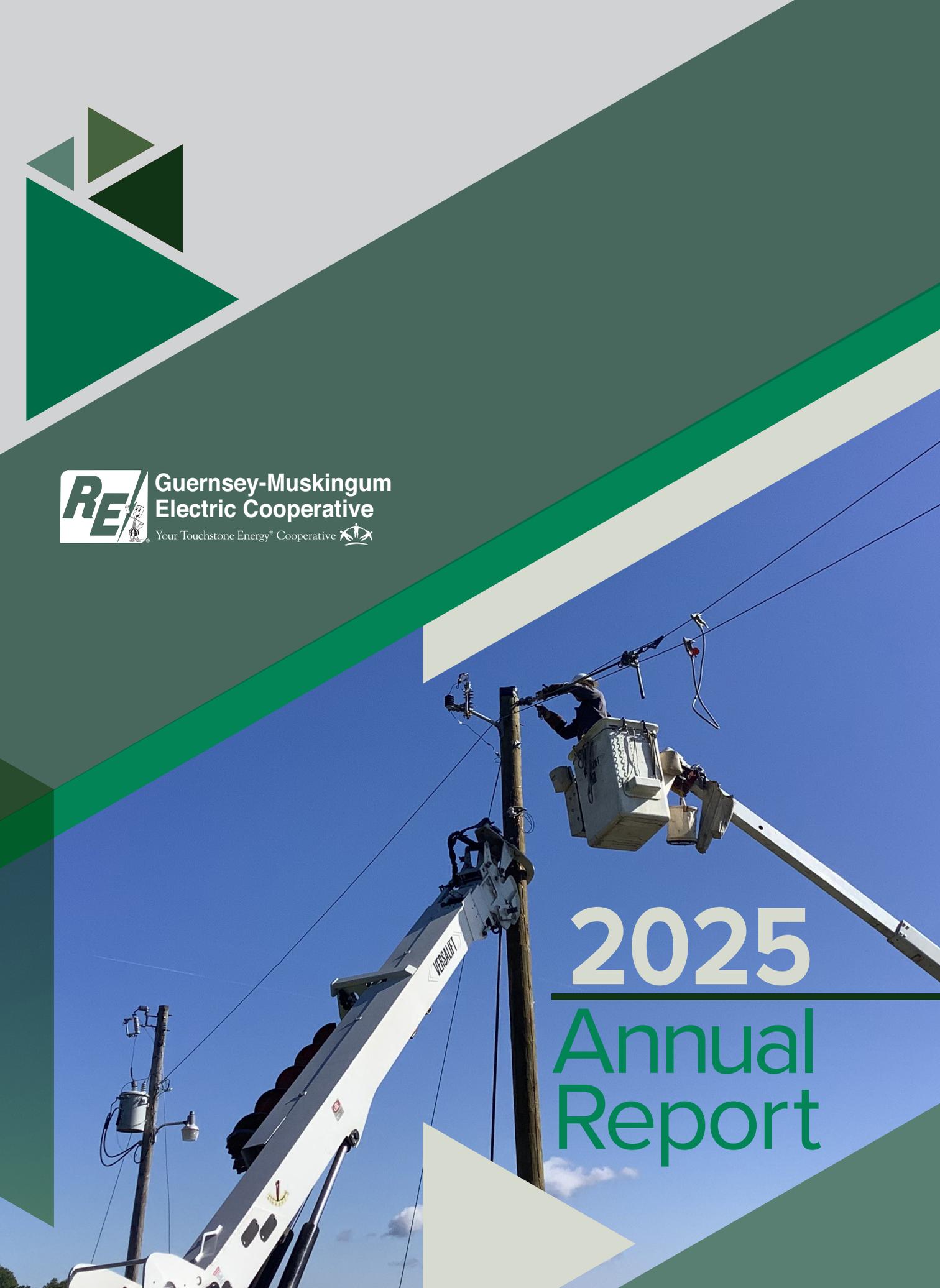




**Guernsey-Muskingum
Electric Cooperative**

Your Touchstone Energy® Cooperative 



2025 Annual Report



Ken Tolliver
GENERAL MANAGER/CEO



Matt Carpenter
CHAIRMAN

GMEC had solid financial year in 2025

2025 was a solid financial year for Guernsey-Muskingum Electric Cooperative, with operating margins at \$1,951,152. This was \$148,692 less than 2024. These margins will allow us to meet our obligations and continue to pay our capital credits back to you, our members, without affecting our equity position. In 2025, our kilowatt-hour sales were 10.6 million kWh higher than in 2024, representing a 4.3% increase in sales. Also in 2025, we implemented a \$2 per month service availability increase to start the year, to cover rising costs. This was an increase of 1.12% for 2025. In addition, we increased the monthly charge for rural lights by \$2 per month. The monthly rate for lights had not been adjusted in 10 years.

In 2025, we added 202 new services, compared to 198 in 2024, and completed several system improvements throughout the year. Many of these new services were made possible by Charter/Spectrum’s fiber deployment across our territory, expanding access to high-speed internet. New services are important because they allow us to spread fixed costs across a larger membership base and greater kilowatt-hour sales, helping to maintain stable rates for all members.

The revenues of the company must support our maintenance and operations activities. In addition, the operating margins must be substantial enough to provide capital for the plant improvements that are needed throughout our service territory. This enables us to continue to supply the safe and reliable service that our members deserve. The margins that we had in 2025 will ultimately be returned to members over future years but, in 2025, we used these funds to improve your electric facilities while minimizing the amount of money we needed to borrow. Again in

2025, we spent just over \$4.8 million on total plant construction and improvements including new services, power line rebuilds, pole replacements, substation upgrades, and advanced metering infrastructure.

Our right-of-way program continues to be a priority, as we spent nearly \$2.52 million to clear trees and brush in 2025. A special “thank you” to members who worked with us to keep our rights-of-way clear to help keep the power on. Much of our right-of-way work is bid and performed on the unit rather than by the hour; this allows GMEC to control some costs with limited surprises outside of storms, and none of us can control the weather. This is a huge component in our budget that continues to put pressure on our rates. Please help us keep your power on by not planting trees under or near power lines.

GMEC is a not-for-profit utility owned by those it serves — you, the members. Any money remaining after expenses, the margins of the cooperative, are returned to you as capital credits. In 2025, your board of directors continued its longstanding policy of refunding capital credits to members and the estates of deceased members. During the year, \$1,598,679 in patronage was returned, with most members receiving these as a credit (reduction) on their December electric bill. Since our inception, GMEC has returned \$26,038,516 to current and former members. This is a real example of your ownership in your cooperative.

While 2025 provided the cooperative with many challenges beyond electric operations, we remain optimistic and hopeful that 2026 will be a year of continued progress and blessing to all.



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

Independent auditors' report

To the Board of Directors
Guernsey-Muskingum Electric Cooperative, Inc.
New Concord, Ohio

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Guernsey-Muskingum Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of revenue and patronage capital, changes in members' equity 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 Guernsey-Muskingum 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 audit 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. 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 Guernsey-Muskingum Electric Cooperative, Inc. 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 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 the 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 Guernsey-Muskingum Electric Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Continued on page 4



Board of Trustees



Ken Tolliver
GENERAL MANAGER/CEO



Matt Carpenter
CHAIRMAN



Edward G. Bay
VICE CHAIRMAN



Maureen Riley
SECRETARY-TREASURER

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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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Guernsey-Muskingum Electric Cooperative, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Guernsey-Muskingum Electric Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, statistical sections and includes the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2026 on our consideration of the Guernsey-Muskingum Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and the compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Guernsey-Muskingum Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Guernsey-Muskingum Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Columbus, Ohio
February 4, 2026

BHM CPA Group, Inc.

Board of Trustees



Mark Gotschall



Jay Gray



Susan Harper



Duane Parks

Balance sheets

December 31, 2025 and 2024
(see independent auditors' report)

	ASSETS	
	2025	2024
ELECTRIC PLANT:		
In Service - at cost	\$ 104,925,098	\$ 103,456,962
Construction Work in Progress	115,596	(352,032)
Subtotal Electric Plant	\$ 105,040,694	\$ 103,104,930
Less Accumulated Provision for Depreciation and Amortization	(29,194,063)	(27,498,803)
NET ELECTRIC PLANT	\$ 75,846,631	\$ 75,606,127
INVESTMENTS AND OTHER ASSETS:		
Investments - patronage capital	\$ 17,614,821	\$ 17,387,144
Deferred charges	295,720	333,930
Other Investments	41,271	45,005
TOTAL INVESTMENTS AND OTHER ASSETS	\$ 17,951,812	\$ 17,766,079
CURRENT ASSETS:		
Cash & Cash Equivalents	\$ 11,919,628	\$ 9,175,731
Accounts Receivable, less provision for uncollectible accounts of \$621,356 and \$69,309 for 2025 and 2024, respectively	5,137,027	5,621,637
Unbilled Revenue	1,947,921	1,831,522
Other Current Assets	111,627	123,562
Materials and Supplies	958,955	1,113,842
Prepayments	281,594	270,909
TOTAL CURRENT ASSETS	\$ 20,356,752	\$ 18,137,203
TOTAL ASSETS	\$ 114,155,195	\$ 111,509,409

	EQUITIES AND LIABILITIES	
	2025	2024
EQUITIES:		
Other Equities	\$ 418,895	\$ 418,895
Patronage Capital	56,067,175	54,296,564
TOTAL EQUITIES	\$ 56,486,070	\$ 54,715,459
LONG-TERM DEBT:		
RUS Mortgage and notes payable, less current maturities	\$ 38,406,425	\$ 39,789,736
CFC Mortgage and notes payable, less current maturities	6,449,778	7,299,182
TOTAL LONG-TERM DEBT	\$ 44,856,203	\$ 47,088,918
OTHER NONCURRENT LIABILITIES:		
Deferred credits	3,555,754	712,510
TOTAL OTHER NONCURRENT LIABILITIES	\$ 3,555,754	\$ 712,510
CURRENT LIABILITIES:		
Current Maturities of Long-Term Debt	\$ 2,263,310	\$ 2,188,474
Line of Credit	-	-
Accounts Payable - Other	1,611,640	1,564,600
Accounts Payable - Cost of Purchased Power	2,364,381	2,391,241
Consumer Deposits	703,399	678,194
Accrued Taxes	1,591,873	1,501,266
Other Current Liabilities	722,565	668,747
TOTAL CURRENT LIABILITIES	\$ 9,257,168	\$ 8,992,522
TOTAL EQUITIES AND LIABILITIES	\$ 114,155,195	\$ 111,509,409

(The accompanying notes are an integral part of this statement)

Statements of revenue
and patronage capital

For the years ended December 31, 2025 and 2024
(see independent auditors' report)

Statement of changes
in members' equity

For the years ended December 31, 2025 and 2024
(see independent auditors' report)

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES	\$ 45,923,775	\$ 43,373,836
OPERATING EXPENSES:		
Cost of Purchased Power	\$ 26,108,207	\$ 25,129,492
Transmission Expense	7,615	7,142
Distribution - Operation	2,636,054	2,374,081
Distribution - Maintenance	4,349,920	4,243,005
Consumer Accounts	1,703,067	1,053,009
Customer Service & Information	339,882	346,780
Administrative and General	2,868,221	2,387,738
Depreciation and Amortization	2,992,276	2,908,921
Taxes	1,131,089	1,082,049
Interest on Long-Term Debt	1,816,995	1,702,604
Other Interest Expense	19,297	39,171
TOTAL OPERATING EXPENSES	<u>\$ 43,972,623</u>	<u>\$ 41,273,992</u>
 Operating Margins Before Capital Credits	 \$ 1,951,152	 \$ 2,099,844
BUCKEYE CAPITAL CREDITS	947,842	639,070
OTHER CAPITAL CREDITS	40,323	37,048
NET OPERATING MARGINS	\$ 2,939,317	\$ 2,775,962
NONOPERATING MARGINS:		
Interest Income	\$ 383,648	\$ 308,175
Miscellaneous Non-operating (Expense) Income	\$ 8,296	\$ (465)
Gain on Disposition of Property	(3,873)	400
Total Nonoperating Margins	<u>\$ 388,071</u>	<u>\$ 308,110</u>
NET MARGINS	<u>\$ 3,327,388</u>	<u>\$ 3,084,072</u>

	<u>Patronage Capital</u>			<u>Other Equities</u>
	<u>Assignable</u>	<u>Assigned</u>	<u>Total</u>	
Balance, January 1, 2024	\$3,631,261	\$49,279,513	\$52,910,774	\$418,895
Net margins for year	3,084,072	-	3,084,072	-
Assignment of prior year's patronage capital	(3,626,238)	3,626,238	-	-
Capital credits reassigned	56,770	-	56,770	-
Retirement of patronage capital	<u>(7,244)</u>	<u>(1,747,808)</u>	<u>(1,755,052)</u>	-
Balance, December 31, 2024	3,138,621	51,157,943	54,296,564	418,895
Net margins for year	3,327,388	-	3,327,388	-
Assignment of prior year's patronage capital	(3,134,794)	3,134,794	-	-
Capital credits reassigned	41,902	-	41,902	-
Retirement of patronage capital	<u>(9,353)</u>	<u>(1,589,326)</u>	<u>(1,598,679)</u>	-
Balance, December 31, 2025	<u>\$3,363,764</u>	<u>\$ 52,703,411</u>	<u>\$ 56,067,175</u>	<u>\$ 418,895</u>

(The accompanying notes are an integral part of this statement)

Statements of cash flows

For the years ended December 31, 2024 and 2023 (see independent auditors' report)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET MARGINS	\$ 3,327,388	\$ 3,084,072
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and Amortization	\$ 2,992,276	\$ 2,908,921
Patronage Allocation from Associated Organizations	(1,172,450)	(790,446)
Gain on disposition of property	3,873	(400)
Changes in assets and liabilities:		
Accounts Receivable	484,610	(826,786)
Unbilled Revenue	(116,399)	(223,488)
Materials and Supplies	154,887	(109,564)
Deferred Charges	38,210	73,067
Other Current Assets	1,250	(81,906)
Accounts Payable	20,180	589,146
Deferred Credits	2,843,244	(43,366)
Customer Deposits	25,205	15,299
Other Liabilities	144,425	227,175
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,746,699</u>	<u>\$ 4,821,724</u>
	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES:		
Extension and Replacement of Electric Plant, net of Salvage and Cost of Retirements	\$ (3,254,781)	\$ (5,378,812)
Proceeds from Disposal of Utility Plant	18,128	3,500
Patronage redemption and cash patronage proceeds	948,507	1,018,272
Net Cash Used by Investing Activities	<u>\$ (2,288,146)</u>	<u>\$ (4,357,040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Change in Line of Credit	\$ -	\$ (3,051,075)
Proceeds of Long-Term Debt	-	14,900,000
Payments on Long-Term Debt	(2,157,879)	(1,984,719)
Capital Credits reassignable	41,902	56,770
Patronage Capital Credits Retired	(1,598,679)	(1,755,052)
Net Cash Used by Financing Activities	<u>\$ (3,714,656)</u>	<u>\$ 8,165,924</u>
Net change in cash and cash equivalents	2,743,897	8,630,608
Cash and cash equivalents at beginning of year	<u>9,175,731</u>	<u>545,123</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 11,919,628</u>	<u>\$ 9,175,731</u>

(The accompanying notes are an integral part of this statement)

Notes to financial statements

December 31, 2025 and 2024

NATURE OF ORGANIZATION:

Guernsey-Muskingum Electric Cooperative, Inc. (the Cooperative), is incorporated under the laws of the State of Ohio, operates as a cooperative, and is exempt from federal taxation under Section 501(c)(12)(A) of the Internal Revenue Code. The Cooperative’s primary business is that of providing electric service to rural customers in Guernsey, Muskingum, and seven surrounding counties in Ohio. Providing electric service includes the construction of plant as well as purchasing electricity to sell to its consumers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cooperative maintains its records in accordance with accounting policies prescribed by Rural Utilities Services, U.S. Department of Agriculture, which conform with accounting principles generally accepted in the United States of America in all material respects. Following are the more significant of those policies:

Utility Plant

Utility plant is stated at original cost, net of contributions, which is the cost when first dedicated to public service. Such cost includes the cost of contracted services, direct labor, materials, and applicable overhead cost. Utility plant assets that have not been placed in service are shown on the balance sheet as construction work in progress and are not depreciated. The Cooperative does not capitalize interest during construction.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units of property replaced or retired, including cost of removal, net of salvage value, is charged to accumulated depreciation.

In accordance with procedures prescribed by Rural Utilities Services, the Cooperative records contributions in aid of construction as reductions in the cost of construction.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. In establishing the valuation allowance, using the current expected credit loss methodology, management considers their knowledge of customers, historical losses, and current economic conditions in their service area. Balances that are still outstanding after reasonable collection efforts have been exhausted are written-off through a charge to the valuation allowance. Changes in the valuation allowance historically have not been material to the financial statements. The Cooperative had accounts receivable, less provision for credit losses of \$4,794,851 for the year ended December 31, 2023.

Materials and Supplies

Inventories of materials and supplies not allocated to construction work in progress are recorded at the lower of cost or net realizable value. When evidence exists that the net realizable value of inventory is lower than its cost, the difference shall be recognized as a loss in earnings in the period in which it occurs. No losses were recorded during December 31, 2025 and 2024.

Investments

Investments are primarily in the form of patronage and equity capital of other cooperatives. They are included in the financial statements as long-term assets and increased for any non-cash patronage allocations received, less and cash distributions. These investments are considered equity investments without readily determinable fair values and are accounted for at cost, minus impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment. No impairment or observable price changes were recorded during 2025 and 2024.

Deferred Charges

Deferred charges represent costs incurred which are chargeable to future periods and are amortized over the estimated period to be benefited using the straight-line method.

Deferred Credits

Deferred credits represent primarily customer advances for construction and are accounted for in accordance with RUS requirements and the Cooperative’s by-laws.

Revenues and Cost of Purchased Power

Revenue for electricity sales represents amounts billed to members using established rates applied to energy consumption and is recorded during the month the invoice is prepared, which is generally the month following when the energy is consumed. The cost of purchased power is recognized during the month in which energy is consumed. The difference caused by the delay in recording revenue one month after consumption has not been significant on an annual basis.

Revenues from all other sources, primarily services and late charges, are recognized as the service is provided or the customer is charged. The Cooperative generally meets its performance obligations related to services within a month and amounts are billed at the completion of the service. Payment for the services are due upon delivery of the service and when an invoice is generated. The sales price for the services are fixed at the amounts agreed to at the time of sale. There are generally no rights of return or warranties related to the sale of the power and services.

Some of the Cooperative’s operations provide for deposits or prepayments for power. The revenue and gross profit related to these transactions is not recognized until the power is consumed by the customer and the deposit or prepayment is applied. These customer deposits are classified as current liabilities on the balance sheet.

The table below includes disaggregated revenue information by the significant type of customer and services during the years ended December 31:

	2025	2024
Residential electric revenue	\$ 32,655,810	\$ 30,124,503
Commercial and industrial electric revenue	12,185,370	11,851,841
Miscellaneous revenue	1,082,595	1,397,492
Total revenue	<u>\$ 45,923,775</u>	<u>\$ 43,373,836</u>

Income Taxes

The Cooperative has been recognized by the Internal Revenue Service as an organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(12). Accordingly, no provision for federal income taxes has been recorded.

The Cooperative complies with Accounting Standards Codification (ASC) 740-10 related to uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. Management is not aware of any tax positions taken by the Cooperative on its tax returns that they consider to be uncertain or that would jeopardize its tax-exempt status. Tax returns for the years ended 2022, 2023 and 2024 are still open and subject to examination by the Internal Revenue Service.

Financial Instruments

The Cooperative believes that the carrying amount of its financial instruments, which include cash and cash equivalents, and various other current assets and liabilities, approximates fair value based on their short-term duration. The Cooperative has determined that it is not practical to determine the fair value of its long-term debt and investments in associated organizations due to the excessive cost involved.

Statement of Cash Flows

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Net cash flows from operating activities includes cash payments for interest of \$1,836,292 and \$1,731,501 for the years ended December 31, 2025 and 2024, respectively. There were no payments for federal income taxes.

Concentration of Credit Risk

All of the Cooperative's accounts receivable result from the sale of electricity to its members, located primarily in Guernsey, Muskingum, and seven surrounding counties in Ohio.

At various times throughout the year, the Cooperative may have cash balances in financial institutions that exceed the federally insured limit. The Cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to its cash balances.

Patronage Capital and Margins

Guernsey-Muskingum Electric Cooperative, Inc. operates under the Cooperative form of organization. As provided in the code of regulations, any excess of revenues over expenses from operations is treated as advances of capital by the patrons and credited to each of them on an individual basis. Generally, it is the Cooperative's policy to retire capital contributed by patrons periodically as deemed appropriate by management and the Board of Directors. Capital credits due to patrons who become deceased are paid to the estates of such patrons in accordance with the code of regulations.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

UTILITY PLANT AND DEPRECIATION

The following schedule presents the major classes of the electric plant at December 31:

	<u>2025</u>	<u>2024</u>
Distribution Plant	\$ 96,520,376	\$ 94,836,135
Transmission Plant	457,119	457,119
General Plant	7,947,603	8,163,708
Construction Work in Progress	115,596	(352,032)
Total	<u>\$ 105,040,694</u>	<u>\$ 103,104,930</u>

Provision for depreciation has been made on the basis of estimated useful lives of assets, using the straight-line method. Distribution plant depreciation is based on a composite rate of 2.6% per annum. General plant depreciation rates range 2.1% to 22% per annum. Depreciation for 2025 and 2024 was \$2,992,276 and \$2,908,921, respectively.

The construction in progress balance included member paid aid in construction towards system upgrades and new services. The aid in construction amounts received during December 31, 2025 and 2024 were \$2,043,258 and \$1,156,414, respectively. The aid in construction balances are paid in advance of ordering materials and beginning project work.

During 2024, the Cooperative received payments for several large broadband fiber attachment projects in the service territory projects and facilities for a new state park for which the construction was completed in 2025.

EMPLOYEE RETENTION CREDIT

The Employee Retention Tax Credit (ERC) was introduced in 2020 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Consolidated Appropriations Act (the "Appropriations Act") extended and expanded the availability of the ERC through December 31, 2021. The Appropriations Act amended the ERC to be equal to 70% of qualified wages paid to employees during the 2021 fiscal year.

During 2022, the Cooperative determined that the requirements to claim the ERC had been met for the months March 2020 through June 2021. The Cooperative recorded the ERC in the year in which they determined the requirements were met and the credit was received. Therefore, the Cooperative recorded ERC totaling \$774,242 in miscellaneous nonoperating income on the statement of revenue and accounts receivable on the balance sheet for the year 2022. In the year December 31, 2023, the Cooperative received funds related to the ERC of \$212,750. The remaining balance of \$561,492 is recorded in accounts receivable on the balance sheet for the years ended December 31, 2025 and 2024.

Due to the length of time the ERC receivable has remained outstanding and continued uncertainty regarding collection, the Cooperative recorded an allowance for credit losses equal to the full remaining ERC receivable balance as of December 31, 2025. As a result, the ERC receivable is fully reserved at December 31, 2025.

Continued on page 10

Continued from page 9

INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations consisted of the following on December 31:

	<u>2025</u>	<u>2024</u>
Equity Capital:		
Buckeye Power, Inc.	\$ 922,383	\$ 922,383
Capital Term Certificates of the		
National Rural Utilities		
Cooperative Finance Corporation	661,434	740,384
Other Associated Organizations	523,083	313,309
Patronage Capital Credits and Memberships:		
Buckeye Power, Inc.	14,345,837	14,188,332
National Rural Utilities		
Cooperative Finance Corporation	378,360	381,322
United Utility Supply Cooperative	675,406	542,877
National Information Solutions		
Cooperative	93,279	98,462
Other Associated Organizations	15,039	200,075
Total	<u>\$ 17,614,821</u>	<u>\$ 17,387,14</u>

DEFERRED CHARGES

The following is a summary of amounts recorded as deferred charges as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
NRECA Dues	\$ 18,054	\$ 18,035
Retirement & Security Plan Prepayment	177,193	265,789
Long Range Work Plan (10 year)	3,946	5,919
Other	96,527	44,187
Deferred charges	<u>\$ 295,720</u>	<u>\$ 333,930</u>

During 2013, the Cooperative, along with many other participating employers, made a prepayment of \$1,328,953 to the NRECA RS Plan, a defined benefit pension plan, in an effort to improve the plan's funded status. The Cooperative is amortizing the prepayment and the related interest expense over 15 years in accordance with RUS policies and procedures.

The deferral for construction work plans consists of engineering fees and other costs associated with developing the long range plans and are presented net of amortization. The amounts are being amortized over the life of the plans. Amortization of all deferred charges was \$88,597 during years ended December 31, 2025 and 2024. Deferred charges are expensed through various expense accounts and are not included in utility plant depreciation expense.

DEFERRED CREDITS

The following is a summary of amounts recorded as deferred credits as of December 31:

	<u>2025</u>	<u>2024</u>
Customer advances for construction	\$ 438,686	\$ 435,538
Deferred installation cost	139,872	158,750
Other deferred credits	2,977,196	118,222
Deferred credits	<u>\$ 3,555,754</u>	<u>\$ 712,510</u>

As of December 31, 2025, the balance recorded in Other Deferred Credits includes a prepayment of \$2,942,800 for system and infrastructure additions and modifications related to a cogeneration project, which is pending approval by PJM and AEP Transmission. Upon approval, this prepayment will be reclassified to the appropriate construction accounts and applied to the related construction work orders. Other Deferred Credits also include various other deferred amounts not separately disclosed above.

NOTES PAYABLE

Notes payable is comprised of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Notes payable to NRUCFC:		
2.680% note due December 2027	\$73,328	108,549
5.400% note due March 2032	236,715	267,755
5.250% note due March 2032	265,021	299,968
5.000% note due December 2035	574,316	623,683
4.800% note due March 2025	-	25,892
4.850% note due March 2026	27,221	80,689
4.850% note due March 2027	84,817	84,817
4.900% note due March 2028	78,092	78,092
3.650% note due December 2025	-	586,601
3.700% note due December 2026	607,419	607,419
3.750% note due December 2027	629,274	629,274
3.800% note due December 2028	651,780	651,780
3.850% note due December 2029	676,315	676,315
3.900% note due December 2030	701,645	701,645
3.900% note due December 2031	728,132	728,132
3.950% note due December 2032	626,845	626,845
3.950% note due December 2033	585,206	585,206
4.000% note due December 2024	607,648	607,648
4.000% note due December 2035	145,462	145,462
Subtotal NRUCFC	<u>\$ 7,299,236</u>	<u>\$ 8,115,772</u>
Notes payable to the United States:		
4.250% note due June 2035	\$ 593,501	\$ 647,865
1.125% note due July 2036	265,439	293,603
3.125% note due January 2037	282,626	309,927
4.680% note due October 2042	1,351,912	1,406,549
4.350% note due January 2043	1,334,056	1,389,215
4.380% note due September 2043	1,340,968	1,395,667
3.600% note due September 2043	1,122,058	1,171,589
4.060% note due May 2044	987,434	1,029,056
2.940% note due January 2045	1,218,407	1,275,608
4.426% note due October 2045	1,144,815	1,191,278
5.180% note due May 2046	1,051,919	1,094,155
2.974% note due January 2046	2,531,280	2,622,674
2.588% note due January 2046	1,015,772	1,054,088
2.588% note due January 2046	2,794,579	2,899,992
2.588% note due January 2046	3,355,297	3,481,861
2.585% note due January 2046	4,957,461	5,144,543
4.369% note due December 2052	7,261,350	7,399,698
4.551% note due December 2052	3,406,572	3,469,565
3.773% note due December 2052	3,804,831	3,884,687
Subtotal United States	<u>\$ 39,820,277</u>	<u>\$ 41,161,620</u>

Total mortgage notes	47,119,513	49,277,392
Less: Current Maturities	2,263,310	(2,188,474)
Total long-term portion	<u>\$ 44,856,203</u>	<u>\$ 47,088,918</u>

The Cooperative maintains lines of credit through the NRUCFC and CoBank with available borrowings of \$3,500,000 and \$1,000,000, respectively. There was no outstanding balance for either lines of credit at December 31, 2025 and 2024. At December 31, 2025 and 2024, there were no unadvanced loan funds available to the Cooperative on commitments.

Substantially all of the assets of the Cooperative are pledged as security against these loans.

As of December 31, 2025, annual maturities of notes payable outstanding for the next five years are as follows:

2026	\$ 2,263,310
2027	2,331,465
2028	2,320,751
2029	2,378,601
2030	2,460,937
Thereafter	35,364,449

OTHER EQUITIES

At December 31, 2025 and 2024 other equities consisted of:

	2025	2024
Donated capital	\$ 3,872	\$ 3,872
Operating margins (prior to 1952)	408,317	408,317
Nonoperating margins	6,706	6,706
Other equities	<u>\$ 418,895</u>	<u>\$ 418,895</u>

PENSION PLAN AND CONTRIBUTION RETIREMENT PLAN

The Cooperative sponsors two retirement related benefit plans, a defined contribution retirement plan, and a defined benefit pension plan. Following is a brief description of each of the plans including financial data recognized in the accompanying financial statements related to each plan.

Defined Contribution Retirement Plan

The Cooperative offers a 401(k) Plan through the National Rural Electric Cooperative Association (NRECA). The Plan allows for voluntary pre-tax salary reduction plan for eligible employees. The Cooperative's contribution to the plan for 2025 and 2024 totaled \$206,707 and \$202,330 and represents less than 5% of all employer contributions.

Defined Benefit Pension Plan

Substantially all of the employees of the Cooperative are covered by the NRECA Retirement Security Plan (RS Plan) which 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 multi-employer plan under the accounting standards. The Plan Sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multi-employer 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.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2025 and 2024 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience.

Guernsey-Muskingum Electric Cooperative, Inc.'s contributions of \$605,169 and \$604,527 to the RS Plan in December 31, 2025 and 2024, respectively, represented less than 5% of the total contributions made to the Plan by all participating employers. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

CONTINGENCIES, RISKS AND UNCERTAINTIES

The Cooperative is from time to time subjected to litigation through the ordinary course of business. As of December 31, 2025, management is not aware of any litigation pending or pertaining to the Cooperative.

COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Cooperative purchases all of its power from Buckeye Power, Inc., a nonprofit corporation operating on a cooperative basis, whose membership includes Guernsey-Muskingum Electric Cooperative, Inc. Rates for service to members of Buckeye Power, Inc. are in accordance with the provisions of the Wholesale Power Agreement which expires December 31, 2057. Accounts payable to Buckeye Power, Inc. at December 31, 2025 and 2024 were \$2,364,381 and \$2,391,241, respectively.

The Cooperative borrows funds from the NRUCFC of which it is a member and owner.

Materials and supplies are purchased from the United Utility Supply Cooperative, Inc. (formerly Rural Electric Supply Cooperative, Inc.), of which Guernsey-Muskingum Electric Cooperative, Inc. is an owner and member. These purchases totaled \$1,505,368 and \$1,456,386 for the years ended December 31, 2025 and 2024, respectively. There were no outstanding payables to United Utility Supply Cooperative, Inc. at December 31, 2024 and 2025.

The Cooperative is a member of National Information Solutions Cooperative and contracts with them for data processing services. These purchases totaled \$482,264 and \$356,866 for the years ended December 31, 2025 and 2024, respectively. Accounts payable and receivable between the organizations as of December 31, 2025 and 2024 are not significant.

Federated Rural Electric Insurance Exchange provides property and liability insurance to the Cooperative. The investment balance represents the Cooperative's contributions and share of patronage capital. The amounts paid for insurance to Federated Rural Electric Insurance Exchange were \$162,901 and \$149,299, in 2025 and 2024, respectively. Accounts payable or receivable between the organizations as of December 31, 2025 and 2024 are not significant.

SUBSEQUENT EVENTS

Subsequent events were evaluated through February 4, 2026, which is the date the financial statements were available to be issued.

Guernsey-Muskingum Electric Cooperative

TRENDS

Average Monthly Use (kWh—all consumers)



Plant Investment (dollars per consumer)



Consumers Served



kWh Sold Annually (in millions)



2025 cooperative expense breakdown

Cost of Purchased Power



Line Operation & Maintenance



Tax Expense



Interest on Long-Term Debt



Administrative General



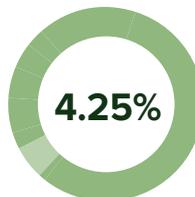
Depreciation



Consumers Accounting & Collecting



Operating Margin



Consumer Services Expenses

