

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://CLAconnect.com)

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2024 AND 2023**

<b>DIRECTORS AND OFFICERS (UNAUDITED)</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>4</b>
<b>STATEMENTS OF OPERATIONS</b>	<b>5</b>
<b>STATEMENTS OF CHANGES IN EQUITY</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>18</b>
<b>INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES</b>	<b>19</b>

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**DIRECTORS AND OFFICERS (UNAUDITED)**  
**DECEMBER 31, 2024**

Marilyn Werner	President
Mark Herzberg	Vice President
Kay Fast-Deyoe	Secretary
Jason Smith	Treasurer
Terry Barnes	Director
Adam Boswell	Director
Dana Morgan	Director
Bonnie Larson	Director
Alan Spencer	Director
Dale Walkup	Director
* * * * *	
Phil Kinser	CEO & General Manager



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Southwest Iowa Rural Electric Coop  
Corning, Iowa

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Southwest Iowa Rural Electric Coop (the Cooperative), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

### **Other Information Included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the listing of directors and officers and the Cooperative's annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
March 17, 2025

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Electric Plant in Service	\$ 54,783,612	\$ 52,393,604
Construction Work in Progress	<u>4,393,487</u>	<u>1,939,547</u>
Total	59,177,099	54,333,151
Less: Accumulated Provision for Depreciation	<u>(19,235,427)</u>	<u>(18,579,838)</u>
Net Utility Plant	39,941,672	35,753,313
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investments in Associated Organizations	3,959,873	3,614,377
Other Investments	<u>1,207,689</u>	<u>592,921</u>
Total Other Property and Investments	5,167,562	4,207,298
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	322,803	893,896
Accounts Receivable, Net of Allowances of \$26,026 in 2024 and \$28,837 in 2023	1,969,948	1,247,268
Materials and Supplies Inventory	1,094,361	1,292,183
Other Current and Accrued Assets	79,256	72,364
Current Portion of Notes Receivable	<u>69,662</u>	<u>69,261</u>
Total Current Assets	3,536,030	3,574,972
<b>DEFERRED DEBITS</b>		
	<u>954,060</u>	<u>950,106</u>
Total Assets	<u><u>\$ 49,599,324</u></u>	<u><u>\$ 44,485,689</u></u>
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES</b>		
Patronage Capital	\$ 8,569,284	\$ 7,942,449
Other Equities	<u>11,755,883</u>	<u>11,180,296</u>
Total Equities	20,325,167	19,122,745
<b>LONG-TERM DEBT, Net of Current Maturities</b>		
	23,082,752	21,150,428
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	1,084,822	1,038,838
Notes Payable - Line of Credit	2,840,700	1,400,000
Accounts Payable	1,321,538	739,113
Consumer Deposits	73,900	114,330
Other Current Accrued Liabilities	<u>714,524</u>	<u>709,392</u>
Total Current Liabilities	6,035,484	4,001,673
<b>DEFERRED CREDITS</b>		
	<u>155,921</u>	<u>210,843</u>
Total Equities and Liabilities	<u><u>\$ 49,599,324</u></u>	<u><u>\$ 44,485,689</u></u>

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>	\$ 13,338,349	\$ 12,441,515
<b>OPERATING EXPENSES</b>		
Cost of Power	6,513,842	6,688,924
Distribution Expense - Operations	900,841	826,873
Distribution Expense - Maintenance	1,217,388	1,061,310
Consumer Account Expense	603,451	589,242
Sales Expense	10,994	14,574
Administrative and General Expense	1,044,767	952,923
Depreciation	1,428,592	1,368,812
Taxes	-	(11,532)
Other Deductions	6,784	5,073
Total Operating Expenses	<u>11,726,659</u>	<u>11,496,199</u>
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	1,611,690	945,316
<b>INTEREST ON LONG-TERM DEBT</b>	<u>883,347</u>	<u>798,518</u>
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	728,343	146,798
<b>GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS</b>	<u>722,275</u>	<u>625,673</u>
<b>NET OPERATING MARGINS</b>	1,450,618	772,471
<b>NONOPERATING MARGINS</b>		
Interest Income	43,595	61,549
Gain on Disposal of Property	44,452	33,000
Other Nonoperating Margins	37,429	28,217
Total Nonoperating Margins	<u>125,476</u>	<u>122,766</u>
<b>NET MARGINS</b>	<u><u>\$ 1,576,094</u></u>	<u><u>\$ 895,237</u></u>

See accompanying Notes to Financial Statements.



**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	Patronage Capital	Assignable Margins	Total Patronage Capital	Other Equities	Total Equities
<b>BALANCE - DECEMBER 31, 2022</b>	\$ 7,122,673	\$ 558,460	\$ 7,681,133	\$ 10,926,843	\$ 18,607,976
Assigned 2022 Margins	303,184	(558,460)	(255,276)	255,276	-
Retirement of Capital Credits	(378,645)	-	(378,645)	8,830	(369,815)
2023 Margins	-	895,237	895,237	-	895,237
Changes in Other Equities	-	-	-	(10,653)	(10,653)
<b>BALANCE - DECEMBER 31, 2023</b>	7,047,212	895,237	7,942,449	11,180,296	19,122,745
Assigned 2023 Margins	324,500	(895,237)	(570,737)	570,737	-
Retirement of Capital Credits	(378,522)	-	(378,522)	7,685	(370,837)
2024 Margins	-	1,576,094	1,576,094	-	1,576,094
Changes in Other Equities	-	-	-	(2,835)	(2,835)
<b>BALANCE - DECEMBER 31, 2024</b>	<u>\$ 6,993,190</u>	<u>\$ 1,576,094</u>	<u>\$ 8,569,284</u>	<u>\$ 11,755,883</u>	<u>\$ 20,325,167</u>

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 1,576,094	\$ 895,237
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities:		
Depreciation	1,428,592	1,368,812
G & T and Other Capital Credits	(722,275)	(625,673)
Interest Income Credited to Cushion of Credit	-	(14,064)
Interest Expense Paid by Cushion of Credit	-	224,725
Gain on Disposition of Assets	(44,452)	(33,000)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(722,680)	290,266
Materials and Supplies Inventory	197,822	68,989
Other Current and Accrued Assets	(6,892)	(2,152)
Deferred Debits	(3,954)	(922,891)
Increase (Decrease) in:		
Accounts Payable	582,425	(528,429)
Customer Deposits	(40,430)	(5,388)
Other Current and Accrued Liabilities	5,132	(50,298)
Deferred Credits	(54,922)	(7,260)
Net Cash Provided by Operating Activities	2,194,460	658,874
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction and Acquisition of Plant	(5,572,499)	(2,316,682)
Cash Received from Retirement of Patronage Capital	381,433	376,900
Cash Received from Payment of Notes Receivable	90,800	91,460
Net Change in Other Property and Investments	(30,623)	1,457
Net Cash Used by Investing Activities	(5,810,889)	(1,846,865)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt	3,000,000	1,500,000
Principal Payments on Long-Term Debt	(1,021,692)	(713,297)
Borrowing on Line of Credit	1,440,700	975,000
Change in Other Equities	(2,835)	(10,653)
Retirement of Capital Credits	(370,837)	(369,815)
Net Cash Provided by Financing Activities	3,045,336	1,381,235
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(571,093)	193,244
Cash and Cash Equivalents - Beginning of Year	893,896	700,652
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 322,803</u>	<u>\$ 893,896</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	<u>\$ 930,039</u>	<u>\$ 834,112</u>
Principal Payments Paid by Cushion of Credit	<u>\$ 21,942</u>	<u>\$ 245,576</u>

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Southwest Iowa Rural Electric Coop (the Cooperative) is a cooperative association organized under Iowa laws and statutes. The primary purpose of the Cooperative is to buy and sell electric energy to its members. The Cooperative serves members located primarily in rural areas of southwest Iowa.

**Basis of Accounting**

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS. The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied in the case of regulated electric utilities.

Rates charged to consumers are established by the board of directors.

**Use of Estimates**

The preparation of financial statements in conformity with 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 financial statements. Estimates may also affect the reported amounts of revenue and expense during the reported period. Accordingly, actual results could vary from those estimates.

**Electric Plant and Depreciation Procedures**

Utility plant is stated at cost. Major expenditures for property and equipment and those which substantially increase useful lives are capitalized. Maintenance, repairs, and major renewals are expensed as incurred. Gains or losses incurred on disposals of distribution plant items are recorded as adjustments to the related accumulated depreciation account. When general plant assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the account and the resulting gains or losses are included in current operations. There were no long-term construction projects requiring capitalization of interest for allowance of funds used during construction.

Distribution plant is depreciated through the use of an average composite, straight-line rate of 2.87% or on an individual unit straight-line basis using rates within RUS guidelines. General plant is depreciated on the estimated useful life of the asset using the straight-line method on a unit basis.

**Other Property and Investments**

*Investments in Associated Organizations:*

Investments in associated organizations include patronage capital, capital term certificates, and other investments. Patronage capital investments are stated at cost plus undistributed allocated equities from other cooperatives. Capital term certificates and other investments are carried at cost, which approximates market value.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Property and Investments (Continued)**

*Other Investments:*

Other investments include economic development notes receivable and other investments. Notes receivable and other investments are recorded at cost.

*Notes receivable and the Allowance for Loan Losses:*

Notes receivable consist of economic development loans to companies within or near the Cooperative's service territory for purposes of promoting economic development.

The allowance for credit losses on loans (allowance) is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when the Cooperative determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

Loans are evaluated on an individual basis. When management determines that the borrower is experiencing financial difficulty at the reporting date, management determines the amount that is expected to be collected on the loan, including the value of collateral pledged by the borrower as security on the loan, and an allowance for loan credit losses is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loan. Loan balances are charged off against the allowance when management believes the uncollectibility of the loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The valuation of the allowance for loan credit losses is determined as follows: repayment is expected to be provided substantially through the operation or sale of collateral so expected loan losses are based on the fair value of the collateral, adjusted for selling costs as appropriate.

Accrued interest receivable totaled \$6,517 and \$6,505 at December 31, 2024 and 2023, respectively, and was reported in accrued interest receivable on the balance sheet and is excluded from the estimate of loan credit losses. Interest income is accrued on the unpaid principal balance.

At December 31, 2024 and 2023, the allowance for credit losses for notes receivable was \$-0-.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Cooperative considers short-term investments with maturities of three months or less to be cash equivalents. The following is a summary of these items at December 31:

	2024	2023
Cash – General	\$ 82,846	\$ 83,365
Revolving Loan Funds	57,446	662,059
Short-Term Investments	182,511	148,472
Total	<u>\$ 322,803</u>	<u>\$ 893,896</u>

The Cooperative maintains cash and investments in deposit accounts at financial institutions approved by the board of directors and insured by Federal Deposit Insurance Corporation (FDIC). Accumulated deposits at these financial institutions, at times, may exceed federally insured limits.

Revolving loan fund cash is restricted for the purpose of making economic development loans to businesses. The cash is provided through the Rural Economic Development Loan and Grant Program.

**Accounts Receivable**

The Cooperative provides electric energy to its consumers whose payment is generally required within 20 days after the date of billing. An allowance for credit losses is estimated using the allowance method based on management's judgment. The Cooperative uses historical loss information and an analysis of the collectability of individual accounts to determine expected credit losses for receivables. The majority of receivables are aged current, and there have been very limited losses over the lifetime of the Cooperative. The Cooperative believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The Cooperative believes that current economic conditions are consistent with its historical assumptions. Management applied an inflation rate to the current historical factor and determined that the effect was not material to the allowance. When all collection efforts have been exhausted, the accounts are written off against the related allowance after one year. At December 31, 2024 and 2023, the allowance for credit losses was as follows:

	2024	2023
Allowance for Credit Losses:		
Balance - Beginning of Year	\$ 28,837	\$ 26,116
Provision for Losses	(3,423)	-
Recoveries on Accounts Previously Charged Off	(6,448)	(3,133)
Accounts Charged Off	7,060	5,854
Balance - End of Year	<u>\$ 26,026</u>	<u>\$ 28,837</u>

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable (Continued)**

Accounts receivable balance are as follows at December 31:

2024	2023	2022
1,995,974	1,276,105	1,563,649

**Inventories**

Inventories are valued at the lower of cost or net realizable value using the average unit cost method.

**Income Taxes**

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded at December 31, 2024 and 2023.

The Cooperative has evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2024 and 2023.

**Presentation of Sales Taxes**

The Cooperative does business in various taxing jurisdictions which impose sales taxes on sales to nonexempt customers. The Cooperative collects sales tax from customers and remits the entire amount to the taxing jurisdictions. The Cooperative's accounting policy is to exclude the tax collected and remitted to the taxing jurisdictions from revenues and costs of sales.

**Revenue from Contract with Customers**

The Cooperative primarily generates revenue from the distribution and sale of electricity to members. The Cooperative satisfies the performance obligation when the energy is delivered to the member. The Cooperative recognizes revenue from energy sales based on meter readings of the member's usage. Meters are read at month-end and bills are sent out early the next month with payments due 20 days after the bills are sent. Rates charged to members are based on rates approved by the Cooperative's board of directors. The Cooperative has elected to use the Invoice Practical Expedient allowing the Cooperative to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue from Contract with Customers (Continued)**

The following table presents the Cooperative's revenues disaggregated by type of customer at December 31:

	2024	2023
Residential	\$ 10,110,397	\$ 9,353,371
Commercial and Industrial-Small	2,678,245	2,545,612
Commercial and Industrial-Large	229,823	207,664
Public Street and Highway Lighting	17,991	15,823
Sales for Resale	227,965	246,952
Other Operating Revenue	73,928	72,093
Total	<u>\$ 13,338,349</u>	<u>\$ 12,441,515</u>

**Measure of Operations**

In its statement of operations, the Cooperative includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Interest income, gains on sale of property, and other nonoperating transactions are recognized as nonoperating margins in the statement of operations.

**Subsequent Events**

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through March 17, 2025, the date the financial statements were available to be issued.

**NOTE 2 ELECTRIC PLANT IN SERVICE**

The following are the major classes of the electric plant in service as of December 31:

	2024	2023
Intangible Plant	\$ 30,515	\$ 30,515
Distribution Plant	48,724,486	46,595,544
General Plant	6,028,611	5,767,545
Total Electric Plant in Service	<u>54,783,612</u>	<u>52,393,604</u>
Construction Work in Progress	4,393,487	1,939,547
Total	<u>\$ 59,177,099</u>	<u>\$ 54,333,151</u>

**NOTE 3 INVESTMENTS IN ASSOCIATED ORGANIZATIONS**

The Cooperative is a voting member of Central Iowa Power Cooperative (CIPCO), a generation and transmission facility headquartered in Cedar Rapids, Iowa, supplying power to distribution cooperatives in Iowa. These voting members or owners share margins realized by CIPCO, on the cooperative principle, based on power purchased.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 3 INVESTMENTS IN ASSOCIATED ORGANIZATIONS (CONTINUED)**

Investments in associated organizations as of December 31 are as follows:

	2024	2023
Central Iowa Power Cooperative	2,458,129	2,201,281
NRUCFC - Patronage Capital Credits	158,732	161,178
NRUCFC - Capital Term Certificates	549,801	550,025
RESCO - Patronage Capital Credits	150,369	83,271
Federated - Patronage Capital Credits	160,787	160,143
CoBank - Patronage Capital Credits	365,715	338,760
NISC - Patronage Capital Credits	82,780	85,962
Other Associated Organizations	33,560	33,757
Total	<u>\$ 3,959,873</u>	<u>\$ 3,614,377</u>

Capital term certificates include investments in National Rural Utilities Cooperative Finance Corporation (NRUCFC) capital term certificates, loan term certificates, and zero term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070; and loan term certificates bear interest at 3% and begin maturing in the year 2025.

**NOTE 4 OTHER INVESTMENTS**

Other investments at December 31 consist of the following:

	2024	2023
Economic Development Loans		
City of Stanton, 5% interest through 2036	\$ 50,576	\$ 53,740
Corning Hotel, 1% interest through 2030	434,753	473,511
Forward with Faith, 3% interest through 2029	112,023	134,931
Provision Feed, 2% interest through 2032	680,000	-
Total	1,277,352	662,182
Less: Current Portion of Economic Development Loans	(69,663)	(69,261)
Total Other Investments	<u>\$ 1,207,689</u>	<u>\$ 592,921</u>

**NOTE 5 DEFERRED DEBITS**

Deferred debits consist of the following at December 31:

	2024	2023
Unamortized Debt Expense	\$ 2,698	\$ 4,046
Preliminary Survey and Investigation	41,673	9,431
GIS Field Inventory	902,456	933,938
Other Deferred Debits	7,233	2,691
Total	<u>\$ 954,060</u>	<u>\$ 950,106</u>



**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 6 DETAIL OF PATRONAGE CAPITAL**

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

	2024	2023
Assignable	\$ 1,576,094	\$ 895,237
Assigned	6,993,190	7,047,212
Total	<u>\$ 8,569,284</u>	<u>\$ 7,942,449</u>

The mortgage provisions restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 30% of total assets of the Cooperative; provided; however, that retirements can be made if such distributions do not exceed 25% of the preceding year's margins. No distribution can be made if there are unpaid, when due, any installments of principal and interest on the notes.

**NOTE 7 OTHER EQUITIES**

Other equities consist of retained margins not allocated to patrons at December 31 as follows:

	2024	2023
Reserve for Contingent Losses	\$ 5,297,483	\$ 5,000,298
Statutory Surplus	6,332,689	6,059,136
Unclaimed Patronage Capital	59,675	62,510
Donated Capital	66,036	58,352
Total	<u>\$ 11,755,883</u>	<u>\$ 11,180,296</u>

The Cooperative's Articles of Incorporation require that at least 10% of Cooperative's earnings remaining after provision is made for depreciation, obsolescence, bad debts, or contingent losses or expense, must be added to statutory surplus until the surplus equals either \$1,000 or 30% of all capital paid in for memberships plus unpaid patronage dividends, earnings from nonmember business, and earnings from allocations of other cooperatives, whichever is greater, but is not to exceed 50% of that total.

The Cooperative's Articles of Incorporation also allow earnings to be transferred to a Reserve for Obsolescence and Contingent Losses and Expenses.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 8 LONG-TERM DEBT**

The following is a summary of outstanding long-term debt as of December 31:

	<u>2024</u>	<u>2023</u>
Federal Financing Bank (FFB) Mortgage Notes		
Fixed Interest 1.08%-4.53% maturing 2047-2052	\$ 8,922,037	\$ 9,173,743
Rural Utilities Service (RUS) Treasury Notes		
Fixed Interest 3.77% to 4.53% maturing 2029-2057	4,493,462	1,500,000
Advance Payments on Long-Term Debt	-	(21,942)
National Rural Utilities Cooperative Finance Corporation		
Fixed interest 1.88%-4.85% maturing 2025-2040	2,430,864	2,574,282
CoBank Mortgage Notes		
Fixed Interest 2.96%-4.51% maturing 2028-2044	7,455,419	8,097,391
USDA Rural Economic Development Grant	<u>865,792</u>	<u>865,792</u>
Subtotal	24,167,574	22,189,266
Less: Current Maturities	<u>(1,084,822)</u>	<u>(1,038,838)</u>
Total	<u><u>\$ 23,082,752</u></u>	<u><u>\$ 21,150,428</u></u>

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

As of December 31, 2024, the Cooperative has unadvanced loan funds of \$-0- from FFB, NRUCFC and CoBank as well as \$2,500,000 from RUS.

The aggregate five-year maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 1,084,823
2026	1,092,217
2027	1,085,669
2028	1,034,070
2029	839,418

The Cooperative has received \$865,792 under the Rural Economic Development Loan and Grant Program. These are noninterest-bearing loans used to establish a fund to finance approved rural economic development projects. The original loans made from the fund are at 0% interest and loans made from the repayment of the original loans can bear interest up to the prevailing prime rate.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 9 NOTES PAYABLE**

The Cooperative has established a perpetual line of credit with NRUCFC in an amount totaling \$3,000,000. Borrowings are due on demand at interest rates that vary with the prime rate published in *The Wall Street Journal*. At December 31, 2024 and 2023, the interest rate on this line of credit was 6.50% and 7.25%, respectively. There was outstanding balances on this line of credit of \$2,000,000 and \$1,400,000 as of December 31, 2024 and 2023, respectively.

The Cooperative has established a second line of credit in the year ended December 31, 2024 with NRUCFC in an amount totaling \$4,000,000. The line of credit was opened to support payments for the FEMA mitigation project. Borrowings are due on demand at interest rates that vary with the prime rate published in *The Wall Street Journal*. At December 31, 2024, the interest rate on this line of credit was 5.90%. There was outstanding balances on this line of credit of \$840,700 as of December 31, 2024.

The Cooperative has established an additional line of credit with CoBank in an amount totaling \$1,000,000. The interest rate as of December 31, 2024 and 2023 was 6.39% and 7.41%, respectively. The line of credit matures on January 31, 2025. No funds were advanced on this line of credit as of December 31, 2024 and 2023.

**NOTE 10 DEFERRED CREDITS**

Deferred credits at December 31 are as follows:

	2024	2023
Customer Advances for Construction	\$ 24,048	\$ 60,829
Customer Energy Prepayments	73,447	82,812
Operation Roundup	55,747	60,499
Other Deferred Credits	2,679	6,703
Total	<u>\$ 155,921</u>	<u>\$ 210,843</u>

**NOTE 11 PENSION AND RETIREMENT PLANS**

**Pension Plan**

The Hawkeye Pension Plan (the Plan) is a defined benefit pension plan intended to be qualified under Section 401 of the Internal Revenue Code (IRC). Its associated trust is intended to be tax-exempt under Section 501(a) of the IRC. All plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for individual participating coops. This means assets contributed by one coop may be used to provide benefits to employees of other participating coops. The Plan is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 42-1438152 and the Plan Number is 001.

**SOUTHWEST IOWA RURAL ELECTRIC COOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 11 PENSION AND RETIREMENT PLANS (CONTINUED)**

**Pension Plan (Continued)**

Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience. Special rules apply to a coop that withdraws from the plan, requiring the coop to pay to the plan an amount based on the underfunded status of the plan. The plan sponsor's Employer Identification Number is 42-1438152 (Hawkeye Insurance Association is the plan administrator for the Hawkeye Pension Plan) and the plan number is 001.

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

The Cooperative's contributions to the Plan in 2024 and in 2023 represented less than 5% of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the Plan of \$480,578 and \$482,816 in 2024 and 2023, respectively.

For the Plan, a "zone status" determination is not required, and therefore, not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. As of July 1, 2024, the Plan was over 80% funded, using special funded status calculations applicable to the Plan under the Pension Protection Act (PPA).

Because the provisions of the PPA do not apply to the Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

**Retirement Plan**

In addition to the above pension plan, employees of the Cooperative are eligible for a 401(k) savings plan. This plan is offered through the NRECA. Participants are not required to make contributions but may elect to contribute a percentage of their salary, subject to Internal Revenue Service maximum limitations. The Cooperative makes a contribution in an amount as determined by the Board of Directors. The Cooperative made contributions of approximately \$70,024 and \$64,378 for the years ended December 31, 2024 and 2023, respectively.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Sources of Supply**

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Central Iowa Power Cooperative through December 2062. The rates are subject to review annually.

**SOUTHWEST IOWA RURAL ELECTRIC COOP  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2024**

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**FINDING: 2024-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (U.S. GAAP)**

**Type of Finding:** Material Weakness in internal control over financial reporting.

**Condition:** The Cooperative does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with U.S. GAAP.

**Criteria or Specific Requirement:** Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. GAAP.

**Cause:** The Cooperative has not adopted an internal control policy over the annual financial reporting under U.S. GAAP. The Cooperative engages the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Effect:** The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected and corrected by the Cooperative's internal control.

**Repeat Finding:** This is a repeat finding in the immediate prior year. Prior year finding number was 2023-001.

**Recommendation:** The Cooperative should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

**Views of Responsible Officials and Planned Corrective Actions:** Management will continue to engage the audit firm to create the draft financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.



## INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors  
Southwest Iowa Rural Electric Coop  
Corning, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Southwest Iowa Rural Electric Coop (the Cooperative) as of December 31, 2024, and the related statements of operations, patronage capital and other equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2025.

During the year ended December 31, 2024, the Cooperative received no advances from National Rural Utilities Cooperative Finance Corporation (NRUCFC) on loans controlled by the NRUCFC Loan Agreements and/or Mortgage or Security Agreements (the agreement). In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions on the loans controlled by the NRUCFC's agreement, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provision, or conditions of the agreement, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of directors and management of the Cooperative and the NRUCFC and is not intended to be, and should not be, used for anyone other than these specified parties.

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
March 17, 2025



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.