

**SOUTHWEST IOWA RURAL ELECTRIC COOP
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**



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**SOUTHWEST IOWA RURAL ELECTRIC COOP
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YEARS ENDED DECEMBER 31, 2025 AND 2024**

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**SOUTHWEST IOWA RURAL ELECTRIC COOP
DIRECTORS AND OFFICERS (UNAUDITED)
DECEMBER 31, 2025**

Marilyn Werner	President
Mark Herzberg	Vice President
Kay Fast-Deyoe	Secretary
Jason Smith	Treasurer
Justin Akers	Director
Adam Boswell	Director
Dana Morgan	Director
Bonnie Larson	Director
Alan Spencer	Director
Dale Walkup	Director

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Phil Kinser	CEO & General Manager
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Iowa Rural Electric Coop
Corning, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southwest Iowa Rural Electric Coop (the Cooperative), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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.

Other Information Included in the Annual Report

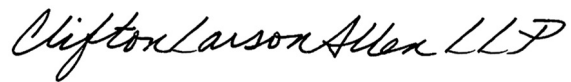
Management is responsible for the other information included in the annual report. The other information comprises the listing of directors and officers and the Cooperative's annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Directors
Southwest Iowa Rural Electric Coop

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2026, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Rochester, Minnesota
March 16, 2026

**SOUTHWEST IOWA RURAL ELECTRIC COOP
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024**

	2025	2024
ASSETS		
UTILITY PLANT		
Electric Plant in Service	\$ 55,681,156	\$ 54,783,612
Construction Work in Progress	6,545,502	4,393,487
Total	62,226,658	59,177,099
Less: Accumulated Provision for Depreciation	(20,178,716)	(19,235,427)
Net Utility Plant	42,047,942	39,941,672
OTHER PROPERTY AND INVESTMENTS		
Investments in Associated Organizations	4,095,310	3,959,873
Other Investments	1,082,320	1,207,689
Total Other Property and Investments	5,177,630	5,167,562
CURRENT ASSETS		
Cash and Cash Equivalents	547,010	322,803
Accounts Receivable, Net of Allowances of \$30,081 in 2025 and \$26,026 in 2024	1,621,962	1,969,948
Materials and Supplies Inventory	949,255	1,094,361
Other Current and Accrued Assets	66,290	79,256
Current Portion of Notes Receivable	176,784	69,662
Total Current Assets	3,361,301	3,536,030
DEFERRED DEBITS		
	919,553	954,060
Total Assets	\$ 51,506,426	\$ 49,599,324
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$ 8,250,379	\$ 8,569,284
Other Equities	12,843,443	11,755,883
Total Equities	21,093,822	20,325,167
LONG-TERM DEBT, Net of Current Maturities		
	24,435,696	23,082,752
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	1,126,199	1,084,822
Notes Payable - Line of Credit	2,704,450	2,840,700
Accounts Payable	859,515	1,321,538
Consumer Deposits	248,315	73,900
Other Current Accrued Liabilities	741,523	714,524
Total Current Liabilities	5,680,002	6,035,484
DEFERRED CREDITS		
	296,906	155,921
Total Equities and Liabilities	\$ 51,506,426	\$ 49,599,324

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
OPERATING REVENUES	\$ 13,914,701	\$ 13,338,349
OPERATING EXPENSES		
Cost of Power	6,934,238	6,513,842
Distribution Expense - Operations	957,123	900,841
Distribution Expense - Maintenance	1,398,824	1,217,388
Consumer Account Expense	578,194	603,451
Sales Expense	13,400	10,994
Administrative and General Expense	1,146,851	1,044,767
Depreciation	1,488,994	1,428,592
Other Deductions	3,094	6,784
Total Operating Expenses	12,520,718	11,726,659
OPERATING MARGINS BEFORE FIXED CHARGES	1,393,983	1,611,690
INTEREST ON LONG-TERM DEBT	1,009,887	883,347
OPERATING MARGINS AFTER FIXED CHARGES	384,096	728,343
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	670,113	722,275
NET OPERATING MARGINS	1,054,209	1,450,618
NONOPERATING MARGINS		
Interest Income	55,147	43,595
Gain on Disposal of Property	20,117	44,452
Other Nonoperating Margins	35,951	37,429
Total Nonoperating Margins	111,215	125,476
NET MARGINS	\$ 1,165,424	\$ 1,576,094

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	Patronage Capital	Assignable Margins	Total Patronage Capital	Other Equities	Total Equities
BALANCE - DECEMBER 31, 2023	\$ 7,047,212	\$ 895,237	\$ 7,942,449	\$ 11,180,296	\$ 19,122,745
Assigned 2023 Margins	324,500	(895,237)	(570,737)	570,737	-
Retirement of Capital Credits	(378,522)	-	(378,522)	7,685	(370,837)
2024 Margins	-	1,576,094	1,576,094	-	1,576,094
Changes in Other Equities	-	-	-	(2,835)	(2,835)
BALANCE - DECEMBER 31, 2024	6,993,190	1,576,094	8,569,284	11,755,883	20,325,167
Assigned 2024 Margins	494,044	(1,576,094)	(1,082,050)	1,082,050	-
Retirement of Capital Credits	(402,279)	-	(402,279)	6,621	(395,658)
2025 Margins	-	1,165,424	1,165,424	-	1,165,424
Changes in Other Equities	-	-	-	(1,111)	(1,111)
BALANCE - DECEMBER 31, 2025	<u>\$ 7,084,955</u>	<u>\$ 1,165,424</u>	<u>\$ 8,250,379</u>	<u>\$ 12,843,443</u>	<u>\$ 21,093,822</u>

See accompanying Notes to Financial Statements.

SOUTHWEST IOWA RURAL ELECTRIC COOP
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 1,165,424	\$ 1,576,094
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities:		
Depreciation	1,488,994	1,428,592
G & T and Other Capital Credits	(670,113)	(722,275)
Gain on Disposition of Assets	(20,117)	(44,452)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	347,986	(722,680)
Materials and Supplies Inventory	145,106	197,822
Other Current and Accrued Assets	12,966	(6,892)
Deferred Debits	34,507	(3,954)
Increase (Decrease) in:		
Accounts Payable	(462,023)	582,425
Customer Deposits	174,415	(40,430)
Other Current and Accrued Liabilities	26,999	5,132
Deferred Credits	140,985	(54,922)
Net Cash Provided by Operating Activities	2,385,129	2,194,460
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(3,575,147)	(5,572,499)
Cash Received from Retirement of Patronage Capital	539,400	381,433
Issuance of Notes Receivable	(125,000)	(680,000)
Cash Received from Payment of Notes Receivable	172,781	90,800
Net Change in Other Property and Investments	(34,258)	(30,623)
Net Cash Used by Investing Activities	(3,022,224)	(5,810,889)
NET CASH FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	2,500,000	3,000,000
Principal Payments on Long-Term Debt	(1,105,679)	(1,021,692)
Net Borrowings on Line of Credit	(136,250)	1,440,700
Change in Other Equities	(1,111)	(2,835)
Retirement of Capital Credits	(395,658)	(370,837)
Net Cash Provided by Financing Activities	861,302	3,045,336
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	224,207	(571,093)
Cash and Cash Equivalents - Beginning of Year	322,803	893,896
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 547,010	\$ 322,803
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 1,032,883	\$ 930,039
Principal Payments Paid by Cushion of Credit	\$ -	\$ 21,942

See accompanying Notes to Financial Statements.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Southwest Iowa Rural Electric Coop (the Cooperative) is a cooperative association organized under Iowa laws and statutes. The primary purpose of the Cooperative is to buy and sell electric energy to its members. The Cooperative serves members located primarily in rural areas of southwest Iowa.

Basis of Accounting

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS. The accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied in the case of regulated electric utilities.

Rates charged to consumers are established by the board of directors.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates may also affect the reported amounts of revenue and expense during the reported period. Accordingly, actual results could vary from those estimates.

Electric Plant and Depreciation Procedures

Utility plant is stated at cost. Major expenditures for property and equipment and those which substantially increase useful lives are capitalized. Maintenance, repairs, and major renewals are expensed as incurred. Gains or losses incurred on disposals of distribution plant items are recorded as adjustments to the related accumulated depreciation account. When general plant assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the account and the resulting gains or losses are included in current operations. There were no long-term construction projects requiring capitalization of interest for allowance of funds used during construction.

Distribution plant is depreciated through the use of an average composite, straight-line rate of 2.87% or on an individual unit straight-line basis using rates within RUS guidelines. General plant is depreciated on the estimated useful life of the asset using the straight-line method on a unit basis.

Other Property and Investments

Investments in Associated Organizations:

Investments in associated organizations include patronage capital, capital term certificates, and other investments. Patronage capital investments are stated at cost plus undistributed allocated equities from other cooperatives. Capital term certificates and other investments are carried at cost, which approximates market value.

SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Property and Investments (Continued)

Other Investments:

Other investments include economic development notes receivable and other investments. Notes receivable and other investments are recorded at cost.

Notes receivable and the Allowance for Loan Losses:

Notes receivable consist of economic development loans to companies within or near the Cooperative's service territory for purposes of promoting economic development.

The allowance for credit losses on loans (allowance) is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when the Cooperative determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

Loans are evaluated on an individual basis. When management determines that the borrower is experiencing financial difficulty at the reporting date, management determines the amount that is expected to be collected on the loan, including the value of collateral pledged by the borrower as security on the loan, and an allowance for loan credit losses is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loan. Loan balances are charged off against the allowance when management believes the uncollectibility of the loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The valuation of the allowance for loan credit losses is determined as follows: repayment is expected to be provided substantially through the operation or sale of collateral so expected loan losses are based on the fair value of the collateral, adjusted for selling costs as appropriate.

Accrued interest receivable totaled \$6,496 and \$6,517 at December 31, 2025 and 2024, respectively, and was reported in accrued interest receivable on the balance sheet and is excluded from the estimate of loan credit losses. Interest income is accrued on the unpaid principal balance.

At December 31, 2025 and 2024, the allowance for credit losses for notes receivable was \$-0-.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Cooperative considers short-term investments with maturities of three months or less to be cash equivalents. The following is a summary of these items at December 31:

	2025	2024
Cash – General	\$ 76,916	\$ 82,846
Revolving Loan Funds	98,310	57,446
Short-Term Investments	371,784	182,511
Total	\$ 547,010	\$ 322,803

The Cooperative maintains cash and investments in deposit accounts at financial institutions approved by the board of directors and insured by Federal Deposit Insurance Corporation (FDIC). Accumulated deposits at these financial institutions, at times, may exceed federally insured limits.

Revolving loan fund cash is restricted for the purpose of making economic development loans to businesses. The cash is provided through the Rural Economic Development Loan and Grant Program.

Accounts Receivable

The Cooperative provides electric energy to its consumers whose payment is generally required within 20 days after the date of billing. An allowance for credit losses is estimated using the allowance method based on management’s judgment. The Cooperative uses historical loss information and an analysis of the collectability of individual accounts to determine expected credit losses for receivables. The majority of receivables are aged current, and there have been very limited losses over the lifetime of the Cooperative. The Cooperative believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The Cooperative believes that current economic conditions are consistent with its historical assumptions. Management applied an inflation rate to the current historical factor and determined that the effect was not material to the allowance. When all collection efforts have been exhausted, the accounts are written off against the related allowance after one year. At December 31, 2025 and 2024, the allowance for credit losses was as follows:

	2025	2024
Allowance for Credit Losses:		
Balance - Beginning of Year	\$ 26,026	\$ 28,837
Provision for Losses	11,690	(3,423)
Recoveries on Accounts Previously Charged Off	9,815	(6,448)
Accounts Charged Off	(17,450)	7,060
Balance - End of Year	\$ 30,081	\$ 26,026

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Accounts receivable balance are as follows at December 31:

<u>2025</u>	<u>2024</u>	<u>2023</u>
\$ 1,652,043	\$ 1,995,974	\$ 1,276,105

Inventories

Inventories are valued at the lower of cost or net realizable value using the average unit cost method.

Income Taxes

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded at December 31, 2025 and 2024.

The Cooperative has evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2025 and 2024.

Presentation of Sales Taxes

The Cooperative does business in various taxing jurisdictions which impose sales taxes on sales to nonexempt customers. The Cooperative collects sales tax from customers and remits the entire amount to the taxing jurisdictions. The Cooperative's accounting policy is to exclude the tax collected and remitted to the taxing jurisdictions from revenues and costs of sales.

Revenue from Contract with Customers

The Cooperative primarily generates revenue from the distribution and sale of electricity to members. The Cooperative satisfies the performance obligation when the energy is delivered to the member. The Cooperative recognizes revenue from energy sales based on meter readings of the member's usage. Meters are read at month-end and bills are sent out early the next month with payments due 20 days after the bills are sent. Rates charged to members are based on rates approved by the Cooperative's board of directors. The Cooperative has elected to use the Invoice Practical Expedient allowing the Cooperative to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contract with Customers (Continued)

The following table presents the Cooperative's revenues disaggregated by type of customer at December 31:

	<u>2025</u>	<u>2024</u>
Residential	\$ 10,561,274	\$ 10,110,397
Commercial and Industrial-Small	2,776,964	2,678,245
Commercial and Industrial-Large	232,258	229,823
Public Street and Highway Lighting	17,369	17,991
Sales for Resale	252,694	227,965
Other Operating Revenue	74,142	73,928
Total	<u>\$ 13,914,701</u>	<u>\$ 13,338,349</u>

Measure of Operations

In its statement of operations, the Cooperative includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Interest income, gains on sale of property, and other nonoperating transactions are recognized as nonoperating margins in the statement of operations.

Subsequent Events

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through March 16, 2026, the date the financial statements were available to be issued.

NOTE 2 ELECTRIC PLANT IN SERVICE

The following are the major classes of the electric plant in service as of December 31:

	<u>2025</u>	<u>2024</u>
Intangible Plant	\$ 30,515	\$ 30,515
Distribution Plant	49,537,342	48,724,486
General Plant	6,113,300	6,028,611
Total Electric Plant in Service	<u>55,681,157</u>	<u>54,783,612</u>
Construction Work in Progress	6,545,501	4,393,487
Total	<u>\$ 62,226,658</u>	<u>\$ 59,177,099</u>

NOTE 3 INVESTMENTS IN ASSOCIATED ORGANIZATIONS

The Cooperative is a voting member of Central Iowa Power Cooperative (CIPCO), a generation and transmission facility headquartered in Cedar Rapids, Iowa, supplying power to distribution cooperatives in Iowa. These voting members or owners share margins realized by CIPCO, on the cooperative principle, based on power purchased.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 INVESTMENTS IN ASSOCIATED ORGANIZATIONS (CONTINUED)

Investments in associated organizations as of December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Central Iowa Power Cooperative	2,560,053	2,458,129
NRUCFC - Patronage Capital Credits	157,176	158,732
NRUCFC - Capital Term Certificates	526,560	549,801
RESCO - Patronage Capital Credits	185,542	150,369
Federated - Patronage Capital Credits	168,207	160,787
CoBank - Patronage Capital Credits	387,541	365,715
NISC - Patronage Capital Credits	77,886	82,780
Other Associated Organizations	32,345	33,560
Total	<u>\$ 4,095,310</u>	<u>\$ 3,959,873</u>

Capital term certificates include investments in National Rural Utilities Cooperative Finance Corporation (NRUCFC) capital term certificates, loan term certificates, and zero term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070; and loan term certificates bear interest at 3% and began maturing in the year 2025 and will continue maturing through 2030.

NOTE 4 OTHER INVESTMENTS

Other investments at December 31 consist of the following:

	<u>2025</u>	<u>2024</u>
Economic Development Loans		
City of Stanton, 5% interest through 2036	\$ 47,250	\$ 50,576
Corning Hotel, 1% interest through 2030	395,831	434,753
Forward with Faith, 3% interest through 2029	88,418	112,023
Provision Feed, 2% interest through 2032	603,946	680,000
Corning Meat Processing, 3% interest through 2032	123,659	-
Total	<u>1,259,104</u>	<u>1,277,352</u>
Less: Current Portion of Economic Development Loans	<u>(176,784)</u>	<u>(69,663)</u>
Total Other Investments	<u>\$ 1,082,320</u>	<u>\$ 1,207,689</u>

NOTE 5 DEFERRED DEBITS

Deferred debits consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Unamortized Debt Expense	\$ 4,089	\$ 2,698
Preliminary Survey and Investigation	34,080	41,673
GIS Field Inventory	870,975	902,456
Other Deferred Debits	10,409	7,233
Total	<u>\$ 919,553</u>	<u>\$ 954,060</u>

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 DETAIL OF PATRONAGE CAPITAL

The following is a summary of patronage capital assignable and assigned at December 31:

	<u>2025</u>	<u>2024</u>
Assignable	\$ 1,165,424	\$ 1,576,094
Assigned	7,084,955	6,993,190
Total	<u>\$ 8,250,379</u>	<u>\$ 8,569,284</u>

The mortgage provisions restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 30% of total assets of the Cooperative; 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 are unpaid, when due, any installments of principal and interest on the notes.

NOTE 7 OTHER EQUITIES

Other equities consist of retained margins not allocated to patrons at December 31 as follows:

	<u>2025</u>	<u>2024</u>
Reserve for Contingent Losses	\$ 6,213,596	\$ 5,297,482
Statutory Surplus	6,498,626	6,332,689
Unclaimed Patronage Capital	58,564	59,675
Donated Capital	72,657	66,037
Total	<u>\$ 12,843,443</u>	<u>\$ 11,755,883</u>

The Cooperative's Articles of Incorporation require that at least 10% of Cooperative's earnings remaining after provision is made for depreciation, obsolescence, bad debts, or contingent losses or expense, must be added to statutory surplus until the surplus equals either \$1,000 or 30% of all capital paid in for memberships plus unpaid patronage dividends, earnings from nonmember business, and earnings from allocations of other cooperatives, whichever is greater, but is not to exceed 50% of that total.

The Cooperative's Articles of Incorporation also allow earnings to be transferred to a Reserve for Obsolescence and Contingent Losses and Expenses.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 LONG-TERM DEBT

The following is a summary of outstanding long-term debt as of December 31:

	<u>2025</u>	<u>2024</u>
Federal Financing Bank (FFB) Mortgage Notes		
Fixed Interest 1.08%-4.53% maturing 2047-2052	\$ 8,665,706	\$ 8,922,037
Rural Utilities Service (RUS) Treasury Notes		
Fixed Interest 3.77% to 4.66% maturing 2029-2057	6,906,742	4,493,462
National Rural Utilities Cooperative Finance Corporation		
Fixed interest 1.88%-4.85% maturing 2026-2040	2,286,724	2,430,864
CoBank Mortgage Notes		
Fixed Interest 2.96%-4.51% maturing 2028-2044	6,836,931	7,455,419
USDA Rural Economic Development Grant	<u>865,792</u>	<u>865,792</u>
Subtotal	25,561,895	24,167,574
Less: Current Maturities	<u>(1,126,199)</u>	<u>(1,084,822)</u>
Total	<u>\$ 24,435,696</u>	<u>\$ 23,082,752</u>

The loan agreements with RUS and NRUCFC impose certain restrictions upon the Cooperative relating to the purchase, sale, construction and maintenance of distribution plant, as well as future financing and retirement of patronage capital. These notes are secured by all assets of the Cooperative.

As of December 31, 2025, the Cooperative has unadvanced loan funds of \$-0- from FFB, RUS, NRUCFC and CoBank..

The aggregate five-year maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 1,126,199
2027	1,121,460
2028	1,071,582
2029	880,239
2030	911,511

The Cooperative has received \$865,792 under the Rural Economic Development Loan and Grant Program. These are noninterest-bearing loans used to establish a fund to finance approved rural economic development projects. The original loans made from the fund are at 0% interest and loans made from the repayment of the original loans can bear interest up to the prevailing prime rate.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 9 NOTES PAYABLE

The Cooperative has established a perpetual line of credit with NRUCFC in an amount totaling \$3,000,000. Borrowings are due on demand at interest rates that vary with the prime rate published in *The Wall Street Journal*. At December 31, 2025 and 2024, the interest rate on this line of credit was 5.75% and 6.50%, respectively. There was outstanding balances on this line of credit of \$2,400,000 and \$2,000,000 as of December 31, 2025 and 2024, respectively.

The Cooperative has established a second line of credit in the year ended December 31, 2024 with NRUCFC in an amount totaling \$4,000,000. The line of credit was opened to support payments for the FEMA mitigation project. Borrowings are due on demand at interest rates that vary with the prime rate published in *The Wall Street Journal*. At December 31, 2025 and 2024, the interest rate on this line of credit was 5.35% and 5.90%, respectively. There was outstanding balances on this line of credit of \$304,450 and \$840,700 as of December 31, 2025 and 2024, respectively.

The Cooperative has established an additional line of credit with CoBank in an amount totaling \$1,000,000. The interest rate as of December 31, 2025 and 2024 was 5.77% and 6.39%, respectively. The line of credit matures on January 31, 2026. No funds were advanced on this line of credit as of December 31, 2025 and 2024.

NOTE 10 DEFERRED CREDITS

Deferred credits at December 31 are as follows:

	2025	2024
Customer Advances for Construction	\$ 158,776	\$ 24,048
Customer Energy Prepayments	72,293	73,447
Operation Roundup	59,063	55,747
Other Deferred Credits	6,774	2,679
Total	\$ 296,906	\$ 155,921

NOTE 11 PENSION AND RETIREMENT PLANS

Pension Plan

The Hawkeye Pension Plan (the Plan) is a defined benefit pension plan intended to be qualified under Section 401 of the Internal Revenue Code (IRC). Its associated trust is intended to be tax-exempt under Section 501(a) of the IRC. All plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for individual participating coops. This means assets contributed by one coop may be used to provide benefits to employees of other participating coops. The Plan is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 42-1438152 and the Plan Number is 001.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 11 PENSION AND RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

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. Special rules apply to a coop that withdraws from the plan, requiring the coop to pay to the plan an amount based on the underfunded status of the plan.

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 Cooperative's contributions to the Plan in 2025 and in 2024 represented less than 5% of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the Plan of \$446,992 and \$480,578 in 2025 and 2024, respectively.

For the 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. As of July 1, 2025, the Plan was over 80% funded, using special funded status calculations applicable to the Plan under the Pension Protection Act (PPA).

Because the provisions of the PPA do not apply to the 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.

Retirement Plan

In addition to the above pension plan, employees of the Cooperative are eligible for a 401(k) savings plan. This plan is offered through the NRECA. Participants are not required to make contributions but may elect to contribute a percentage of their salary, subject to Internal Revenue Service maximum limitations. The Cooperative makes a contribution in an amount as determined by the Board of Directors. The Cooperative made contributions of approximately \$67,898 and \$70,024 for the years ended December 31, 2025 and 2024, respectively.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Sources of Supply

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Central Iowa Power Cooperative through December 2062. The rates are subject to review annually.

**SOUTHWEST IOWA RURAL ELECTRIC COOP
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2025**

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

FINDING: 2025-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (U.S. GAAP)

Type of Finding: Material Weakness in internal control over financial reporting.

Condition: The Cooperative does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with U.S. GAAP.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. GAAP.

Cause: The Cooperative has not adopted an internal control policy over the annual financial reporting under U.S. GAAP. The Cooperative engages the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Effect: The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected and corrected by the Cooperative's internal control.

Repeat Finding: This is a repeat finding in the immediate prior year. Prior year finding number was 2024-001.

Recommendation: The Cooperative should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Actions: Management will continue to engage the audit firm to create the draft financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.



INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors
Southwest Iowa Rural Electric Coop
Corning, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Southwest Iowa Rural Electric Coop (the Cooperative) as of December 31, 2025, and the related statements of operations, patronage capital and other equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2026.

During the year ended December 31, 2025, the Cooperative received no advances from National Rural Utilities Cooperative Finance Corporation (NRUCFC) on loans controlled by the NRUCFC Loan Agreements and/or Mortgage or Security Agreements (the agreement). In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions on the loans controlled by the NRUCFC's agreement, insofar as they related to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provision, or conditions of the agreement, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of directors and management of the Cooperative and the NRUCFC and is not intended to be, and should not be, used for anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
March 16, 2026



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