CLARK ENERGY COOPERATIVE, INC.
AND SUBSIDIARY
KENTUCKY 49

CONSOLIDATED FINANCIAL REPORT

April 30, 2021

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 sheets as of April 30, 2021 and April 30, 2020, 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.

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 audits. 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. 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
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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, 2021 and 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2021, 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.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
August 12, 2021

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
April 30, 2021 and 2020

Assets	2021	2020
Utility Plant, at original cost		
In service	$ 146,038,247	$ 141,574,031
Under construction	992,538	805,921
	147,030,785	142,379,952
Less accumulated depreciation	49,704,652	47,482,415
	97,326,133	94,897,537
Investments and Other Assets		
Associated organizations	33,148,669	32,460,089
Goodwill	258,898	258,898
Total investments and other assets	33,407,567	32,718,987
Current Assets		
Cash and cash equivalents	1,283,321	1,048,526
Accounts receivable, less allowance for 2021 of $81,182 and 2020 of $70,836	1,455,922	1,513,699
Other receivables	2,712,209	324,415
Material and supplies, at average cost	766,887	627,692
Prepayments and other current assets	219,563	325,967
Total current assets	6,437,902	3,840,299
Deferred Debits	2,060,971	2,301,592
Total assets	$ 139,232,573	$ 133,758,415

Members' Equities and Liabilities	2021	2020
Members' Equities		
Patronage capital and retained earnings	$ 63,058,147	$ 59,890,502
Accumulated other comprehensive (loss)	(1,696,648)	(1,709,344)
Other equities	3,889,601	3,856,521
Total members' equities	65,251,100	62,037,679
Long-Term Liabilities		
Long-term debt, less current portion	62,727,093	60,628,628
Capital lease obligation, less current portion	209,176	- -
Accumulated postretirement benefits	4,027,750	3,997,647
Accrued supplemental retirement	- -	47,321
Total long-term liabilities	66,964,019	64,673,596
Current Liabilities		
Current portion of long-term debt	3,034,189	3,588,181
Current portion of capital lease obligation	33,254	- -
Accounts payable	939,226	445,763
Consumer deposits	1,117,670	1,166,583
Accrued expenses	1,636,006	1,621,662
Total current liabilities	6,760,345	6,822,189
Consumer Advances for Construction	257,109	224,951
Total members' equities and liabilities	$ 139,232,573	$ 133,758,415

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, 2021 and 2020

	2021	2020
Operating Revenues	$ 50,536,833	$ 49,645,096
Operating Expenses		
Cost of power and propane	31,108,167	31,281,801
Distribution - operations	2,416,473	2,611,983
Distribution - maintenance	3,911,769	3,963,111
Consumer accounts	1,606,904	1,616,985
Customer service and information	252,962	325,882
Administrative and general	1,631,668	1,755,155
Depreciation, excluding $359,835 in 2021 and $333,408 in 2020 charged to clearing accounts	5,769,878	5,585,163
Interest on long-term debt	1,706,356	1,762,581
Other interest	28,999	32,462
Taxes, other than income	74,137	84,927
Other deductions	64,370	23,959
Total cost of service	48,571,683	49,044,009
Operating Margins	1,965,150	601,087
Nonoperating Margins and Business Income Tax		
Interest income	54,106	57,726
Gain on sale of equipment	29,675	14,325
Unrelated business income tax	(132,541)	(52,000)
Other nonoperating loss	(1,779)	(9,334)
	(50,539)	10,717
Patronage Capital Credits		
Generation and transmission	1,185,785	1,808,489
Other organizations	67,249	64,318
	1,253,034	1,872,807
Net Margins	3,167,645	2,484,611
Other Comprehensive Income (Loss)		
Postretirement benefits actuarial loss	- -	(996,354)
Postretirement benefits amortization of net loss	12,696	29,516
Total Comprehensive Income	$ 3,180,341	$ 1,517,773

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, 2021 and 2020

	Patronage Capital				Other	Accumulated Other	Total
	Assigned	Assignable	Retired	Total	Equities	Comprehensive Income (Loss)	Members' Equities
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
Comprehensive income:							
Net margins	3,167,645			3,167,645			3,167,645
Postretirement benefit obligation							
Amortization						12,696	12,696
Total comprehensive income							3,180,341
Refunds of capital credits					33,080		33,080
Balance - April 30, 2021	$ 70,294,768	$ 908,301	$ (8,144,922)	$ 63,058,147	$ 3,889,601	$ (1,696,648)	$ 65,251,100

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 3,167,645	$ 2,484,611
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation		
Charged to expense	5,769,878	5,585,163
Charged to clearing accounts	359,835	333,408
Amortization of postretirement actuarial adjustment	12,696	29,516
Patronage capital credits	(1,253,034)	(1,872,807)
(Gain) on sale of equipment	(29,675)	(14,325)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables	(2,330,017)	87,861
Material and supplies	(139,195)	60,231
Prepayments	106,404	5,813
Deferred debits	240,621	240,620
Accounts payable	493,463	(53,252)
Consumer deposits	(48,913)	74,398
Accrued expenses	14,344	161,886
Accumulated postretirement benefits	30,103	39,193
Accumulated supplemental retirement	(47,321)	(42,552)
Consumer advances for construction	32,158	24,099
Net cash provided by operating activities	6,378,992	7,143,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(7,801,369)	(8,060,683)
Plant removal costs	(632,975)	(527,004)
Salvage recovered from plant retirements	154,064	77,795
Other investments, net	696,996	420,136
Net cash (used in) investing activities	(7,583,284)	(8,089,756)
CASH FLOWS FROM FINANCING ACTIVITIES		
Memberships, capital and other equities	(97,931)	(1,332,569)
Retirement of patronage capital	(1,530)	519,206
Additional long-term borrowings	5,000,000	6,000,000
Payments on long-term debt	(3,455,527)	(3,261,161)
Prinicpal payments on capital lease obligations	(5,924)	- -
Payments on short-term borrowings	- -	(900,000)
Net cash provided by financing activities	1,439,088	1,025,476
Net increase in cash and cash equivalents	234,795	79,583
Cash and cash equivalents, beginning of year	1,048,526	968,943
Cash and cash equivalents, end of year	$ 1,283,321	$ 1,048,526
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	$ 1,746,582	$ 1,824,564
Cash payments for income taxes	$ 132,541	$ 52,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired with capital lease	$ 248,354	$ - -

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

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, 2020 and 2019. There were no events through April 30, 2021 and 2020, that had a material effect 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.

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.

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 years ended April 30, 2021 and 2020.

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, buildings and office equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Utility plant (continued)

The major classifications of utility plant in service consist of the following as of April 30, 2021 and 2020:

	2021	2020
Electric Plant:		
General plant	$ 129,511,860	$ 125,336,724
Distribution plant	12,322,026	12,297,541
	141,833,886	137,634,265
Plant under construction	992,538	805,921
	142,826,424	138,440,186
Less accumulated depreciation	47,284,054	45,251,684
Net electric plant	95,542,370	93,188,502
Propane Plant:		
Propane tanks on customer premises	1,392,933	1,265,574
Bulk tanks	708,563	654,864
Delivery and other trucks	1,088,798	1,009,898
Land and buildings	763,160	760,510
Office and other equipment	250,907	248,919
	4,204,361	3,939,765
Less accumulated depreciation	2,420,598	2,230,730
Net propane plant	1,783,763	1,709,035
Net utility plant	$ 97,326,133	$ 94,897,537

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 4.15% 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.

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, 2021 and 2020, management does not believe an impairment exists.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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. Accounts receivable are recorded at their 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. Propane is valued at the lower of average cost or net realizable value.

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.

Taxes

Clark Energy is 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Advertising

Clark Energy and Propane Plus expense advertising costs as incurred. Advertising expense totaled to $19,841 and $15,760 for the years ended April 30, 2021 and 2020, 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

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

Income Tax Status

Clark Energy 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 Clark Energy's tax-exempt purpose is subject to taxation as unrelated business income. Clark Energy is responsible for reporting unrelated business income associated with its wholly owned subsidiary Propane Plus, a limited liability company.

Clark Energy's accounting policy provides that a tax expense/benefits 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. Clark Energy has no uncertain tax positions resulting in an accrual of tax expense or benefit.

Clark Energy'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.

Management Services

Propane Plus is one of four propane companies that contracts with 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts presented in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

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 FERC'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.

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, 2023.

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 12, 2021, the date the consolidated financial statements were available to be issued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Revenue Recognition

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. Revenue related to pole attachments are billed annually in arrears in December. The performance obligation is satisfied ratably over the life of the contract and revenue is recognized monthly as earned.

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 represents 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. Propane Plus recognizes revenue at the point when customer orders are delivered, therefore, there are no unbilled or overbilled amounts to recognize.

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, 2021 and 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2021 and 2020:

	2021	2020
Residential	$ 37,197,255	$ 35,217,620
Small commercial	8,764,943	9,083,479
Large commercial	727,934	876,321
Public lights	137,491	131,756
Rent from electric property	668,698	871,297
Penalties	133,186	377,148
Miscellaneous services	66,890	97,339
Propane	2,840,436	2,990,136
Total	$ 50,536,833	$ 49,645,096

Contract assets and liabilities

Contract assets include unbilled pole attachments and are included in other receivables on the balance sheet. Contract liabilities include consumer deposits. Contract assets and liabilities were as follows for the years ended:

	2021	2020	2019
Contract assets			
Unbilled pole attachments	$ 215,280	$ 233,311	$ 200,479
Contract liabilities			
Consumer deposits	$ 1,117,670	$ 1,166,583	$ 1,092,185

Note 3. Investments in Associated Organizations

Investments in associated organizations consist of the following as of April 30, 2021 and 2020:

	2021	2020
East Kentucky, patronage capital	$ 29,528,473	$ 28,620,920
Economic development loans	1,629,620	1,851,848
CFC, CTCs	779,882	824,293
UUS, patronage capital	388,835	375,754
CFC, patronage capital	310,620	320,312
Federated Insurance, patronage capital	236,930	223,824
Other associated organizations	274,309	243,138
Total	$ 33,148,669	$ 32,460,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investments in Associated Organizations (Continued)

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 2025 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, 2021 and 2020 was 46.86% and 46.38% 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, 2021 and 2020:

	2021	2020
Clark Energy		
Notes due FFB, 1.118% - 4.506%	$ 57,187,639	$ 54,226,263
Economic Development, USDA, no interest	1,648,139	1,870,366
Notes due CFC:		
Notes due at 3.65% - 4.65%	1,251,278	1,397,655
Notes to fund prepaid pension cost, 4.45% - 4.65%	354,465	669,869
Notes to refinance RUS loans, 3.50%	5,319,761	5,889,735
	65,761,282	64,053,888
Less current portion	3,034,189	3,537,598
	$ 62,727,093	$ 60,516,290
Propane Plus		
East Kentucky Power, 4.50%	$ - -	$ 162,921
Less current portion	- -	50,583
	- -	112,338
Total long-term portion	$ 62,727,093	$ 60,628,628

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

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, 2021 and 2020, there was zero and $5,000,000 of FFB loan funds unadvanced, respectively. These funds were used for plant additions.

In August 2015, Propane Plus purchased East Kentucky Power Cooperative 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. The remaining principal balance of the loan was repaid in October 2020.

As of April 30, 2021, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2022	$ 3,034,189
2023	3,237,188
2024	3,080,632
2025	3,172,033
2026	3,250,282
Thereafter	49,986,958
	$ 65,761,282

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, 2021 and 2020. Advances against the line of credit were zero as of April 30, 2021 and 2020. The interest rate was 2.45% and 3.25% as of April 30, 2021 and 2020, 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, 2021 and 2020, and the line of credit matures in February 2022.

Note 7. Pension Plans

All eligible employees of Clark Energy participate in the NRECA Retirement and Security Plan (RS Plan), a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. It is a 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 RS Plan in 2021 and 2020 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 $659,034 in 2021 and $747,275 in 2020. There have been no significant changes that affect the comparability of 2021 and 2020. The benefit rate is 2.0 for employees hired prior to December 31, 2016 and 1.75 for employees hired after December 31, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 85 percent funded at January 1, 2021 and 2020 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.

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

Two prepayment options were available to participating cooperatives:

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

On February 14, 2013, RUS issued a memorandum to all of its borrowers regarding the proper accounting treatment of the RS Plan prepayment. RUS stipulated that the prepayment shall be recorded as a long-term prepayment in Account 186, Miscellaneous Deferred Debits. This prepaid expense shall be amortized to Account 926, Employee Pensions and Benefits, over a ten-year period. Alternatively, RUS borrowers may calculate the amortization period by subtracting the cooperative's average age of its workforce as provided by NRECA from the cooperative's normal retirement age under the RS Plan, up to a maximum period of 20 years. If the entity 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 RS 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. The payment was funded with $1,000,000 from 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

Propane Plus has a profit-sharing plan where employees, managers, and the chief operating officer receive a portion of the net profits. The profit-sharing percentage was 14% and 10% for the years ended December 31, 2020 and 2019, respectively. The pension contribution amount was $93,910 and $56,607 for the years ended December 31, 2020 and 2019, respectively.

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 2021 and 2020.

The funded status of the plan was as follows as of April 30, 2021 and 2020:

	2021	2020
Projected benefit obligation	$ (4,027,750)	$ (3,997,647)
Plan assets at fair value	- -	- -
Funded status (deficit)	$ (4,027,750)	$ (3,997,647)

The components of net periodic postretirement benefit cost are as follows as of and for the year ended April 30, 2021 and 2020:

	2021	2020
Benefit obligation at beginning of year	$ 3,997,647	$ 2,962,100
Components of net periodic benefit cost:		
Service cost	31,595	40,547
Interest cost	67,309	67,309
Net periodic benefit cost	98,904	107,856
Benefits paid	(68,801)	(68,663)
Actuarial loss	- -	996,354
Benefit obligation at end of year	$ 4,027,750	$ 3,997,647
Amounts recognized in the balance sheet consists of:		
Accumulated postretirement benefits	$ 4,027,750	$ 3,997,647
Amounts included in other comprehensive income (loss):		
Actuarial loss	$ - -	$ (996,354)
Amortization of net loss	$ 12,696	$ 29,516
Effect of 1% increase in the health care trend:		
Postemployment benefit obligation	$ 4,250,000	
Net periodic benefit cost	$ 104,000	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Postretirement Benefits (Continued)

For measurement purposes, an annual rate of increase of 6.00% in 2021, 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 2021 and 2020.

Projected retiree benefit payments for the next five years are expected to be as follows: 2022 - $58,970; 2023 - $54,048; 2024 - $50,507; 2025 - $50,171; 2026 - $49,543.

Note 9. Capital Lease Obligation

In February 2021 Clark Energy entered into a lease agreement for a truck. The economic substance of the lease is that Clark Energy is financing the acquisition of the truck through the lease, and accordingly, the lease is recorded as an asset and liability on the consolidated balance sheet.

Future minimum lease payments are as follows for the years ending April 30:

2022	$	38,230
2023		38,230
2024		38,230
2025		38,230
2026		38,230
Thereafter		70,090
	$	261,242
Less amounts representing interest		(18,813)
Present value of minimum lease payments	$	242,430
Less current portion		(33,254)
Long-term portion	$	209,176

The cost of the equipment under capital lease was $248,354 with related accumulated amortization of $12,418 as of April 30, 2021.

Note 10. 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 11. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 12, 2021, management believes that a material impact on Clark Energy and Propane Plus's financial position and results of future operations is reasonably possible.

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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, 2021, and our report thereon dated August 12, 2021, 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 21 and 22 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 12, 2021

Certified Public Accountants and Advisors
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CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
April 30, 2021

Assets	Clark Energy	Propane Plus	Eliminations	Consolidated
Utility Plant, at original cost				
In service	$ 141,833,886	$ 4,204,361	$ - -	$ 146,038,247
Under construction	992,538	- -	- -	992,538
	142,826,424	4,204,361	- -	147,030,785
Less accumulated depreciation	47,284,054	2,420,598	- -	49,704,652
	95,542,370	1,783,763	- -	97,326,133
Investments and Other Assets				
Associated organizations	33,148,669	- -	- -	33,148,669
Goodwill	- -	258,898	- -	258,898
Investment in subsidiary	2,919,931	- -	(2,919,931)	- -
Total investments and other assets	36,068,600	258,898	(2,919,931)	33,407,567
Current Assets				
Cash and cash equivalents	493,614	789,707	- -	1,283,321
Accounts receivable, less allowance for Energy of $64,748 and Propane of $16,434	1,312,058	143,864	- -	1,455,922
Other receivables	2,712,209	- -	- -	2,712,209
Material and supplies, at average cost	637,134	129,753	- -	766,887
Prepayments	153,313	66,250	- -	219,563
Total current assets	5,308,328	1,129,574	- -	6,437,902
Deferred Debits	2,060,971	- -	- -	2,060,971
Total assets	$ 138,980,269	$ 3,172,235	$ (2,919,931)	$ 139,232,573
Members' Equities and Liabilities				
Members' Equities				
Memberships and capital	$ - -	$ 1,164,000	$ (1,164,000)	$ - -
Patronage capital and retained earnings	63,058,147	1,793,480	(1,793,480)	63,058,147
Accumulated other comprehensive (loss)	(1,696,648)	- -	- -	(1,696,648)
Other equities	3,852,052	- -	37,549	3,889,601
Total members' equities	65,213,551	2,957,480	(2,919,931)	65,251,100
Long-Term Liabilities				
Long-term debt, less current portion	62,727,093	- -	- -	62,727,093
Capital lease obligation, less current portion	209,176	- -	- -	209,176
Accumulated postretirement benefits	4,027,750	- -	- -	4,027,750
Total long-term liabilities	66,964,019	- -	- -	66,964,019
Current Liabilities				
Current portion of long-term debt	3,034,189	- -	- -	3,034,189
Current portion of capital lease obligation	33,254	- -	- -	33,254
Accounts payable	921,867	17,359	- -	939,226
Consumer deposits	997,879	119,791	- -	1,117,670
Accrued expenses	1,558,401	77,605	- -	1,636,006
Total current liabilities	6,545,590	214,755	- -	6,760,345
Consumer Advances for Construction	257,109	- -	- -	257,109
Total members' equities and liabilities	$ 138,980,269	$ 3,172,235	$ (2,919,931)	$ 139,232,573

CLARK ENERGY COOPERATIVE CORPORATION AND SUBSIDIARY

CONSOLIDATING STATEMENT OF REVENUE AND COMPREHENSIVE INCOME
Year ended April 30, 2021

	Clark Energy	Propane Plus	Eliminations	Consolidated
Operating Revenues	$ 47,696,397	$ 2,840,436	$ - -	$ 50,536,833
Operating Expenses				
Cost of purchases	30,085,995	1,022,172	- -	31,108,167
Distribution - operations	1,814,881	601,592	- -	2,416,473
Distribution - maintenance	3,911,769	- -	- -	3,911,769
Consumer accounts	1,335,320	271,584	- -	1,606,904
Customer service and information	252,962	- -	- -	252,962
Administrative and general	1,438,689	192,979	- -	1,631,668
Depreciation, excluding $359,835 charged to clearing accounts	5,580,010	189,868	- -	5,769,878
Interest on long-term debt	1,702,841	3,515	- -	1,706,356
Other interest	28,999	- -	- -	28,999
Taxes, other than income	64,999	9,138	- -	74,137
Other	64,370	- -	- -	64,370
Total cost of service	46,280,835	2,290,848	- -	48,571,683
Operating Margins	1,415,562	549,588	- -	1,965,150
Nonoperating Margins and Business Income Tax				
Interest income	53,779	327	- -	54,106
Gain on sale of equipment	29,675	- -	- -	29,675
Unrelated business income tax	(132,541)	- -	- -	(132,541)
Subsidiary and others	548,136	3,832	(553,747)	(1,779)
	499,049	4,159	(553,747)	(50,539)
Patronage Capital Credits				
Generation and transmission	1,185,785	- -	- -	1,185,785
Other associated organizations	67,249	- -	- -	67,249
	1,253,034	- -	- -	1,253,034
Net Margins	3,167,645	553,747	(553,747)	3,167,645
Other comprehensive Income				
Postretirement benefits amortization of loss	12,696	- -	- -	12,696
Total Comprehensive Income	$ 3,180,341	$ 553,747	$ (553,747)	$ 3,180,341

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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, 2021 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 12, 2021.

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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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 12, 2021

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, 2021, 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 12, 2021. In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2021, 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;
- 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;

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- 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	$	568,251
Prepaid pension costs		1,300,220
Substation installation		192,500
	$	2,060,971

The deferred credits are as follows:

Consumer advances for construction	$	257,109

Clark Energy Cooperative Corporation 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, 2021:

	Investment		Profits	
Beginning balance	$	1,091,598	$	1,407,127
Activity for 2021		(132,541)		553,747
Ending balance	$	959,057	$	1,960,874

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 12, 2021