BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION AND SUBSIDIARY
KENTUCKY 58

CONSOLIDATED FINANCIAL REPORT

December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Sandy Rural Electric Cooperative Corporation and Subsidiary
Paintsville, Kentucky

Opinion

We have audited the accompanying consolidated financial statements of Big Sandy Rural Electric Cooperative Corporation and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of revenue and comprehensive income, changes in members' equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Big Sandy Rural Electric Cooperative Corporation and Subsidiary as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Big Sandy Rural Electric Cooperative Corporation and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Big Sandy Rural Electric Cooperative Corporation and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Big Sandy Rural Electric Cooperative Corporation and Subsidiary'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 March 22, 2024, on our consideration of Big Sandy Rural Electric Cooperative Corporation and Subsidiary'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 the effectiveness of the Big Sandy Rural Electric Cooperative Corporation and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Sandy Rural Electric Cooperative Corporation and Subsidiary's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 22, 2024

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

ASSETS	2023	2022
Utility plant, at original cost:		
In service	$ 63,377,327	$ 60,715,193
Under construction	643,916	393,495
	64,021,243	61,108,688
Less accumulated depreciation	29,222,884	27,673,092
	34,798,359	33,435,596
Investments in associated organizations	23,125,318	22,636,887
Current Assets:		
Cash and cash equivalents	1,973,365	990,752
Accounts receivable, less allowance for credit losses in 2023 of $288,689 and 2022 of $271,308	2,547,916	3,157,802
Other receivables	678,540	2,511,492
Material and supplies, at average cost	621,849	474,246
Other current assets	17,100	118,899
Total current assets	5,838,770	7,253,191
Deferred Debits	785,030	907,530
Total assets	$ 64,547,477	$ 64,233,204

MEMBERS' EQUITIES AND LIABILITIES	2023	2022
Members' Equities:		
Memberships	$ 225,630	$ 225,835
Patronage capital	29,714,107	30,358,905
Other equities	847,859	827,891
Accumulated other comprehensive (loss)	(409,026)	(1,980,861)
Total members' equities	30,378,570	29,431,770
Long-Term Liabilities:		
Long-term debt, less current portion	25,966,836	22,920,214
Finance lease obligations, less current portion	106,758	199,913
Accumulated postretirement benefits	2,740,362	4,276,820
Total long-term liabilities	28,813,956	27,396,947
Current Liabilities:		
Current portion of long-term debt	1,838,352	1,131,511
Current portion of finance lease obligations	97,955	100,798
Short-term notes payable	- -	1,962,924
Accounts payable	2,200,034	2,881,210
Consumer deposits	748,805	709,350
Accrued expenses	458,140	617,398
Total current liabilities	5,343,286	7,403,191
Consumer Advances for Construction	11,665	1,296
Total members' equities and liabilities	$ 64,547,477	$ 64,233,204

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

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Sales of electric energy	$ 25,671,962	$ 28,470,742
Other electric revenues	890,207	836,258
	26,562,169	29,307,000
Operating Expenses		
Cost of power	17,827,633	20,333,030
Distribution - operations	1,371,665	1,254,745
Distribution - maintenance	2,389,221	1,788,522
Consumer accounts	1,114,800	1,149,635
Customer services	126,436	110,293
Administrative and general	1,607,355	1,582,779
Depreciation, excluding $238,677 in 2023 and $316,680 in 2022 charged to clearing accounts	2,656,869	2,521,208
Taxes, other than income	25,966	29,260
Interest on long-term debt	924,347	816,201
Other interest charges	30,731	766
Other deductions	14,049	21,812
Total cost of electric service	28,089,072	29,608,251
Operating (Deficit)	(1,526,903)	(301,251)
Nonoperating Margins and Capital Credits		
Interest income	290,854	227,364
Other non-operating margins	138,812	77,285
Generation and transmission capital credits	412,311	323,975
Other capital credits	123,024	96,547
	965,001	725,171
Net Margins (Deficit)	(561,902)	423,920
Other Comprehensive Income		
Postretirement benefits actuarial gain	1,550,307	- -
Postretirement benefits amortization of net loss	21,528	132,058
	1,571,835	132,058
Net Margins and Comprehensive Income	$ 1,009,933	$ 555,978

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

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
Years Ended December 31, 2023 and 2022

		Patronage Capital					Accumulated Other	Total
	Memberships	Assigned	Assignable	Retirements	Total	Other Equities	Comprehensive Income (Loss)	Members' Equities
Balance - December 31, 2021	$ 225,765	$ 32,388,795	$ 665,660	$ (3,027,061)	$ 30,027,394	$ 801,837	$ (2,112,919)	$ 28,942,077
Allocate margins		665,660	(665,660)		- -			- -
Comprehensive income:								
Net margins			423,920		423,920			423,920
Postretirement benefit obligation								
Amortization of actuarial loss							132,058	132,058
Total comprehensive income								555,978
Net change in memberships	70							70
Refunds to estates				(92,409)	(92,409)			(92,409)
Other equities						26,054		26,054
Balance - December 31, 2022	225,835	33,054,455	423,920	(3,119,470)	30,358,905	827,891	(1,980,861)	29,431,770
Allocate margins		423,920	(423,920)		- -			- -
Comprehensive income:								
Net deficit			(561,902)		(561,902)			(561,902)
Postretirement benefit obligation								
Amortization of actuarial loss							21,528	
Actuarial gain							1,550,307	1,571,835
Total comprehensive income								1,009,933
Net change in memberships	(205)							(205)
Refunds to estates				(82,896)	(82,896)			(82,896)
Other equities						19,968		19,968
Balance - December 31, 2023	$ 225,630	$ 33,478,375	$ (561,902)	$ (3,202,366)	$ 29,714,107	$ 847,859	$ (409,026)	$ 30,378,570

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

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins (deficit)	$ (561,902)	$ 423,920
Adjustments to reconcile net margins (deficit) to net cash provided by operating activities:		
Depreciation:		
Charged to expense	2,656,869	2,521,208
Charged to clearing accounts	238,677	316,680
Amortization of finance lease ROU assets	76,346	63,827
Patronage capital credits assigned	(535,335)	(420,522)
Amortization of postretirement actuarial adjustment	21,528	132,058
Postretirement actuarial adjustment	1,550,307	- -
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables, net	2,442,838	(466,725)
Material and supplies	(147,603)	(166,956)
Other current assets	101,799	(90,268)
Deferred debits	122,500	(893,967)
Accounts payable	(681,176)	564,825
Consumer deposits and advances	49,824	16,656
Accrued expenses	(159,258)	62,171
Accumulated postretirement benefits	(1,536,458)	72,783
Net cash provided by operating activities	3,638,956	2,135,690
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(3,942,292)	(3,155,573)
Plant removal costs	(466,169)	(348,461)
Salvage recovered from retired plant	73,806	122,754
Receipts from other investments, net	46,904	756,156
Net cash (used in) investing activities	(4,287,751)	(2,625,124)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in memberships	(205)	70
Refund of patronage capital to members	(82,896)	(92,409)
Increase in other equities	19,968	26,054
Payments on short-term notes payable	(1,962,924)	(787,076)
Principal payments on finance lease obligations	(95,998)	(135,733)
Payments on long-term debt	(1,110,537)	(1,168,153)
Advances of long-term debt	4,864,000	- -
Net cash provided by (used in) financing activities	1,631,408	(2,157,247)
Net increase (decrease) in cash and cash equivalents	982,613	(2,646,681)
Cash and cash equivalents, beginning of year	990,752	3,637,433
Cash and cash equivalents, end of year	$ 1,973,365	$ 990,752
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	$ 1,149,831	$ 799,589
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Electric plant financed through notes payable	$ - -	$ 230,983

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

Note 1. Significant Accounting Policies

Description of business

Big Sandy Rural Electric Cooperative Corporation (Big Sandy) provides distribution electric services to residential and commercial consumers concentrated in a five-county area in eastern Kentucky. Big Sandy maintains its records in accordance with the policies 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 more significant of these policies are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of Big Sandy Rural Electric Cooperative Corporation and its wholly-owned subsidiary, Big Sandy Forestry, LLC (Forestry). All significant intercompany accounts and transactions have been eliminated.

Business activity

Big Sandy provides distribution electric services to residential, business, and commercial consumers in eight counties in eastern Kentucky. Forestry provides utility right-of-way services exclusively for Big Sandy.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Utility plant

Utility 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 December 31, 2023 and 2022.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Forestry's fixed assets consist primarily of vehicles and tree trimming equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Utility plant (continued)

Utility plant consists of the following as of December 31, 2023 and 2022:

		2023		2022
Distribution plant	$	56,288,142	$	54,045,760
General plant		6,931,014		6,669,433
Subtotal electric plant		63,219,156		60,715,193
Vehicles		97,498		- -
Equipment		60,673		- -
Subtotal subsidiary plant		158,171		- -
Utility Plant, at original cost	$	63,377,327	$	60,715,193

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 2.20% to 6.67%, for distribution plant. General plant rates range from 2.50% to 17.00%.

Forestry's depreciation is computed using the straight-line method over the useful lives of its assets.

Cash and cash equivalents

Big Sandy considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Big Sandy maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. Management believes that credit risk related to these accounts is minimal.

Accounts receivable and allowance for credit losses

Big Sandy 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. Big Sandy uses the allowance method to account for uncollectible accounts receivable. The balance in accounts receivable as of December 31, 2023, 2022, and 2021 was $2,547,916, $3,157,802, and $3,156,924, respectively.

Big Sandy uses the allowance method to account for uncollectible accounts receivable. Management maintains an allowance for potential credit losses based on its assessment of the current status of the customer accounts using a pooled basis approach where similar characteristics exist (See Note 3). The allowance estimate is derived from a review of Big Sandy's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by Big Sandy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Accounts receivable and allowance for credit losses (continued)

Big Sandy writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. Subsequent recoveries are credited to the allowance for credit losses.

Materials and supplies

Big Sandy values materials and supplies at the lower of average cost or net realizable value.

Deferred debits

Regulatory requirements authorized by the PSC allow the electric supplier to impose a fuel adjustment surcharge upon Big Sandy. In turn, Big Sandy is required to pass on the fuel surcharge to the consumer. Due to regulatory requirements in calculating the surcharge Big Sandy may experience an over or under recovery of the fuel adjustment surcharge.

Similarly, the PSC has an environmental cost recovery mechanism that allows the electric supplier to recover certain costs incurred in complying with the Federal Clean Air Act as amended and those federal, state, and local environmental requirements which apply to coal combustion wastes and byproducts from facilities utilized for the production of energy from coal. In turn, Big Sandy is required to pass on this environmental cost recovery mechanism to the consumer.

Leases

Big Sandy leases vehicles and determines if an arrangement is a lease at inception. Finance leases are included in utility plant, current liabilities, and long-term liabilities on the balance sheets.

Right-of-use assets represent Big Sandy's right to use an underlying asset for the lease term and lease liabilities represent Big Sandy's obligation to make lease payments arising from the lease. When a lease does not provide an implicit rate, Big Sandy uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised.

Big Sandy's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Taxes

Big Sandy 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. Big Sandy'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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Cost of power

Big Sandy is one of 16 members of East Kentucky Power Cooperative, Inc. (East Kentucky). Under a wholesale power agreement, Big Sandy is committed to purchase its electric power and energy requirements from East Kentucky until 2051. 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. There are certain surcharges, clauses, and credits that East Kentucky includes to Salt River that are passed on to consumers using a methodology prescribed by the PSC.

Advertising

Big Sandy expenses advertising costs as incurred. Advertising expenses were $1,027 and $1,418 for the years ended December 31, 2023 and 2022, respectively.

Comprehensive income (loss)

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

Risk management

Big Sandy and Forestry are 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

Big Sandy 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.

Environmental contingency

Big Sandy 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 Big Sandy 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 Big Sandy's financial position or its future cash flows.

Income taxes

Big Sandy qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. However, income from certain activities not directly related to Big Sandy's tax-exempt purpose is subject to taxation as unrelated business income. Big Sandy is responsible for reporting unrelated business income associated with its wholly owned subsidiary Forestry.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Income taxes (continued)

Big Sandy'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. Big Sandy has no uncertain tax positions resulting in an accrual of tax expense or benefit.

Big Sandy recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Big Sandy did not recognize any interest or penalties during the years ended December 31, 2023 and 2022.

Big Sandy'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.

Adoption of accounting pronouncement

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing Big Sandy's exposure to credit risk and the measurement of credit losses. Big Sandy's financial assets subject to the guidance include trade accounts receivable.

Big Sandy adopted the standard effective January 1, 2023. The impact of the adoption was not material to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

Subsequent events

Management has evaluated subsequent events through March 22, 2024, the date the consolidated financial statements were available to be issued.

Note 2. Revenue Recognition

Revenue from contracts

Big Sandy is engaged in the distribution and sale of electricity to residential and commercial customers in five counties in eastern Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Big Sandy 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 Big Sandy. 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 20 days of the date of the bill.

Significant judgements

Big Sandy produces customer bills during the first week of each month for service provided in the previous month. Revenue is recorded in the month in which the electric service is delivered based on kilowatt 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, Big Sandy'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

Big Sandy customers generally have no minimum purchase commitments. Big Sandy recognizes revenue as each performance obligation is satisfied. Performance obligations are limited to the service requested and received to date. Accordingly, there are no unsatisfied performance obligations to recognize as of December 31, 2023 and 2022.

Disaggregation of revenue

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended December 31, 2023 and 2022:

	2023	2022
Residential rural	$ 20,027,245	$ 22,500,806
Large industrial	4,230,975	4,469,498
Small commercial	1,413,742	1,500,438
Total	$ 25,671,962	$ 28,470,742

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Revenue Recognition (Continued)

Contract assets and liabilities

Contract assets include fuel adjustment surcharges and environmental cost recovery mechanisms which are included in deferred debits on the consolidated balance sheets. Contract liabilities include consumer deposits. The balances in contract assets and contract liabilities were as follows as of December 31:

	2023	2022	2021
Contract assets	$ 384,129	$ 650,439	$ - -
Contract liabilities	$ 748,805	$ 709,350	$ 691,662

Note 3. Allowance for Credit Losses

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

	2023	2022
Beginning balance	$ 271,308	$ 144,229
Provision for credit losses	100,811	181,406
Write-offs	(96,071)	(87,391)
Recoveries	12,641	33,064
Ending balance	$ 288,689	$ 271,308

Note 4. Investments in Associated Organizations

Investments in associated organizations consist of the following as of December 31, 2023 and 2022:

	2023	2022
East Kentucky, patronage capital	$ 17,728,177	$ 17,315,866
CFC member capital securities	4,000,000	4,000,000
CFC CTC's	449,710	449,710
CFC patronage capital	233,876	231,590
Other associated organizations	713,555	639,721
Total	$ 23,125,318	$ 22,636,887

Big Sandy records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates (CTCs) of 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 2025 to 2080. The CFC member capital securities were purchased in April 2020 and bear interest at 5.00%. The member capital securities mature in April 2050 and are callable by CFC, in whole or in part, at any time after ten years from the date of issuance at 100 percent of the principal amount to be redeemed together with accrued and unpaid interest to the redemption date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Leases

Big Sandy has finance leases for vehicles and equipment. The leases have remaining lease terms of 1 year to 4 years. As of December 31, 2023 and 2022, the net ROU assets included with utility plant on the consolidated balance sheets were $172,145 and $232,588, respectively.

The components of lease expense were as follows for the year ended December 31:

	2023	2022
Finance lease cost		
Right-of-use asset amortization	$ 76,346	$ 63,827
Interest expense	8,602	6,660
Total lease cost, net	$ 84,948	$ 70,487

Other information related to leases was as follows for the year ended December 31:

	2023	2022
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 8,820	$ 5,825
Financing cash flows from finance leases	$ 95,998	$ 135,733
Right-of-use assets obtained in exchange for lease obligations		
Finance leases	$ - -	$ 435,610
Weighted average remaining lease term		
Finance leases	2.56 years	3.21 years
Weighted average discount rate		
Finance leases	3.79%	3.44%

Future undiscounted lease payments for finance leases with initial terms of one year or more as of December 31, 2023, were as follows:

2024	$ 103,354
2025	54,035
2026	35,099
2027	23,399
	215,887
Less imputed interest	(11,174)
Net lease liabilities	$ 204,713

Note 6. 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, Big Sandy may distribute the difference between 25.00% and the payments made to such estates. Members' equity at December 31, 2023 and 2022 was 47.06% and 45.83% of total assets, respectively.

Note 7. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to RUS, Federal Financing Bank (FFB), CoBank, and CFC under a joint mortgage agreement. The long-term debt is due in quarterly and monthly installments of varying amounts through 2057. RUS assesses 12.5 basis points to administer the FFB loans. As of December 31, 2023 and 2022, there was $9,881,000 and zero of FFB loan funds unadvanced, respectively. These funds will be used for future plant additions.

Long-term debt consists of the following as of December 31, 2023 and 2022:

	2023	2022
RUS:		
3.67% variable rate note	$ 4,864,000	$ - -
1.25% to 4.25% fixed rate notes	818,277	932,023
	5,682,277	932,023
FFB, 1.12% to 4.47% fixed rate notes	17,539,381	18,195,251
CFC:		
6.46% fixed rate notes	202,832	225,072
Refinanced RUS loans, 3.75% to 4.30% fixed rate notes	4,380,698	4,699,379
	27,805,188	24,051,725
Less current portion	1,838,352	1,131,511
Long-term portion	$ 25,966,836	$ 22,920,214

As of December 31, 2023, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2024	$ 1,838,352
2025	1,586,495
2026	1,464,501
2027	1,395,668
2028	1,351,680
Thereafter	20,168,492
	$ 27,805,188

Note 8. Short-Term Notes Payable

As of December 31, 2023 and 2022, Big Sandy had a short-term line of credit of $2,500,000 available from CFC with variable interest rates of 7.25% and 5.75% as of December 31, 2023 and 2022, respectively. There were no amounts outstanding on the CFC line of credit as of December 31, 2023 and 2022. The CFC line of credit matures in December 2049. Big Sandy also had a short-term line of credit of $7,000,000 available from CoBank with variable interest rates of 7.41% and 6.35% as of December 31, 2023 and 2022, respectively. Big Sandy had outstanding balances of zero and $1,962,924 on the line of credit as of December 31, 2023 and 2022, respectively. The CoBank line of credit matures on July 31, 2024.

Note 9. Pension Plans

All eligible non-union employees of Big Sandy participate in the NRECA Retirement 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 considered a multi-employer plan under the accounting standards. Eligible employees include employees hired prior to August 1, 2002. Non-eligible employees are those hired after August 1, 2002. The Plan sponsor's identification number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Big Sandy's contributions to the RS Plan in 2023 and 2022 represent less than 5.00% of the total contributions made to the plan by all participating employers. Big Sandy made contributions to the plan for eligible employees of $260,342 in 2023 and $228,144 in 2022. There have been no significant changes that affect the comparability of 2023 and 2022.

In the RS Plan, a zone status determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80.00% funded at January 1, 2023 and 2022 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.

Note 10. Savings Plans

Big Sandy participates in the NRECA Savings Plan, a multi-employer, defined contribution master pension plan. Non-eligible employees, as defined above, participate in the Savings Plan with Big Sandy contributing 10.00% of annual base pay. Employer contributions to the plan were $65,926 for 2023 and $58,181 for 2022, and vest immediately.

All eligible union employees participate in EmPower's 401(k) Savings Plan. Big Sandy contributes 10.00% of base wages to the plan. Employer contributions to the plan totaled $126,787 in 2023 and $134,553 in 2022, and vest immediately. There have been no significant changes that affect the comparability of 2023 and 2022 for either plan.

Note 11. Postretirement Benefits

Big Sandy sponsors a defined benefit plan that provides medical insurance coverage to retirees and their dependents. Participating retirees and dependents do not contribute to the projected cost of coverage. For measurement purposes, an annual rate of increase of 5.00% in 2023, 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%.

The funded status of the plan as of December 31, 2023 and 2022 was as follows:

	2023	2022
Projected benefit obligation	$ (2,740,362)	$ (4,276,820)
Plan assets at fair value	- -	- -
Funded status	$ (2,740,362)	$ (4,276,820)

The components of net periodic postretirement benefit cost for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Benefit obligation - beginning of period	$ 4,276,820	$ 4,204,037
Net periodic benefit cost:		
Service cost	77,208	59,257
Interest cost	122,692	187,831
Net period cost	199,900	247,088
Actuarial adjustment	(1,550,307)	- -
Benefit payments to participants	(186,051)	(174,305)
Benefit obligation - end of period	$ 2,740,362	$ 4,276,820
Amounts recognized in the balance sheet consists of:		
Accumulated postretirement benefits	$ 2,740,362	$ 4,276,820
Amounts included in other comprehensive income:		
Postretirement benefits actuarial gain	$ 1,550,307	$ - -
Postretirement benefits amortization of net loss	$ 21,528	$ 132,058
Effect of 1% increase in the health care trend:		
Postemployment benefit obligation	$ 2,905,000	
Net periodic benefit cost	$ 212,000	

Projected retiree benefit payments for the next five years are expected to be as follows: 2024 - $171,800; 2025 - $140,800; 2026 - $123,200; 2027 - $109,800; 2028 - $113,900.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Related Party Transactions

Several of the Directors of Big Sandy and its President and General Manager are on the Board of Directors of various associated organizations.

Note 13. Commitments

Big Sandy 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 three years.

Note 14. Contingencies

Big Sandy is subject to litigation arising from lawsuits filed by certain employees. While the results of such litigation cannot be predicted with certainty at this time, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the consolidated financial statements.

Note 15. Labor Force

Approximately 40.00% of Big Sandy's labor force is subject to a collective bargaining agreement. A three-year agreement was negotiated and approved for the period starting January 2018 through January 2021 between Big Sandy and the International Brotherhood of Electric Workers (IBEW). A new agreement between Big Sandy and the IBEW was negotiated and approved for the period starting January 2021 through December 2025.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Big Sandy Rural Electric Cooperative Corporation and Subsidiary
Paintsville, Kentucky

We have audited the consolidated financial statements of Big Sandy Rural Electric Cooperative Corporation and Subsidiary as of and for the years ended December 31, 2023 and 2022, and our report thereon dated March 22, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 - 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information shown on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 22, 2024

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

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
December 31, 2023

ASSETS	Big Sandy RECC	Big Sandy Forestry, LLC	Eliminations	Consolidated
Utility plant, at original cost:				
In service	$ 63,219,156	$ 158,171	$ - -	$ 63,377,327
Under construction	643,916	- -	- -	643,916
	63,863,072	158,171	- -	64,021,243
Less accumulated depreciation	29,195,295	27,589	- -	29,222,884
	34,667,777	130,582	- -	34,798,359
Investments and Other Assets:				
Investments in associated organizations	23,125,318	- -	- -	23,125,318
Investment in Subsidiary	2,928	- -	(2,928)	- -
Note receivable, less current portion	262,584	- -	(262,584)	- -
	23,390,830	- -	(265,512)	23,125,318
Current Assets:				
Cash and cash equivalents	1,834,428	138,937	- -	1,973,365
Accounts receivable, less allowance for credit losses in 2023 of $288,689	2,547,916	25,410	(25,410)	2,547,916
Other receivables	678,540	- -	- -	678,540
Current portion of note receivable	25,254	- -	(25,254)	- -
Material and supplies, at average cost	621,849	- -	- -	621,849
Other current assets	17,100	- -	- -	17,100
Total current assets	5,725,087	164,347	(50,664)	5,838,770
Deferred Debits	785,030	- -	- -	785,030
Total assets	$ 64,568,724	$ 294,929	$ (316,176)	$ 64,547,477
MEMBERS' EQUITIES AND LIABILITIES				
Members' Equities:				
Capital investment	$ - -	$ 2,928	$ (2,928)	$ - -
Memberships	225,630	- -	- -	225,630
Patronage capital	29,714,107	- -	- -	29,714,107
Other equities	847,859	- -	- -	847,859
Accumulated other comprehensive (loss)	(409,026)	- -	- -	(409,026)
Total members' equities	30,378,570	2,928	(2,928)	30,378,570
Long-Term Liabilities:				
Long-term debt, less current portion	25,966,836	262,584	(262,584)	25,966,836
Finance lease obligations, less current portion	106,758	- -	- -	106,758
Accumulated postretirement benefits	2,740,362	- -	- -	2,740,362
Total long-term liabilities	28,813,956	262,584	(262,584)	28,813,956
Current Liabilities:				
Current portion of long-term debt	1,838,352	25,254	(25,254)	1,838,352
Current portion of finance lease obligations	97,955	- -	- -	97,955
Accounts payable	2,222,387	3,057	(25,410)	2,200,034
Consumer deposits	748,805	- -	- -	748,805
Accrued expenses	457,034	1,106	- -	458,140
Total current liabilities	5,364,533	29,417	(50,664)	5,343,286
Consumer Advances for Construction	11,665	- -	- -	11,665
Total members' equities and liabilities	$ 64,568,724	$ 294,929	$ (316,176)	$ 64,547,477

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

BIG SANDY RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME
Year Ended December 31, 2023

	Big Sandy RECC	Big Sandy Forestry, LLC	Eliminations	Consolidated
Operating Revenues				
Sales of electric energy	$ 25,671,962	$ - -	$ - -	$ 25,671,962
Other electric revenues	890,207	- -	- -	890,207
Contract services	- -	185,568	(185,568)	- -
	26,562,169	185,568	(185,568)	26,562,169
Operating Expenses				
Cost of power	17,827,633	- -	- -	17,827,633
Distribution - operations	1,371,665	- -	- -	1,371,665
Distribution - maintenance	2,426,456	148,333	(185,568)	2,389,221
Consumer accounts	1,114,800	- -	- -	1,114,800
Customer services	126,436	- -	- -	126,436
Administrative and general	1,607,355	- -	- -	1,607,355
Depreciation, excluding $238,677 in 2023 charged to clearing accounts	2,629,280	27,589	- -	2,656,869
Taxes, other than income	25,966	- -	- -	25,966
Interest on long-term debt	924,347	6,718	(6,718)	924,347
Other interest charges	30,731	- -	- -	30,731
Other deductions	14,049	- -	- -	14,049
	28,098,718	182,640	(192,286)	28,089,072
Operating Margins (Deficit)	(1,536,549)	2,928	6,718	(1,526,903)
Nonoperating Margins and Capital Credits				
Interest income	297,572	- -	(6,718)	290,854
Investment in subsidiary	2,928	- -	(2,928)	- -
Other non-operating margins	138,812	- -	- -	138,812
Generation and transmission capital credits	412,311	- -	- -	412,311
Other capital credits	123,024	- -	- -	123,024
	974,647	- -	(9,646)	965,001
Net Margins (Deficit)	(561,902)	2,928	(2,928)	(561,902)
Other Comprehensive Income				
Postretirement benefits actuarial gain	1,550,307	- -	- -	1,550,307
Postretirement benefits amortization of net loss	21,528	- -	- -	21,528
	1,571,835	- -	- -	1,571,835
Net Margins and Comprehensive Income	$ 1,009,933	$ 2,928	$ (2,928)	$ 1,009,933

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

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
Big Sandy Rural Electric Cooperative Corporation and Subsidiary
Paintsville, 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 consolidated financial statements of Big Sandy Rural Electric Cooperative Corporation and Subsidiary (the Cooperative), which comprise the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of revenue and comprehensive income, changes in members' equities, and cash flows for the year then ended, and related notes to the consolidated financial statements, and have issued our report thereon dated March 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 22, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS

To the Board of Directors
Big Sandy Rural Electric Cooperative Corporation and Subsidiary
Paintsville, 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 consolidated financial statements of Big Sandy Rural Electric Cooperative Corporation and Subsidiary (the Cooperative), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of revenue and comprehensive income, changes in members' equities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 22, 2024. In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of the Cooperative'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. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*, §1773.33, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting and records to indicate that the Cooperative did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over material and supplies;

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- Prepare accurate and timely Financial and Operating Reports;
- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements ("See RUS Bulletin 183-1, Depreciation Rates and Procedures");
- Comply with the requirements for the detailed schedule of deferred debits and deferred credits, which are listed below; and
- Comply with the requirements for the detailed schedule of investments, of which there were none.

The deferred debits are as follows:

Work plan study	$ 2,712
PSC rate case expenses	79,319
NISC conversion costs	318,870
Environmental surcharge	258,900
Fuel adjustment surcharge	125,229
	$ 785,030

The deferred credits are as follows:

Consumer advances for construction	$ 11,665

Big Sandy is a 100% owner of a subsidiary, Big Sandy Forestry, LLC, which is engaged in utility right-of-way services exclusively for Big Sandy. In February 2023, Big Sandy loaned $300,000 to Big Sandy Forestry, LLC. The loan is payable over 10 years at an interest rate of 4.50% per annum. The principal balance outstanding was $287,838 as of December 31, 2023. The activity of the investment in subsidiary is as follows for the year ended December 31, 2023:

	Investment
Beginning balance	$ - -
Net gain	2,928
Ending balance	$ 2,928

The purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and the regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 22, 2024