

Utilities District of Western Indiana REMC
and Subsidiary

Financial Statements
with
Additional Information

Years Ended December 31, 2025 and 2024

Utilities District of Western Indiana REMC and Subsidiary

CONTENTS

	Pages
Independent Auditors' Report	1-3
Financial Statements	
Consolidated Balance Sheets	4-5
Consolidated Statements of Revenues and Changes in Other Comprehensive Income	6
Consolidated Statements of Changes in Patronage Capital	7
Consolidated Statements of Cash Flows	8-9
Notes to Consolidated Financial Statements	10-19
Additional Information	20-23



Independent Auditor's Report

To the Board of Directors
of Utilities District of Western Indiana REMC and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Utilities District of Western Indiana REMC and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of revenue and comprehensive income, consolidated changes in members' equity, and consolidated cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Utilities District of Western Indiana REMC and Subsidiary 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Utilities District of Western Indiana REMC and Subsidiary 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 consolidated 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 Utilities District of Western Indiana REMC and Subsidiary'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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Utilities District of Western Indiana REMC and Subsidiary'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 Utilities District of Western Indiana REMC and Subsidiary'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.

Supplementary Information

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information provided on pages 20-23 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. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
February 23, 2026

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2025 and 2024

ASSETS

	<u>2025</u>	<u>2024</u>
UTILITY PLANT IN SERVICE, NET	\$ 98,243,006	\$ 89,416,051
NON-UTILITY PROPERTY, NET	574,396	456,713
INVESTMENTS	20,544,064	19,821,531
DEFERRED CHARGES, less current portion	14,000	28,000
CURRENT ASSETS		
Cash and cash equivalents	969,396	930,311
Accounts receivable, consumer, net of allowance for uncollectible accounts of \$18,083 for 2025 and \$8,045 for 2024	6,411,551	6,269,888
Current portion of deferred charges	14,000	14,000
Materials, supplies and inventories	2,027,635	863,062
Prepaid expenses	338,511	332,574
TOTAL CURRENT ASSETS	<u>9,761,093</u>	<u>8,409,835</u>
TOTAL ASSETS	<u>\$ 129,136,559</u>	<u>\$ 118,132,130</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2025 and 2024

EQUITIES AND LIABILITIES

	<u>2025</u>	<u>2024</u>
LONG-TERM DEBT, less current portion	\$ <u>34,633,403</u>	\$ <u>26,736,009</u>
DEFERRED COMPENSATION	<u>153,199</u>	<u>117,426</u>
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	<u>483,000</u>	<u>601,000</u>
EQUITIES		
Memberships	417,635	415,851
Patronage capital	<u>86,657,063</u>	<u>84,479,432</u>
TOTAL EQUITIES	<u>87,074,698</u>	<u>84,895,283</u>
CURRENT LIABILITIES		
Accounts payable	2,676,688	2,082,920
Consumer deposits	595,816	629,843
Accrued taxes	694,879	608,835
Other current liabilities	509,740	402,130
Current portion of long-term debt	<u>2,315,136</u>	<u>2,058,684</u>
TOTAL CURRENT LIABILITIES	<u>6,792,259</u>	<u>5,782,412</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 129,136,559</u>	<u>\$ 118,132,130</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND CHANGES IN OTHER COMPREHENSIVE INCOME

Years Ended December 31, 2025 and 2024

	Amount		Percent	
	2025	2024	2025	2024
OPERATING REVENUES	\$ 51,054,874	\$ 49,542,110	100.0	100.0
OPERATING EXPENSES				
Purchased power	31,748,759	30,716,943	62.2	61.9
Operations	4,137,412	4,313,323	8.1	8.6
Maintenance	3,666,060	4,242,477	7.2	8.6
Customer account expense	1,552,721	1,450,843	3.0	2.9
Administrative expense	3,246,147	3,187,968	6.4	6.4
Depreciation	4,109,465	3,873,400	8.0	7.8
Taxes	12,182	17,192	0.0	0.0
TOTAL OPERATING EXPENSES	48,472,746	47,802,146	94.9	96.2
OPERATING MARGINS BEFORE OTHER ITEMS	2,582,128	1,739,964	5.1	3.8
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,466,106	1,061,973	2.9	2.1
Interest expense	(1,669,632)	(1,344,517)	(3.3)	(2.7)
TOTAL OTHER OPERATING ITEMS, NET	(203,526)	(282,544)	(0.4)	(0.6)
OPERATING MARGINS	2,378,602	1,457,420	4.7	3.2
NON-OPERATING ITEMS, NET				
Interest and dividend income	142,254	153,956	0.3	0.3
Gain (loss) on disposition of assets	9,902	38,214	0.0	0.1
All other, net	(15,137)	(2,424)	0.0	0.0
TOTAL NON-OPERATING ITEMS, NET	137,019	189,746	0.3	0.4
NET MARGINS	2,515,621	1,647,166	5.0	3.6
OTHER COMPREHENSIVE INCOME				
Actuarial income not recognized as periodic postretirement benefit plan cost	16,000	16,000	0.0	0.0
TOTAL COMPREHENSIVE INCOME	\$ 2,531,621	\$ 1,663,166	5.0	3.6

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN PATRONAGE CAPITAL

Years Ended December 31, 2025 and 2024

	<u>Total</u>	<u>Patronage Capital Assigned</u>	<u>Patronage Capital Assignable</u>	<u>Rural Economic Development Grant</u>	<u>Donated Capital</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>
BALANCE, December 31, 2023	\$ 83,640,916	\$ 55,629,858	\$ 27,426,683	\$ 300,000	\$ 5,813	\$ (208,000)	\$ 486,562
Actuarial income not recognized as periodic postretirement benefit cost	16,000	-	-	-	-	16,000	-
Net margins	1,647,166	-	1,512,569	-	-	-	134,597
Transfer of margins	-	1,868,638	(1,868,638)	-	-	-	-
Patronage refunds	(1,013,342)	(1,013,342)	-	-	-	-	-
Unclaimed property	188,692	-	188,692	-	-	-	-
BALANCE, December 31, 2024	84,479,432	56,485,154	27,259,306	300,000	5,813	(192,000)	621,159
Unrecognized net periodic post- retirement benefit cost	16,000	-	-	-	-	16,000	-
Net margins	2,515,621	-	2,534,980	-	-	-	(19,359)
Patronage refunds	(734,514)	(734,514)	-	-	-	-	-
Transfer of margins	-	1,835,860	(1,835,860)	-	-	-	-
Unclaimed property	380,524	-	380,524	-	-	-	-
BALANCE, December 31, 2025	<u>\$ 86,657,063</u>	<u>\$ 57,586,500</u>	<u>\$ 28,338,950</u>	<u>\$ 300,000</u>	<u>\$ 5,813</u>	<u>\$ (176,000)</u>	<u>\$ 601,800</u>

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from consumers	\$ 50,881,883	\$ 48,695,934
Cash paid to suppliers and vendors	(44,604,269)	(42,804,310)
Interest and dividends received	142,254	153,956
Interest paid	(1,601,492)	(1,293,702)
All other, net	(15,137)	(2,424)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,803,239	4,749,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of utility plant in service, net of retirements	(12,812,475)	(8,705,091)
Proceeds from sale of fixed assets in service	5,000	31,000
Purchase of non-utility property	(268,626)	(189,845)
Proceeds from sale of non-utility property	31,900	-
Purchase of investments	(35,773)	(27,729)
Proceeds from sale/redemption of investments	779,346	874,867
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(12,300,628)	(8,016,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	10,000,000	6,000,000
Repayments on borrowings	(2,077,293)	(1,963,490)
Memberships received	9,467	9,035
Memberships returned	(7,683)	(7,001)
Patronage refunds paid	(353,990)	(824,650)
Customer deposits received	96,539	102,944
Customer deposits returned	(130,566)	(103,809)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	7,536,474	3,213,029
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,085	(54,315)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH BEGINNING OF YEAR	930,311	984,626
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR	\$ 969,396	\$ 930,311

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	2025	2024
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net margins	\$ 2,515,621	\$ 1,647,166
Non-cash items		
Depreciation	4,109,465	3,873,400
Amortization of debt expense	231,139	250,034
Amortization of deferred charges	14,000	14,000
Patronage revenue	(1,466,106)	(1,061,973)
(Gain) loss on disposition of assets	(9,902)	(38,214)
Change in postretirement liability	(102,000)	81,000
Decrease (increase) in assets		
Accounts receivable, customer	(141,663)	(858,139)
Materials and supplies	(1,164,573)	97,161
Prepaid expenses	(5,937)	23,034
Increase (decrease) in liabilities		
Deferred compensation	35,773	27,729
Accounts payable	593,768	576,807
Other current liabilities	107,610	90,328
Accrued taxes	86,044	27,121
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 4,803,239	\$ 4,749,454

The accompanying notes are an integral part of these statements.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(1) Summary of significant accounting policies

The significant accounting policies followed by Utilities District of Western Indiana REMC and Subsidiary (together the “Company”) are summarized below.

Principles of consolidation – The consolidated financial statements include the accounts of Utilities District of Western Indiana REMC (the “REMC”) and Hoosier Heritage Management, LLC (the “Subsidiary”); which is 100% owned by the REMC. All significant intercompany transactions have been eliminated.

Nature of operations - Utilities District of Western Indiana REMC is a non-profit organization engaged principally in the distribution and sale of electricity in Greene and parts of Clay, Daviess, Lawrence, Martin, Monroe, Owen, Putnam, Knox, Sullivan and Vigo counties in Indiana. Hoosier Heritage Management, LLC, a for-profit entity, was engaged in providing tree trimming services for the REMC.

Accounting records - The REMC maintains its records in accordance with policies prescribed or permitted by the Rural Utilities Service (RUS) and the Indiana Utility Regulatory Commission (IURC), although the REMC is no longer regulated by either RUS or the IURC. The applicable uniform system of accounts prescribed by these regulatory bodies conform in all material respects with generally accepted accounting principles as applied to rate regulated utilities.

Regulation – In prior years, the membership of the REMC voted to remove itself from the regulation of the IURC.

Additions to utility plant - Additions to utility plant are capitalized at cost, which includes material, direct and indirect labor and related operating overhead but does not include capitalized interest during construction. Although the capitalization of interest during construction is a generally accepted accounting principle, the effect on the financial statements is immaterial. The cost of maintenance and repairs of utility property, including renewals of minor items of property, are charged to operations and maintenance.

Retirements of utility property - Distribution plant retired or otherwise disposed, including the cost of removal, is charged to accumulated depreciation. Accordingly, no gain or loss is recognized upon retirement or disposition of distribution plant.

Depreciation - Depreciation of utility plant is computed by the straight-line method of depreciation using the following rates: Structures and Improvements, 1.99%; Office Furniture and Equipment, 5.83% – 33%; Transportation Equipment, 15%; Communications Equipment, 10%. Non-utility equipment is being depreciated using the straight line method of depreciation using the following rates: Machinery & Equipment, 10% – 20%; Vehicles, 10% - 20%.

Materials and supplies - Materials and supplies are carried at average cost.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(1) Summary of significant accounting policies (continued)

Advertising - Advertising costs are charged to administrative expense when incurred. Total advertising expense was \$4,379 for 2025 and \$6,508 for 2024.

Accounts receivable - Accounts receivable are carried at cost less an allowance for doubtful accounts. Management reviews all receivables on a regular basis. Amounts will be reviewed by management after disconnection. Any amounts written off must be approved by the board. Membership fees are applied to a member's final bill. Amounts written off are first applied to the customer deposits on hand, prior to being recorded in the statement of revenue and expense. Accounts not paid by the final bill due date are turned over to an outside collection agency. Finance charges do not accrue on accounts receivable.

Deferred charges - Deferred charges consist of costs incurred for future periods related to the preparation of a workplan. Prepayments related to the workplan are being amortized over 5 years using the straight line method. Amortization charged to administration expense was \$14,000 for the year ended December 31, 2025 and 2024.

Accounting for uncertain tax positions - The Company follows "Accounting for Uncertainty in Income Taxes". The generally accepted accounting principal provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. The accounting principal requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the Company does not believe they are taking any uncertain tax positions.

Financial statement estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Patronage capital assigned - The REMC is operated on a cooperative not-for-profit basis for the mutual benefit of its members. The REMC is obligated to account on a patronage basis to all its members for annual revenue, in excess of the cost of providing service. Such amount is allocated in the form of capital credits to the members' capital accounts on the basis of patronage. The REMC allocates said generation and transmission patronage capital to the members when such capital is allocated to the REMC.

Patronage capital assignable - The bylaws of the REMC state that patronage balances assignable shall first be used to offset any losses incurred from current or prior fiscal years, and then will be allocated to the members on a patronage basis and included in the members capital credit account.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(1) Summary of significant accounting policies (continued)

Taxes on revenue producing transactions - It is the REMC's policy to show revenues associated with the collection of sales tax net of any remittance to the taxing authority on the Statements of Revenue.

Revenue recognition – The Company follows Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“Contract Revenue”). Under Contract Revenue, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. See Note 15 for further information on Contract Revenue.

Cash and cash equivalents – Cash, restricted cash, and cash equivalents represent unrestricted cash on hand and in bank accounts and liquid investments with an original maturity of three months or less. At times, cash and cash equivalents may be in excess of the FDIC insurance limits.

Accrued accumulated sick leave – The REMC allows sick leave to employees without a payroll deduction. Sick leave may accumulate up to, but not exceed one hundred and twenty-five (125) working days. Upon retirement, the employee will be paid for unused sick time based on their time with the REMC up to 125 working days. No accrual is recorded by the REMC and there is no legal obligation to pay the employee his/her accumulated sick leave balance upon termination or separation from the REMC. The estimated cost of the post-retirement medical benefit is explained in Note 9.

Subsequent events - Management has evaluated subsequent events through February 23, 2026, which is the date the financial statements were made available to be issued.

(2) Utility plant in service, net

Utility plant in service consists of the following:

	2025	2024
Cost		
General plant	\$ 10,021,229	\$ 9,604,648
Distribution system	123,283,327	114,571,946
Construction in progress	1,169,835	2,027,965
Total cost	134,474,391	126,204,559
Accumulated depreciation	36,231,385	36,788,508
UTILITY PLANT IN SERVICE, NET	\$ 98,243,006	\$ 89,416,051

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(2) Utility plant in service, net (continued)

The aggregate depreciation charged to operations was \$3,958,522 for 2025 and \$3,743,963 for 2024. The depreciation policies followed by the REMC are described in Note 1.

Utility plant in service are pledged to secure long-term debt as described in Note 6.

(3) Non-utility property, net

Non-utility equipment consists of tree trimming equipment owned by Hoosier Heritage Management, LLC. Non-utility property, net consists of the following:

	2025	2024
Cost		
Equipment	\$ <u>2,316,077</u>	\$ <u>2,216,422</u>
Total cost	2,316,077	2,216,422
Accumulated depreciation	<u>1,741,681</u>	<u>1,759,709</u>
NON-UTILITY PROPERTY, NET	<u>\$ 574,396</u>	<u>\$ 456,713</u>

The aggregate depreciation changed to operations is \$150,943 for 2025 and \$129,437 for 2024. The depreciation policies followed by the subsidiary are described in Note 1. Non-utility plant in service is pledged to secure long-term debt as described in Note 6.

(4) Notes Receivable

Note receivable consists of the following:

	2025	2024
Hoosier Heritage Management	\$ <u>50,000</u>	\$ <u>-</u>
Less current portion	<u>50,000</u>	<u>-</u>
NOTES RECEIVABLE, less current portion	<u>\$ -</u>	<u>\$ -</u>

The REMC entered into a note receivable with the Subsidiary which has a remaining balance of \$50,000 at December 31, 2025. The note is scheduled to be repaid during 2026. The amount is eliminated in the consolidated financials between the two companies.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(5) Investments

Investments consist of the following:

	2025	2024
Capital term certificates, at cost, issued by National Rural Utilities Cooperative Finance Corp. (CFC)	\$ 577,552	\$ 609,252
Patronage capital		
Hoosier Energy Rural Electric Cooperative, Inc.	18,365,335	17,826,201
CFC	594,945	578,498
United Utility Supply Cooperative Corporation	464,949	317,798
SEDC	101,096	94,667
IEC	115,123	115,123
Federated Rural Electric Insurance Exchange	142,026	133,741
All other	183,038	146,251
 TOTAL INVESTMENTS	 \$ 20,544,064	 \$ 19,821,531

Included in all other investments is a CEO deferred compensation agreement, with a corresponding liability also recorded in the financials. The benefit is based upon the contributions made by the employee adjusted for market value. Deferred compensation at December 31, 2025 and 2024 totaled \$153,199 and \$117,426, respectively.

The accounting policies for recognition of patronage revenue are described in Note 1. Capital Term Certificates of the National Rural Utilities Cooperative Finance Corporation (CFC) are recorded at cost and earn interest at 3% and 5% annually. Investments are pledged to secure long-term debt as described in Note 6.

(6) Long term debt

Long-term debt consists of the following:

Long-term debt consists of the following:

	2025	2024
4.05% - 6.53% notes payable to CFC in quarterly and semi-annual installments approximating 849,000 and 133,000, respectively, including interest. Maturities range from 2026 to 2055. Secured by all assets.	38,079,625	30,156,918
Total long-term debt	38,079,625	30,156,918
Less unamortized issuance costs	1,131,086	1,362,225
Total long-term debt less issuance costs	36,948,539	28,794,693
Less current portion	2,315,136	2,058,684
 LONG-TERM DEBT, less current portion	 \$ 34,633,403	 \$ 26,736,009

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(6) Long term debt (continued)

As of December 31, 2025, future maturities of long-term debt principal were as follows: 2026 - \$2,315,136; 2027 - \$2,419,554; 2028 - \$2,493,651; 2029 - \$2,498,153; 2030 - \$2,610,224; thereafter - \$25,742,907. The REMC is required to meet certain financial ratios measured at calendar year end, these ratios had been met as of December 31, 2025.

Unadvanced long-term loan funds of \$14,000,000 are available to the REMC on loan commitments from CFC.

The REMC has previously refinanced debt incurring a prepayment penalty. This amount was deferred and is being amortized through 2035, the life of the loan. Amortization is recorded to interest expense.

(7) Line of Credit

The REMC maintains a perpetual line of credit with CFC of \$3,600,000. There was no outstanding balance on the line of credit as of December 31, 2025 and 2024. The interest rate on the line of credit was 7.25% and 7.25% at December 31, 2025 and 2024, respectively.

(8) Retirement plans

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's 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 REMC's contributions to the RS Plan in 2025 and 2024 represented less than 5 percent of the total contributions made to the plan by all participating employers. The REMC made contributions to the plan of \$716,390 in 2025 and \$700,920 in 2024.

In 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 at January 1, 2025 and January 1, 2024 based on the PPA funding target and PPA actuarial value of assets on those dates.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(8) Retirement plans (continued)

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.

(9) Post-retirement benefit plans

The REMC sponsored a post-retirement benefit program for eligible employees. The estimated cost for benefits that will be paid after retirement was being accrued by charges to expense over the employees' service period to the date they are eligible for benefits. Balance of liability is for accrued vacation and sick time at retirement. Eligible retirees will receive full cost of unused vacation and sick time at retirement date.

For actuarial measurement purposes, the weighted-average discount rate used in determining the accumulated postretirement obligation was 5.6% and 5.5% for 2025 and 2024, respectively. An actuarial study to determine the postretirement benefit obligation, the accrued postretirement benefit cost liability, and the net periodic benefit cost was last prepared as of December 31, 2025.

The mortality rates used were: RP-2014 Mortality Tables and Healthy Annuitant rates, and Mortality Improvement Scale MP-2020 from 2014 to the valuation date.

The accumulated postretirement benefit obligation was \$483,000 and \$601,000 at December 31, 2025 and 2024, respectively. The decrease in valuation was primarily due to the retirement of four benefit eligible employees. The pay as you go policy means that the fair value of the plan assets were \$0 for 2025 and 2024. Amounts recognized in accumulated other comprehensive income from amortization of loss in the amount of \$16,000 in 2025 and 2024, respectively.

The estimated amortization from accumulated other comprehensive income to the net periodic benefit cost over the next fiscal year is \$16,000.

The net periodic postretirement benefit cost is comprised of the following:

	2025	2024
Service cost	\$ 35,000	\$ 34,000
Interest cost	33,000	26,000
Amortization of (gain) or loss	16,000	16,000
Total net periodic postretirement benefit cost	\$ 84,000	\$ 76,000

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(9) Post-retirement benefit plans (continued)

Postretirement benefits recognized in the current period as other comprehensive income are comprised of the following:

	2025	2024
Net actuarial gain / (loss)	\$ <u>(176,000)</u>	\$ <u>(192,000)</u>
Total amount recognized in accumulated other comprehensive income	\$ <u><u>(176,000)</u></u>	\$ <u><u>(192,000)</u></u>

The REMC is expected to contribute \$45,000 to the plan during the next fiscal year. The following benefit payments, which reflect future service, are expected to be paid to plan participants: 2026 - \$45,000; 2027 - \$18,000; 2028 - \$30,000; 2029 - \$14,000; 2030 - \$13,000; 2031 through 2035 - \$155,000.

(10) Commitments

Under its wholesale power agreement, the REMC is committed to purchase its electric power and energy requirements from Hoosier Energy REC under a wholesale power supply contract until January 1, 2060. The rates paid for such purchases are subject to review annually.

(11) Specialized labor concentration

The REMC has 47% of their labor force represented under a labor contract. This contract is set to expire on June 30, 2026.

(12) Concentration of credit risk

The REMC provides electric service in an approximate eleven county territory with its customers representing local residents and businesses. Customers with prior credit problems may be required to pay a deposit to continue or reinstate service. Such deposits are applied to any amounts owed to the REMC in the event of nonpayment. Also, customers whose costs for the initial service exceed the normal standard may be required to deposit a portion of such cost, which may be reimbursed after service has been established.

(13) Fair value measurements

The REMC follows generally accepted accounting principles related to accounting for fair value measurements and disclosures. These principles define fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. These principles require disclosure surrounding the various inputs that are used in determining the fair value of the REMC's investments. These inputs are summarized into three broad levels listed below.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(13) Fair value measurements (continued)

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)

Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

Investments in other entities are unsecured and measured using level 3 inputs. Factors such as historical and projected financial results, economic conditions, financial conditions of investee, and other factors and events subject to change are considered in the determination of fair value. Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

All investments held at December 31, 2025 and 2024 totaled are valued with level 3 inputs, due to the nature of the investment (investments in other cooperatives/associations). Increases (decrease) resulting from gains or losses totaled \$0 for the years ended December 31, 2025 and 2024. Increases resulting from purchases totaled \$35,773 and \$27,729 for the years ended December 31, 2025 and 2024, respectively. Furthermore, increases resulting from non-cash patronage totaled \$1,466,106 and \$1,061,973 and redemptions of investments totaled \$779,346 and \$874,867 for the years ended December 31, 2025 and 2024, respectively.

(14) Income taxes

No provision for income tax has been included in these statements for the REMC because it operates as a not-for-profit organization as provided for in Section 501(c)(12) of the Internal Revenue Code, and therefore is exempt from income taxes. The Subsidiary is a single member LLC which has elected to be disregarded as an entity separate from its owner for income tax purposes. Thus, any income or loss recognized by the Subsidiary is reported by the REMC as unrelated business income, and is subject to tax. No income taxes have been included in these statements for unrelated business income for the year ended December 31, 2025 and 2024. Both the REMC and Subsidiary has open tax years for 2024, 2023, and 2022 for both Federal and State filings. No penalties and interest for income taxes have been included in these financial statements.

(15) Revenue Recognition

Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the REMC elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(15) Revenue Recognition (continued)

Revenue is generated primarily from electric services delivered to customers. These contracts contain a single performance obligation, the delivery of electricity, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis. The REMC reads meters at the end of the month and therefore has no unbilled revenues at December 31.

The amounts that the REMC has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The REMC also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process.

The Subsidiary performs tree trimming services for the REMC and recognizes revenue when work is performed and invoices are generated. Subsidiary revenue is eliminated in the consolidated financial statements.

Contract assets and contract liabilities are the result of timing differences between revenue recognition billings and cash collection. The REMC has contract assets in the financial statements at December 31 of the following:

	2025	2024	2023
Customer A/R (less reserve)	\$ 6,411,551	\$ 6,269,888	\$ 5,411,749
Change from prior year	\$ 141,663	\$ 858,139	

The following table provides operating revenues disaggregated for the years ended December 31, 2025 and 2024.

	2025	2024
Residential	\$ 40,297,635	\$ 38,857,515
Small Commercial	6,571,591	6,186,855
Large Commercial	3,675,641	4,051,874
Public Authority	1,844	1,844
All Other Electric Revenues	508,163	444,022
Total Revenues	\$ 51,054,874	\$ 49,542,110

ADDITIONAL INFORMATION

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2025 CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	CONSOLIDATED BALANCE	ELIMINATIONS	UTILITIES DISTRICT OF WESTERN INDIANA REMC	HOOSIER HERITAGE MANAGEMENT
UTILITY PLANT IN SERVICE, NET	\$ 98,243,006	\$ -	\$ 98,243,006	\$ -
NON-UTILITY PROPERTY, NET	574,396	-	-	574,396
INVESTMENTS	20,544,064	(601,801)	21,145,865	-
DEFERRED CHARGES, less current portion	14,000	-	14,000	-
CURRENT ASSETS				
Cash and cash equivalents	969,396	-	897,038	72,358
Accounts receivable, consumers	6,411,551	(65,691)	6,435,397	41,845
Current portion of note receivable	-	(50,000)	50,000	-
Current portion of deferred charges	14,000	-	14,000	-
Materials, supplies and inventories	2,027,635	-	2,027,635	-
Prepaid expenses	338,511	-	294,929	43,582
TOTAL CURRENT ASSETS	9,761,093	(115,691)	9,718,999	157,785
TOTAL ASSETS	\$ 129,136,559	\$ (717,492)	\$ 129,121,870	\$ 732,181
 <u>EQUITIES AND LIABILITIES</u>				
LONG-TERM DEBT, less current portion	\$ 34,633,403	\$ -	\$ 34,633,403	\$ -
DEFERRED COMPENSATION	153,199	-	153,199	-
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	483,000	-	483,000	-
EQUITIES				
Memberships	417,635	-	417,635	-
Patronage capital/retained earnings	86,657,063	(601,801)	86,657,061	601,803
TOTAL EQUITIES	87,074,698	(601,801)	87,074,696	601,803
CURRENT LIABILITIES				
Accounts payable	2,676,688	(65,691)	2,709,820	32,559
Consumer deposits	595,816	-	595,816	-
Accrued taxes	694,879	-	691,337	3,542
Other current liabilities	509,740	(50,000)	465,463	94,277
Current portion of long-term debt	2,315,136	-	2,315,136	-
TOTAL CURRENT LIABILITIES	6,792,259	(115,691)	6,777,572	130,378
TOTAL EQUITIES AND LIABILITIES	\$ 129,136,559	\$ (717,492)	\$ 129,121,870	\$ 732,181

See Independent Auditors' Report

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2025 CONSOLIDATED STATEMENT OF REVENUE

	BALANCE	ELIMINATIONS	UTILITIES DISTRICT OF WESTERN INDIANA REMC	HOOSIER HERITAGE MANAGEMENT
REVENUES	\$ 51,054,874	\$ (2,011,757)	\$ 51,054,874	\$ 2,011,757
OPERATING EXPENSES				
Purchased power	31,748,759	-	31,748,759	-
Operations	4,137,412	-	2,446,577	1,690,835
Maintenance	3,666,060	(2,011,757)	5,677,817	-
Customer account expense	1,552,721	-	1,552,721	-
Administrative expense	3,246,147	-	3,037,007	209,140
Depreciation	4,109,465	-	3,958,522	150,943
Taxes	12,182	-	84	12,098
TOTAL OPERATING EXPENSES	48,472,746	(2,011,757)	48,421,487	2,063,016
OPERATING MARGINS BEFORE OTHER ITEMS	2,582,128	-	2,633,387	(51,259)
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,466,106	-	1,466,106	-
Interest expense	(1,669,632)	-	(1,669,632)	-
TOTAL OTHER OPERATING ITEMS, NET	(203,526)	-	(203,526)	-
OPERATING MARGINS	2,378,602	-	2,429,861	(51,259)
NON-OPERATING ITEMS, NET				
Interest and dividend revenue	142,254	-	142,254	-
Gain (loss) on disposition of assets	9,902	-	(21,998)	31,900
Income (loss) from subsidiary	-	19,359	(19,359)	-
All other, net	(15,137)	-	(15,137)	-
TOTAL NON-OPERATING ITEMS, NET	137,019	19,359	85,760	31,900
NET MARGINS	\$ 2,515,621	\$ 19,359	\$ 2,515,621	\$ (19,359)
OTHER COMPREHENSIVE INCOME				
Actuarial income not recognized as periodic postretirement benefit plan cost	16,000	-	16,000	-
TOTAL COMPREHENSIVE INCOME	\$ 2,531,621	\$ 19,359	\$ 2,531,621	\$ (19,359)

See Independent Auditors' Report

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2024 CONSOLIDATED BALANCE SHEETS

	<u>CONSOLIDATED BALANCE</u>	<u>ELIMINATIONS</u>	<u>UTILITIES DISTRICT OF WESTERN INDIANA REMC</u>	<u>HOOSIER HERITAGE MANAGEMENT</u>
<u>ASSETS</u>				
UTILITY PLANT IN SERVICE, NET	\$ 89,416,051	\$ -	\$ 89,416,051	\$ -
NON-UTILITY PROPERTY, NET	456,713	-	-	456,713
INVESTMENTS	19,821,531	(621,160)	20,442,691	-
DEFERRED CHARGES	28,000	-	28,000	-
CURRENT ASSETS				
Cash and cash equivalents	930,311	-	819,690	110,621
Accounts receivable, consumers	6,269,888	(49,565)	6,269,888	49,565
Current portion on deferred charges	14,000	-	14,000	-
Materials, supplies and inventories	863,062	-	863,062	-
Other current assets	332,574	-	290,649	41,925
TOTAL CURRENT ASSETS	8,409,835	(49,565)	8,257,289	202,111
TOTAL ASSETS	\$ 118,132,130	\$ (670,725)	\$ 118,144,031	\$ 658,824
<u>EQUITIES AND LIABILITIES</u>				
LONG-TERM DEBT, less current portion	\$ 26,736,009	\$ -	\$ 26,736,009	\$ -
DEFERRED COMPENSATION	117,426	-	117,426	-
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	601,000	-	601,000	-
EQUITIES				
Memberships	415,851	-	415,851	-
Patronage capital and other equities	84,479,432	(621,160)	84,479,432	621,160
TOTAL EQUITIES	84,895,283	(621,160)	84,895,283	621,160
CURRENT LIABILITIES				
Accounts payable	2,082,920	(49,565)	2,126,850	5,635
Consumer deposits	629,843	-	629,843	-
Accrued taxes	608,835	-	604,638	4,197
Other current liabilities	402,130	-	374,298	27,832
Current portion of long-term debt	2,058,684	-	2,058,684	-
TOTAL CURRENT LIABILITIES	5,782,412	(49,565)	5,794,313	37,664
TOTAL EQUITIES AND LIABILITIES	\$ 118,132,130	\$ (670,725)	\$ 118,144,031	\$ 658,824

See Independent Auditors' Report

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

ADDITIONAL INFORMATION - 2024 CONSOLIDATED STATEMENTS OF REVENUE

	CONSOLIDATED BALANCE	ELIMINATIONS	UTILITIES DISTRICT OF WESTERN INDIANA REMC	HOOSIER HERITAGE MANAGEMENT
REVENUES	\$ 49,542,110	\$ (2,128,335)	\$ 49,542,110	\$ 2,128,335
OPERATING EXPENSES				
Purchased power	30,716,943	-	30,716,943	-
Operations	4,313,323	-	2,615,594	1,697,729
Maintenance	4,242,477	(2,128,335)	6,370,812	-
Customer account expense	1,450,843	-	1,450,843	-
Administrative expense	3,187,968	-	3,010,562	177,406
Depreciation	3,873,400	-	3,743,963	129,437
Taxes	17,192	-	-	17,192
TOTAL OPERATING EXPENSES	47,802,146	(2,128,335)	47,908,717	2,021,764
OPERATING MARGINS BEFORE OTHER ITEMS	1,739,964	-	1,633,393	106,571
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,061,973	-	1,061,973	-
Interest expense	(1,344,517)	-	(1,344,517)	-
TOTAL OTHER OPERATING ITEMS, NET	(282,544)	-	(282,544)	-
OPERATING MARGINS	1,457,420	-	1,350,849	106,571
NON-OPERATING ITEMS, NET				
Interest and dividend revenue	153,956	-	153,955	1
Gain (loss) on disposition of assets	38,214	-	38,214	-
Income (loss) from subsidiary	-	(134,597)	134,597	-
All other, net	(2,424)	-	(30,449)	28,025
TOTAL NON-OPERATING ITEMS, NET	189,746	(134,597)	296,317	28,026
NET MARGINS	1,647,166	(134,597)	1,647,166	134,597
OTHER COMPREHENSIVE INCOME				
Actuarial income not recognized as periodic postretirement benefit plan cost	16,000	-	16,000	-
TOTAL COMPREHENSIVE INCOME	\$ 1,663,166	\$ (134,597)	\$ 1,663,166	\$ 134,597

See Independent Auditors' Report