

Financial Statements
December 31, 2025 and 2024
Clay-Union Electric Corporation

Clay-Union Electric Corporation

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December 31, 2025 and 2024

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Independent Auditor's Report

The Board of Directors
Clay-Union Electric Corporation
Vermillion, SD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clay-Union Electric Corporation, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Clay-Union Electric Corporation as of December 31, 2025 and 2024, and the results of its operations and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Clay-Union Electric 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 these 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 Clay-Union Electric Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 Clay-Union Electric 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 Clay-Union Electric 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 identified during the audit.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for the 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. With the exception of the listing of directors, officers, and management, the information has been subjected to the auditing procedures applied in the audits 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. The listing of directors, officers, and management has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 17, 2026 on our consideration of Clay-Union Electric Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Clay-Union Electric 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 Clay-Union Electric Corporation's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
April 17, 2026

Clay-Union Electric Corporation

Balance Sheets

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Electric Plant		
In service	\$ 48,520,563	\$ 47,169,812
Under construction	7,348	6,512
Total electric plant	<u>48,527,911</u>	<u>47,176,324</u>
Less accumulated depreciation	<u>13,919,172</u>	<u>13,004,736</u>
Electric plant - net	<u>34,608,739</u>	<u>34,171,588</u>
Other Property and Investments		
Investments in associated companies	7,155,206	6,975,940
Other special funds - rate stabilization plan	5,000	560,000
Other investments	<u>52,763</u>	<u>49,973</u>
Total other property and investments	<u>7,212,969</u>	<u>7,585,913</u>
Current Assets		
Cash and cash equivalents	789,334	289,800
Temporary cash investments	383,062	706,544
Accounts receivable, net	994,870	843,181
Material and supplies	1,370,860	1,265,429
Prepayments	<u>53,484</u>	<u>48,066</u>
Total current assets	<u>3,591,610</u>	<u>3,153,020</u>
Deferred Debits	<u>289,147</u>	<u>262,433</u>
	<u>\$ 45,702,465</u>	<u>\$ 45,172,954</u>

Clay-Union Electric Corporation

Balance Sheets

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Equities and Liabilities		
Equities		
Memberships	\$ 14,420	\$ 14,350
Patronage capital	14,290,127	14,232,752
Other equities	<u>4,157,369</u>	<u>3,914,580</u>
Total equities	<u>18,461,916</u>	<u>18,161,682</u>
Long-Term Debt, Less Current Maturities	<u>24,119,784</u>	<u>23,507,266</u>
Postretirement Benefits	<u>181,249</u>	<u>157,806</u>
Current Liabilities		
Current maturities of long-term debt	889,000	862,000
Accounts payable	1,208,058	1,114,556
Customer deposits	178,228	167,895
Accrued taxes	206,570	196,847
Other current liabilities	<u>347,672</u>	<u>341,447</u>
Total current liabilities	<u>2,829,528</u>	<u>2,682,745</u>
Deferred Credits	<u>109,988</u>	<u>663,455</u>
	<u>\$ 45,702,465</u>	<u>\$ 45,172,954</u>

Clay-Union Electric Corporation
Statements of Operations
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 10,427,109	\$ 9,454,185
Operating Expenses		
Cost of power	5,636,094	5,167,647
Distribution - operations	804,161	877,961
Distribution - maintenance	314,972	299,586
Customer accounts	218,597	194,663
Customer service	154,561	129,574
Administrative and general	914,321	915,678
Depreciation	1,279,574	1,236,247
Taxes	125,573	127,349
Interest on long-term debt	828,964	797,925
Other	8,636	8,989
Total operating expenses	<u>10,285,453</u>	<u>9,755,619</u>
Operating Margin (Loss) Before Capital Credits	141,656	(301,434)
Generation and Transmission and Other Cooperative Capital Credits	<u>474,211</u>	<u>450,105</u>
Net Operating Margin	<u>615,867</u>	<u>148,671</u>
Nonoperating Margin (Loss)		
Interest income	70,123	111,035
Merchandising, net of costs (2025 - \$198,570; 2024 - \$148,511)	(8,912)	(4,068)
Gain on sale of assets	6,276	550,044
Total nonoperating margin	<u>67,487</u>	<u>657,011</u>
Net Margin	<u>\$ 683,354</u>	<u>\$ 805,682</u>

Clay-Union Electric Corporation
Statements of Equities
Years Ended December 31, 2025 and 2024

	Memberships	Patronage Capital		Other Equities	Total Equities
		Assigned	Assignable		
Balance - January 1, 2024	\$ 14,335	\$ 13,190,491	\$ 756,603	\$ 3,799,252	\$ 17,760,681
Assign prior year net margin	-	756,603	(756,603)	-	-
Net margin	-	-	805,682	-	805,682
Retirement of capital credits	-	(520,024)	-	115,328	(404,696)
Memberships and other	15	-	-	-	15
Balance - December 31, 2024	14,350	13,427,070	805,682	3,914,580	18,161,682
Assign prior year net margin	-	650,000	(805,682)	155,682	-
Net margin	-	-	683,354	-	683,354
Retirement of capital credits	-	(470,297)	-	87,107	(383,190)
Memberships and other	70	-	-	-	70
Balance - December 31, 2025	<u>\$ 14,420</u>	<u>\$ 13,606,773</u>	<u>\$ 683,354</u>	<u>\$ 4,157,369</u>	<u>\$ 18,461,916</u>

Clay-Union Electric Corporation
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Net margin	\$ 683,354	\$ 805,682
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation	1,352,993	1,361,156
General and transmission and other capital credits		
Noncash allocations	(474,211)	(450,105)
Cash retirements received	292,649	392,158
Amortization of prepayment of pension costs	29,534	29,535
Gain on sale of assets	(6,276)	(550,044)
Revenue - margin stabilization plan	(555,000)	(650,000)
Change in assets and liabilities		
Accounts receivable	(151,689)	(23,991)
Prepayments	(34,952)	(36,979)
Deferred debits	(26,714)	29,087
Accounts payable	145,992	(154,073)
Other current and long-term liabilities	51,257	(13,593)
Net Cash from Operating Activities	1,306,937	738,833
Investing Activities		
Electric plant additions, net	(1,842,634)	(1,644,442)
Purchase of temporary cash investments	(1,240,000)	(850,000)
Maturities of temporary cash investments	2,118,482	796,582
Other changes in investments	(494)	31,660
Change in material and supplies	(105,431)	(20,369)
Proceeds from sale of general plant	6,276	748,590
Net Cash used for Investing Activities	(1,063,801)	(937,979)
Financing Activities		
Advances on long-term debt	1,500,000	1,500,000
Principal payments on long-term debt	(857,009)	(754,346)
Change in other long-term debt	(3,473)	(20,743)
Patronage capital retirements	(383,190)	(404,696)
Change in memberships and other	70	15
Net Cash from Financing Activities	256,398	320,230

Clay-Union Electric Corporation
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Change in Cash and Cash Equivalents	\$ 499,534	\$ 121,084
Cash and Cash Equivalents, Beginning of Year	<u>289,800</u>	<u>168,716</u>
Cash and Cash Equivalents, End of Year	<u>\$ 789,334</u>	<u>\$ 289,800</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest on long-term debt	\$ 829,984	\$ 791,747
Supplemental Disclosure of Non-Cash Investing Information		
Accounts payable for cost capitalized to electric plant	\$ 180,135	\$ 232,625

Note 1 - Summary of Significant Accounting Policies**General**

Clay-Union Electric Corporation (the Corporation) is subject to the accounting and reporting rules and regulations of Rural Utilities Service (RUS). The Corporation follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS.

Rates charged to customers are established by the Board of Directors.

Electric Plant and Retirements

Electric plant is stated at cost. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. When units of property are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Recoverability of Long-Lived Assets

The Corporation reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If a review indicates that the carrying value of such asset is not recoverable as determined based on projected undiscounted cash flows related to the asset over its remaining life, the Corporation would determine whether an impairment loss should be recognized. Management has determined that no impairment exists at December 31, 2025 and 2024.

Depreciation

Depreciation of distribution plant is computed by applying composite rates to the monthly balance for all classes of distribution plant. Composite depreciation rates include cost of removal and salvage factors which are recognized as an offset to accumulated depreciation when plant is retired. Transportation equipment and other general plant assets, which are depreciated using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Corporation considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Corporation's revenue contracts provide it with the unconditional right to consideration upon delivery of electricity to its customers; therefore, a receivable is recognized in the period the Corporation provides energy to its customers. The unconditional right to consideration is represented by contract receivables which are presented on the balance sheet as accounts receivable. Accounts receivable are uncollateralized customer obligations due under terms established by the Board of Directors. Past due balances are subject to disconnection of service.

The carrying amount of accounts receivable is reduced by an amount that reflects management's best estimate of amounts that will not be collected. Management individually reviews all notes receivable and accounts receivable balances that exceed 90 days from invoice date, and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The allowance for credit losses was \$22,905 and \$22,747 as of December 31, 2025 and 2024, respectively.

The Corporation requires deposits from new customers upon initiation of service. The deposits are applied to the final customer billing if service is terminated. These deposits are recognized as a contract liability as customer deposits on the balance sheets.

The beginning and ending balances for customer accounts receivable, net of allowances for credit losses, and contract liabilities were as follows:

	December 31, 2025	December 31, 2024	January 1, 2024
Customer accounts receivable, net	\$ 988,828	\$ 799,377	\$ 811,873
Contract liabilities - customer deposits	\$ 178,228	\$ 167,895	\$ 170,550

Investments in Associated Companies

The Corporation's investments in associated companies, other than National Rural Utilities Cooperative Finance Corporation (CFC) certificates, are accounted for as equity securities. The Corporation has determined that these investments do not have a readily determinable fair value. Investments in other cooperatives are recorded at the Corporation's share of allocated patronage capital and the other investments are recorded at cost. These investments are assessed for impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Corporation has not identified any impairments and there has not been observable price changes during the years ended December 31, 2025 and 2024.

Loan term certificates and capital term certificates are a condition of loans from National Rural Utilities Cooperative Finance Corporation, which is believed by management to have strong credit quality. Loan term certificates, Capital term certificates and member capital securities are debt securities and are accounted for at amortized cost, net of any impairment or allowances for credit losses. The allowance for credit losses is influenced by a variety of factors, including credit quality and general economic conditions. At December 31, 2025 and 2024, the allowance for credit losses was \$-0-.

Fair Value Measurements

The Corporation has determined the fair value of certain assets and liabilities in accordance with the provisions of Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability. The Corporation's policy is to recognize significant transfers between levels on the date of the transfer.

Material and Supplies

Materials and supplies are stated at the lower of average cost or market, except for material held for resale which is stated at the lower of actual cost or net realizable value.

Patronage Capital and Other Equities

Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Corporation from its operations in excess of costs and expenses may be allocated to patrons on a patronage basis, offset against current or prior losses or retained as unallocated equity. Certain amounts of nonoperating income are not allocated to patrons.

Revenue Recognition

The following table depicts revenues by timing of revenue recognition and type of revenue for the years ended December 31, 2025 and 2024, respectively:

	2025	2024
Electric revenues (transferred over time)	\$ 9,872,109	\$ 8,804,185
Merchandising revenues (transferred at a point in time)	189,658	144,443
Revenue from contracts with customers	\$ 10,061,767	\$ 8,948,628
Other - margin stabilization plan	555,000	650,000
Total revenues	<u>\$ 10,616,767</u>	<u>\$ 9,598,628</u>

Electric Revenue

The Corporation's performance obligation related to the sale of energy is satisfied as energy is delivered to customers; therefore, revenue from the delivery of energy is recognized over time as energy is delivered to the customers. The Corporation reads customer meters at the end of each month; accordingly, revenue is recorded through the end of each accounting period.

Merchandising Revenue

The Corporation's performance obligation related to merchandising and electrical services are satisfied at the point in time when projects have been completed; therefore, revenue is recorded upon the completion of the service at a point in time.

Other

Other revenue relates to the effect of the change in the rate stabilization plan (Note 12).

Power Costs

The monthly billings from the wholesale power supplier, which are for power costs to the end of the month, are reflected in the accounts.

Pension Plan

The policy is to fund normal pension costs as accrued.

Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code and is annually required to file a Return of Organization Exempt Income from Income Tax (Form 990) with the IRS. In addition, the Corporation is subject to income tax on net income that is derived from business activities that are unrelated to its purpose. The Corporation files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income.

The Corporation believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Corporation would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred.

Sales Taxes

The Corporation has customers in South Dakota and its municipalities in which those governmental units impose a sales tax on certain sales. The Corporation collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Corporation's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Credit Risk

The Corporation provides electric energy on account to its members located in southeastern South Dakota.

The Corporation maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At times during the year, the Corporation's balances exceeded the insurance limits of the Federal Deposit Insurance Corporation. At December 31, 2025 and 2024, the Corporation had approximately \$441,000 and \$-0-, respectively, in excess of FDIC-insured limits.

Regulation

The Corporation's accounting policies and the accompanying financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

As a result of the ratemaking process, the Corporation applies ASC (ASC) 980, *Regulated Operations*. The application of generally accepted accounting principles by the Corporation differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Subsequent Events

The Corporation has evaluated subsequent events through April 17, 2026, the date which the financial statements were available to be issued.

Note 2 - Electric Plant and Depreciation

	Depreciation Rates	2025	Depreciation Rates	2024
Distribution plant	2.90 - 6.67%	\$ 38,415,264	2.90 - 6.67%	\$ 37,170,706
General plant	2.00 - 15.00%	10,103,328	2.00 - 15.00%	9,997,135
Intangible plant		1,971		1,971
Electric plant in service		48,520,563		47,169,812
Construction work in progress		7,348		6,512
		<u>\$ 48,527,911</u>		<u>\$ 47,176,324</u>

Note 3 - Investments in Associated Companies

	2025	2024
Patronage capital credits		
East River Electric Power Cooperative, Inc.	\$ 6,340,269	\$ 6,145,636
Federated Rural Electric Insurance Corp.	89,573	85,889
Rural Electric Supply Cooperative	29,796	27,303
CoBank	140,956	135,599
CRC	2,351	2,165
National Rural Telecommunications Cooperative	6,167	6,168
National Rural Utilities Cooperative Finance Corporation	49,027	50,063
	<u>6,658,139</u>	<u>6,452,823</u>
National Rural Utilities Cooperative Finance Corporation		
Loan term certificates - maturities 10/1/2030; interest rate 3.0%	49,600	75,650
Capital term certificates - maturities 10/1/2070-2080; interest rate 5.0%	268,842	268,842
Member capital securities - maturity date 3/10/2044; interest rate 5.0%	130,000	130,000
	<u>448,442</u>	<u>474,492</u>
Rural Electric Economic Development, Inc.	40,000	40,000
Other	8,625	8,625
	<u>8,625</u>	<u>8,625</u>
Total investments in associated companies	<u>\$ 7,155,206</u>	<u>\$ 6,975,940</u>

Note 4 - Other Investments

	2025	2024
Energy resource conservation and other loans; 5-7 year maturities; 5% interest	\$ 40,112	\$ 37,323
Other	12,651	12,650
Total other investments	\$ 52,763	\$ 49,973

Note 5 - Cash and Cash Equivalents

	2025	2024
Cash on hand	\$ 200	\$ 200
Cash in checking	789,134	289,600
Total cash and cash equivalents	\$ 789,334	\$ 289,800

Note 6 - Temporary Cash Investments

	2025	2024
CFC funds	\$ 388,062	\$ 1,266,544

Temporary cash investments are made up of funds invested with CFC. The interest rate on CFC funds was 3% as of December 31, 2025.

Temporary cash investments are included as follows on the balance sheets:

	2025	2024
Other special funds - rate stabilization	\$ 5,000	\$ 560,000
Temporary cash investments	383,062	706,544
	\$ 388,062	\$ 1,266,544

Note 7 - Deferred Debits

	<u>2025</u>	<u>2024</u>
Preliminary survey costs	\$ 14,101	\$ 21,152
Prepayment of pension costs	211,666	241,200
Jobs in progress and clearing accounts	<u>63,380</u>	<u>81</u>
Total deferred debits	<u>\$ 289,147</u>	<u>\$ 262,433</u>

Note 8 - Patronage Capital

	<u>2025</u>	<u>2024</u>
Assignable	\$ 683,354	\$ 805,682
Assigned to date	21,130,589	20,480,589
	<u>21,813,943</u>	<u>21,286,271</u>
Retired to date	<u>7,523,816</u>	<u>7,053,519</u>
Total patronage capital	<u>\$ 14,290,127</u>	<u>\$ 14,232,752</u>

The mortgage provisions restrict the retirement of patronage capital unless, after retirement, the capital of the Corporation equals at least 30% of the total assets of the Corporation provided however, that retirements can be made if such distributions do not exceed 25% of the preceding year's margins. No distribution can be made if there is unpaid, when due, any installments of principal or interest on the notes.

Note 9 - Other Equities

	<u>2025</u>	<u>2024</u>
Retired capital credits gains and unclaimed capital credits	\$ 1,782,478	\$ 1,695,680
Unallocated nonoperating margins	2,334,924	2,179,242
Donated capital	<u>39,967</u>	<u>39,658</u>
Total other equities	<u>\$ 4,157,369</u>	<u>\$ 3,914,580</u>

Note 10 - Long-Term Debt

	2025	2024
Rural Utilities Service (RUS) mortgage notes		
3.00% RUS note due in monthly installments through 2039	\$ 537,782	\$ 567,541
3.84% RUS note due in monthly installments through 2058	5,253,055	5,333,000
3.61 - 4.51% notes due in monthly installments through 2059	1,500,000	-
	<u>7,290,837</u>	<u>5,900,541</u>
Federal Financing Bank (FFB) mortgage notes		
2.59 - 3.63% FFB notes due in quarterly installments through 2042	2,234,860	2,329,402
2.19 - 3.02% FFB notes due in quarterly installments through 2047	4,787,279	4,945,036
1.58 - 4.00% FFB notes due in quarterly installments through 2052	6,822,710	7,012,356
	<u>13,844,849</u>	<u>14,286,794</u>
National Rural Utilities Cooperative Finance Corporation (CFC) mortgage notes		
4.45 - 5.20% notes due in quarterly installments through 2038	816,061	860,577
CoBank mortgage notes		
4.39% note due in monthly installments through 2029	414,240	517,922
4.47% note due in monthly installments through 2030	456,418	540,787
4.77% note due in monthly installments through 2036	684,683	736,723
5.50 - 5.55% notes due in monthly installments through 2054	1,464,561	1,485,314
	<u>3,019,902</u>	<u>3,280,746</u>
East River Electric Power Cooperative, Inc.		
5.00% notes due in monthly installments over 5-7 years	37,135	40,608
Total long-term debt	25,008,784	24,369,266
Less current maturities	<u>(889,000)</u>	<u>(862,000)</u>
Long-term debt, less current maturities	<u>\$ 24,119,784</u>	<u>\$ 23,507,266</u>

Substantially all assets are pledged as security on the mortgage notes. Certain loans are subject to repricing.

Estimated principal repayments on the above debt for the next five years will be as follows:

2026	\$ 889,000
2027	939,000
2028	974,000
2029	953,000
2030	884,000

All loan funds advanced by RUS and FFB are deposited in a special trust bank account, the disbursements from which are restricted by the provisions of the loan agreement to purposes approved by RUS. The Corporation has \$11,833,000 in unadvanced funds available from RUS and FFB as of December 31, 2025.

There was \$3,500,000 of unadvanced loan funds available from CoBank at December 31, 2025. The mortgage provisions restrict the Corporation's debt limit to \$60,000,000.

Long-term debt agreements contain certain financial and other covenants including a restriction on dividends and redemptions of equity capital. Management believes the Corporation is in compliance with all debt covenants as of December 31, 2025 and 2024.

Note 11 - Lines-of-Credit

An unsecured perpetual line-of-credit agreement has been executed with the National Rural Utilities Cooperative Finance Corporation providing the Corporation with short-term loans in the total amount of \$1,000,000 on a revolving basis. Interest on unpaid principal is payable quarterly at rates established by CFC, which are not to exceed the lowest prime rate as published in the "Money Rates" column of "The Wall Street Journal" plus 1% per annum or such lesser total rate as may be fixed by CFC. There were no outstanding balances on this line-of-credit at December 31, 2025 and 2024. The interest rate on the line-of-credit was 7.25% as of December 31, 2025 and 2024.

The Corporation executed an unsecured line-of-credit agreement with CoBank during 2025, providing the Corporation with short term loans in the total amount of \$1,000,000 through November 30, 2026. Interest on the unpaid principal is payable monthly at rates established by CoBank on a weekly basis. The interest rate was 5.77% and 6.39% as of December 31, 2025 and 2024, respectively. There were no outstanding advances on this line-of-credit at December 31, 2025 and 2024.

Note 12 - Deferred Credits

	2025	2024
Rate stabilization plan	\$ 5,000	\$ 560,000
Special equipment installation costs	104,988	103,455
Total deferred credits	<u>\$ 109,988</u>	<u>\$ 663,455</u>

The Board of Directors established a rate stabilization plan in 1989. The purpose of the plan is to stabilize the effect that extreme weather conditions have on cash flows and net margins generated by the Corporation's rate structure. Under this plan, all revenues collected in excess of that needed to achieve a targeted modified times interest earned rate (modified TIER) of 1.25 to 1.5 are recorded as a deferred credit. The Board has established a policy whereby the cash equivalent of equal value to the rate stabilization plan will be segregated in a special fund until it is subsequently amortized into revenue.

The rate stabilization plan is reflected in the balance sheet as deferred credits and are to be amortized to revenue in the following year. The Corporation increased revenues by \$555,000 and \$650,000 during the years ended December 31, 2025 and 2024, respectively related to the plan. The Corporation has set aside temporary cash investment reserves (Note 6) equal to the deferred electric revenues at the end of each year to fund the plan.

Note 13 - Pension and Retirement Plans**Pension Plan**

The Corporation participates in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan), which is a defined benefit pension plan intended to be qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The Plan is a multiemployer plan under accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Corporation's contributions to the RS Plan in 2025 and in 2024 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Corporation made normal contributions to the plan of approximately \$239,000 in 2025 and \$237,000 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80 percent funded on January 1, 2025 and January 1, 2024 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans, and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Defined Contribution Plan

The Corporation also participates in the NRECA SelectRE Pension Plan, which is a defined contribution, multi-employer plan qualified under Section 401(k) of the Internal Revenue Code. Participants are not required to make contributions but may elect to contribute a percentage of their salary, subject to IRS maximum limitations. The Corporation contributes 3% of each employee's base wages under the plan. The Corporation also contributes an additional 50% of the current RS contribution rate to employees with over 30 years of service. The Corporation's SelectRE pension expense was approximately \$93,900 and \$99,900 for the years ended December 31, 2025 and 2024, respectively.

Note 14 - Postretirement Benefits

The Corporation sponsors a defined postretirement plan relating to health insurance premiums. The Corporation will pay 50% of the retiree's monthly postretirement health insurance premium (giving effect for Medicare contributions) for 3 years or until the retiree reaches 65 years of age, whichever occurs first.

The Corporation follows the provisions of FASB Accounting Standards Codification Topic ASC 715, *Compensation – Retirement Benefits*. This Statement requires the Corporation to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its balance sheets and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. As of December 31, 2025, the Corporation's plan has no unamortized prior service transition costs or actuarial gains and losses not recognized in the financial statements.

A summary of the accumulated postretirement benefit obligation as of December 31, 2025 and 2024, is as follows:

	2025	2024
Accumulated postretirement benefit obligation		
Retired plan participants	\$ 13,999	\$ 10,415
Fully eligible active plan participants	120,384	107,409
Other active plan participants	46,866	39,982
	<u>\$ 181,249</u>	<u>\$ 157,806</u>
Net postretirement obligation cost	<u>\$ (7,825)</u>	<u>\$ (13,733)</u>

The Corporation has estimated that the annual increase in per capita cost of applicable health care benefits for current employees will be approximately 5%. This assumption has an effect on the amounts reported. To illustrate, increasing the assumed health care trend rate by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2025, by approximately \$2,871. The discount rate used in determining the accumulated postretirement benefit obligation was 4.75%.

Note 15 - Commitments

Wholesale Power Agreement

The Corporation is committed under a long-term wholesale power agreement whereby it is to purchase its electric power and energy requirements from East River Electric Power Cooperative, Inc. until December 31, 2075. The rates paid are subject to periodic review.

Note 16 - Related Party Transactions

The Corporation is a member of and purchases its wholesale power from East River Electric Power Cooperative, Inc. Following is a summary of material transactions with East River Electric Power Cooperative, Inc. for the years ended December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Purchase of wholesale power	\$ 5,636,094	\$ 5,167,647
Accounts payable for purchased power at December 31	\$ 565,304	\$ 499,340
Notes payable at December 31	\$ 37,135	\$ 40,608
Accumulated patronage capital credit allocations	\$ 6,340,269	\$ 6,145,636
Capital credit payments received	\$ 245,661	\$ 367,915
Capital credit allocations recorded	\$ 440,294	\$ 405,252

Supplemental Information
December 31, 2025 and 2024

Clay-Union Electric Corporation

<u>Name</u>	<u>Position</u>
Tom Larsen	President
Chris Kinney	Vice President
Mike Slattery	Treasurer
Sara Schulte	Secretary
Chris Larson	General Manager

Clay-Union Electric Corporation

Schedule of Long-Term Debt December 31, 2025 and 2024

Note and Date		Principal Amount	Principal Payments	Net Obligations	
				2025	2024
RUS					
RET-8-5 (3.000%)	1/2/2004	\$ 666,393	\$ 128,611	\$ 537,782	\$ 567,541
RET-9-1 (3.840%)	2/1/2023	5,333,000	79,945	5,253,055	5,333,000
RET-10-1(4.510%)	3/3/2025	1,000,000	-	1,000,000	-
RET-10-2(3.610%)	10/1/2025	500,000	-	500,000	-
Total RUS		<u>7,499,393</u>	<u>208,556</u>	<u>7,290,837</u>	<u>5,900,541</u>
FFB					
FFB-1-1 (3.633%)	3/12/2009	3,000,000	1,006,667	1,993,333	2,076,706
FFB-1-2 (2.594%)	11/20/2009	390,000	148,473	241,527	252,696
FFB-2-1 (2.851%)	3/1/2013	500,000	118,062	381,938	394,260
FFB-2-4 (3.018%)	3/1/2013	250,000	57,742	192,258	198,332
FFB-2-5 (2.188%)	3/1/2013	500,000	129,417	370,583	383,566
FFB-2-6 (2.810%)	3/1/2013	400,000	94,459	305,541	315,449
FFB-2-7 (2.576%)	3/1/2013	500,000	112,897	387,103	400,029
FFB-2-8 (2.247%)	3/1/2013	500,000	115,002	384,998	398,388
FFB-2-9 (2.823%)	3/1/2013	500,000	101,442	398,558	411,462
FFB-2-10 (2.726%)	3/1/2013	500,000	100,628	399,372	412,460
FFB-2-11 (2.763%)	3/1/2013	2,421,000	454,072	1,966,928	2,031,090
FFB-3-1 (2.386%)	11/1/2018	1,000,000	115,274	884,726	907,815
FFB-3-2 (1.580%)	3/2/2020	1,500,000	195,282	1,304,718	1,343,180
FFB-3-3 (1.593%)	1/8/2021	3,000,000	358,251	2,641,749	2,719,474
FFB-3-4 (1.803%)	12/10/2021	900,000	89,103	810,897	834,017
FFB-3-5 (2.963%)	4/28/2022	1,000,000	74,413	925,587	947,677
FFB-3-6 (4.001%)	11/22/2022	270,000	14,967	255,033	260,193
Total FFB		<u>17,131,000</u>	<u>3,286,151</u>	<u>13,844,849</u>	<u>14,286,794</u>
CFC					
9013001 (4.450%)	1/2/2009	1,405,000	1,120,116	284,884	300,743
9013002 (5.200%)	1/2/2009	500,000	203,735	296,265	311,846
9013003 (4.450%)	1/2/2009	500,000	265,088	234,912	247,988
Total CFC		<u>2,405,000</u>	<u>1,588,939</u>	<u>816,061</u>	<u>860,577</u>
CoBank					
RI0936T02 (4.470%)	10/25/2010	910,520	454,102	456,418	540,787
RI0936T03 (4.390%)	10/25/2010	965,175	550,935	414,240	517,922
RI0936T04 (4.770%)	10/25/2010	961,086	276,403	684,683	736,723
RI0936T05 (5.500%)	1/8/2024	500,000	12,938	487,062	494,002
RI0936T06 (5.550%)	4/19/2024	1,000,000	22,501	977,499	991,312
Total CoBank		<u>4,336,781</u>	<u>1,316,879</u>	<u>3,019,902</u>	<u>3,280,746</u>
East River (5.000%)		<u>91,468</u>	<u>54,333</u>	<u>37,135</u>	<u>40,608</u>
Total long-term debt		<u>\$ 31,463,642</u>	<u>\$ 6,454,858</u>	<u>\$ 25,008,784</u>	<u>\$ 24,369,266</u>

Clay-Union Electric Corporation
Comparative Statements of Operations
For the Years Ended December 31

	2025		2024		2023		2022		2021	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total Operating Revenues	\$ 10,427,109	100.00%	\$ 9,454,185	100.00%	\$ 9,111,061	100.00%	\$ 8,713,576	100.00%	\$ 8,626,686	100.00%
Operating Expenses										
Cost of power	5,636,094	54.05	5,167,647	54.66	5,090,454	55.87	4,902,907	56.27	4,995,682	57.91
Distribution-operations	804,161	7.71	877,961	9.29	672,017	7.38	592,515	6.80	631,670	7.32
Distribution-maintenance	314,972	3.02	299,586	3.17	209,520	2.30	299,869	3.44	241,752	2.80
Customer accounts	218,597	2.10	194,663	2.06	190,555	2.09	206,509	2.37	179,408	2.08
Customer service	154,561	1.48	129,574	1.37	146,504	1.61	136,877	1.57	155,171	1.80
Administrative and general	914,321	8.77	915,678	9.69	882,036	9.68	768,930	8.82	699,931	8.11
Depreciation	1,279,574	12.27	1,236,247	13.08	1,059,237	11.63	1,007,879	11.57	970,947	11.26
Taxes	125,573	1.20	127,349	1.35	131,908	1.45	135,577	1.56	126,994	1.47
Interest on long-term debt	828,964	7.95	797,925	8.44	685,530	7.52	556,115	6.38	538,506	6.24
Other	8,636	0.08	8,989	0.10	16,640	0.18	9,901	0.11	9,969	0.12
Total operating expenses	10,285,453	98.64	9,755,619	103.19	9,084,401	99.71	8,617,079	98.89	8,550,030	99.11
Operating (Loss) Margin Before Capital Credits	141,656	1.36	(301,434)	(3.19)	26,660	0.29	96,497	1.11	76,656	0.89
Generation and Transmission and Other Cooperative Capital Credits	474,211	4.55	450,105	4.76	534,761	5.87	703,515	8.07	365,651	4.24
Net Operating Margin	615,867	5.91%	148,671	1.57%	561,421	6.16%	800,012	9.18%	442,307	5.13%
Nonoperating Margin	67,487		657,011		195,182		126,250		68,468	
Net Margin	\$ 683,354		\$ 805,682		\$ 756,603		\$ 926,262		\$ 510,775	



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*

The Board of Directors
Clay-Union Electric Corporation
Vermillion, South Dakota

We have audited, 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 (*Government Auditing Standards*), the financial statements of Clay-Union Electric Corporation, which comprise the balance sheet as of December 31, 2025, and the related statements of operations, equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2026.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as Finding 2025-001 and 2025-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Clay-Union Electric Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Clay-Union Electric Corporation's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings. Clay-Union Electric Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Clay-Union Electric Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay-Union Electric Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
April 17, 2026

Finding 2025-001 – Preparation of Full Disclosure Financial Statements

Criteria: Proper controls over financial reporting include the ability to prepare financial statements with accompanying notes to the financial statements.

Condition: The Corporation does not have an internal control system designed to provide for the preparation of the full disclosure financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: The Corporation has limited staff. They cannot justify incurring the costs necessary for preparing the financial statements with accompanying notes to the financial statements.

Effect: Inadequate controls over financial reporting of the Corporation could result in the likelihood that the Corporation would not be able to draft the financial statements with accompanying notes to the financial statements without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes.

Management's Response: Since it is not cost effective for an organization of our size to prepare audit ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our full disclosure financial statements as part of the annual audit. We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.

Finding 2025-002 – Lack of Proper Segregation of Duties

Criteria: In order to achieve a high level of internal control, the functions of executing transactions, recording transactions and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

Condition: The Corporation does not currently have an internal control system to allow for proper segregation of duties in certain areas of the accounting function.

Cause: The Corporation has limited staff and cannot justify hiring an additional individual in order to better segregate accounting duties.

Effect: Proper segregation of duties helps to minimize the chance of undetected errors or defalcations, since the work of one person serves as a “check” on the work of another.

Recommendation: Due to the small size of the office, the Corporation is limited in the options available to them. Under this situation, the most effective control is management and the board’s oversight and knowledge of matters relating to the operations of the Corporation.

Management’s Response: We have evaluated the segregation of duties and have segregated duties to the extent possible with our available staff. Management and the board of directors will continue to exercise oversight of the accounting functions, which we believe mitigates the risk of material misstatement to a low level. Due to the Corporation’s size and other cost considerations, we believe the cost of any further controls would outweigh the related benefits.