



2024 Financial Audit and Management Letter

Janelle Smith | Director, Finance

Tyler Canady | Bolinger, Segars, Gilbert & Moss



Tyler Canady, CPA



**Bolinger, Segars, Gilbert & Moss
LLP**

Certified Public Accountants

8215 Nashville Ave

Lubbock, TX 79423

(806) 747-3806 Phone

(806) 747-3815 Fax



, 2025

Board of Directors
Pedernales Electric Cooperative, Inc.
Johnson City, Texas

We have audited the financial statements of Pedernales Electric Cooperative, Inc. (the Cooperative) for the year ended December 31, 2024, and have issued our report thereon dated _____, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 9, 2024. Professional standards also require that we communicate to you the following information relate to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooperative are described in the notes to the financial statements. There were no new accounting standards adopted during the period. The Cooperative adopted new accounting policies in 2024 regarding reporting income statement expenses for transmission costs. The implementation did not have a material impact on the financial statements. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements are unbilled revenue calculations, the allowance for credit losses, and lives used to calculate depreciation on distribution plant in service.

Management's estimates related to unbilled revenue are based on industry accepted guidelines and the revenue calculations are within those guidelines. Management's estimates of the allowance for credit losses are based on historical activity and current regulatory actions. Management's estimate of the depreciation life used is based on industry accepted guidelines and the lives selected are within those guidelines. We evaluated the key factors and assumptions used to develop unbilled revenue estimates, the allowance for credit losses, and accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Page 2

The disclosures in the financial statements are neutral, consistent, and clear. Key disclosures are Notes 3, 7, 8, 11, 12 and 13 relating to plant, equity, debt, commitments and contingencies, and benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.