

**ARIZONA 17 GRAHAM**

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**PIMA, ARIZONA**

**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**LUBBOCK, TEXAS**

**ARIZONA 17 GRAHAM**

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**PIMA, ARIZONA**

**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**ARIZONA 17 GRAHAM  
GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
PIMA, ARIZONA**

**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**TABLE OF CONTENTS (CONTINUED)**

	<u>Statement Identification</u>	<u>Page No.</u>
Independent Auditor’s Report		1
Financial Statements		
Balance Sheets	Exhibit A	4
Statements of Income, Patronage Capital, and Comprehensive Income	Exhibit B	5
Statements of Cash Flows	Exhibit C	6
Notes to Financial Statements		7
Supplementary Information		
Individual Department – Financial Statements		
Electric Department		
Balance Sheets	Schedule 1	23
Statements of Income, Patronage Capital, and Comprehensive Income	Schedule 2	24
Statements of Cash Flows	Schedule 3	25
Water Department		
Balance Sheets	Schedule 4	26
Statements of Income (Loss) and Patronage Capital	Schedule 5	27
Statements of Cash Flows	Schedule 6	28
Administrative and General Expenses – Electric Department	Schedule 7	29
Five Year Comparative Statement of Revenues and Expenses – Electric Department	Schedule 8	30

**ARIZONA 17 GRAHAM  
GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
PIMA, ARIZONA**

**FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

**TABLE OF CONTENTS (CONCLUDED)**

Compliance and Internal Control Section

Letter to Board of Directors Regarding Policies Concerning Audits of CFC Borrowers	31
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**Independent Auditor's Report**

Board of Directors  
Graham County Electric Cooperative, Inc.  
Pima, Arizona

**Report on Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Graham County Electric Cooperative, Inc., which comprise the balance sheets as of September 30, 2025 and 2024, and the related statements of income, patronage capital, and comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graham County Electric Cooperative, Inc. as of September 30, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Graham County Electric Cooperative, Inc. (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.

### ***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 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.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The departmental financial statements and the schedules of administrative and general expenses – electric department, and five year comparative statement of revenues and expenses – electric department are presented for purpose of additional analysis and are 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 basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the departmental financial statements, and schedules of administrative and general expenses – electric department, and five year comparative statement of revenues and expenses – electric department are fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2025 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.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

November 20, 2025

**FINANCIAL STATEMENTS**

## GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEETS  
SEPTEMBER 30, 2025 AND 2024

## ASSETS

	September 30,	
	2025	2024
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 78,257,030	\$ 77,194,701
Right of Use Lease Assets	452,493	552,469
Construction Work in Progress	1,154,545	1,746,894
Plant Acquisition Adjustment	(32,515)	(35,206)
	\$ 79,831,553	\$ 79,458,858
Less: Accumulated Provision for Depreciation	33,926,145	34,443,090
	\$ 45,905,408	\$ 45,015,768
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 15,272,310	\$ 15,007,907
Notes Receivable - Less Current Portion	138,888	194,444
Non-Utility Property - Net of Amortization	34,454	35,418
	\$ 15,445,652	\$ 15,237,769
CURRENT ASSETS		
Cash - General	\$ 1,601,830	\$ 200,786
Cash - Restricted	92,694	90,758
Accounts Receivable (Less allowance for credit losses of \$144,006 in 2025 and \$153,637 in 2024)	1,399,189	1,950,697
Unbilled Revenue	966,023	346,203
Note Receivable - Current Portion	55,556	55,556
Materials and Supplies	1,933,106	2,363,180
Other Current and Accrued Assets	232,640	81,683
	\$ 6,281,038	\$ 5,088,863
DEFERRED CHARGES	\$ 1,623,220	\$ 1,721,712
TOTAL ASSETS	\$ 69,255,318	\$ 67,064,112

## EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 30,370	\$ 29,695
Patronage Capital	30,749,034	29,027,957
Other Equities (Deficits)	(976,501)	(971,945)
Accumulated Other Comprehensive Income	449,624	305,148
	\$ 30,252,527	\$ 28,390,855
LONG-TERM DEBT		
CFC Mortgage Notes - Less Current Maturities	\$ 28,951,458	\$ 27,730,797
Other Long Term Debt - Less Current Maturities	138,961	194,516
USDA Rural Development Notes - Less Current Maturities	1,002,512	1,048,231
Lease Obligations - Less Current Maturities	211,397	341,539
	\$ 30,304,328	\$ 29,315,083
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	\$ 1,560,729	\$ 1,691,485
CURRENT LIABILITIES		
Notes Payable - CFC Line of Credit	\$	\$ 950,000
Current Maturities of Long-Term Debt	1,365,456	1,251,856
Current Portion of APBO	138,356	168,630
Current Maturities of Lease Obligations	234,416	210,930
Accounts Payable - Purchased Power	868,507	897,293
Accounts Payable - Other	479,469	308,600
Over-Recovered Fuel Cost	2,144,008	1,992,286
Accrued Taxes	428,872	362,259
Accrued Interest	6,334	6,461
Consumer Deposits and Prepayments	452,759	397,352
Accrued Compensated Absences	576,222	616,602
Other Current and Accrued Liabilities	265,713	238,864
Patronage Capital Payable		1,885
	\$ 6,960,112	\$ 7,403,018
DEFERRED CREDITS	\$ 177,622	\$ 263,671
TOTAL EQUITIES AND LIABILITIES	\$ 69,255,318	\$ 67,064,112

See accompanying notes to financial statements.

## GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENTS OF INCOME, PATRONAGE CAPITAL, AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	Years Ended September 30,				Increase (Decrease)
	2025		2024		
	Amount	%	Amount	%	
<b>OPERATING REVENUES</b>					
Residential	\$ 12,631,257	53.3	\$ 12,050,263	56.2	\$ 580,994
Irrigation	2,227,411	9.4	1,776,899	8.3	450,512
Commercial and Industrial	5,262,677	22.2	5,612,033	26.2	(349,356)
Public Street and Highway Lighting	6,438	0.0	6,834	0.0	(396)
Sales for Resale	74,474	0.3	89,233	0.4	(14,759)
Fuel Cost - Over Billed	(151,722)	(0.6)	(738,944)	(3.4)	587,222
Unbilled Revenue	619,820	2.6	(11,945)	(0.1)	631,765
Rent from Electric Property	305,284	1.3	297,442	1.4	7,842
Other Operating Revenues	2,715,270	11.5	2,362,115	11.0	353,155
Total Operating Revenues	\$ 23,690,909	100.0	\$ 21,443,930	100.0	\$ 2,246,979
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 10,294,762	43.5	\$ 10,275,536	47.9	\$ 19,226
Purchased Power - Pumping	68,397	0.3	63,287	0.3	5,110
Operations	1,129,303	4.8	829,016	3.9	300,287
Maintenance	2,558,247	10.8	2,585,613	12.1	(27,366)
Consumer Accounts	926,541	3.9	984,753	4.6	(58,212)
Administrative and General	2,884,455	12.2	2,959,377	13.8	(74,922)
Depreciation and Amortization	2,753,321	11.6	2,572,907	12.0	180,414
Other Interest and Deductions	91,557	0.4	89,945	0.4	1,612
Total Operating Expenses	\$ 20,706,583	87.5	\$ 20,360,434	95.0	\$ 346,149
<b>OPERATING MARGINS - Before Fixed Charges</b>	\$ 2,984,326	12.5	\$ 1,083,496	5.0	\$ 1,900,830
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	1,652,121	7.0	1,586,527	7.4	65,594
<b>OPERATING MARGINS (LOSS) - After Fixed Charges</b>	\$ 1,332,205	5.5	\$ (503,031)	(2.4)	\$ 1,835,236
G&T Capital Credits	138,856	0.6	140,848	0.7	(1,992)
Other Capital Credits	219,798	0.9	201,404	0.9	18,394
<b>NET OPERATING MARGINS (LOSS)</b>	\$ 1,690,859	7.0	\$ (160,779)	(0.8)	\$ 1,851,638
<b>NONOPERATING MARGINS</b>					
Interest Income	\$ 23,932	0.1	\$ 23,264	0.1	\$ 668
Gain on Sale of Assets		0.0	40,056	0.2	(40,056)
Other Nonoperating Income	1,730	0.0	3,142	0.0	(1,412)
	\$ 25,662	0.1	\$ 66,462	0.3	\$ (40,800)
<b>NET MARGINS (LOSS)</b>	\$ 1,716,521	7.1	\$ (94,317)	(0.5)	\$ 1,810,838
<b>OTHER COMPREHENSIVE INCOME</b>					
Prior Service Cost			171,001		
Amortization of Actuarial Loss	(7,716)		(20,481)		
Actuarial Gain (Loss)	152,192		(166,570)		
<b>COMPREHENSIVE INCOME (LOSS)</b>	\$ 1,860,997		\$ (110,367)		
Post-Retirement Benefit Obligation	(144,476)		16,050		
Patronage Capital Retired			(6,586)		
Retained Non-Operating Margins			69,112		
Transfer Current Year Losses to Other Equities	4,556		383,678		
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	\$ 29,027,957		\$ 28,676,070		
<b>PATRONAGE CAPITAL - END OF YEAR</b>	\$ 30,749,034		\$ 29,027,957		

See accompanying notes to financial statements.

## GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

Exhibit C

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	September 30,	
	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins (Loss)	\$ 1,716,521	\$ (94,317)
Adjustments to Reconcile Net Margins to Net Cash		
From Operating Activities		
Depreciation and Amortization	3,004,152	2,804,115
Post-Retirement Benefit Amortization	197,266	227,910
Capital Credit Allocations	(309,742)	(342,252)
Plant Acquisition Adjustment	(2,691)	(2,466)
(Increase) Decrease		
Accounts Receivable	551,508	146,714
Unbilled Revenue	(619,820)	11,945
Fuel Costs Over (Under) Recovered	151,722	738,944
Inventories and Prepaid Expenses	279,117	(295,815)
Deferred Charges	98,492	(21,858)
Increase (Decrease)		
Payables and Accrued Expenses	248,562	(54,531)
Deferred Credits	(86,049)	(323,192)
Net Cash From Operating Activities	<u>\$ 5,229,038</u>	<u>\$ 2,795,197</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Utility Plant	\$ (3,617,025)	\$ (5,195,897)
Cost of Removal Less Salvage Value and Other Credits	(374,052)	(100,777)
Cash - Restricted	(1,936)	(363)
Notes Receivable	31,644	55,556
Other Property and Investments	46,303	98,386
Net Cash From Investing Activities	<u>\$ (3,915,066)</u>	<u>\$ (5,143,095)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances on CFC Long-Term Debt	\$ 2,500,000	\$ 2,000,000
Payments on Long-Term Debt to CFC	(1,167,440)	(1,074,314)
Payments on Long-Term Debt to Other	(55,556)	(55,556)
Payments on Long-Term Debt to USDA	(44,019)	(41,392)
Advances (Payments) on CFC Line of Credit - Net	(950,000)	950,000
Payments on Behalf of Retirees	(125,969)	(135,580)
Retirement of Patronage Capital		(6,586)
Other Equities	(70,619)	4,066
Memberships	675	275
Net Cash From Financing Activities	<u>\$ 87,072</u>	<u>\$ 1,640,913</u>
<b>CHANGE IN CASH EQUIVALENTS</b>	<u>\$ 1,401,044</u>	<u>\$ (706,985)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>200,786</u>	<u>907,771</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,601,830</u>	<u>\$ 200,786</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest on Long-Term Debt	<u>\$ 1,607,424</u>	<u>\$ 1,586,527</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>		
Executed Right of Use Leases	<u>\$ 87,440</u>	<u>\$ 200,228</u>

See accompanying notes to financial statements.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Graham County Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric and water service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Arizona G&T Cooperatives, Inc. of which the Cooperative is a member/owner. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity on the balance sheets.

**System of Accounts**

Although the Cooperative is no longer an Rural Utilities Service (RUS) borrower, its accounting records are maintained in accordance with the RUS Uniform System of Accounts (USOA) as prescribed for RUS electric borrowers.

**Labor Agreements**

As of September 30, 2025, 59% of the Cooperative's 41 employees work under a collective bargaining agreement. The collective bargaining agreement will expire on December 31, 2025.

**Utility Plant, Maintenance, and Depreciation**

Utility Plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of utility plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the estimated cost of such property is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

**Materials and Supplies**

Materials and supplies inventories are valued at average unit cost.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents are represented by Cash – General.

**Restricted Cash**

As part of its agreement for loan funding from United States Department of Agriculture (USDA) Rural Development, the Cooperative is required to accumulate a cash reserve fund. The fund balance at September 30, 2025 and 2024 was \$92,694 and \$90,758, respectively. The cash reserve fund was in compliance with finding requirements as of September 30, 2025.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Utility Revenues from Contracts with Customers**

Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy and water are satisfied as energy and water is delivered to customers. The Cooperative recognizes revenue that corresponds to the price of the energy and water delivered to the customer. The measurement of energy and water sales to customers is generally based on the reading of their meters, which occurs on a systematic basis three times a month.

The Cooperative records utility revenues as billed to customers on a monthly basis. Amounts of energy delivered to customers since the date of the last meter readings are estimated, and the corresponding unbilled revenue is recognized. The Cooperative estimated that its unbilled revenue for delivered power usage which has not been billed to consumers as of September 30, 2025 and 2024 amounted to \$966,023 and \$346,203, respectively. This amount is included as a component of current assets on the balance sheets.

The Cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission (ACC).

The Cooperative's tariffs for electric service include a fuel adjustment clause under which electric rates charged to consumers are adjusted to reflect changes in the cost of fuel included in purchased power. The power cost to be billed in subsequent periods is recognized as under-recovered fuel cost and power cost billed in advance is reflected as over-recovered fuel cost. As of September 30, 2025 and 2024 the Cooperative was over-recovered by \$2,144,008 and \$1,992,286, respectively.

**Group Concentration of Credit Risk**

The Cooperative headquarters facilities are located in Pima, Arizona. The service area includes members located in Graham County, Arizona. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative requires a deposit from some consumers upon connection. The deposit is applied to any unpaid bills and fees in the event of default. The deposit accrues interest annually and is refunded after an established history of prompt payments. As of September 30, 2025 and 2024, deposits on hand totaled \$452,759 and \$397,352, respectively.

The Cooperative maintains its cash balances in various financial institutions in Safford, Arizona. The balance is insured at each location by the Federal Deposit Insurance Corporation. Deposits, at times, exceed insured amounts.

**Patronage Capital Certificates**

Patronage capital from associated organizations is recorded at the stated amount of the certificate.

**Federal Income Tax Status**

The Cooperative qualifies for exempt status under Internal Revenue Code Section 501(c)(12) which requires that 85% or more of income consists of amounts collected from members.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

The Cooperative has adopted the “uncertain tax positions” provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2022.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended September 30, 2025 and 2024.

**Allowance for Credit Losses**

The allowance for credit losses represents an estimate of the expected credit losses inherent in trade receivables as of the balance sheet date. Additions to the allowance for credit losses, if any, are made by recording charges to expenses in the income statement. Recoveries consist of consumer payments and application of general patronage retirements for members with outstanding balances.

The Cooperative’s methodology in determining the adequacy of the allowance for credit losses includes consideration of the aging of accounts receivable and the significant balances that high risk consumers accumulate. The delinquent accounts deemed uncollectible are written off upon approval by the Board of Directors. Changes in the allowance for credit losses during the years ended September 30, 2025 and 2024 were as follows:

	September 30,	
	2025	2024
Balance, Beginning of Year	\$ 153,637	\$ 171,805
Accruals	2,456	1,738
Write-Offs	(20,736)	(28,033)
Recoveries	8,649	8,127
Balance, End of Year	<u>\$ 144,006</u>	<u>\$ 153,637</u>

**Use of Estimates in the Preparation of Financial Statements**

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Expense Allocation

Expenses not directly assignable to Graham County Electric Cooperative, Inc. – Electric and Water departments are allocated to each department on a pro rata share of the entity’s meters as a percentage of total meters for all departments.

**2. Assets Pledged**

Substantially all assets are pledged as security for the long-term debt due to the National Rural Utilities Cooperative Finance Corporation (CFC) and the USDA.

**3. Utility Plant in Service**

The major classes of utility plant are as follows:

	September 30,			
	2025		2024	
	Electric Department	Water Department	Total	Total
Intangible Plant	\$ 3,060	\$ 38,358	\$ 41,418	\$ 41,418
Production		3,161,066	3,161,066	2,921,534
Transmission Plant	5,136,610	6,259,244	11,395,854	11,352,332
Distribution Plant	51,228,117	2,448,621	53,676,738	53,248,007
General Plant	9,553,478	428,476	9,981,954	9,631,410
Right of Use Lease Assets	452,493		452,493	552,469
Total Plant in Service	\$ 66,373,758	\$ 12,335,765	\$ 78,709,523	\$ 77,747,170
Construction Work in Progress	445,813	708,732	1,154,545	1,746,894
Utility Plant Acquisition Adjustment		(32,515)	(32,515)	(35,206)
Total Plant	<u>\$ 66,819,571</u>	<u>\$ 13,011,982</u>	<u>\$ 79,831,553</u>	<u>\$ 79,458,858</u>

The Cooperative purchased substantially all of the assets of Ash Creek Water Company. As a result, the Cooperative recorded a utility plant acquisition adjustment totaling (\$37,672). The acquisition adjustment will be amortized over the average remaining useful life of the acquired assets beginning October 1, 2023. Amortization was \$2,691 and \$2,466 for the years ended September 30, 2025 and 2024, respectively.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Depreciation rates for utility plant is as follows:

	<u>Electric Department</u>	<u>Water Department</u>
Production		3.33% - 8.00%
Transmission	2.75%	2.00%
Distribution	2.94% - 8.33%	2.00% - 8.33%
General		
Buildings	2.00% - 2.50%	
Transportation	10.00% - 20.00%	10.00% - 20.00%
Office Equipment	5.00% - 20.00%	
Laboratory and Tools	4.80%	
Communication	5.00% - 10.00%	
Miscellaneous		5.00% - 10.00%

Depreciation and amortization for the years ended September 30, 2025 and 2024, was \$3,004,152 and \$2,804,115, respectively, of which \$2,753,321 and \$2,572,907 was charged to depreciation and amortization expense and \$250,831 and \$231,208 allocated to other accounts, respectively. For the years ended September 30, 2025 and 2024, \$386,471 and \$348,963 was included in depreciation and amortization expense related to accelerated depreciation of metering equipment.

**4. Investments in Associated Organizations**

Investments in associated organizations consisted of the following:

	<u>September 30,</u>	
	<u>2025</u>	<u>2024</u>
CFC		
Patronage Capital	\$ 1,089,362	\$ 1,074,955
Capital Term Certificates	602,716	607,053
Member Capital Securities	50,000	50,000
Membership	1,000	1,000
	<u>\$ 1,743,078</u>	<u>\$ 1,733,008</u>
Arizona G&T Cooperatives, Inc.		
Patronage Capital	\$ 12,978,827	\$ 12,839,971
Membership	5	5
	<u>\$ 12,978,832</u>	<u>\$ 12,839,976</u>
Federated Rural Electric Insurance Corporation		
Patronage Capital	\$ 211,166	\$ 201,729
Other	\$ 339,234	\$ 233,194
	<u>\$ 15,272,310</u>	<u>\$ 15,007,907</u>

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**5. Notes Receivable**

Notes receivable consisted of the following:

	September 30,	
	<u>2025</u>	<u>2024</u>
Taylor Freeze	\$ 194,444	\$ 250,000
	\$ 194,444	\$ 250,000
Less: Current Maturities	<u>55,556</u>	<u>55,556</u>
	<u>\$ 138,888</u>	<u>\$ 194,444</u>

The notes receivable from the Taylor Freeze were provided from the USDA Rural Economic Development Loan and Grant (REDL&G) funds. The Cooperative received zero interest loans from USDA which the Cooperative, in turn, passed through to the Taylor Freeze.

**6. Non-Utility Property**

Grand Canyon State Electric Cooperative Association, Inc. (GCSECA) transferred ownership of the building occupied by GCSECA to the full member cooperatives whose contributions paid for the building.

Non-utility property consisted of the following:

	September 30,	
	<u>2025</u>	<u>2024</u>
GCSECA Building Ownership	\$ 38,550	\$ 38,550
Less Amortization	<u>4,096</u>	<u>3,132</u>
	<u>\$ 34,454</u>	<u>\$ 35,418</u>

**7. Materials and Supplies**

Materials and supplies consisted of the following:

	September 30,	
	<u>2025</u>	<u>2024</u>
Electric Materials	\$ 1,247,457	\$ 1,594,161
Water Materials	<u>685,649</u>	<u>769,019</u>
	<u>\$ 1,933,106</u>	<u>\$ 2,363,180</u>

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**8. Deferred Charges**

Deferred charges consisted of the following:

	September 30,	
	2025	2024
Financing Application	\$ 72,502	\$ 21,422
Vehicle Lease Capital Price Reduction	38,545	37,315
Sectionalizing Study	19,784	25,305
Post Retirement Benefit Regulatory Asset	1,281,161	1,369,012
Work Plan	22,950	
Rate Case	188,278	268,658
	<u>\$ 1,623,220</u>	<u>\$ 1,721,712</u>

On March 31, 2017 the Cooperative filed an application (Docket No. E-01749A-17-0091) for an authorization of an accounting order to defer costs associated with the Cooperative's post-retirement benefit plan obligation. The Arizona Corporation Commission granted the accounting order on September 19, 2017 in Decision No. 76366. Effective May 1, 2024, the Cooperative was approved to implement new rates in Decision No. 79319. In this filing, the Cooperative proposed to amortize the post-retirement benefit plan obligation regulatory asset over a period equal to 16 years which is the average remaining service life of the employees eligible to receive the benefit. Amortization expense for the year ended September 30, 2025 and 2024 was \$87,851 and \$36,589, respectively. The regulatory asset is expected to be recovered through rates through May 31, 2040.

**9. Return of Capital**

The mortgage with CFC contains provisions that must be met in order for the Cooperative to make patronage capital retirements. The provisions include minimum equity, debt service, and earnings ratios. The Cooperative is in compliance with these provisions as of September 30, 2025. The equities and margins of the Cooperative represent 43.03% (excluding Accumulated Other Comprehensive income) or 43.68% (including Accumulated Other Comprehensive income) of the total assets at balance sheet date. Capital credit retirements totaling \$0 and \$6,586 were retired during the years ended September 30, 2025 and 2024.

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

10. Patronage Capital

	September 30,			
	2025			2024
	Electric Department	Water Department	Total	Total
Assignable (9 Months Ended September 30)	\$ 1,994,031	\$ 63,306	\$ 2,057,337	\$ (282,385)
Net Margins (Prior to 1971)	1,499,875		1,499,875	1,499,875
Assigned	<u>29,036,402</u>	<u>297,036</u>	<u>29,333,438</u>	<u>29,952,083</u>
	\$ 32,530,308	\$ 360,342	\$ 32,890,650	\$ 31,169,573
Less: Retired	2,309,599		2,309,599	2,309,599
Less: GCEC Water Division Capital Credits	66,878		66,878	66,878
Add: Unassigned Unbilled Revenue	<u>185,421</u>	<u>49,440</u>	<u>234,861</u>	<u>234,861</u>
	<u>\$ 30,339,252</u>	<u>\$ 409,782</u>	<u>\$ 30,749,034</u>	<u>\$ 29,027,957</u>

11. Other Equities (Deficits)

Other Equities (Deficits) consisted of the following:

	September 30,	
	2025	2024
Prior Year Losses	\$ (1,105,443)	\$ (1,100,887)
Retained Nonoperating Margins	118,419	118,419
Retired Capital Credits Gain	<u>10,523</u>	<u>10,523</u>
	<u>\$ (976,501)</u>	<u>\$ (971,945)</u>

In accordance with its bylaws, the Cooperative annually elects to retain nonoperating margins as permanent equity.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**12. Long-Term Debt – CFC**

Following is a summary of long-term debt due CFC maturing at various times from 2029 to 2054:

Note No.	Interest Rate	Final Payment	Purpose	September 30,	
				2025	2024
9002's	7.45%	04/01/29	Construction	\$ 127,688	\$ 158,509
9003-001	7.45%	07/01/30	Construction	160,431	187,614
9004-001	7.70%	06/30/30	Construction	167,394	195,549
9005-001	7.45%	06/30/30	Construction	160,430	187,613
9006-001	7.45%	06/30/30	Construction	164,230	192,057
9007-001	7.35%	06/30/30	Construction	217,514	254,480
9008's	7.40%	06/30/32	Construction	361,410	401,311
9009's	6.85%	06/30/33	Construction	914,067	1,000,704
9009-003	7.90%	06/30/33	Construction	983,675	1,072,469
9009-004	4.95%	06/30/33	Construction	394,656	435,475
9009-005	3.18%	06/30/33	Construction	379,352	421,862
9009-006	6.25%	06/30/33	Construction	178,357	195,737
9009-007	6.70%	06/30/33	Construction	159,329	174,536
9010-001	6.90%	12/31/38	Construction	659,363	688,912
9010-002	7.10%	09/30/34	Construction	1,605,484	1,728,906
9010-003	6.40%	06/30/38	Construction	634,217	665,509
9010-004	4.65%	03/31/37	Construction	292,015	310,814
9010-005	4.96%	12/31/38	Construction	598,168	629,388
9010-006	3.66%	12/31/38	Construction	578,268	611,610
9010-007	4.00%	09/30/38	Construction	573,635	606,664
9010-008	4.45%	12/31/38	Construction	305,113	321,676
9010-009	5.30%	12/31/38	Construction	613,717	644,914
9010-010	4.20%	12/31/38	Construction	495,017	522,409
9011-001	4.85%	12/31/40	Construction	467,009	487,251
9013-001	4.15%	12/31/51	Construction	935,634	954,983
9013-002	4.82%	12/31/51	Construction	2,355,534	2,399,310
9013-003	5.17%	03/31/52	Construction	474,834	483,030
9013-004	5.14%	03/31/52	Construction	2,848,252	2,897,653
9013-005	6.23%	06/30/52	Construction	480,744	487,563
9013-006	6.26%	09/30/52	Construction	482,581	489,261
9018-001	4.05%	06/30/40	Construction	156,935	164,569
9020-001	6.30%	06/30/53	Construction	2,926,310	2,964,306
9020-002	6.83%	03/31/54	Construction	493,204	498,686
9020-003	5.84%	12/31/54	Construction	993,622	
9020-004	5.29%	12/31/54	Construction	500,000	
9021-001	6.30%	06/30/53	Construction	3,901,747	3,952,408
9021-002	6.83%	03/31/54	Construction	1,479,611	1,496,059
9021-002	5.84%	12/31/54	Construction	496,811	
9021-002	5.29%	12/31/54	Construction	500,000	
				<u>\$ 30,216,358</u>	<u>\$ 28,883,797</u>
Less: Current Maturities				<u>1,264,900</u>	<u>1,153,000</u>
				<u>\$ 28,951,458</u>	<u>\$ 27,730,797</u>

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

The Cooperative has unadvanced loan funds available of \$12,500,000.

Annual maturities of long-term debt due CFC for the next five years are as follows:

2026	\$ 1,264,900
2027	1,344,600
2028	1,429,500
2029	1,498,900
2030	1,517,000

**13. Other Long-Term Debt**

Following is a summary of long-term debt due to the USDA and maturing in 2029:

Interest Rate	Purpose	September 30,	
		2025	2024
0.00%	Rural Economic Development	\$ 194,517	\$ 250,072
	Less: Current Maturities	55,556	55,556
		<u>\$ 138,961</u>	<u>\$ 194,516</u>

These are non-interest bearing notes with principal only payments due monthly. Annual maturities of long-term debt due to the USDA for the next four years is as follows:

2026	\$ 55,556
2027	55,556
2028	55,556
2029	27,849

**14. USDA Rural Development Notes Payable**

Following is a summary of long-term debt due USDA Rural Development:

	September 30,	
	2025	2024
5.000% Note Maturing March, 2032	\$ 57,512	\$ 64,934
4.500% Note Maturing August, 2035	129,223	139,478
4.500% Note Maturing July, 2040	55,776	58,428
4.125% Note Maturing March, 2047	805,001	828,691
	<u>\$ 1,047,512</u>	<u>\$ 1,091,531</u>
Less: Current Maturities	45,000	43,300
	<u>\$ 1,002,512</u>	<u>\$ 1,048,231</u>

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Principal and interest installments on the above notes are due monthly in amounts of \$7,393. Annual maturities of long-term debt due USDA Rural Development for the next five years are as follows:

2026	\$ 45,000
2027	47,000
2028	49,100
2029	51,300
2030	53,600

**15. Short-Term Borrowing**

The Cooperative has a \$4,200,000 line of credit for short-term financing with CFC. There was \$0 and \$950,000 outstanding on this line of credit as of September 30, 2025 and 2024, respectively. As of September 30, 2025, the interest rate available on the line of credit is 6.05%.

The Cooperative also has a letter of credit available with CFC totaling \$500,000 with a maturity date on March 1, 2029.

**16. Lease Obligations**

The Cooperative executed lease agreements with Enterprise for vehicles with implicit interest rates ranging from 7.62% to 8.47%. The leases are multi-year leases for 48 months. The leases are considered operating leases and as such the Cooperative has recorded a right of use (ROU) lease asset and corresponding liability associated with the leases. Rent expense for the periods ending September 30, 2025 and 2024 was \$278,527 and \$195,398, respectively. The weighted average remaining lease term was 35 months at September 30, 2025.

The balance of the assets are as follows:

	September 30,	
	2025	2024
Transportation Equipment - Right of Use Assets	\$ 452,493	\$ 552,469

A schedule of future minimum lease payments under these leases is as follows:

2026	\$	234,416
2027		131,131
2028		67,246
2029		38,301
2030		28,656
	\$	499,750
Less: Current Maturities		234,416
Less: Discounts on Right of Use Assets		53,937
Present Value of Net Lease Obligations	\$	211,397

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**17. Deferred Credits**

Deferred credits consisted of the following:

	September 30,	
	2025	2024
Unpaid Capital Credits Retired	\$ 4,337	\$ 4,337
Sun Watts Energy Conservation Program	85,901	9,670
Energy Efficiency Program	87,384	249,664
	<u>\$ 177,622</u>	<u>\$ 263,671</u>

**18. Litigation**

The Cooperative maintains insurance coverage through commercial insurance carriers for liability, property damage, and various other types of loss risk. Management is unaware of any claims of lawsuits against the Cooperative that would not be covered by insurance.

**19. Pension Benefits and Benefits to Retirees**

Pension Benefits

Narrative Description

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (the 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 RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS 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 Cooperative's contributions to the RS Plan in 2025 and 2024 represented less than five percent of the total contributions made to the RS Plan by all participating employers. RS Plan pension expense for the years ended September 30, 2025 and 2024 was \$1,147,679 and \$1,064,995, respectively.

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 RS Plan was over 80% funded on January 1, 2025 and 2024 based on the PPA funding target and PPA actuarial value of assets on those dates.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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 RS Plan and may change as a result of the RS Plan experience.

The employees also participate in a 401(k) plan, a defined contribution plan provided through NRECA. The Cooperative makes monthly contributions to the plan. The cost for the Cooperative was \$102,740 and \$95,111 for the years ended September 30, 2025 and 2024, respectively.

Benefits to Retirees

The Cooperative provides post-retirement medical and life insurance benefits for eligible employees and their dependents through a plan with NRECA. For purposes of this statement, the written plan in effect is the substantive plan, and is considered a defined benefit plan.

Summary of the Plan

The retiree medical plan is a Preferred Provider Organization. Eligibility for retirement benefits are currently retired, surviving spouse, or an active employee age 55 with ten years of service by July 1, 2001. Active directors and spouses of future retirees will not become eligible for post-retirement benefits.

The retiree contributes to the benefit plan based on the following schedule of years of service:

<u>Service</u>	<u>Contributions</u>
0-9	100.00%
10-14	66.67%
15-19	33.33%
20+	0.00%

The Cooperative contributes the same amount for the retiree's dependent or surviving spouse as for the retiree.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

Net periodic post-retirement medical care costs for years ending September 30, 2025 and 2024, consisted of the following components:

	September 30,	
	<u>2025</u>	<u>2024</u>
I) Components of Periodic Net Post-Retirement Benefit Cost		
Interest Cost	\$ 85,565	\$ 92,142
Service Cost	31,566	26,438
Amortization of Prior Service Cost		170,433
Amortization of Actuarial Loss	(7,716)	(20,481)
Amortization of Regulatory Asset	87,851	36,589
Net Post-Retirement Cost Transferred to Regulatory Asset		(77,211)
Total	<u>\$ 197,266</u>	<u>\$ 227,910</u>
II) Change In Accumulated Post-Retirement Benefit Obligation (APBO)		
APBO Balance at Beginning of Year	\$ 1,860,115	\$ 1,710,545
Interest Cost	85,565	92,142
Service Cost	31,566	26,438
Actuarial (Gain) / Loss	(152,192)	166,570
Actual Benefits Paid	(125,969)	(135,580)
Net Post-Retirement Benefit Liability at Year End	<u>\$ 1,699,085</u>	<u>\$ 1,860,115</u>
III) Reconciliation of Funded Status		
APBO at Year End	\$ 1,699,085	\$ 1,860,115
Fair Value of Plan Assets at Year End		
Funded Status at Year End	<u>\$ 1,699,085</u>	<u>\$ 1,860,115</u>
IV) Amounts Recognized in the Balance Sheet		
Current Liability	\$ 138,356	\$ 168,630
Non Current Liability	<u>1,560,729</u>	<u>1,691,485</u>
Post-Retirement Benefits Other Than Pensions	<u>\$ 1,699,085</u>	<u>\$ 1,860,115</u>
V) Amounts Recognized as Accumulated Other Comprehensive Loss		
Prior Service Cost	\$	\$
Unamortized Actuarial Gain	<u>449,624</u>	<u>305,148</u>
Accumulated Other Comprehensive Income (Loss)	<u>\$ 449,624</u>	<u>\$ 305,148</u>

The information is based on the most recent USI Consulting Group full valuation calculated as of October 1, 2025.

The Cooperative funds the retiree health care premiums on a cash basis and in 2025 and 2024 paid \$125,969 and \$135,580, respectively, for retirees' health care coverage.

The weighted-average discount rate used to develop the accumulated post-retirement benefit obligation was 5.21%. The assumed health care cost trend rate is 6.50% for 2025 declining to 5.00% by 2028.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

The estimated actuarial gain for the post-retirement medical benefit plan that will be amortized from accumulated other comprehensive income into net post-retirement benefit cost over the next fiscal year is \$19,506.

Estimated future benefit payments for the next ten years are as follows:

2026	\$ 119,508
2027	102,840
2028	107,543
2029	111,520
2030	125,921
2031-2035	869,050

**20. Related Parties**

The Cooperative is represented on the Board of Directors of Arizona G&T Cooperatives, purchasing all of its electric power and transmission requirements from Arizona Electric Power Cooperative, Inc. (AEPCO). Margins earned by Arizona G&T Cooperatives have been allocated to the Cooperative, and are reflected under investments in associated organizations on the balance sheets.

The Cooperative uses departmental accounting for the Electric and Water departments. Amounts owed for each department are eliminated on the combined balance sheets. Amounts owed by each department are as follows:

	September 30,	
	2025	2024
Graham County Electric - Electric Department		
Accounts Receivable	\$ 1,145,696	\$ 1,892,666
Notes Receivable	4,008,312	4,230,996
	<u>\$ 5,154,008</u>	<u>\$ 6,123,662</u>
Graham County Electric - Water Department		
Accounts Payable	\$ 1,145,696	\$ 1,892,666
Notes Payable	4,008,312	4,230,996
	<u>\$ 5,154,008</u>	<u>\$ 6,123,662</u>

**21. Commitments and Contingencies**

The Cooperative has executed a contract to purchase all of its electric power requirements from AEPCO. The contract is effective through December 31, 2035.

As of September 30, 2025, the Cooperative has entered into several agreements for the future development of water system infrastructure related to the Ash Creek Water System project. These agreements represent commitments for future financing and grant funding; however, no funds have been received and no expenditures have been incurred as of September 30, 2025.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**22. Rate Matters**

The rates currently in effect for the electric department were approved by the ACC and were effective July 1, 2025.

The rates currently in effect for the water department were approved by the ACC and were effective July 1, 2025.

**23. Subsequent Events**

The Cooperative has evaluated subsequent events through November 20, 2025, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
ELECTRIC DEPARTMENT**

**Schedule 1**

**BALANCE SHEETS  
SEPTEMBER 30, 2025 AND 2024**

**ASSETS**

	September 30,	
	2025	2024
<b>UTILITY PLANT AT COST</b>		
Electric Plant in Service	\$ 65,921,265	\$ 65,353,934
Right of Use Lease Assets	452,493	552,469
Construction Work in Progress	445,813	889,300
	<u>\$ 66,819,571</u>	<u>\$ 66,795,703</u>
Less: Accumulated Provision for Depreciation	30,439,878	30,748,381
	<u>\$ 36,379,693</u>	<u>\$ 36,047,322</u>
<b>OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE</b>		
Investments in Associated Organizations	\$ 15,197,772	\$ 14,939,859
Notes Receivable - Less Current Portion	138,888	194,444
Notes Receivable - Affiliated Companies	4,008,312	4,230,996
Non-Utility Property - Net of Amortization	34,454	35,418
	<u>\$ 19,379,426</u>	<u>\$ 19,400,717</u>
<b>CURRENT ASSETS</b>		
Cash - General	\$ 1,601,830	\$ 200,786
Accounts Receivable (Less allowance for credit losses of \$142,991 in 2025 and \$152,698 in 2024)	1,300,001	1,748,677
Accounts Receivable - Affiliated Companies	1,145,696	1,894,070
Unbilled Revenue	753,294	225,718
Note Receivable - Current Portion	55,556	55,556
Materials and Supplies	1,247,457	1,594,161
Other Current and Accrued Assets	211,285	77,185
	<u>\$ 6,315,119</u>	<u>\$ 5,796,153</u>
<b>DEFERRED CHARGES</b>	<u>\$ 1,536,009</u>	<u>\$ 1,616,931</u>
<b>TOTAL ASSETS</b>	<u>\$ 63,610,247</u>	<u>\$ 62,861,123</u>

**EQUITIES AND LIABILITIES**

<b>EQUITIES</b>		
Memberships	\$ 30,370	\$ 29,695
Patronage Capital	30,406,130	28,717,020
Other Equities (Deficits)	(88,214)	(88,214)
Accumulated Other Comprehensive Income	449,624	305,148
	<u>\$ 30,797,910</u>	<u>\$ 28,963,649</u>
<b>LONG-TERM DEBT</b>		
CFC Mortgage Notes - Less Current Maturities	\$ 23,956,088	\$ 24,153,236
Other Long Term Debt - Less Current Maturities	138,961	194,516
Lease Obligations, Less Current Maturities	211,397	341,539
	<u>\$ 24,306,446</u>	<u>\$ 24,689,291</u>
<b>POST-RETIREMENT BENEFITS OTHER THAN PENSIONS</b>	<u>\$ 1,560,729</u>	<u>\$ 1,691,485</u>
<b>CURRENT LIABILITIES</b>		
Notes Payable - CFC Line of Credit	\$	\$ 950,000
Current Maturities of Long-Term Debt	1,245,756	1,158,556
Current Portion of APBO	138,356	168,630
Current Maturities of Lease Obligations	234,416	210,930
Accounts Payable - Purchased Power	868,507	897,293
Accounts Payable - Other	479,469	308,600
Over-Recovered Fuel Cost	2,144,008	1,992,286
Accrued Taxes	381,379	324,544
Accrued Interest	5,880	6,100
Consumer Deposits and Prepayments	427,834	378,737
Accrued Compensated Absences	576,222	616,602
Other Current and Accrued Liabilities	265,713	238,864
Patronage Capital Payable		1,885
	<u>\$ 6,767,540</u>	<u>\$ 7,253,027</u>
<b>DEFERRED CREDITS</b>	<u>\$ 177,622</u>	<u>\$ 263,671</u>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<u>\$ 63,610,247</u>	<u>\$ 62,861,123</u>

See accompanying notes to financial statements.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
ELECTRIC DEPARTMENT**

**Schedule 2**

**STATEMENTS OF INCOME, PATRONAGE CAPITAL, AND COMPREHENSIVE INCOME  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	Years Ended September 30,				Increase (Decrease)
	2025		2024		
	Amount	%	Amount	%	
<b>OPERATING REVENUES</b>					
Residential	\$ 10,676,980	50.5	\$ 10,203,242	53.2	\$ 473,738
Irrigation	2,227,411	10.5	1,776,899	9.2	450,512
Commercial and Industrial	4,977,432	23.5	5,401,547	28.1	(424,115)
Public Street and Highway Lighting	6,438	0.0	6,834	0.0	(396)
Fuel Cost - Over Billed	(151,722)	(0.7)	(738,944)	(3.8)	587,222
Unbilled Revenue	527,576	2.5	(678)	0.0	528,254
Rent from Electric Property	305,284	1.4	297,442	1.5	7,842
Other Operating Revenues	2,593,942	12.3	2,275,953	11.8	317,989
Total Operating Revenues	<u>\$ 21,163,341</u>	<u>100.0</u>	<u>\$ 19,222,295</u>	<u>100.0</u>	<u>\$ 1,941,046</u>
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 10,294,762	48.6	\$ 10,275,536	53.5	\$ 19,226
Operations	903,647	4.3	739,511	3.8	164,136
Maintenance	1,660,090	7.8	1,752,347	9.1	(92,257)
Consumer Accounts	763,781	3.6	830,678	4.3	(66,897)
Administrative and General	2,392,563	11.3	2,459,318	12.8	(66,755)
Depreciation and Amortization	2,386,590	11.3	2,199,431	11.4	187,159
Other Interest and Deductions	90,392	0.4	88,874	0.5	1,518
Total Operating Expenses	<u>\$ 18,491,825</u>	<u>87.3</u>	<u>\$ 18,345,695</u>	<u>95.4</u>	<u>\$ 146,130</u>
<b>OPERATING MARGINS - Before Fixed Charges</b>	\$ 2,671,516	12.7	\$ 876,600	4.6	\$ 1,794,916
<b>FIXED CHARGES</b>					
Interest on Long-Term Debt	<u>1,356,798</u>	<u>6.4</u>	<u>1,343,851</u>	<u>7.0</u>	<u>12,947</u>
<b>OPERATING MARGINS (LOSS) - After Fixed Charges</b>	\$ 1,314,718	6.3	\$ (467,251)	(2.4)	\$ 1,781,969
G&T Capital Credits	138,856	0.7	140,848	0.7	(1,992)
Other Capital Credits	<u>211,810</u>	<u>1.0</u>	<u>201,404</u>	<u>1.0</u>	<u>10,406</u>
<b>NET OPERATING MARGINS (LOSS)</b>	<u>\$ 1,665,384</u>	<u>8.0</u>	<u>\$ (124,999)</u>	<u>(0.7)</u>	<u>\$ 1,790,383</u>
<b>NONOPERATING MARGINS</b>					
Interest Income	\$ 21,996	0.1	\$ 22,902	0.1	\$ (906)
Other Nonoperating Income	1,730	0.0	3,142	0.0	(1,412)
	<u>\$ 23,726</u>	<u>0.1</u>	<u>\$ 26,044</u>	<u>0.1</u>	<u>\$ (2,318)</u>
<b>NET MARGINS (LOSS)</b>	\$ 1,689,110	<u>8.1</u>	\$ (98,955)	<u>(0.6)</u>	<u>\$ 1,788,065</u>
<b>OTHER COMPREHENSIVE INCOME</b>					
Prior Service Cost			171,001		
Amortization of Actuarial Loss	(7,716)		(20,481)		
Actuarial Gain (Loss)	<u>152,192</u>		<u>(166,570)</u>		
<b>COMPREHENSIVE INCOME (LOSS)</b>	\$ 1,833,586		\$ (115,005)		
Post-Retirement Benefit Obligation	(144,476)		16,050		
Patronage Capital Retired			(6,586)		
Retained Non-Operating (Margins) Loss			<u>69,112</u>		
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	<u>\$ 28,717,020</u>		<u>\$ 28,753,449</u>		
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<u>\$ 30,406,130</u>		<u>\$ 28,717,020</u>		

See accompanying notes to financial statements.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
ELECTRIC DEPARTMENT**

**Schedule 3**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	September 30,	
	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins (Loss)	\$ 1,689,110	\$ (98,955)
Adjustments to Reconcile Net Margins to Net Cash		
From Operating Activities		
Depreciation and Amortization	2,619,373	2,422,293
Post-Retirement Benefit Amortization	197,266	227,910
Capital Credit Allocations	(301,754)	(342,252)
(Increase) Decrease		
Accounts Receivable	448,676	252,021
Unbilled Revenue	(527,576)	678
Fuel Cost Over (Under) Recovered	151,722	738,944
Inventories and Prepaid Expenses	212,640	(233,149)
Deferred Charges	80,922	(1,283)
Increase (Decrease)		
Payables and Accrued Expenses	232,381	(33,030)
Deferred Credits	(86,049)	(323,192)
Net Cash From Operating Activities	<u>\$ 4,716,711</u>	<u>\$ 2,609,985</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Utility Plant	\$ (2,676,553)	\$ (4,082,922)
Cost of Removal Less Salvage Value and Other Credits	(375,167)	(101,135)
Notes Receivable	31,644	55,556
Other Property and Investments	44,805	95,957
Accounts Receivable - Affiliated Companies	971,022	(511,071)
Net Cash From Investing Activities	<u>\$ (2,004,249)</u>	<u>\$ (4,543,615)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances on CFC Long-Term Debt	\$ 1,000,000	\$ 1,500,000
Payments on Long-Term Debt to CFC	(1,109,949)	(1,029,974)
Payments on Long-Term Debt Other	(55,556)	(55,556)
Advances (Payments) on CFC Line of Credit - Net	(950,000)	950,000
Payments on Behalf of Retirees	(125,969)	(135,580)
Retirement of Patronage Capital		(6,586)
Other Equities	(70,619)	4,066
Memberships	675	275
Net Cash From Financing Activities	<u>\$ (1,311,418)</u>	<u>\$ 1,226,645</u>
<b>CHANGE IN CASH EQUIVALENTS</b>	\$ 1,401,044	\$ (706,985)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>200,786</u>	<u>907,771</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,601,830</u>	<u>\$ 200,786</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 1,356,798	\$ 1,343,851
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>		
Executed Right of Use Leases	<u>\$ 87,440</u>	<u>\$ 200,228</u>

See accompanying notes to financial statements.

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
WATER DEPARTMENT**

**Schedule 4**

**BALANCE SHEETS  
SEPTEMBER 30, 2025 AND 2024**

**ASSETS**

	September 30,	
	2025	2024
<b>UTILITY PLANT AT COST</b>		
Water Plant in Service	\$ 12,335,765	\$ 11,840,767
Construction Work in Progress	708,732	857,594
Plant Acquisition Adjustment	(32,515)	(35,206)
	<u>\$ 13,011,982</u>	<u>\$ 12,663,155</u>
Less: Accumulated Provision for Depreciation and Amortization	3,486,267	3,694,709
	<u>\$ 9,525,715</u>	<u>\$ 8,968,446</u>
<b>OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE</b>		
Investments in Associated Organizations	\$ 141,416	\$ 134,926
<b>CURRENT ASSETS</b>		
Cash - Restricted	\$ 92,694	\$ 90,758
Accounts Receivable - Customers (Less allowance for credit losses of \$1,015 in 2025 and \$939 in 2024)	99,152	200,616
Unbilled Revenue	212,729	120,485
Materials and Supplies	685,649	769,019
Other Current and Accrued Assets	21,391	4,498
Total Current Assets	<u>\$ 1,111,615</u>	<u>\$ 1,185,376</u>
Deferred Charges	\$ 87,211	\$ 104,781
<b>TOTAL ASSETS</b>	<u>\$ 10,865,957</u>	<u>\$ 10,393,529</u>

**EQUITIES AND LIABILITIES**

<b>MEMBERS' EQUITY</b>		
Patronage Capital	\$ 409,782	\$ 377,815
Other Equities (Deficits)	(888,287)	(883,731)
	<u>\$ (478,505)</u>	<u>\$ (505,916)</u>
<b>LONG-TERM DEBT</b>		
CFC Mortgage Notes Less Current Maturities	\$ 4,995,370	\$ 3,577,561
USDA Rural Development Notes Less Current Maturities	1,002,512	1,048,231
Notes Payable - Affiliated Companies	4,008,312	4,230,996
	<u>\$ 10,006,194</u>	<u>\$ 8,856,788</u>
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 119,700	\$ 93,300
Accounts Payable - Affiliated Companies	1,145,696	1,892,666
Accrued Taxes	47,493	37,715
Accrued Interest	454	361
Consumer Deposits and Prepayments	24,925	18,615
Total Current Liabilities	<u>\$ 1,338,268</u>	<u>\$ 2,042,657</u>
<b>TOTAL EQUITIES AND LIABILITIES</b>	<u>\$ 10,865,957</u>	<u>\$ 10,393,529</u>

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
WATER DEPARTMENT**

**Schedule 5**

**STATEMENTS OF INCOME (LOSS) AND PATRONAGE CAPITAL  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	September 30,		Increase (Decrease)
	2025	2024	
<b>OPERATING REVENUES</b>			
Residential	\$ 1,954,277	\$ 1,847,021	\$ 107,256
Commercial and Industrial	285,245	210,486	74,759
Sales for Resale	74,474	89,233	(14,759)
Unbilled Revenue	92,244	(11,267)	103,511
Other Operating Revenues	121,328	86,162	35,166
Total Operating Revenues	\$ 2,527,568	\$ 2,221,635	\$ 305,933
<b>OPERATING EXPENSES</b>			
Purchased Power - Pumping	\$ 68,397	\$ 63,287	\$ 5,110
Operations	225,656	89,505	136,151
Maintenance	898,157	833,266	64,891
Consumer Accounts	162,760	154,075	8,685
Administrative and General	491,892	500,059	(8,167)
Depreciation and Amortization	366,731	373,476	(6,745)
Other Interest	1,165	1,071	94
Total Operating Expenses	\$ 2,214,758	\$ 2,014,739	\$ 200,019
<b>OPERATING MARGINS - Before Fixed Charges</b>	\$ 312,810	\$ 206,896	\$ 105,914
<b>FIXED CHARGES</b>			
Interest on Long-Term Debt	295,323	242,676	52,647
<b>OPERATING MARGINS (LOSS) - After Fixed Charges</b>	\$ 17,487	\$ (35,780)	\$ 53,267
Other Capital Credits	7,988		7,988
<b>NET OPERATING MARGINS (LOSS)</b>	\$ 25,475	\$ (35,780)	\$ 61,255
<b>NONOPERATING MARGINS</b>			
Interest and Other Nonoperating Income	\$ 1,936	\$ 362	\$ 1,574
Gain on Sale of Assets		40,056	(40,056)
Total Nonoperating Margins	\$ 1,936	\$ 40,418	\$ (38,482)
<b>NET MARGINS</b>	\$ 27,411	\$ 4,638	\$ 22,773
<b>PATRONAGE CAPITAL - BEGINNING OF YEAR</b>	377,815	(10,501)	
Transfer Current Year Losses to Other Equities	4,556	383,678	
<b>PATRONAGE CAPITAL - END OF YEAR</b>	\$ 409,782	\$ 377,815	

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
WATER DEPARTMENT**

**Schedule 6**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	September 30,	
	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 27,411	\$ 4,638
Adjustments to Reconcile Net Loss to Net Cash From Operating Activities		
Depreciation and Amortization	384,779	381,822
Capital Credit Allocations	(7,988)	
Plant Acquisition Adjustment	(2,691)	(2,466)
(Increase) Decrease		
Accounts Receivable	101,464	(104,724)
Unbilled Revenue	(92,244)	11,267
Inventories and Other Current Assets	66,477	(62,666)
Deferred Charges	17,570	(20,575)
Increase (Decrease)		
Payables and Accrued Expenses	16,181	(21,501)
Net Cash From Operating Activities	\$ 510,959	\$ 185,795
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Plant	\$ (940,472)	\$ (1,112,975)
Cost of Removal Less Salvage Value and Other Credits	1,115	358
Cash - Restricted	(1,936)	(363)
Other Property and Investments	1,498	2,429
Net Cash From Investing Activities	\$ (939,795)	\$ (1,110,551)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances on Long-Term Debt to CFC	\$ 1,500,000	\$ 500,000
Payments on Long-Term Debt to CFC	(57,491)	(44,340)
Payments on Long-Term Debt to USDA	(44,019)	(41,392)
Net Advances (Payments) - Affiliated Companies	(969,654)	510,488
Net Cash From Financing Activities	\$ 428,836	\$ 924,756
<b>CHANGE IN CASH EQUIVALENTS</b>	\$ 0	\$ 0
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	0	0
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 0	\$ 0
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 250,626	\$ 242,676
Income Taxes	\$ 0	\$ 0

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
ELECTRIC DEPARTMENT**

**Schedule 7**

**ADMINISTRATIVE AND GENERAL EXPENSES  
SEPTEMBER 30, 2025 AND 2024**

	September 30,		Increase (Decrease)
	<u>2025</u>	<u>2024</u>	
Administrative and General Salaries	\$ 829,960	\$ 885,776	\$ (55,816)
Office Supplies and Expense	548,651	530,474	18,177
Outside Services Employed	62,229	90,632	(28,403)
Property Insurance	19,177	16,825	2,352
Injuries and Damages	100,598	88,263	12,335
Education and Training	397,667	339,511	58,156
Director's Fees and Education	77,006	94,079	(17,073)
Regulatory Commission Expense	40,687	58,719	(18,032)
Miscellaneous General Expense	144,931	140,529	4,402
Rents	35,216	43,365	(8,149)
Maintenance of General Plant	<u>136,441</u>	<u>171,145</u>	<u>(34,704)</u>
Total	<u>\$ 2,392,563</u>	<u>\$ 2,459,318</u>	<u>\$ (66,755)</u>

**GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.  
ELECTRIC DEPARTMENT**

**Schedule 8**

**FIVE YEAR COMPARATIVE STATEMENT OF REVENUES AND EXPENSES**

	Years Ended September 30,				
	2025	2024	2023	2022	2021
<b>OPERATING REVENUES</b>					
Residential	\$ 10,676,980	\$ 10,203,242	\$ 12,721,937	\$ 8,659,224	\$ 7,065,883
Irrigation	2,227,411	1,776,899	2,198,101	1,667,209	1,185,942
Commercial and Industrial	4,977,432	5,401,547	7,232,140	4,564,352	3,770,872
Public Street and Highway Lighting	6,438	6,834	9,243	15,970	19,604
Fuel Cost - Under (Over) Billed	(151,722)	(738,944)	(2,314,036)	2,855,680	(163,923)
Unbilled Revenue	527,576	(678)	(34,618)	(2,943)	127,220
Rent from Electric Property	305,284	297,442	280,130	261,191	257,766
Other Operating Revenues	2,593,942	2,275,953	2,130,473	2,106,236	2,037,407
Total Operating Revenues	<u>\$ 21,163,341</u>	<u>\$ 19,222,295</u>	<u>\$ 22,223,370</u>	<u>\$ 20,126,919</u>	<u>\$ 14,300,771</u>
<b>OPERATING EXPENSES</b>					
Purchased Power	\$ 10,294,762	\$ 10,275,536	\$ 14,071,223	\$ 12,058,454	\$ 6,370,179
Operations	903,647	739,511	924,256	782,442	681,275
Maintenance	1,660,090	1,752,347	1,896,159	1,577,332	1,554,961
Customer Accounts	763,781	830,678	876,896	911,117	646,868
Administrative and General	2,392,563	2,459,318	2,421,201	2,019,346	1,623,484
Depreciation and Amortization	2,386,590	2,199,431	1,639,408	1,691,858	1,575,627
Other Interest and Deductions	90,392	88,874	180,985	41,351	30,348
Total Operating Expenses	<u>\$ 18,491,825</u>	<u>\$ 18,345,695</u>	<u>\$ 22,010,128</u>	<u>\$ 19,081,900</u>	<u>\$ 12,482,742</u>
<b>OPERATING MARGINS - Before</b>					
Fixed Charges	\$ 2,671,516	\$ 876,600	\$ 213,242	\$ 1,045,019	\$ 1,818,029
Interest - Long-Term Debt	<u>1,356,798</u>	<u>1,343,851</u>	<u>1,162,066</u>	<u>962,382</u>	<u>847,167</u>
<b>OPERATING MARGINS (LOSS) - After</b>					
Fixed Charges	\$ 1,314,718	\$ (467,251)	\$ (948,824)	\$ 82,637	\$ 970,862
G&T Capital Credits	138,856	140,848	135,799	431,791	371,966
Other Capital Credits	<u>211,810</u>	<u>201,404</u>	<u>212,683</u>	<u>124,431</u>	<u>110,940</u>
<b>NET OPERATING MARGINS (LOSS)</b>	<u>\$ 1,665,384</u>	<u>\$ (124,999)</u>	<u>\$ (600,342)</u>	<u>\$ 638,859</u>	<u>\$ 1,453,768</u>
<b>NONOPERATING MARGINS (LOSS)</b>	<u>23,726</u>	<u>26,044</u>	<u>27,960</u>	<u>(21,843)</u>	<u>1,076,837</u>
<b>NET MARGINS (LOSS)</b>	<u><u>\$ 1,689,110</u></u>	<u><u>\$ (98,955)</u></u>	<u><u>\$ (572,382)</u></u>	<u><u>\$ 617,016</u></u>	<u><u>\$ 2,530,605</u></u>

**COMPLIANCE AND INTERNAL CONTROL SECTION**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**LETTER TO BOARD OF DIRECTORS REGARDING POLICIES  
CONCERNING AUDITS OF CFC BORROWERS**

Board of Directors  
Graham County Electric Cooperative, Inc.  
Pima, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Graham County Electric Cooperative, Inc. (the Cooperative), for the year ended September 30, 2025, and have issued our report thereon dated November 20, 2025.

In connection with our audits, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of Graham County Electric Cooperative, Inc. and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

November 20, 2025

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Graham County Electric Cooperative, Inc.  
Pima, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Graham County Electric Cooperative, Inc., as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Graham County Electric Cooperative, Inc.'s basic financial statements, and have issued our report thereon dated November 20, 2025.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Graham County Electric Cooperative, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Graham County Electric Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Graham County Electric Cooperative, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bolinger, Segars, Gilbert & Moss L.L.P.*

Certified Public Accountants

Lubbock, Texas

November 20, 2025