CLARK ENERGY COOPERATIVE, INC.
AND SUBSIDIARY
KENTUCKY 49

CONSOLIDATED FINANCIAL REPORT

April 30, 2020

C O N T E N T S

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clark Energy Cooperative, Inc. and Subsidiary
Winchester, Kentucky

We have audited the accompanying consolidated financial statements of Clark Energy Cooperative, Inc. and Subsidiary, which comprise the consolidated balance sheet as of April 30, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clark Energy Cooperative, Inc. and Subsidiary as of April 30, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, Clark Energy Cooperative, Inc. and Subsidiary have adopted Financial Accounting Standards Update 2014-09, *Revenue from Contracts with Customers.* Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 19, 2020, on our consideration of Clark Energy Cooperative, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 internal control over financial reporting and compliance.

Prior Period Financial Statements

The consolidated financial statements of Clark Energy Cooperative, Inc. and Subsidiary, as of April 30, 2019, were audited by other auditors whose report dated May 31, 2019, expressed an unmodified opinion on those statements.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
August 19, 2020

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
April 30, 2020 and 2019

Assets	2020	2019
Utility Plant, at original cost:		
In service	$ 141,574,031	$ 136,243,010
Under construction	805,921	950,187
	142,379,952	137,193,197
Less accumulated depreciation	47,482,415	44,901,306
	94,897,537	92,291,891
Investments and Other Assets:		
Associated organizations	32,460,089	30,935,018
Goodwill	258,898	258,898
	32,718,987	31,193,916
Current Assets:		
Cash and cash equivalents	1,048,526	968,943
Accounts receivable, less allowance for 2020 of $70,836 and 2019 of $75,386	1,513,699	1,596,615
Other receivables	324,415	329,360
Material and supplies, at average cost	627,692	687,923
Prepayments and other current assets	325,967	331,780
Total current assets	3,840,299	3,914,621
Deferred Debits	2,301,592	2,542,212
Total	$ 133,758,415	$ 129,942,640

Members' Equities and Liabilities	2020	2019
Members' Equities:		
Patronage capital and retained earnings	$ 59,890,502	$ 58,666,058
Accumulated other comprehensive loss	(1,709,344)	(742,506)
Other equities	3,856,521	3,337,315
	62,037,679	61,260,867
Long-Term Debt	60,628,628	58,177,972
Current Liabilities:		
Short-term borrowings	- -	900,000
Current portion of long-term debt	3,588,181	3,300,000
Accounts payable	445,763	499,015
Consumer deposits	1,166,583	1,092,185
Accrued expenses	1,621,662	1,459,776
Total current liabilities	6,822,189	7,250,976
Non-Current Liabilities		
Accumulated postretirement benefits	3,997,647	2,962,100
Accrued supplemental retirement	47,321	89,873
Consumer advances for construction	224,951	200,852
	4,269,919	3,252,825
Total	$ 133,758,415	$ 129,942,640

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

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME
Years Ended April 30, 2020 and 2019

	2020	2019
Operating Revenues	$ 49,645,096	$ 51,787,533
Operating Expenses:		
Cost of power and propane	31,281,801	32,952,531
Distribution - operations	2,611,983	2,481,397
Distribution - maintenance	3,963,111	3,281,597
Consumer accounts	1,616,985	1,612,956
Customer service and information	325,882	290,536
Sales	8,245	7,893
Administrative and general	1,746,910	1,628,784
Depreciation, excluding $333,408 in 2020 and $378,586 in 2019 charged to clearing accounts	5,585,163	5,426,418
Interest on long-term debt	1,762,581	1,716,615
Other interest	32,462	94,165
Taxes	84,927	72,967
Other deductions	23,959	39,724
Total cost of electric service	49,044,009	49,605,583
Operating Margins	601,087	2,181,950
Nonoperating Margins:		
Interest income	57,726	47,539
Subsidiary and others	(47,009)	(23,991)
	10,717	23,548
Patronage Capital assigned from:		
East Kentucky Power Cooperative, Inc.	1,808,489	1,659,284
Other organizations	64,318	62,922
	1,872,807	1,722,206
Net Margins	2,484,611	3,927,704
Other Comprehensive Income (Loss):		
Postretirement benefits actuarial loss	(996,354)	- -
Postretirement benefits amortization of net loss	29,516	63,156
Total Comprehensive Income	$ 1,517,773	$ 3,990,860

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

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES
Years Ended April 30, 2020 and 2019

	Patronage Capital				Other	Accumulated Other Comprehensive	Total Members'
	Assigned	Assignable	Retired	Total	Equities	Income (Loss)	Equities
Balance - April 30, 2018	$ 61,143,832	$ 479,278	$ (5,611,583)	$ 56,011,527	$ 2,846,052	$ (805,662)	$ 58,051,917
Comprehensive income:							
Net margins	3,927,704			3,927,704			3,927,704
Postretirement benefit obligation							
Amortization						63,156	63,156
Total comprehensive income							3,990,860
Refunds of capital credits			(1,273,172)	(1,273,172)	491,263		(781,909)
Other equities	(429,024)	429,023		(1)			(1)
Balance - April 30, 2019	64,642,512	908,301	(6,884,755)	58,666,058	3,337,315	(742,506)	61,260,867
Comprehensive income:							
Net margins	2,484,611			2,484,611			2,484,611
Postretirement benefit obligation							
Actuarial adjustments						(996,354)	
Amortization						29,516	(966,838)
Total comprehensive income							1,517,773
Refunds of capital credits			(1,260,167)	(1,260,167)	519,206		(740,961)
Balance - April 30, 2020	$ 67,127,123	$ 908,301	$ (8,144,922)	$ 59,890,502	$ 3,856,521	$ (1,709,344)	$ 62,037,679

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

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended April 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 2,484,611	$ 3,927,704
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation		
Charged to expense	5,585,163	5,426,418
Charged to clearing accounts	333,408	378,586
Amortization of postretirement benefits	29,516	63,156
Patronage capital credits	(1,872,807)	(1,722,206)
Change in assets and liabilities:		
Receivables	87,861	339,785
Material and supplies	60,231	19,993
Prepayments	5,813	3,342
Deferred debits	240,620	240,621
Payables	(53,252)	(8,361)
Consumer deposits	74,398	37,023
Accrued expenses	161,886	(19,915)
Accumulated postretirement benefits	39,193	53,605
Accumulated supplemental retirement	(42,552)	(38,361)
Consumer advances for construction	24,099	(53,976)
Net cash provided by operating activities	7,158,188	8,647,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(8,046,683)	(7,399,668)
Plant removal costs	(527,004)	(441,614)
Salvage recovered from plant retirements	49,470	41,261
Other investments, net	420,137	120,592
Net cash (used in) investing activities	(8,104,081)	(7,679,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Memberships, capital and other equities	(1,332,569)	494,404
Retirement of patronage capital	519,206	(1,303,173)
Additional long-term borrowings	6,000,000	3,000,000
Payments on long-term debt	(3,261,161)	(3,322,420)
Short-term repayments	(900,000)	(500,000)
Net cash provided by (used in) financing activities	1,025,476	(1,631,189)
Net increase (decrease) in cash and cash equivalents	79,583	(663,204)
Cash and cash equivalents, beginning of year	968,943	1,632,147
Cash and cash equivalents, end of year	$ 1,048,526	$ 968,943

	2020	2019
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	$ 1,824,564	$ 1,691,055
Cash payments for income taxes	$ 52,000	$ 35,500

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

CLARK ENERGY COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

Principals of Consolidation The consolidated financial statements include the accounts of Clark Energy and Clark Energy Propane Plus, LLC (Propane Plus). Clark Energy owns 100% of the member units of Propane Plus. All significant intercompany accounts and transactions have been eliminated. Propane Plus uses a calendar year-end for reporting purposes, and the consolidated financial statements include the activity of Propane Plus through December 31, 2019. There were no events through April 30, 2020, that had a material affect on the financial position or results of operations of Propane Plus.

Business Activity Clark Energy provides distribution electric service to residential, business, and commercial consumers in 11 counties in central Kentucky. Propane Plus sells propane and related accessories to residential and commercial customers in central Kentucky. Clark Energy provides overall business direction to Propane Plus.

Cash and Cash Equivalents Clark Energy considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Clark Energy maintains cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). These financial institutions have strong credit ratings and management believes that the credit risk related to the accounts is minimal.

Accounts Receivable Accounts receivable consists of amounts due for sales of electric energy and propane, which were not collected at year-end. Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts. Clark Energy and Propane Plus use the allowance method to account for uncollectible accounts receivable balances. Management charges off uncollectible receivables to the allowance when it is determined the amounts will not be realized.

Materials and Supplies Clark Energy and Propane Plus value materials and supplies at the lower of average cost or net realizable value.

Propane Inventory Propane Plus purchases all of its propane requirements from unrelated parties through Kentucky Propane Plus, LLC. Propane is delivered to bulk tanks owned by Propane Plus, then delivered to customers on an as needed basis.

Cost of Power Clark Energy is one of 16 members of East Kentucky Power Cooperative (East Kentucky). Under a wholesale power agreement, Clark Energy 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 invoice is received, based upon billings from East Kentucky. There are certain surcharges, clauses, and credits that East Kentucky includes to Clark Energy that are passed on to consumers using a methodology prescribed by the PSC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Propane Plus's fixed assets consist primarily of propane tanks located on customers' premises, bulk tanks, trucks used for delivery, and buildings and office equipment.

The major classifications of utility plant in service consist of the following as of April 30, 2020 and 2019:

	2020	2019
Electric Plant:		
General plant	$ 125,336,725	$ 121,077,581
Distribution plant	12,297,541	11,584,850
	137,634,266	132,662,431
Plant under construction	805,921	950,187
	138,440,187	133,612,618
Less accumulated depreciation	45,251,685	42,874,535
Net electric plant	93,188,502	90,738,083
Propane Plant:		
Propane tanks on customer premises	1,265,574	1,138,666
Bulk tanks	654,864	629,879
Delivery and other trucks	1,009,898	978,154
Land and buildings	760,510	491,380
Office and other equipment	248,919	235,783
	3,939,765	3,473,862
Plant under construction	- -	106,716
	3,939,765	3,580,578
Less accumulated depreciation	2,230,730	2,026,770
Net propane plant	1,709,035	1,553,808
Net utility plant	$ 94,897,537	$ 92,291,891

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 1.44% to 10.0%, with a composite rate of 4.13% for distribution plant. General plant rates range from 2.5% to 20%. Propane Plus's depreciation is computed using the straight-line method over the useful lives of its assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Management Services Propane Plus is one of 4 members of a group of propane companies that utilize the abilities of an individual who manages the day to day operations of each propane company and arranges for the purchase of bulk propane. Propane Plus shares the cost equally for the labor, benefits, and other costs of this manager.

Advertising Clark Energy and Propane Plus expense advertising costs as incurred. Advertising expense amounted to $15,760 and $17,776 for the years ended April 30, 2020 and 2019, respectively.

Goodwill The goodwill has been recorded in connection with the purchase of one-half (1/2) of the interest from an unrelated party on June 30, 2000. The excess of the payment price over the value of assets acquired has been recorded as goodwill. Propane Plus tests goodwill for impairment when a triggering event occurs that indicates the fair value of the entity may be below its carrying value. As of April 30, 2020 and 2019, management does not believe an impairment exists.

Estimates The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States 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 consolidated 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 consolidated financial statements.

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

Credit Risk Clark Energy grants credit to residents of local counties. Concentrations of credit risk with respect to accounts receivables are limited due to its large number of customers.

Sales Tax The Companies are required to collect, on behalf of the Commonwealth of Kentucky, sales taxes based on 6 percent of gross sales from non-residential consumers, a 3 percent school tax from certain counties on most gross sales, and franchise fees in certain cities. Clark Energy's policy is to exclude sales tax from revenue when collected and expenses when paid and instead, record collection and payment of sales taxes through a liability account.

Income Tax Status Clark Energy is exempt from federal and state income taxes under provisions of Section 501(c)(12). Accordingly, the financial statements for Clark Energy include no provision for income taxes. Propane Plus is a limited liability company treated as a partnership for federal income tax purposes.

Management evaluates its potential exposures from tax positions taken that have or could be challenged by taxing authorities. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statutes, regulations, and rules. There are no tax positions for which the ultimate deductibility is highly uncertain included in the accompanying consolidated financial statements. Clark Energy recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Clark Energy did not recognize any interest or penalties during the years ended April 30, 2020 or 2019. Clark Energy's income tax return is subject to possible examination by taxing authorities until the expiration of related statues of limitations on the return, which is generally three years.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Reclassifications Certain amounts presented in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation.

Pension Accounting Pronouncement 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 ASC Subtopic 715-30. Though pension and PBOP costs are computed using the aggregate total of these various components, the PSC's longstanding policy is to consider the amount as a singular cost to the employer. This cost is calculated based on Statement of Financial Accounting Standards No. 106 and reported as an expense under net margins from continuing operations.

Recent Accounting Pronouncements In February 2016, the FASB issued ASU 2016-02, *Leases.* The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of revenue and comprehensive income. This standard will be effective for the year ending April 30, 2022.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses.* The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the consolidated statement of revenue and comprehensive income will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the year ending April 30, 2024.

Clark Energy is currently in the process of evaluating the impact of the adoption of these ASUs on the consolidated financial statements.

Subsequent Events Management has evaluated subsequent events through August 19, 2020, the date the consolidated financial statements were available to be issued.

Note 2. Revenue Recognition

Adoption of accounting pronouncement

Clark Energy and Propane Plus adopted ASU 2014-09, *Revenue from Contracts with Customers,* as of May 1, 2019. The new standard replaces existing revenue recognition rules with a single comprehensive model to use in accounting for revenue arising from contracts with customers. The standard was adopted using the modified retrospective method and had no effect on the consolidated financial position or results of operations.

Under ASU 2014-09, the timing of recognition of revenue for each performance obligation may differ from the timing of the customer billing, creating a contract asset or contract liability. Short-term contract liabilities are classified as consumer deposits. Clark Energy and Propane Plus have no contract assets or long-term contract liabilities.

Revenue from contracts

Clark Energy is engaged in the distribution and sale of electricity to residential and commercial customers in 11 counties in central Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Clark Energy 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 Clark Energy. The amount of revenue recognized is the billed volume of electricity multiplied by a tariff rate per-unit of energy, plus any applicable fixed or additional regulatory charges. Customers are billed monthly and outstanding amounts are typically due within 15 days of the date of the bill.

Propane Plus is engaged in the delivery and sale of propane gas to residential and commercial customers in and around the central Kentucky area, and the sale of propane gas appliances and parts. Revenue from these activities is generated from a price list determine by the board of directors based on the season and availability of obtaining propane in the market. Propane Plus satisfies their performance obligation upon the delivery of propane to customers. Each truck has a meter to measure the amount of propane gas delivered to the customer. The amount of revenue recognized is the billed volume of propane gas multiplied by the established rate. Customers are billed at the time of delivery and receive a discount if paid within 14 days of delivery. When customers request a tank on their premises, they agree to purchase all propane needs from Propane Plus.

Significant judgements

Clark Energy has multiple billing cycles that process customer bills on approximately the same day each month. The amounts billed are based on actual meter readings of kilowatt hours used for the billing period. The amount of revenue recorded each month represent a full month of kilowatt hour usage. There are no significant judgements for over or under-billed revenues because each month’s revenue is based on actual meter readings. This method of revenue recognition presents fairly, Clark Energy’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

Clark Energy and Propane Plus customers generally have no minimum purchase commitments. Clark Energy and Propane Plus recognize 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 April 30, 2020 and 2019.

Note 2. Revenue Recognition (Continued)

Disaggregation of revenue

The following table shows Clark Energy and Propane Plus revenues from contracts with customers disaggregated by customer class, for the years ended April 30, 2020 and 2019:

	2020	2019
Residential	$ 35,217,620	$ 37,086,862
Small commercial	9,083,479	9,248,234
Large commercial	876,321	955,095
Public lights	131,756	103,237
Rent from electric property	871,297	559,687
Penalties	377,148	510,547
Miscellaneous services	97,339	112,805
Propane	2,990,136	3,211,066
Total	$ 49,645,096	$ 51,787,533

Contract cost liabilities

Contract cost liabilities include consumer deposits. The balance in contract liabilities was $1,166,583 and $1,092,185 as of April 30, 2020 and 2019, respectively.

Note 3. Investments in Associated Organizations

Investments in associated organizations consist of the following as of April 30, 2020 and 2019:

	2020	2019
East Kentucky, patronage capital	$ 28,620,920	$ 26,904,061
Economic development loans	1,851,848	2,000,000
CFC, CTC's	824,293	825,789
UUS, patronage capital	375,754	371,365
CFC, patronage capital	320,312	336,178
Federated Insurance, patronage capital	223,824	209,207
Other associated organizations	243,138	288,418
Total	$ 32,460,089	$ 30,935,018

Clark Energy records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates (CTCs) of National Rural Utilities Cooperative Finance Corporation (CFC) are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 3.00% and 5.00% and are scheduled to mature at varying times from 2020 to 2080. The economic development loans are secured by a portion of the assets pledged by Clark Energy's consumers or guarantees from local banks. The notes are zero interest rate loans.

Note 4. 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, Clark Energy may distribute the difference between 25.00% and the payments made to such estates. Clark Energy's equity at April 30, 2020 and 2019 was 46.00% and 47.00% of total assets, respectively.

Note 5. Long-Term Debt

All assets of Clark Energy, except vehicles, are pledged as collateral on the long-term debt to RUS, Federal Financing Bank (FFB), and CFC under a joint mortgage agreement. The long-term debt is due in quarterly and monthly installments of varying amounts through 2051. Long-term debt consists of the following as of April 30, 2020 and 2019:

	2020	2019
Clark Energy		
Notes due FFB, 2.403% - 4.506%	$ 54,226,263	$ 50,075,794
Economic Development, USDA, no interest	1,870,366	2,000,000
Notes due CFC:		
Notes due at 3.65% - 4.65%	1,397,655	1,773,436
Notes to fund prepaid pension cost, 4.45% - 4.65%	669,869	862,833
Notes to refinance RUS loans, 3.50%	5,889,735	6,459,709
	64,053,888	61,171,772
Less current portion	3,537,598	3,250,000
	$ 60,516,290	$ 57,921,772
Propane Plus		
East Kentucky Power, 4.50%	$ 162,921	$ 306,200
Less current portion	50,583	50,000
	112,338	256,200
Total long-term portion	$ 60,628,628	$ 58,177,972

The interest rates on the notes to CFC are subject to repricing at various dates for each individual note. RUS assesses 12.5 basis points to administer the FFB loans. As of April 30, 2020 and 2019, there was $5,000,000 and $11,000,000 of FFB loan funds unadvanced, respectively. These funds will be used for future plant additions.

During August 2015 Propane Plus purchased East Kentucky's outstanding stock with a note payable in the amount of $500,351. The note is for 10 years with minimum monthly principal and interest payments of $4,740.

Note 5. Long-Term Debt (Continued)

As of April 30, 2020, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2021	$ 3,588,181
2022	3,422,408
2023	3,266,273
2024	3,954,841
2025	11,796,171
Thereafter	38,188,935
	$ 64,216,809

Note 6. Short-Term Borrowings

Clark Energy had a short-term line of credit of $8,500,000 available from CFC as of April 30, 2020 and 2019. Advances against the line of credit were zero and $900,000 as of April 30, 2020 and 2019, respectively. The interest rate was 3.25% and 4.00% as of April 30, 2020 and 2019, respectively, and the line of credit matures in December 2049. In June 2019, Clark Energy obtained a line of credit of $5,000,000 available from CoBank. There were no advances against the line of credit as of April 30, 2020.

Note 7. Pension Plans

All eligible employees of Clark Energy participate in the NRECA Retirement and Security Plan (R&S Plan), a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The Plan sponsor's identification number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Clark Energy's contributions to the R&S Plan in 2020 and 2019 represent less than 5.00% of the total contributions made to the plan by all participating employers. Clark Energy made contributions to the plan of $747,275 in 2020 and $822,812 in 2019. There have been no significant changes that affect the comparability of 2020 and 2019. The benefit rate is 2.0 for employees hired prior to December 31, 2016 and 1.75 for employees hired after December 31, 2016.

In the R&S 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 R&S Plan was over 85 percent funded at January 1, 2019 and 2018 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 R&S 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 7. Pension Plans (Continued)

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

Two prepayment options were available to participating cooperatives:

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

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

Section 6.13(e) of the RUS Loan Contract limits the amount of unsecured debt that a borrower may incur to 15% on net utility plant if the equity level of the borrower, after considering such unsecured debt, is below 30% of its total assets, unless the borrower obtains RUS consent. RUS will consider any unsecured debt associated with the R&S Plan prepayment to be permitted debt and accordingly, it will be excluded from the application of Section 6.13(e). During May, 2013, Clark Energy made an accelerated payment to NRECA in the amount of $2,753,407. One-million dollars was funded with general funds and the remaining from a 6-year loan with CFC. The amount was recorded as a deferred debit and is being amortized over 15 years through the benefits matrix in the amount of $168,264.

Propane Plus has a profit-sharing plan of 10% of net profits, before the pension amount, where managers receive 5% of the plan amount and the remaining employees share the remaining 5%. The pension amount for 2020 was $56,607 and 2019 was $56,226.

Note 8. Postretirement Benefits

Clark Energy sponsors a defined benefit plan that provides medical insurance coverage to retirees and their dependents. Participating retirees contribute a portion of the cost of coverage. The following is a reconciliation of the postretirement obligation. The plan is unfunded and there have been no significant changes that affect the comparability of 2020 and 2019.

The funded status of the plan was as follows as of April 30, 2020 and 2019:

	2020	2019
Projected benefit obligation	$ (3,997,647)	$ (2,962,100)
Plan assets at fair value	- -	- -
Funded status (deficit)	$ (3,997,647)	$ (2,962,100)

The components of net periodic postretirement benefit cost are as follows as of and for the year ended April 30, 2020 and 2019:

	2020	2019
Benefit obligation at beginning of year	$ 2,962,100	$ 2,908,495
Components of net periodic benefit cost:		
Service cost	40,547	37,301
Interest cost	67,309	88,459
Net periodic benefit cost	107,856	125,760
Benefits paid	(68,663)	(72,155)
Actuarial loss	996,354	- -
Benefit obligation at end of year	$ 3,997,647	$ 2,962,100
Amounts recognized in the balance sheet consists of:		
Accumulated postretirement benefits	$ 3,997,647	$ 2,962,100
Amounts included in other comprehensive income (loss):		
Actuarial loss	$ (996,354)	$ - -
Amortization of net loss	$ 29,516	$ 63,156
Effect of 1% increase in the health care trend:		
Postemployment benefit obligation	$ 4,218,000	
Net periodic benefit cost	$ 114,000	

For measurement purposes, an annual rate of increase of 6.00% in 2020, then decreasing by .25% per year until 3.00% per year, in the per capita cost of covered healthcare benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 4.50% in 2020 and 2019.

Projected retiree benefit payments for the next five years are expected to be as follows: 2021 - $48,565; 2022 - $46,528; 2023 - $46,249; 2024 - $45,690; 2025 - $45,150.

Note 9. Commitments

Clark Energy has various other agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction, maintenance, and other 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 10. Related Party Transactions

Several of the Directors of Clark Energy, its President and CEO, and another employee are on the boards of directors of various associated organizations.

Note 12. Environmental Contingency

Clark Energy 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 Clark Energy 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 Clark Energy's financial position or its future cash flows.

Note 13. Contingencies

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

Note 14. Uncertainties

In March 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to Clark Energy and Propane Plus as of August 19, 2020, management believes that a material impact on Clark Energy and Propane Plus's financial position and results of future operations is reasonably possible.

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Clark Energy Cooperative, Inc. and Subsidiary
Winchester, Kentucky

We have audited the consolidated financial statements of Clark Energy Cooperative, Inc. and Subsidiary as of and for the year ended April 30, 2020, and our report thereon dated August 19, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information shown on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the basic 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
August 19, 2020

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

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
April 30, 2020

Assets	Clark Energy	Propane Plus	Eliminations	Consolidated
Utility Plant, at original cost:				
In service	$ 137,634,266	$ 3,939,765	$ - -	$ 141,574,031
Under construction	805,921	- -	- -	805,921
	138,440,187	3,939,765	- -	142,379,952
Less accumulated depreciation	45,251,685	2,230,730	- -	47,482,415
	93,188,502	1,709,035	- -	94,897,537
Investments and Other Assets:				
Associated organizations	32,460,089	- -	- -	32,460,089
Goodwill, net of amortization	- -	258,898	- -	258,898
Investment in Subsidiary	2,498,725	- -	(2,498,725)	- -
	34,958,814	258,898	(2,498,725)	32,718,987
Current Assets:				
Cash and cash equivalents	507,092	541,434	- -	1,048,526
Accounts receivable, less allowance for Energy of $53,346 and Propane of $17,490	1,367,178	146,521	- -	1,513,699
Other receivables	324,415	- -	- -	324,415
Material and supplies, at average cost	493,230	134,462	- -	627,692
Prepayments	278,105	47,862	- -	325,967
	2,970,020	870,279	- -	3,840,299
Deferred Debits	2,301,592	- -	- -	2,301,592
Total	$ 133,418,928	$ 2,838,212	$ (2,498,725)	$ 133,758,415
Members' Equities and Liabilities				
Members' and Stockholder's Equities:				
Memberships and capital	$ - -	$ 1,164,000	$ (1,164,000)	$ - -
Patronage capital and retained earnings	59,890,502	1,337,664	(1,337,664)	59,890,502
Accumulated other comprehensive loss	(1,709,344)	- -	- -	(1,709,344)
Other equities	3,853,582	- -	2,939	3,856,521
	62,034,740	2,501,664	(2,498,725)	62,037,679
Long-Term Debt	60,516,290	112,338	- -	60,628,628
Current Liabilities:				
Current portion of long term debt	3,537,598	50,583	- -	3,588,181
Accounts payable	441,938	3,825	- -	445,763
Consumer deposits	1,052,035	114,548	- -	1,166,583
Accrued expenses	1,566,408	55,254	- -	1,621,662
	6,597,979	224,210	- -	6,822,189
Other Non-Current Liabilities:				
Accumulated postretirement benefits	3,997,647	- -	- -	3,997,647
Accrued supplemental retirement	47,321	- -	- -	47,321
Consumer advances for construction	224,951	- -	- -	224,951
	4,269,919	- -	- -	4,269,919
Total	$ 133,418,928	$ 2,838,212	$ (2,498,725)	$ 133,758,415

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY
CONSOLIDATING STATEMENT OF REVENUE AND COMPREHENSIVE INCOME
Year ended April 30, 2020

	Clark Energy	Propane Plus	Eliminations	Consolidated
Operating Revenues	$ 46,654,960	$ 2,990,136	$ - -	$ 49,645,096
Operating Expenses:				
Cost of purchases	30,069,887	1,211,914	- -	31,281,801
Distribution - operations	1,928,270	683,713	- -	2,611,983
Distribution - maintenance	3,963,111	- -	- -	3,963,111
Consumer accounts	1,308,327	308,658	- -	1,616,985
Customer service and information	325,882	- -	- -	325,882
Sales	8,245	- -	- -	8,245
Administrative and general	1,527,588	219,322	- -	1,746,910
Depreciation, excluding $333,408 charged to clearing accounts	5,380,807	204,356	- -	5,585,163
Interest on long term debt	1,750,859	11,722	- -	1,762,581
Other interest	32,462	- -	- -	32,462
Taxes	64,960	19,967	- -	84,927
Other	23,959	- -	- -	23,959
Total cost of electric service	46,384,357	2,659,652	- -	49,044,009
Operating Margins	270,603	330,484	- -	601,087
Nonoperating Margins:				
Interest income	57,444	282	- -	57,726
Subsidiary and others	283,757	5,209	(335,975)	(47,009)
	341,201	5,491	(335,975)	10,717
Patronage Capital assigned from:				
East Kentucky Power Cooperative	1,808,489	- -	- -	1,808,489
Other organizations	64,318	- -	- -	64,318
	1,872,807	- -	- -	1,872,807
Net Margins	2,484,611	335,975	(335,975)	2,484,611
Other comprehensive Income:				
Postretirement benefits actuarial loss	(996,354)	- -	- -	(996,354)
Postretirement benefits amortization of loss	29,516	- -	- -	29,516
Total Comprehensive Income	$ 1,517,773	$ 335,975	$ (335,975)	$ 1,517,773

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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
Clark Energy Cooperative, Inc. and Subsidiary
Winchester, 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 Clark Energy Cooperative, Inc. and Subsidiary (the Corporation), which comprise the consolidated balance sheet as of April 30, 2020 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 August 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 may exist that have not been 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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated 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.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
August 19, 2020

Jones, Nale & Mattingly PLC

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

To the Board of Directors
Clark Energy Cooperative, Inc. and Subsidiary
Winchester, 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 Clark Energy Cooperative, Inc. and Subsidiary (the Corporation), which comprise the consolidated balance sheet as of April 30, 2020, 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 August 19, 2020. In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2020, on our consideration of the Corporation'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 Corporation 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 Corporation'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 Corporation's accounting and records to indicate that the Corporation 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 consolidated 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, which are listed below.

The deferred debits are as follows:

GPS System	$ 608,811
Prepaid pension costs	1,483,781
Substation installation	209,000
	$ 2,301,592

The deferred credits are as follows:

Consumer advances for construction	$ 224,951

Clark Energy is a 100% owner of a subsidiary, Clark Energy Propane Plus, LLC, which is engaged in the distribution sales of propane gas in and around the areas in which Clark Energy provides electric service. The activity of the subsidiary is as follows for the year ended April 30, 2020:

	Investment	Profits
Beginning balance	$ 1,164,000	$ 1,071,152
Activity for 2020	(72,402)	335,975
Ending balance	$ 1,091,598	$ 1,407,127

The purpose of this report is solely to communicate, in connection with the audit of the consolidated 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
August 19, 2020