



Report of Independent Auditors and
Financial Statements

Tri-County Electric Cooperative, Inc.

March 31, 2026 and 2025

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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, 2026 and 2025, 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, 2026, 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
July 23, 2026

Financial Statements

Tri-County Electric Cooperative, Inc.
Balance Sheets
March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
ASSETS		
UTILITY PLANT		
Plant in service	\$1,032,795,953	\$ 989,312,982
Right of use asset - operating lease	753,876	-
Less accumulated depreciation	<u>(230,066,977)</u>	<u>(213,511,545)</u>
Net plant in service	803,482,852	775,801,437
Construction work in progress	<u>14,982,691</u>	<u>54,975,728</u>
Net utility plant	<u>818,465,543</u>	<u>830,777,165</u>
INVESTMENTS		
Investments in associated organizations	<u>178,353,009</u>	<u>176,237,265</u>
CURRENT ASSETS		
Cash and cash equivalents	7,059,162	3,481,102
Accounts receivable (less allowance for uncollectible of \$1,492,615 and \$1,183,630 in 2026 and 2025, respectively)	25,801,639	23,204,454
Unbilled revenue	24,122,806	22,587,217
Prepaid expenses and other	<u>2,578,527</u>	<u>1,942,276</u>
Total current assets	<u>59,562,134</u>	<u>51,215,049</u>
Regulatory assets	<u>463,095,707</u>	<u>472,801,274</u>
Total assets	<u><u>\$1,519,476,393</u></u>	<u><u>\$1,531,030,753</u></u>

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Balance Sheets
March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	\$ 2,872,473	\$ 2,804,413
Patronage capital	584,113,639	509,969,311
Other deficit equities	(53,549,357)	(53,592,978)
Accumulated other comprehensive income	<u>5,535,776</u>	<u>7,790,033</u>
Total equities	<u>538,972,531</u>	<u>466,970,779</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion	763,556,619	665,521,389
Operating lease obligations	628,347	-
Accumulated postretirement benefit obligation (APBO) other than pensions	<u>8,542,496</u>	<u>8,816,790</u>
Total long-term liabilities	<u>772,727,462</u>	<u>674,338,179</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	21,966,422	19,230,604
Line of credit	27,388,948	208,500,000
Accounts payable	32,770,381	32,418,626
Current portion of operating lease obligations	164,639	-
Overbilled wholesale power cost adjustment	105,854,961	111,745,095
Consumer deposits	8,528,681	7,543,718
Accrued expenses	6,307,847	5,725,019
Accrued interest	<u>465,879</u>	<u>801,885</u>
Total current liabilities	<u>203,447,758</u>	<u>385,964,947</u>
Deferred credits	<u>4,328,642</u>	<u>3,756,848</u>
Total equities and liabilities	<u><u>\$1,519,476,393</u></u>	<u><u>\$1,531,030,753</u></u>

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Operations and Comprehensive Income
Years Ended March 31, 2026 and 2025

	2026	2025
OPERATING REVENUES		
Residential	\$ 327,155,076	\$ 299,500,834
Irrigation	1,996,758	1,863,281
Small commercial	90,424,241	80,009,098
Large commercial	57,901,219	50,784,564
Public street and highway lighting	1,226,591	1,096,572
Other sales to public authorities	12,153,709	11,184,031
Change in unbilled revenue	1,535,590	1,246,129
Power cost under (overbilled)	5,890,135	(38,525,773)
Other electric revenue	5,163,109	5,132,925
Total operating revenues	<u>503,446,428</u>	<u>412,291,661</u>
OPERATING EXPENSES		
Cost of power	305,066,331	268,463,509
Distribution expense - operations	7,616,084	8,848,576
Distribution expense - maintenance	17,197,413	17,456,557
Consumer accounts	9,698,174	8,582,751
Customer service and information	681,541	1,050,653
Sales	187,020	832,316
Administrative and general	16,304,332	16,953,873
Depreciation and amortization	39,779,019	34,868,169
Taxes and other deductions	-	40,849
Total operating expenses	<u>396,529,914</u>	<u>357,097,253</u>
NET OPERATING MARGINS	106,916,514	55,194,408
INTEREST ON LONG-TERM DEBT, net of interest charged to construction of \$9,533,447 and \$12,042,620 in 2026 and 2025, respectively	<u>40,238,988</u>	<u>42,251,747</u>
OPERATING MARGIN BEFORE CAPITAL CREDITS	66,677,526	12,942,661
CAPITAL CREDITS	<u>7,058,611</u>	<u>10,613,172</u>
OPERATING MARGINS	<u>73,736,137</u>	<u>23,555,833</u>
NONOPERATING MARGINS		
Interest and dividend income	890,788	414,293
Net margin from subsidiary	-	(5,884)
Other nonoperating income	695,204	1,082,278
Total nonoperating margins	<u>1,585,992</u>	<u>1,490,687</u>
NET MARGINS BEFORE INCOME TAXES	75,322,129	25,046,520
NET MARGINS	<u>75,322,129</u>	<u>25,046,520</u>
OTHER COMPREHENSIVE LOSS	<u>(2,254,257)</u>	<u>(2,102,747)</u>
COMPREHENSIVE INCOME	<u><u>\$ 73,067,872</u></u>	<u><u>\$ 22,943,773</u></u>

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Equities
Years Ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
MEMBERSHIPS		
Balance at April 1	\$ 2,804,413	\$ 2,724,018
Additions	<u>68,060</u>	<u>80,395</u>
Balance at March 31	<u>2,872,473</u>	<u>2,804,413</u>
PATRONAGE CAPITAL		
Balance at April 1	509,969,311	486,256,236
Transfer of net margins	75,322,129	25,046,520
Retirement of capital credits, net	<u>(1,177,801)</u>	<u>(1,333,445)</u>
Balance at March 31	<u>584,113,639</u>	<u>509,969,311</u>
OTHER EQUITY		
Balance at April 1	(53,592,978)	(53,684,302)
Additions	<u>43,621</u>	<u>91,324</u>
Balance at March 31	<u>(53,549,357)</u>	<u>(53,592,978)</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance at April 1	7,790,033	9,892,780
Amortization of gain	(2,446,366)	(2,437,155)
Actuarial gain	<u>192,109</u>	<u>334,408</u>
Balance at March 31	<u>5,535,776</u>	<u>7,790,033</u>
Total equities	<u><u>\$ 538,972,531</u></u>	<u><u>\$ 466,970,779</u></u>

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	\$ 75,322,129	\$ 25,046,520
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	29,984,366	26,105,082
Depreciation charged to clearing	3,142,443	3,580,632
Amortization of regulatory asset	9,705,567	8,789,173
Noncash operating lease, net	39,110	-
Patronage capital credits assigned by associated organizations	(7,058,611)	(10,613,172)
Changes in assets and liabilities		
Accounts receivable, net	(2,597,185)	3,368,803
Unbilled revenue	(1,535,589)	(1,246,130)
Prepaid expenses and other	(636,251)	253,461
Regulatory assets	-	(1,028,328)
Accounts payable	351,755	8,883,502
APBO other than pensions	(2,528,551)	(2,482,633)
Consumer deposits	984,963	910,702
Deferred credits	571,794	(889,653)
Other current and accrued liabilities	<u>(5,643,312)</u>	<u>37,876,149</u>
Net change in operating activities	<u>100,102,628</u>	<u>98,554,108</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant, net	(20,061,311)	(99,105,768)
Other investments	<u>4,942,867</u>	<u>5,238,211</u>
Net change in investing activities	<u>(15,118,444)</u>	<u>(93,867,557)</u>

See accompanying notes.

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(19,228,952)	(17,670,834)
Advances (payments) on line of credit, net	(61,111,052)	16,000,000
Memberships and other equities	111,681	171,719
Retirement of patronage capital	<u>(1,177,801)</u>	<u>(1,333,445)</u>
Net change in financing activities	<u>(81,406,124)</u>	<u>(2,832,560)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,578,060	1,853,991
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,481,102</u>	<u>1,627,111</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 7,059,162</u></u>	<u><u>\$ 3,481,102</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u><u>\$ 50,108,394</u></u>	<u><u>\$ 53,797,663</u></u>
Cash paid during the year for property taxes, net of refunds	<u><u>\$ 3,485,102</u></u>	<u><u>\$ 2,968,158</u></u>
Right of use asset obtained in exchange for operating lease liability	<u><u>\$ 850,824</u></u>	<u><u>\$ -</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH		
Restructuring of lines of credit to long-term debt	<u><u>\$ 120,000,000</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

Note 1 – Nature of Organization and Operations

Tri-County Electric Cooperative, Inc. (the Cooperative) is a nonprofit 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 Azle, 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 that is in effect through December 31, 2033.

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.

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 throughout the plant, not comprising retirement of the 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.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

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, deferred debits and regulatory assets – Deferred credits, deferred debits 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 9).

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, 2026 and 2025, 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.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

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, 2026, 2025, and 2024:

	2026	2025	2024
Contract assets			
Accounts receivable - energy	\$ 19,361,511	\$ 21,405,372	\$ 24,770,889
Accounts receivable - pole contacts	\$ 6,440,128	\$ 1,799,082	\$ 1,064,178
Unbilled revenue	\$ 24,122,806	\$ 22,587,217	\$ 21,341,087
Contract liabilities			
Accrued power cost recovery factor	\$ 105,854,961	\$ 111,745,095	\$ 73,219,322
Consumer prepayments (Note 9)	\$ 1,346,743	\$ 1,028,839	\$ 2,546,940

The accrued power cost recovery factor is classified entirely as a current liability because the Board has discretion over the timing and manner of its settlement, including application through future rate adjustments; however, the Cooperative does not expect the full balance to be applied or otherwise settled within the next fiscal year.

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 liabilities, 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 11).

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 \$1,980,678 and \$2,018,751 for the Cooperative for the years ending March 31, 2026 and 2025, 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 \$41,548 and \$552,033 for the Cooperative for the years ending March 31, 2026 and 2025, 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.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

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. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Cooperative considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Cooperative utilizes an incremental borrowing rate, as permitted by Topic 842. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Cooperative will exercise that option. As of March 31, 2026, the Cooperative entered into an operating lease arrangement (see Note 8).

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 July 23, 2026, the date the financial statements were available to be issued (see Note 14).

Tri-County Electric Cooperative, Inc.
Notes to Financial Statements

Note 3 – Utility Plant

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

	<u>2026</u>	<u>2025</u>
Distribution plant	\$ 921,755,040	\$ 869,247,405
General plant	<u>111,040,913</u>	<u>120,065,577</u>
Total plant in service	1,032,795,953	989,312,982
Less accumulated depreciation	<u>(230,066,977)</u>	<u>(213,511,545)</u>
Net plant in-service	802,728,976	775,801,437
Right of use asset - operating lease	753,876	-
Construction work in progress	<u>14,982,691</u>	<u>54,975,728</u>
Net utility plant	<u><u>\$ 818,465,543</u></u>	<u><u>\$ 830,777,165</u></u>

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, 2026 and 2025, was \$33,126,809 and \$29,685,714, respectively, of which \$29,984,366 and \$26,105,082 was charged to depreciation expense, and \$3,142,443 and \$3,580,632 was allocated to other accounts.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

Note 4 – Investments in Associated Organizations

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

	2026	2025
National Rural Utilities Cooperative Finance Corporation (NRUCFC)		
Capital Term Certificates, 0.00% - 5.48%, maturing through 2080	\$ 5,862,409	\$ 6,262,565
Patronage Capital	7,429,480	7,209,347
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	140,443,299	139,861,921
Membership	5	5
Texas Electric Cooperative, Inc.		
Patronage Capital	11,997,999	11,025,306
Membership	50	50
Meridian Cooperative, Inc.		
Patronage Capital	193,001	198,364
Federated Rural Electric Insurance Exchange		
Patronage Capital	235,121	165,454
CoBank		
Patronage Capital	2,125,918	1,463,938
Other	64,727	49,315
	<u>\$ 178,353,009</u>	<u>\$ 176,237,265</u>

Note 5 – Regulatory Assets

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

	2026	2025
Brazos Winter Storm Uri Costs	\$ 451,487,515	\$ 460,656,764
Brazos Winter Storm Uri Costs - Unamortized debt expense	4,877,888	5,104,767
Brazos Winter Storm Uri Costs - Legal Expenses	6,730,304	7,039,743
	<u>\$ 463,095,707</u>	<u>\$ 472,801,274</u>

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 12).

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

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, 2026, 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:

	2026	2025
CFC Fixed rate notes - 3.33% to 6.14%, maturing through 2052	\$ 198,613,640	\$ 207,517,701
Farmer MAC Fixed Rate Notes - 4.44%, maturing through 2041	13,976,184	14,661,443
CoBank Fixed rate notes - 5.23% to 6.72%, maturing through 2056	575,530,649	465,453,634
Subtotal	788,120,473	687,632,778
Less unamortized conversion fees	(2,597,432)	(2,880,785)
Less current maturities	(21,966,422)	(19,230,604)
Total	<u>\$ 763,556,619</u>	<u>\$ 665,521,389</u>

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

As of March 31, 2026, annual maturities of long-term debt for the next five years ending March 31 and thereafter are as follows:

2027	\$ 21,966,422
2028	26,986,687
2029	32,208,261
2030	39,941,884
2031	47,707,143
Thereafter	619,310,076
	<u>\$ 788,120,473</u>

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.

In December 2025, the Cooperative obtained a single advance from CoBank for \$120,000,000 (Tranche 9). As outlined in the loan agreement, the proceeds of the loan were used to prepay certain CFC and CoBank loans, as part of the Cooperative's restructuring of lines of credit to long-term debt. The loan matures January 2056.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

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 5.30% and 6.05% as of March 31, 2026 and 2025, respectively, and is subject to automatic renewal. The line is collateralized by substantially all Cooperative assets. As of March 31, 2026 and 2025, \$6,194,474 and \$25,000,000, respectively 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 5.50% and 6.25% as of March 31, 2026 and 2025, respectively, that matures on February 17, 2028. The line is collateralized by substantially all Cooperative assets. As of March 31, 2026 and 2025, \$0 and \$105,500,000, 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 5.23% and 5.91% as of March 31, 2026 and 2025, respectively. As of March 31, 2026 and 2025, \$21,194,474 and \$78,000,000, respectively, was outstanding on the line of credit with CoBank., that matures on November 4, 2026. The line is collateralized by substantially all Cooperative assets.

Note 8 – Leases

Effective June 2025, the Cooperative entered into a lease agreement for a commercial building that expires in August 2030 and contains options to extend the term up to an additional 5 years. The lease obligation has been calculated through 2030.

	2026	2025
Operating cashflows for operating lease	\$ 39,110	\$ -
Right of use asset obtained in exchange for operating lease liability	850,824	-
Weighted-average remaining lease term in years for operating lease	4.33	-
Weighted-average discount rate for operating lease	4.50%	-

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

As of March 31, 2026, the future minimum lease commitments under the lease are as follows:

2027	\$ 196,512
2028	196,793
2029	199,841
2030	202,950
2031	<u>77,918</u>
Total future minimum lease payment	874,014
Less present value discount	<u>(81,028)</u>
Total lease liabilities	792,986
Less current portion	<u>(164,639)</u>
Long-term lease liability	<u><u>\$ 628,347</u></u>

Note 9 – Deferred Credits

Deferred credits include the following as of March 31:

	<u>2026</u>	<u>2025</u>
Consumer prepayments	\$ 1,346,743	\$ 1,028,839
Other	2,547,439	2,037,663
Scholarship funds	<u>434,460</u>	<u>690,346</u>
	<u><u>\$ 4,328,642</u></u>	<u><u>\$ 3,756,848</u></u>

Note 10 – 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 2026 and 2025 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 \$3,550,131 in 2026 and \$3,548,544 in 2025.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

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, 2025, and over 80% funded on January 1, 2024, 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.

Pension Fund	EIN	PPA Zone Status	Funding Improvement Plans and Surcharges	Contributions		
				2026	2025	2024
Retirement Security Plan Number 333	53-0116145	Not required	Not applicable	\$ 3,550,131	\$ 3,548,544	\$ 3,223,148

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 2026 and 2025, was \$1,046,545 and \$1,070,149, respectively. Total 401(k) plan expense is included within the administrative and general expense on the statement of operations and comprehensive income.

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 11 – 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, 2026 and 2025, 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.

Tri-County Electric Cooperative, Inc.
Notes to Financial Statements

Amounts recognized in the Cooperative's March 31, 2026 and 2025, financial statements and funded status of the plan is as follows:

	2026	2025
(I) Net Post-retirement Benefit Cost		
Interest Cost	\$ 491,324	\$ 481,367
Service Cost	54,549	73,991
Amortization of Actuarial Gain	(442,671)	(433,460)
Amortization of Prior Service Credit	(2,003,695)	(2,003,695)
	<u>\$ (1,900,493)</u>	<u>\$ (1,881,797)</u>
(II) Accumulated Post-retirement Benefit Obligation (APBO) Reconciliation		
APBO Beginning of Year	\$ 8,816,790	\$ 9,196,676
Service and Interest Cost	545,873	555,358
Benefits Paid	(628,058)	(600,836)
Actuarial Gain Adjustment	(192,109)	(334,408)
	<u>\$ 8,542,496</u>	<u>\$ 8,816,790</u>
Net Post-retirement Benefit Liability at Year End		
	<u>\$ 8,542,496</u>	<u>\$ 8,816,790</u>
(III) Reconciliation of Funded Status		
APBO at Year End	\$ 8,542,496	\$ 8,816,790
Fair Value of Plan Assets	<u>-</u>	<u>-</u>
	<u>\$ 8,542,496</u>	<u>\$ 8,816,790</u>
Net APBO at Year End		
	<u>\$ 8,542,496</u>	<u>\$ 8,816,790</u>
(IV) Accumulated Other Comprehensive Income (Loss)		
Actuarial Loss - Beginning of Year	\$ 7,790,033	\$ 9,892,780
Amortization of Actuarial (Gain)/Loss	(442,671)	(433,460)
Amortization of Prior Service Credit	(2,003,695)	(2,003,695)
Current Actuarial Gain	192,109	334,408
	<u>\$ 5,535,776</u>	<u>\$ 7,790,033</u>
Total		
	<u>\$ 5,535,776</u>	<u>\$ 7,790,033</u>

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

2027	\$ 646,533
2028	658,800
2029	667,721
2030	673,326
2031	678,574
2032-2036	<u>3,357,126</u>
	<u>\$ 6,682,080</u>

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

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

	<u>2026</u>	<u>2025</u>
Weighted-average discount rate	6.25%	6.00%

Note 12 – 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, 2026 and 2025, the Cooperative purchased \$57,609,327 and \$60,616,284, respectively, from Brazos.

During the years ended March 31, 2026 and 2025, the Cooperative received noncash capital credit allocations from Brazos of \$581,379 and \$1,874,192, respectively.

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 its 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, 2026 and 2025, was \$3,753,016 and \$27,423,517, 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, 2026 and 2025, was \$25,528,686 and \$4,466,264, respectively.

Tri-County Electric Cooperative, Inc.

Notes to Financial Statements

Note 13 – 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 14 – Subsequent Events

Subsequent to year end, the Cooperative sold four properties for approximately \$36 million. The proceeds from these sales were applied to fully pay down the outstanding balances on the CoBank and CFC lines of credit.

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