Report of Independent Auditors and
Financial Statements

Tri-County Electric Cooperative, Inc.

March 31, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Tri-County Electric Cooperative, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tri-County Electric Cooperative, Inc., which comprise the balance sheets as of March 31, 2025 and 2024, and the related statements of operations and comprehensive income, equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tri-County Electric Cooperative, Inc. as of March 31, 2025, and the results of its operations and its cash flows for the year 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 Tri-County Electric Cooperative, Inc. 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 Tri-County Electric Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 Tri-County Electric Cooperative, Inc.'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 Tri-County Electric Cooperative, Inc.'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.

Baker Tilly US, LLP

Portland, Oregon
August 6, 2025

Financial Statements

Tri-County Electric Cooperative, Inc.
Balance Sheets
March 31, 2025 and 2024

	2025	2024
ASSETS		
UTILITY PLANT		
Plant in service	$ 989,312,982	$ 913,510,652
Less accumulated depreciation	(213,511,545)	(209,574,692)
Net plant in service	775,801,437	703,935,960
Construction work in progress	54,975,728	57,421,151
Net utility plant	830,777,165	761,357,111
INVESTMENTS		
Investments in associated organizations	176,237,265	170,862,304
CURRENT ASSETS		
Cash and cash equivalents	3,481,102	1,627,111
Accounts receivable (less allowance for uncollectible of $1,183,630 and $1,307,552 in 2025 and 2024, respectively	23,204,454	26,573,257
Unbilled revenue	22,587,217	21,341,087
Prepaid expenses and other	1,942,276	2,195,737
Total current assets	51,215,049	51,737,192
Regulatory assets	472,801,274	480,562,119
Total assets	$1,531,030,753	$1,464,518,726

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Balance Sheets
March 31, 2025 and 2024

	2025	2024
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	$ 2,804,413	$ 2,724,018
Patronage capital	509,969,311	486,256,236
Other deficit equities	(53,592,978)	(53,684,302)
Accumulated other comprehensive income	7,790,033	9,892,780
Total equities	466,970,779	445,188,732
LONG-TERM LIABILITIES		
Long-term debt, less current portion	665,521,389	626,627,557
Accumulated postretirement benefit obligation (APBO) other than pensions	8,816,790	9,196,676
Total long-term liabilities	674,338,179	635,824,233
CURRENT LIABILITIES		
Current maturities of long-term debt	19,230,604	75,795,270
Line of credit	208,500,000	192,500,000
Accounts payable	32,418,626	23,535,124
Overbilled wholesale power cost adjustment	111,745,095	73,219,322
Consumer deposits	7,543,718	6,633,016
Accrued expenses	5,725,019	6,384,450
Accrued interest	801,885	792,078
Total current liabilities	385,964,947	378,859,260
Deferred credits	3,756,848	4,646,501
Total equities and liabilities	$1,531,030,753	$1,464,518,726

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Operations and Comprehensive Income
Years Ended March 31, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Residential	$ 299,500,834	$ 313,896,122
Irrigation	1,863,281	2,419,547
Small commercial	80,009,098	81,766,457
Large commercial	50,784,564	54,259,186
Public street and highway lighting	1,096,572	1,050,935
Other sales to public authorities	11,184,031	12,214,830
Change in unbilled revenue	1,246,129	(4,346,959)
Power cost overbilled	(38,525,773)	(30,891,266)
Other electric revenue	5,132,925	5,184,967
Total operating revenues	412,291,661	435,553,819
OPERATING EXPENSES		
Cost of power	268,463,509	299,703,219
Distribution expense - operations	8,848,576	11,179,380
Distribution expense - maintenance	17,456,557	20,851,389
Consumer accounts	8,582,751	9,983,816
Customer service and information	1,050,653	1,290,310
Sales	832,316	1,050,639
Administrative and general	16,953,873	15,796,138
Depreciation and amortization	34,868,169	29,679,213
Taxes and other deductions	40,849	101,570
Total operating expenses	357,097,253	389,635,674
NET OPERATING MARGINS	55,194,408	45,918,145
INTEREST ON LONG-TERM DEBT, net of interest charged to construction of $12,042,620 and $10,377,376 in 2025 and 2024, respectively	42,251,747	41,221,885
OPERATING MARGIN BEFORE CAPITAL CREDITS	12,942,661	4,696,260
CAPITAL CREDITS	10,613,172	10,538,210
OPERATING MARGINS	23,555,833	15,234,470
NONOPERATING MARGINS		
Interest and dividend income	414,293	496,707
Net margin from subsidiary	(5,884)	(4,029,578)
Other nonoperating income	1,082,278	326,665
Other extraordinary revenue	-	4,949,596
Total nonoperating margins	1,490,687	1,743,390
NET MARGINS BEFORE INCOME TAXES	25,046,520	16,977,860
NET MARGINS	25,046,520	16,977,860
OTHER COMPREHENSIVE (LOSS) INCOME	(2,102,747)	1,931,661
COMPREHENSIVE INCOME	$ 22,943,773	$ 18,909,521

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Equities
Years Ended March 31, 2025 and 2024

	2025	2024
Memberships		
Balance at April 1	$ 2,724,018	$ 2,606,914
Additions	80,395	117,104
Balance at March 31	2,804,413	2,724,018
Patronage capital		
Balance at April 1	486,256,236	473,587,532
Transfer of net margins	25,046,520	16,977,860
Retirement of capital credits, net	(1,333,445)	(4,309,156)
Balance at March 31	509,969,311	486,256,236
Other equity		
Balance at April 1	(53,684,302)	(53,721,226)
Additions	91,324	36,924
Balance at March 31	(53,592,978)	(53,684,302)
Accumulated other comprehensive income		
Balance at April 1	9,892,780	7,961,119
Amortization of gain	(2,437,155)	(2,433,235)
Actuarial gain	334,408	4,364,896
Balance at March 31	7,790,033	9,892,780
Total equities	$ 466,970,779	$ 445,188,732

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 25,046,520	$ 16,977,860
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	26,105,082	23,555,821
Depreciation charged to clearing	3,580,632	2,999,452
Amortization of regulatory asset	8,789,173	6,149,478
Patronage capital credits assigned by associated organizations	(10,613,172)	(10,538,210)
Changes in assets and liabilities		
Accounts receivable, net	3,368,803	(9,968,557)
Unbilled revenue	(1,246,130)	4,346,960
Prepaid expenses and other	253,461	(179,993)
Regulatory assets	(1,028,328)	-
Deferred debits	-	85,051
Accounts payable	8,883,502	(5,658,916)
APBO other than pensions	(2,482,633)	(2,469,544)
Consumer deposits	910,702	532,454
Deferred credits	(889,653)	(3,619,759)
Other current and accrued liabilities	37,876,149	30,881,267
Net change in operating activities	98,554,108	53,093,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant, net	(99,105,768)	(122,203,069)
Other investments	5,238,211	10,207,727
Net change in investing activities	(93,867,557)	(111,995,342)

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended March 31, 2025 and 2024

	2025	2024
Advances on line of credit	48,500,000	83,000,000
Principal payments on line of credit	(32,500,000)	(8,000,000)
Payments on long-term debt	(17,670,834)	(17,842,144)
Memberships and other equities	171,719	154,028
Retirement of patronage capital	(1,333,445)	(4,309,156)
Net change in financing activities	(2,832,560)	53,002,728
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,853,991	(5,899,250)
CASH AND CASH EQUIVALENTS - beginning of year	1,627,111	7,526,361
CASH AND CASH EQUIVALENTS - end of year	$ 3,481,102	$ 1,627,111
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 53,797,663	$ 51,165,008
Cash paid during the year for property taxes, net of refunds	$ 2,968,158	$ 2,914,062

See accompanying notes.

Note 1 – Nature of Organization and Operations

Tri-County Electric Cooperative, Inc. (the Cooperative) is a non-profit corporation organized to provide electric service at the retail level to primarily residential and commercial accounts in a 16-county designated service area, headquartered in Aledo, Texas. The Cooperative is a member of Brazos Electric Power Cooperative, Inc., of whom power delivered at retail was purchased wholesale through February 28, 2023. Effective March 1, 2023, Tri-County entered into a power purchase agreement with Constellation Energy Generation, LLC that is in effect through December 31, 2029. Additionally, Constellation serves as the Cooperative's Qualified Scheduling Entity (QSE) in Electric Reliability Council of Texas (ERCOT).

Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital in the balance sheet.

Value Choice, Inc., a wholly owned for-profit subsidiary, was originally established to hold a membership interest in Millennium Telcom, L.L.C. Although this membership interest was sold in 2020, the subsidiary remained active for potential future investments. Effective March 20, 2025, Value Choice, Inc. was closed and terminated. Value Choice, Inc. is not a significant subsidiary to the Cooperative and the financial statements are presented on a non-consolidated basis.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to regulated enterprises, which conform to policies prescribed by the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts – Electric. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*, the Cooperative records certain assets and liabilities with the economic effects of the rate making process.

Utility plant – Utility plant assets are stated at cost (see Note 3). Costs include contracted services, direct labor and materials, interest capitalized during construction, and overhead items. Contributions in aid of construction are credited to the applicable plant accounts.

Capitalized interest represents the cost of capital used to finance utility construction activity and is computed by applying a composite financing rate to qualified construction work in progress (CWIP). The amount of interest capitalized as a utility construction cost is credited to interest charges.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records, is credited to electric plant. Such, cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the replacement of minor items of the plant not comprising of a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and capital accounts.

Management assesses impairment and the existence of asset retirement obligations annually and as circumstances warrant.

Investments – Investments in associated organizations are carried at cost, plus capital credits allocated and not retired (see Note 4). Annually, management assesses the carrying value for impairment.

Cash and cash equivalents – The Cooperative considers short-term investments with original maturities of three months or less to be cash equivalents.

Receivables – Receivables are recorded when invoices are issued and stated at the amount that management expects to collect. The Cooperative provides an allowance for credit losses to estimate losses from uncollectible accounts. The allowance for credit losses is estimated considering the Cooperative's historical losses, existing and reasonably supported expected economic conditions, and the financial stability of customers. Generally, receivables are considered past due after 30 days.

Deferred credits and regulatory assets – Deferred credits and regulatory assets, primarily consist of deferrals in accordance with generally accepted accounting principles, which include regulatory assets. Due to regulation of its rates by its Board, the Cooperative is subject to regulatory accounting requirements. Accordingly, certain costs and income may be deferred as a regulatory asset or liability that would otherwise be charged to revenues or expenses. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery (see Note 5 and Note 8).

Income taxes – The Cooperative is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code, except to the extent of unrelated business income, if any. The Cooperative adopted FASB ASC 740-10, relating to accounting for uncertain tax positions. The Cooperative files an exempt organization tax return and income tax return in the U.S. federal jurisdiction. As of March 31, 2025 and 2024, the Cooperative does not have any uncertain tax positions, and no provision for income taxes, consistent with its tax-exempt status.

Patronage capital – Operating margins are allocated to members annually, based on billings and usage of electricity. Distributions to members are made at the discretion of the board of directors in accordance with the bylaws, subject to the restrictions contained in long-term debt agreements. Patronage capital from associated companies is recorded at the stated amount of the certificate.

Revenue recognition and unbilled revenue – Substantially all the operating revenues consist of the sale of electric power to the Cooperative's customers, under the terms and conditions of the Cooperative's tariffs. These contracts contain a single performance obligation, the delivery of electric power. Revenue is measured as the consideration expected to be received for providing electrical service to the customer. The performance obligation of the Cooperative is measured using the output method and is recognized over time and is satisfied as energy is delivered to the customers as measured through reading of the electric meter. There are no significant financing components or variable consideration as contracts are short term. The Cooperative reads meters to determine invoicing and may have several cycles per month. Customers receive one bill per month.

Pricing for electric service is determined by set rate tariffs and may include adjustment clauses for changes in the cost of power, cost of debt service, or other rate-stabilizing inputs. To match revenues with these costs, billings are adjusted and may be billed in subsequent periods. These are included in contract assets and contract liabilities (as applicable) at month end. At month end, amounts of electric power delivered to customers but not yet billed are estimated and a corresponding unbilled revenue is recognized.

Contract assets and contract liabilities are the result of timing differences between revenue recognition billings and cash collection and consisted of the following as of March 31, 2025, 2024, and 2023:

	2025	2024	2023
Contract assets			
Accounts receivable - energy	$ 21,405,372	$ 24,770,889	$ 16,158,386
Accounts receivable - pole contacts	$ 1,799,082	$ 1,064,178	$ 363,552
Unbilled revenue	$ 22,587,217	$ 21,341,087	$ 25,688,047
Contract liabilities			
Accrued power cost recovery factor	$ 111,745,095	$ 73,219,322	$ 42,328,056
Consumer prepayments (Note 8)	$ 1,028,839	$ 2,546,940	$ 1,300,810

Other comprehensive income – Accounting principles generally require that recognized revenue, expense, gains, and losses be included in net income. Although certain changes in assets and liabilites, such as unrealized gains and losses in post-retirement benefits other than pensions, are reported as a separate component of the equity section of the balance sheet, such items are components of comprehensive income.

Post-retirement benefits other than pensions – The Cooperative sponsors a defined benefit medical insurance plan (the Plan). The Cooperative accounts for the Plan by reporting the current economic status (the overfunded or underfunded status) of the Plan in the balance sheets and measuring the Plan assets and Plan obligations as of the balance sheet dates (see Note 10).

Accrued vacation – The Cooperative accrues accumulated unpaid vacation as the obligation is incurred. Accumulated vacation is included in accrued expenses on the accompanying balance sheets and was $2,018,751 and $1,738,408 for the Cooperative for the years ending March 31, 2025 and 2024, respectively.

Advertising costs – Advertising costs are expensed as incurred. Advertising expense is included in sales on the accompanying statements of operations and comprehensive income and was $552,033 and $695,411 for the Cooperative for the years ending March 31, 2025 and 2024, respectively.

Concentration of credit risk – Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and receivables.

The Cooperative maintains its cash in deposit accounts in various financial institutions. At times these balances exceed federally insured limits. Credit is extended to customers generally without collateral requirements; however, the Cooperative requires a deposit from some members upon connection, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest and is returned periodically. In addition, formal shut-off procedures are in place.

Leases – The Cooperative determines if an arrangement contains a lease at inception. At commencement of the lease, the Cooperative records a right-of-use (ROU) asset and lease liability in the balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. As of March 31, 2025 and 2024, the Cooperative had no agreements that met the definition of a commenced lease.

Fair value measurements – Financial instruments include cash, investments, and other current assets and liabilities. Current assets and liabilities are at fair value due to the short-term nature and the carrying values of the Cooperative's borrowings under the revolving credit facility approximate fair value, as these are subject to short-term floating interest rates that approximate the rates available to the Cooperative for those periods. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in such associated organizations.

The Cooperative has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates include the allowance for credit losses, unbilled revenue, depreciation, and post-retirement benefits other than pension. Actual results could differ from those estimates.

Subsequent events – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Cooperative has evaluated subsequent events through August 6, 2025, the date the financial statements were available to be issued (see Note 13).

Note 3 – Utility Plant

The major classes of utility plant are as follows as of March 31:

	2025	2024
Distribution plant	$ 869,247,405	$ 801,888,841
General plant	120,065,577	111,621,811
Less accumulated depreciation	(213,511,545)	(209,574,692)
Net plant in-service	775,801,437	703,935,960
Construction work in progress	54,975,728	57,421,151
Net utility plant	$ 830,777,165	$ 761,357,111

Provision for depreciation of utility plant is computed using straight-line rates as follows:

Distribution plant	3.08%
Structures and improvements	2.86%
Office furniture and fixtures	6.66% - 33.34%
Transportation equipment	16.67%
Stores equipment	6.67%
Tools, shop, and garage equipment	6.67%
Laboratory equipment	6.67%
Power operated equipment	10.00%
Communication equipment	8.00%
Miscellaneous equipment	8.00%

Depreciation for the years ended March 31, 2025 and 2024, was $29,685,714 and $26,555,273, respectively, of which $26,105,082 and $23,555,821 was charged to depreciation expense, and $3,580,632 and $2,999,452 was allocated to other accounts.

Note 4 – Investments in Associated Organizations

Investments in associated organizations include the following as of March 31:

	2025	2024
National Rural Utilities Cooperative Finance Corporation (NRUCFC)		
Capital Term Certificates, 0.00% - 5.48%, maturing through 2080	$ 6,262,565	$ 6,597,634
Patronage Capital	7,209,347	6,937,978
Membership	1,000	1,000
Member Capital Securities, 5.00% maturing through 2043	10,000,000	10,000,000
Brazos Electric Power Cooperative, Inc.		
Patronage Capital	139,861,921	137,987,729
Membership	5	5
Texas Electric Cooperative, Inc.		
Patronage Capital	11,025,306	8,149,471
Membership	50	50
Meridian Cooperative, Inc.		
Patronage Capital	198,364	188,272
Federated Rural Electric Insurance Exchange		
Patronage Capital	165,454	132,831
CoBank		
Patronage Capital	1,463,938	774,689
Other	49,315	92,645
	$ 176,237,265	$ 170,862,304

Note 5 – Regulatory Assets

Regulatory assets – Regulatory assets include the following as of March 31:

	2025	2024
Brazos Winter Storm Uri Costs	$ 460,656,764	$ 468,932,954
Brazos Winter Storm Uri Costs - Unamortized debt expense	5,104,767	4,279,983
Brazos Winter Storm Uri Costs - Legal Expenses	7,039,743	7,349,182
	$ 472,801,274	$ 480,562,119

Storm Uri Costs – During February 2021, the region experienced historically cold temperatures. As a result of the extreme weather, natural gas pricing reached extraordinary levels, which caused increases in the cost of power to the Cooperative’s power provider, Brazos Electric Power Cooperative, Inc. The Cooperative has elected to defer the unamortized debt expense and legal expenses to be amortized over 25 years and recognized in future periods by adopting ASC 980, *Regulated Operations*. The remaining costs are being recovered through the Cooperatives Brazos Financing Utility Plan Rider and are amortized based upon the revenue collected each year from the Brazos Financing Utility Plan Rider (see Note 11).

Note 6 – Long-Term Debt

Long-term debt is represented by mortgage notes payable to CFC and CoBank. Lien accommodations have been executed with CFC and CoBank. The agreements contain certain financial and nonfinancial covenants. The Cooperative was in compliance with financial covenants as of March 31, 2025, under these agreements. Substantially all assets are pledged as security for long-term debt to CFC and CoBank.

Following is a summary of outstanding long-term debt due to CFC and CoBank, as well as those under CFC management but owned by Farmer Mac as of March 31:

	2025	2024
CFC Fixed rate notes - 3.33% to 6.78%, maturing through 2052	$ 207,517,701	$ 216,266,367
Farmer MAC Fixed Rate Notes - 4.44%, maturing through 2041	14,661,443	15,317,260
CoBank Fixed rate notes - 5.79% to 6.72%, maturing through 2047	465,453,634	474,003,337
Subtotal	687,632,778	705,586,964
Less unamortized conversion fees	(2,880,785)	(3,164,137)
Less current maturities	(19,230,604)	(75,795,270)
Total	$ 665,521,389	$ 626,627,557

Conversion option fees were incurred in connection with restructuring cetain notes in December 2016. In accordance with generally accepted accounting principles, these fees are recorded as contra-debt.

As of March 31, 2025, annual maturities of long-term debt for the next five years ending March 31 and thereafter are as follows:

2026	$ 19,230,604
2027	20,272,798
2028	25,217,953
2029	30,326,512
2030	37,957,893
Thereafter	554,627,018
	$ 687,632,778

As of 2024, long-term debt maturing in 2025 includes $58,379,773 associated with Tranche 1 with CoBank. In October 2024, the Cooperative refinanced Tranche 1, Tranche 2, and Tranche 3 with CoBank, extending the maturity date to September 20, 2047, to align with the remaining life of the Brazos Financing Utility Plan Rider.

Note 7 – Lines of Credit

The Cooperative has a $25,000,000 perpetual line of credit with CFC, which is an uncommitted facility and is based on the sole discretion of CFC pursuant to the terms of the loan agreement. The line of credit is at a variable interest rate, which was 6.05% and 7.05% as of March 31, 2025 and 2024, respectively, and is subject to automatic renewal. The line is collateralized by substantially all Cooperative assets. As of March 31, 2025 and 2024, $25,000,000 was outstanding on the line of credit with CFC.

The Cooperative has a $125,000,000 line of credit with CFC, which is a secured revolving facility. Under the terms of this loan agreement, CFC must advance loan funds, except in the event of a material adverse change. The line of credit is at a variable interest rate, which was 6.25% and 7.25% as of March 31, 2025 and 2024, respectively, that matures on February 17, 2026. The line is collateralized by substantially all Cooperative assets. As of March 31, 2025 and 2024, $105,500,000 and $84,500,000, respectively, was outstanding on the line of credit with CFC.

The Cooperative has a $100,000,000 committed line of credit with CoBank, which is a secured revolving facility. Under the terms of this loan agreement, CoBank must advance loan funds, except in the event of a material adverse change. The line of credit is at a variable interest rate, which was 5.91% and 6.91% as of March 31, 2025 and 2024, respectively, that matures on November 4, 2025. The line is collateralized by substantially all Cooperative assets. As of March 31, 2025 and 2024, $78,000,000 and $83,000,000, respectively, was outstanding on the line of credit with CoBank.

Note 8 – Deferred Credits

Deferred credits include the following as of March 31:

	2025	2024
Aid to construction	$ 17	$ 78,503
Consumer prepayments	1,028,839	2,546,940
Other	2,037,646	1,258,063
Scholarship funds	690,346	762,995
	$ 3,756,848	$ 4,646,501

Note 9 – Pension Benefits

The Retirement Security Plan (RS Plan), sponsored by the NRECA, is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The Plan sponsor’s Employer Identification Number is 53-0116145 and the RS Plan number is 333.

A unique characteristic of a multi-employer 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.

Plan information – The Cooperative's contributions to the RS Plan in 2025 and 2024 represented less than 5% of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of $3,548,544 in 2025 and $3,223,148 in 2024.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2024, and over 80% funded on January 1, 2023, based on the PPA funding target and PPA actuarial value of assets on those dates.

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

			Funding Improvement	Contributions		
Pension Fund	EIN	PPA Zone Status	Plans and Surcharges	2025	2024	2023
Retirement Security Plan Number 333	53-0116145	Not required	Not applicable	$ 3,548,544	$ 3,223,148	$ 2,484,846

The Cooperative also has a 401(k) plan whereby the Cooperative matches 100% of the employees' contributions up to 5.5% of the employees' annual base salary. The total 401(k) plan expense for 2025 and 2024, was $1,070,149 and $939,510 respectively.

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

Note 10 – Post-Retirement Benefits Other Than Pensions

The Cooperative sponsors a defined benefit medical insurance plan that covers all eligible employees. The plan calls for benefits to be paid for eligible participants upon retirement. Eligible employees are those hired prior to January 1, 2016, and retire from active employment on or after age 55 with 10 or more years of service at the Cooperative. Effective January 1, 2023, eligible employees are no longer enrolled in the Cooperatives defined benefit medical insurance plan. The Cooperative will reimburse contributions at a cap of $1,020 monthly for a retiree and spouse, or $510 monthly for a retiree without a spouse or a surviving spouse. As of March 31, 2025 and 2024, the Cooperative has not funded any of the estimated APBO related to the defined benefit medical insurance plan. Since these costs would be immaterial, the Cooperative has chosen to pay them as they are incurred.

Amounts recognized in the Cooperative's March 31, 2025 and 2024, financial statements and funded status of the plan is as follows:

	2025	2024
(I) Net Post-retirement Benefit Cost		
Interest Cost	$ 481,367	$ 472,688
Service Cost	73,991	78,761
Amortization of Actuarial Gain	(433,460)	(429,540)
Amortization of Prior Service Credit	(2,003,695)	(2,003,695)
	$ (1,881,797)	$ (1,881,786)
(II) Accumulated Post-retirement Benefit Obligation (APBO) Reconciliation		
APBO Beginning of Year	$ 9,196,676	$ 13,597,881
Service and Interest Cost	555,358	551,449
Benefits Paid	(600,836)	(587,758)
Actuarial Gain Adjustment	(334,408)	(4,364,896)
Net Post-retirement Benefit Liability at Year End	$ 8,816,790	$ 9,196,676
(III) Reconciliation of Funded Status		
APBO at Year End	$ 8,816,790	$ 9,196,676
Fair Value of Plan Assets	-	-
Net APBO at Year End	$ 8,816,790	$ 9,196,676
(IV) Accumulated Other Comprehensive Income (Loss)		
Actuarial Loss - Beginning of Year	$ 9,892,780	$ 7,961,119
Amortization of Actuarial (Gain)/Loss	(433,460)	(429,540)
Amortization of Prior Service Credit	(2,003,695)	(2,003,695)
Current Actuarial Gain	334,408	4,364,896
Total	$ 7,790,033	$ 9,892,780

Estimated future benefit payments for the next five years and the subsequent five years thereafter are as follows:

2026	$ 628,058
2027	646,533
2028	658,800
2029	667,721
2030	673,326
2031-2035	3,379,005
	$ 6,653,443

The following assumption was used in the measurement of the net periodic cost:

	2025	2024
Weighted-average discount rate	6.00%	5.60%

Note 11 – Related-Party Transactions

Until February 28, 2023, the Cooperative was required to purchase all of its electric power from Brazos Electric Power Cooperative, Inc. (Brazos), a Cooperative of which it's a member and is represented on its board of directors. Effective March 1, 2023, the Cooperative is only required to purchase all of its transmission and distribution services from Brazos, and no longer buys power from Brazos.

During the years ended March 31, 2025 and 2024, the Cooperative purchased $60,616,284 and $64,110,724, respectively, from Brazos. As of March 31, 2025 and 2024, amounts due to Brazos included in accounts payable were $0 and $5,792,678, respectively.

During the years ended March 31, 2025 and 2024, the Cooperative received noncash capital credit allocations from Brazos of $1,874,192 and $0.

Brazos, filed for Chapter 11 Bankruptcy due to a crisis caused by the extreme cold weather (Winter Storm Uri) event that occurred in February 2021. As a participant in the Electric Reliability Council of Texas (ERCOT) market, Brazos was subjected to extreme power prices for energy procured during the event. In addition to power prices, Brazos was required to purchase natural gas for its generation plants, which were also at extreme price levels, at the prevailing market rates in order to meet the unprecedented demand for electricity during this extreme cold weather event. During the weather event, the Brazos generation assets also did not perform well; consequently, there was little revenue at the extreme power prices to offset the extreme costs. Normally, the costs to generate and/or procure power is billed to Brazos' distribution cooperative members, who then pass on this cost of power to their electric end-user members without markup. Because the distribution cooperatives were not able to immediately recover these costs from their members, Brazos was unable to immediately recover these costs from their distribution cooperative members. Brazos sent the Cooperative estimated bills for these costs; however, the final costs were not settled until the conclusion of the bankruptcy.

In November 2022, the Chapter 11 Plan of Reorganization for Brazos was approved. As part of the Brazos Plan, the Cooperative's TAA balance paid was $476,747,686, and was funded by a loan from CoBank (see Note 6).

In October 2019, the Cooperative sold all their inventory and entered into a Sole-Source Alliance with Texas Electric Cooperative, Inc. (TEC). Total material purchases from TEC for the years ending March 31, 2025 and 2024, was $27,423,517 and $48,332,843, respectively.

In August 2024, the Cooperative terminated their Sole-Source Alliance with TEC and entered a Sole-Source Alliance with Stuart C. Irby Company, LLC (Irby). Total material purchases from Irby for the years ending March 31, 2025 and 2024, was $4,466,264 and $0, respectively.

Note 12 – Litigation and Commitments

The Cooperative is involved in several instances of litigation or potential unasserted claims. The ultimate outcome, if any, of these items cannot presently be determined. However, in management's opinion, the likelihood of any material adverse outcome is remote or in its infancy and no likelihood of outcome is attainable. Accordingly, adjustments, if any, which might result from the resolution of these matters, have not been reflected in these financial statements.

Note 13 – Subsequent Events

Subsequent to year end, the Cooperative sold two properties for approximately $10 million. The proceeds from these sales were applied to paydown the outstanding balances on the CoBank and CFC line of credit.