NUECES ELECTRIC COOPERATIVE, INC.

ROBSTOWN, TEXAS

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

NUECES ELECTRIC COOPERATIVE, INC.

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Independent Auditor's Report

Board of Directors
Nueces Electric Cooperative, Inc.
Robstown, Texas

Opinion

We have audited the accompanying financial statements of Nueces Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income and patronage capital, 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 Nueces Electric Cooperative, Inc. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nueces 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.

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal controls. 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 schedules of electric plant, accumulated provision for depreciation, other property and investments and administrative and general expenses are presented for purposes 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 16, 2026

NUECES ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

ASSETS

	December 31, 2025	December 31, 2024
UTILITY PLANT AT COST		
Electric Plant in Service	$ 168,316,251	$ 163,031,331
Right of Use Lease Assets	562,113	562,113
Construction Work in Progress	1,143,624	3,473,008
	$ 170,021,988	$ 167,066,452
Less: Accumulated Provision for Depreciation	44,662,101	42,291,858
	$ 125,359,887	$ 124,774,594
OTHER PROPERTY AND INVESTMENTS		
Investments in Associated Organizations	$ 60,962,276	$ 57,612,645
Other Investments - Held-To-Maturity	27,370,379	31,481,423
Other Investments - Restricted	472,986	769,462
	$ 88,805,641	$ 89,863,530
CURRENT ASSETS		
Cash - General	$ 5,100,424	$ 3,069,595
Temporary Investments	750,000	2,450,000
Other Investments - Held-To-Maturity	5,129,485	408,084
Accounts Receivable (Less allowance for credit losses of $167,513 in 2025 and $543,182 in 2024)	3,305,309	3,581,234
Accrued Unbilled Revenue	2,504,992	2,503,854
Materials and Supplies	2,340,433	2,270,750
Other Current and Accrued Assets	633,034	594,376
Total Current Assets	$ 19,763,677	$ 14,877,893
DEFERRED CHARGES	$ 0	$ 7,650
TOTAL ASSETS	$ 233,929,205	$ 229,523,667

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	$ 650,350	$ 642,120
Patronage Capital	136,726,685	129,478,452
Other Equities	13,409,904	11,761,698
Other Comprehensive Loss	(207,380)	(229,413)
	$ 150,579,559	$ 141,652,857
LONG-TERM DEBT		
CoBank Mortgage Notes	$ 49,627,383	$ 52,472,954
CFC Mortgage Notes	11,162,598	11,818,356
Right of Use Lease Liability	197,137	396,288
Less: Current Maturities	(3,446,411)	(3,656,191)
	$ 57,540,707	$ 61,031,407
OTHER LONG-TERM LIABILITIES		
Post-Retirement Benefits Less: Current Maturities	$ 209,803	$ 223,503
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 3,446,411	$ 3,656,191
Current Maturities of Post-Retirement Benefits	35,479	29,743
Accounts Payable - Purchased Power	5,799,051	4,903,885
Accounts Payable - Other	1,235,576	1,576,749
Consumer Deposits	2,829,809	2,604,262
Accrued Taxes	462,275	380,941
Accrued Interest	353,030	321,991
Patronage Capital Payable	760,055	797,144
Accrued Employee Compensated Absences	1,314,864	1,177,978
Other Current and Accrued Liabilities	432,684	445,017
Total Current Liabilities	$ 16,669,234	$ 15,893,901
DEFERRED CREDITS	$ 8,929,902	$ 10,721,999
TOTAL EQUITIES AND LIABILITIES	$ 233,929,205	$ 229,523,667

See accompanying notes to financial statements.

NUECES ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	December 31, 2025 Amount	2025 %	December 31, 2024 Amount	2024 %	Increase (Decrease)
OPERATING REVENUES					
Residential	$ 85,635,944	79.0	$ 72,612,340	74.9	$ 13,023,604
Small Commercial and Industrial	14,671,492	13.5	13,138,530	13.5	1,532,962
Large Commercial and Industrial	6,952,272	6.4	6,991,858	7.2	(39,586)
Public Street and Highway Lighting	997,747	0.9	968,301	1.0	29,446
Unbilled Revenue	1,138	0.0	173,977	0.2	(172,839)
Late Payment Penalties	896,719	0.8	794,270	0.8	102,449
Rent from Electric Property	54,816	0.1	299,785	0.3	(244,969)
Other Operating Revenues	(755,309)	(0.7)	2,143,167	2.2	(2,898,476)
Naval Base Net Margin (Loss)	43,610	0.0	(100,817)	(0.1)	144,427
Total Operating Revenues	$ 108,498,429	100.0	$ 97,021,411	100.0	$ 11,477,018
OPERATING EXPENSES					
Purchased Power	$ 74,119,443	68.3	$ 62,072,347	64.0	$ 12,047,096
Distribution - Operation	1,559,498	1.4	1,852,535	1.9	(293,037)
Distribution - Maintenance	4,286,840	4.0	4,111,880	4.2	174,960
Consumer Accounts	5,449,892	5.0	5,675,059	5.8	(225,167)
Customer Service and Information	450,659	0.4	472,873	0.5	(22,214)
Administrative and General	6,841,716	6.3	7,148,227	7.4	(306,511)
Depreciation and Amortization	4,580,277	4.2	4,714,225	4.9	(133,948)
Taxes	1,770,604	1.6	1,564,474	1.6	206,130
Other Interest	177,326	0.2	114,533	0.1	62,793
Other Deductions	136,367	0.1	314,774	0.3	(178,407)
Total Operating Expenses	$ 99,372,622	91.5	$ 88,040,927	90.7	$ 11,331,695
OPERATING MARGINS - Before Fixed Charges	$ 9,125,807	8.5	$ 8,980,484	9.3	$ 145,323
FIXED CHARGES					
Interest on Long-Term Debt	$ 2,729,871	2.5	$ 2,888,659	3.0	$ (158,788)
OPERATING MARGINS - After Fixed Charges	$ 6,395,936	6.0	$ 6,091,825	6.3	$ 304,111
G&T Capital Credits	$ 3,045,823	2.8	$ 2,964,548	3.1	$ 81,275
Other Capital Credits	938,946	0.9	1,103,111	1.1	(164,165)
	$ 3,984,769	3.7	$ 4,067,659	4.2	$ (82,890)
NET OPERATING MARGINS	$ 10,380,705	9.7	$ 10,159,484	10.5	$ 221,221
NONOPERATING MARGINS					
Interest Income	$ 1,303,105	1.2	$ 1,488,470	1.5	$ (185,365)
Other Nonoperating Income	33,399	0.0	34,695	0.0	(1,296)
Gain on Disposition of Property	50,116	0.0	52,410	0.1	(2,294)
	$ 1,386,620	1.2	$ 1,575,575	1.6	$ (188,955)
NET MARGINS	$ 11,767,325	10.9	$ 11,735,059	12.1	$ 32,266
COMPREHENSIVE INCOME (LOSS)					
Gain in OCI	4,250		5,582		
Prior Service Amortization	17,783		17,783		
COMPREHENSIVE INCOME	$ 11,789,358		$ 11,758,424		
Less: Post-Retirement Benefit Adjustment	(22,033)		(23,365)		
PATRONAGE CAPITAL - BEGINNING OF YEAR	129,478,452		121,128,048		
Patronage Capital Retired	(2,958,495)		(2,125,410)		
Unbilled Revenue Transferred to Other Equities	(173,977)		316,330		
Nonoperating Margins Transferred to Other Equities	(1,386,620)		(1,575,575)		
PATRONAGE CAPITAL - END OF YEAR	$ 136,726,685		$ 129,478,452		

See accompanying notes to financial statements.

NUECES ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	December 31, 2025	December 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	$ 11,767,325	$ 11,735,059
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities		
Depreciation and Amortization	5,597,137	5,714,179
Capital Credits - Non-Cash	(3,984,769)	(4,067,659)
(Increase) Decrease		
Accounts Receivable	275,925	176,285
Accrued Unbilled Revenue	(1,138)	(173,977)
Inventories and Other Current and Accrued Assets	(108,341)	(459,924)
Deferred Charges	7,650	800
Increase (Decrease)		
Payables and Accrued Expenses	949,634	88,874
Deferred Credits	(1,792,097)	(15,365)
Net Cash From Operating Activities	$ 12,711,326	$ 12,998,272
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	$ (5,220,224)	$ (6,954,294)
Plant Removal Costs (in excess of) Salvage and Other Credits	(962,206)	(698,577)
Purchase of Held-to-Maturity Securities	1,089,643	(2,613,807)
Other Property and Investments	931,614	569,657
Net Cash From Investing Activities	$ (4,161,173)	$ (9,697,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to CoBank	$ (2,845,571)	$ (2,739,373)
Payments on Long-Term Debt to CFC	(655,758)	(740,703)
Payments on Lease Liability	(199,151)	(165,825)
Payments on Post-Retirement Benefit Obligation	21,779	(8,537)
Other Equities	109,642	115,773
Retirement of Patronage Capital	(2,958,495)	(2,125,410)
Increase (Decrease) in Memberships - Net	8,230	49,105
Net Cash From Financing Activities	$ (6,519,324)	$ (5,614,970)
CHANGE IN CASH AND CASH EQUIVALENTS	$ 2,030,829	$ (2,313,719)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,069,595	5,383,314
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,100,424	$ 3,069,595
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	$ 2,742,513	$ 2,891,314
Income Taxes	$ 0	$ 0

See accompanying notes to financial statements.

NUECES ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Nueces Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a historically defined service area. Power delivered at retail is purchased wholesale from South Texas Electric Cooperative, Inc. Any operating revenues earned in excess of operating costs incurred are allocated to members of the Cooperative and are reflected as patronage capital in the balance sheet.

System of Accounts

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

Electric Plant, Maintenance, and Depreciation

Electric 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 electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash - general and temporary cash investments with an original maturity of 3 months or less are considered cash equivalents.

Accounts Receivable

In the normal course of business, the Cooperative recognizes accounts receivable for energy delivered and billed. The Cooperative allows 16 days from the date of the bill for payment to be received or the service is considered delinquent. Delinquent notices are sent after the due date giving the member an additional ten days to pay. The Cooperative wires division charges 5% for delinquent accounts while the NEC retail division (DBA – NEC Co-op Energy) charges 5%. If no payment is received within 26 days or a deferred payment agreement is not in place, the account is subject to disconnect.

NUECES ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

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 usage commercial loads and oil and gas production operations 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 December 31, 2025 and 2024 were as follows:

	December 31,	
	2025	2024
Balance, Beginning of Year	$ 543,182	$ 146,770
Accruals	(16,459)	512,431
Write-Offs	(407,530)	(174,797)
Recoveries	48,321	58,778
Balance, End of Year	$ 167,514	$ 543,182

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric 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 are satisfied as energy is delivered to customers. The Cooperative recognizes revenue that corresponds to the price of the energy delivered to the customer. The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2025 and 2024 amounted to $2,504,992 and $2,503,854, respectively.

The Cooperative does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature.

In 2008, the Cooperative entered into a 50 year contract with Corpus Christi and Kingsville Naval bases as part of a privatization agreement by which the Cooperative agreed to maintain the distribution plant for the federal government. The contract provided for the Cooperative to perform operations and maintenance, renewals and replacements, and special projects. Revenue for operations and maintenance is recorded when billed. Revenue for renewals and replacements is deferred and recognized upon performing the renewal or replacement for the Corpus Christi or Kingsville Naval Base (See Note 15). Revenue for special projects is recognized upon completion of the project with the profit or loss recorded to revenue.

Income Tax Status

The Cooperative is an exempt organization for federal income tax purposes under Section 501(c)(12) of the Internal Revenue Code.

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 December 31, 2025 and 2024.

Group Concentration of Credit Risk

The Cooperative's headquarters facility is located in Robstown, Texas. The service area includes members located in all or parts of an eight county area surrounding the City of Robstown. In addition, the Cooperative provides “energy only” services to members outside their traditional service territory. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative may require a deposit from new members upon connection which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. The accrued interest on all retained deposits is returned annually. As of December 31, 2025 and 2024, deposits on hand totaled $2,829,809 and $2,604,262, respectively.

Although the financial institutions in which the Cooperative has deposits are insured by agencies of the federal government, deposits at times exceeded insured amounts. The Cooperative mitigates this risk through the use of overnight sweep accounts.

NOTES TO FINANCIAL STATEMENTS

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificate. At the end of each year, the Cooperative receives an estimated allocation from its G&T power supply cooperative. In accordance with the USOA, the Cooperative records this estimated amount as income. Any difference between the estimated amount and the actual final allocation is recorded in the following year.

The G&T patronage income recognized for the 2025 and 2024 years are as follows:

	December 31,	
	2025	2024
Estimated Allocation for 2025	$ 3,092,280	$
True Up to Actual for 2024	(46,457)	
Estimated Allocation for 2024		2,980,703
True Up to Actual for 2023		(16,155)
	$ 3,045,823	$ 2,964,548

Advertising

It is the Cooperative's policy to expense advertising as incurred. Advertising expense was $1,825,298 and $1,887,166 for 2025 and 2024, respectively.

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.

Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

2. Assets Pledged

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

3. Electric Plant

The major classes of electric plant are as follows:

	December 31, 2025	December 31, 2024
Distribution Plant	$ 132,234,995	$ 127,456,687
General Plant	36,081,256	35,574,644
Right of Use Lease Assets	562,113	562,113
Total Electric Plant in Service	$ 168,878,364	$ 163,593,444
Construction Work in Progress	1,143,624	3,473,008
Total Electric Plant	$ 170,021,988	$ 167,066,452

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Distribution Plant	3.00%
Distribution Plant - Meters	14.20%
General Plant	
Structures and Improvements	2.00%
Office Furniture and Computer Equipment	14.29%-33.33%
Transportation Equipment	14.29%-21.62%
Laboratory Equipment	16.67%
Power Operated Equipment	20.00%
Communications Equipment	26.67%-33.33%
Miscellaneous Equipment	3.96%-10.00%

Depreciation and amortization for the years ended December 31, 2025 and 2024 was $5,597,137 and $5,714,179, respectively, of which $4,580,277 and $4,714,225, was charged to depreciation and amortization expense and $1,016,860 and $999,954, was allocated to other accounts.

4. Investments in Associated Organizations

Investments in associated organizations consisted of:

	December 31, 2025	December 31, 2024
CFC		
Capital Term Certificates	$ 695,819	$ 738,569
Patronage Capital	299,995	298,899
Membership	1,000	1,000
South Texas Electric Cooperative, Inc.		
Patronage Capital	53,776,672	50,730,848
Texas Electric Cooperatives, Inc.		
Patronage Capital	2,168,136	2,019,145
CoBank		
Patronage Capital	3,032,742	2,881,830
Other	987,912	942,354
Total	$ 60,962,276	$ 57,612,645

5. Other Investments – Held-to-Maturity Securities

In connection with the retirement of capital credits in future years the Cooperative has purchased U.S. Treasury Strips. These investments are designed to mature at the time the retirements are made. These investments were purchased at significant discounts. Securities classified as held-to-maturity with maturity dates between 2026 and 2038 consist of the following:

	December 31, 2025	December 31, 2024
U.S. Treasury Strips		
Maturity Amount	$ 40,921,000	$ 41,336,000
Less: Unaccreted Discount	(8,421,136)	(9,446,493)
	$ 32,499,864	$ 31,889,507

	December 31, 2025	December 31, 2024
Current Assets	$ 5,129,485	$ 408,084
Non-Current Assets	27,370,379	31,481,423
	$ 32,499,864	$ 31,889,507

The market value of the Held-to-Maturity securities was $29,204,428 and $27,431,567 as of December 31, 2025 and 2024, respectively. Securities with maturities within 12 months are considered current assets.

Declines in the fair value of any Held-to-Maturity securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment (OTTI) losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Cooperative to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on any sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

Held-to-maturity valuations are considered Level 1.

6. Temporary Investments

Temporary Investments with an original maturity of more than 3 months consisted of the following:

	December 31, 2025	December 31, 2024
CFC Select Notes	$ 750,000	$ 1,950,000
CFC Medium Term Note		500,000
	$ 750,000	$ 2,450,000

7. Other Investments – Restricted

Restricted investments consisted of the following:

	December 31, 2025	December 31, 2024
Transitional Charges Special Deposit	$ 174,776	$ 464,749
Scholarship Fund, Energy Efficiency and Economic Development	298,210	304,713
Total	$ 472,986	$ 769,462

As part of the retail competitive market, the retail division of the Cooperative ensures the energy delivery provider's payment of their energy delivery charges through a special deposit held by an indenture trustee.

8. Materials and Supplies

Materials and supplies consisted of:

	December 31, 2025	December 31, 2024
Construction Materials and Supplies	$ 2,340,433	$ 2,270,750

9. Deferred Charges

Deferred charges included the following:

	December 31, 2025	December 31, 2024
Other	$ 0	$ 7,650

10. Return of Capital

The mortgage agreements contain provisions that must be met for the Cooperative to make patronage capital retirements. These provisions include minimum equity, debt service, and earnings ratios. The Cooperative is in compliance with these provisions at December 31, 2025 and 2024. The equities and margins of the Cooperative represent 64.37% and 61.72% of the total assets at December 31, 2025 and 2024, respectively. Patronage capital totaling $2,958,495 and $2,125,410 was retired during 2025 and 2024, respectively.

11. Patronage Capital

	December 31, 2025	December 31, 2024
Beginning Patronage Capital	$ 129,478,452	$ 121,128,048
Transferred to Other Equities	(1,560,597)	(1,259,245)
Assignable	11,767,325	11,735,059
	$ 139,685,180	$ 131,603,862
Less: Current Year Retirements	2,958,495	2,125,410
Total	$ 136,726,685	$ 129,478,452

12. Other Equities

	December 31, 2025	December 31, 2024
Retired Capital Credits - Gains	$ 4,048,015	$ 3,960,405
Unassignable Margins - Unbilled Revenue	2,701,672	2,527,923
Retained Non-Operating Margins	6,660,217	5,273,370
	$ 13,409,904	$ 11,761,698

In accordance with the Cooperative's policies and procedures, the Cooperative retains non-operating margins as permanent equity.

13. Mortgage Notes – CoBank

Following is a summary of long-term debt due CoBank and maturing at various times from 2028 to 2050:

	December 31, 2025	December 31, 2024
Fixed Rate Notes - 3.33% - 4.99%	$ 49,627,383	$ 52,472,954
Less: Current Maturities	2,952,000	2,844,000
Total	$ 46,675,383	$ 49,628,954

Principal and interest installments on the above notes are due on a monthly and quarterly basis. Annual maturities of long-term debt due CoBank for the next five years are as follows:

2026	$ 2,952,000
2027	3,064,000
2028	3,177,000
2029	3,303,000
2030	3,431,000

14. Mortgage Notes – CFC

Following is a summary of long-term debt due CFC and maturing at various times from 2043 to 2052:

	December 31, 2025	December 31, 2024
Fixed Rate Notes - 3.32% - 5.05%	$ 11,162,598	$ 11,818,356
Less: Current Maturities	324,000	656,000
Total	$ 10,838,598	$ 11,162,356

Principal and interest installments on the above notes are due quarterly. Annual maturities of long-term debt due CFC for the next five years are as follows:

2026	$ 324,000
2027	337,000
2028	351,000
2029	365,000
2030	379,000

The Cooperative has $4,200,000 of loan funds available for draw from CFC.

15. Short-Term Borrowing

As of December 31, 2025 and 2024, the Cooperative had a $4,000,000 line of credit with CFC to be drawn upon as needed. The interest rate on this line of credit was 6.25% and 7.25% as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024 the Cooperative had drawn $0 and $0, respectively against this line of credit.

As of December 31, 2025 and 2024, the Cooperative had a $2,000,000 line of credit, with CoBank to be drawn upon as needed. The interest rate on this line of credit was 5.77% and 6.39% as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024 the Cooperative had drawn $0 and $0, respectively against this line of credit.

16. Right of Use Lease Assets and Liabilities

The Cooperative is obligated to a real property lease for office space. The right-of-use (ROU) assets and lease liabilities were calculated at the net present value of the guaranteed lease payments over the term of each lease using the Cooperative's incremental borrowing rate of 6.00%. The leases will expire at various dates through October 2027.

	December 31,	
	2025	2024
ROU Lease	$ 197,137	$ 396,288
	$ 197,137	$ 396,288

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

2026	$ 170,411
2027	70,393
	$ 240,804
Less: Interest	43,667
	$ 197,137
Less: Current Maturities	147,117
	$ 50,020

17. Deferred Credits

Deferred credits include the following:

	December 31, 2025	December 31, 2024
Consumer Advances for Construction	$ 1,728,127	$ 2,357,184
Corpus Christi Naval Base - Deferred Revenue	4,672,935	5,977,849
Kingsville Naval Base - Deferred Revenue	2,227,602	2,078,652
Scholarship Fund	257,748	304,714
Energy Efficiency Assistance	26,700	
Economic Development	13,190	
Other	3,600	3,600
Total	$ 8,929,902	$ 10,721,999

Consumer Advances for Construction represents refundable aid to construction on line extensions and subdivision construction contracts. Any amounts remaining anywhere from five to ten years, depending on the agreement, are forfeited to the Cooperative and charged against construction work in progress.

Corpus Christi Naval Base and Kingsville Naval Base – Deferred Revenue represents the amount billed per the contract with Corpus Christi Naval Base and Kingsville Naval Base for renewals and replacements and construction work in progress. These amounts will be recognized as qualifying renewals and replacements and construction work in progress costs as incurred.

Special Projects – Deferred Revenue represents the amounts billed for the scope of the privatization contract with Corpus Christi Naval Base and Kingsville Naval Base. As performance obligations for each contract are met, revenue will be recognized.

18. Litigation and Commitments

The Cooperative is involved in instances of litigation, and in the normal course of business there can also arise instances of unasserted claims that could potentially involve the Cooperative. The ultimate outcome of these matters cannot presently be determined. However, in management's opinion, the likelihood of any material adverse outcome is remote. Accordingly, adjustments, if any, which might result from resolution of these matters, have not been reflected in these financial statements.

19. Benefits to Retirees

On August 31, 2023, the Cooperative adopted an Early Retirement Medical Insurance Policy. The policy states that employees who retire after age 55 can access the Cooperative's medical plans until they are eligible for Medicare. Employees who retire on or after January 1, 2024, after age 62, and with 20 years of service are eligible for partial Cooperative contribution.

A prior service cost was established as of December 31, 2023 to account for the adoption of this policy. The prior service cost will be amortized over a period of 14.23 years. The prior service cost recognized on the balance sheets in other comprehensive loss totaled $(207,380) and other long-term liabilities totaled $245,282. The discount rate used as of December 31, 2025 was 5.60%.

20. Pension Benefits

Narrative Description

The Retirement and Security Plan (the RS Plan), sponsored by the NRECA 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.

Plan Information

The Cooperative's contributions to the RS Plan in 2025 and in 2024 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of $827,061 in 2025 and $814,220 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

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

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the RS Plan and may change as a result of plan experience.

In addition, the Cooperative provides retirement benefits through a 401(k) plan that is administered by NRECA SelectRe Pension plan. The Cooperative matches 3.2% of the employee's total compensation. The cost of this plan for 2025 and 2024 was $237,401 and $227,278, respectively.

21. Related Party Transactions

The Cooperative is committed to purchase its electric power from South Texas Electric Cooperative, Inc. (STEC), a cooperative of which it is a member and is represented on its Board of Directors.

During the years ended December 31, 2025 and 2024, the Cooperative purchased $74,119,443 and $62,072,347, respectively, from STEC. As of December 31, 2025 and 2024 amounts due to STEC were $5,799,051 and $4,903,885, respectively.

During the years ended December 31, 2025 and 2024, the Cooperative held a patronage capital investment with STEC in the amount of $53,776,672 and $50,730,848, respectively. The Cooperative was allocated patronage capital from STEC for the years ended December 31, 2025 and 2024 in the amount of $3,045,823 and $2,964,548, respectively.

22. Subsequent Events

The Cooperative has evaluated subsequent events through March 16, 2026, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NUECES ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2025

	Balance 1/1/2025	Additions	Retirements	Balance 12/31/2025
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Distribution Plant				
Station Equipment	$ 1,066,474	$	$	$ 1,066,474
Poles, Towers, and Fixtures	38,273,966	2,435,136	540,952	40,168,150
Overhead Conductors and Devices	27,903,811	1,372,400	385,711	28,890,500
Underground Conductors and Devices	8,714,815	267,800	37,358	8,945,257
Line Transformers	26,711,741	2,182,779	755,434	28,139,086
Services	10,083,126	212,440	38,761	10,256,805
Meters	5,323,772	105,202	29,516	5,399,458
Installations on Consumer Premises	2,425,709	173,172	117,387	2,481,494
Street Lights	1,122			1,122
Corpus Christi Naval Base Plant	5,292,231	6,360	70,939	5,227,652
Kingsville Naval Base Plant	1,659,920	40	963	1,658,997
Total	$ 127,456,687	$ 6,755,329	$ 1,977,021	$ 132,234,995
General Plant				
Land and Land Rights	$ 1,234,601	$	$	$ 1,234,601
Structures and Improvements	27,133,128	78,829		27,211,957
Office Furniture and Computer Equipment	1,098,349	183,153		1,281,502
Transportation Equipment	1,448,209	72,192		1,520,401
Laboratory Equipment	164,422			164,422
Power Operated Equipment	4,300,227	427,062	287,667	4,439,622
Communications Equipment	41,558			41,558
Miscellaneous Equipment	154,150	33,043		187,193
Total	$ 35,574,644	$ 794,279	$ 287,667	$ 36,081,256
Total Classified Electric Plant in Service	$ 163,031,331	$ 7,549,608	$ 2,264,688	$ 168,316,251
Right of Use Lease Assets	562,113			562,113
Construction Work in Progress	3,473,008	(2,329,384)		1,143,624
Total	$ 167,066,452	$ 5,220,224	$ 2,264,688	$ 170,021,988

NUECES ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2025

	Balance 1/1/2025	Accruals	Retirements	Balance 12/31/2025
Distribution Plant				
Distribution Plant	$ 24,316,444	$ 3,793,802	$ 3,019,109	$ 25,091,137
Corpus Christi Naval Base	4,113,764	257,548	70,940	4,300,372
Kingsville Naval Base	1,267,868	81,251	963	1,348,156
Total Distribution Plant	$ 29,698,076	$ 4,132,601	$ 3,091,012	$ 30,739,665
General Plant				
Structures and Improvements	$ 7,548,240	$ 688,498	$	$ 8,236,738
Office Furniture and Computer Equipment	754,713	94,916		849,629
Transportation Equipment	1,227,757	104,968		1,332,725
Laboratory Equipment	164,425			164,425
Power Operated Equipment	3,066,561	373,941	287,667	3,152,835
Communication Equipment	41,557			41,557
Miscellaneous Equipment	138,830	3,062		141,892
Total General Plant	$ 12,942,083	$ 1,265,385	$ 287,667	$ 13,919,801
Total Classified Electric Plant in Service	$ 42,640,159	$ 5,397,986	$ 3,378,679	$ 44,659,466
Right of Use Assets	165,825	199,151		364,976
Retirement Work in Progress	(514,126)		(151,785)	(362,341)
Total	$ 42,291,858	$ 5,597,137	$ 3,226,894	$ 44,662,101
		(1)	(2)	

(1) Depreciation

Charged to Depreciation and Amortization Expense	$ 4,580,277
Charged to Clearing and Other Accounts	1,016,860
	$ 5,597,137

(2) Net Loss on Retirement

Original Cost	$ 2,264,688
Cost of Removal	1,145,353
Less: Salvage and Other Credits	183,147
	$ 3,226,894

NUECES ELECTRIC COOPERATIVE, INC.

Schedule 3

OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2025 AND 2024

	December 31, 2025	December 31, 2024
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Memberships	$ 2,135	$ 2,135
Patronage Capital		
South Texas Electric Cooperative, Inc.	53,776,672	50,730,848
Texas Electric Cooperatives, Inc.	2,168,136	2,019,145
National Information Solutions Cooperative	193,478	191,653
National Rural Utilities Cooperative Finance Corporation	299,995	298,899
CoBank	3,032,742	2,881,830
Federated Insurance	651,876	616,699
Cooperative Response Center	20,995	19,939
National Rural Telecommunications Cooperative	110,754	110,667
Other	9,674	2,261
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	695,819	738,569
Total	$ 60,962,276	$ 57,612,645
HELD-TO-MATURITY SECURITIES		
Treasury Strips	$ 27,370,379	$ 31,481,423
Other Investments - Restricted		
Transition Charge Special Deposit	$ 174,776	$ 464,749
Scholarship Fund	298,210	304,713
Total	$ 472,986	$ 769,462

NUECES ELECTRIC COOPERATIVE, INC.

Schedule 4

ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	December 31, 2025	December 31, 2024	Increase (Decrease)
Administrative and General Salaries	$ 1,666,159	$ 1,725,815	$ (59,656)
Office Supplies and Expenses	872,307	825,953	46,354
Outside Services Employed	182,598	443,421	(260,823)
Workmen's Compensation, General Liability, and Other Insurance	454,071	384,459	69,612
Regulatory Commission Expense	438,015	471,659	(33,644)
Directors' Fees and Expenses	173,493	176,334	(2,841)
Dues to Associated Organizations	116,580	114,222	2,358
Annual Meeting Expense	174,258	170,689	3,569
Advertising Expenses	1,825,298	1,887,166	(61,868)
Miscellaneous General Expenses	566,341	508,235	58,106
Maintenance of General Plant	372,596	440,274	(67,678)
Total	$ 6,841,716	$ 7,148,227	$ (306,511)