CUMBERLAND VALLEY ELECTRIC, INC.
KENTUCKY 57

FINANCIAL REPORT

May 31, 2026

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cumberland Valley Electric, Inc.
Gray, Kentucky

Opinion

We have audited the accompanying financial statements of Cumberland Valley Electric, Inc., which comprise the balance sheets as of May 31, 2026 and 2025, and the related statements of revenue and comprehensive income, changes in members' equities, 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 Cumberland Valley Electric, Inc. as of May 31, 2026 and 2025, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Cumberland Valley Electric, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Certified Public Accountants and Advisors

401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cumberland Valley Electric, 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 Cumberland Valley Electric, 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 have identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 31, 2026, on our consideration of Cumberland Valley Electric, 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 compliance and the results of that testing, and not to provide an opinion on 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 Cumberland Valley Electric, Inc.'s internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
July 31, 2026

CUMBERLAND VALLEY ELECTRIC, INC.

BALANCE SHEETS
May 31, 2026 and 2025

Assets	2026	2025
Electric Plant, at Original Cost		
In service	$ 130,600,157	$ 126,112,607
Under construction	2,039,118	1,595,978
	132,639,275	127,708,585
Less accumulated depreciation	57,003,235	53,756,637
	75,636,040	73,951,948
Investments in Associated Organizations	38,362,774	36,978,220
Current Assets		
Cash and cash equivalents	8,569,762	13,029,302
Accounts receivable, less allowance for credit losses in 2026 of $147,872 and 2025 of $167,781	4,680,880	4,280,014
Other receivables	4,192,247	1,163,629
Material and supplies	1,269,257	1,077,374
Other current assets	1,143,102	908,991
Total current assets	19,855,248	20,459,310
Deferred Pension Costs	127,137	188,121
Total assets	$ 133,981,199	$ 131,577,599

Members' Equities and Liabilities	2026	2025
Members' Equities		
Memberships	$ 448,075	$ 446,335
Patronage capital	63,496,598	59,329,980
Other equities	2,383,704	2,367,673
Accumulated other comprehensive income (loss)	(18,461)	283,326
Total members' equities	66,309,916	62,427,314
Long-Term Liabilities		
Long-term debt, less current portion	49,220,803	51,625,024
Accumulated postretirement benefits	4,087,970	3,812,893
Total long-term liabilities	53,308,773	55,437,917
Current Liabilities		
Current portion of long-term debt	2,374,190	2,274,532
Accounts payable	3,666,790	3,789,608
Consumer deposits	3,300,767	3,237,650
Accrued expenses	3,095,802	3,168,479
Total current liabilities	12,437,549	12,470,269
Consumer Advances for Construction	1,924,961	1,242,099
Total members' equities and liabilities	$ 133,981,199	$ 131,577,599

The Notes to Financial Statements are an intregal part of these statements.

CUMBERLAND VALLEY ELECTRIC, INC.

STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME
Years Ended May 31, 2026 and 2025

	2026	2025
Operating Revenues		
Sales of electric energy	$ 61,970,293	$ 56,721,360
Other electric revenues	3,643,313	2,349,248
	65,613,606	59,070,608
Operating Expenses		
Cost of power	46,422,236	42,705,828
Distribution - operations	1,838,799	1,810,919
Distribution - maintenance	4,781,501	4,064,190
Consumer accounts	1,786,189	1,748,302
Customer services	183,457	169,907
Administrative and general	1,867,301	1,841,152
Depreciation, excluding $159,944 in 2026 and $143,372 in 2025 charged to clearing accounts	4,688,055	4,542,767
Taxes, other than income	59,958	57,176
Interest on long-term debt	1,855,641	1,736,431
Other interest charges	130,569	104,133
Other deductions	12,876	10,840
	63,626,582	58,791,645
Operating Margins	1,987,024	278,963
Nonoperating Margins and Capital Credits		
Interest income	495,225	420,137
Generation and transmission capital credits	1,523,983	271,885
Other capital credits	158,309	167,645
Other nonoperating income	40,662	- -
	2,218,179	859,667
Net Margins	4,205,203	1,138,630
Other Comprehensive Loss		
Amortization of actuarial gain	(15,720)	(15,720)
Actuarial loss	(286,067)	- -
	(301,787)	(15,720)
Comprehensive Income	$ 3,903,416	$ 1,122,910

The Notes to Financial Statements are an integral part of these statements.

CUMBERLAND VALLEY ELECTRIC, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
Years Ended May 31, 2026 and 2025

	Memberships	Patronage Capital	Other Equities	Accumulated Other Comprehensive Income (Loss)	Total Members' Equities
Balance - May 31, 2024	$ 449,370	$ 58,203,072	$ 2,358,825	$ 299,046	$ 61,310,313
Comprehensive income:					
Net margins		1,138,630			1,138,630
Postretirement benefit obligation:					
Amortization of actuarial gain				(15,720)	(15,720)
Total comprehensive income					1,122,910
Net change in memberships	(3,035)				(3,035)
Special retirements		(11,722)			(11,722)
Other equities			8,848		8,848
Balance - May 31, 2025	446,335	59,329,980	2,367,673	283,326	62,427,314
Comprehensive income:					
Net margins		4,205,203			4,205,203
Postretirement benefit obligation:					
Amortization of actuarial gain				(15,720)	(15,720)
Actuarial loss				(286,067)	(286,067)
Total comprehensive income					3,903,416
Net change in memberships	1,740				1,740
Special retirements		(38,585)			(38,585)
Other equities			16,031		16,031
Balance - May 31, 2026	$ 448,075	$ 63,496,598	$ 2,383,704	$ (18,461)	$ 66,309,916

The Notes to Financial Statements are an intregal part of these statements.

CUMBERLAND VALLEY ELECTRIC, INC.

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 4,205,203	$ 1,138,630
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation:		
Charged to expense	4,688,055	4,542,767
Charged to clearing accounts	159,944	143,372
Patronage capital credits assigned	(1,682,292)	(439,530)
Amortization of actuarial gain	(15,720)	(15,720)
Actuarial loss	(286,067)	- -
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables, net	(3,429,484)	(1,301,739)
Material and supplies	(191,883)	15,689
Other current assets	(234,111)	(45,790)
Deferred pension costs	60,984	60,984
Accounts payable	(122,818)	(286,312)
Consumer deposits	63,117	(60,375)
Accumulated postretirement benefits	275,077	6,080
Accrued expenses	(72,677)	121,991
Consumer advances for construction	682,862	921,107
Net cash provided by operating activities	4,100,190	4,801,154
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(6,041,776)	(4,340,844)
Plant removal costs	(513,384)	(395,138)
Salvage recovered from retired plant	23,069	74,741
Receipts from other investments, net	186,618	62,318
Receipts from economic development loans	111,120	111,120
Net cash (used in) investing activities	(6,234,353)	(4,487,803)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in memberships	1,740	(3,035)
Special retirements of patronage capital	(38,585)	(11,722)
Increase in other equities	16,031	8,848
Advances of long-term debt	- -	5,000,000
Principal payments on long-term debt	(2,304,563)	(2,154,115)
Net cash provided by (used in) financing activities	(2,325,377)	2,839,976
Net increase (decrease) in cash and cash equivalents	(4,459,540)	3,153,327
Cash and cash equivalents, beginning of year	13,029,302	9,875,975
Cash and cash equivalents, end of year	$ 8,569,762	$ 13,029,302
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	$ 1,966,731	$ 1,871,567

The Notes to Financial Statements are an integral part of these statements.

CUMBERLAND VALLEY ELECTRIC, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Description of business

Cumberland Valley Electric, Inc. (Cumberland Valley) maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with accounting principles generally accepted in the United States of America. The significant accounting policies are as follows:

Business activities

Cumberland Valley provides distribution electric service to residential, business, and commercial consumers concentrated in a nine-county area of southeastern Kentucky.

Use of estimates

The preparation of financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

Electric plant

Electric plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the years ended May 31, 2026 and 2025.

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 electric plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Electric plant consists of the following as of May 31, 2026 and 2025:

	2026	2025
Distribution plant	$ 122,386,558	$ 117,919,495
General plant	8,213,599	8,193,112
Total	$ 130,600,157	$ 126,112,607

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Depreciation rates range from 2.39% to 6.70%, with a composite rate of 3.68% for distribution plant. General plant rates are as follows:

Structures and improvements	2.8%
Transportation equipment	11.3%
Office furniture and equipment	5.0%
Other general plant	4.0% - 6.0%

Cash and cash equivalents

Cumberland Valley considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Cumberland Valley maintains its cash balances, which may exceed the federally insured limit, with a local bank. Cumberland Valley uses insured cash sweep services for FDIC coverage for all accounts.

Accounts receivable and allowance for credit losses

Cumberland Valley operates in the electric services distribution industry, and its accounts receivable are primarily derived from the sales of electric energy. Accounts receivable are stated at net realizable value and are usually collected within thirty days. The balance in accounts receivable as of May 31, 2026, 2025, and 2024 was $4,680,880, $4,280,014, and $4,053,169, respectively.

Cumberland Valley estimates expected credit losses on accounts receivable in accordance with ASC 326, *Financial Instruments – Credit Losses*. Accounts receivable are typically collected within thirty days.

For periods prior to the adoption of ASU 2025-05, Cumberland Valley estimated its allowance for credit losses based on historical loss experience, adjusted for current conditions and reasonable and supportable forecasts of future economic factors that were expected to affect the collectability of outstanding receivables. This estimate was prepared on a pooled basis for receivables with similar risk characteristics. Management updated its estimate at each reporting date to reflect any changes in credit risk since initial recognition.

Effective for the year ended May 31, 2026, Cumberland Valley early adopted ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU introduced two optional simplifications for current accounts receivable arising under ASC 606. Cumberland Valley elected both:

1. Current conditions practical expedient – Cumberland Valley now estimates expected credit losses using historical loss information adjusted for current conditions as of the balance sheet date without developing forward-looking forecasts, and assumes those conditions remain unchanged for the remaining life of the receivable.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Accounts receivable and allowance for credit losses (continued)

2. Subsequent collections accounting policy election – For receivables collected after year-end and before the financial statements are available to be issued, Cumberland Valley records no allowance, consistent with the updated guidance. Remaining uncollected receivables are evaluated based on their delinquency status as of the same subsequent collections evaluation date.

These changes were applied prospectively and did not affect prior-period amounts.

Under the updated policy, the allowance for credit losses is derived from Cumberland Valley's historical loss rates for receivables with similar risk characteristics, adjusted for current conditions as of year-end. The allowance is further adjusted to remove receivables collected prior to the date the financial statements are available to be issued. Management believes this methodology appropriately reflects expected credit losses under the updated guidance.

Cumberland Valley writes off receivables when specific information indicates the customer is experiencing significant financial difficulty and collection is not expected. Any recoveries of amounts previously written off are recognized in the period received.

Materials and supplies

Cumberland Valley values materials and supplies at the lower of average cost or net realizable value.

Taxes

Cumberland Valley is required to collect, on behalf of the Commonwealth of Kentucky, sales taxes based on six percent of gross sales from non-residential consumers, a three percent school tax from certain counties on most gross sales, and franchise fees in certain cities. Cumberland Valley's policy is to exclude taxes from revenue when collected and expenses when paid and instead, record collection and payment of taxes through a liability account.

Cost of power

Cumberland Valley is one of 16 members of East Kentucky Power Cooperative, Inc. (East Kentucky). Under a wholesale power agreement, Cumberland Valley is committed to purchase its electric power and energy requirements from East Kentucky until 2068. The rates charged by East Kentucky are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from East Kentucky. The power bill includes a fuel adjustment and environmental surcharge component that is passed on to Cumberland Valley's customers using a methodology prescribed by the PSC.

Advertising

Cumberland Valley Electric, Inc. expenses advertising costs as incurred. Advertising expenses were $2,697 and $2,381 for the years ended May 31, 2026 and 2025, respectively.

Note 1. Significant Accounting Policies (Continued)

Comprehensive income (loss)

Comprehensive income (loss) includes both net margin (deficit) and other comprehensive income (loss). Other comprehensive income (loss) represents the change in funded status of the accumulated postretirement benefit obligation.

Risk management

Cumberland Valley is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

Credit risk

Cumberland Valley grants credit to residents within its service territory. Concentrations of credit risk with respect to accounts receivables are limited due to its large number of customers.

Commitments

Cumberland Valley has various other agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are one to two years.

Environmental contingency

Cumberland Valley from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants, and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require Cumberland Valley to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect Cumberland Valley's financial position or its future cash flows.

Income tax status

Cumberland Valley qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. Income from certain activities not directly related to Cumberland Valley's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income activity to be reported for the years ended May 31, 2026 and 2025.

Cumberland Valley's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Cumberland Valley has no uncertain tax positions resulting in an accrual of tax expense or benefit.

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Income tax status (continued)

Cumberland Valley recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Cumberland Valley did not recognize any interest or penalties during the years ended May 31, 2026 and 2025.

Cumberland Valley's Federal Return of Organization Exempt from Income Tax is subject to possible examination by taxing authorities until the expiration of related statutes of limitations on the return, which is generally three years.

Pension accounting

In May 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The standard specifies how the amount of pension costs and costs for post-retirement benefits other than pensions (PBOP) should be presented on the income statement under accounting principles generally accepted in the United States of America, and what components of those costs are eligible for capitalization in assets. This standard is effective for years beginning after December 15, 2018. The Federal Energy Regulatory Commission (FERC) issued Docket No. AI18-1-000 that allowed jurisdictional public utilities to continue to record PBOP costs in their entirety, less amounts capitalized, without change. Pension and PBOP costs are made up of several components: service cost, interest cost, actual return on plan assets, gain or loss, amortization of prior service cost or credit, and amortization of FASB Accounting Standards Codification (ASC) Subtopic 715-30. Though pension and PBOP costs are computed using the aggregate total of these various components, the Commission's longstanding policy is to consider the amount as a singular cost to the employer. This cost is calculated based on ASC 715 and reported as an expense under net margins from continuing operations.

Subsequent events

Management has evaluated subsequent events through July 31, 2026, the date the financial statements were available to be issued.

Note 2. Revenue Recognition

Revenue from contracts

Cumberland Valley is engaged in the distribution and sale of electricity to residential and commercial customers concentrated in nine counties in southeastern Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Cumberland Valley satisfies their performance obligation upon the delivery of electricity to customers. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by Cumberland Valley. The amount of revenue recognized is the billed volume of electricity multiplied by a tariff rate per-unit of energy, plus any applicable fixed or additional regulatory charges.

Customers are billed monthly, and outstanding amounts are typically due within 15 days of the date of the bill. Revenue for pole attachments is invoiced at the end of the year. The performance obligation is satisfied ratably over the term of the contract and revenue is recognized monthly as earned.

NOTES TO FINANCIAL STATEMENTS

Note 2. Revenue Recognition (Continued)

Significant judgements

Cumberland Valley has one billing cycle that processes customer bills on approximately the same day each month. The amounts billed are based on actual meter reading of kilowatt hours used for the billing period. The amount of revenue recorded each month represent a full month of kilowatt hour usage. There are no significant judgements for over or under-billed revenues because each month's revenue is based on actual meter readings. This method of revenue recognition presents fairly, Cumberland Valley's transfer of electricity to customers as the amount recognized is based on actual volumes delivered and the tariff rate per-unit of energy plus any applicable fixed charges as set by the PSC.

Performance obligations

Cumberland Valley customers generally have no minimum purchase commitments. Revenue is recognized as each performance obligation is satisfied. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation to recognize as of May 31, 2026 and 2025.

Disaggregation of revenue

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended May 31, 2026 and 2025:

	2026	2025
Residential rural	$ 40,946,546	$ 39,799,753
Large commercial	11,344,402	7,525,182
Small commercial	9,679,345	9,396,425
Total	$ 61,970,293	$ 56,721,360

Contract assets and liabilities

Contract assets include unbilled pole attachment revenues, which are included in other current assets on the balance sheets. Contract liabilities include consumer deposits.

Contract assets and liabilities were as follows as of May 31:

	2026	2025	2024
Contract assets			
Unbilled pole attachments	$ 836,000	$ 590,000	$ 560,000
Contract liabilities			
Consumer deposits	$ 3,300,767	$ 3,237,650	$ 3,298,025

NOTES TO FINANCIAL STATEMENTS

Note 3. Allowance for Credit Losses

The allowance for credit losses for accounts receivable and the related activity are as follows:

	2026	2025
Beginning balance	$ 167,781	$ 197,711
Provision for credit losses	30,040	14,326
Write-offs	(63,235)	(60,571)
Recoveries	13,286	16,315
Ending balance	$ 147,872	$ 167,781

Note 4. Investments in Associated Organizations

Investments in associated organizations consist of the following as of May 31, 2026 and 2025:

	2026	2025
East Kentucky, patronage capital	$ 35,729,047	$ 34,205,064
CFC, patronage capital and CTCs	834,195	967,979
Economic development loans	268,460	379,580
KAEC, patronage capital	671,207	583,478
Federated Insurance, patronage capital	358,206	349,833
NISC, patronage capital	172,421	168,794
Other associated organizations	329,238	323,492
Total	$ 38,362,774	$ 36,978,220

Cumberland Valley records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates (CTCs) of National Rural Utilities Cooperative Finance Corporation (CFC) are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 3.00% and 5.00% and are scheduled to mature at varying times from 2030 to 2080. Cumberland Valley has an economic development loan through RUS at no interest to an industrial authority and is secured by a portion of the assets pledged by the industrial authority or guaranty from a local bank.

Note 5. Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30.00% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25.00% of the net margins for the next preceding year, Cumberland Valley may distribute the difference between 25.00% and the payments made to such estates. Members' equity as of May 31, 2026 and 2025 was 49.49% and 47.45% of total assets, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 5. Patronage Capital (Continued)

As of May 31, 2026 and 2025, patronage capital consisted of the following:

	2026	2025
Assigned to date	$ 62,818,908	$ 61,680,278
Assignable margins	4,205,203	1,138,630
Retirements to date	(3,527,513)	(3,488,928)
Total	$ 63,496,598	$ 59,329,980

Note 6. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to RUS, Federal Financing Bank (FFB), CoBank, CFC, and National Cooperative Services Corporation (NCSC), under a joint mortgage agreement. The long-term debt is due in quarterly and monthly installments of varying amounts through 2051. RUS assesses 12.5 basis points to administer the FFB loans. During 2018, $2,023,762 of RUS loans were refinanced with lower interest rate notes from CoBank. Cumberland Valley had loan funds available from FFB in the amount of $19,122,000 as of May 31, 2026 and 2025. These funds will be used for future plant additions.

The Economic Development note is dated November 2018 for a 10-year period with monthly principal payments of $9,174 which commenced in November 2019.

Long-term debt consists of the following as of May 31:

	2026	2025
FFB:		
2.161% to 4.038% fixed rate notes	$ 44,434,011	$ 46,238,351
3.708% variable rate note	4,911,944	5,000,000
	49,345,955	51,238,351
RUS, 2.625% fixed rate notes	436,499	480,238
Economic development loan, no interest	266,055	376,147
CoBank, 3.68% to 4.29% fixed rate notes	1,546,484	1,804,820
	51,594,993	53,899,556
Less current portion	2,374,190	2,274,532
Long-term portion	$ 49,220,803	$ 51,625,024

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

As of May 31, 2026, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2027	$	2,374,190
2028		2,436,058
2029		2,420,932
2030		2,459,638
2031		2,544,727
Thereafter		39,359,448
	$	51,594,993

Note 7. Short-Term Notes Payable

As of May 31, 2026 and 2025, Cumberland Valley had a short-term line of credit of $5,000,000 available from CFC with a variable interest rate of 7.25%. Advances against the CFC line of credit were zero as of May 31, 2026 and 2025. The CFC line of credit matures on December 31, 2069. Additionally, Cumberland Valley had a line of credit of $1,000,000 available from CoBank, with variable interest rates of 5.67% and 6.38% as of May 31, 2026 and 2025, respectively. There were no advances against the CoBank line of credit as of May 31, 2026 and 2025. The CoBank line of credit matures March 31, 2027.

Note 8. Pension Plans

All eligible employees of Cumberland Valley participate in the NRECA Retirement and Security Plan (RS Plan), 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 identification number is 53-0116145 and the 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.

Cumberland Valley's contributions to the RS Plan in 2026 and 2025 represent less than 5.00% of the total contributions made to the plan by all participating employers. Cumberland Valley made contributions to the plan for eligible employees of $433,891 in 2026 and $407,720 in 2025. There have been no significant changes that affect the comparability of 2026 and 2025.

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 85.00% funded at January 1, 2026 and 2025 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.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (Continued)

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan (a defined benefit multiemployer pension plan) to make a prepayment and reduce future required contributions. The prepayment amount is a cooperative share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from that expected, plan assumptions changes, and other factors may have an impact on the differential in billing rates and the 15-year period.

Two prepayment options were available to participating cooperatives:

1. Use current assets to make the prepayment over a period of not more than 4 years, or,
2. Borrow funds sufficient to make the prepayment in a lump sum, with the prepayment of the borrowed amount determined by the loan's amortization schedule.

On February 14, 2013, RUS issued a memorandum to all of its borrowers regarding the proper accounting treatment of the RS Plan prepayment. RUS stipulated that the prepayment shall be recorded as a long-term prepayment in Account 186, Miscellaneous Deferred Debits. This prepaid expense shall be amortized to Account 926, Employee Pensions and Benefits, over a ten-year period. Alternatively, RUS borrowers may calculate the amortization period by subtracting the cooperative's average age of its workforce as provided by NRECA from the cooperative's normal retirement age under the RS Plan, up to a maximum period of 20 years. If the entity choses to finance the prepayment, interest expense associated with the loan shall be recorded in the year incurred as is required under the RUS Uniform System of Accounts (USoA).

Section 6.13(e) of the RUS Loan Contract limits the amount of unsecured debt that a borrower may incur to 15% on Net Utility Plant if the equity level of the borrower, after considering such unsecured debt, is below 30% of its Total Assets, unless the borrower obtains RUS consent. RUS will consider any unsecured debt associated with the RS Plan prepayment to be Permitted Debt and accordingly, it will be excluded from the application of Section 6.13(e). During May 2013, Cumberland Valley made a prepayment of $914,847 to the RS Plan. The amount is being amortized over 15 years.

Note 9. Savings Plan

Cumberland Valley sponsors a Retirement Savings Plan available to all eligible employees. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. Cumberland Valley makes contributions of 10% for non-salaried employees and zero percent for salaried employees of the participant's base compensation. Contributions to the plan were $241,602 for 2026 and $232,713 for 2025.

NOTES TO FINANCIAL STATEMENTS

Note 10. Postretirement Benefits

Cumberland Valley sponsors a defined benefit plan that provides medical insurance coverage to retirees and their spouses. Cumberland Valley pays all the premiums for retirees and their spouses. For measurement purposes, an annual rate of increase of 5.00% in 2026, then decreasing by 0.25% per year until 3.00% per year, in the per capita cost of covered health care benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 4.50%. There have been no significant changes that affect the comparability of 2026 and 2025.

The funded status of the plan was as follows as of May 31, 2026 and 2025:

	2026	2025
Projected benefit obligation	$ (4,087,970)	$ (3,812,893)
Plan assets at fair value	- -	- -
Funded status (deficit)	$ (4,087,970)	$ (3,812,893)

The components of net periodic postretirement benefit costs are as follows:

	2026	2025
Benefit obligation - beginning of period	$ 3,812,893	$ 3,806,813
Net periodic benefit cost:		
Service cost	22,194	26,938
Interest cost	133,327	128,583
Net period cost	155,521	155,521
Actuarial adjustment	286,067	- -
Benefit payments to participants	(166,511)	(149,441)
Benefit obligation - end of period	$ 4,087,970	$ 3,812,893
Amounts recognized in the balance sheets consists of:		
Unrecognized actuarial gain (loss)	$ (18,461)	$ 283,326
Accumulated postretirement benefits	$ 4,087,970	$ 3,812,893
Amounts included in other comprehensive loss:		
Amortization of actuarial gain	$ (15,720)	$ (15,720)
Actuarial loss	$ (286,067)	$ - -
Effect of 1.00% increase in the health care trend:		
Postemployment benefit obligation	$ 4,333,000	
Net periodic benefit cost	$ 164,900	

Projected retiree benefit payments for the next five years are expected to be as follows: 2027 - $132,500; 2028 - $138,800; 2029 - $130,700: 2030 - $113,800; 2031 - $54,400.

NOTES TO FINANCIAL STATEMENTS

Note 11. Related Party Transactions

Several of the Directors of Cumberland Valley and its President and CEO are on the boards of directors of various associated organizations.

Note 12. Labor Force

Approximately 80% of Cumberland Valley's labor force is subject to a collective bargaining agreement. A three-year agreement was negotiated and approved for the period September 1, 2025 to August 31, 2028 between Cumberland Valley and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union.

Note 13. Contingencies

Cumberland Valley, on occasion, is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.

JNM

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Cumberland Valley Electric, Inc.
Gray, Kentucky

We have audited the financial statements of Cumberland Valley Electric, Inc. as of and for the years ended May 31, 2026 and 2025, and our report thereon dated July 31, 2026, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 3. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of deferred debits and deferred credits shown on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
July 31, 2026

Certified Public Accountants and Advisors

401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

CUMBERLAND VALLEY ELECTRIC, INC.

SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS
May 31, 2026 and 2025

	2026	2025	RUS Approval
Deferred Debits			
Deferred pension costs	$ 127,137	$ 188,121	§1767.13(d)(1)
Deferred Credits			
Consumer advances for construction	$ 1,924,961	$ 1,242,099	§1767, account #252

Jones, Nale & Mattingly PLC

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

To the Board of Directors
Cumberland Valley Electric, Inc.
Gray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cumberland Valley Electric, Inc. (the Cooperative), which comprise the balance sheet as of May 31, 2026 and the related statements of revenue and comprehensive income, changes in members' equities and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated July 31, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 Cooperative's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Certified Public Accountants and Advisors

401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 result of that testing, and not to provide an opinion on the effectiveness of the Cooperative'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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
July 31, 2026