

**MEADE COUNTY RURAL ELECTRIC
COOPERATIVE CORPORATION
KENTUCKY 18**

FINANCIAL REPORT

October 31, 2025

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Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Meade County Rural Electric Cooperative Corporation
Brandenburg, Kentucky

Opinion

We have audited the accompanying financial statements of Meade County Rural Electric Cooperative Corporation, which comprise the balance sheets as of October 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 Meade County Rural Electric Cooperative Corporation as of October 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 Meade County Rural Electric Cooperative 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 Meade County Rural Electric Cooperative 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 Meade County Rural Electric Cooperative 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 Meade County Rural Electric Cooperative 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 a report dated January 5, 2026, on our consideration of Meade County Rural Electric Cooperative 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 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 Meade County Rural Electric Cooperative 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 Meade County Rural Electric Cooperative Corporation's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
January 5, 2026

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

BALANCE SHEETS
October 31, 2025 and 2024

ASSETS	2025	2024
Electric plant, at original cost:		
In service	\$ 153,882,908	\$ 149,394,898
Under construction	2,238,637	1,202,035
	<u>156,121,545</u>	<u>150,596,933</u>
Less accumulated depreciation	59,870,244	56,710,515
	<u>96,251,301</u>	<u>93,886,418</u>
Investments in associated organizations	<u>2,870,628</u>	<u>2,738,497</u>
Current Assets:		
Cash and cash equivalents	5,459,803	3,210,673
Accounts receivable, less allowance for credit losses in 2025 of \$99,199 and 2024 of \$129,494	5,469,000	4,975,435
Unbilled revenues	590,809	583,457
Other receivables	2,701,719	2,906,992
Material and supplies, at average cost	1,218,396	1,390,091
Other current assets	351,441	350,601
Total current assets	<u>15,791,168</u>	<u>13,417,249</u>
Deferred Debits:		
Regulatory assets	1,520,565	1,797,031
Other deferred debits	1,022,092	1,075,644
Total deferred debits	<u>2,542,657</u>	<u>2,872,675</u>
 Total assets	 <u>\$ 117,455,754</u>	 <u>\$ 112,914,839</u>
MEMBERS' EQUITIES AND LIABILITIES		
Members' Equities:		
Memberships	\$ 51,765	\$ 54,015
Patronage capital	38,320,871	39,054,929
Other equities	1,379,011	1,368,570
Accumulated other comprehensive income	821,650	869,264
Total members' equities	<u>40,573,297</u>	<u>41,346,778</u>
Long-Term Liabilities:		
Long-term debt, less current portion	53,464,285	56,457,348
Accumulated postretirement benefits	822,335	803,098
Total long-term liabilities	<u>54,286,620</u>	<u>57,260,446</u>
Current Liabilities:		
Current portion of long-term debt	2,970,979	2,906,923
Short-term notes payable	8,000,000	--
Accounts payable	6,826,613	6,795,441
Consumer deposits	1,798,450	1,679,550
Accrued expenses	2,181,024	2,088,294
Total current liabilities	<u>21,777,066</u>	<u>13,470,208</u>
Deferred Credits	<u>818,771</u>	<u>837,407</u>
 Total members' equities and liabilities	 <u>\$ 117,455,754</u>	 <u>\$ 112,914,839</u>

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

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME

Years Ended October 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Sales of electric energy	\$ 95,454,177	\$ 83,688,238
Other electric revenues	<u>1,429,637</u>	<u>1,327,558</u>
	<u>96,883,814</u>	<u>85,015,796</u>
Operating Expenses		
Cost of power	76,919,705	65,483,004
Distribution - operations	4,016,646	3,889,797
Distribution - maintenance	5,282,259	4,469,364
Consumer accounts	1,591,927	1,539,348
Customer services	150,704	144,608
Administrative and general	2,272,506	1,898,647
Depreciation, excluding \$487,008 in 2025 and \$405,264 in 2024 charged to clearing accounts	5,441,041	5,118,303
Taxes, other than income	75,710	61,024
Interest on long-term debt	1,826,140	1,927,653
Other interest	270,846	82,361
Other deductions	<u>2,838</u>	<u>2,155</u>
	<u>97,850,322</u>	<u>84,616,264</u>
Operating Margins (Deficits)	<u>(966,508)</u>	<u>399,532</u>
Nonoperating Margins		
Interest income	191,462	271,527
Others	<u>74,941</u>	<u>37,883</u>
	<u>266,403</u>	<u>309,410</u>
Patronage Capital Credits	<u>306,566</u>	<u>240,893</u>
Net Margins (Deficits)	(393,539)	949,835
Other Comprehensive Income (Loss)		
Postretirement benefits amortization of actuarial (gain)	<u>(47,614)</u>	<u>(47,614)</u>
	<u>(47,614)</u>	<u>(47,614)</u>
Net Margins (Deficits) and Comprehensive Income (Loss)	<u>\$ (441,153)</u>	<u>\$ 902,221</u>

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

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

STATEMENTS OF CHANGES IN MEMBERS' EQUITIES

Years Ended October 31, 2025 and 2024

	<u>Memberships</u>	<u>Patronage Capital</u>				<u>Total</u>	<u>Other Equities</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Members' Equities</u>
		<u>Assigned</u>	<u>Assignable</u>	<u>Unassigned</u>	<u>Retirements</u>				
Balance - October 31, 2023	\$ 56,395	\$ 47,193,360	\$ 1,533,102	\$ 8,553,746	\$ (18,889,642)	\$ 38,390,566	\$ 1,367,701	\$ 916,878	\$ 40,731,540
Allocate margins		1,156,408	(1,866,918)	710,510		--			--
Comprehensive income:									
Net margins			949,835			949,835			949,835
Postretirement benefit obligation									
Amortization of actuarial (gain)								(47,614)	(47,614)
Total comprehensive income									902,221
Net change in memberships	(2,380)								(2,380)
Refunds of capital credits					(285,472)	(285,472)			(285,472)
Other equities							869		869
Balance - October 31, 2024	54,015	48,349,768	616,019	9,264,256	(19,175,114)	39,054,929	1,368,570	869,264	41,346,778
Allocate margins		141,837	(640,801)	498,964		--			--
Comprehensive income:									
Net (deficits)			(393,539)			(393,539)			(393,539)
Postretirement benefit obligation									
Amortization of actuarial (gain)								(47,614)	(47,614)
Total comprehensive (loss)									(488,767)
Net change in memberships	(2,250)								(2,250)
Refunds of capital credits					(340,519)	(340,519)			(340,519)
Other equities							10,441		10,441
Balance - October 31, 2025	\$ 51,765	\$ 48,491,605	\$ (418,321)	\$ 9,763,220	\$ (19,515,633)	\$ 38,320,871	\$ 1,379,011	\$ 821,650	\$ 40,573,297

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

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended October 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins (deficits)	\$ (393,539)	\$ 949,835
Adjustments to reconcile net margins (deficits) to net cash provided by operating activities:		
Depreciation:		
Charged to expense	5,441,041	5,118,303
Charged to clearing accounts	487,008	405,264
Patronage capital credits assigned	(306,566)	(240,893)
Amortization of postretirement actuarial adjustment	(47,614)	(47,614)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables, net	(288,292)	(441,905)
Unbilled revenues	(7,352)	(39,986)
Material and supplies	171,695	(231,239)
Other current assets	(840)	(13,972)
Deferred debits	53,552	(372,908)
Accounts payable	31,172	1,071,602
Consumer deposits	118,900	73,221
Accrued expenses	92,730	76,313
Accumulated postretirement benefits	19,237	16,669
Deferred credits	(18,636)	(31,502)
Net cash provided by operating activities	<u>5,352,496</u>	<u>6,291,188</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(7,192,417)	(6,630,681)
Plant removal costs	(677,813)	(641,768)
Salvage recovered from retired plant	(146,236)	93,163
Receipts from other investments, net	174,435	66,559
Net cash (used in) investing activities	<u>(7,842,031)</u>	<u>(7,112,727)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in memberships	(2,250)	(2,380)
Refund of patronage capital to members	(340,519)	(285,472)
Increase (decrease) in other equities	10,441	869
Payments on long-term debt	(2,929,007)	(2,847,510)
Additional short-term borrowings	8,000,000	-
Net cash provided by (used in) financing activities	<u>4,738,665</u>	<u>(3,134,493)</u>
 Net increase (decrease) in cash and cash equivalents	2,249,130	(3,956,032)
 Cash and cash equivalents, beginning of year	<u>3,210,673</u>	<u>7,166,705</u>
 Cash and cash equivalents, end of year	<u>\$ 5,459,803</u>	<u>\$ 3,210,673</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	\$ 2,123,324	\$ 1,988,976

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

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Description of business

Meade County Rural Electric Cooperative Corporation (Meade County) provides distribution electric services to residential, business, and commercial consumers concentrated in a six-county area in western Kentucky. Meade County maintains its records in accordance with the policies 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 generally accepted accounting principles. The more significant of these 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 for the years ended October 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 October 31, 2025 and 2024:

	2025	2024
Distribution plant	\$ 141,486,439	\$ 137,504,520
General plant	12,396,469	11,890,378
Total	<u>\$ 153,882,908</u>	<u>\$ 149,394,898</u>

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Depreciation rates range from 2.2% to 6.7% for distribution plant. General plant rates are as follows:

Structures and improvements	2.5% - 3.0%
Transportation equipment	12.5% - 25.0%
Other general plant items	5.0% - 14.3%

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Cash and cash equivalents

Meade County considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Meade County maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. These financial institutions have strong credit ratings and management believes that credit risk related to the accounts is minimal.

Accounts receivable and allowance for credit losses

Meade County 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 October 31, 2025, 2024, and 2023 was \$5,469,000, \$4,975,435, and \$4,636,655.

Meade County uses the allowance method to account for uncollectible accounts receivable. Management maintains an allowance for potential credit losses based on its assessment of the current status of the customer accounts using a pooled basis approach where similar characteristics exist (See Note 3). The allowance estimate is derived from a review of Meade County's historical losses based on the aging of receivables. The estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by Meade County.

Meade County writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. Subsequent recoveries are credited to the allowance for credit losses.

Materials and supplies

Meade County values materials and supplies at the lower of average cost or net realizable value.

Deferred debits and credits

Per approval of the PSC, Meade County will continue to depreciate, at their original 15-year rate, the TS2 meters that were replaced with the new Advanced Metering Infrastructure.

Regulatory requirements authorized by the PSC allow for the electric supplier to impose a fuel adjustment surcharge upon Meade County. In turn, Meade County is required to pass on the fuel surcharge to the consumer. Due to regulatory requirements in calculating the surcharge Meade County may experience an over or under recovery of the fuel adjustment surcharge.

Similarly, the PSC has an environmental cost recovery mechanism that allows the electric supplier to recover certain costs incurred in complying with the Federal Clean Air Act as amended and those federal, state, and local environmental requirements which apply to coal combustion wastes and byproducts from facilities utilized for the production of energy from coal. In turn, Meade County is required to pass on this environmental cost recovery mechanism to the consumer.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Deferred debits and credits (continued)

Meade County is serviced by Big Rivers Electric Corporation, Inc. (Big Rivers) and has two additional deferred mechanisms. There is a Non-Smelter Non-FAC PPA Factor that is calculated as a per-kWh billing credit or charge and is applied on a monthly basis. Also, in years in which Big Rivers earns in excess of a 1.30 TIER, 40% of the excess margin is returned to Big Rivers' members over the following year through a monthly bill credit named the Member Rate Stability Mechanism. These amounts are passed on to the consumers monthly.

Taxes

Meade County 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. Meade County'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

Meade County is one of three members of Big Rivers. Under a wholesale power agreement, Meade County is committed to purchase its electric power and energy requirements from Big Rivers until 2043. 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.

Generation and transmission corporation

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

Meade County has elected to value the non-cash allocations received from Big Rivers at zero for financial statement 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. Meade County 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.

Advertising

Meade County expenses advertising costs as incurred. Advertising expenses were \$16,027 and \$15,853 for the years ended October 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Risk management

Meade County 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.

Credit risk

Meade County grants credit to residents of local counties. Concentrations of credit risk with respect to accounts receivables are limited due to its large number of customers.

Commitments

Meade County has various other 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 one to three years.

Environmental contingency

Meade County 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 Meade County 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 Meade County's financial position or its future cash flows.

Income tax status

Meade County is exempt from federal and state income taxes under provisions of Section 501(c)(12). When applying the 85 percent test of IRC 501(c)(12), Meade County excludes the Big Rivers non-cash allocations from gross income. Accordingly, the financial statements for Meade County include no provision for income taxes.

Meade County'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. Management believes Meade County has no uncertain tax positions resulting in an accrual of tax expense or benefit.

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

Meade County'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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Pension accounting pronouncement

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 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.

Subsequent events

Management has evaluated subsequent events through January 5, 2026, the date the financial statements were available to be issued.

Note 2. Revenue Recognition

Revenue from contracts

Meade County is engaged in the distribution and sales 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. Meade County 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 Meade County. 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 15 days of the date of the bill.

Significant judgements

Meade County has multiple billing cycles that process customer bills on approximately the same day each month. The amounts billed are based on actual meter reading of kilowatt hours used for the billing period. 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 the kilowatt hour usage readings for the unbilled days in the month plus any adjustments for the month from Big Rivers. This method of revenue recognition presents fairly, Meade County's transfer of electricity to customers as the amount recognized is based on actual volumes delivered and the tariff rate per-unit of energy plus any applicable fixed charges as set by the PSC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Revenue Recognition (Continued)

Performance obligations

Meade County customers generally have no minimum purchase commitments. Revenue is recognized as each performance obligation is satisfied. Performance obligations are limited to the service requested and received to date. Accordingly, there are no unsatisfied performance obligations to recognize as of October 31, 2025 and 2024.

Disaggregation of revenue

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended October 31, 2025 and 2024:

	2025	2024
Residential	\$ 53,673,500	\$ 48,559,218
Large commercial	37,113,340	30,705,640
Small commercial	4,513,037	4,279,263
Other	154,300	144,117
	\$ 95,454,177	\$ 83,688,238

Contract assets and liabilities

Contract assets include unbilled revenues, environmental surcharges, fuel adjustment surcharges, and non-smelter non-FAC PPA. Environmental surcharges, fuel adjustment surcharges, and non-smelter non-FAC PPA are included in other deferred debits on the balance sheets. Contract liabilities include consumer deposits and the member rate stability mechanism. The member rate stability mechanism is included in deferred credits on the balance sheets. Contract assets and liabilities were as follows as of October 31:

	2025	2024	2023
Contract assets	\$ 1,612,901	\$ 1,659,101	\$ 1,246,207
Contract liabilities	\$ 1,838,605	\$ 1,826,050	\$ 1,770,008

Note 3. Allowance for Credit Losses

The allowance for credit losses for accounts receivable and the related activity are as follows as of October 31, 2025 and 2024:

	2025	2024
Beginning balance	\$ 129,494	\$ 144,117
Provision for credit losses	3,000	3,500
Write-offs	(67,732)	(52,205)
Recoveries	34,437	34,082
Ending balance	\$ 99,199	\$ 129,494

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments in Associated Organizations

Investments in associated organizations consist of the following as of October 31, 2025 and 2024:

	2025	2024
CFC, CTC's	\$ 753,994	\$ 835,471
KAEC, patronage capital	1,229,407	1,020,720
CFC, patronage capital	335,738	346,139
Others	551,489	536,167
Total	\$ 2,870,628	\$ 2,738,497

Meade County 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 ranging from zero to 5.0% and are scheduled to mature at varying times from 2027 to 2080.

Note 5. Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30.0% 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 25.0% of the net margins for the next preceding year, Meade County may distribute the difference between 25.0% and the payments made to such estates. Members' equity as of October 31, 2025 and 2024 was 34.5% and 36.6% of total assets, respectively.

Note 6. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to RUS, Federal Financing Bank (FFB), and CFC under a joint mortgage agreement. The long-term debt is due in quarterly and monthly installments of varying amounts through 2047. RUS assesses 12.5 basis points to administer the FFB loans.

Long-term debt consists of the following as of October 31, 2025 and 2024:

	2025	2024
RUS, 1.49% to 4.86% fixed rate notes	\$ 19,957,786	\$ 21,191,278
FFB:		
1.39% to 6.05% fixed rate notes	30,401,119	31,722,468
3.89% variable rate note	5,142,758	5,319,372
CFC, 2.06% to 3.85% fixed rate notes	933,601	1,131,153
	56,435,264	59,364,271
Less current portion	2,970,979	2,906,923
Long-term portion	\$ 53,464,285	\$ 56,457,348

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

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

2026	\$	2,970,979
2027		3,031,084
2028		11,999,990
2029		3,283,142
2030		5,646,447
Thereafter		29,503,622
	\$	<u>56,435,264</u>

Note 7. Short-Term Notes Payable

As of October 31, 2025 and 2024, Meade County had a short-term line of credit of \$5,000,000 available from CFC with variable interest rates of 6.00% and 7.25%, respectively. Advances against the CFC line of credit were \$5,000,000 and zero as of October 31, 2025 and 2024, respectively. The CFC line of credit matures in December 2069. During the current year Meade County obtained a short-term line of credit of \$15,000,000 from CoBank with a variable interest rate of 6.03% as of October 31, 2025. Advances against the CoBank line of credit were \$3,000,000 as of October 31, 2025. The CoBank line of credit matures in April 2026.

Note 8. Pension Plan

All eligible employees of Meade County participate in the NRECA Retirement and Security Plan (R&S 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. Eligible employees include employees hired prior to August 31, 2002. Non-eligible employees are those hired after August 31, 2002. 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.

Meade County's contributions to the R&S Plan in 2025 and 2024 represent less than 5 percent of the total contributions made to the plan by all participating employers. Meade County made contributions to the plan of \$168,503 in 2025 and \$207,971 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024.

In the R&S 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 R&S Plan was approximately 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 R&S 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 9. Savings Plan

Meade County participates in the NRECA Savings Plan, a multiemployer, defined contribution master pension plan. All employees are eligible to participate in the Savings Plan upon completion of six months employment. Eligible employees, as defined above, participate in the Savings Plan with Meade County contributing 3.0% of annual base pay, and the employee contributing from 1.0% to 3.0%. Non-eligible employees, as defined above, participate in the Savings Plan with Meade County contributing 12.0% of annual base pay, and the employee contributing from 1.0% to 3.0%. Employer contributions to the plan were \$616,705 for 2025 and \$581,625 for 2024, and vest immediately.

Note 10. Postretirement Benefits

Meade County sponsors a defined benefit plan that provides medical insurance coverage to retirees by contributing 50.00% of the cost of a single policy. For measurement purposes, an annual rate of increase of 5.00%, 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. A portion of the net periodic benefit cost is allocated to construction of electric plant. There have been no significant changes that affect the comparability of 2025 and 2024.

The funded status of the plan as of October 31, 2025 and 2024 was as follows:

	2025	2024
Projected benefit obligation	\$ (822,335)	\$ (803,098)
Plan assets at fair value	-	-
Funded status	\$ (822,335)	\$ (803,098)

NOTES TO FINANCIAL STATEMENTS

Note 10. Postretirement Benefits (Continued)

The components of net periodic postretirement benefit cost are as follows:

	2025	2024
Benefit obligation - beginning of period	\$ 803,098	\$ 786,429
Net periodic benefit cost:		
Service cost	28,653	29,461
Interest cost	36,572	35,764
Net periodic benefit cost:	65,225	65,225
Benefit payments to participants	(45,988)	(48,556)
Benefit obligation - end of period	\$ 822,335	\$ 803,098
Amounts recognized in the balance sheets consists of:		
Unrecognized actuarial gain	\$ 821,650	\$ 869,264
Accumulated postretirement benefits	\$ 822,335	\$ 803,098
Amounts included in other comprehensive income (loss):		
Amortization of actuarial (gain)	\$ (47,614)	\$ (47,614)
Effect of 1% increase in the health care trend:		
Postretirement benefit obligation	\$ 872,000	
Net periodic benefit cost	\$ 39,000	

Projected retiree benefit payments for the next five years are expected to be as follows: 2026 - \$48,500; 2027 - \$50,600; 2028 - \$44,600; 2029 - \$36,300; 2030 - \$34,100.

Note 11. Related Party Transactions

Several of the Directors of Meade County and its President and CEO are 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 amount reimbursed from Big Rivers was \$782,060 and \$796,323 for the years ended October 31, 2025 and 2024, respectively. Amounts due from Big Rivers are included in other receivables and were \$56,859 and \$76,789 as of October 31, 2025 and 2024, respectively.

Note 12. Contingencies

Meade County, on occasion, is subject to various lawsuits that arise from the normal course of business. Meade County's management does not believe the outcome of these cases will have a material effect on the financial statements.



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Meade County Rural Electric Cooperative Corporation
Brandenburg, Kentucky

We have audited the financial statements of Meade County Rural Electric Cooperative Corporation as of and for the years ended October 31, 2025 and 2024, and our report thereon dated January 5, 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 19 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
January 5, 2026

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS

October 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>RUS Approval</u>
Deferred Debits			
Regulatory assets	\$ 1,520,565	\$ 1,797,031	§1767, account #182.3
Environmental surcharge	221,923	240,108	§1767, account #186
Fuel adjustment surcharge	591,197	584,066	§1767, account #186
Non-smelter non-FAC PPA	208,973	251,470	§1767, account #186
Total deferred debits	<u>\$ 2,542,658</u>	<u>\$ 2,872,675</u>	
Deferred Credits			
Consumer advances for construction	\$ 778,616	\$ 690,907	§1767, account #252
Member rate stability mechanism	40,155	146,500	§1767, account #253
Total deferred credits	<u>\$ 818,771</u>	<u>\$ 837,407</u>	



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
Meade County Rural Electric Cooperative Corporation
Brandenburg, 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 Meade County Rural Electric Cooperative Corporation (the Cooperative), which comprise the balance sheet as of October 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 January 5, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative’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 Cooperative’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative’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 Cooperative’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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of 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 results of that testing, and not to provide an opinion on the effectiveness of the Cooperative'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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones, Nale & Mattingly P.C.

Louisville, Kentucky
January 5, 2026