

**THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
MONROE, GEORGIA**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF
JUNE 30, 2024 AND 2023 AND
INDEPENDENT AUDITOR'S REPORT**

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

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November 22, 2024

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Walton Electric Membership Corporation and Subsidiaries

Opinion

We have audited the consolidated financial statements of **The Walton Electric Membership Corporation and Subsidiaries**, which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, changes in members' equity, 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 financial position of The Walton Electric Membership Corporation and Subsidiaries as of June 30, 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). 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 Walton Electric Membership Corporation and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Walton Electric Membership Corporation and Subsidiaries' 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 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 Walton Electric Membership Corporation and Subsidiaries' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Walton Electric Membership Corporation and Subsidiaries' 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.

McNair, McLeMore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30

ASSETS

	<u>2024</u>	<u>2023</u>
Utility Plant		
Electric Plant in Service - At Cost	\$ 588,331,865	\$ 562,790,282
Construction Work in Progress	<u>11,445,203</u>	<u>5,577,195</u>
	599,777,068	568,367,477
Accumulated Provision for Depreciation	<u>(234,872,654)</u>	<u>(223,528,790)</u>
	<u>364,904,414</u>	<u>344,838,687</u>
 Other Property and Investments		
Investments in Associated Organizations	147,746,987	139,437,715
Other Investments	<u>3,739,574</u>	<u>3,519,076</u>
	<u>151,486,561</u>	<u>142,956,791</u>
 Current Assets		
Cash and Cash Equivalents	27,604,187	39,456,934
Interest Receivable	536,759	138,563
Accounts Receivable (Net of Accumulated Provision for Credit Losses of \$10,740 in 2024 and \$20,922 in 2023)	64,588,923	52,468,501
Materials and Supplies	6,718,449	6,430,947
Prepayments	<u>29,226,648</u>	<u>14,141,924</u>
	<u>128,674,966</u>	<u>112,636,869</u>
 Other Assets	<u>16,979,943</u>	<u>17,440,846</u>
 Total Assets	<u><u>\$ 662,045,884</u></u>	<u><u>\$ 617,873,193</u></u>

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30

MEMBERS' EQUITIES AND LIABILITIES

	<u>2024</u>	<u>2023</u>
Members' Equities		
Membership Fees	\$ 945,300	\$ 952,270
Patronage Capital	227,731,664	224,055,411
Donated Capital	5,435,792	4,980,627
Other Equities	43,599,386	43,377,654
Accumulated Other Comprehensive Loss	<u>(12,024,664)</u>	<u>(11,549,372)</u>
	<u>265,687,478</u>	<u>261,816,590</u>
Long-Term Debt	<u>186,623,112</u>	<u>170,632,132</u>
Accumulated Provision for Postretirement Benefits		
Pension Plan	1,167,842	4,499,207
Healthcare Benefits	<u>49,689,254</u>	<u>47,447,749</u>
	<u>50,857,096</u>	<u>51,946,956</u>
Other Long-Term Liabilities	<u>1,068,843</u>	<u>991,789</u>
Current Liabilities		
Current Maturities of Mortgage Notes	8,478,278	7,635,842
Lines-of-Credit	8,500,000	5,000,000
Accounts Payable	47,347,427	39,647,634
Consumer Deposits	11,713,983	10,930,019
Current Portion of Healthcare Benefits	2,188,000	2,062,000
Accrued and Withheld Taxes	4,641,820	4,265,248
Accrued Interest	1,418,570	1,213,324
Other	<u>4,761,345</u>	<u>4,648,827</u>
	<u>89,049,423</u>	<u>75,402,894</u>
Deferred Credits	<u>68,759,932</u>	<u>57,082,832</u>
Total Members' Equities and Liabilities	<u><u>\$ 662,045,884</u></u>	<u><u>\$ 617,873,193</u></u>

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30

	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 476,707,182	\$ 496,012,479
Cost of Revenues	<u>387,015,108</u>	<u>383,617,877</u>
Gross Margins	<u>89,692,074</u>	<u>112,394,602</u>
Operating Expenses		
Distribution Operations	13,601,558	10,886,622
Distribution Maintenance	20,168,709	15,041,946
Consumer Accounts	6,264,140	4,199,947
Consumer Service and Information	5,914,805	4,439,854
Sales	2,768,351	2,679,764
Administrative and General	11,013,780	21,814,547
Depreciation and Amortization	18,504,225	17,679,600
Other	<u>234,220</u>	<u>221,102</u>
	<u>78,469,788</u>	<u>76,963,382</u>
Operating Margins Before Interest Expense	11,222,286	35,431,220
Interest Expense	<u>8,253,288</u>	<u>7,052,992</u>
Operating Margins After Interest Expense	2,968,998	28,378,228
Nonoperating Margins	2,148,408	(3,394,472)
Generation and Transmission Cooperative Capital Credits	7,553,083	6,786,663
Other Capital Credits and Patronage Capital Allocations	1,582,834	994,740
Income Tax Expense (Benefit)	<u>208,164</u>	<u>50,000</u>
Net Margins	<u><u>\$ 14,045,159</u></u>	<u><u>\$ 32,715,159</u></u>

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30

	<u>2024</u>	<u>2023</u>
Net Margins	\$ 14,045,159	\$ 32,715,159
Other Comprehensive Income (Loss)		
Change in Fair Value of Costs Related to Pension Plans	(2,478,704)	3,975,403
Change in Fair Value of Costs Related to Healthcare	(861,897)	2,408,426
Amortization of Actuarial Changes	2,967,751	1,692,075
Loss Due to Settlement	-	2,814,761
Amortization of Prior Service Cost	(162,194)	(180,223)
Amortization of Net Transition Obligation	<u>59,752</u>	<u>663,910</u>
Other Comprehensive Income	<u>(475,292)</u>	<u>11,374,352</u>
Comprehensive Income	<u>\$ 13,569,867</u>	<u>\$ 44,089,511</u>

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	Membership Fees	Patronage Capital	Donated Capital	Other Equities	Accumulated Other Comprehensive Income (Loss)	Total
Balance, June 30, 2022	\$ 959,145	\$ 200,900,931	\$ 4,546,886	\$ 42,912,520	\$ (22,923,724)	\$ 226,395,758
Net Margins	-	32,250,025	-	465,134	-	32,715,159
Patronage Capital Retirements	-	(9,095,545)	433,741	-	-	(8,661,804)
Membership Fees	(6,875)	-	-	-	-	(6,875)
Postretirement Benefits	-	-	-	-	11,374,352	11,374,352
Balance, June 30, 2023	952,270	224,055,411	4,980,627	43,377,654	(11,549,372)	261,816,590
Net Margins	-	13,823,427	-	221,732	-	14,045,159
Patronage Capital Retirements	-	(10,147,174)	455,165	-	-	(9,692,009)
Membership Fees	(6,970)	-	-	-	-	(6,970)
Postretirement Benefits	-	-	-	-	(475,292)	(475,292)
Balance, June 30, 2024	<u><u>\$ 945,300</u></u>	<u><u>\$ 227,731,664</u></u>	<u><u>\$ 5,435,792</u></u>	<u><u>\$ 43,599,386</u></u>	<u><u>\$ (12,024,664)</u></u>	<u><u>\$ 265,687,478</u></u>

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Net Margins	\$ 14,045,159	\$ 32,715,159
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities		
Depreciation and Amortization	18,852,532	18,482,538
Patronage Capital from Associated Organizations	(9,135,917)	(7,781,403)
Medical Benefits Cost	3,542,916	3,436,563
Pension Plan Costs	3,055,240	7,038,349
Credit Loss Provision	(10,182)	2,555
Deferred Revenue Recognition	(8,500,000)	(19,500,000)
Deferred Revenue Deferral	35,000,000	-
Funding of Medical Benefits	(2,037,308)	(1,467,151)
Funding of Pension Plan Costs	(6,000,000)	(6,000,000)
Power Cost Rebate	(976,841)	(976,841)
Change In		
Accounts Receivable (Net)	(12,110,240)	1,993,651
Other Current Assets	(15,482,920)	(554,357)
Other Assets	460,903	(887,227)
Accounts Payable	7,699,793	(7,944,804)
Consumer Deposits	783,964	455,240
Materials and Supplies	(287,502)	(155,399)
Accrued and Withheld Taxes	376,572	110,488
Other Current and Accrued Liabilities	317,764	777,643
Deferred Credits	(13,846,059)	30,417,718
	<u>15,747,874</u>	<u>50,162,722</u>
Cash Flows from Investing Activities		
Extension and Replacement of Plant	(38,918,259)	(35,301,949)
Return of Equity from Associated Organizations	826,645	633,286
Other Investments	(143,444)	(555,675)
	<u>(38,235,058)</u>	<u>(35,224,338)</u>
Balance - Carried Forward	<u>\$ (22,487,184)</u>	<u>\$ 14,938,384</u>

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

	<u>2024</u>	<u>2023</u>
Balance - Brought Forward	\$ (22,487,184)	\$ 14,938,384
Cash Flows from Financing Activities		
Line-of-Credit	3,500,000	(19,700,000)
Advances of Long-Term Debt	25,000,000	50,000,000
Membership Fees	(6,970)	(6,875)
Principal Payments on Long-Term Debt	(8,166,584)	(7,312,908)
Retirement of Patronage Capital	(9,692,009)	(8,661,804)
	<u>10,634,437</u>	<u>14,318,413</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,852,747)	29,256,797
Cash and Cash Equivalents - Beginning	<u>39,456,934</u>	<u>10,200,137</u>
Cash and Cash Equivalents - Ending	<u>\$ 27,604,187</u>	<u>\$ 39,456,934</u>

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Operations

The Walton Electric Membership Corporation (Walton EMC) is a member-owned, not-for-profit corporation whose purpose is to provide electric service to its members. Walton EMC operates as a cooperative whereby all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

Walton Energy, Inc. d/b/a Walton EMC Natural Gas, a wholly-owned subsidiary of Walton EMC, is a natural gas affiliate whose purpose is to provide natural gas service to its customers. Walton Solar, LLC, a wholly-owned subsidiary of Walton Energy, Inc., is an entity whose purpose is to own and operate cooperative solar projects for wholesale renewable electricity generation and sale.

Walton Discover, LLC and Walton Bainbridge, LLC, wholly-owned subsidiaries of Walton EMC, are generation facilities whose purpose is to provide Morgan Stanley Capital Group, Inc. with all of the facility output, pursuant to a tolling agreement.

Walton EMC and Subsidiaries are collectively known as the Corporation.

(2) Summary of Significant Accounting Policies

General

Accounting policies of the Corporation reflect practices appropriate to the electric utility industry, the Georgia Natural Gas Consumption and Deregulation Act, and accounting principles generally accepted in the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The following describes the more significant of those policies.

Basis of Presentation

The Corporation's consolidated financial statements have been prepared in accordance with U.S. GAAP. The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the *Accounting Standards Codification (ASC)* and related Accounting Standards Updates (ASUs).

Consolidation

The consolidated financial statements include the accounts and results of operations of Walton EMC and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Regulated Operations

The Corporation, in its rate-making capacity, has the ability to account for certain revenue and expense deferrals in accordance with *ASC 980*.

(2) Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-Lived Assets

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For the assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required.

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

Utility Plant

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Depreciation and Maintenance

Depreciation of the capitalized cost is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant at a straight-line composite rate of 3.2 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2.0 percent to 20.0 percent per annum.

Depreciation of generation plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 3.45 percent to 20.0 percent per annum.

The costs of maintenance, repairs, and replacements of minor items of property are charged to maintenance expense accounts.

(2) Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

The Corporation classifies all of its debt securities as held-to-maturity (HTM). HTM debt securities are those debt securities in which the Corporation has the ability and intent to hold the security until maturity. HTM debt securities are recorded at cost, as there are no associated premiums and discounts to amortize. A decline in the market value of any HTM security below cost that is deemed to be other than temporary results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other than temporary, the Corporation considers all available information relevant to the collectibility of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performances of the investee, and the general market conditions in the geographical area or industry in which the investee operates. The Corporation's debt securities investments are invested at the National Rural Utilities Cooperative Finance Corporation (NRUCFC).

Receivables and Allowance for Credit Losses

Accounts receivable are stated at the net realizable value. Once a consumer's service is shut off and the account is deemed uncollectible, the Corporation writes off the associated accounts receivable. An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the consolidated balance sheets net of such accumulated allowance. Delinquent accounts receivable for natural gas is borne by a third-party gas asset manager through a contractual relationship.

Credit evaluations are performed on most potential consumers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a consumer does not pay its bill based on the terms of the Corporation's service agreement, the Corporation may require an additional deposit as a condition of continued service.

The allowance for credit loss activity was as follows for the years ended June 30:

	2024	2023
Beginning Balance	\$ 20,922	18,367
Credit Loss Accruals	5,060,000	5,052,424
Write-Offs, Net of Recoveries	(5,070,182)	(5,049,869)
	<u>\$ 10,740</u>	<u>\$ 20,922</u>

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work, and are not for resale. Cost is determined by the moving average method of inventory valuation. Materials and supplies are charged to construction or operations at moving average cost when used.

(2) Summary of Significant Accounting Policies (Continued)

Advertising

The Corporation expenses advertising cost as it is incurred.

Revenue Recognition

Sales of Electricity

Electric revenue is generated from contracts (service agreements) with retail electric customers. This revenue, generated from the integrated service to deliver electricity when and if called upon by the customer, is recognized as a single performance obligation satisfied over time and as electricity is delivered to the customer during the month. Unbilled revenue related to retail sales is accrued at the end of each fiscal period and is included as a component of accounts receivable on the consolidated balance sheets.

Electric revenue includes patronage capital and is billed monthly to consumers on a cycle basis. Electric rates for the Corporation include provisions to permit the board of directors to adjust billings for fluctuations in fuel costs, purchased power costs, and certain other costs.

Sales of Natural Gas

Revenue from the sale of natural gas is generated from contracts (service agreements) with customers and is billed monthly to customers on a cycle basis. Revenue is recognized when the natural gas is delivered to the customer based upon meter reading data provided by the local distribution company (LDC) as a single performance obligation satisfied over time as natural gas is consumed. Unbilled revenue is recorded for estimated deliveries of natural gas at the end of each period. Unbilled receivables are included in accounts receivable on the consolidated balance sheets.

Sales of Distributive Generation

Revenue from solar sales is billed monthly based on meter readings of solar generation output of each solar facility. Meter readings of solar generation output are recorded at month end and billed according to contractual rates. There were no unbilled receivables related to solar sales for the years ended June 30, 2024 and 2023.

Walton Discover, LLC and Walton Bainbridge, LLC primary source of revenue is derived from a power plant tolling agreement with Morgan Stanley with offtake provisions for all energy to be produced by the facility. The Company considers bundled energy and capacity within these offtake agreements to be distinct performance obligations as each are often transacted separately in the marketplace, recognizing revenue associated with these contracts, the transaction price is allocated to each performance obligation based on its relative standalone selling price. Revenue is recognized as control of each individual component is transferred to the customer. Revenue from the sale of energy is generally recognized as units are produced and delivered to the customer within the production month. Capacity represents the reservation of the renewable generation facility and conveys the ability to call on the wind facility to produce electricity when needed by the customer. The nature of the Company's performance obligation as it relates to capacity is to stand ready to deliver power. This represents a single performance obligation transferred over time, which generally represents a monthly obligation. Accordingly, capacity revenue is recognized on a monthly basis.

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Pole Attachments

Walton EMC has contractual agreements with customers for the attachment of other utility services to existing utility poles which it owns. Revenue is recognized over the term of the agreements. Customers are billed in accordance with the respective contracts; either annually in arrears or semi-annual in advance depending on the type of utility service attached to the poles. Payment is due within 30 days of the bill date.

Revenue is comprised of the following for the years ended June 30:

	2024	2023
Electric Revenue	\$ 366,843,621	\$ 390,602,129
Natural Gas Revenue	97,039,356	92,862,370
Distributive Generation Revenue	3,507,315	3,563,113
Pole Attachment Fees	2,952,042	2,942,990
Electric Fees and Other Charges	4,322,987	4,126,697
Natural Gas Fees and Other Charges	1,692,887	1,574,992
Other Electric Revenue	348,974	340,188
	<u>\$ 476,707,182</u>	<u>\$ 496,012,479</u>

Cost of Revenues

Cost of revenues for electricity and natural gas is expensed as consumed.

Cost of natural gas includes charges to purchase, transport, and store gas. The Corporation's contractual relationship with a third-party gas asset manager requires earnings by the unrelated party's operations derived from the Corporation to be shared at a 70 to 30 percent ratio. Payments in the amount of \$1,896,320 and \$1,165,972 are included as a component of cost of revenues for the years ended June 30, 2024 and 2023, respectively.

Sales Tax

A portion of the Corporation's sales are subject to sales taxes. The Corporation collects the sales taxes from the customers and remits the taxes to the appropriate taxing authority. The Corporation excludes the taxes collected and remitted from revenues and cost of sales.

Generation and Transmission Cooperative Capital Credits

Generation and transmission cooperative capital credits represent the annual capital furnished generation and transmission cooperatives through payment of power bills. The capital is recorded in the year provided, even though notification of the capital allocation is not received until later.

(2) Summary of Significant Accounting Policies (Continued)

Other Comprehensive Income (Loss)

The objective of comprehensive income is to report a measure of all changes in equity of the entity that result from transactions and events of the period other than transactions with members. Comprehensive income consists of net margins and costs not yet recognized as a component of income related to retirement plans. Amounts reclassified out of accumulated other comprehensive income related to the Corporation's benefit plans are spread based on direct labor costs.

Income Taxes

Walton EMC operates under the Internal Revenue Code Section (IRC) 501(c)(12) as a tax-exempt cooperative. Wholly-owned subsidiaries, Walton Discover, LLC and Walton Bainbridge, LLC, are disregarded entities for income tax reporting purposes with operations reported in the Corporation's filings. Walton EMC is exempt from federal and state income taxes under Section 501(c)(12) of the IRC which provides, in part, that Walton EMC derive at least 85 percent of its annual gross income from members to retain the exemption. Walton EMC has met the requirement for the year ended December 31, 2023, which is on extension through November 15, 2024. As a tax-exempt cooperative, Walton EMC files a federal information return as of December 31 each year.

Walton Energy, Inc. operates under the Georgia Corporation Code as a for-profit corporation. The Corporation accounts for income taxes under the asset and liability method prescribed by U.S. GAAP. Wholly-owned subsidiary, Walton Solar, LLC, is a disregarded entity for income tax reporting purposes with operations reported in the Walton Energy, Inc.'s filings.

Walton Energy, Inc.'s deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the enactment date.

Walton Energy, Inc.'s taxable subsidiaries record interest and penalties related to federal and state income tax returns as a component of interest expense and nonoperating margins, respectively. No interest or penalties are included on the consolidated statements of operations for the years ended June 30, 2024 and 2023. Walton Energy, Inc. recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on technical merits of the position. As of June 30, 2024 and 2023, there were no known items which would result in a material accrual resulting from Walton Energy, Inc.'s federal or state tax positions. Additional information pertinent to the valuation of income taxes is provided in Note 12.

(2) Summary of Significant Accounting Policies (Continued)

Investments in Associated Organizations

Investments in associated organizations primarily include investments in other cooperative organizations. Representing capital investments are made primarily to obtain an economical source of financing, product or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with *ASC 905-325-30*.

Capital credit allocations from associated organizations are included on the consolidated statements of operations as generation and transmission cooperative capital credits and other capital credits and patronage capital allocations.

Generation and transmission cooperative capital credits represent the annual capital furnished to generation and transmission cooperatives through payment of power bills. The capital is recorded in the year provided, even though notification of the capital allocation is not received until later.

Patronage Capital and Margins

Walton EMC is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of patronage. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 20 percent of the total assets of Walton EMC, the return to patrons of capital contributed by them is limited. Distributions to members are made at the discretion of the board of directors in accordance with the bylaws, subject to the restrictions contained in the long-term debt agreements and the policies of Walton EMC.

New Accounting Pronouncement

In June 2016, the FASB issued guidance *ASC 326* which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Corporation that are subject to the guidance in FASB *ASC 326* are trade accounts receivable and HTM debt securities. The Corporation adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Reclassifications

Certain reclassifications have been made within the June 30, 2023 consolidated financial statements to conform to the June 30, 2024 presentation. The reclassifications had no effect on net margins for the year ended June 30, 2023.

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 22, 2024, the date the consolidated financial statements were available to be issued.

(3) Accounts Receivable, Contract Assets, and Contract Liabilities

Billed receivables and contract assets and contract liabilities are as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	<u>End of Year</u>	<u>End of Year</u>	<u>End of Year</u>
Billed Receivables, Net of Allowance			
Electric Operations	\$ 27,890,449	\$ 22,357,274	\$ 22,012,372
Natural Gas Operations	<u>6,159,057</u>	<u>5,249,208</u>	<u>4,962,239</u>
	<u>\$ 34,049,506</u>	<u>\$ 27,606,482</u>	<u>\$ 26,974,611</u>
Contract Assets			
Unbilled Revenue			
Electric Customers	\$ 28,599,246	\$ 23,847,609	\$ 25,317,341
Natural Gas Customers	<u>1,940,171</u>	<u>1,014,410</u>	<u>2,172,755</u>
	<u>\$ 30,539,417</u>	<u>\$ 24,862,019</u>	<u>\$ 27,490,096</u>
Total Accounts Receivable	<u>\$ 64,588,923</u>	<u>\$ 52,468,501</u>	<u>\$ 54,464,707</u>

(4) Utility Plant

Listed below are the major classes of the electric utility plant as of June 30:

	<u>2024</u>	<u>2023</u>
Distribution Plant	\$ 517,653,271	\$ 492,858,608
General Plant	51,103,356	50,356,436
Generation Plant	<u>19,575,238</u>	<u>19,575,238</u>
Electric Plant in Service	588,331,865	562,790,282
Construction Work in Progress	<u>11,445,203</u>	<u>5,577,195</u>
	<u>\$ 599,777,068</u>	<u>\$ 568,367,477</u>

(5) Investments in Associated Organizations

Investments in associated organizations consist of the following at June 30:

	2024	2023
National Rural Utilities Cooperative Finance Corporation		
Capital Term Certificates	\$ 6,498,904	\$ 6,712,662
Capital Credits	8,117,857	7,957,753
Oglethorpe Power Corporation		
Capital Credits	104,285,354	96,746,192
Georgia Transmission Corporation		
Contributed Capital	3,743,638	3,743,638
Capital Credits	19,328,866	19,314,945
Georgia System Operations Corporation	18,021	18,021
GRESKO Utility Supply, Inc.	1,265,695	821,297
Meridian Cooperative	725,289	655,585
Georgia Electric Membership Corporation	17,363	17,363
Smarr EMC		
Contributed Capital	423,079	423,079
Capital Credits	1,271,511	1,087,029
Federated Rural Electric Insurance Exchange		
Capital Credits	817,622	783,516
The National Rural Telecommunications Cooperative	14,561	14,561
Green Power EMC	21,899	21,899
Georgia Right-of-Way Company, Inc.	1,194,218	1,117,065
Other	3,110	3,110
	\$ 147,746,987	\$ 139,437,715

(6) Other Investments

Other investments consist of the following at June 30:

	2024	2023
Investment in Cooperative Choice, LLC	\$ 2,649,791	\$ 2,499,819
Deferred Compensation Holdings	1,068,843	991,789
Other	20,940	27,468
	<u>\$ 3,739,574</u>	<u>\$ 3,519,076</u>

The Corporation accounts for its investments in Cooperative Choice, LLC utilizing the equity method. For the years ended June 30, 2024 and 2023, the Corporation recorded income of \$2,419,122 and \$1,782,560, respectively, as a component of nonoperating margins, related to these investments.

The Corporation has deposited funds, representing deferred compensation, on behalf of qualified employees who have elected to defer certain amounts of compensation. The Corporation is subject to assessment for any amounts by which the market valuation of the funds might fall short of contracted and guaranteed amounts due the employees. It is believed that any ultimate liability will not be material in relation to the total assets of the Corporation. The annual deferral of the compensation plans is calculated in accordance with IRC 457, subject to changes under IRC Section 457(b). The plan assets and liabilities are measured at fair value using quoted prices in active markets for identical assets and considered Level 1 investments valued using the market approach. The amounts are invested in mutual funds and totaled \$1,068,843 and \$991,789 for the years ended June 30, 2024 and 2023, respectively.

(7) Prepayments

Prepayments consist of the following at June 30:

	2024	2023
Prepaid Gas	\$ 3,000,000	\$ 13,000,000
Prepaid Power	25,000,000	-
Other	1,226,648	1,141,924
	<u>\$ 29,226,648</u>	<u>\$ 14,141,924</u>

Prepaid natural gas consists of prepayments for customers from the Corporation to Texican Industrial Energy Marketing of \$3,000,000 and \$13,000,000 for the years ended June 30, 2024 and 2023, respectively. Of these prepayments, \$3,000,000 represents a noninterest-bearing deposit. The remainder of the prepayments at June 30, 2023 were accruing interest at a rate of 9.75 percent along with the principal. The prepayments have an annual maturity date of May 31.

(8) Patronage Capital

Patronage capital consist of the following at June 30:

	2024	2023
Assignable	\$ (58,400,381)	\$ (28,155,290)
Assigned	440,111,188	396,042,670
	381,710,807	367,887,380
Retired	(153,979,143)	(143,831,969)
	<u>\$ 227,731,664</u>	<u>\$ 224,055,411</u>

(9) Debt

Long-Term Debt

Long-term debt consists of mortgage notes payable to the NRUCFC. The notes are secured by a mortgage agreement between Walton EMC and NRUCFC. Substantially all the assets of Walton EMC are pledged as security for long-term debt of the Corporation. The notes have maturity periods varying from February 22, 2025 to December 1, 2063 and are payable on an installment basis. The notes contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreement. At June 30, 2024 and 2023, the Corporation was in compliance with the covenants.

Holder of Note	Interest Rate at June 30, 2024	2024	2023
NRUCFC	2.81% to 7.05%	\$ 195,101,390	\$ 178,267,974
Maturities Due Within One Year		(8,478,278)	(7,635,842)
		<u>\$ 186,623,112</u>	<u>\$ 170,632,132</u>

Approximate principal maturities of long-term debt for each of the next five years are as follows:

Year	Amount
2025	\$ 8,478,278
2026	9,546,000
2027	10,748,000
2028	12,102,000
2029	13,437,000
Thereafter	132,311,834
	<u>\$186,623,112</u>

Cash payments of interest totaled \$7,519,713 and \$6,050,234 for June 30, 2024 and 2023, respectively.

(9) Debt (Continued)

Lines-of-Credit

Walton EMC has a \$24,000,000 line-of-credit at 7.05 percent with NRUCFC with an outstanding balance of \$8,500,000 and \$-0- as of June 30, 2024 and 2023, respectively. The line-of-credit is secured by substantially all of the general assets of the Corporation.

Walton Energy, Inc. has a \$30,000,000 line-of-credit with the National Cooperative Services Corporation (NCSC) with an interest rate of 7.75 percent. The line-of-credit is secured by substantially all of the general assets of the Corporation. The line-of-credit has an outstanding balance of \$-0- and \$5,000,000 as of June 30, 2024 and 2023, respectively.

Letter-of-Credit

Walton EMC has a \$75,000,000 letter-of-credit with NRUCFC which is irrevocable and unconditionally guaranteed. The letter-of-credit would be payable to a third party under the terms of a power purchase and scheduling agent agreement entered into by the Corporation. Additional information pertinent to the agreement is provided in Note 15.

(10) Postretirement Benefits

Defined Contribution Plan

The Corporation provides employee benefits to substantially all employees through a sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of the costs totaled \$1,986,000 and \$1,703,000 for the years ended June 30, 2024 and 2023, respectively.

Defined Benefit Pension Plan

The Corporation provides a noncontributory defined benefit pension plan covering substantially all employees of the Corporation. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The administrative committee determines the appropriateness of the plan's investments, monitors the investment performance, and reports to the board of directors. The Corporation absorbs certain administrative costs associated with the plan.

Effective July 1, 2009, the Corporation approved an amendment to freeze participation in the plan for employees hired subsequent to July 1, 2009. Employees who commenced participation in the plan on or before this date are not affected by this amendment.

(10) Postretirement Benefits (Continued)***Defined Benefit Pension Plan (Continued)***

The status of the Corporation's pension plan as of June 30 is detailed as follows:

	2024	2023
Accumulated Postretirement Benefit Obligation,		
Beginning of Year	\$ 52,279,524	\$ 61,163,541
Service Cost	2,904,364	2,850,053
Interest Cost	2,796,079	2,481,879
Change in Actuarial Assumptions	2,478,704	(3,975,403)
Benefits Paid	(4,546,777)	(10,240,546)
Accumulated Postretirement Benefit Obligation, End of Year	55,911,894	52,279,524
Fair Value of Plan Assets, Beginning of Year	47,780,317	48,736,757
Actual Return of Plan Assets	5,510,512	3,284,106
Contributions	6,000,000	6,000,000
Benefits Paid	(4,546,777)	(10,240,546)
Fair Value of Plan Assets, End of Year	54,744,052	47,780,317
Funded Status	\$ 1,167,842	\$ 4,499,207

Amounts recognized in accumulated other comprehensive income:

	2024	2023
Transition Obligation	\$ -	\$ 59,752
Prior Service Cost	-	(162,194)
Actuarial Loss	13,893,657	14,382,704
	\$ 13,893,657	\$ 14,280,262

Changes in benefit obligations recognized as net periodic benefit cost are as follows:

Service Cost	\$ 2,904,364	\$ 2,850,053
Interest Cost	2,796,079	2,481,879
Amortization of Unrecognized Amounts	2,865,309	2,175,762
Loss Due to Settlement	-	2,814,761
Actual Return on Plan Assets	(5,510,512)	(3,284,106)
	\$ 3,055,240	\$ 7,038,349

(10) Postretirement Benefits (Continued)***Defined Benefit Pension Plan (Continued)***

Changes in benefit obligations recognized in other comprehensive income as of June 30 are as follows:

	2024	2023
Actuarial Gain (Loss)	\$ 2,478,704	\$ (3,975,403)
Amortization of Unrecognized Amounts	(2,967,751)	(1,692,075)
Amortization of Prior Service Cost	162,194	180,223
Loss Due to Settlement	-	(2,814,761)
Amortization of Net Transition Obligation	(59,752)	(663,910)
	\$ (386,605)	\$ (8,965,926)

The following table shows key assumptions used for the measurement of obligations for the plan:

Description	June 30		
	2024	2023	2022
Discount Rate			
APBO	5.22%	5.55%	4.23%
Net Periodic Postretirement Expense	5.55%	4.23%	2.65%
Expected Long-Term Rate of Return on Plan Assets	7.50%	7.50%	7.50%
Rate of Compensation Increase	2.50%	3.00%	3.00%
Plan Asset Allocation			
Equity	62.00%	67.00%	76.00%
Fixed	36.00%	26.00%	20.00%
Other	2.00%	7.00%	4.00%
Total Plan Asset Allocation	100.00%	100.00%	100.00%

The Corporation employs a total-return investment approach whereby a mix of equities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk. The current asset allocation adheres to the Corporation's overall investment strategy for plan assets. Plan assets are measured at fair value. The investments are considered a Level 1 measurement based on quoted market prices in active markets for identical assets.

The components of net periodic postretirement benefit cost, other than the service cost component, are included in the line item nonoperating margins for the years ended June 30, 2024 and 2023.

(10) Postretirement Benefits (Continued)***Defined Benefit Pension Plan (Continued)***

The Corporation expects to contribute \$6,000,000 to the pension plan for the year ending June 30, 2025.

The following benefits are expected to be paid:

<u>Year</u>	<u>Amount</u>
2025	\$ 5,547,593
2026	6,917,403
2027	4,812,506
2028	3,721,896
2029	6,245,049
2030-2034	27,013,344

Postretirement Healthcare Benefits

The Corporation provides healthcare benefits to qualified retirees. U.S. GAAP requires cooperatives to recognize the estimated future cost of providing healthcare and any other postretirement benefits on an accrual basis.

The status of the Corporation's postretirement healthcare plan as of June 30 is detailed as follows:

	<u>2024</u>	<u>2023</u>
Accumulated Postretirement Benefit Obligation,		
Beginning of Year	\$ 49,509,749	\$ 49,948,379
Service Cost	875,370	1,035,883
Interest Cost	2,667,546	2,400,680
Participant Contributions	282,900	253,562
Change in Actuarial Assumptions	861,897	(2,408,042)
Benefits Paid	(2,320,208)	(1,720,713)
Accumulated Postretirement Benefit Obligation, End of Year	<u>51,877,254</u>	<u>49,509,749</u>
Fair Value of Plan Assets, Beginning of Year		
Actual Return on Plan Assets	-	-
Employer Contributions	2,037,308	1,467,151
Participant Contributions	282,900	253,562
Benefits Paid	(2,320,208)	(1,720,713)
Fair Value of Plan Assets, End of Year	<u>-</u>	<u>-</u>
Funded Status	<u>\$ 51,877,254</u>	<u>\$ 49,509,749</u>

(10) Postretirement Benefits (Continued)***Postretirement Healthcare Benefits (Continued)***

Amounts recognized in the consolidated balance sheets consisted of:

	<u>2024</u>	<u>2023</u>
Noncurrent Liabilities	\$ 49,689,254	\$ 47,447,749
Current Liabilities	<u>2,188,000</u>	<u>2,062,000</u>
	<u>\$ 51,877,254</u>	<u>\$ 49,509,749</u>

Amounts recognized in accumulated other comprehensive income consisted of:

Actuarial (Gain) Loss	<u>\$ (1,868,993)</u>	<u>\$ (2,730,890)</u>
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Change in benefit obligation recognized in patronage capital are as follows:

	<u>2024</u>	<u>2023</u>
Service Cost	\$ 875,370	\$ 1,035,883
Interest Cost	2,667,546	2,400,680
Amortization of Actuarial Gain	<u>-</u>	<u>-</u>
	<u>\$ 3,542,916</u>	<u>\$ 3,436,563</u>

Other changes in benefit obligations recognized in other comprehensive income as of June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Actuarial Loss	\$ 861,897	\$ (2,408,426)
Amortization of Actuarial Gain	<u>-</u>	<u>-</u>
	<u>\$ 861,897</u>	<u>\$ (2,408,426)</u>

(10) Postretirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The following table shows key assumptions used for the measurement of obligations for the plan.

Description	June 30		
	2024	2023	2022
Discount Rate			
APBO	5.34%	5.65%	4.46%
Net Periodic Benefit Cost	5.65%	4.46%	2.81%
Medical Trend Rate			
Initial	6.80%	6.00%	6.10%
Ultimate	4.50%	5.00%	5.00%
Fiscal Year Reached	2033	2033	2033

The Corporation expects to contribute \$2,188,000 to this postretirement healthcare plan for the fiscal year ending 2024.

The components of net periodic benefit cost, other than the service cost component, are included in the line item nonoperating margins for the years ended June 30, 2024 and 2023.

The following benefits are expected to be paid:

Year	Amount
2025	\$ 2,188,000
2026	2,235,000
2027	2,361,000
2028	2,404,000
2029	2,496,000
2030-2034	13,321,000

(11) Other Assets

Other assets are comprised of the following as of June 30:

	2024	2023
Notes Receivable - Other	\$ 10,000,000	\$ 10,000,000
AGLC	3,483,250	3,958,222
Various Clearing Accounts	194,117	85,819
Deferred Tax Asset	3,302,000	3,394,000
Miscellaneous Deferred Debits	576	2,805
	<u>\$ 16,979,943</u>	<u>\$ 17,440,846</u>

AGLC charges for Walton Energy, Inc. are reported by the Corporation related to cost for pipeline, storage, and supporting services to be incurred the month following actual billing. The Corporation accounts for the charges as a deferred item and expenses them in the appropriate month.

Walton Energy, Inc. has a credit agreement with an unrelated party for \$10,000,000 for the years ended June 30, 2024 and 2023. The agreement bears an interest rate of 5 percent and matures on June 28, 2025. Walton Energy, Inc. will be paid accrued interest annually along with principal upon maturity. Interest receivable on the agreement totaled \$502,740 and \$2,740 as of June 30, 2024 and 2023, respectively. The balance as of June 30, 2024 was noted as being received in full in the month subsequent following period end. Walton Energy, Inc. intends to continue to extend the agreement in subsequent years and has reported the amount as a component of other assets accordingly. Based on ongoing credit evaluations of the notes, the Corporation does not expect payment defaults or delinquencies and has not recorded an allowance for credit losses as of June 30, 2024.

(12) Income Taxes

Details of income tax expense (benefit) are as follows as of June 30:

	2024	2023
Federal		
Current	\$ 248,164	\$ 126,000
Deferred	(65,000)	(15,000)
State		
Current	48,000	36,000
Deferred	(23,000)	(97,000)
	<u>\$ 208,164</u>	<u>\$ 50,000</u>

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax basis, which give rise to deferred tax assets and liabilities computed at statutory rates, are as follows as of June 30:

	2024	2023
Deferred Tax Assets		
Net Operating Loss Carryforwards	\$ 2,308,800	\$ 2,505,085
Unrealized Federal Tax Credits	2,831,752	2,831,752
Deferred Tax Liabilities		
Accelerated Depreciation and Other Property Basis Differences	(1,838,552)	(1,942,837)
	<u>\$ 3,302,000</u>	<u>\$ 3,394,000</u>

For the years ended June 30, 2024 and 2023, the Corporation had a federal net operating loss carryforward resulting in a deferred tax asset. No valuation allowance has been established due to the likelihood that the full tax benefit will be realized.

Unrealized federal tax credits are a result of the federal investment tax credit related to construction of solar plant. No valuation allowance has been established due to the likelihood that the full tax benefit will be realized before expiration beginning in 2036 through 2038.

Deferred tax liabilities are the result of property-related timing differences for depreciation. The application of bonus depreciation for solar plant significantly increased deferred tax liabilities for the years ended June 30, 2024 and 2023. The deferred tax asset is included in other assets on the consolidated balance sheet.

(13) Deferred Credits

Deferred credits are comprised of the following as of June 30:

	2024	2023
Unclaimed Property	\$ 7,158,780	\$ 6,858,090
Deferred Revenue	35,000,000	8,500,000
Power Cost Rebate	10,449,356	11,426,197
Construction Performance Deposits	16,151,796	30,298,545
	<u>\$ 68,759,932</u>	<u>\$ 57,082,832</u>

The power cost revenue deferrals represent a revenue deferral plan to reduce the impact of the future power cost increases by various power suppliers on the Corporation's rate structure. The revenue deferral is in compliance with U.S. GAAP related to the effects of certain types of regulations and has been approved by the board of directors.

The power cost rebate represents funds received from a purchased power supplier to offset a portion of the cost incurred related to providing credit support for the power purchase and scheduling agent agreement detailed in Note 15. The rebate will be recorded as a reduction in future power cost over the term of the agreement. The treatment is in compliance with U.S. GAAP related to the effects of certain types of regulations and has been approved by the board of directors.

The construction performance deposits represent funds received for two solar generation construction projects currently in progress. The deposits are refundable to contracted parties at the time the generation facilities are placed into service and the performance terms of the agreements are met. Additional information pertinent to the agreement is provided in Note 15.

(14) Accumulated Other Comprehensive Loss

The following table summarizes the components of accumulated other comprehensive loss and the changes in accumulated other comprehensive loss for the years ended June 30:

	Pension Plan	Postretirement Healthcare	Accumulated Other Comprehensive Loss
Balance, June 30, 2022	\$23,246,188	\$(322,464)	\$22,923,724
Change in Fair Value Costs	(3,975,403)	(2,408,426)	(6,383,829)
Amortization of Actuarial Changes	(1,692,075)	-	(1,692,075)
Amortization of Prior Service Cost	180,223	-	180,223
Loss Due to Settlement	(2,814,761)	-	(2,814,761)
Amortization of Net Transition Obligation	(663,910)	-	(663,910)
Balance, June 30, 2023	14,280,262	(2,730,890)	11,549,372
Change in Fair Value Costs	2,478,704	861,897	3,340,601
Amortization of Actuarial Changes	(2,967,751)	-	(2,967,751)
Amortization of Prior Service Cost	162,194	-	162,194
Loss Due to Settlement	-	-	-
Amortization of Net Transition Obligation	(59,752)	-	(59,752)
Balance, June 30, 2024	\$13,893,657	\$(1,868,993)	\$12,024,664

(15) Commitments

Walton EMC has entered into various long-term contracts to meet the power supply demands of its consumers. The Corporation has a commitment to pay for its assignment of fixed costs through the term of these contracts, as well as any variable cost incurred above the allocated fixed cost amounts. The Corporation is a member of a generation cooperative known as Oglethorpe Power Corporation (OPC) and has contracted with OPC based on a percentage of fixed or designated costs to purchase power supply from various facilities owned by OPC. The Corporation has multiple contracts with various expiration terms through 2050. Related fixed costs under these contracts were \$102,083,000 in 2024 and are expected to remain relatively constant in the immediate future.

Walton EMC elected to participate in OPC's "5 for 5 Rate Management Program." The objective of this program is to provide a means by which existing obligations of OPC that would otherwise be recognized as expense and billed in the future can be billed to OPC members over a five-year period then credited back against the OPC member's power bill in the subsequent five years. The Corporation elected to make payments through 2021 and receive credits from 2022 through 2026. Total credits applied totaled approximately \$14,562,000 for the year ended June 30, 2024. The Corporation earns a return on the amounts funded into this program which are credited against the Corporation's power bill.

(15) Commitments (Continued)

Effective January 1, 2016, Walton EMC entered into a power purchase and scheduling agent services agreement. The agreement will continue through December 31, 2025. Effective March 19, 2018, Walton EMC entered into an additional power purchase and scheduling agent services agreement with the same supplier extending the terms through December 31, 2035. Under the terms of the agreements, Walton EMC is required to maintain a modified debt service coverage ratio equal to or greater than 1.35 and a debt to equity ratio less than 2.5 to 1. In the event these conditions are not met, Walton EMC will be required to provide the supplier with acceptable credit support in an amount equal to \$100 million through 2025. As a result of the additional agreement, Walton EMC was required to provide a credit enhancement in the form of an irrevocable standby letter of credit for an initial amount not less than \$75 million. In the event the conditions outlined previously are not met from 2026 through 2035, Walton EMC will be required to provide the supplier additional acceptable credit not to exceed \$75 million. Once conditions are again met by Walton EMC, the remaining amount of credit support will be returned.

Under the terms of the agreement, the supplier will supply 100 percent of regulation, spinning reserves, supplemental reserves, and planning reserve capacity. The Corporation is in compliance as of June 30, 2024.

Walton EMC is a member of a transmission cooperative known as Georgia Transmission Corporation (GTC) and as such, has a Member Transmission Service Agreement (MTSA) executed in 1996 and amended in 2005 and 2012. The MTSA revision of 2012 requires Walton EMC to take transmission-related services through 2060 and allows for a reduction in service at prescribed periods. Transmission service under the MTSA was \$24,368,000 in 2024 and is expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

Walton EMC has entered into various assignment and assumption agreements through Green Power EMC and their participating EMCs. These agreements are in support of Walton EMC receiving capacity and energy from the various renewable generation projects that Walton EMC has chosen to participate in through Green Power EMC. In 2024, Walton EMC made \$2,009,000 in capacity and energy payments for these assets.

Effective August 31, 2018, Walton EMC entered into a solar power purchase agreement with SR Arlington, LLC to accept and purchase all the generated quantity at the agreed upon contract price. The agreement will stay in force for a term ending on the later of 16 years from commercial operating date or December 31, 2035 with an option to extend the initial term 5 years upon written notice at least one year prior to the end of the initial term.

Effective October 1, 2018, Walton EMC entered into two solar power purchase agreements with Odum Solar, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreements will stay in force for a term ending on the later of 15 years from commercial operating dates or December 31, 2035.

Effective November 19, 2019, Walton EMC entered into a solar power purchase agreement with SR Baxley, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2035.

Effective December 17, 2019, Walton EMC entered into a solar power purchase agreement with SR Lumpkin, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2035.

(15) Commitments (Continued)

Effective October 24, 2019, Walton EMC entered into a solar power purchase agreement with SR Snipesville II, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2035.

Effective April 5, 2021, Walton EMC entered into a solar power purchase agreement with Lancaster Solar, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2037.

Effective December 7, 2021, Walton EMC entered into a solar power purchase agreement with SR Desoto I, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2037.

Effective October 26, 2022, Walton EMC entered into a solar power purchase agreement with SR Desoto III, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2038.

Effective October 26, 2022, Walton EMC entered into a solar power purchase agreement with SR Robins, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2038.

Effective October 26, 2022, Walton EMC entered into a solar power purchase agreement with SR Tombs, LLC to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2038.

Under current law, the Corporation has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

In addition, Walton Energy, Inc. is subject to a natural gas supply management agreement, as amended, with an outside third party. The third-party acts as the gas asset manager and is responsible for “management services” which include, but are not limited to, performing all administrative and operational tasks associated with providing the Corporation with transportation services, storage services, consulting services, and nominating services.

Walton Energy, Inc. services both fixed and variable rate customers. The third party bills the Corporation monthly for the volume of gas used by each customer type. When fixed-rate customers lock their rate in with Walton Energy, Inc., the third party is required by the agreement to sell that volume at a negotiated fixed price to the Corporation. Therefore, the transaction is not considered a hedging activity, and no exposure to the Corporation exists as of the balance sheet date unless the third party fails to perform.

Walton Energy, Inc. has an obligation to deliver a volume of natural gas required by AGLC. If a natural gas marketer does not deliver the required amount of natural gas, penalties may apply in accordance with the AGLC Tariff. Since the amounts required by AGLC are based on estimates, an imbalance, either positive or negative, occurs with some natural gas marketers delivering more natural gas than their consumers actually consume and other natural gas marketers delivering less natural gas than their consumers actually consume. An imbalance in deliveries of natural gas results in some marketers owing other marketers for excess natural gas (short marketer) and some marketers being owed by other marketers for deficient deliveries of natural gas (long marketer). An imbalance from the short marketers is settled with the long marketers, pursuant to the AGLC Tariff.

(15) Commitments (Continued)

On December 12, 2008, Georgia Public Service Commission (GPSC) approved an order which changed the methodology to determine the amount of natural gas each marketer is required to deliver, established an escrow fund to receive imbalance amounts from short marketers, required letters-of-credit to secure payment obligations, and shortened the time period associated with the settlement process. GPSC conducts an audit to determine Walton Energy, Inc.'s letter-of-credit requirement. As a result of the audit, Walton Energy, Inc.'s letter-of-credit requirement totaled \$67,093 and was obtained from NCSC for the year ended June 30, 2024. The letter-of-credit requirement is determined on a quarterly basis and has been guaranteed by Walton EMC.

Walton Energy, Inc. is also required by AGLC's Tariff to provide liquidity support to secure payment of their obligations to AGLC. The liquidity support required is adjusted semiannually based upon a calculation defined in the AGLC Tariff. The liquidity support requirement can be satisfied by cash deposits, a letter-of-credit, or a combination of each. Walton Energy, Inc. has elected to secure a letter-of-credit in the amount of \$7,966,500 from NCSC to meet requirements for the year ended June 30, 2024. The letter-of-credit matures on November 4, 2024 and has been guaranteed by Walton EMC.

(16) Concentrations of Credit Risk

The Corporation maintains interest-bearing cash balances in multiple financial institutions; those cash balances throughout the year periodically exceed the federally insured deposit limits. The Corporation believes that its cash is not exposed to any significant risk and the Corporation has not experienced any loss in accounts which exceed federally insured limits. At June 30, 2024, bank balances exceeded federally insured deposit limits by \$7,426,136.

As of June 30, 2024, NRUCFC select notes in the amount of \$13,480,058 were included as a component of cash and cash equivalents. The amount is not secured or otherwise subject to federally insured deposit liability coverage.

The Corporation serves customers in the state of Georgia. The geographic concentrations of the Corporation's customers result in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a customer does not pay its bill based on the terms of its service agreement, the Corporation may require a consumer deposit as a condition for continued service.

(17) Litigation

The Corporation is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Corporation's future financial position or results from operations.