513
Customer accounts	5,079,601	4,352,709
Customer service and information expense	992,341	1,105,340
Administrative and general	15,109,999	12,559,426
Depreciation and amortization	19,077,454	15,270,006
Taxes – property	7,137,082	5,775,742
Total operating expenses	124,026,436	110,892,609
OPERATING MARGINS BEFORE FIXED CHARGES	16,250,039	20,854,055
FIXED CHARGES		
Interest on long-term debt	8,800,216	7,354,035
Total fixed charges	8,800,216	7,354,035
OPERATING MARGINS AFTER FIXED CHARGES	7,449,823	13,500,020
G&T AND OTHER CAPITAL CREDITS	5,341,201	3,971,541
NET OPERATING MARGINS	12,791,024	17,471,561
NON-OPERATING MARGINS		
Interest and dividend income	432,028	297,919
Gain on sale of assets	57,426	92,970
Grant revenue	24,797,801	10,913,980
Other income, net	28,165	(271,311)
Income tax expense	(282,330)	(544,699)
Total non-operating margins	25,033,090	10,488,859
NET MARGINS	37,824,114	27,960,420
COMPREHENSIVE INCOME		
Unrealized gain on pension and post-retirement benefits other than pensions	715,179	212,345
COMPREHENSIVE INCOME	$ 38,539,293	$ 28,172,765

See accompanying notes.

Midwest Energy Cooperative
Consolidated Statements of Equities and Margins
Years Ended December 31, 2024 and 2023

	2024	2023
Patronage capital		
Balance at January 1,	$ 106,281,387	$ 91,763,911
Transfer of current year Cooperative net operating margins	11,692,394	15,612,324
Retirement of capital credits, net	(1,743,962)	(1,094,848)
Balance at December 31,	116,229,819	106,281,387
Non-operating margins		
Balance at January 1,	22,223,360	11,340,770
Current year Cooperative non-operating margins	25,200,246	10,882,590
Balance at December 31,	47,423,606	22,223,360
Undistributed subsidiary earnings		
Balance at January 1,	7,219,429	5,753,923
Income from subsidiary, excluded from net operating and non-operating margins	931,474	1,465,506
Balance at December 31,	8,150,903	7,219,429
Other equity		
Balance at January 1,	5,533,252	4,540,992
Additions	1,633,536	992,260
Balance at December 31,	7,166,788	5,533,252
Accumulated other comprehensive loss		
Balance at January 1,	(5,798,935)	(6,011,280)
Unrealized gain on pension and post-retirement benefits other than pensions	715,179	212,345
Balance at December 31,	(5,083,756)	(5,798,935)
Total equities and margins	$ 173,887,360	$ 135,458,493

See accompanying notes.

Midwest Energy Cooperative
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 37,824,114	$ 27,960,420
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation and amortization	19,077,454	15,270,006
Capital credits allocated	(5,341,201)	(3,971,541)
Gain on disposal of assets	(57,426)	(92,970)
Deferred taxes	113,718	181,735
Changes in assets and liabilities		
Customer and other accounts receivable	528,725	(654,776)
Unbilled revenue	(230,371)	456,261
Income taxes receivable	(133,416)	120,973
Inventory of subsidiary	107,849	(161,124)
Power supply cost recovery	2,106,950	1,544,178
Other current assets	(425,091)	1,014,990
Accrued pension liability	891,443	676,607
Post-retirement benefits other than pensions	187,178	107,289
Accounts payable	(1,070,562)	4,611,784
Regulatory liabilities	(7,139)	(13,462)
Income taxes payable	(290,610)	290,610
Customer deposits	204,569	152,317
Deferred credits	(2,000)	(47,000)
Current and accrued liabilities – other	(185,929)	1,096,602
Net cash provided by operating activities	53,298,255	48,542,899
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and acquisition of plant, net of retirements	(124,005,821)	(102,827,279)
Net proceeds from sale of plant	295,054	281,974
Decrease (increase) in		
Materials inventory	3,690,549	(2,140,565)
Notes receivable	10,013	5,753
Investments – associated organizations	999,744	733,840
Net cash used in investing activities	(119,010,461)	(103,946,277)

See accompanying notes.

Midwest Energy Cooperative
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on long-term debt	$ 29,135,000	$ 42,811,265
Proceeds on line of credit	75,000,000	10,000,000
Payments on line of credit	(20,000,000)	-
Grant receivable	9,783	9,783
Retirement of patronage capital credits, net	(1,743,962)	(1,094,848)
Other equity	1,633,536	992,260
Payments on long-term debt	(12,040,444)	(9,616,772)
Net cash provided by financing activities	71,993,913	43,101,688
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,281,707	(12,301,690)
CASH AND CASH EQUIVALENTS – beginning	8,089,223	20,390,913
CASH AND CASH EQUIVALENTS – ending	$ 14,370,930	$ 8,089,223
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 9,977,571	$ 7,329,849
Cash paid for income taxes	$ 606,223	$ 37,606

See accompanying notes.

Note 1 – Nature of Organization and Operations

Midwest Energy Cooperative (Midwest or Cooperative) is a non-profit organization generally exempt from income tax under Section 501(c)(12) of the United States Internal Revenue Code. The Cooperative is engaged principally in the distribution and sale of electricity in Southwest and Southeast Michigan, Northern Indiana, and Northern Ohio.

Midwest Energy, Inc. and Subsidiary, a wholly-owned subsidiary of the Cooperative, is a Michigan corporation, which was incorporated and commenced doing business January 30, 1998. Midwest Energy, Inc. and Subsidiary's principal business activity is providing propane services. The main office is located in Cassopolis, Michigan.

The Cooperative began a project for communication and fiber to the home in 2013. This includes providing phone and high-speed broadband to 28,121 customers in their service territory and beyond.

Note 2 – Summary of Significant Accounting Policies

Use of estimates – The preparation of consolidated 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specific estimates include allowance for doubtful accounts, unbilled revenue, depreciation and postretirement benefit obligation. Actual results could differ from those estimates.

Principles of consolidation – The consolidated financial statements for 2024 and 2023 combine the financial results of the Cooperative and its wholly owned subsidiary Midwest Energy, Inc. and Subsidiary. The Cooperative has accounted for the investment using the equity method. All significant intercompany transactions and accounts have been eliminated.

Accounting records – The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to regulated enterprises, which conform to policies prescribed or permitted by the Michigan Public Service Commission (MPSC) and United States Department of Agriculture Rural Utilities Service (RUS). The applicable uniform system of accounts prescribed by these regulatory commissions conform in all material respects with generally accepted accounting principles as applied to rate regulated utilities.

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC) for Class A and B electric utilities.

Electric plant and equipment – Additions with a life expectancy of more than one year are recorded at the cost of construction, which includes the cost of contracted services, direct labor and materials, and overhead items, less contributions in aid of construction received from customers. As items are retired or otherwise disposed of, the asset account is credited for the cost and the accumulated depreciation account is charged. The cost of removal, less salvage, is also charged to the accumulated depreciation account.

Cash and cash equivalents – Cash and cash equivalents include cash in bank and all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Cooperative places its cash and investments with high credit quality financial institutions. At times, such cash and investments may be in excess of the FDIC insurance limit.

Fair value of financial instruments – Financial instruments include cash, investments and long-term debt. Investments in associated organizations are not considered financial instruments because they represent nontransferable interests in associated organizations.

Investments in associated organizations – The carrying values of investments in associated organizations are stated at cost, adjusted for capital credits earned or retired.

Accounts receivable – Accounts receivable is composed primarily of amounts due from members for electric service. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approve all accounts charged off. The Cooperative provides an allowance for credit losses to estimate losses, under this method an allowance is recorded based upon historical experience, collection history, and management's evaluation of, among other factors, current and reasonably supportable expected future economic conditions and customer's ability to pay.

Purchased power billing – Refundable or recoverable power supply cost recovery (PSCR) credit-over collections, as well as under collections of the cost of electricity purchased not recovered or refunded through rates, are deferred and are being refunded or recovered in accordance with procedures approved by the Board. PSCR balance is included within other current assets.

Materials and supplies – Electrical materials and supplies are valued at lower of average cost or net realizable value.

Inventory of subsidiary – Propane inventory is recorded at the lower of cost or net realizable value using average cost.

Advertising – The cost of advertising is expensed as incurred.

Regulation and regulatory accounting – The MPSC has jurisdiction over regulated Rural Electric Cooperatives in Michigan. On May 24, 2015, the Board of Directors voted to become member-regulated as of August 24, 2015. On that date, the Cooperative became self-regulated for rates, billing practices, and accounting standards. MPSC regulated the Cooperative's electric utility business operations and rates prior to August 24, 2015. All other aspects of electric service continue to be regulated by MPSC. Due to regulation of its rates by the Board, the Cooperative follows regulatory accounting requirements. Regulatory accounting requirements recognize that the ratemaking process can result in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. Such differences generally involve the accounting period in which various transactions enter into the determination of net margins. Accordingly, certain costs and income may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery and are approved by the Board.

Unclaimed property – Unclaimed property represents refunds to members of deposits, membership fees received, and patronage refunds received which have not been claimed. After five years and appropriate notification, such amounts may be credited back to the Cooperative as donated capital. Unclaimed property balance is included within accrued liabilities.

Compensated absences – The Cooperative provides a flexible leave program to meet the needs of their unique employee base. Each regular employee will earn Paid Time Off (PTO) in increments that are based on their length of service on a bi-weekly basis. PTO is added to the employee's PTO bank when the bi-weekly paycheck is issued and subtracted from the employee's bank as used. Each employee may carry over unused hours of PTO, provided they do not exceed the maximum level based on years of service detailed in their accrual schedule. Employees may use extended sick leave hours on their 4th consecutive day of absence due to their own personal illness or injury. It is the Cooperative's policy to pay one-half of the employee's accumulated unused sick leave upon normal retirement, provided that their extended sick leave bank is equal to or greater than 520 hours.

The payout is capped at 260 hours and will be reduced by any PTO payouts taken during the employee's tenure. For the years ended December 31, 2024 and 2023, an accrual has been made for individuals who meet the required qualifications and have attained the age of 60, which has been included in accrued liabilities on the consolidated balance sheet.

Concentration of credit risk – Financial instruments that are exposed to concentrations of credit risk consist primarily of cash, including temporary investments and receivables. Credit is extended to customers generally without collateral requirements; however, deposits are obtained from certain customers and formal shut-off procedures are in place.

Income taxes – The Cooperative is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code. The Cooperative adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. As of December 31, 2024 and 2023, the Cooperative does not have any uncertain tax positions. The Cooperative files an exempt organization tax return in the U.S. federal jurisdiction and the state of Michigan.

Midwest Energy, Inc. and Subsidiary is a taxable for-profit corporation for both federal and state tax purposes. Income taxes are provided for in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided on an asset and liability approach whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Patronage capital – Cooperative operating margins are assigned to individual Cooperative members' capital credit accounts based upon their revenue. Amounts are assigned to members within eight months after year end. Non-operating margins are allocated to members at the discretion of the Board of Directors. Capital credits are returned to members in accordance with the Cooperative's bylaws.

Assets pledged – Substantially all assets are pledged as collateral on long-term debt payable to the Rural Utilities Service (RUS) of the United States of America, the National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank Cooperative.

Recognition of patronage revenue – Patronage revenue of associated organizations is recognized in the year in which the associated organization allocates its earnings to their respective members.

Revenue recognition and unbilled revenue – Revenue is recognized when obligations under the terms of a contract with members are satisfied. Generally, this satisfaction of performance obligations and transfer of control occurs, and revenues are recognized as electricity is delivered to members, including any services provided. The prices charged, and amount of consideration the Cooperative receives in exchange for its goods and services provided, are established and approved by the Cooperatives board of directors. The Cooperative recognizes revenue through the following steps: i) identifying the contract with the member; ii) identifying the performance obligations in the contract; iii) determining the transaction price; iv) allocating the transaction price to the performance obligations; and v) recognizing revenue when or as each performance obligation is satisfied.

In addition, the Cooperative records unbilled revenue for revenues from electric power delivered but not yet billed as of December 31.

The Cooperative recognizes revenue related to phone and broadband services it provides when control of a product is transferred. Recognition of certain payments received in advance of services provided is deferred until the service is provided, i.e., when the company satisfies its performance obligation. The Cooperative records these payments as unearned revenue for services billed but not yet performed at the end of the fiscal year. Total unearned revenue included within accrued liabilities as of the year ended December 31, 2024 and 2023, were $3,210,830 and $2,530,373, respectively.

Midwest Energy, Inc. recognizes revenue upon delivery of propane or appliance, when control has been transferred to the customer.

Leases – The Cooperative determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the balance sheets as Right of Use (ROU) assets and lease liabilities. ROU assets represent the Cooperative's right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Cooperative considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. The Cooperative entered into no new leases for the year ended December 31, 2024.

Government assistance – In November 2021, the FASB issued ASU 2021-10, which requires business entities to disclose information about certain government assistance they receive. Such disclosure requirements include the nature of the transactions and the related accounting policy used, the line items on the balance sheet and income statement that are affected and the amounts applicable to each financial statement line item and significant terms and conditions of the transactions.

The Cooperative's government assistance during the year ended December 31, 2024 and 2023, consists of federal subsidies from the below grants.

Rural Development Opportunity Fund – The Cooperative was a winning bidder in the Rural Development Opportunity Fund (RDOF) auction of approximately $36.9 million in federal subsidies to be received monthly over ten years to deploy and operate broadband services to underserved communities to approximately 33,177 passings. For accounting purposes, RDOF subsidies are recorded as universal service support revenue since the primary conditions for the receipt of the subsidies are the build out and operation of the broadband network over the ten years. Infrastructure revenue received has been included within grant revenue on the consolidated statement of operations. During the years ended December 31, 2024 and 2023, network infrastructure revenue of $3,699,608 was received from RDOF.

Realizing Opportunity with Broadband Infrastructure Networks – The Cooperative was a winning bidder in the Realizing Opportunity with Broadband Infrastructure Networks (ROBIN) Grant Program of approximately $25.2 million in state subsidies to deploy and operate broadband services to underserved communities to approximately 15,846 passings. The ROBIN Grant will be received as quarterly reimbursement over the construction of the project that shall be completed no later than December 31, 2026. Additionally, local municipalities have granted the Cooperative a subaward of their American Rescue Plan Act (ARPA) federal funds of approximately $11.0 million towards the build out of the passings mentioned above. For accounting purposes, ROBIN subsidies will be recorded as universal service support revenue since the primary conditions for the receipt of the subsidies are the build out and operation of the broadband network for the contracted locations. Support revenue received has been included within grant revenue on the consolidated statement of operations. As of December 31, 2024, $13,621,945 and $4,255,761 in ROBIN and ARPA funds were received, respectively. As of December 31, 2023, no funds were received in either ROBIN or ARPA funds.

Connect America Fund Phase II – The Cooperative was a winning bidder in the Connect America Fund Phase II (CAF II) auction of approximately $5.2 million in federal subsidies to be received monthly over 10 years to expand broadband to unserved rural communities to approximately 2,386 passings. For accounting purposes, CAF II subsidies are recorded as universal service support revenue since the primary conditions for the subsidies are the build out and operation of the broadband network over the ten years. Support revenue received has been included within grant revenue on the consolidated statement of operations. The Cooperative recorded $517,113 in network infrastructure revenue from CAF II during the years ended December 31, 2024 and 2023, respectively.

SMART Park Project – The Cooperative applied and received an award from U.S. Department of Commerce's Economic Development (EDA) of $6,000,000 to assist in the development of MEC Southwest Michigan Advanced Research and Technology (SMART) Park Project. Under the terms of the awards, the total approved authorized budget of the project is $6,000,000 and $5,968,863 in Federal Share (EDA) and Non-Federal Matching Share (MEC), respectively. The eligible project expenses are reimbursed by EDA based on actual costs incurred and submission of the project progress report. For accounting purposes, EDA Federal Financial Assistance is recorded as a grant revenue on the consolidated statement of operations. As of the years ended December 31, 2024 and 2023, the Cooperative received $917,286 and $5,082,710, respectively.

Subsequent events – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the consolidated financial statements were issued or the date the consolidated financial statements were available to be issued. The Cooperative has evaluated subsequent events through March 28, 2025, the date the consolidated financial statements were available to be issued.

Note 3 – Electric Plant and Equipment and Depreciation Rates

Major classes of electric plant and equipment as of December 31, 2024 and 2023 consisted of:

	2024	2023
Cost		
General plant	$ 98,480,433	$ 81,658,777
Transmission plant	6,371,789	6,371,789
Distribution plant	206,029,750	194,855,696
Fiber plant	234,606,587	144,552,045
Construction in progress	83,029,911	82,066,538
Total cost	628,518,470	509,504,845
Accumulated depreciation and amortization	132,399,744	118,076,858
Net electric plant and equipment	$ 496,118,726	$ 391,427,987

Provision has been made for depreciation of the distribution plant at a straight-line composite rate of 3.0 percent per annum, except for optical network terminals (ONTs) and meters which are being depreciated at the rate of 20.0 percent and 4.6 percent per annum, respectively. Depreciation of the subsidiary's assets is computed over the estimated useful life of the assets on a straight-line method for financial reporting and an accelerated method for income tax purposes.

General plant depreciation rates have been applied on a straight-line basis as follows:

Structures and improvements	2.00%
Office furniture, fixtures, data processing, and laboratory equipment	4.80-20.00%
Transportation equipment	10.00-33.30%
Stores, tools, and power operated equipment	6.00%
Communications	8.40%
Miscellaneous	9.60%
Propane tanks	3.33%

Note 4 – Investments in Associated Organizations

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

	2024	2023
National Rural Utilities Cooperative Finance Corp. (CFC)		
Capital term certificates, 5.00% maturing through 2080	$ 1,049,571	$ 1,049,571
Loan term certificates, 3.00% maturing through 2035	150,400	150,400
Patronage capital		
CFC	482,908	440,013
National Information Solutions Cooperative	269,858	365,793
Wabash Valley Power Association	5,901,052	6,025,676
Buckeye Power, Inc.	1,065,405	1,086,138
Wolverine Power Supply Cooperative, Inc.	32,837,647	29,525,851
Federated Rural Electric Insurance Cooperative, at cost	411,809	415,781
Buckeye Power, Inc. – membership	98,899	98,899
Resco (WISC)	1,680,290	1,087,785
NRTC	285,768	277,388
Other	1,634,645	1,003,500
Total	$ 45,868,252	$ 41,526,795

The accounting policies for recognition of patronage revenue are described in Note 2. Investments are pledged to secure long-term debt as described in Note 5.

Note 5 – Long-Term Debt

Long-term debt is composed of mortgage notes payable to the Rural Utilities Service (RUS) of the United States of America, the National Rural Utilities Cooperative Finance Corporation (CFC), the Federal Financing Bank (FFB), and CoBank Cooperative. Several mortgage notes to CFC and RUS will be repriced and the interest rate adjusted accordingly during the next 10 years in accordance with the policy and procedure governing such repricing. The notes are scheduled to be fully repaid at various times from 2025 through 2058. Unadvanced loan funds were available from RUS at December 31, 2024 and 2023 in the amount of $26,138,000 and $0, respectively.

During the year ended December 31, 2024, the Cooperative was made available a $20,000,000 loan from CFC. The Cooperative has a draw period of five years, beginning January 30, 2024 to draw on the available balance, at which point each draw will be considered a separate loan. As of the year ended December 31, 2024, $0 was outstanding on the available loan.

Detail of the long-term debt is as follows:

	2024	2023
Notes payable to CFC in quarterly installments of $47,312, including interest at 4.35%–7.35%, with final maturity ranging from 2025 to 2032. Secured by substantially all assets.	$ 1,578,043	$ 1,767,290
Notes payable to CoBank in monthly installments of $224,770 including interest at 3.49%–6.55%, with final maturity ranging from 2025 to 2037. Secured by substantially all assets.	50,146,775	52,844,019
Notes payable to FFB in quarterly installments of $1,604,288, including interest at 0.92%–4.65%, with final maturity ranging from 2041 to 2058. Secured by substantially all assets.	198,415,894	177,246,593
Notes payable to CFC in quarterly installments of $297,063, including interest at 4.19%–4.49%, with final maturity ranging from 2047 to 2048. Secured by substantially all assets.	47,906,435	49,094,689
Subtotal	298,047,147	280,952,591
Less current maturities	10,930,185	10,422,312
Total long-term debt, less current maturities	$ 287,116,962	$ 270,530,279

Maturities of long-term debt for each of the next five years are as follows:

2025	$ 10,930,185
2026	11,464,956
2027	11,807,656
2028	12,158,758
2029	12,239,366
Thereafter	239,446,226
Total	$ 298,047,147

Note 6 – Line of Credit

The Cooperative has available a line of credit with CFC in the amount of $25,000,000 for the years ended December 31, 2024 and 2023, respectively. The line of credit has an interest rate of 6.50% and matures December 31, 2069. During the year ended December 31, 2024 the Cooperative obtained an additional line of credit with CFC in the amount of $75,000,000. The line of credit has an interest rate of 6.50% and matures February 13, 2027. Outstanding liability as of December 31, 2024 and 2023, was $75,000,000 and $10,000,000.

The Cooperative has available a line of credit with CoBank in the amount of $30,000,000 and $20,000,000 for the years than 2024 and 2023, respectively. The line of credit has an interest rate of 6.39% and matures September 30, 2025. The Cooperative had $5,000,000 and $15,000,000 outstanding as of December 31, 2024 and 2023, respectively.

Note 7 – Commitments and Contingencies

Wholesale power commitment – Under its wholesale power agreement, the Cooperative is committed to purchase most of its electric power and energy requirements from Wolverine Power Supply Cooperative, Inc., until December 31, 2050. The rates paid for such purchases are subject to approval of the Federal Energy Regulatory Commission (FERC).

Propane purchase commitment – Midwest Energy has entered into contracts with NGL Supply Co. LTD, Crestwood Services LLC, and Alliance Energy Services LLC, to buy propane gas for a specific period, in agreed-upon quantities and at agreed-upon prices. These transactions lock in the price Midwest Energy will be paying for such gas in the upcoming heating season. Upon entering these contracts, Midwest Energy typically pays a security deposit for such commitments. This deposit is deducted from each invoice for propane gas upon delivery. As of December 31, 2024, Midwest Energy's related commitment to buy such propane gas extends through May 31, 2026. In the event that all gallons are not purchased during the agreed-upon period, Midwest Energy is obligated to buy such unpurchased propane gas in subsequent months, at escalating prices.

Total propane future commitments in gallons consist of the following as of and for the years ended December 31:

	2024	
	Gallons	Average Price
2025	4,590,407	$ 0.86
2026	2,460,000	0.84
Total propane futures	7,050,407	

	2023	
	Gallons	Average Price
2024	4,644,211	$ 0.98
2025	3,500,000	0.85
2026	200,000	0.77
Total propane futures	8,344,211	

Legal – In the normal course of business, Midwest is a party to claims and matters of litigation. The ultimate outcome of these matters cannot presently be determined; however, in the opinion of management of the Cooperative, the resolution of these matters will not have a material adverse effect on Midwest's financial position, results of operations or liquidity.

Union contracts – The Cooperative has an agreement with two separate unions. One union represents 18 inside staff including the customer service and billing employees. The other union represents 45 outside staff. As of December 31, 2024, 49% of the employees were covered by the two union contracts. The agreement for inside employees expires on October 15, 2026. The agreement with outside employees expires February 15, 2026.

Note 8 – Retirement Plans

The Cooperative has a defined benefit pension plan covering 31 employees. As of January 1, 2007, the plan was closed to all new non-union staff and inside union staff. As of January 1, 2009, the plan was closed to all new outside union staff. Retirement benefits are based on a percentage of compensation, as defined in the plan, and benefits vested after completion of five years of service or age 55. The normal retirement age is 62. The assets of the plan consist primarily of mutual funds. The Cooperative's funding policy is to contribute so as to amortize the unfunded actuarial accrued liabilities over a 30-year period from January 1, 1987.

The plan's funded balance is included within other current assets at December 31, 2024 and 2023, respectively. The following table sets forth the plan's funded status and amounts recognized in the Cooperative's consolidated financial statements at December 31, 2024 and 2023:

	2024	2023
Actuarial present value of benefit obligations		
Accumulated benefit obligation, including vested benefits	$ 27,995,844	$ 29,526,315
Change in benefit obligation		
Benefit obligation at beginning of year	$ 31,933,068	$ 30,394,856
Service cost	586,699	582,292
Interest cost	1,545,936	1,533,673
Actuarial (gain) loss	(2,418,951)	845,153
Benefits paid	(1,493,177)	(1,422,906)
Benefit obligation at end of year	$ 30,153,575	$ 31,933,068
Change in plan assets		
Fair value of plan assets at beginning of year	$ 35,289,280	$ 32,763,391
Actual return (loss) on plan assets	(120,393)	2,948,795
Employer contributions	500,000	1,000,000
Benefits paid	(1,493,177)	(1,422,906)
Fair value of plan assets at end of year	$ 34,175,710	$ 35,289,280
Reconciliation of funded status		
Funded status overfunded (underfunded)	$ 4,022,135	$ 3,356,212
Service cost – benefits earned during the period	$ 586,699	$ 582,292
Interest cost on projected benefit obligation	1,545,936	1,533,673
Return on plan assets	(1,795,040)	(1,896,011)
Net amortization and deferral	380,267	484,069
Amortization of prior service cost	(34,872)	(34,872)
Net periodic pension cost	$ 682,990	$ 669,151
Amounts recognized in accumulated other comprehensive loss – ending	$ (6,148,867)	$ (6,997,780)

The Cooperative expects to contribute $1,590,000 to its pension plan in 2025. Future expected benefit payments are as follows:

2025	$ 1,590,000
2026	1,670,000
2027	1,840,000
2028	1,980,000
2029	1,910,000
2030-2034	11,000,000

The investment strategy is to build an efficient, well-diversified portfolio based on long-term, strategic outlook of the investment markets. The investment market outlook utilizes both historical-based and forward looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the needs of the plan. The core asset allocation utilizes investment portfolios of various asset classes and multiple investment managers in order to help maximize the plans return while providing multiple layers of diversification to help minimize risk.

The plan investments are stated at fair market value. There were no restricted investments as of December 31, 2024 and 2023. The Cooperative has determined that its investments in the pension plan fall into the Level 1 category. Level 1 asset valuations are based on assets at the quoted prices in active markets for identical assets, level 2 asset valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly and level 3 asset valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Asset allocation for Midwest Energy Cooperative as of December 31 as follows:

	2024	2023
U.S. large cap equity	$ 2,224,612	$ 2,780,992
U.S. small/mid cap equity	936,214	488,836
International equity	1,223,949	1,180,563
Fixed income	27,320,538	28,325,589
Other	2,470,397	2,513,300
Total	$ 34,175,710	$ 35,289,280

Weighted-average assumptions used to determine net periodic benefit costs as of December 31 were:

	2024	2023
Discount rate	4.96%	5.17%
Expected long-term return on plan assets	5.60%	6.30%
Rate of compensation increase	4.25%	4.25%

The Cooperative established an unfunded 457(f) deferred compensation plan in 2014 for the purposes of providing benefits for a select group of management or highly compensated employees within the regulations of the Employee Retirement Income Security Act (ERISA). New participants may be added to the plan at the discretion of the Board of Directors.

The plan provides for a deferred compensation benefit equal to the difference between the single lump sum actuarial equivalents of the benefit that the Participant would have accrued under the Cooperative Pension Plan as calculated by the Cooperative without application of the limitations provided in Sections 415 and 401(a)(17) of the Code, and the Participant's accrued benefit under the Cooperative Pension Plan as calculated by the Cooperative after application of those limitations under Code Sections 415 and 401(a)(17). The missed benefit is calculated each year and is recorded to accrued pension liability on the consolidated balance sheet. As of December 31, 2024 and 2023, the related liability for this plan was $0.

Note 9 – Post-Retirement Benefits Other Than Pensions

The Cooperative sponsors a defined benefit post-retirement plan that covers both salaried and non-salaried employees, but none of its subsidiary employees. The plan provides for medical benefits for retirees between the ages of 60 and 65. The Cooperative's funding policy is pay-as-you-go.

Effective January 1, 2020, employees may retire at age 60 and will be responsible for the same level of cost sharing as active employees including 15% for HDHP and 20% for PPO. No payments will be made after the attainment of age 65.

The following table sets forth the plan's combined funded status reconciled with the amount shown in the Cooperative's consolidated financial statements at December 31, 2024 and 2023:

	2024	2023
Accrued post-retirement benefit obligation, beginning	$ (2,537,263)	$ (1,985,491)
Service cost	(218,423)	(167,029)
Interest cost	(123,120)	(99,548)
Actuarial gain	(56,489)	(335,125)
Plan participant contributions	(5,476)	(6,485)
Benefits paid	82,596	56,415
Accrued post-retirement benefit obligation, end of year	$ (2,858,175)	$ (2,537,263)

Net periodic post-retirement benefit cost includes the following components:

	2024	2023
Service cost-benefits attributed to service during the period	$ 218,423	$ 167,029
Interest cost	123,120	99,548
Net amortization and deferral	(23,934)	(23,934)
Net periodic post-retirement benefit cost	$ 317,609	$ 242,643
Amounts recognized in accumulated other comprehensive loss		
Net actuarial gains	$ 872,685	$ 982,485
Net prior service credit	192,426	216,360
Total recognized in other comprehensive income	$ 1,065,111	$ 1,198,845

In 2026, medical costs are expected to increase 8.50% for pre-65 medicals, 6.25% for post-65 medicals, and then drop to 4.50% per year in 2035 and after for both categories.

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation is 4.96% and 5.17% for 2024 and 2023, respectively.

Future expected benefit payments are as follows:

2025	$ 98,000
2026	110,000
2027	150,000
2028	280,000
2029	390,000
2030–2034	2,090,000

Note 10 – Income Taxes

The provision for income taxes for Midwest Energy, Inc. and Subsidiary consists of the following as of and for the year ended December 31:

	2024	2023
Current	$ 168,612	$ 362,964
Deferred	113,718	181,735
Income tax expense	$ 282,330	$ 544,699

The net deferred tax liability as of December 31 consists of the following:

	2024	2023
Deferred tax assets		
Allowance for bad debt	$ 42,229	$ 46,867
Accrued vacation & sick leave	17,818	19,881
Total deferred tax assets	60,047	66,748
Deferred tax liabilities		
Tax depreciation greater than book	(1,679,690)	(1,572,673)
Total deferred tax liabilities	(1,679,690)	(1,572,673)
Net deferred tax liability	$ (1,619,643)	$ (1,505,925)

Note 11 – Related-Party Transactions

Midwest Energy, Inc. and Subsidiary is a wholly-owned subsidiary of Midwest Energy Cooperative. In addition, Midwest Energy Cooperative has furnished some personnel, office space, and other necessary operating facilities such as computer time for Midwest Energy, Inc. and Subsidiary's operations. During the year, Midwest Energy Cooperative charged Midwest Energy, Inc. and Subsidiary's operations for such services. Midwest Energy, Inc. advanced a note payable to the Cooperative for the fiber activity in the amount of $7,743,521 and $8,219,548 for 2024 and 2023, respectively, bearing an interest rate of 3.50%. There is currently no firm payment plan established on the note payable due to Midwest Energy, Inc. and Subsidiary. These transactions have been eliminated in the consolidated financial statements.

Note 12 – Revenue Recognition

The following table presents the Cooperative's revenue, disaggregated by member type for the year ended December 31:

	2024	2023
Midwest Energy Cooperative		
Residential electric service	$ 62,514,002	$ 60,250,438
Irrigation electric service	3,442,729	4,145,621
Small commercial electric service	12,261,030	11,641,802
Large commercial electric service	17,513,955	16,039,936
Industrial electric service	4,904,084	5,345,085
Other electric revenues	2,492,678	2,519,395
Fiber service	26,965,372	21,447,552
Midwest Energy, Inc.		
Propane sales	9,867,971	9,993,548
Other	314,654	363,287
Total	$ 140,276,475	$ 131,746,664

Midwest Energy Cooperative – The Cooperative's primary revenue source is generated through the sale of electricity to members. Retail members are classified as residential, irrigation, commercial, or industrial. Residential members include single family housing, multiple family housing (such as apartments, duplexes, and town homes), manufactured homes, and small farms. Residential demand is sensitive to the effects of weather, with demand highest during the winter heating season and summer cooling season. Irrigation members consist of large farms who accept energy at high voltages. Commercial members consist of non-residential members who accept energy deliveries at voltages equivalent to those delivered to residential members. Commercial members include most businesses, small industrial companies, and public street and highway lighting accounts. Industrial members consist of non-residential members who accept delivery at higher voltages than commercial members. Demand from industrial members is primarily driven by economic conditions, with weather having little impact on energy use by this member class.

In accordance with state regulations, the Cooperative's retail member prices are based on the Cooperative's cost of service and are approved by the Cooperative's Board of Directors. The Cooperative's obligation to sell electricity to retail members generally represents a single performance obligation representing a series of distinct goods that are substantially the same and have the same pattern of transfer to the member that is satisfied over time as members simultaneously receive and consume the benefits provided. The Cooperative applies the invoice method to measure its progress towards satisfactorily completing its performance obligations to transfer each distinct delivery of electricity in the series to the member.

Other operating revenues consist primarily of fiber revenues and other electric services provided to members. Revenue from sales of equipment or other nonrecurring services are recognized at a point in time when control of the equipment is transferred or when service is rendered.

Midwest Energy, Inc. – Midwest Energy Inc.'s primary revenue source is generated through the sale of propane to customers in the region. Customers include single family housing, multiple family housing (such as apartments, duplexes, and town homes), and manufactured homes. The propane prices are based on the cost of service. The Midwest Energy Inc.'s obligation to sell propane to retail customers generally represents a single performance obligation representing a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer that is satisfied over time as customers simultaneously receive and consume the benefits provided.

Supplementary Information

Midwest Energy Cooperative
Consolidating Balance Sheet
December 31, 2024

ASSETS

	Midwest Energy Cooperative	Midwest Energy Inc. and Subsidiary	Eliminations	Consolidated Total
ELECTRIC PLANT				
In service – at cost	$ 532,749,845	$ 12,738,714	$ -	$ 545,488,559
Construction work in progress	83,029,911	-	-	83,029,911
	615,779,756	12,738,714	-	628,518,470
Less accumulated depreciation	126,275,438	6,124,306	-	132,399,744
Net electric plant	489,504,318	6,614,408	-	496,118,726
OTHER ASSETS AND INVESTMENTS				
Investments in associated organizations	60,519,257	-	(14,651,005)	45,868,252
Notes receivable	1,458,930	7,743,521	(7,743,521)	1,458,930
Receivables from subsidiary	84,789	-	(84,789)	-
Total other assets and investments	62,062,976	7,743,521	(22,479,315)	47,327,182
CURRENT ASSETS				
Cash and cash equivalents	12,876,121	1,494,809	-	14,370,930
Accounts receivable, less allowance for credit losses of approximately $427,232	8,084,385	1,326,510	-	9,410,895
Accounts receivable, associated organizations	-	143,331	(143,331)	-
Grant receivable	10,598	-	-	10,598
Unbilled revenue	5,800,730	-	-	5,800,730
Current portion of notes receivable	17,000	-	-	17,000
Materials and supplies	9,681,174	-	-	9,681,174
Income taxes receivable		133,416		133,416
Inventory of subsidiary	-	377,660	-	377,660
Other current assets and accrued assets	4,450,247	764,209	(16,000)	5,198,456
Total current assets	40,920,255	4,239,935	(159,331)	45,000,859
Total assets	$ 592,487,549	$ 18,597,864	$ (22,638,646)	$ 588,446,767

Midwest Energy Cooperative
Consolidating Balance Sheet
December 31, 2024

LIABILITIES, EQUITIES, AND MARGINS

	Midwest Energy Cooperative	Midwest Energy Inc. and Subsidiary	Eliminations	Consolidated Total
EQUITIES				
Patronage capital and other equities	$ 173,887,360	$ 14,651,005	$ (14,651,005)	$ 173,887,360
LONG-TERM DEBT, less current maturities	287,116,962	-	-	287,116,962
OTHER LIABILITIES				
Post-retirement benefits other than pensions	2,858,175	-	-	2,858,175
Accrued pension liability	242,928	-	-	242,928
Total other liabilities	3,101,103	-	-	3,101,103
COMMITMENTS AND CONTINGENCIES (NOTE 7)				
CURRENT LIABILITIES				
Current maturities of long-term debt	10,930,185	-	-	10,930,185
Line of credit	80,000,000	-	-	80,000,000
Accounts payable				
Purchased power and cooperative payables	15,686,855	392,380	-	16,079,235
Regulatory liabilities – energy optimization	120,505	-	-	120,505
Associated organizations	143,332	84,788	(228,120)	-
Power supply cost recovery	3,758,132	-	-	3,758,132
Customer deposits	1,070,922	1,684,614	-	2,755,536
Accrued liabilities	8,927,672	150,434	-	9,078,106
Note payable to subsidiary	7,743,521	-	(7,743,521)	-
Total current liabilities	128,381,124	2,312,216	(7,971,641)	122,721,699
DEFERRED TAX LIABILITY	-	1,619,643	-	1,619,643
DEFERRED CREDITS	1,000	15,000	(16,000)	-
Total liabilities, equities, and margins	$ 592,487,549	$ 18,597,864	$ (22,638,646)	$ 588,446,767

Midwest Energy Cooperative
Consolidating Statement of Operations
Year Ended December 31, 2024

	Midwest Energy Cooperative	Midwest Energy Inc. and Subsidiary	Eliminations	Consolidated Total
OPERATING REVENUES	$ 130,093,850	$ 10,182,625	$ -	$ 140,276,475
OPERATING EXPENSES				
Cost of power	49,416,900	-	-	49,416,900
Cost of goods sold	-	5,747,550	-	5,747,550
Distribution – operations	7,442,187	-	-	7,442,187
Distribution – maintenance	14,023,322	-	-	14,023,322
Customer accounts	5,079,601	-	-	5,079,601
Customer service and information expense	992,341	-	-	992,341
Administrative and general	11,987,711	3,122,288	-	15,109,999
Depreciation and amortization	18,603,790	473,664	-	19,077,454
Taxes – property	7,123,448	13,634	-	7,137,082
Total operating expenses	114,669,300	9,357,136	-	124,026,436
OPERATING MARGINS BEFORE FIXED CHARGES	15,424,550	825,489	-	16,250,039
FIXED CHARGES				
Interest on long-term debt	9,073,357	-	(273,141)	8,800,216
Total fixed charges	9,073,357	-	(273,141)	8,800,216
OPERATING MARGINS AFTER FIXED CHARGES	6,351,193	825,489	273,141	7,449,823
G&T AND OTHER CAPITAL CREDITS	5,341,201	-	-	5,341,201
NET OPERATING MARGINS	11,692,394	825,489	273,141	12,791,024
NON-OPERATING MARGINS (DEFICITS)				
Interest and dividend income	432,028	273,141	(273,141)	432,028
Income from subsidiary	931,474	-	(931,474)	-
Gain (loss) on sale of assets	(71,334)	128,760	-	57,426
Grant revenue	24,797,801	-	-	24,797,801
Other income (expense)	41,751	(13,586)	-	28,165
Income tax expense	-	(282,330)	-	(282,330)
TOTAL NON-OPERATING MARGINS	26,131,720	105,985	(1,204,615)	25,033,090
NET MARGINS	37,824,114	931,474	(931,474)	37,824,114
COMPREHENSIVE INCOME				
Unrealized gain on pension and post-retirement benefits other than pensions	715,179	-	-	715,179
COMPREHENSIVE INCOME	$ 38,539,293	$ 931,474	$ (931,474)	$ 38,539,293

Report of Independent Auditors 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*

The Board of Directors
Midwest Energy Cooperative

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 consolidated financial statements of Midwest Energy Cooperative (the Cooperative) as of and for the year ended December 31, 2024, and the related notes to the consolidated financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated March 28, 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 entity'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.

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 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 internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
March 28, 2025

MOSSADAMS