MOUNTAIN RURAL TELEPHONE COOPERATIVE AND SUBSIDIARY
KY 506

FINANCIAL REPORT

DECEMBER 31, 2023

C O N T E N T S

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mountain Rural Telephone Cooperative and Subsidiary
West Liberty, Kentucky

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, on our consideration of Mountain Rural Telephone Cooperative and Subsidiary's (the Cooperative) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
February 22, 2024

MOUNTAIN RURAL TELEPHONE COOPERATIVE AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 42,962,369	$ 44,854,710
Accounts receivable, less allowance for credit losses of $10,492 in 2023 and $20,141 in 2022	156,783	263,642
Materials and supplies, at average cost	3,059,700	2,734,021
Prepaid expenses	31,583	43,639
Prepaid income taxes	- -	610,280
Total current assets	46,210,435	48,506,292
NON-CURRENT ASSETS		
Investment securities	16,715,060	12,079,201
Associated organizations	33,545,090	33,427,759
Pension plan prefunding	1,651,516	1,767,197
Accumulated postretirement benefits	234,698	351,027
Nonregulated property	5,049,885	4,083,538
Total non-current assets	57,196,249	51,708,722
PROPERTY AND EQUIPMENT		
In service	138,960,470	135,945,420
Under construction	4,732,507	2,303,362
	143,692,977	138,248,782
Less accumulated depreciation	95,189,625	89,761,445
	48,503,352	48,487,337
	$ 151,910,036	$ 148,702,351

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

	2023	2022
LIABILITIES AND MEMBERS' EQUITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 434,599	$ 424,486
Accounts payable	934,607	1,210,332
Customer deposits	210,639	218,881
Accrued income taxes	726,996	- -
Accrued leave	2,312,752	2,337,780
Accrued expenses	86,533	90,690
Total current liabilities	4,706,126	4,282,169
NON-CURRENT LIABILITIES		
Long-term debt, less current portion	4,092,775	4,527,657
Deferred tax liabilities	2,970,000	3,260,000
Total non-current liabilities	7,062,775	7,787,657
MEMBERS' EQUITIES		
Memberships and capital investments	146,722	142,908
Patronage capital and retained earnings	143,963,271	139,467,563
Donated capital	1,324,359	1,323,975
Accumulated other comprehensive (loss)	(5,293,217)	(4,301,921)
Total members' equities	140,141,135	136,632,525
	$ 151,910,036	$ 148,702,351

MOUNTAIN RURAL TELEPHONE COOPERATIVE AND SUBSIDIARY

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

	2023	2022
Operating revenues:		
Local network service	$ 6,682,637	$ 6,632,438
Network access service	10,563,074	9,587,622
Carrier billing and collection	224,096	247,369
Miscellaneous	687,860	629,606
Access revenue	36,000	24,700
Total operating revenues	18,193,667	17,121,735
Operating expenses:		
Plant specific operations expense	4,214,935	4,090,934
Plant non-specific	2,315,379	2,257,638
Depreciation	5,621,878	5,414,823
Customer operations expense	1,621,066	1,682,533
Corporate operations expense	2,536,781	2,315,062
Other deductions	179,450	149,007
Other taxes	805,880	816,731
Total operating expenses	17,295,369	16,726,728
Operating income	898,298	395,007
Other income (expense):		
Interest income	1,339,315	532,226
Interest expense	(112,003)	(121,841)
Other income	835,991	121,707
Income in limited liability company	1,895,250	1,718,724
Total other income	3,958,553	2,250,816
Income before income taxes	4,856,851	2,645,823
Income tax (expense)	(672,530)	(26,110)
Net income before nonregulated income	4,184,321	2,619,713
Nonregulated income	3,513,115	3,195,635
Net income	$ 7,697,436	$ 5,815,348
Other comprehensive income (loss)		
Accumulated postretirement benefit (expense)	(991,296)	8,193,829
Total comprehensive income	$ 6,706,140	$ 14,009,177

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

MOUNTAIN RURAL TELEPHONE COOPERATIVE AND SUBSIDIARY

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

	Memberships	Patronage Capital	Other Equity	Accumulated Other Comprehensive (Loss)	Total
Balance, January 1, 2022	$ 141,564	$ 136,841,030	$ 1,324,128	$ (12,495,750)	$ 125,810,972
Net income	- -	5,815,348	- -	- -	5,815,348
Postretirement benefit obligations					
Amortization	- -	- -	- -	234,763	234,763
Adjustments	- -	- -	- -	7,959,066	7,959,066
Refunds of capital credits	- -	(3,188,815)	- -	- -	(3,188,815)
Memberships issued, net	1,344	- -	(153)	- -	1,191
Balance, December 31, 2022	142,908	139,467,563	1,323,975	(4,301,921)	136,632,525
Net income	- -	7,697,436	- -	- -	7,697,436
Postretirement benefit obligations					
Amortization	- -	- -	- -	156,509	156,509
Adjustments	- -	- -	- -	(1,147,805)	(1,147,805)
Refunds of capital credits	- -	(3,201,728)	- -	- -	(3,201,728)
Memberships issued, net	3,814	- -	384	- -	4,198
Balance at December 31, 2023	$ 146,722	$ 143,963,271	$ 1,324,359	$ (5,293,217)	$ 140,141,135

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

MOUNTAIN RURAL TELEPHONE COOPERATIVE AND SUBSIDIARY

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,697,436	$ 5,815,348
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,621,878	5,414,823
Net (income) in associated organization	(1,895,250)	(1,718,724)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts receivable, net	106,859	(64,351)
Material and supplies	(325,679)	(1,335,720)
Prepaid expenses	622,336	(608,597)
Accounts payable	(275,725)	496,698
Customer deposits	(8,242)	(36,516)
Accrued expenses	(29,185)	(201,544)
Accrued income taxes	726,996	- -
Deferred tax liabilities	(290,000)	240,000
Net cash provided by operating activities	11,951,424	8,001,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant additions	(6,512,860)	(5,037,120)
Sales (purchases) of securities	(4,635,859)	(127,067)
Associated organizations	1,777,919	1,819,918
Nonregulated property	(966,347)	(610,008)
Net cash (used in) investing activities	(10,337,147)	(3,954,277)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(424,769)	(414,930)
Prefund pension plan	115,681	547,056
Membership and capital investments	3,814	1,344
Retirements of capital credits	(3,201,728)	(3,188,815)
Increase (decrease) in donated capital	384	(153)
Net cash (used in) financing activities	(3,506,618)	(3,055,498)
Net increase (decrease) in cash and cash equivalents	(1,892,341)	991,642
Cash and cash equivalents:		
Beginning of year	44,854,710	43,863,068
End of year	$ 42,962,369	$ 44,854,710
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest on long term debt	$ 112,003	$ 121,841
Income taxes paid	206	437,290

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

Note 1. Summary of Significant Accounting Policies

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly owned Subsidiary, Mountain Telecommunications, Inc. (Mountain Telecommunications). All significant inter-company accounts and transactions have been eliminated.

Nature of Business

The Cooperative has completed construction allowing it to expand its services network. This network establishes the Cooperative as a full-service network (FSN) provider allowing it to provide expanded video services with over 200 channels, high definition television and Video on Demand. It is also able to provide high speed internet, virtual private networks, and voice over internet protocol (VoIP). This is accomplished through Fiber to the Home (FTTH) technology.

Estimates

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

Cash and Cash Equivalents

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

Investment Securities

Investment securities consist of certificates of deposit and bank repurchase agreements in local banks and are carried at cost, which approximates fair value, and are held to maturity. Fair value is determined by quoted prices for similar certificates of deposit in active markets (Level 2) and by quoted prices of bank repurchase agreements of identical assets and liabilities (Level 1) as defined under U.S GAAP.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Credit Losses

The Cooperative operates in the telecommunications industry, and its accounts receivable are primarily derived from telecommunications customer services provided. Accounts receivables are stated at net realizable value. The Cooperative uses the allowance method to account for uncollectible accounts receivable. Management maintains an allowance for potential credit losses based on its assessment of the current status of the customer accounts. At each balance sheet date, the Cooperative recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are usually collected within thirty days. The balance in accounts receivable as of December 31, 2023, 2022 and 2021 was $156,783, $263,642, and $199,291, respectively.

The allowance estimate is derived from a review of the Cooperative's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Cooperative. The Cooperative believes historical loss information is a reasonable starting point with which to calculate the expected allowance for credit losses as the Cooperative's portfolio segments have remained consistent since the Cooperative's inception.

The Cooperative writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. Subsequent recoveries are credited to the allowance for credit losses. The number of access lines was 9,644 for 2023 and 10,622 for 2022. Changes in the allowance for credit losses are as follows:

	2023
Beginning Balance	$ 20,141
Write-offs	(62,829)
Recoveries	53,180
Ending Balance	$ 10,492

	2022
Beginning Balance	15,136
Write-offs	(48,551)
Recoveries	53,556
Ending Balance	$ 20,141

Note 1. Summary of Significant Accounting Policies (Continued)

Materials and Supplies

Materials and supplies are composed primarily of telephone material and supplies used in the telecommunications plant. The inventory is valued at the lower of cost or net realizable value, cost being determined by the average cost method.

Telecommunications Revenue Recognition

Revenues are recognized when earned. Bills are sent to customers on credit the first of each month with local service being billed a month in advance of service. Sales are concentrated in a portion of five (5) southeastern Kentucky counties. Payments are due 10 days from the date of billing. If payment has not been made, then customers are subject to disconnect on the 21st day of the month.

Interstate revenues are recognized on the cost basis recovery method. Compensation for intrastate/interlata service is received through tariffed access charges as filed with the FCC. These access charges are billed to the interlata long distance carrier and retained by the Cooperative.

Video Revenue Recognition

Video revenue is recognized when earned regardless of the period in which they are billed. Programming transmission is purchased from networks at various amounts based on the number of customers receiving the service.

Taxes

The Cooperative'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.

Risk Management

The Cooperative 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.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, these costs were $86,674 and $86,059, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

Telecommunications Plant

Telecommunications 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. Interest capitalized during the year was $60,985 for 2023 and $27,822 for 2022.

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

Provision has been made for depreciation on the basis of estimated lives of assets (as prescribed by the Public Service Commission of Kentucky) using the straight-line method. Rates are as follows:

	Telephone	Telecom
General support	2.7% - 15.8%	20.0%
Central office switching	7.5%	
Central office transmission	11.0%	
Cable wire facilities	2.2% - 9.4%	

Income Taxes

The Cooperative is exempt from federal and state income taxes under IRS Code Section 501(c)(12). Certain unrelated business activities are subject to federal income taxes. Mountain Telecommunications is a “C” corporation that pays income taxes on its net income. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of investments in associated organizations. The deferred tax assets and liabilities represent future tax return consequences of those differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled.

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

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

The Cooperative’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 for federal and four years for state.

Note 1. Summary of Significant Accounting Policies (Continued)

Comprehensive Income

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

Subsequent Events

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

Reclassifications

Certain amounts presented in the 2022 financial statements have been reclassified to conform with the 2023 presentation.

Adopted Accounting Pronouncement

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

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

Note 2. Fair Value Measurements

U.S. GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect a cooperative's own assumptions of market participant valuation (Level 3).

The Cooperative invests idle funds with local banks in certificates of deposits and U.S. Treasury Notes.

The Cooperative's investment securities measured at fair value on a recurring basis are as follows:

		Fair value measurements using:	
	Fair value	Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
December 31, 2023			
Certificates of deposit	$ 3,000,000	$ - -	$ 3,000,000
Bank repurchase agreements	13,715,060	13,715,060	- -
	$ 16,715,060	$ 13,715,060	$ 3,000,000
December 31, 2022			
Certificates of deposit	$ 3,000,000	$ - -	$ 3,000,000
Bank repurchase agreements	9,079,201	9,079,201	- -
	$ 12,079,201	$ 9,079,201	$ 3,000,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Associated Organizations

The amounts for East Kentucky Network, LLC ("EKN") represents Mountain Telecommunications' investment in a limited liability company with other telephone companies in eastern Kentucky for the purpose of providing cellular telephone, and other services. The investment is accounted for using the equity method since Mountain Telecommunications is a 20% member and has the ability to significantly influence EKN's operations and financial policies. EKN has been paying distributions of approximately 50% of the income allocated in cash during the following year. The following is summarized financial information of EKN as of and for the years ended December 31, 2023 and 2022:

	2023	2022
Assets	$ 223,770,492	$ 241,294,254
Liabilities	$ 56,045,037	$ 74,155,461
Equity	$ 167,725,455	$ 167,138,793
Revenues and other income	$ 121,290,650	$ 124,485,066
Expenses and other expenses	$ 111,429,883	$ 118,158,102
Net income	$ 9,860,767	$ 6,326,964

Note 4. Telecommunications Plant

The major classification of plant service is:

	2023	2022
Telecommunications Plant:		
General support	$ 17,372,336	$ 16,595,847
Central office switching	1,115,368	1,095,092
Central office transmission	26,506,075	25,920,367
Cable wire facilities	93,961,257	92,328,680
Intangibles	2,434	2,434
	138,957,470	135,942,420
Telecom Plant:		
General support	3,000	3,000
Total	$ 138,960,470	$ 135,945,420

Depreciation expense for the years ended December 31, 2023 and 2022 was $5,621,878 and $5,414,823, respectively.

Note 5. Nonregulated Activities

Deregulated customer premises equipment is stated at cost; material held for lease or resale is stated at average cost. Customer Premises Equipment (CPE) also includes inside wire revenues and expenses. Depreciation is provided on a straight-line basis at 11.9% per year. The Cooperative provides long distance telephone service under the name of Mountain Telephone Long Distance (“MTLD”). MTLD revenues are billed and collected through the Cooperative. A monthly fee is recorded based on telephone usage. MTLD purchases minutes of long distance to resell to its customers from an unrelated party. Nonregulated investments also include amounts that the Cooperative has invested to provide internet services to its customers. The Cooperative has an in-house help desk service department and utilizes an answering service after hours for emergencies only. The following is a summary of nonregulated activities:

	2023	2022
Investments	$ 487,631	$ 476,520
Material and supplies	1,645,659	712,226
Plant assets	9,595,498	8,907,291
Reserve for depreciation	(6,678,903)	(6,012,499)
	$ 5,049,885	$ 4,083,538

	Income	Expenses	Net
Customer premises equipment	$ 1,247,681	$ 2,177,854	$ (930,173)
Internet activities	5,499,314	1,316,555	4,182,759
Long distance services	263,913	284,666	(20,753)
Video services	3,847,155	3,739,667	107,488
Security/Surveillance	485,415	311,621	173,794
Total - 2023	$ 11,343,478	$ 7,830,363	$ 3,513,115

	Income	Expenses	Net
Customer premises equipment	$ 1,155,724	$ 2,098,418	$ (942,694)
Internet activities	5,376,238	1,399,109	3,977,129
Long distance services	274,916	287,932	(13,016)
Video services	3,661,293	3,609,966	51,327
Security/Surveillance	230,684	107,795	122,889
Total - 2022	$ 10,698,855	$ 7,503,220	$ 3,195,635

Note 6. Long-Term Debt

All telecommunications assets, except motor vehicles, are pledged as collateral on the long-term debt due to the U.S. Department of Agriculture, Rural Development ("USDA"). The debt was incurred for the FSN project as described earlier in Note 1 and is due in monthly installments of varying amounts. Long-term debt is as follows:

	2023	2022
RUS Broadband Loan		
2.27%-2.46%	$ 4,527,374	$ 4,952,143
Less current portion	434,599	424,486
Long-term portion	$ 4,092,775	$ 4,527,657

Principal payments for the next five years and thereafter are as follows:

2024	$ 434,599
2025	444,980
2026	455,596
2027	466,465
2028	477,581
Thereafter	2,248,153
	$ 4,527,374

Note 7. Patronage Capital

The long-term debt agreement contains restrictions on the return to patrons of capital contributed by them. The restrictions relate in general to the Cooperative's net worth and assets, as defined. The net worth of the Cooperative at December 31, 2023 and 2022 was 93% and 94%, respectively. Patronage capital consists of the following:

	2023	2022
Assigned	$ 130,370,970	$ 126,719,804
Assignable	7,697,436	5,815,348
Unassigned	63,154,159	60,989,977
Retirements to date	(57,259,294)	(54,057,566)
Total	$ 143,963,271	$ 139,467,563

Note 8. Pension Plan

All eligible non-union employees of the Cooperative participate in the National Telephone Cooperative Association (NTCA) Pension 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 52-0741336 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. There have been no significant changes that affect the comparability of 2023 and 2022. The Cooperative uses a January 1, 2023 and January 1, 2022 measurement date for the plan.

The Cooperative's contributions to the R&S Plan in 2023 and 2022 represent less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of $702,588 in 2023 and $669,068 in 2022.

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 100 percent funded at both January 1, 2023 and 2022, based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the 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.

The NTCA Board of Directors amended the 2018 R&S Program specifications at the recommendation of the Plan Trust Committee to include the following changes:

- Basic contribution rates will increase by 19%.
- The program's current surcharge will expire at the end of 2018, and a new surcharge contribution of 50% of the member's elected contribution rate will begin in 2019. This surcharge is expected to continue for approximately 12 years.
- A prefunding option was added to allow members the option to prefund their future surcharge contributions in a single payment prior to the start of the new surcharge effective in 2019.
- Beginning January 1, 2018, for members that have adopted the Rule-of-85 ("ROE") provision, the ROE charge will apply to both the member's elected employer contribution rate and any required employee contribution rate.

Over the past several years, various actions have been taken to sustain the reserve of funds available to help meet the programs legally required minimum contribution amount. However, adverse economic conditions and regulatory changes have negatively affected all pension plans, including the R&S Program. Despite prudent decision-making by the program's trust committee, the R&S Program's minimum contribution amount is projected to exceed the current reserve and member contributions alone will not meet the minimum requirement. This expectation has led the program's actuary to recommend the new surcharge contributions beginning in 2020. The R&S Program is offering prefunding to give members flexibility in addressing this situation at the Cooperative.

Note 8. Pension Plan (Continued)

The prefunding contribution is expected to fund the member's surcharge contribution for approximately 12 years.

- Each member's prefunding contribution will be maintained in a notional account within the R&S Program and used to pay that member's surcharge contributions.
- Each member's prefunding account is maintained separately from other member's prefunding accounts.
- Account funds will be invested with other R&S Program assets and grow at the same rate as the program's overall investment returns.
- An annual statement will be provided to each member showing their specific prefunding account activity.

During 2016, the Cooperative prefunded the surcharge in an amount of $2,326,221. This amount will be amortized over the 12-year period the surcharge is expected to continue.

Note 9. Accumulated Postretirement Benefits

The Cooperative sponsors a defined benefit plan that provides medical insurance coverage to retirees and their dependents. Participating retirees and dependents do not contribute to the projected cost of coverage. Employees hired before January 1, 2016 (Schedule 1) qualify with a minimum age of 55 and meeting the Rule of 85. There have been no significant changes that affect the comparability of 2023 and 2022. The Cooperative uses a January 1, 2023 and January 1, 2022 measurement date for the plan.

The following illustrates the plan for those years ended December 31, 2023 and 2022:

	2023	2022
Benefit obligation, beginning of year	$ 26,927,680	$ 31,492,820
Service cost	521,798	721,899
Interest cost	1,154,260	903,595
Benefit payments	(702,588)	(669,068)
Actuarial loss (gain)	(4,174,207)	(5,521,566)
Benefit obligation, end of year	$ 23,726,943	$ 26,927,680
Fair value of plan assets, beginning of year	$ 27,278,707	$ 23,891,755
Actual return (loss) on plan assets	(2,614,478)	4,056,020
Benefit payments	(702,588)	(669,068)
Fair value of plan assets, end of year	$ 23,961,641	$ 27,278,707
Reconciliation of funded status:		
Funded status	$ 234,698	$ 351,027
Net amount recognized at year end	$ 234,698	$ 351,027

Note 9. Accumulated Postretirement Benefits (Continued)

	2023	2022
Amounts recognized in the balance sheet consists of:		
Noncurrent assets (liabilities)	$ 234,698	$ 351,027
Amounts included in accumulated other comprehensive income:		
Unrecognized actuarial gain (loss)	$ (5,293,217)	$ (4,301,921)
Components of net periodic benefit cost:		
Service cost	$ 521,798	721,899
Interest cost	1,154,260	903,595
Expected return on plan assets	(1,677,315)	(1,909,509)
Amortization cost	280,237	119,198
Net periodic benefit cost	$ 278,980	$ (164,817)

	2023	2022
Weight-average assumptions as of December 31:		
Discount rate	4.95%	3.40%
Expected return on plan assets	7.25%	7.00%
Rate of compensation increase	Varies	Varies
Effect of 1% trend sensitivity for medical plan:		
Projected benefit obligation	$ 26,473,380	$ 33,442,610
Net periodic benefit cost	$ 883,402	$ 947,266

The projected retiree benefit payments are expected to be as follows: 2024 - $827,093; 2025 - $868,000; 2026 - $911,000; 2027 - $956,000; 2028- $1,003,000.

Note 9. Accumulated Postretirement Benefits (Continued)

The Plan's investments are reported at fair value as follows:

	Fair value	Fair value measurements using: Unadjusted quoted prices (Level 1)	Fair value measurements using: Significant other observable inputs (Level 2)
December 31, 2023			
US Equity	$ 5,918,525	$ 5,918,525	$ - -
International Equity	6,277,950	- -	6,277,950
Low Volatility	4,073,479	- -	4,073,479
High Yield	1,940,893	- -	1,940,893
Real Estate	1,988,816	- -	1,988,816
Investment Grade Fixed Income	3,282,745	- -	3,282,745
Cash	479,233	479,233	- -
	$ 23,961,641	$ 6,397,758	$ 17,563,883
December 31, 2022			
US Equity	$ 6,737,841	$ 6,737,841	$ - -
International Equity	7,147,021	- -	7,147,021
Low Volatility	4,637,380	- -	4,637,380
High Yield	2,209,575	- -	2,209,575
Real Estate	2,264,133	- -	2,264,133
Investment Grade Fixed Income	3,737,183	- -	3,737,183
Cash	545,574	545,574	- -
	$ 27,278,707	$ 7,283,415	$ 19,995,292

Note 10. Income Taxes

The components of income tax are as follows:

	December 31, 2023	December 31, 2022
Current:		
Federal	$ 777,685	$ (165,678)
State	184,845	(48,212)
	962,530	(213,890)
Deferred:		
Federal	(234,000)	194,000
State	(56,000)	46,000
	(290,000)	240,000
	$ 672,530	$ 26,110

Note 10. Income Taxes (Continued)

The deferred tax liabilities in the accompanying balance sheets consist of the following components:

	December 31, 2023	December 31, 2022
Deferred tax liabilities:		
Federal	$ 2,399,000	$ 2,633,000
State	571,000	627,000
	$ 2,970,000	$ 3,260,000

Note 11. Commitments

The Cooperative has various 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 12. Contingencies

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

Note 13. Revenue Recognition

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 customer deposits. The Cooperative has no contract assets or long-term contract liabilities.

Nature of goods and services

The following is a description of principal activities from which the Cooperative generates its revenues.

Telecommunications revenues – The Cooperative's regulated sources of revenue are local network services, network access services (interstate and intrastate/interlata), carrier billing, broadband only and other service charges. The Cooperative's nonregulated sources of revenue are customer premises and equipment, internet activities, long distance services, video services, and security/surveillance/bus systems.

Note 13. Revenue Recognition (Continued)

Significant judgments

Revenues from sales of equipment are recognized when control has transferred to the customer. Telecommunication service revenues are recognized as the related service is provided. Services are deemed to be highly interrelated when the method and timing of transfer and performance risk are the same. Highly interrelated services that are determined to not be distinct have been grouped into a single performance obligation. Each month of services promised is a performance obligation. The series of monthly service performance obligations promised over the course of the contract are combined into a single performance obligation for purposes of the allocation.

The Cooperative has made judgments regarding transaction price, including but not limited to issues relating to variable consideration, time value of money and returns. When determined to be significant in the context of the contract, these items are considered in the valuation of transaction price at contract inception or modification, as appropriate.

Multiple performance obligations

The Cooperative sells bundled service and equipment offerings. In these instances, the Cooperative recognizes its revenue based on the relative standalone selling prices for each distinct service or equipment performance obligation or bundles thereof. The Cooperative estimates the standalone selling price of the device or accessory to be its retail price excluding discounts. The Cooperative estimates the standalone selling price of telecommunication service to be the price offered to customers on month-to-month contracts.

From time to time, the Cooperative may offer certain promotions to incentivize customers to switch to, or to purchase additional services from the Cooperative. Under these types of promotions, an eligible customer may receive an incentive in the form of a discount off additional services purchased shown as a rebate or credit to the customer's monthly bill. Rebates are amortized over the life of the contract and are recognized when included in the customer's monthly bill.

Note 13. Revenue Recognition (Continued)

Disaggregation of revenue

In the following table, revenue for the years ended December 31, 2023 and 2022 is disaggregated by type of service and timing of revenue recognition. Telecommunication service revenues and equipment sales are recognized at a point in time.

	2023	2022
Regulated income:		
Local network services	$ 6,682,637	$ 6,632,438
Network access services	10,563,074	9,587,622
Carrier billing and collections	224,096	247,369
Miscellaneous	687,860	629,606
Access revenue	36,000	24,700
	$ 18,193,667	$ 17,121,735
Nonregulated income:		
Customer premises equipment	$ 1,247,681	$ 1,155,724
Internet activities	5,499,314	5,376,238
Long distance services	263,913	274,916
Video services	3,847,155	3,661,293
Security/Surveillance	485,415	230,684
	$ 11,343,478	$ 10,698,855

Contract cost liabilities

Contract cost liabilities include customer deposits. The balance in contract liabilities was $210,639, $218,881 and $255,397 as of December 31, 2023, 2022, and 2021, respectively.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Directors
Mountain Rural Telephone Cooperative and Subsidiary
West Liberty, Kentucky

We have audited the consolidated financial statements of Mountain Rural Telephone Cooperative and Subsidiary as of December 31, 2023 and 2022, and our report thereon dated February 22, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information found on pages 24 and 25, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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
February 22, 2024

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

MOUNTAIN RURAL TELEPHONE COOPERATIVE AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
December 31, 2023

	Mountain Rural Telephone Cooperative	Mountain Telecommunications	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 21,848,566	$ 21,113,803	$ - -	$ 42,962,369
Accounts receivable, net	275,198	- -	(118,415)	156,783
Materials and supplies, at average cost	3,059,700	- -	- -	3,059,700
Prepaid expenses	31,583	- -	- -	31,583
Total current assets	25,215,047	21,113,803	(118,415)	46,210,435
NON-CURRENT ASSETS				
Investment securities	16,715,060	- -	- -	16,715,060
Associated organizations	50,845,895	33,545,091	(50,845,895)	33,545,090
Pension plan prefunding	1,651,516	- -	- -	1,651,516
Accumulated postretirement benefits	234,698	- -	- -	234,698
Nonregulated property	5,049,885	- -	- -	5,049,885
Total non-current assets	74,497,054	33,545,091	(50,845,895)	57,196,249
PROPERTY AND EQUIPMENT				
In service	138,957,470	3,000	- -	138,960,470
Under construction	4,732,507	- -	- -	4,732,507
	143,689,977	3,000	- -	143,692,977
Less accumulated depreciation	95,189,037	588	- -	95,189,625
	48,500,940	2,412	- -	48,503,352
	$ 148,213,041	$ 54,661,306	$ (50,964,310)	$ 151,910,036
LIABILITIES AND MEMBERS' EQUITIES				
CURRENT LIABILITIES				
Current portion of long-term debt	$ 434,599	$ - -	$ - -	$ 434,599
Accounts payable	934,606	118,416	(118,415)	934,607
Customer deposits	210,639	- -	- -	210,639
Accrued leave	2,312,752	- -	- -	2,312,752
Accrued income taxes	- -	726,996	- -	726,996
Accrued expenses	86,533	- -	- -	86,533
Total current liabilities	3,979,129	845,412	(118,415)	4,706,126
NON-CURRENT LIABILITIES				
Long-term debt, less current portion	4,092,775	- -	- -	4,092,775
Deferred tax liabilities	- -	2,970,000	- -	2,970,000
Total non-current liabilities	4,092,775	2,970,000	- -	7,062,775
MEMBERS' EQUITIES				
Memberships and capital investments	146,722	4,780,000	(4,780,000)	146,722
Patronage capital and retained earnings	143,963,271	46,065,895	(46,065,895)	143,963,271
Donated capital	1,324,359	- -	- -	1,324,359
Accumulated other comprehensive (loss)	(5,293,217)	- -	- -	(5,293,217)
Total members' equities	140,141,135	50,845,895	(50,845,895)	140,141,135
	$ 148,213,041	$ 54,661,306	$ (50,964,310)	$ 151,910,036

MOUNTAIN RURAL TELEPHONE COOPERATIVE AND SUBSIDIARY

CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
Year Ended December 31, 2023

	Mountain Rural Telephone Cooperative	Mountain Telecommunications	Eliminations	Consolidated
Operating revenues				
Local network service	$ 6,682,637	$ - -	$ - -	$ 6,682,637
Network access service	10,563,074	- -	- -	10,563,074
Carrier billing and collection	224,096	- -	- -	224,096
Miscellaneous	687,860	- -	- -	687,860
Access revenue	36,000	- -	- -	36,000
Total operating revenues	18,193,667	- -	- -	18,193,667
Operating expenses				
Plant specific operations	4,214,935	- -	- -	4,214,935
Plant non-specific	2,315,379	- -	- -	2,315,379
Depreciation	5,621,825	53	- -	5,621,878
Customer operations	1,621,066	- -	- -	1,621,066
Corporate operations	2,495,782	40,999	- -	2,536,781
Other deductions	179,450	- -	- -	179,450
Other taxes	798,409	7,471	- -	805,880
Total operating expenses	17,246,846	48,523	- -	17,295,369
Operating income (loss)	946,821	(48,523)	- -	898,298
Other income (expenses)				
Interest income	1,289,126	50,189	- -	1,339,315
Interest expense	(112,003)	- -	- -	(112,003)
Other income	835,991	- -	- -	835,991
Income in limited liability company	1,224,386	1,895,250	(1,224,386)	1,895,250
Total other income (expenses)	3,237,500	1,945,439	(1,224,386)	3,958,553
Income before income taxes	4,184,321	1,896,916	(1,224,386)	4,856,851
Income tax (expense)	- -	(672,530)	- -	(672,530)
Net income before nonregulated income	4,184,321	1,224,386	(1,224,386)	4,184,321
Nonregulated income	3,513,115	- -	- -	3,513,115
Net income	$ 7,697,436	$ 1,224,386	$ (1,224,386)	$ 7,697,436
Other comprehensive income				
Accumulated postretirement benefit	(991,296)	- -	- -	(991,296)
Total comprehensive income	$ 6,706,140	$ 1,224,386	$ (1,224,386)	$ 6,706,140

JNM

Jones, Nale & Mattingly PLC

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

Board of Directors
Mountain Rural Telephone Cooperative and Subsidiary
West Liberty, 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 Mountain Rural Telephone Cooperative and Subsidiary (the Cooperative), as of and for the year ended December 31, 2023, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Certified Public Accountants and Advisors
401 West Main Street, Suite 1100 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589.1680 www.jnmcpa.com

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
February 22, 2024

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

Board of Directors
Mountain Rural Telephone Cooperative and Subsidiary
West Liberty, 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 Mountain Rural Telephone Cooperative and Subsidiary (the Cooperative), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income and comprehensive income, changes in members' equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2024. In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above related to our audit have been furnished to management.

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

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

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

- Obtain written approval of the RUS to enter into any contract, agreement, or lease with any Subsidiary as defined in Part 1773.33 (e)(2)(i);
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles, and;
- Comply with the requirements for the detailed schedule of investments, which is listed below.

During 2004, the Cooperative formed a wholly-owned Subsidiary, Mountain Telecommunications, Inc., which provides telecommunications services outside of the Cooperative's service territory and is also 20% owner of East Kentucky Network, LLC, that provides cellular and other communication services in Eastern Kentucky. The initial investment was $1,130,000. The investment in Mountain Telecommunications, Inc. is comprised of the following:

	Investments	Profits	Total
Beginning of year	$ 4,780,000	$ 44,841,509	$ 49,621,509
Activity for 2023	- -	1,224,386	1,224,386
End of year	$ 4,780,000	$ 46,065,895	$ 50,845,895

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 telecommunication 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
February 22, 2024