From: Benita Martin
Sent: Thursday, April 25, 2013 9:31 AM
To: PSC - Reports
Cc: Steve Thompson
Subject: 2012 Audit Report

*Attached is Kenergy's 2012 Audit Report per my discussion with Jeff Cline.  Thank you.*

*Benita Martin*
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*Kenergy Corp.*
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# Kenergy Corp.

Audited Financial Statements
For the years ended December 31, 2012 and 2011

Myriad CPA Group, LLC

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kenergy Corp.
Henderson, Kentucky

We have audited the accompanying financial statements of Kenergy Corp., which comprise the balance sheets as of December 31, 2012 and 2011, and the statements of revenues and expenses, changes in members' equity, and cash flows for the years ended December 31, 2012 and 2011, and the related notes to the financial statements.

**Management's Responsibility 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; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenergy Corp. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2013, on our consideration of Kenergy's internal control over financial reporting and our tests of 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 the audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Myriad CPA Group, LLC

Myriad CPA Group, LLC
Henderson, Kentucky
March 11, 2013

# Kenergy Corp.
## Balance Sheets
## As of December 31, 2012 and 2011

| ASSETS | 2012 | 2011 |
|---|---|---|
| Utility Plant, Net | $ 189,351,232 | $ 182,893,846 |
| Investments | 5,981,362 | 6,393,997 |
| Current Assets: | | |
| Cash and Cash Equivalents | 1,255,838 | 868,629 |
| Accounts Receivable, Less Allowance For Doubtful Accounts: 2012, $185,000 and 2011, $177,000 | | |
| Billed | 40,506,588 | 39,423,817 |
| Unbilled | 10,466,860 | 10,554,676 |
| Materials and Supplies | 2,012,229 | 2,739,975 |
| Other Current Assets | 645,958 | 572,820 |
| Total Current Assets | 54,887,473 | 54,159,917 |
| Other Assets | 78,919 | 68,426 |
| Total Assets | $ 250,298,986 | $ 243,516,186 |
| MEMBERS' EQUITY AND LIABILITIES | | |
| Members' Equity: | | |
| Memberships | $ 243,200 | $ 244,890 |
| Patronage Capital | 67,211,031 | 64,844,361 |
| Other | 4,313,931 | 3,875,548 |
| Total Members' Equity | 71,768,162 | 68,964,799 |
| Long-Term Debt, Net of Current Portion | 123,930,340 | 121,105,202 |
| Current Liabilities: | | |
| Accounts Payable | 39,694,285 | 37,545,123 |
| Consumer Deposits | 3,901,250 | 4,885,116 |
| Current Maturities of Long-Term Debt | 6,539,064 | 6,091,109 |
| Other Current and Accrued Liabilities | 1,879,153 | 1,806,154 |
| Total Current Liabilities | 52,013,752 | 50,327,502 |
| Other Noncurrent Liabilities | 267,846 | 834,444 |
| Deferred Credits | 2,318,886 | 2,284,239 |
| Total Members' Equity and Liabilities | $ 250,298,986 | $ 243,516,186 |

The accompanying notes are an integral part of the financial statements.

# Kenergy Corp.
## Statements of Revenue and Expenses
## For the years ended December 31, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Operating Revenue | $ 494,665,250 | $ 425,616,053 |
| Operating Expenses: | | |
| Cost of Power | 456,369,581 | 387,543,342 |
| Distribution Operation | 3,742,460 | 3,953,461 |
| Distribution Maintenance | 8,578,244 | 8,811,763 |
| Customer Accounts | 3,324,162 | 3,442,835 |
| Consumer Service and Information | 213,405 | 210,234 |
| Sales | 95,336 | 108,224 |
| Administrative and General | 3,511,314 | 3,447,493 |
| Depreciation | 9,639,043 | 8,711,446 |
| Taxes | 418,415 | 371,579 |
| Other Deductions | 65,216 | 49,226 |
| Total Operating Expenses | 485,957,176 | 416,649,603 |
| Operating Margin Before Interest Expense | 8,708,074 | 8,966,450 |
| Interest on Long-Term Debt | 5,089,130 | 5,829,601 |
| Other Interest Expense | 181,457 | 244,120 |
| Operating Margin | 3,437,487 | 2,892,729 |
| Nonoperating Margin: | | |
| Investment Income | 1,155,097 | 1,036,895 |
| Other Income (Expense) | 40,511 | (196,951) |
| Net Margin Before Margins Assigned by Associated Organizations | 4,633,095 | 3,732,673 |
| Operating Margin Assigned by Associated Organizations | 117,280 | 135,131 |
| Net Margin | $ 4,750,375 | $ 3,867,804 |

The accompanying notes are an integral part of the financial statements.

# Kenergy Corp.

## Statements of Changes in Members' Equity

## For the years ended December 31, 2012 and 2011

| | Memberships | Patronage Capital | Other | Total |
|---|---|---|---|---|
| Balance, December 31, 2010 | $ 244,155 | $ 61,151,051 | $ 3,786,210 | $ 65,181,416 |
| Increase in Membership Fees | 735 | - | - | 735 |
| Net Margin | - | 3,867,804 | - | 3,867,804 |
| Accumulated Other Comprehensive Income: Decrease in Additional Minimum Pension Liability | - | - | - | - |
| Patronage Capital Retired | - | (174,494) | - | (174,494) |
| Retired Capital Credits - Gain | - | - | 89,338 | 89,338 |
| Other Changes | - | - | - | - |
| Balance, December 31, 2011 | $ 244,890 | $ 64,844,361 | $ 3,875,548 | $ 68,964,799 |
| Decrease in Membership Fees | (1,690) | - | - | (1,690) |
| Net Margin | - | 4,750,375 | - | 4,750,375 |
| Accumulated Other Comprehensive Income: Decrease in Additional Minimum Pension Liability | - | - | - | - |
| Patronage Capital Retired | - | (2,383,705) | - | (2,383,705) |
| Retired Capital Credits - Gain | - | - | 438,383 | 438,383 |
| Other Changes | - | - | - | - |
| Balance, December 31, 2012 | $ 243,200 | $ 67,211,031 | $ 4,313,931 | $ 71,768,162 |

The accompanying notes are an integral part of the financial statements.

# Kenergy Corp.
## Statements of Cash Flows
## For the years ended December 31, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Cash Flows From Operating Activities: | | |
| Net Margin | $ 4,750,375 | $ 3,867,804 |
| Adjustments to Reconcile Net Margin to Net Cash Provided by Operating Activities: | | |
| Depreciation Charged to Operations | 9,639,043 | 8,711,446 |
| Interest Income Added to Cushion of Credit Balance | (1,056,000) | (933,204) |
| Interest Expense Paid From Prior Note Payments | 1,496,522 | - |
| Noncash Assigned Capital Credits | (117,280) | (135,129) |
| (Increase) Decrease in: | | |
| Accounts Receivable | (2,719,137) | (4,795,560) |
| Materials and Supplies | 727,746 | (340,367) |
| Other Current Assets | 14,679 | 855,203 |
| Accounts Payable | 2,149,162 | 4,668,945 |
| Other Current and Accrued Liabilities | 72,999 | (105,075) |
| Other Items, Net | (153,418) | 428,449 |
| Net Cash Provided by Operating Activities | 14,804,691 | 12,222,512 |
| Cash Flows From Investing Activities: | | |
| Capital Expenditures, Net | (16,284,390) | (12,362,268) |
| (Increase) Decrease in: | | |
| FEMA Receivable | 1,636,366 | 595,393 |
| Other Investment, Excluding Assigned Capital Credits | 13,572 | (484,839) |
| Net Cash Used in Investing Activities | (14,634,452) | (12,251,714) |
| Cash Flows From Financing Activities: | | |
| Additional Deposits, Net of Refunds | (985,556) | 748,456 |
| Additional Long-Term Debt | 13,622,000 | - |
| Reduction of Long-Term Debt | (5,900,275) | (5,439,361) |
| Principal Payments Paid From Prior Note Payments | 993,123 | - |
| Patronage Capital Retired | (1,945,322) | (85,109) |
| Payment-Cushion of Credit | (5,567,000) | (3,000,000) |
| Net Cash Used by Financing Activities | 216,970 | (7,776,014) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 387,209 | (7,805,216) |
| Cash and Cash Equivalents, Beginning of Year | 868,629 | 8,673,845 |
| Cash and Cash Equivalents, End of Year | $ 1,255,838 | $ 868,629 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest Paid, Net of Amounts Capitalized | $ 5,455,368 | $ 5,978,097 |

The accompanying notes are an integral part of the financial statements.

# Kenergy Corp.
## Notes to Financial Statements
## December 31, 2012

### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

Kenergy is a nonprofit electric distribution cooperative association which provides electric power to approximately 55,585 residential, commercial and industrial customers located in fourteen western Kentucky counties.

Basis of Accounting:

The accounting policies of Kenergy reflect those prescribed by the United States Department of Agriculture Rural Utilities Service (RUS) and the Kentucky Public Service Commission (KPSC), which conform with accounting principles generally accepted in the United States of America in all material respects.

Revenues:

Revenues are accrued when services are rendered based on rates authorized by the KPSC.

Utility Plant:

Utility plant is stated at original cost, net of contributions, which is the cost when first dedicated to public service. Kenergy capitalizes supervisory and overhead costs applicable to construction projects.

Maintenance and repairs of property units and renewals of minor items of property are charged to maintenance expense accounts. The costs of replacing complete property units are charged to utility plant accounts and the original cost of distribution plant property units retired and cost of removal, net of salvage value, are charged to accumulated depreciation.

Depreciation:

Depreciation is provided on the basis of the estimated useful lives of assets at straight-line rates, which for 2012 and 2011, were as follows:

| | |
|---|---|
| Distribution Plant | 1.90% to 6.70% |
| General Plant | 2.00% to 20.00% |

Kenergy uses the composite method of depreciation for distribution plant and the unit method of depreciation for general plant.

Investments:

As more fully described in the following notes, Kenergy's investment in a generation and transmission corporation is recorded at estimated net realizable value. All other investments of Kenergy are stated at cost, which approximates fair value.

# Kenergy Corp.
## Notes to Financial Statements
## December 31, 2012

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand, money market funds, and investments with an original maturity of three months or less. The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Materials and Supplies:

Materials and supplies inventories are stated at the lower of cost or market using the average cost method.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – UTILITY PLANT**

Utility plant at December 31 consists of the following:

| | 2012 | 2011 |
|---|---|---|
| Distribution Plant | $243,466,531 | $232,125,093 |
| General Plant | 22,114,611 | 20,698,186 |
| | 265,581,142 | 252,823,279 |
| Less Accumulated Depreciation | (77,387,993) | (71,916,962) |
| Construction in Progress | 1,158,083 | 1,987,529 |
| Total Utility Plant | $189,351,232 | $182,893,846 |

Depreciation expense for the years ended December 31, 2012 and 2011 was $9,639,043 and $8,711,446 respectively.

A devastating ice storm occurred on January 26, 2009, resulting in approximately 3,600 poles and 1,100 transformers being replaced. The total storm costs were approximately $32,000,000 with the Federal Emergency Management Agency (FEMA) being requested to reimburse nearly $28,000,000, or 87%. The FEMA reimbursement monies were first applied to dollars expensed, leaving nearly $4,000,000 of capitalized costs. At December 31, 2012 the FEMA receivable was approximately $2,028,790. Kenergy expects to receive the remaining reimbursement during 2013.

### NOTE 3 – INVESTMENTS

Generation and Transmission Corporation

As discussed in preceding notes, Kenergy purchases electric power from Big Rivers Electric Corporation, a generation and transmission cooperative association. The membership of Big Rivers Electric Corporation is comprised of Kenergy and two other distribution cooperatives.

The following is a summary at December 31st of financial information pertaining to Big Rivers Electric Corporation:

| | 2012 | 2011 |
|---|---|---|
| Balance Sheet Data: | UNAUDITED | AUDITED |
| Assets: | | |
| Current Assets | $ 222,429,238 | $ 153,409,423 |
| Noncurrent Assets | 1,324,248,683 | 1,264,512,853 |
| Total Assets | 1,546,677,921 | 1,417,922,276 |
| Liabilities: | | |
| Current Liabilities | 128,819,261 | 122,748,167 |
| Noncurrent Liabilities | 1,014,976,973 | 905,353,594 |
| Total Liabilities | 1,143,796,234 | 1,028,101,761 |
| Equity | $ 402,881,687 | $ 389,820,515 |
| Income Statement Data: | | |
| Revenues | $ 568,342,236 | $ 561,989,232 |
| Operating Margin | 10,252,476 | 5,332,040 |
| Net Margin | $ 11,277,091 | $ 5,600,381 |

Big Rivers Electric Corporation experienced significant operating losses in prior years and had a net equities deficiency of ($154,601,580) as of December 31, 2008.

On July 16, 2009, Big Rivers Electric Corporation completed a transaction referred to as the “unwind” with E.ON US. Under the unwind agreement, Big Rivers Electric Corporation assumed from E.ON US full responsibility for operating three generation facilities and the obligation to provide power to two aluminum smelters through Kenergy Corp. E.ON US provided cash payments, asset transfers and other benefits to Big Rivers Electric Corporation, which resulted in Big Rivers Electric Corporation realizing income of $537,978,261 in 2009. These funds allowed Big Rivers Electric Corporation to reduce its debt by $140,180,652 provide $252,855,791 in rate stabilization funds, and to increase its equity position to $379,391,541 from a deficit of ($154,601,580).

**NOTE 3 – INVESTMENTS (CONTINUED)**

Under the Big Rivers Electric Corporation Joint Plan of Reorganization in 1998, member cooperatives of Big Rivers Electric Corporation were required to charge down their previously allocated capital credits to zero. After evaluating the key issues related to the unwind, Kenergy has elected to continue valuing the non-cash allocations at zero for financial reporting purposes, a practice which it has followed since 1998 when Big Rivers Electric Corporation emerged from bankruptcy protection. As of December 31, 2009, the non-cash allocations from Big Rivers Electric Corporation to Kenergy represent 69% of the total allocations. Big Rivers Electric Corporation, which allocates margins on the tax basis, incurred a tax loss during 2010-2012 due to accelerated depreciation methods.

Kenergy Corp. will continue to record memorandum entries in its patronage capital records to reflect the value of allocations received from Big Rivers Electric Corporation. (Refer to Note 12 - Income Tax Status). See footnote 6 for discussion on the contract termination notices of the two smelters.

Other Investments

The more significant other investments are as follows:

Capital Term Certificates (CTC's) of the National Rural Utilities Cooperative Finance Corporation are carried at cost which approximates market. The investment at December 31, 2012 and 2011 totaled $2,528,878. The CTC's mature in varying amounts from 2020 to 2080 and bear interest at 0%, 3%, and 5% per year.

Investment in CoBank, an international cooperative bank, is a required, investment which is carried at cost and totaled $1,906,615 and $1,842,687 at December 31, 2012 and 2011, respectively. Under the terms of this Loan Base Capital Plan, Kenergy's investment in CoBank (stock and allocated surplus from CoBank) is required to be 10% of Kenergy's average loan balance due to CoBank for the past five years accumulated through equity issued as a patronage return.

Kenergy's Retirement Trust totaling $-0- and $201,096 at December 31, 2012 and 2011, respectively, represents amounts set aside to fund Kenergy's deferred compensation agreements and are stated at fair value.

Economic development loans represent interest free loans made to qualifying applicants to promote rural economic development. Kenergy borrows monies from RUS pursuant to the Rural Electrification Act of 1936 and in turn loans these monies to qualifying applicants. The loans are secured by letters of credit, thereby minimizing Kenergy's exposure to loss. Amounts outstanding at December 31, 2012 and 2011, were $262,963 and $578,240, respectively.

# Kenergy Corp.
## Notes to Financial Statements
## December 31, 2012

**NOTE 4 – LONG-TERM DEBT**

Long-Term Debt at December 31st consists of:

| | 2012 | 2011 |
|---|---|---|
| First mortgage notes payable to: | | |
| RUS in quarterly and monthly installments of varying amounts through 2038 | | |
| Interest rate term fixed to principle maturity: | | |
| 4.125% notes | $ 1,483,105 | $ 1,531,731 |
| 5% notes | 2,053,504 | 2,111,372 |
| Treasury notes- average rate of 4.81% at December 31, 2012 | 25,336,030 | 25,765,419 |
| 5.125% notes | 2,067,819 | 2,124,573 |
| Laddered interest rate terms of 1-10 years at an average rate of 1.58 % at December 31, 2012 | 47,466,464 | 49,148,836 |
| Unapplied note prepayments-5% | (23,988,310) | (19,854,955) |
| | 54,418,612 | 60,826,976 |
| CoBank in quarterly and monthly installments of varying amounts through 2033: | | |
| Interest rate term fixed to principle maturity 3.48% average rate at December 31, 2012 | 15,069,604 | 17,347,302 |
| Laddered interest rate terms of 3 to 6 years, average rate of 2.42% at December 31, 2012 | 11,014,276 | 11,565,067 |
| | 26,083,880 | 28,912,369 |
| Rural Economic Development Zero-Interest Loan payable to RUS in monthly installments of varying amounts through May 2016 | 262,962 | 578,240 |
| Federal Financing Bank in quarterly installments of varying amounts through December 2042, with a 3.96% fixed rate to maturity. | 49,703,950 | 36,878,726 |
| Total Long-Term Debt | 130,469,404 | 127,196,311 |
| Less Current Maturities | 6,539,064 | 6,091,109 |
| | $ 123,930,340 | $ 121,105,202 |

## NOTE 4 – LONG-TERM DEBT (CONTINUED)

Aggregate annual maturities of long-term debt at December 31, 2012 are:

| | | |
|---|---|---|
| 2013 | $ | 6,539,064 |
| 2014 | | 6,566,991 |
| 2015 | | 6,599,235 |
| 2016 | | 6,609,647 |
| 2017 | | 6,698,427 |
| Thereafter | | 97,456,040 |
| | $ | 130,469,404 |

Substantially, all assets of Kenergy are pledged as collateral on the long-term debt as previously described.

## NOTE 5 – SHORT-TERM BORROWINGS

Kenergy has unsecured line of credit agreements with financial institutions permitting short-term borrowings for general corporate purposes totaling $35,000,000. Rates for such borrowings are variable and based on prevailing market rates. There was $0 outstanding under these agreements at December 31, 2012 and 2011, respectively. The rate at December 31, 2012 was 3.00%.

## NOTE 6 – MAJOR CUSTOMER CONCENTRATIONS

Operating revenue for 2012 and 2011 includes approximately $362.1 million and $303.4 million, respectively, attributable to sales of power to two aluminum smelting customers. Accounts receivable from these customers totaled $30.3 and $29.0 million at December 31, 2012 and 2011, respectively. On August 20, 2012 and January 31, 2013 the two smelters provided one-year notices of termination of their contracts. Big Rivers Electric Corporation (see footnote 3) filed on January 15, 2013 a $74 million rate increase and has announced plans to file another rate increase of approximately $50 million around mid-year. These rate increases are necessary to mitigate the loss of revenues from the two smelters. Both smelters are attempting to buy power on the open market either through negotiated contracts with Big Rivers Electric Corporation and Kenergy or through legislation. The loss of these two loads has no material impact on Kenergy's margins.

Operating revenue also includes sales of power to six other large industrial customers totaling approximately 7.1% and 6.90% of Kenergy's operating revenue for 2012 and 2011, respectively.

## NOTE 7 – COST OF POWER

Kenergy presently purchases all of its power and energy requirements from Big Rivers Electric Corporation (Big Rivers) under wholesale power contracts which expire in 2043. Accounts payable under Big Rivers contracts were $38.3 and $36.1 million at December 31, 2012 and 2011 respectively.

## NOTE 8 – RETIREMENT PLANS

Kenergy has various pension plans covering its employees.

Noncontributory Defined Benefit Pension Plan

Kenergy has a noncontributory defined benefit pension plan covering former Green River Electric Corporation (GREC) employees who were members of the plan on January 1, 1987. Employees with an original date of hire on or after January 1, 1987, are not eligible to join the defined benefit plan. The benefits are based on years of service and the employee's highest average monthly compensation for three consecutive years of service. Benefit accruals were frozen as of October 31, 2010.

Kenergy amended the defined benefit plan effective January 1, 1987, to offset benefits accruing after January 1, 1987, by the benefits provided by the defined contribution plan discussed below. Kenergy has adopted the provisions of Statement of Financial Accounting Standards No. 87, "Employer's Accounting for Pensions," as amended by Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits."

FASB Statement No. 158 "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans" was adopted during the year ended December 31, 2007. FASB No. 158 requires that the full funding status of a defined benefit pension plan and other post retirement plans be recognized on the balance sheet as an asset (for over-funded plans) or as a liability (for under-funded plans).

In addition, FASB No. 158 calls for recognition in other comprehensive income of gains or losses and prior service costs or credits that are not yet included as components of expense.

Finally, FASB No. 158 requires that the measurement of defined benefit plan assets and obligations be as of the balance sheet date. The cooperative adopted the provisions of this statement effective for the year ended December 31, 2007. A prepayment has been recorded in the amount of $25,000 at December 31, 2012. Due to the plan freezing at October 31, 2010 and all participants moving into the NRECA retirement and Security program (see footnote 8c), Kenergy elected to recognize the net actuarial (gain)/loss of $295,000 and $149,000 that would have not been recognized without the plan merger and plan freeze on October 31, 2010. Therefore the charge against other comprehensive income was reduced to zero at December 31, 2012 and 2011.

Net pension cost (income) for 2012 and 2011 included the components:

| | 2012 | 2011 |
|---|---|---|
| Service Cost | $ - | $ - |
| Interest Cost on Project Benefit Obligation | 70,000 | 85,000 |
| Expected Return on Plan Assets | (41,000) | (34,000) |
| Net Amortization and Deferral | - | - |
| Settlement/Curtailment | - | - |
| Net Actuarial (gain) loss booked | 176,000 | 98,000 |
| Pension Cost (income) | $ 205,000 | $ 149,000 |

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

The following table sets forth the plan's funded status and the amount recognized in Kenergy's balance sheet at December 31st:

| | 2012 | 2011 |
|---|---|---|
| Accumulated Benefit Obligation: | | |
| Vested | $ 1,615,000 | $ 1,688,000 |
| Projected Benefit Obligation | 1,615,000 | 1,688,000 |
| Plan Assets at Fair Value | 1,640,000 | 1,344,000 |
| Deficiency of Plan Assets Over Projected Benefit Obligation | 25,000 | (344,000) |
| Unrecognized Net Loss | - | - |
| Net Amount Recognized | 25,000 | (344,000) |
| Amounts Recognized Consist of: | | |
| Prepaid Benefit Cost | - | - |
| Accrued Pension Liability | 25,000 | (344,000) |
| Intangible Asset | - | - |
| Accumulated Other Comprehensive Income | - | - |
| Net Amount Recognized | $ 25,000 | $ (344,000) |

In determining the actuarial present value of the projected benefit obligation, the weighted average discount rate used was 4.25% and 4.50% for the periods ended December 31, 2012 and 2011. The expected long-term rate of return on assets was 2.50% for the periods ended December 31, 2012 and 2011. Employer contributions totaled $574,000 and $-0- for the years ended December 31, 2012 and 2011, respectively, while there were no employee contributions. Kenergy expects to contribute $152,000 to this pension plan for the year ending December 31, 2013. Settlements totaled $29,000 and $16,000 for the years ended December 31, 2012 and 2011. Actual distributions totaled $258,000 and $279,000 for the years ended December 31, 2012 and 2011, respectively.

All assets were moved to interest bearing accounts with the expected return on plan assets at 2.50%. The plan assets will be transferred to NRECA in the near future, after which this plan will be terminated and all future benefit accruals and benefit payments of and to the participants will occur under the NRECA plan.

Savings and Retirement Plan

Effective January 1, 1987, Kenergy adopted a defined contribution savings and retirement plan. This plan was available to all former GREC employees and all newly hired employees of Green River from 1987 to July 1, 1999 and all Kenergy new employees on or after July 1, 1999, excluding temporary employees, with six months of service, who work at least 1,000 hours during each twelve-month period following their date of employment. Effective October 31, 2010, the former GREC participants were moved to the NRECA retirement plan and are not longer eligible for this plan. Under this plan, Kenergy contributes 6% of each employee's annual compensation. In addition, Kenergy will provide matching contributions equal to 50% of each employee's contribution; however, Kenergy's matching contribution will not exceed 5% of each employee's compensation. Employer contributions under this plan totaled $461,594 and $423,989 for the years ended December 31, 2012 and 2011 respectively.

## NOTE 8 – RETIREMENT PLANS (CONTINUED)

NRECA Retirement and Security Program

All eligible employees of the former Henderson Union Cooperative Corporation (HUEC) participate in the NRECA Retirement and Security Program (Program), a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code.Effective October 31, 2010, all employees in the former GREC plan (see footnote 8a) were transferred to this NRECA plan. A payment of $690,000 to NRECA was made during 2011 in exchange for NRECA to assume future responsibility for benefit payments earned through October 31, 2010 of certain highly compensated employees. The plan assets of the former GREC plan will also be transferred to NRECA on the final merger date. Kenergy will also pay NRECA or receive credit for any additional difference between plan assets and the benefit obligation that may occur between October 31, 2010 and the final merger date. Kenergy makes annual contributions to the Program equal to the amounts accrued for pension expense. Non-SERP contributions were $1,038,981 and $1,091,842 for 2012 and 2011, respectively. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer.

Retirement Savings Plan

The Retirement Savings Plan is available for all eligible former HUEC employees and former GREC employees effective January 1, 2011. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. Kenergy will match the contributions of each participant, up to 3% of the participant's base compensation. Kenergy contributed $144,059 and $147,937 for 2012 and 2011, respectively. Participants vest immediately in their contributions and the contributions of Kenergy.

Deferred Compensation Plan

The Kenergy Corp. 457(b) Deferred Compensation Plan allows designated senior management personnel the opportunity to make salary deferral contributions into a retirement plan once they reach the IRS limit on voluntary contributions into their 401(k) plan.

## NOTE 9 – DEFERRED COMPENSATION

Included in other investments and other non-current liabilities is $-0- and $201,066 at December 31, 2012 and 2011, respectively, relating to deferred compensation agreements. The deferred compensation plan was frozen in 1999. Benefits are being paid out and the obligation is being relieved over a period of ten years through 2012.

### NOTE 10 – FINANCIAL INSTRUMENTS – FAIR VALUES

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires Kenergy to disclose estimated fair values of its financial instruments. Fair value estimates, methods, and assumptions are set forth below for Kenergy's financial instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable, and other current liabilities approximate fair value because of the short-term maturity of those instruments.

In management's opinion, the carrying value of long-term debt also approximates fair value.

Kenergy's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. Kenergy had cash deposits in a financial institution in excess of the amount insured by the Federal Depository Insurance Corporation (FDIC) at December 31, 2012 and 2011. The risk is managed by maintaining all deposits in high quality institutions. Kenergy routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

### NOTE 11 – RELATED PARTY TRANSACTIONS

Big Rivers Electric Corporation provides billing, safety training, and other services to its three distribution cooperative members for which it is not reimbursed. Big Rivers Electric Corporation reimburses its members for economic development costs. Services requested for reimbursement from Big Rivers Electric Corporation during the years ended December 31, 2012 and 2011 totaled $237,789 and $183,796, respectively, of which $211,813 and $144,012, respectively, was included in accounts receivable. These amounts do not include the cost of computer programming, safety training and postage provided but not quantified.

### NOTE 12 – INCOME TAX STATUS

Kenergy is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code and, accordingly, the accompanying financial statements include no provision for such taxes. When applying the 85 percent test of IRC 501(c)(12), Kenergy excludes the Big Rivers Electric Corporation non-cash allocations from gross income.

### NOTE 13 – LIMITATIONS ON DISTRIBUTIONS

Without the prior written approval of RUS, Kenergy shall not in any calendar year make any Distributions (exclusive of any Distributions to the estates of decreased natural patrons) to its members, stockholders or consumers except as follows:

If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than or equal to 20% of its Total Assets and the aggregate of all Distributions made during that calendar year when added to such Distribution shall be less than or equal to 25% of the prior year's margins.

If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than 30% of its Total Assets; or Provided however, that in no event shall Kenergy make any Distributions if there is unpaid, when due, any installment of principal of (premium, if any) or interest on any of its payment obligations secured by the mortgage, if the borrower is otherwise in default hereunder or if, after giving effect to any such Distribution, the Borrower's current and accrued assets would be less than its current and accrued liabilities.

## NOTE 14 – RISK MANAGEMENT

Kenergy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets: errors and omissions; injuries to employees; and natural disasters. Kenergy carries commercial insurance for all risks of loss, including workers' compensation, general liability and property loss insurance. As is customary in the utility industry, Utility Plant is not insured with the exception of substations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in 2012 and 2011.

## NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been considered and evaluated through March 11, 2013

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**Independent Auditors' Report on Internal Control Over Financial Reporting, Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

To the Audit Committee
Kenergy Corp.
Henderson, Kentucky

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 financial statements of Kenergy Corp, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Kenergy Corp.'s basic financial statements, and have issued our report thereon dated March 11, 2013.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kenergy Corp.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kenergy Corp.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Kenergy Corp.'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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

**Purpose of this Report**

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

Myriad CPA Group, LLC

Myriad CPA Group, LLC
Henderson, Kentucky
March 11, 2013

To the Board of Directors
Kenergy Corp.
Henderson, Kentucky

We have audited the financial statements of Kenergy Corp. (Kenergy) for the year ended December 31, 2012, and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Kenergy for the year ended December 31, 2012, we considered Kenergy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be considered material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be a material weakness.

Section 1773.33 requires comments on specific aspects of internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free of material misstatements, at your request, we performed tests of specific aspects of internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR 1773.33(e)(1), related party transactions, and depreciation rates, a schedule of deferred debits and credits, and a schedule of investments, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38 to 1773.45. Our objective was not to provide an opinion on these specific aspects of internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion.

No reports other than our independent auditors' report and our report on compliance and internal control over financial reporting, all dated March 11, 2013, have been furnished to management.

Our comments on specific aspects of internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters, as required by 7 CFR Part 1773.33, are presented below:

## COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Kenergy's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- The process for accumulating and recording labor, material, overhead costs, and the distribution of these costs to the construction, retirement, and maintenance or other expense accounts; and the materials control.

## COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, and contracts and grants is set forth in our independent auditors' report on compliance dated March 11, 2013, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with the certain provisions of laws, regulations, and contracts. The procedures we performed are summarized as follows:

Procedures performed with respect to the requirements for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended December 31, 2012 of Kenergy:

- Inquired of management as to whether any new contracts were entered into during the year for the operation or maintenance of its property, or for the use of its property by others as defined in 7 CFR 1773.33(e)(1)(i).
- Reviewed the Board of Directors minutes to ascertain whether board-approved written contracts existed which were not disclosed to us by management.
- Noted the existence of written RUS approval of each contract, if any, entered into.

Procedure performed with respect to the requirements to submit RUS Form 7 to the RUS:

- Agreed financial amounts reported in Form 7 to Kenergy's internal financial records.

The results of our tests indicate that, with respect to the items tested, Kenergy complied in all material respects, with the specific RUS loan and security instrument provisions referred to below. With respect to items not tested, nothing came to our attention that caused us to believe that Kenergy had not complied, in all material respects, with those provisions. The specific provisions tested include the requirements that:

- The borrower has submitted its Form 7 to the RUS and the Form 7, Financial and Statistical Report, as of December 31, 2012, represented by the borrower as having been submitted to the RUS, is in agreement with Kenergy's records in all material respects, appears reasonable based upon the audit procedures performed.

## COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Kenergy, nothing came to our attention that caused us to believe that Kenergy failed to comply with respect to:

- The reconciliation of the subsidiary plant records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c) (2);
- The retirement of plant addressed at 7 CFR Parts 1773.33(c) (3) and (4);
- Approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR 1773.33(c)(5);

- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No.57, *Related Party Transactions*, for the year ended December 31, 2012, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);
- Depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits;
- The detailed schedule of investments.

**DETAILED SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR 1773.33(h) and provided below is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

| | | |
|---|---|---|
| Deferred Debits: | | |
| Work plan 2010 to 2013 | $ | 11,404 |
| Work plan 2013 to 2017 | | 42,515 |
| Pension - Defined Benefit | | 25,000 |
| | $ | 78,919 |
| Deferred Credits: | | |
| Consumer Advances for Construction | $ | 2,235,028 |
| | $ | 2,235,028 |

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Myriad CPA Group, LLC

Myriad CPA Group, LLC
Henderson, Kentucky
March 11, 2013

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To the Board of Directors
Kenergy Corp.
Henderson, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of Kenergy Corp. as of December 31, 2012, and the related statements of revenues and expenses, changes in members' equities, and cash flows for the year then ended and have issued our report dated March 11, 2013.

In connection with our audit, we calculated the following ratios in accordance with Article II, Section 2.01 of the Restated Mortgage Security Agreement between Kenergy Corp., Rural Utilities Service, CFC, and CoBank dated July 1, 2003, as follows:

| | **Additional Notes, Section 2.01(a)(1):** | **December 31, 2012** | **December 31, 2011** |
|---|---|---|---|
| (i) | TIER Ratio | 1.93 | 1.71 |
| | DSC Ratio | 1.72 | 1.63 |
| (ii) | Pro-forma net utility plant to long-term debt with additional notes ratio | 1.45 | 1.44 |
| (iii) | Pro-forma equity to total assets with additional notes ratio | 28.7% | 28.3% |
| (iv) | Pro-forma aggregate principal amount of additional notes and existing outstanding notes not related to the electric system to mortgator's equity ratio | 0% | 0% |

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and Rural Utilities Service, CFC, and CoBank and is not intended to be and should not be used by anyone other than these specified parties.

Myriad CPA Group, LLC

Myriad CPA Group, LLC
Henderson, Kentucky
March 11, 2013

To the Audit Committee
Kenergy Corp.
Henderson, Kentucky

We have audited the financial statements of Kenergy Corp. for the year ended December 31, 2012, and have issued our report thereon dated March 11, 2013. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards:**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit:**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 26, 2012.

**Significant Audit Findings:**

There were no significant findings as a result of our audit procedures performed.

**Adoption of New Accounting Principles:**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kenergy Corp. are described in the Notes to the financial statements.

During the year ended December 31, 2012, there were no significant new accounting principles adopted.

**Unusual Transactions Lacking Authoritative Guidance:**

We noted no transactions entered into by Kenergy Corp. during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

**Accounting Estimates:**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements relates to unbilled revenues.

Management's estimate of the unbilled revenue is based on estimated electrical consumption per billing cycle multiplied by the applicable rate. We evaluated the key factors and assumptions used to develop the unbilled revenue estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

**Difficulties Encountered in Performing the Audit:**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatement:**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no significant audit adjustments required, nor were there any significant uncorrected misstatements not posted into the general ledger of Kenergy Corp.

**Disagreements with Management:**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations:**

We have requested certain representations from management that are included in the management representation letter dated March 11, 2013.

**Consultation with Other Accountants:**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Kenergy Corp.'s financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

We did not consult with any outside accountants regarding accounting and auditing issues relevant to Kenergy Corp.

**Other Audit Findings or Issues:**

There were no other audit findings or other issues required by our professional standards to be reported to the audit committee.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Kenergy Corp. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Myriad CPA Group, LLC

Myriad CPA Group, LLC
Owensboro, Kentucky
March 11, 2013

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To the Board of Directors and Management
Kenergy Corp.
Henderson, Kentucky

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Kenergy Corp. as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Kenergy Corp.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee and board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Myriad CPA Group, LLC

Myriad CPA Group, LLC
Owensboro, Kentucky
March 11, 2013