

**JACKSON PURCHASE  
ENERGY CORPORATION  
KENTUCKY 20**

**FINANCIAL REPORT**

**December 31, 2025**

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
Balance sheets	4
Statements of revenue and comprehensive income	5
Statements of changes in members' equities	6
Statements of cash flows	7
Notes to financial statements	8-19
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	20
Schedule of deferred debits and deferred credits	21
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22-23



*Jones, Nale & Mattingly PLC*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jackson Purchase Energy Corporation  
Paducah, Kentucky

### **Opinion**

We have audited the accompanying financial statements of Jackson Purchase Energy Corporation, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of revenue and comprehensive income, changes in members' equities, 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 Jackson Purchase Energy Corporation as of December 31, 2025 and 2024, 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Jackson Purchase Energy Corporation 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 Jackson Purchase Energy Corporation'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Jackson Purchase Energy Corporation'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 Jackson Purchase Energy Corporation'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 have identified during the audit.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2026, on our consideration of the Jackson Purchase Energy Corporation's internal control over financial reporting and 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 Jackson Purchase Energy Corporation'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 Jackson Purchase Energy Corporation's internal control over financial reporting and compliance.

*Jones, Nale & Mattingly PLC*

Louisville, Kentucky  
April 9, 2026

**JACKSON PURCHASE ENERGY CORPORATION**

**BALANCE SHEETS**  
**December 31, 2025 and 2024**

ASSETS	2025	2024
Electric Plant, at original cost:		
In service	\$ 231,801,812	\$ 221,689,145
Under construction	4,060,104	2,973,580
	235,861,916	224,662,725
Less accumulated depreciation	87,061,944	87,164,049
	148,799,972	137,498,676
Investments in Associated Organizations	4,929,441	4,602,780
Current Assets:		
Cash and cash equivalents	2,954,642	4,696,713
Accounts receivable, less allowance for credit losses in 2025 and 2024 of \$225,000	7,690,726	6,824,732
Other receivables	870,651	632,880
Accrued unbilled revenue	8,294,611	6,433,060
Material and supplies, at average cost	5,622,001	4,175,078
Other current assets	688,980	544,780
Total current assets	26,121,611	23,307,243
Deferred Debits	646,788	120,023
Total assets	\$ 180,497,812	\$ 165,528,722
<b>MEMBERS' EQUITIES AND LIABILITIES</b>		
Members' Equities:		
Memberships	\$ 89,220	\$ 92,885
Patronage capital	55,894,954	53,251,040
Accumulated other comprehensive income	752,176	793,963
Total members' equities	56,736,350	54,137,888
Long-Term Liabilities:		
Long-term debt, less current portion	96,782,396	85,231,608
Accumulated postretirement benefits	2,563,935	2,530,321
Total long-term liabilities	99,346,331	87,761,929
Current Liabilities:		
Current portion of long-term debt	3,927,092	3,822,962
Short-term notes payable	5,000,000	7,000,000
Accounts payable	10,289,976	8,195,979
Consumer deposits	3,684,637	3,531,768
Accrued expenses	1,477,321	1,035,922
Total current liabilities	24,379,026	23,586,631
Deferred Credits	36,105	42,274
Total members' equities and liabilities	\$ 180,497,812	\$ 165,528,722

The Notes to Financial Statements are an integral part of these statements.

**JACKSON PURCHASE ENERGY CORPORATION**

**STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME**

**December 31, 2025 and 2024**

	2025	2024
Operating Revenues		
Sale of electric energy	\$ 114,235,986	\$ 95,853,796
Other electric revenues	1,611,084	1,474,283
	115,847,070	97,328,079
Operating Expenses		
Cost of power	84,245,769	69,648,816
Distribution - operations	3,996,298	4,300,211
Distribution - maintenance	8,950,390	5,884,116
Consumer accounts	1,127,386	1,103,619
Consumer service and information	6,149	9,174
Administrative and general	4,150,646	4,105,614
Depreciation, excluding \$556,868 in 2025 and \$481,799 in 2024 charged to clearing accounts	8,237,730	7,796,138
Taxes, other than income	95,294	85,427
Interest expense on long-term debt	2,802,575	2,602,912
Interest expense - other	349,864	234,139
Other deductions	--	1,000
Total cost of electric service	113,962,101	95,771,166
Operating Margins	1,884,969	1,556,913
Nonoperating Margins and Patronage Capital		
Interest income	212,347	264,153
Other nonoperating loss	(50)	--
Gain (loss) on sale of equipment	(65,993)	29,476
Patronage capital from associated organizations	612,641	446,307
Total nonoperating margins	758,945	739,936
Net Margins	2,643,914	2,296,849
Other Comprehensive Loss		
Postretirement benefits amortization of net gain	(41,787)	(41,787)
Comprehensive Income	\$ 2,602,127	\$ 2,255,062

The Notes to Financial Statements are an integral part of these statements.

**JACKSON PURCHASE ENERGY CORPORATION**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITIES**  
**December 31, 2025 and 2024**

	Patronage Capital						Accumulated Other Comprehensive Income (Loss)	Total Members' Equities
	Memberships	Assignable	Assigned	Prior Deficits	Retirements	Total		
Balance - December 31, 2023	\$ 96,500	\$ 848,798	\$ 53,027,622	\$ (1,333,094)	\$ (1,589,135)	\$ 50,954,191	\$ 835,750	\$ 51,886,441
Comprehensive income:								
Net margins		2,296,849				2,296,849		2,296,849
Postretirement benefit obligation Amortization of actuarial gain							(41,787)	(41,787)
Total comprehensive income							(41,787)	2,255,062
Assignment of margins		(848,798)	539,307	309,491		--		--
Net change in memberships	(3,615)							(3,615)
Balance - December 31, 2024	92,885	2,296,849	53,566,929	(1,023,603)	(1,589,135)	53,251,040	793,963	54,137,888
Comprehensive income:								
Net margins		2,643,914				2,643,914		2,643,914
Postretirement benefit obligation Amortization of actuarial gain							(41,787)	(41,787)
Total comprehensive income							(41,787)	2,602,127
Assignment of margins		(2,296,849)	2,003,206	293,643		--		--
Net change in memberships	(3,665)							(3,665)
Balance - December 31, 2025	\$ 89,220	\$ 2,643,914	\$ 55,570,135	\$ (729,960)	\$ (1,589,135)	\$ 55,894,954	\$ 752,176	\$ 56,736,350

The Notes to Financial Statements are an integral part of these statements.

**JACKSON PURCHASE ENERGY CORPORATION**

**STATEMENTS OF CASH FLOWS**  
**December 31, 2025 and 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net margins	\$ 2,643,914	\$ 2,296,849
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation		
Charged to expense	8,237,730	7,796,138
Charged to clearing accounts	556,868	481,799
Patronage capital credits assigned	(612,641)	(446,307)
(Gain) loss on disposition of equipment	65,993	(29,476)
Amortization of postretirement actuarial adjustment	(41,787)	(41,787)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables, net	(1,103,765)	(1,638,281)
Unbilled revenue	(1,861,551)	(525,190)
Material and supplies	(1,446,923)	(33,125)
Other current assets	(144,200)	(103,353)
Deferred debits	(526,765)	(22,076)
Accounts payable	2,093,997	1,394,900
Consumer deposits	152,869	222,149
Accrued expenses	441,399	16,028
Accumulated postretirement benefits	33,614	86,709
Consumer advances for construction	(6,169)	--
Net cash provided by operating activities	8,482,583	9,454,977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Plant additions	(19,022,691)	(10,785,275)
Plant removal costs	(1,294,751)	(968,079)
Salvage recovered from retired plant	155,555	160,854
Receipts from investments, net	285,980	196,038
Net cash (used in) investing activities	(19,875,907)	(11,396,462)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net decrease in memberships	(3,665)	(3,615)
Short-term borrowings (repayments)	(2,000,000)	7,000,000
Advances of long-term debt	15,477,779	--
Payments on long-term debt	(3,822,861)	(3,711,140)
Net cash provided by financing activities	9,651,253	3,285,245
Net increase (decrease) in cash and cash equivalents	(1,742,071)	1,343,760
Cash and cash equivalents, beginning of year	4,696,713	3,352,953
Cash and cash equivalents, end of year	\$ 2,954,642	\$ 4,696,713
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 3,168,988	\$ 2,821,152

The Notes to Financial Statements are an integral part of these statements.

# JACKSON PURCHASE ENERGY CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies

#### Business activity

Jackson Purchase Energy Corporation (the Corporation) provides distribution electric services to residential and commercial consumers concentrated in a six-county area in western Kentucky. The Corporation maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with accounting principles generally accepted in the United States of America. The significant accounting policies are as follows:

#### Use of estimates

The preparation of financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

#### Electric plant

Electric plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the years ended December 31, 2025 and 2024.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Electric plant consists of the following as of December 31:

	2025	2024
Distribution plant	\$ 198,943,765	\$ 189,458,735
General plant	32,858,047	32,230,410
Total	<u>\$ 231,801,812</u>	<u>\$ 221,689,145</u>

#### Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Depreciation rates range from 1.48% to 12.09%, for a composite rate of 3.84% for distribution plant. General plant rates are as follows:

Structures and improvements	2.5%
Transportation equipment	12.5 - 20%
Other general plant	5 - 14%

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Cash and cash equivalents

The Corporation considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. The Corporation maintains cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2025 and 2024, the financial institutions reported deposits in excess of the \$250,000 FDIC insured limit on several of the accounts. Deposits and repurchase agreements in excess of the FDIC limits are 100% secured with collateral from each respective financial institution.

#### Accounts receivable and allowance for credit losses

The Corporation operates in the electric services distribution industry, and its accounts receivable are primarily derived from the sales of electric energy. Accounts receivable are stated at net realizable value and are usually collected within thirty days. The balance in accounts receivable as of December 31, 2025, 2024, and 2023 was \$7,690,726, \$6,824,732, and \$5,754,577, respectively.

The Corporation estimates expected credit losses on accounts receivable in accordance with ASC 326, *Financial Instruments – Credit Losses*. Accounts receivable are typically collected within thirty days.

For periods prior to the adoption of ASU 2025-05, the Corporation estimated its allowance for credit losses based on historical loss experience, adjusted for current conditions and reasonable and supportable forecasts of future economic factors that were expected to affect the collectability of outstanding receivables. This estimate was prepared on a pooled basis for receivables with similar risk characteristics. Management updated its estimate at each reporting date to reflect any changes in credit risk since initial recognition.

Effective for the year ended December 31, 2025, the Corporation early adopted ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU introduced two optional simplifications for current accounts receivable arising under ASC 606. The Corporation elected both:

1. Current conditions practical expedient – the Corporation now estimates expected credit losses using historical loss information adjusted for current conditions as of the balance sheet date without developing forward-looking forecasts, and assumes those conditions remain unchanged for the remaining life of the receivable.
2. Subsequent collections accounting policy election – For receivables collected after year-end and before the financial statements are available to be issued, the Corporation records no allowance, consistent with the updated guidance. Remaining uncollected receivables are evaluated based on their delinquency status as of the same subsequent collections evaluation date.

These changes were applied prospectively and did not affect prior-period amounts.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Accounts receivable and allowance for credit losses (continued)

Under the updated policy, the allowance for credit losses is derived from The Corporation's historical loss rates for receivables with similar risk characteristics, adjusted for current conditions as of year-end. The allowance is further adjusted to remove receivables collected prior to the date the consolidated financial statements are available to be issued. Management believes this methodology appropriately reflects expected credit losses under the updated guidance.

The Corporation writes off receivables when specific information indicates the customer is experiencing significant financial difficulty and collection is not expected. Any recoveries of amounts previously written off are recognized in the period received.

#### Materials and supplies

The Corporation values materials and supplies at the lower of average cost or net realizable value.

#### Deferred debits and credits

Deferred debits consist of accumulated costs related to the PSC rate case and a regulatory asset for right-of-way (ROW) expenses. ASC Topic 980 applies to regulated entities for which rates are designed to recover the costs of providing service. In accordance with this topic, certain items that would normally be reflected in the statements of revenue and comprehensive income are deferred on the balance sheets. Regulatory assets represent probable future revenues associated with certain incurred costs, which will be recovered from customers through the rate-making process. Regulatory assets are charged to earnings as collection of the cost in rates is recognized or when future recovery is no longer probable. Conversely, regulatory liabilities represent future reductions in revenues associated with amounts that are to be credited to customers through the rate-making process.

Deferred credits consist of consumer advances for construction.

#### Taxes

The Corporation is required to collect, on behalf of the Commonwealth of Kentucky, sales taxes based on six percent of gross sales from non-residential consumers, a three percent school tax from certain counties on most gross sales, and franchise fees in certain cities. The Corporation's policy is to exclude taxes from revenue when collected and expenses when paid and instead, record collection and payment of taxes through a liability account.

#### Cost of power

The Corporation is one of three members of Big Rivers Electric Corporation (Big Rivers), a generation and transmission cooperative association. Under a wholesale power agreement, the Corporation is committed to purchase its electric power and energy requirements from Big Rivers until 2061. The rates charged by Big Rivers are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from Big Rivers. There are certain surcharges, clauses, and credits that Big Rivers includes to the Corporation that are passed on to consumers using a methodology prescribed by the PSC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Advertising

The Corporation expenses advertising costs as incurred. Advertising expense totaled \$14,289 and \$13,767 for the years ended December 31, 2025 and 2024, respectively.

#### Comprehensive income (loss)

Comprehensive income (loss) includes both net margin and other comprehensive income (loss). Other comprehensive income (loss) represents the change in funded status of the accumulated postretirement benefit obligation.

#### Credit risk

The Corporation grants credit to residents within its service territory. Concentrations of credit risk with respect to accounts receivables are limited due to its large number of customers.

#### Risk management

The Corporation is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

#### Environmental contingency

The Corporation from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants, and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require the Corporation to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the Corporation's financial position or its future cash flows.

#### Commitments

The Corporation has various agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are generally one to three years.

#### Generation and transmission corporation

As discussed in the preceding footnotes, the Corporation purchases electric power from Big Rivers, a generation and transmission cooperative association. The membership of Big Rivers is comprised of the Corporation and two other distribution cooperatives.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Generation and transmission corporation (continued)

The Corporation has elected to continue valuing the non-cash allocations received from Big Rivers at zero for financial accounting purposes, a practice it has followed since Big Rivers emerged from bankruptcy in 1998 during which all previous booked non-cash allocations were reduced to zero. The Corporation will continue to make memorandum entries in its patronage subsidiary ledger of the face amount of the allocations received from Big Rivers. Refer to the subsequent footnote for the income tax treatment of these non-cash allocations.

#### Income tax status

The Corporation qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. When applying the 85 percent test of IRC 501(c)(12), the Corporation excludes the Big Rivers non-cash allocations from gross income. However, income from certain activities not directly related to the Corporation's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income tax for the years ended December 31, 2025 and 2024. Accordingly, the financial statements of the Corporation include no provision for income taxes.

The Corporation's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Corporation has no uncertain tax positions resulting in an accrual of tax expense or benefit.

The Corporation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Corporation did not recognize any interest or penalties during the years ended December 31, 2025 and 2024.

The Corporation's Federal Return of Organization Exempt from Income Tax is subject to possible examination by taxing authorities until the expiration of related statutes of limitations on the return, which is generally three years.

#### Pension accounting

In May 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard specifies how the amount of pension costs and costs for post-retirement benefits other than pensions (PBOP) should be presented on the income statement under accounting principles generally accepted in the United States of America, and what components of those costs are eligible for capitalization in assets. This standard is effective for years beginning after December 15, 2018. The Federal Energy Regulatory Commission (FERC) issued Docket No. AI18-1-000 that allowed jurisdictional public utilities to continue to record PBOP costs in their entirety, less amounts capitalized, without change. Pension and PBOP costs are made up of several components: service cost, interest cost, actual return on plan assets, gain or loss, amortization of prior service cost or credit, and amortization of FASB Accounting Standards Codification (ASC) Subtopic 715-30. Though pension and PBOP costs are computed using the aggregate total of these various components, the Commission's longstanding policy is to consider the amount as a singular cost to the employer. This cost is calculated based on ASC 715 and reported as an expense under net margins from continuing operations.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Subsequent events

Management has evaluated subsequent events through April 9, 2026, the date the financial statements were available to be issued.

### Note 2. Revenue Recognition

#### *Revenue from contracts*

The Corporation is engaged in the distribution and sale of electricity to residential and commercial customers in six counties in western Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. The Corporation satisfies their performance obligation upon the delivery of electricity to customers. Revenue is recognized over-time as the customer simultaneously receives and consumes the benefits provided by the Corporation. The amount of revenue recognized is the billed volume of electricity multiplied by a tariff rate per-unit of energy, plus any applicable fixed or additional regulatory charges. Customers are billed monthly and outstanding amounts are typically due within 18 days of the date of the bill. Revenue for pole attachments are invoiced at the beginning of the year. The performance obligation is satisfied ratably over the time of the contract and revenue is recognized monthly as earned.

#### *Significant judgements*

Unbilled revenues are recognized as a result of customers' bills being generated throughout the month rather than at the end of the month. Unbilled revenues for a month are calculated based on estimated usage and the number of days in the period to accrue for each billing cycle. Any difference between estimated and actual revenues is adjusted the following month when the previous unbilled estimate is reversed and actual billings are generated. This method of revenue recognition presents fairly, the Corporation's transfer of electricity to customers as the amount recognized is based on actual and estimated volumes delivered and the tariff rate per-unit of energy and any applicable fixed charges as set by the PSC.

#### *Performance obligations*

The Corporation customers generally have no minimum purchase commitments. The Corporation recognizes revenue as each performance obligation is satisfied. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation to recognize as of December 31, 2025 and 2024.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Revenue Recognition (Continued)

#### *Disaggregation of revenue*

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended December 31:

	2025	2024
Residential	\$ 61,857,727	\$ 53,021,577
Commercial	30,077,071	26,554,442
Large Industrial	22,294,381	16,326,729
Public Lights	187,408	175,825
Other	1,430,483	1,249,506
	\$ 115,847,070	\$ 97,328,079

#### *Contract assets and liabilities*

Contract assets include accrued unbilled revenues and contract liabilities include consumer deposits. The balances in contract assets and liabilities were as follows as of December 31:

	2025	2024	2023
Contract assets	\$ 8,294,611	\$ 6,433,060	\$ 5,907,870
Contract liabilities	\$ 3,684,637	\$ 3,531,768	\$ 3,309,519

### Note 3. Allowance for Credit Losses

The allowance for credit losses for accounts receivable and the related activity are as follows:

	2025	2024
Beginning balance	\$ 225,000	\$ 225,000
Provision for credit losses	109,588	36,652
Write-offs	(172,729)	(105,489)
Recoveries	63,141	68,837
Ending balance	\$ 225,000	\$ 225,000

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Investments in Associated Organizations

Investments in associated organizations consist of the following as of December 31:

	2025	2024
CFC CTCs	\$ 926,929	\$ 926,929
CoBank patronage capital	1,017,871	1,096,846
National Rural Telecommunications Coop.	827,916	834,015
Others	2,156,725	1,744,990
Total	\$ 4,929,441	\$ 4,602,780

The Corporation records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates (CTCs) of CFC are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 5.00% and are scheduled to mature at varying times from 2070 to 2080.

### Note 5. Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by patrons is limited to amounts which would not allow the total equities and margins to be less than 30.00% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25.00% of the net margins for the next preceding year, the Corporation may distribute the difference between 25.00% and the payments made to such estates. The Corporation's members' equities at December 31, 2025 and 2024 were 31.53% and 32.71% of total assets, respectively. The Corporation adopted a policy whereby it would refund capital credits to its members in any annual period that a Times Interest Earned Ratio (TIER) of 2.0 is exceeded. No refunds of capital credits are anticipated for the year ending December 31, 2026.

### Note 6. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to RUS, Federal Financing Bank (FFB), CoBank, and CFC under a joint mortgage agreement. The long-term debt is due in quarterly and monthly installments of varying amounts through 2059. RUS assesses 12.5 basis points to administer the FFB loans. The Corporation had no unadvanced loan funds available from FFB as of December 31, 2025 and 2024, respectively.

Long-term debt consists of the following as of December 31:

	2025	2024
RUS, 4.71% to 4.94% fixed rate notes	\$ 15,477,779	\$ - -
FFB, 1.412% to 4.803% fixed rate notes	66,215,379	68,211,100
CoBank, 3.51% to 4.90% fixed rate notes	5,672,009	6,784,142
CFC, 3.15% to 3.75% fixed rate notes	13,344,321	14,059,328
	100,709,488	89,054,570
Less current portion	(3,927,092)	(3,822,962)
Long-term portion	\$ 96,782,396	\$ 85,231,608

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (Continued)

As of December 31, 2025, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2026	\$ 3,927,092
2027	3,953,536
2028	4,061,043
2029	4,419,082
2030	4,522,970
Thereafter	79,825,765
	<u>\$ 100,709,488</u>

### Note 7. Short-Term Borrowings

The Corporation has a short-term line of credit of \$5,000,000 available from CFC, with variable interest rates of 5.75% and 6.50% as of December 31, 2025 and 2024, respectively. The CFC line of credit had outstandings balances of \$5,000,000 and zero as of December 31, 2025 and 2024, respectively. The CFC line of credit matures in July 2026. The Corporation also has two short-term lines of credit of \$3,000,000 and \$7,000,000 available from CoBank. The CoBank lines of credit have variable interest rates that were both 5.77% as of December 31, 2025, and 6.29% and 6.39% as of December 31, 2024. As of December 31, 2025, there were no advances against either of the CoBank lines of credit. As of December 31, 2024, the CoBank lines of credit had advances of \$1,000,000 and \$6,000,000. The CoBank lines of credit mature in September 2026.

### Note 8. Pension Plans

Qualified union and non-union employees of the Corporation participate in the NRECA Retirement and Security Plan (RS Plan), a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The Plan sponsor's identification number is 53-0116145 and the Plan Number is 333. 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 Corporation's contributions to the RS Plan in 2025 and 2024 represent less than 5.00% of the total contributions made to the plan by all participating employers. The Corporation made contributions to the plan of \$955,731 in 2025 and \$896,933 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

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 percent funded at January 1, 2025 and 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Pension Plans (Continued)

Qualified union employees participate in the International Brotherhood of Electrical Workers (IBEW) Savings Plan. The Corporation contributed 5.00% of base wages to the plan in 2025 and 2024. Contributions to the plan totaled \$134,069 in 2025 and \$114,968 in 2024.

Qualified non-union employees participate in the NRECA 401(k) Plan. The Corporation contributes 4.00% of annual wages to the plan for employees hired prior to January 1, 2006, and 14.00% of annual wages for employees hired after January 1, 2006. Contributions for these plans totaled \$424,320 for 2025 and \$381,694 for 2024.

A summary of plan benefits are as follows:

	<u>Pre 2006</u>	<u>Post 2006</u>
<u>Union Employees</u>		
Union Savings Plan	5.00%	5.00%
R&S Benefit level	1.80%	1.80%
 <u>Non-Union Employees</u>		
401(k), Employer contribution	4.00%	14.00%
R&S Benefit level	1.80%	none

### Note 9. Postretirement Benefits

The Corporation sponsors a defined benefit plan that provides medical insurance coverage to retirees. The premiums are paid for a maximum of ten years or until age 65, whichever comes first. For measurement purposes, an annual rate of increase of 6.00% in 2024, then decreasing by 0.25% per year until 3.00% per year, in the per capita cost of covered health care benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 4.50% in 2025 and 2024. There have been no significant changes that affect the comparability of 2025 and 2024. This is a non-contributory plan.

The funded status of the plan was as follows as of December 31:

	2025	2024
Projected benefit obligation	\$ (2,563,935)	\$ (2,530,321)
Plan assets at fair value	--	--
Funded status (deficit)	\$ (2,563,935)	\$ (2,530,321)

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Postretirement Benefits (Continued)

The components of net periodic postretirement benefit cost are as follows as of and for the year ended December 31:

	2025	2024
Projected benefit obligation	\$ (2,563,935)	\$ (2,530,321)
Plan assets at fair value	-	-
Funded status (deficit)	\$ (2,563,935)	\$ (2,530,321)

	2025	2024
Benefit obligation at beginning of year	\$ 2,530,321	\$ 2,443,612
Components of net periodic benefit cost:		
Service cost	21,533	46,503
Interest cost	114,621	111,913
Net periodic benefit cost	136,154	158,416
Benefits paid	(102,540)	(71,707)
Benefit obligation at end of year	\$ 2,563,935	\$ 2,530,321

Amounts recognized in the balance sheets consists of:

Unrecognized actuarial gain	\$ 752,176	\$ 793,963
Accumulated postretirement benefits	\$ 2,563,935	\$ 2,530,321

Amounts included in other comprehensive income:

Amortization of actuarial gain	\$ (41,787)	\$ (41,787)
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Effect of 1.00% increase in the health care trend:

Postemployment benefit obligation	\$ 2,737,000
Net periodic benefit cost	\$ 145,300

Projected retiree benefit payments for the next five years are expected to be as follows: 2026 - \$37,700; 2027 - \$26,500; 2028 - \$14,000; 2029 - \$0; 2030 - \$0.

### Note 10. Related Party Transactions

Several of the Directors of the Corporation and its President and CEO serve on the Boards of Directors of various associated organizations.

In previous years, Big Rivers provided billing, IT, and other services to its three distribution cooperative members. In 2013, Big Rivers discontinued providing these services directly to its distribution cooperative members, but instead began reimbursing members for the cost of the services. The amounts reimbursed from Big Rivers were \$774,641 and \$778,783 for the years ended December 31, 2025 and 2024, respectively. Amounts due from Big Rivers are included in other receivables and were \$3,061 and \$4,503 as of December 31, 2025 and 2024, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Labor Force

Approximately 45.00% of the Corporation's labor force is subject to a collective bargaining agreement. A five (5) year agreement was negotiated and approved for the period from October 2024 through November 2028 between the Corporation and the International Brotherhood of Electric Workers (IBEW).

### Note 12. Contingencies

The Corporation, on occasion, is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.



*Jones, Nale & Mattingly PLC*

## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Jackson Purchase Energy Corporation  
Paducah, Kentucky

We have audited the financial statements of Jackson Purchase Energy Corporation as of and for the years ended December 31, 2025 and 2024, and our report thereon dated April 9, 2026, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 3. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of deferred debits and deferred credits shown on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Jones, Nale & Mattingly PLC*

Louisville, Kentucky  
April 9, 2026

**JACKSON PURCHASE ENERGY CORPORATION**

**SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS**

**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>	<u>RUS Approval</u>
Deferred Debits			
ROW - regulatory asset	\$ 566,412	\$ - -	§1767, account #182.3
PSC rate case expenses	<u>80,376</u>	<u>120,023</u>	§1767, account #186
Total deferred debits	<u><u>646,788</u></u>	<u><u>120,023</u></u>	
Deferred Credits			
Consumer advances for construction	<u><u>\$ 36,105</u></u>	<u><u>\$ 42,274</u></u>	§1767, account #252



*Jones, Nale & Mattingly PLC*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Jackson Purchase Energy Corporation  
Paducah, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jackson Purchase Energy Corporation (the Corporation), which comprise the balance sheet as of December 31, 2025 and the related statements of revenue and comprehensive income, changes in members' equities and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated April 9, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jones, Nale & Mattingly P.C.*

Louisville, Kentucky  
April 9, 2026