

**SALT RIVER ELECTRIC
COOPERATIVE CORPORATION
KENTUCKY 21**

FINANCIAL REPORT

December 31, 2025

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Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Salt River Electric Cooperative Corporation
Bardstown, Kentucky

Opinion

We have audited the accompanying financial statements of Salt River Electric Cooperative 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 Salt River Electric Cooperative 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 Salt River 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 Salt River 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 Salt River 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 Salt River 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 February 25, 2026, on our consideration of Salt River 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 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 Salt River 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 Salt River Electric Cooperative Corporation's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 25, 2026

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

BALANCE SHEETS
December 31, 2025 and 2024

ASSETS	2025	2024
Electric Plant, at original cost:		
In service	\$ 201,924,134	\$ 198,750,021
Under construction	211,175	712,516
	202,135,309	199,462,537
Less accumulated depreciation	122,307,605	118,612,153
	79,827,704	80,850,384
Investments:		
Associated organizations	83,431,826	79,010,320
Other investments	497,725	691,342
Total investments	83,929,551	79,701,662
Current Assets:		
Cash and cash equivalents	17,399,128	20,080,985
Accounts receivable, less allowance for credit losses in 2025 of \$177,826 and 2024 of \$300,146	12,852,500	13,756,420
Other receivables	1,944,866	630,672
Material and supplies, at average cost	1,544,563	1,602,492
Prepayments	162,925	190,011
Total current assets	33,903,982	36,260,580
Other Assets:		
Pension asset	28,974,904	23,770,765
Deferred debits	188,005	438,677
Total assets	\$ 226,824,146	\$ 221,022,068
MEMBERS' EQUITIES AND LIABILITIES		
Members' Equities:		
Memberships	\$ 2,795,955	\$ 2,731,130
Patronage capital	129,128,096	124,775,212
Other equities	7,753,705	7,367,235
Accumulated other comprehensive income	6,184,209	3,923,233
Total members' equities	145,861,965	138,796,810
Long-term Liabilities:		
Long-term debt, less current portion	56,846,132	59,664,231
Accumulated postretirement benefits	515,016	542,384
Total long-term liabilities	57,361,148	60,206,615
Current Liabilities:		
Current portion of long-term debt	2,811,925	2,934,905
Accounts payable	13,809,808	12,095,335
Consumer deposits	4,230,627	3,978,089
Accrued expenses	1,823,742	1,769,863
Total current liabilities	22,676,102	20,778,192
Deferred Credits	924,931	1,240,451
Total members' equities and liabilities	\$ 226,824,146	\$ 221,022,068

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME

Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Sale of electric energy	\$ 140,612,096	\$ 133,846,103
Other electric revenues	1,826,930	1,804,417
	142,439,026	135,650,520
Operating Expenses		
Cost of power	118,180,287	111,282,179
Distribution - operations	3,663,474	3,263,843
Distribution - maintenance	5,377,257	4,862,532
Consumer accounts	1,629,881	1,798,390
Customer service and information	205,007	189,956
Sales	142,369	165,409
Administrative and general	3,309,034	3,380,221
Depreciation, excluding \$263,654 in 2025 and \$279,338 in 2024 charged to clearing accounts	5,773,838	6,464,096
Amortization of debt expense	250,672	250,672
Taxes, other than income	127,615	119,925
Interest on long-term debt	2,230,365	2,123,729
Other interest and deductions	178,231	218,296
Total cost of electric service	141,068,030	134,119,248
Operating Margins	1,370,996	1,531,272
Nonoperating Margins		
Interest income	1,018,944	1,137,157
(Losses) from equity investment	(178,338)	(97,230)
Employee retention credit	474,096	--
Other nonoperating (losses)	(39,619)	(7,731)
	1,275,083	1,032,196
Patronage Capital Credits		
Generation and transmission	4,229,340	725,100
Other associated organizations	437,077	424,307
	4,666,417	1,149,407
Net Margins	7,312,496	3,712,875
Other Comprehensive Income		
Pension plan actuarial net gain	2,249,152	3,287,640
Postretirement benefits amortization of net loss	11,824	10,526
	2,260,976	3,298,166
Net Margins and Comprehensive Income	\$ 9,573,472	\$ 7,011,041

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

STATEMENTS OF CHANGES IN MEMBERS' EQUITIES

Years Ended December 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>Retirements</u>	<u>Unassigned</u>				
Balance - December 31, 2023	\$ 2,665,990	\$ 171,203,416	\$ 5,755,614	\$ (53,253,508)	\$ 277,595	\$ 123,983,117	\$ 7,011,280	\$ 625,067	\$ 134,285,454
Comprehensive income:									
Net margins			3,712,875			3,712,875			3,712,875
Assigned margins		5,755,614	(5,755,614)			--			--
Pension plan									
Actuarial net gain							3,287,640		3,287,640
Postretirement benefit obligation									
Amortization of actuarial loss							10,526		10,526
Total comprehensive income									7,011,041
Net change in memberships	65,140								65,140
Refunds of capital credits				(2,920,780)		(2,920,780)			(2,920,780)
Other equities							355,955		355,955
Balance - December 31, 2024	2,731,130	176,959,030	3,712,875	(56,174,288)	277,595	124,775,212	7,367,235	3,923,233	138,796,810
Comprehensive income:									
Net margins			7,312,496			7,312,496			7,312,496
Assigned margins		3,712,875	(3,712,875)			--			--
Pension plan									
Actuarial net gain							2,249,152		2,249,152
Postretirement benefit obligation									
Amortization of actuarial loss							11,824		11,824
Total comprehensive income									9,573,472
Net change in memberships	64,825								64,825
Refunds of capital credits				(2,959,612)		(2,959,612)			(2,959,612)
Other equities							386,470		386,470
Balance - December 31, 2025	\$ 2,795,955	\$ 180,671,905	\$ 7,312,496	\$ (59,133,900)	\$ 277,595	\$ 129,128,096	\$ 7,753,705	\$ 6,184,209	\$ 145,861,965

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

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

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	\$ 7,312,496	\$ 3,712,875
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation		
Charged to expense	5,773,838	6,464,096
Charged to clearing accounts	263,654	279,338
Patronage capital credits and equity investment	(4,488,079)	(1,052,177)
Amortization of debt expense	250,672	250,672
Amortization of postretirement actuarial adjustments	11,824	10,526
Pension benefit adjustment	(954,987)	(526,419)
Pension benefit contributions	(2,000,000)	(2,000,000)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Receivables, net	(410,274)	2,023,116
Material and supplies	57,929	340,621
Prepayments	27,086	(20,261)
Accounts payable	1,714,473	784,282
Consumer deposits	252,538	129,131
Accrued expenses	53,879	(310,745)
Consumer advances for construction	(315,520)	268,637
Postretirement liability	(27,368)	(19,665)
Net cash provided by operating activities	7,522,161	10,334,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction of plant	(4,862,762)	(11,863,874)
Plant removal cost	(423,012)	(462,859)
Salvage recovered from retired plant	69,490	55,696
Receipts (purchase) from other investments, net	461,662	(17,392)
Net cash (used in) investing activities	(4,754,622)	(12,288,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in memberships	64,825	65,140
Retirements of capital credits	(2,959,612)	(2,920,780)
Other equities	386,470	355,955
Advances of long-term debt	-	6,750,000
Principal payments on long-term debt	(2,941,079)	(3,139,065)
Net cash provided by (used in) financing activities	(5,449,396)	1,111,250
Net (decrease) in cash and cash equivalents	(2,681,857)	(843,152)
Cash and cash equivalents, beginning of year	20,080,985	20,924,137
Cash and cash equivalents, end of year	\$ 17,399,128	\$ 20,080,985
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	\$ 2,419,693	\$ 2,711,333

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

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Business activity

Salt River Electric Cooperative Corporation (Salt River) provides distribution electric services to residential and commercial consumers concentrated in a ten-county area in central Kentucky. Salt River 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 year.

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:

	<u>2025</u>	<u>2024</u>
Distribution plant	\$ 186,176,334	\$ 183,250,644
General plant	<u>15,747,800</u>	<u>15,499,377</u>
Total	<u>\$ 201,924,134</u>	<u>\$ 198,750,021</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 2.2% to 5.0%, for a composite rate of 3.01% for distribution plant. General plant rates are as follows:

Structures and improvements	3%
Transportation equipment	16%
Other general plant	6 - 16%

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Cash and cash equivalents

Salt River considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Salt River 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

Salt River 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 \$12,852,500, \$13,756,420, and \$16,060,528, respectively.

Salt River 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, Salt River 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, Salt River 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 Salt River elected both:

1. Current conditions practical expedient – Salt River 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, Salt River 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.

Under the updated policy, the allowance for credit losses is derived from Salt River'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 financial statements are available to be issued. Management believes this methodology appropriately reflects expected credit losses under the updated guidance.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Accounts receivable and allowance for credit losses (continued)

Salt River 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

Salt River values materials and supplies at the lower of average cost or net realizable value.

Deferred debits

Unamortized debt expense is being amortized over the remaining life of the refinanced debt.

Taxes

Salt River 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. Salt River'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

Salt River is one of 16 members of East Kentucky Power Cooperative (East Kentucky). Under a wholesale power agreement, Salt River is committed to purchase its electric power and energy requirements from East Kentucky until 2068. The rates charged by East Kentucky 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 East Kentucky. There are certain surcharges, clauses, and credits that East Kentucky includes to Salt River that are passed on to consumers using a methodology prescribed by the PSC.

Advertising

Salt River expenses advertising costs as incurred. Advertising expense totaled \$304,483 and \$305,307 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 and pension plan.

Risk management

Salt River 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Credit risk

Salt River 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.

Commitments

Salt River 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

Salt River 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 Salt River 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 Salt River's financial position or its future cash flows.

Income tax status

Salt River qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. However, income from certain activities not directly related to Salt River'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 Salt River include no provision for income taxes.

Salt River'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. Salt River has no uncertain tax positions resulting in an accrual of tax expense or benefit.

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

Salt River'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

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. A118-1-000 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 February 25, 2026, the date the financial statements were available to be issued.

Note 2. Revenue Recognition

Revenue from contracts

Salt River is engaged in the distribution and sale of electricity to residential and commercial customers in ten counties in central Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Salt River 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 Salt River. 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 20 days of the date of the bill. Revenue for pole attachments are invoiced at the end of the year. The performance obligation is satisfied ratably over the time of the contract. These amounts are recorded as a receivable at the time of invoicing.

Significant judgements

Salt River bills customers on monthly cycles based on meter readings taken at approximately the same day each month. Industrial customers are billed at the end of each month, some residential customers are billed around the 20th day of the month, and the remaining residential customers are billed around the 10th day of the next month. Revenue is recognized in the month billed for billing cycles that fall on the 20th of the month, at the end of the month, and within 10 days of the next month. There is no material difference in revenue recognition from the timing difference of the billing cycles. This method of revenue recognition presents fairly, Salt River’s transfer of electricity to customers as the amount recognized is based on actual volumes delivered and the tariff rate per-unit of energy and any applicable fixed charges as set by the PSC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Revenue Recognition (Continued)

Performance obligations

Salt River customers generally have no minimum purchase commitments. Salt River 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.

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	\$ 89,305,804	\$ 83,876,757
Large Industrial	38,689,056	38,340,235
Commercial	11,971,982	11,011,089
Public Lights	645,254	618,022
Other	1,826,930	1,804,417
Total	\$ 142,439,026	\$ 135,650,520

Contract liabilities

Contract liabilities include consumer deposits. The balance in contract liabilities was as follows as of December 31:

	2025	2024	2023
Contract liabilities	\$ 4,230,627	\$ 3,978,089	\$ 3,848,958

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	\$ 300,146	\$ 301,156
Provision for credit losses	(215,070)	(32,815)
Write-offs	(143,617)	(144,907)
Recoveries	236,367	176,712
Ending balance	\$ 177,826	\$ 300,146

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments in Associated Organizations

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

	2025	2024
East Kentucky, patronage capital	\$ 78,622,756	\$ 74,393,416
National Bank for Cooperatives (CoBank)		
Patronage capital	590,515	667,262
CFC CTCs and patronage capital	955,707	955,707
CFC member capital securities	1,000,000	1,000,000
Other associated organizations	2,262,848	1,993,935
	\$ 83,431,826	\$ 79,010,320

Salt River 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 in 2085. The CFC member capital securities were purchased in December 2014 and bear interest at 5.00%. The member capital securities mature in December 2044 and are callable by CFC, in whole or in part, at any time after ten years from the date of issuance at 100 percent of the principal amount to be redeemed together with accrued and unpaid interest to the redemption date.

Note 5. Other Investments

Salt River is a 50.00% equity owner of Lock 7 Hydro Partners, LLC (Lock 7), which generates electricity through hydro methods on the Kentucky River. The investment is accounted for using the equity method of accounting, and has been included in other investments in the accompanying balance sheets. The activity of the equity method investment is as follows for the years ended December 31:

	2025	2024
Lock 7 investment, beginning balance	\$ 361,342	\$ 458,572
(Losses)	(178,339)	(97,230)
Lock 7 investment, ending balance	\$ 183,003	\$ 361,342

NOTES TO FINANCIAL STATEMENTS

Note 5. Other Investments (Continued)

The following is summarized financial information of Lock 7 as of and for the years ended December 31:

	2025	2024
Assets	\$ 282,120	\$ 644,303
Liabilities	\$ 155,956	\$ 21,462
Equity	\$ 126,164	\$ 622,841
Revenues and other income	\$ 487,400	\$ 533,223
Expenses and other expenses	\$ 844,078	\$ 727,683
Net (loss)	\$ (356,678)	\$ (194,460)

Other investments also includes an economic development loan that is secured by real property and improvements pledged by a Salt River consumer. The note is a zero-interest rate loan with monthly principal payments of \$3,056 beginning in August 2025. The note is scheduled to mature in July 2034 and the balance as of December 21, 2025 and 2024, was \$314,722 and \$330,000, respectively.

Note 6. 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 30.00% 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, Salt River may distribute the difference between 25.00% and the payments made to such estates. The equity and margins as of December 31, 2025 and 2024 were 64.31% and 62.80% of total assets, respectively.

Note 7. 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 2053. RUS assesses 0.25 basis points to administer the FFB loans. Salt River had unadvanced loan funds from FFB in the amount of \$45,000,000 as of December 31, 2025 and 2024. These funds will be used for future plant additions.

Salt River is participating in a RUS sponsored program which provides economic development funds to businesses in Salt River's service area. Salt River serves as a conduit for these funds and is contingently liable if the recipient fails to repay the loan.

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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

	2025	2024
RUS, 1.25% to 3.00% fixed rate notes	\$ 3,260,271	\$ 3,632,262
FFB, 2.15% to 5.42% fixed rate notes	55,613,119	57,155,458
CoBank, 2.12% fixed rate note	784,667	1,811,416
	59,658,057	62,599,136
Less current portion	2,811,925	2,934,905
Long-term portion	\$ 56,846,132	\$ 59,664,231

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	\$ 2,811,925
2027	2,094,548
2028	2,164,279
2029	2,236,558
2030	2,311,476
Thereafter	48,039,271
	\$ 59,658,057

During 2021 Salt River consolidated and refinanced several notes with CoBank into one. As part of this refinancing Salt River paid a broken funding fee of \$1,253,361. In accordance with RUS guidance this broken funding fee has been included in the accompanying balance sheet as deferred debits and will be amortized over the life of the note. Amortization expense was \$250,672 for the years ended December 31, 2025 and 2024. The remaining balance of the broken funding fee to be amortized in future years was \$188,005 and \$438,677 as of December 31, 2025 and 2024, respectively. The broken funding fee is scheduled to be fully amortized in September 2026.

Note 8. Short-Term Borrowings

Salt River has a short-term line of credit of \$4,000,000 available from CFC with variable interest rates of 5.75% and 6.50% and as of December 31, 2025 and 2024, respectively. Salt River also has a short-term line of credit of \$1,000,000 available from CoBank with variable interest rates of 5.62% and 6.24% and as of December 31, 2025 and 2024, respectively. There were no advances against either line of credit as of December 31, 2025 and 2024. The lines of credit from CFC and CoBank mature in July 2027 and July 2026, respectively, and they renew on a regular basis throughout the term of the long-term debt (See Note 7).

Note 9. Savings Plans

All eligible employees of Salt River participate in the NRECA Retirement and Security Program (Program), a defined contribution pension plan qualified under section 401(k) and tax-exempt under section 501(a) of the Internal Revenue Code. Salt River makes annual contributions to the Program equal to the amounts accrued for pension expense. There have been no significant changes that affect the comparability of 2025 and 2024.

NOTES TO FINANCIAL STATEMENTS

Note 9. Savings Plans (Continued)

Salt River sponsors a savings plan covering all employees who are covered by a collective bargaining agreement and who meet certain length of service requirements. This salary deferral plan provides a 2.50% contribution by Salt River based on eligible employee wages. Salt River contributed \$119,069 and \$110,970 to this plan in 2025 and 2024, respectively.

Salt River also sponsors a plan covering all eligible employees not covered by a collective bargaining agreement which allows an employee salary deferral and also provides a 6.00% Salt River contribution based on eligible employee wages. Salt River's contribution is made on behalf of the employee regardless of their decision to participate with elective salary deferral contributions. Salt River contributed \$143,065 and \$137,155 in 2025 and 2024, respectively.

Note 10. Pension Plan

Salt River has a noncontributory defined benefit pension plan covering substantially all employees who meet minimum age and service requirements. The plan has a pay-related pension benefit formula. Salt River's policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act (ERISA). The plan is measured as of December 31, 2025 and 2024. There have been no significant changes that affect the comparability of 2025 and 2024.

The following is an assessment of the noncontributory defined benefit plan as of December 31:

	2025	2024
Projected benefit obligation	\$ (15,613,320)	\$ (15,455,411)
Fair value of plan assets	44,588,224	39,226,176
Funded status	\$ 28,974,904	\$ 23,770,765
Accumulated benefit obligation included in plan	\$ 11,348,495	\$ 11,115,511
Amount recognized as asset	\$ 28,974,904	\$ 23,770,765

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

The calculation of net periodic benefit cost, change in projected benefit obligation, and change in fair value of plan assets are as follows as of and for the years ended December 31:

	2025	2024
<u>Net Periodic Benefit Cost (Benefit)</u>		
Service cost	\$ 970,443	\$ 999,905
Interest cost	828,592	732,022
Expected return on assets	(2,754,022)	(2,258,346)
Net periodic benefit cost (benefit)	\$ (954,987)	\$ (526,419)
<u>Change in Projected Benefit Obligation</u>		
Projected benefit obligation at beginning of year	\$ 15,455,411	\$ 14,764,648
Service cost	936,443	964,905
Interest cost	828,592	732,022
Disbursements	(1,160,147)	(612,038)
Actuarial (gain)	(446,979)	(394,126)
Projected benefit obligation at end of year	\$ 15,613,320	\$ 15,455,411
<u>Change in Fair Value of Plan Assets</u>		
Fair value of plan assets, beginning of year	\$ 39,226,176	\$ 32,721,354
Investment gain	4,558,645	5,151,131
Employer contributions	2,000,000	2,000,000
Benefits paid	(1,160,147)	(612,038)
Administrative costs	(36,450)	(34,271)
Fair value of plan assets, end of year	\$ 44,588,224	\$ 39,226,176
Amounts recognized in the balance sheets consists of:		
Unrecognized actuarial gain	\$ 5,940,806	\$ 3,691,654
Amounts included in other comprehensive income:		
Actuarial gain	\$ 2,249,152	\$ 3,287,640

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Assumptions used to develop the projected benefit obligation were as follows:

	2025	2024
Discount rate	5.50%	5.50%
Rate of increase in compensation level	4.00%	4.00%
Expected long-term rate of return on assets	7.00%	7.00%

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen from the best range determined by applying anticipated long-term returns for various asset categories to the target asset allocation of the plan, as well as taking into account historical returns.

The general investment objectives are to invest in a diversified portfolio, comprised of debt investments, equity investments, and fixed income investments. The diversification is designed to minimize the risk of large losses while maximizing total return within reasonable and prudent levels of risk. The investment objectives specify a targeted investment allocation for the pension plan of approximately 50% equities. The remaining may be allocated between fixed income or cash equivalent investments. The Plan's investments are reported at fair value as follows:

December 31, 2025	Fair value	Fair value measurements using:	
		Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Cash	\$ 3,099	\$ 3,099	\$ --
Large cap blend	12,442,578	12,442,578	--
Stable value	23,484,436	--	23,484,436
Large cap value	4,061,116	--	4,061,116
Small cap value	4,596,995	--	4,596,995
	\$ 44,588,224	\$ 12,445,677	\$ 32,142,547

December 31, 2024	Fair value	Fair value measurements using:	
		Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Cash	\$ 503,205	\$ 503,205	\$ --
Large cap blend	20,080,777	20,080,777	--
Stable value	11,268,109	--	11,268,109
Large cap value	3,892,993	--	3,892,993
Small cap value	3,481,092	--	3,481,092
	\$ 39,226,176	\$ 20,583,982	\$ 18,642,194

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plan (Continued)

Expected retiree pension benefit payments are projected to be as follows: 2026 - \$615,163; 2027 - \$823,989; 2028 - \$231,388; 2029 - \$786,925; 2030 - \$816,992.

Contributions for the year ending December 31, 2026, are expected to be approximately \$2,000,000.

Note 11. Postretirement Benefits

Salt River sponsors a noncontributory defined benefit plan that provides medical insurance coverage for retired employees under age 65 and have worked 30 or more years for Salt River. The plan for retirees is a continuation of the fully insured program now in place for active employees. There have been no significant changes that affect the comparability of 2025 and 2024.

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

	2025	2024
Projected benefit obligation	\$ (515,016)	\$ (542,384)
Funded status (deficit)	\$ (515,016)	\$ (542,384)

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

	2025	2024
Benefit obligation at beginning of year	\$ 542,384	\$ 562,049
Components of net periodic benefit cost:		
Service cost	3,448	3,810
Interest cost	5,184	15,025
Net periodic benefit cost	8,632	18,835
Benefits paid	(36,000)	(38,500)
Benefit obligation at end of year	\$ 515,016	\$ 542,384
Amounts recognized in the balance sheets consists of:		
Unrecognized actuarial gain	\$ 243,403	\$ 231,579
Accumulated postretirement benefits	\$ 515,016	\$ 542,384
Amounts included in other comprehensive income:		
Amortization of actuarial loss	\$ 11,824	\$ 10,526
Effect of 1.00% increase in the health care trend:		
Postemployment benefit obligation	\$ 530,000	
Net periodic benefit cost	\$ 8,900	

NOTES TO FINANCIAL STATEMENTS

Note 11. Postretirement Benefits (Continued)

For measurement purposes, an annual rate of increase of 5.00% in 2023, then decreasing by .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 4.75% in 2025 and 2024.

Projected retiree benefit payments for the next five years are expected to be as follows: 2026 - \$36,000; 2027 - \$18,000; 2028 - \$12,000; 2029 - \$6,000; 2030 - \$6,000.

Note 12. Related Party Transactions

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

Note 13. Labor Force

Approximately 72.00% of Salt River's labor force is subject to a collective bargaining agreement. An eight-year agreement was negotiated and approved for the period starting in June 2020 through June 2028 between Salt River and the International Brotherhood of Electric Workers (IBEW).

Note 14. Contingencies

Salt River, 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 outcome will not have a material adverse effect on the financial statements.

Note 15. Employee Retention Credits

Under provisions of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), Salt River determined it met the criteria and was eligible for the refundable Employee Retention Credit (ERC). Salt River amended its Form 941 Employer Quarterly Federal Tax Return for one quarter to claim refunds related to this credit. For the years ended December 31, 2025 and 2024, Salt River claimed \$474,096 and zero, respectively, with the amount recognized as nonoperating margins, in accordance with IAS 20, in the statements of revenue and comprehensive income. The IRS may subsequently initiate an ERC audit and request a refund, including penalties and interest, if they determine that Salt River was not eligible for the ERC claimed. The general statute of limitations is three years but the IRS has extended the statute to five years for ERC. Salt River engaged a third-party service provider to assist in determining that Salt River met the criteria for the ERC and management believes Salt River met the eligibility requirements.



Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Salt River Electric Cooperative Corporation
Bardstown, Kentucky

We have audited the financial statements of Salt River Electric Cooperative Corporation as of and for the years ended December 31, 2025 and 2024, and our report thereon dated February 25, 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 23 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
February 25, 2026

SALT RIVER ELECTRIC COOPERATIVE CORPORATION

SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	
Deferred Debits			
Unamortized debt expense	<u>\$ 188,005</u>	<u>\$ 438,677</u>	§1767, account #181
Deferred Credits			
Consumer advances for construction	\$ 640,573	\$ 650,418	§1767, account #252
Meter installation	<u>284,358</u>	<u>590,033</u>	§1767, account #253
Total deferred credits	<u>\$ 924,931</u>	<u>\$ 1,240,451</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
Salt River Electric Cooperative Corporation
Bardstown, 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 Salt River Electric Cooperative Corporation (the Cooperative), 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 February 25, 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 statement. 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 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
February 25, 2026