




# **Delta-Montrose Electric Association**

## **Independent Auditor's Report and Consolidated Financial Statements**

December 31, 2025 and 2024



**Delta-Montrose Electric Association  
Contents  
December 31, 2025 and 2024**

---

**Independent Auditor’s Report**..... 1

**Consolidated Financial Statements**

    Balance Sheets ..... 4

    Statements of Margins ..... 6

    Statements of Patronage Capital and Other Equities ..... 8

    Statements of Cash Flows ..... 9

    Notes to Financial Statements ..... 11

**Consolidating Information**

    Consolidating Schedule – Balance Sheet Information – December 31, 2025..... 28

    Consolidating Schedule – Statement of Margins – Year Ended December 31, 2025..... 30

    Consolidating Schedule – Balance Sheet Information – December 31, 2024..... 32

    Consolidating Schedule – Statement of Margins – Year Ended December 31, 2024..... 34

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of the Consolidated Financial Statements Performed in  
Accordance with *Government Auditing Standards* – Independent Auditor’s Report**..... 36

## Independent Auditor's Report

Board of Directors  
Delta-Montrose Electric Association and Subsidiary  
Montrose, Colorado

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of Delta-Montrose Electric Association and Subsidiary (the Association) which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of margins, patronage capital and other equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2025 and 2024, and the results of their operations and their 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 Consolidated Financial Statements" section of our report. We are required to be independent of the Association, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements**

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

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated 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 consolidated 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 consolidated 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 Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

***Consolidating and Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the Association's basic consolidated financial statements. The consolidated schedules are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2026, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 Association's internal control over financial reporting and compliance.

**Forvis Mazars, LLP**

**Salt Lake City, Utah  
April 22, 2026**

**Delta-Montrose Electric Association**  
**Consolidated Balance Sheets**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Utility Plant/Fixed Assets at Cost</b>		
Electric plant in service	\$ 343,907,429	\$ 317,331,479
Other property and equipment	43,378,983	29,907,184
Construction work in progress	20,461,227	22,919,979
	<u>407,747,639</u>	<u>370,158,642</u>
Less: accumulated provision for depreciation and amortization	150,131,062	137,952,196
	<u>257,616,577</u>	<u>232,206,446</u>
<b>Other Property and Investment at Cost or Stated Value</b>		
Investments in associated organizations	7,219,167	6,737,603
Other investments	55,017	58,219
	<u>7,274,184</u>	<u>6,795,822</u>
<b>Current Assets</b>		
Cash - general	5,763,821	6,304,625
Cash - restricted	1,252,075	1,711,081
Accounts receivable (less allowance for uncollectibles of \$272,571 and \$161,624, respectively)	8,155,764	6,094,473
Accrued unbilled revenue	6,511,006	6,474,629
Materials and supplies (at average cost)	7,569,279	8,811,229
Other current and accrued assets	1,521,021	996,292
	<u>30,772,966</u>	<u>30,392,329</u>
<b>Other Assets</b>		
Deferred debits	714,383	1,374,860
Goodwill	940	-
Intangibles	99,904	99,904
	<u>815,227</u>	<u>1,474,764</u>
<b>Total Assets</b>	<u>\$ 296,478,954</u>	<u>\$ 270,869,361</u>

**Delta-Montrose Electric Association  
Consolidated Balance Sheets  
December 31, 2025 and 2024**

**(Continued)**

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES AND MEMBERS' EQUITIES</b>		
<b>Members' Equities</b>		
Patronage capital	\$ 68,065,488	\$ 66,114,856
Other equities	<u>5,163,246</u>	<u>3,508,226</u>
	<u>73,228,734</u>	<u>69,623,082</u>
<b>Long-Term Debt</b>		
NRUCFC mortgage notes, less current maturities	94,011,059	83,951,993
CoBank mortgage notes, less current maturities	<u>44,028,182</u>	<u>46,225,912</u>
	<u>138,039,241</u>	<u>130,177,905</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	8,123,918	6,482,244
Line of credit	4,000,000	-
Accounts payable	8,819,558	9,342,643
Accrued taxes	2,949,492	2,399,609
Accrued employee payroll and compensated absences	2,318,246	1,907,496
Accrued interest	<u>590,070</u>	<u>611,342</u>
	<u>26,801,284</u>	<u>20,743,334</u>
<b>Other Liabilities</b>		
Deferred credits	<u>58,409,695</u>	<u>50,325,040</u>
<b>Total Liabilities and Members' Equities</b>	<u>\$ 296,478,954</u>	<u>\$ 270,869,361</u>

**Delta-Montrose Electric Association  
Consolidated Statements of Margins  
Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating Revenues</b>		
Residential	\$ 42,325,929	\$ 41,926,749
Irrigation sales	207,801	220,494
Small commercial	17,303,271	17,059,696
Large commercial	9,964,777	9,552,814
Street lighting and public buildings	687,999	706,710
Telecom services	18,257,685	15,018,850
Other operating revenues	<u>6,624,634</u>	<u>7,686,721</u>
<b>Total Operating Revenues</b>	<u>95,372,096</u>	<u>92,172,034</u>
<b>Operating Expenses</b>		
Purchase power	39,211,949	37,933,943
Cost of internet services	4,773,463	3,838,524
Hydro and transmission	37,800	144,828
Distribution - operation	5,786,435	5,190,772
Distribution - maintenance	4,197,533	4,423,508
Customer accounts	1,812,280	1,113,742
Customer service and information	338,034	281,118
Sales and marketing	1,127,037	1,000,269
Administrative and general	12,237,641	9,950,001
Depreciation and amortization	14,257,793	12,631,445
Property taxes	<u>2,337,368</u>	<u>2,068,772</u>
<b>Total Operating Expenses</b>	<u>86,117,333</u>	<u>78,576,922</u>
<b>Operating Margins - Before Fixed Charges</b>	<u>9,254,763</u>	<u>13,595,112</u>
<b>Fixed Charges</b>		
Interest on long-term debt	5,664,884	4,762,843
Amortization of debt cost	<u>254,687</u>	<u>254,687</u>
<b>Operating Margins - After Fixed Charges</b>	3,335,192	8,577,582
<b>Other Capital Credits</b>	<u>1,316,062</u>	<u>1,142,636</u>
<b>Net Operating Margins</b>	<u>4,651,254</u>	<u>9,720,218</u>
<b>Nonoperating Margins (Loss)</b>		
Interest income	513,565	466,529
Loss on disposal of assets	(643,367)	(63,625)
Other expenses	(130,049)	-
Other nonoperating loss	<u>(150,700)</u>	<u>(187,626)</u>
	<u>(410,551)</u>	<u>215,278</u>

**Delta-Montrose Electric Association  
Consolidated Statements of Margins  
Years Ended December 31, 2025 and 2024**

**(Continued)**

---

	<u>2025</u>	<u>2024</u>
Net Margins Before Provision For Income Taxes	4,240,703	9,935,496
Provision For Income Tax Benefit (Expense)	<u>(414,955)</u>	<u>3,263,013</u>
Net Margins	<u>\$ 3,825,748</u>	<u>\$ 13,198,509</u>

**Delta-Montrose Electric Association**  
**Consolidated Statements of Patronage Capital and Other Equities**  
**Years Ended December 31, 2025 and 2024**

---

	<u>Patronage Capital</u>	<u>Other Equities</u>	<u>Total Equities</u>
<b>Balance, January 1, 2024</b>	\$ 63,373,165	\$ (3,474,552)	\$ 59,898,613
Net margins	6,319,057	6,879,452	13,198,509
Distributions (net) and other	<u>(3,577,366)</u>	<u>103,326</u>	<u>(3,474,040)</u>
<b>Balance, December 31, 2024</b>	66,114,856	3,508,226	69,623,082
Net margins	2,304,194	1,521,554	3,825,748
Distributions (net) and other	<u>(353,562)</u>	<u>133,466</u>	<u>(220,096)</u>
<b>Balance, December 31, 2025</b>	<u>\$ 68,065,488</u>	<u>\$ 5,163,246</u>	<u>\$ 73,228,734</u>

**Delta-Montrose Electric Association**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Cash Flows from Operating Activities</b>		
Net margins	\$ 3,825,748	\$ 13,198,509
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation and amortization	14,257,793	12,631,445
Depreciation charged to other accounts	1,017,965	1,041,614
Amortization of debt costs	254,687	254,687
Deferred income taxes	414,954	(3,265,819)
Capital credits allocated	(1,316,061)	(1,142,637)
Deferred charges	660,477	(526,882)
Deferred credits	(2,116,949)	(1,468,434)
Changes in		
Accounts receivable and unbilled revenue	(331,288)	(306,408)
Notes receivable	-	11,836
Inventories and other current assets	767,221	(1,581,757)
Payables and accrued expenses	54,276	(1,025,471)
<b>Net Cash Provided by Operating Activities</b>	<u>17,488,823</u>	<u>17,820,683</u>
<b>Cash Flows from Investing Activities</b>		
Additions to utility plant and other property and equipment	(34,427,239)	(37,483,704)
Salvage over (under) plant removal costs	175,350	(25,361)
Cash paid in acquisition of subsidiary, net of costs	(7,889,320)	-
Proceeds from other investments	3,202	3,790,000
Investments in associated organizations	834,497	493,621
<b>Net Cash Used in Investing Activities</b>	<u>(41,303,510)</u>	<u>(33,225,444)</u>
<b>Cash Flows from Financing Activities</b>		
Advances from NRUCFC - long-term debt	16,500,000	2,500,000
Payments on long-term debt - NRUCFC	(5,142,035)	(4,114,420)
Advances from CoBank - long-term debt	-	10,000,000
Payments on long-term debt - CoBank	(2,109,642)	(1,887,657)
Net activity on lines of credit	4,000,000	(5,000,000)
Proceeds from grants	9,786,650	13,069,306
Capital credit retirements - cash	(220,096)	(3,474,040)
<b>Net Cash Provided by Financing Activities</b>	<u>22,814,877</u>	<u>11,093,189</u>

**Delta-Montrose Electric Association  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2025 and 2024**

**(Continued)**

	<u>2025</u>	<u>2024</u>
<b>Change in Cash, Cash Equivalents, and Restricted Cash</b>	(999,810)	(4,311,572)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	<u>8,015,706</u>	<u>12,327,278</u>
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	<u>\$ 7,015,896</u>	<u>\$ 8,015,706</u>
Cash and cash equivalents	\$ 5,763,821	\$ 6,304,625
Restricted cash	<u>1,252,075</u>	<u>1,711,081</u>
<b>Total Cash, Cash Equivalents, and Restricted Cash Shown on the Consolidated Statements of Cash Flows</b>	<u>\$ 7,015,896</u>	<u>\$ 8,015,706</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 6,006,437	\$ 5,083,670
Amounts due back from seller of subsidiary for E-ACAM adjustment subsequent to closing recorded as a receivable	\$ 1,565,380	\$ -
<p>The Company purchased all of the outstanding equity securities of a Colorado telecom company for \$6,323,940, net of adjustments. In conjunction with the acquisition, liabilities were assumed as follows:</p>		
Fair value of assets acquired	\$ 6,685,940	
Cash paid for subsidiary, net of acquisition reconciling adjustments	<u>6,323,940</u>	
Liabilities assumed	<u>\$ 362,000</u>	

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

### ***Nature of Operations***

Delta-Montrose Electric Association (DMEA) and Subsidiaries (the Association) is a Colorado nonprofit corporation organized to provide electric service at the retail level to residential and commercial accounts in Montrose and Delta counties and the surrounding areas. Power delivered at retail is purchased wholesale primarily from Guzman Energy. Any revenues earned in excess of costs incurred are allocated to members of the Association and are reflected as patronage capital equity on the consolidated balance sheets.

DMEA Utilities Services, LLC (DMEAUS) is a for-profit corporation organized as a provider of telecommunications exchange, local access, long distance, internet and video services to customers in a service area located in Colorado, doing business as Elevate. DMEAUS is a wholly-owned subsidiary of the Association.

Delta County Tele-Comm, Inc. (DCTC) is a for-profit corporation organized as a provider of telecommunications exchange, local access, long distance, internet and video services to customers in a service area located around Delta, Colorado. DCTC is a wholly-owned subsidiary of the DMEAUS.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Delta-Montrose Electric Association and its wholly-owned subsidiaries, DMEAUS and DCTC. All material intercompany transactions have been eliminated.

### ***Use of Estimates***

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***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 an 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.

### ***Electric Revenue***

The Association's headquarters facility is located in Montrose, Colorado. The service area includes members located in Montrose and Delta counties and surrounding areas.

The Association's rates for the sale of electricity are determined by the Board of Directors. The Association recognizes sales of electricity on the accrual basis.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

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 Association 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 Association 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 \$6,511,006 and \$6,474,629, respectively.

The Association does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature. The Association presents its revenues net of any excise or sales taxes or fees.

***DMEAUS & DCTC Revenues***

Generally, revenues that are derived from customers are cancellable on a short-term basis and are billed monthly and recognized as revenue in the month that the performance obligation is fulfilled. Monthly service plan revenues derived from local services and recurring special access revenues are billed and recognized in the month that service is provided. Usage sensitive revenues (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service was provided.

Sales of equipment and other services that are provided are considered to be separate performance obligations. When equipment and installation is a distinct performance obligation, the Association records the sale of the equipment when the customer takes possession of the products and services are accepted by the customer.

Revenue recognized from fixed term contracts that bundle services or equipment is allocated based on the standalone selling price of all required performance obligations of the contract and any discounts are recognized over the contract term. Promotional discounts relating to bundled services are attributed to each required component of the bundled services. There were no material costs to acquire customer contracts that would be required to be deferred and amortized over the contract period. The amount of installation charges that have not been billed as of December 31, 2025 and 2024 were determined to be insignificant.

***Cash and Cash Equivalents***

For purposes of the consolidated statements of cash flows, the Association considers cash-general, cash-restricted, and temporary cash investments purchased with a maturity of three months or less to be cash equivalents. At December 2025 and 2024, cash equivalents consisted of investments in NRUCFC select notes with maturities of less than three months.

At December 31, 2025, the Association's cash accounts exceeded federally insured limits by approximately \$25,000.

***Accounts Receivable***

Accounts receivable are stated at the amount of consideration from customers of which the Association has an unconditional right to receive. Unbilled revenue arises when electricity has been delivered but amounts have not yet been billed due to the timing of the various billing cycles. The Association provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

During the years ended December 31, 2025 and 2024, credit loss expense related to doubtful accounts receivable, where collectability is not reasonably assured, was \$279,345 and \$108,739, respectively.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

***Inventories***

Materials and supplies inventories are valued at average unit cost.

***Equities in Associated Organizations***

Investments in other cooperatives' equities are carried at cost, plus the Association's share of allocated equities. For 2025 and 2024, the equity instruments were determined to not have readily determinable fair values and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. No impairment or observable price changes were recorded during 2025 and 2024. Because these instruments do not have a readily determinable fair value, the Association does not believe it is practicable to estimate the fair value.

***Long-Lived Asset Impairment***

The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

***Income Taxes***

DMEA is exempt from federal income tax under Internal Revenue Service (IRS) Section 501(c)(12). The state of Colorado recognizes this exemption for state income tax purposes.

DMEAUS and DCTC are recognized as C corporations for income tax purposes. DMEAUS and DCTC account for income taxes in accordance with income tax accounting guidance (Accounting Standards Codification 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. DMEAUS and DCTC determine deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more-likely-than-not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more-likely-than-not" means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

DMEA, DMEAUS and DCTC file income tax returns in the federal and state jurisdictions.

***Regulatory Accounting***

Accounting Standards Codification Section 980, *Regulated Operations*, permits some items to be deferred at the discretion of the Board of Directors, which has budgetary and rate-setting authority, if it is probable that these amounts will be refunded or recovered through future rates. As a result, the Association has recorded certain deferred credits and debits (regulatory assets).

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

***Debt Issuance Costs***

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

***Taxes Collected from Customers and Remitted to Governmental Authorities***

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of margins on a net basis.

***Government Assistance***

The Association has elected to account for government grants by analogizing to International Accounting Standard 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Under this model government assistance is not recognized until there is reasonable assurance (similar to the “probable” threshold in U.S. generally accepted accounting principles) that (1) any conditions attached to the assistance will be met, and (2) the assistance will be received. Once there is reasonable assurance that the conditions will be met, the earnings impact of government grants are recorded “on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.”

The Association has elected to account for grants designated for the construction of property, plant and equipment under the income approach and recognizes the grant proceeds as deferred grant revenue on the consolidated balance sheet. Deferred grant revenue is amortized to income over the useful life of the asset.

Cash proceeds for grants designated for the construction of property, plant, and equipment are presented as financing activities in the statement of cash flows.

***Goodwill***

The Association elected the private company accounting alternative for identifiable intangible assets in a business combination. Under this alternative, certain customer-related intangible assets and noncompetition agreements are subsumed into goodwill and are no longer required to be recognized separately in the accounting for a business combination.

The Association also has elected the private company accounting alternative for amortizing goodwill. Under this alternative, goodwill is amortized on a straight-line basis over 10 years. The Association tests goodwill for impairment when there is a triggering event indicating that the fair value of the entity may be below its carrying amount. The Association also elected the accounting alternative for evaluating goodwill impairment triggering events and performs a goodwill impairment triggering event evaluation only as of the end of each reporting period.

In testing goodwill for impairment, the Association has the option first to perform a qualitative assessment to determine whether it is more likely than not that goodwill is impaired or the entity can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**Note 2. Property, Plant, and Equipment**

The major classes of plant are as follows:

	<u>2025</u>	<u>2024</u>
<b>Utility Plant</b>		
Hydro plant	\$ 20,093,624	\$ 20,093,624
Transmission plant	23,952,590	23,916,473
Distribution plant	147,412,576	144,485,496
Fiber plant	122,819,578	100,498,756
General plant	<u>29,629,061</u>	<u>28,337,130</u>
Electric plant in service	343,907,429	317,331,479
Other property and equipment	43,378,983	29,907,184
Construction work in progress	<u>20,461,227</u>	<u>22,919,979</u>
	<u>407,747,639</u>	<u>370,158,642</u>
Accumulated depreciation		
Hydro plant	(6,767,615)	(6,217,388)
Transmission plant	(4,809,234)	(4,299,381)
Distribution plant	(83,175,993)	(79,792,514)
Fiber plant	(15,147,036)	(11,302,237)
General plant	(20,374,736)	(19,602,460)
Other property and equipment	<u>(19,856,448)</u>	<u>(16,738,216)</u>
	<u>(150,131,062)</u>	<u>(137,952,196)</u>
<b>Net Utility Plant</b>	<u><u>\$ 257,616,577</u></u>	<u><u>\$ 232,206,446</u></u>

The Association provides for depreciation of plant as follows:

Hydro plant	2.50%
Transmission plant	2.75%
Distribution plant	2.30% - 8.00%
General plant	
Structures and improvements	3.00%
Transportation equipment	16.99%
Power operated equipment	10.99% - 16.99%
All other general plant	6.00% - 16.00%

Depreciation for the year ended December 31, 2025 was \$15,275,758, of which \$14,257,793 was charged to depreciation expense and \$1,017,965 allocated to other accounts. Depreciation for the year ended December 31, 2024 was \$13,673,059, of which \$12,631,445 was charged to depreciation expense, and \$1,041,614 allocated to other accounts.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**Note 3. Investments**

Investments in associated organizations consist of the following:

	<u>2025</u>	<u>2024</u>
NRUCFC		
Capital term certificates	\$ 1,107,529	\$ 1,238,379
Patronage capital	1,188,232	1,144,202
Membership	1,000	1,000
Western United Electric Supply Corp		
Patronage capital	3,459,696	3,081,360
Federated Insurance		
Patronage capital	463,670	433,860
Other	999,040	838,802
	<u>\$ 7,219,167</u>	<u>\$ 6,737,603</u>

Other investments consist of the following:

	<u>2025</u>	<u>2024</u>
Notes receivable - geothermal loans	<u>\$ 55,017</u>	<u>\$ 58,219</u>

**Note 4. Restricted Cash and Temporary Investments**

Restricted cash consists of the following:

	<u>2025</u>	<u>2024</u>
Uncompahgre Valley Water Users Association	<u>\$ 1,252,075</u>	<u>\$ 1,711,081</u>

DMEA had an agreement with the Uncompahgre Valley Water Users Association (UVWUA) for construction of a hydroelectric generation facility. This agreement gave Delta-Montrose Electric Association water rights for the facility at no cost for the term of the debt that would be utilized to construct the facility. During the year ended December 31, 2013, the hydroelectric generation facility became operational. Annually, the amount of any power cost savings less expenses related to this facility are split 50/50 with UVWUA, with UVWUA's portion being DMEA's cost of water rights from UVWUA. DMEA has the right under the agreement to invest UVWUA's share in permitted investments.

For the years ended December 31, 2025 and 2024, UVWUA's share was \$1,252,075 and \$1,711,081, respectively. Once all debt obligations are satisfied, DMEA has the right to either acquire a 50% interest in the facility in exchange for agreeing to forego any future rental payments, or market and sell 50% of the power generated by the facility.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

**Note 5. Materials and Supplies (at Average Cost)**

Materials and supplies consist of the following:

	<u>2025</u>	<u>2024</u>
Electric inventory	\$ 3,070,811	\$ 2,833,512
Special equipment inventory	1,695,219	1,652,721
Vehicle inventory	32,760	40,246
Fiber optic inventory	1,442,896	2,005,037
Other	1,327,593	2,279,713
	<u>\$ 7,569,279</u>	<u>\$ 8,811,229</u>

**Note 6. Deferred Debits**

Deferred debits consist of the following:

	<u>2025</u>	<u>2024</u>
Deposits	\$ 443,870	\$ 830,243
Deferred income taxes, net	-	187,809
Other	270,513	356,808
	<u>\$ 714,383</u>	<u>\$ 1,374,860</u>

**Note 7. Intangibles**

DMEAUS has acquired netblock, which is a range of Internet Protocol (IP) addresses that a specific Internet Service Provider or data center owns and can assign at will. A portion of the netblock was sold in prior years with a remaining balance of \$99,904 as of December 31, 2025 and 2024. The netblock has an indefinite life and as such, the cost is not amortized.

**Note 8. Income Taxes**

DMEA is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code as long as 85% of its revenue is from members for the sole purpose of meeting expenses and losses. For the years ended December 31, 2025 and 2024, the Association qualified for exemption. However, the Association is engaged in unrelated trades or businesses and is subject to the Unrelated Business Income Tax imposed on tax-exempt entities by Section 511 of the Internal Revenue Code. Principal sources of unrelated business income activities for 2025 and 2024 consist of dispatching services and intercompany fiber leases.

DMEAUS and DCTC are taxed as a C-corporation for federal and state income tax reporting purposes and files applicable corporate income tax returns on a consolidated basis.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

For losses arising in tax years beginning before January 1, 2018, net operating losses (NOLs) were generally allowed to be carried back for a period of up to two years for offsetting prior years' taxable income or carried forward for a period not to exceed 20 years for offsetting future taxable income. For losses arising in tax years beginning after December 31, 2017, the carry forward period is indefinite. Also, for losses arising in taxable years beginning after December 31, 2017, the net operating loss deduction for taxable years beginning after December 31, 2020, is limited to 80% of the excess (if any) of taxable income over the total net operating loss deduction. At December 31, 2025, the total NOL carryovers available to each entity are as follows:

	<b>Pre - 2018 (20-Year Carryover)</b>	<b>Expires</b>	<b>Post - 2017 (Indefinite Carryover)</b>	<b>Total</b>
DMEA	\$ 18,275	2036	\$ 45,477,906	\$ 45,496,181
DMEAUS and DCTC	<u>1,668,539</u>	2037	<u>23,540,901</u>	<u>25,209,440</u>
	<u>\$ 1,686,814</u>		<u>\$ 69,018,807</u>	<u>\$ 70,705,621</u>

Income taxes are provided for tax effects of transactions reported in the consolidated financial statements and consist of taxes due currently plus deferred taxes. Because the Association and DMEAUS / DCTC file separately, current and deferred taxes, if any, are recorded separately based on the taxable income and temporary differences of each.

Each entity follows the asset and liability method for reporting income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the DMEA's and DMEAUS' / DCTC's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized and settled. As changes in the tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Deferred federal and state income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. Principal sources of deferred federal and state income taxes are NOL carryovers and accelerated depreciation. It is anticipated the NOL carryovers available will be fully utilized before expiring. Therefore, a valuation allowance for the related deferred tax asset is not recorded.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

In accordance with ASU 2015-17, Income Taxes, the Association classifies all deferred income tax assets and liabilities as noncurrent. Components of net deferred federal tax asset (liability) recognized in the consolidated financial statements are as follows:

	<u>2025</u>	<u>2024</u>
<b>Deferred Tax Assets</b>		
Charitable contributions	\$ 109,745	\$ 72,923
State NOL carryforwards	3,051,891	2,039,625
Federal NOL carryforwards	14,848,198	10,016,973
Deferred grant revenue	8,967,900	6,967,800
Intangible assets	91,800	73,100
Bad debt reserve	13,400	(1,100)
	<u>27,082,934</u>	<u>19,169,321</u>
<b>Deferred Tax Liabilities</b>		
Depreciation	<u>(27,310,079)</u>	<u>(18,981,512)</u>
<b>Net Deferred Tax Asset (Liability)</b>	<u>\$ (227,145)</u>	<u>\$ 187,809</u>

The components of the provision for federal and state tax benefit (expense) are as follows:

	<u>2025</u>	<u>2024</u>
Federal Income Taxes		
Current tax expense	\$ -	\$ -
Deferred tax benefit (expense)	(343,051)	2,698,528
State Income Taxes		
Current tax expense	-	-
Deferred tax benefit (expense)	<u>(71,904)</u>	<u>564,485</u>
Income Tax Benefit (Expense)	<u>\$ (414,955)</u>	<u>\$ 3,263,013</u>

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

DMEA files its income tax return in the U.S. federal jurisdiction. DMEAUS and DCTC file consolidated income tax returns in the U.S. federal jurisdiction and in the state of Colorado. Each are no longer subject to U.S. federal jurisdictions for the years before 2018. DMEAUS and DCTC are no longer subject to income tax examinations by Colorado state taxing authorities for years before 2017. The Association recognizes interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2025 and 2024.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**Note 9. Return of Capital**

The security and loan agreements underlying certain notes contain certain restrictions on distributions to patrons. The Association may make a distribution, in any amount, as long as the total equity of the Association is at least 20% of its total assets. In the event that total equity of the Association will be less than 20% of total assets, the Association may make a distribution in an amount up to 30% of the Association's total margins for the preceding calendar year. In addition, the Association is required to maintain certain financial ratios as outlined within the loan agreement. The equities and margins of the Association represent 24.7% and 25.7% of the total assets as of December 31, 2025 and 2024, respectively. Additionally, the Association retired \$353,562 and \$3,577,366 during the years ended December 31, 2025 and 2024, respectively. The Association retires capital on a FIFO (first-in, first-out) method.

**Note 10. Long-Term Debt**

Following is a summary of long-term debt with scheduled maturities at various times through 2054:

	<u>2025</u>	<u>2024</u>
NRUCFC; fixed rate notes ranging from 2.8% to 5.5% in 2025 and 2024, respectively	\$ 92,013,392	\$ 79,528,026
NRUCFC; fixed rate CREBs notes at 4.30% (A)	10,173,588	11,300,990
CoBank; fixed rate notes		
3.56% Note	1,808,624	2,051,178
3.70% Note	4,626,586	5,080,346
3.77% Note	5,064,448	5,498,472
3.84% Note	4,333,477	4,521,136
4.29% Note	12,277,330	12,661,893
4.44% Note	4,141,666	4,266,704
4.85% Note	4,113,948	4,255,825
5.22% Note	<u>9,859,834</u>	<u>10,000,000</u>
	148,412,893	139,164,570
Less unamortized debt issuance costs	(2,249,734)	(2,504,421)
Less current maturities	<u>(8,123,918)</u>	<u>(6,482,244)</u>
	<u>\$ 138,039,241</u>	<u>\$ 130,177,905</u>

(A) The Association participated in the federal loan program for Clean Renewable Energy Bonds (CREBs) to finance renewable energy projects. The Association received federal tax credits in lieu of a portion of the traditional bond interest, resulting in a lower effective interest rate for the Association. As of December 31, 2025 and 2024, the Association has outstanding notes of \$10,173,588 and \$11,300,990, respectively.

In 2019, the Association paid off all Federal Financing Bank (FFB) debt early by refinancing it with NRUCFC, resulting in debt costs of \$3,820,304 to be amortized over the maturity of the new debt (15 years). Amortization was \$254,687 for the years ended December 31, 2025 and 2024. The effective interest rate was approximately 4% for the years ended December 31, 2025 and 2024.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

As of December 31, 2025, the annual maturities of long-term debt due are as follows:

2026	\$ 8,123,918
2027	8,445,800
2028	8,679,888
2029	8,948,969
2030	9,080,504
Thereafter	<u>105,133,814</u>
	<u>\$ 148,412,893</u>

As of December 31, 2025 and 2024, the Association has unadvanced funds available of \$45,000,000 and \$16,500,000, respectively.

Substantially all assets are pledged as security for the long-term debt to CoBank and to NRUCFC.

**Note 11. Lines of Credit**

The Association has a perpetual \$5,000,000 line of credit for short-term financing with NRUCFC and a \$5,000,000 line of credit with CoBank, both at variable interest rates. At December 31, 2025 and 2024, the Association had \$4,000,000 and \$0, respectively, outstanding on these lines of credit.

**Note 12. Deferred Credits**

Deferred credits consist of the following:

	<u>2025</u>	<u>2024</u>
Customer advances and aid to construction	\$ 206,544	\$ 112,305
Energy prepayments	376,899	417,654
Unclaimed capital credits	3,480,497	3,613,762
Deferred revenue plan	17,500,000	17,500,000
DMEAUS deferred revenue	1,866,806	1,819,001
Deferred revenue - grants	34,068,144	26,119,207
Deferred revenue - IRU fiber	657,682	716,143
Deferred income taxes	227,145	-
Other	<u>25,978</u>	<u>26,968</u>
	<u>\$ 58,409,695</u>	<u>\$ 50,325,040</u>

During the year ended December 31, 2012, the Association adopted a Deferred Revenue Plan in accordance with Accounting Standards Codification 980, *Regulated Operations*. This plan, and its subsequent amendments, was designed to help offset the potential increase of power cost in future years. The balance of this deferred revenue as of December 31, 2025 and 2024 was \$17,500,000 and \$17,500,000, respectively, and expected to be recognized over the years of 2026 through 2030.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

The current portion of deferred debits includes the portion of grants expected to be realized in the following year (within 12 months of year-end).

**Note 13. Broadband Initiatives Program Grant**

In 2021 and 2022, DMEA signed agreements with the United States Department of Agriculture Rural Utilities Service (RUS) under its Broadband Initiatives Program. In accordance with the Agreement, DMEA shall receive grants in the amount of \$25,947,217 over a maximum five-year period to finance the construction of a broadband infrastructure project (Project) to serve certain designated areas in DMEA's electric service territory.

Under the grant, the RUS retains a security interest in the property and, accordingly, must provide consent for the sale of the property to a third party or affiliate. In addition, the agreement contains other provisions including an obligation to provide broadband services for the term of the agreement and the composite economic life (27 years) of the facilities financed by the grant; a requirement to maintain a positive cash balance; and certain restrictions on distributions to stockholders or members and, investment in, or loans to others. DMEA is restricted from making any distributions, except as might be specifically authorized in writing in advance by the RUS, unless 75% of the Grant funds have been expended as approved if after such distribution, the Grantee's net worth is equal to at least 20% of its total assets and the amount of all such distributions during the calendar year does not exceed 25% of the Grantee's net income or net margins for the prior calendar year. Further, Grant funds expended with an affiliate, or other specified related parties, are limited to an amount which is the lower of cost or market rate and the transactions, contracts or dealings must have received the prior written consent of RUS.

At December 31, 2025, DMEA has submitted requests for funds in the amount of \$17,397,393 related to the Project. At December 31, 2025, the financial statements reflect \$0 as an account receivable with \$16,360,663 reflected as deferred revenue to be amortized over the life of the plant investment (\$677,231 was amortized in 2025) and a \$0 reduction in operating expenses.

At December 31, 2024, DMEA has submitted requests for funds in the amount of \$9,190,604 related to the Project. At December 31, 2024, the financial statements reflect \$0 as an account receivable with \$8,831,105 reflected as deferred revenue to be amortized over the life of the plant investment (\$320,499 was amortized in 2024) and a \$12,000 reduction in operating expenses.

**Note 14. Revenue from Contracts with Customers**

***Performance Obligations***

Revenue is measured as the amount of consideration the Association expects to receive in exchange for transferring distinct goods or providing services to customers. The Association's revenue consists substantially of communications services and ancillary equipment offered to customers.

***Electric Revenues***

The Association's rates for the sale of electricity are determined by the Board of Directors. The Association recognizes sales of electricity on the accrual basis.

Substantially all operating revenues are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Association recognizes revenue that corresponds to the price of the energy delivered to the customer.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

The Association offers voice including calling features, video and internet services on a standalone basis. Each service is considered distinct and therefore accounted for as separate performance obligations. Voice, video and internet service revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs. Customary terms require payment within 25 days from the bill date, and for certain customers, installation fees may be required in advance of service. Billing is completed at the beginning of the month of service.

**Telecommunications Revenues**

Generally, revenues that are derived from customers are cancellable on a short-term basis and are billed monthly and recognized as revenue in the month that the performance obligation is fulfilled. Monthly service plan revenues derived from local services and recurring special access revenues are billed and recognized in the month that service is provided. Usage sensitive revenues (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service was provided.

Sales of equipment and other services that are provided are considered to be separate performance obligations. When equipment and installation is a distinct performance obligation, the Association records the sale of the equipment when the customer takes possession of the products and services are accepted by the customer.

**Government Support Revenues**

Government support revenues consist of assistance from the Federal Universal Service Fund as described in "Regulatory Matters," Note 19. Government support revenue is not considered a contract with a customer and is outside the scope of Topic 606; however, the Association has elected to account for government support revenues by analogy to Topic 606.

**Disaggregation of Revenue**

The following table presents the Association's revenues disaggregated by the timing of such revenue recognized during the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Timing of revenue and recognition		
At a point in time	\$ 254,809	\$ 271,951
Over a period of time	92,003,165	89,806,359
Revenue out of scope of ASC 606	<u>3,114,122</u>	<u>2,093,724</u>
Total	<u>\$ 95,372,096</u>	<u>\$ 92,172,034</u>

The Association has determined that the nature, amount, timing and uncertainty of revenue and cash flows are not materially affected by any factors such as geography of service location, customer type, or service line.

**Contract Balances**

The following table provides information about the Association's receivables from contracts with customers:

	<u>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	\$ 6,094,473	\$ 6,491,200
Accounts receivable, end of year	\$ 6,590,384	\$ 6,094,473

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

***Significant Judgments***

For contracts where access is made available over time, the Association recognizes revenue over the contract period for which the customer has subscribed to service. The Association measures a contract's progress based on days expired over the total monthly contract period, a so-called output method.

***Accounting Policies***

For sales and other similar taxes collected from customers on behalf of third parties, the Association is applying an accounting policy election, which permits an entity to exclude from revenue (transaction price) any amounts collected from customers on behalf of governmental authorities, such as sales taxes, use tax, and other similar taxes collected concurrent with revenue-producing activities. Therefore, the Association presents revenue net of sales taxes and similar revenue-based taxes.

**Note 15. Pension Benefits**

***Defined Benefit Plan***

***Narrative Description***

The 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.

***Plan Information***

The Association'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. The Association made contributions to the RS Plan of \$617,627 in 2025 and \$618,882 in 2024. There have been no significant changes that affect the comparability of the 2025 and 2024 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the 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.

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.

***Defined Contribution Plan***

The Association also participates in a 401(k) plan, a defined contribution plan provided through NRECA. The Association makes monthly contributions to the plan. The cost for the Association was \$1,326,518 and \$1,009,581 for the years ended December 31, 2025 and 2024, respectively.

## **Note 16. Litigation, Commitments, and Contingencies**

Management represents there is no pending or threatened litigation against the Association at December 31, 2025 that would materially affect the Association's financial condition.

DMEA continues to monitor developments related to tariffs and trade policy; however, due to the current level of uncertainty, it is not possible at this time to assess the likelihood of a significant impact on the Association.

## **Note 17. Related-Party Transactions and Power Supply Arrangements**

The Association's wholesale power contract is with Guzman Energy and is in effect until 2033. Purchased power amounted to \$39,211,949 and \$37,933,943 for 2025 and 2024, respectively.

The Association is also a member (and, therefore, part owner) of NRUCFC. The Association finances utility plant additions (see Note 11) and purchases commercial paper and select term notes through NRUCFC. Equities in associated organizations include \$1,188,232 and \$1,144,202 of patronage capital in NRUCFC at December 31, 2025 and 2024, respectively. Revenue is recognized from the investment when the Association is notified of their patronage allocation, and the investment account is increased accordingly.

The Association has executed a subscription agreement with NRUCFC. As of December 31, 2025 and 2024, the Association has invested \$1,107,529 and \$1,238,379 in 3% to 5% subordinate certificates, respectively, which mature from 2025 to 2080.

The Association is also a member (and, therefore, part owner) of CoBank. Equities in associated organizations include \$607,339 and \$464,114 of patronage capital in CoBank at December 31, 2025 and 2024, respectively. Revenue is recognized from the investment when the Association is notified of their patronage allocation, and the investment account is increased accordingly.

The Association is also a member (and, therefore, part owner) of Western United Electric Supply Corporation (Western United). The Association purchases utility plant materials from Western United. Equities in associated organizations include \$3,459,696 and \$3,081,360 of patronage capital in Western United at December 31, 2025 and 2024, respectively. Revenue is recognized from the investment when the Association is notified of their patronage allocation, and the investment account is increased accordingly. Purchases from Western United were \$8,024,558 and \$7,770,727 in 2025 and 2024, respectively.

The Association is also a member (and, therefore, part owner) of Federated Rural Electric Insurance Exchange (Federated). Equities in associated organizations include \$463,670 and \$433,860 of patronage capital in Federated at December 31, 2025 and 2024, respectively. Revenue is recognized from the investment when the Association is notified of their patronage allocation, and the investment account is increased accordingly.

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

**Note 18. Business Acquisition**

On February 27, 2025, the Association entered into a Securities Purchase Agreement (the “Agreement”) for the purchase and sale of 100% of the issued and outstanding equity securities of a telecom company located in Colorado (“Acquiree”, the acquisition is referred to as the “Acquisition”). The acquisition includes transferring the Acquiree’s network infrastructure, customer accounts, and operational responsibilities to the Association.

Upon closing of the Acquisition on June 2, 2025, the Seller agreed to sell, transfer, assign, and deliver to the Buyer (the Association) 100% of the issued and outstanding equity securities of the Acquiree, free and clear of all encumbrances. In 2025, the Association incurred approximately \$130,000 of acquisition-related third-party costs. The expenses are included in general and administrative expenses in the Association’s consolidated statement of margins for the year ended December 31, 2025.

The goodwill of \$940 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the Association and Acquiree.

The following table summarizes the consideration paid for Acquiree and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date. The Association obtained a third-party valuation of certain tangible and intangible assets.

**Fair Value of Consideration Transferred**

Cash paid	\$ 8,014,000
E-ACAM and other adjustments to purchase price	<u>(1,690,060)</u>
Total	<u>6,323,940</u>

**Recognized Amounts of Identifiable Assets**

**Acquired and Liabilities Assumed**

Accounts receivable	201,000
Inventories	48,000
Prepays and other current assets	2,000
Property and equipment	6,434,000
Accounts payable	(227,000)
Accrued expenses	<u>(135,000)</u>
	<u>6,323,000</u>

<b>Goodwill</b>	<u><u>\$ 940</u></u>
-----------------	----------------------

**Delta-Montrose Electric Association**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

---

**Note 19. Regulatory Matters**

The manner in which access revenues and Universal Service funds are determined has been modified in several recent Federal Communications Commission (FCC) proceedings. Changes include modifications to rate-of-return support, including caps on the recovery of certain expenditures, and reductions in terminating access charges billed with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers. These changes by the FCC created various support mechanisms which allowed eligible rate-of-return carriers to elect an Alternative Connect America Model (A-CAM II, A-CAM II, or Enhanced A-CAM) option or remain a legacy rate-of-return carrier.

DCTC, acquired in 2025 (see Note 18), previously elected to accept the Enhanced Alternative Connect America Model (Enhanced A-CAM or E-ACAM) offered by the FCC. Enhanced E-ACAM replaces certain rate-of-return funding mechanisms. DCTC continues to receive E-ACAM funds after being acquired. DCTC received E-ACAM funds of approximately \$416,000 during 2025 post acquisition. DCTC is eligible to receive the following amounts in future years as follows:

	<u>Amounts</u>
2026	\$ 713,892
2027	608,887
2028	503,882
2029	503,882
2031	503,882
2032	503,882
2033	503,882
2034	503,882
2035	503,882
2036	503,882
2037	503,882
2038	503,882

**Note 20. Subsequent Events**

The Association’s management has evaluated subsequent events through April 22, 2026, the date which the financial statements were available for issue.

In February 2026, the Association borrowed an additional \$7,500,000 from CFC on a thirty-year note.

## ***Consolidating Information***

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Balance Sheet Information**  
**December 31, 2025**

	<u>DMEA</u>	<u>DMEAUS</u>	<u>DCTC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>ASSETS</b>					
<b>Utility Plant/Fixed Assets at Cost</b>					
Electric plant in service	\$ 343,907,429	\$ -	\$ -	\$ -	\$ 343,907,429
Other property and equipment	1,490,553	36,092,312	5,796,118	-	43,378,983
Construction work in progress	16,706,213	3,491,774	263,240	-	20,461,227
	362,104,195	39,584,086	6,059,358	-	407,747,639
Less: accumulated provision for depreciation and amortization	131,559,982	18,372,261	198,819	-	150,131,062
	230,544,213	21,211,825	5,860,539	-	257,616,577
<b>Other Property and Investments at Cost or Stated Value</b>					
Investments in associated organizations	7,153,608	65,559	-	-	7,219,167
Investments in affiliated company	(3,429,289)	6,279,419	-	(2,850,130)	-
Other investments	16,536,872	-	-	(16,481,855)	55,017
	20,261,191	6,344,978	-	(19,331,985)	7,274,184
<b>Current Assets</b>					
Cash - general	5,404,457	208,890	150,474	-	5,763,821
Cash - restricted	1,252,075	-	-	-	1,252,075
Current portion of notes receivable	1,034,476	-	-	(1,034,476)	-
Accounts receivable (less allowance for uncollectibles of \$272,571)	4,980,333	2,646,942	528,489	-	8,155,764
Accounts receivable - affiliated	16,337,951	(170,990)	-	(16,166,961)	-
Accrued unbilled revenue	6,511,006	-	-	-	6,511,006
Materials and supplies (at average cost)	6,241,686	1,327,593	-	-	7,569,279
Other current and accrued assets	930,459	449,497	141,065	-	1,521,021
	42,692,443	4,461,932	820,028	(17,201,437)	30,772,966
<b>Other Assets</b>					
Deferred debits	714,383	1,374,400	-	(1,374,400)	714,383
Goodwill	-	-	940	-	940
Intangibles	-	99,904	-	-	99,904
	714,383	1,474,304	940	(1,374,400)	815,227
<b>Total Assets</b>	<u>\$ 294,212,230</u>	<u>\$ 33,493,039</u>	<u>\$ 6,681,507</u>	<u>\$ (37,907,822)</u>	<u>\$ 296,478,954</u>

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Balance Sheet Information**  
**December 31, 2025**

**(Continued)**

	<u>DMEA</u>	<u>DMEAUS</u>	<u>DCTC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
<b>Members' Equities</b>					
Patronage capital	\$ 68,065,488	\$ -	\$ -	\$ -	\$ 68,065,488
Other equities	5,163,246	(3,429,289)	6,279,419	(2,850,130)	5,163,246
	<u>73,228,734</u>	<u>(3,429,289)</u>	<u>6,279,419</u>	<u>(2,850,130)</u>	<u>73,228,734</u>
<b>Long-Term Debt</b>					
NRUCFC mortgage notes, less current maturities	94,011,059	-	-	-	94,011,059
CoBank mortgage notes, less current maturities	44,028,182	-	-	-	44,028,182
DMEA note payable, less current maturities	-	16,481,855	-	(16,481,855)	-
	<u>138,039,241</u>	<u>16,481,855</u>	<u>-</u>	<u>(16,481,855)</u>	<u>138,039,241</u>
<b>Current Liabilities</b>					
Current maturities of long-term debt	8,123,918	1,034,476	-	(1,034,476)	8,123,918
Line of credit, current	4,000,000	-	-	-	4,000,000
Accounts payable	7,661,752	1,070,835	86,971	-	8,819,558
Accounts payable - affiliated	-	16,207,744	(40,783)	(16,166,961)	-
Accrued taxes	2,429,584	353,830	166,078	-	2,949,492
Accrued employee payroll and compensated absences	2,318,246	-	-	-	2,318,246
Accrued interest	590,070	-	-	-	590,070
	<u>25,123,570</u>	<u>18,666,885</u>	<u>212,266</u>	<u>(17,201,437)</u>	<u>26,801,284</u>
<b>Other Liabilities</b>					
Deferred credits	57,820,685	1,773,588	189,822	(1,374,400)	58,409,695
<b>Total Liabilities and Members' Equities</b>	<u>\$ 294,212,230</u>	<u>\$ 33,493,039</u>	<u>\$ 6,681,507</u>	<u>\$ (37,907,822)</u>	<u>\$ 296,478,954</u>

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Statement of Margins and Patronage Capital Information**  
**Year Ended December 31, 2025**

	<b>DMEA</b>	<b>DMEAUS</b>	<b>DCTC</b>	<b>Eliminating Entries</b>	<b>Consolidated Total</b>
<b>Operating Revenues</b>					
Residential	\$ 42,325,929	\$ -	\$ -	\$ -	\$ 42,325,929
Irrigation sales	207,801	-	-	-	207,801
Small commercial	17,303,271	-	-	-	17,303,271
Large commercial	9,964,777	-	-	-	9,964,777
Street lighting and public buildings	687,999	-	-	-	687,999
Telecom services	-	16,490,381	1,771,546	(4,242)	18,257,685
Other operating revenues	11,055,487	(59,330)	107,367	(4,478,890)	6,624,634
<b>Total Operating Revenues</b>	<b>81,545,264</b>	<b>16,431,051</b>	<b>1,878,913</b>	<b>(4,483,132)</b>	<b>95,372,096</b>
<b>Operating Expenses</b>					
Purchase power	39,211,949	-	-	-	39,211,949
Cost of internet services	-	8,604,956	651,639	(4,483,132)	4,773,463
Hydro and transmission	37,800	-	-	-	37,800
Distribution - operation	5,786,435	-	-	-	5,786,435
Distribution - maintenance	4,197,533	-	-	-	4,197,533
Customer accounts	1,690,592	37,198	84,490	-	1,812,280
Customer service and information	338,034	-	-	-	338,034
Sales and marketing	342,396	752,461	32,180	-	1,127,037
Administrative and general	8,933,902	2,700,983	602,756	-	12,237,641
Depreciation and amortization	10,694,121	3,364,852	198,820	-	14,257,793
Property taxes	2,088,738	210,232	38,398	-	2,337,368
<b>Total Operating Expenses</b>	<b>73,321,500</b>	<b>15,670,682</b>	<b>1,608,283</b>	<b>(4,483,132)</b>	<b>86,117,333</b>
<b>Operating Margins - Before Fixed Charges</b>	<b>8,223,764</b>	<b>760,369</b>	<b>270,630</b>	<b>-</b>	<b>9,254,763</b>
<b>Fixed Charges</b>					
Interest on long-term debt	5,664,884	1,141,627	-	(1,141,627)	5,664,884
Amortization of debt cost	254,687	-	-	-	254,687
<b>Operating Margins - After Fixed Charges</b>	<b>2,304,193</b>	<b>(381,258)</b>	<b>270,630</b>	<b>1,141,627</b>	<b>3,335,192</b>
<b>Other Capital Credits</b>	<b>1,298,747</b>	<b>17,315</b>	<b>-</b>	<b>-</b>	<b>1,316,062</b>
<b>Net Operating Margins</b>	<b>3,602,940</b>	<b>(363,943)</b>	<b>270,630</b>	<b>1,141,627</b>	<b>4,651,254</b>
<b>Nonoperating Margins (Loss)</b>					
Interest income	1,655,192	-	-	(1,141,627)	513,565
Affiliated company - income from operations	(462,658)	(16,866)	-	479,524	-
Other expenses	-	(130,049)	-	-	(130,049)
Gain (loss) on disposal of assets	(251,039)	(104,832)	(287,496)	-	(643,367)
Other nonoperating income (loss)	(214,332)	63,632	-	-	(150,700)
	<b>727,163</b>	<b>(188,115)</b>	<b>(287,496)</b>	<b>(662,103)</b>	<b>(410,551)</b>

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Statement of Margins and Patronage Capital Information**  
**Year Ended December 31, 2025** **(Continued)**

	<u>DMEA</u>	<u>DMEAUS</u>	<u>DCTC</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>Net Margins Before</b>					
<b>Provision For Income Taxes</b>	4,330,103	(552,058)	(16,866)	479,524	4,240,703
<b>Provision For Income Expense</b>	(504,355)	89,400	-	-	(414,955)
<b>Net Margins</b>	<u>\$ 3,825,748</u>	<u>\$ (462,658)</u>	<u>\$ (16,866)</u>	<u>\$ 479,524</u>	<u>\$ 3,825,748</u>

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Balance Sheet Information**  
**December 31, 2024**

	DMEA	DMEAUS	Eliminating Entries	Consolidated Total
<b>ASSETS</b>				
<b>Utility Plant/Fixed Assets at Cost</b>				
Electric plant in service	\$ 317,331,479	\$ -	\$ -	\$ 317,331,479
Other property and equipment	1,490,553	28,416,631	-	29,907,184
Construction work in progress	18,413,039	4,506,940	-	22,919,979
	337,235,071	32,923,571	-	370,158,642
Less: accumulated provision for depreciation and amortization	122,454,465	15,497,731	-	137,952,196
	214,780,606	17,425,840	-	232,206,446
<b>Other Property and Investments at Cost or Stated Value</b>				
Investments in associated organizations	6,684,165	53,438	-	6,737,603
Investments in affiliated company	(2,966,631)	-	2,966,631	-
Other investments	17,574,551	-	(17,516,332)	58,219
	21,292,085	53,438	(14,549,701)	6,795,822
<b>Current Assets</b>				
Cash - general	5,807,865	496,760	-	6,304,625
Cash - restricted	1,711,081	-	-	1,711,081
Temporary investments	-	-	-	-
Current portion of notes receivable	991,159	-	(991,159)	-
Accounts receivable (less allowance for uncollectibles of \$161,624)	5,243,300	851,173	-	6,094,473
Accounts receivable - affiliated	5,741,834	1,211,964	(6,953,798)	-
Accrued unbilled revenue	6,474,629	-	-	6,474,629
Materials and supplies (at average cost)	6,531,516	2,279,713	-	8,811,229
Other current and accrued assets	887,393	108,899	-	996,292
	33,388,777	4,948,509	(7,944,957)	30,392,329
<b>Other Assets</b>				
Deferred debits	1,187,051	1,285,000	(1,097,191)	1,374,860
Intangibles	-	99,904	-	99,904
	1,187,051	1,384,904	(1,097,191)	1,474,764
<b>Total Assets</b>	<b>\$ 270,648,519</b>	<b>\$ 23,812,691</b>	<b>\$ (23,591,849)</b>	<b>\$ 270,869,361</b>

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Balance Sheet Information**  
**December 31, 2024**

(Continued)

	DMEA	DMEAUS	Eliminating Entries	Consolidated Total
<b>LIABILITIES AND MEMBERS' EQUITY</b>				
<b>Members' Equities</b>				
Patronage capital	\$ 66,114,856	\$ -	\$ -	\$ 66,114,856
Other equities	3,508,226	(2,966,631)	2,966,631	3,508,226
	<u>69,623,082</u>	<u>(2,966,631)</u>	<u>2,966,631</u>	<u>69,623,082</u>
<b>Long-Term Debt</b>				
NRUCFC mortgage notes, less current maturities	83,951,993	-	-	83,951,993
CoBank mortgage notes, less current maturities	46,225,912	-	-	46,225,912
DMEA note payable, less current maturities	-	17,516,332	(17,516,332)	-
	<u>130,177,905</u>	<u>17,516,332</u>	<u>(17,516,332)</u>	<u>130,177,905</u>
<b>Current Liabilities</b>				
Current maturities of long-term debt	6,482,244	991,159	(991,159)	6,482,244
Line of credit, current	-	-	-	-
Accounts payable	8,833,615	509,028	-	9,342,643
Accounts payable - affiliated	1,211,964	5,741,834	(6,953,798)	-
Accrued taxes	2,197,641	201,968	-	2,399,609
Accrued employee payroll and compensated absences	1,907,496	-	-	1,907,496
Accrued interest	611,342	-	-	611,342
	<u>21,244,302</u>	<u>7,443,989</u>	<u>(7,944,957)</u>	<u>20,743,334</u>
<b>Other Liabilities</b>				
Deferred credits	49,603,230	1,819,001	(1,097,191)	50,325,040
<b>Total Liabilities and Members' Equities</b>	<u><u>\$ 270,648,519</u></u>	<u><u>\$ 23,812,691</u></u>	<u><u>\$ (23,591,849)</u></u>	<u><u>\$ 270,869,361</u></u>

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Statement of Margins and Patronage Capital Information**  
**Year Ended December 31, 2024**

	DMEA	DMEAUS	Eliminating Entries	Consolidated Total
<b>Operating Revenues</b>				
Residential	\$ 41,926,749	\$ -	\$ -	\$ 41,926,749
Irrigation sales	220,494	-	-	220,494
Small commercial	17,059,696	-	-	17,059,696
Large commercial	9,552,814	-	-	9,552,814
Street lighting and public buildings	706,710	-	-	706,710
Telecom services	-	15,018,850	-	15,018,850
Other operating revenues	11,540,904	(197,464)	(3,656,719)	7,686,721
<b>Total Operating Revenues</b>	<b>81,007,367</b>	<b>14,821,386</b>	<b>(3,656,719)</b>	<b>92,172,034</b>
<b>Operating Expenses</b>				
Purchase power	37,933,943	-	-	37,933,943
Cost of internet services	-	7,495,243	(3,656,719)	3,838,524
Hydro and transmission	144,828	-	-	144,828
Distribution - operation	5,190,772	-	-	5,190,772
Distribution - maintenance	4,423,508	-	-	4,423,508
Customer accounts	1,113,742	-	-	1,113,742
Customer service and information	281,118	-	-	281,118
Sales and marketing	301,743	698,526	-	1,000,269
Administrative and general	7,965,215	1,984,786	-	9,950,001
Depreciation and amortization	9,412,597	3,218,848	-	12,631,445
Property taxes	1,903,309	165,463	-	2,068,772
<b>Total Operating Expenses</b>	<b>68,670,775</b>	<b>13,562,866</b>	<b>(3,656,719)</b>	<b>78,576,922</b>
<b>Operating Margins - Before Fixed Charges</b>	<b>12,336,592</b>	<b>1,258,520</b>	<b>-</b>	<b>13,595,112</b>
<b>Fixed Charges</b>				
Interest on long-term debt	4,762,843	794,381	(794,381)	4,762,843
Amortization of debt cost	254,687	-	-	254,687
<b>Operating Margins - After Fixed Charges</b>	<b>7,319,062</b>	<b>464,139</b>	<b>794,381</b>	<b>8,577,582</b>
<b>Other Capital Credits</b>	<b>1,111,724</b>	<b>30,912</b>	<b>-</b>	<b>1,142,636</b>
<b>Net Operating Margins</b>	<b>8,430,786</b>	<b>495,051</b>	<b>794,381</b>	<b>9,720,218</b>
<b>Nonoperating Margins (Loss)</b>				
Interest income	1,260,910	-	(794,381)	466,529
Affiliated company - income from operations	243,834	-	(243,834)	-
Other expenses	-	-	-	-
Loss on disposal of assets	102,787	(166,412)	-	(63,625)
Other nonoperating income (loss)	(223,731)	36,105	-	(187,626)
	<b>1,383,800</b>	<b>(130,307)</b>	<b>(1,038,215)</b>	<b>215,278</b>

**Delta-Montrose Electric Association**  
**Consolidating Schedule – Statement of Margins and Patronage Capital Information**  
**Year Ended December 31, 2024** **(Continued)**

---

	<u>DMEA</u>	<u>DMEAUS</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
<b>Net Margins Before</b>				
<b>Provision For Income Taxes</b>	9,814,586	364,744	(243,834)	9,935,496
<b>Provision For Income Tax Expense (Benefit)</b>	<u>3,383,923</u>	<u>(120,910)</u>	<u>-</u>	<u>3,263,013</u>
<b>Net Margins</b>	<u>\$ 13,198,509</u>	<u>\$ 243,834</u>	<u>\$ (243,834)</u>	<u>\$ 13,198,509</u>

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of the Consolidated Financial Statements Performed  
in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Board of Directors  
Delta-Montrose Electric Association  
Montrose, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Delta-Montrose Electric Association (the Association), which comprise the Association's consolidated balance sheet as of December 31, 2025 and 2024, and the related consolidated statements of margins and patronage capital and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 22, 2026. The financial statements of DMEAUS which is included in the Association's consolidated financial statements, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with DMEAUS.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 consolidated 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 or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Association's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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.

**Forvis Mazars, LLP**

**Salt Lake City, Utah  
April 22, 2026**