THACKER-GRIGSBY TELEPHONE COMPANY, INC.
AND SUBSIDIARIES
KY 536

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2023

CONTENTS

JNM

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Thacker-Grigsby Telephone Company, Inc. and Subsidiaries
Hindman, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Thacker-Grigsby Telephone Company, Inc. and Subsidiaries (the Company), 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 stockholders' equity, 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 Thacker-Grigsby Telephone Company, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 Thacker-Grigsby Telephone Company, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Certified Public Accountants and Advisors

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Thacker-Grigsby Telephone Company, Inc. and Subsidiaries' 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 Thacker-Grigsby Telephone Company, Inc. and Subsidiaries' 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 March 7, 2024, on our consideration of Thacker-Grigsby Telephone Company, Inc. and Subsidiaries' 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 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 Thacker-Grigsby Telephone Company, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 7, 2024

THACKER-GRIGSBY TELEPHONE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2023 and 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 5,123,296	$ 7,903,144
Accounts receivable, less allowance for credit losses of $40,677 in 2023 and $60,731 in 2022	388,735	813,693
Materials and supplies	2,845,090	2,189,758
Prepaid expenses	144,974	118,112
Prepaid income taxes	- -	426,795
Total current assets	8,502,095	11,451,502
NON-CURRENT ASSETS		
Investment in limited liability company	33,545,091	33,427,780
Investment securities, at fair value	14,960,656	13,837,338
Nonregulated investments	7,237,706	6,432,581
Total non-current assets	55,743,453	53,697,699
PROPERTY AND EQUIPMENT		
In service	126,060,030	111,009,121
Under construction	16,975,293	19,067,451
	143,035,323	130,076,572
Less accumulated depreciation	74,456,239	67,350,026
	68,579,084	62,726,546
Operating lease right-of-use asset	199,444	283,301
	68,778,528	63,009,847
OTHER ASSETS		
Intangible assets, net of accumulated amortization of $6,065,537 in 2023 and $6,041,628 in 2022	131,331	155,240
	$ 133,155,407	$ 128,314,288

LIABILITIES AND STOCKHOLDERS' EQUITY	2023	2022
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,469,657	$ 1,816,407
Accounts payable	296,492	1,339,609
Customer deposits	127,273	135,348
Other current and accrued expenses	66,553	111,758
Accrued income taxes	661,796	- -
Short-term operating lease liability	42,441	83,839
Total current liabilities	2,664,212	3,486,961
NON-CURRENT LIABILITIES		
Long-term debt, less current portion	19,202,241	19,493,538
Pension liability	1,583,451	1,334,359
Deferred income taxes	3,476,899	3,922,887
Long-term operating lease liability	157,003	199,462
Total non-current liabilities	24,419,594	24,950,246
STOCKHOLDERS' EQUITY		
Common capital stock, voting; 26,460 authorized, issued and outstanding	261,600	261,600
Preferred stock, nonvoting; 22 shares authorized, issued and outstanding	5,200	5,200
Retained earnings	107,738,908	101,538,422
Accumulated other comprehensive (loss)	(1,934,107)	(1,928,141)
Total stockholders' equity	106,071,601	99,877,081
	$ 133,155,407	$ 128,314,288

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

THACKER-GRIGSBY TELEPHONE COMPANY, INC. AND SUBSIDIARIES

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

	2023	2022
Operating Revenues:		
Local network services	$ 1,122,544	$ 1,235,847
Network access services	10,821,979	9,215,190
Cable television services	7,136,002	7,418,388
Cable internet services	5,275,792	5,788,654
Billing and collection	11,131	11,764
Miscellaneous	1,437,205	2,436,205
Provision (reduction in) for credit losses	210,001	(233,571)
Total operating revenues	26,014,654	25,872,477
Operating Expenses:		
Plant specific	6,046,692	5,170,644
Plant nonspecific	1,856,001	1,917,353
Depreciation and amortization	7,652,223	6,816,410
Programming costs	3,909,190	4,307,500
Customer operations	2,061,279	1,841,597
Corporate operations	2,724,747	2,837,609
Other operating taxes	914,794	807,795
Other expenses	242,249	88,690
Total operating expenses	25,407,175	23,787,598
Operating income	607,479	2,084,879
Other Income and Expenses:		
Other income	1,208,164	- -
Investment income (loss)	1,201,596	(168,302)
Net income from limited liability company	1,885,796	1,644,016
Nonregulated activities	3,732,876	3,303,611
Total other income	8,028,432	4,779,325
Income before interest and income tax expense	8,635,911	6,864,204
Interest on long-term debt	533,904	425,060
Income before income tax expense	8,102,007	6,439,144
Income tax expense	1,688,531	2,261,267
Net income	6,413,476	4,177,877
Other comprehensive income (loss):		
Investment securities	138,740	(887,337)
Pension plans	(144,706)	910,819
Total comprehensive income	$ 6,407,510	$ 4,201,359

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

THACKER-GRIGSBY TELEPHONE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2023 and 2022

	Capital Investments	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - December 31, 2021	$ 266,800	$ 97,572,335	$ (1,951,623)	$ 95,887,512
Net income	- -	4,177,877	- -	4,177,877
Unrealized loss on debt securities, net of deferred tax benefit of $311,767	- -	- -	(887,337)	(887,337)
Minimum pension liability, net of deferred tax expense of $320,017	- -	- -	910,819	910,819
Dividends paid	- -	(211,790)	- -	(211,790)
Balance - December 31, 2022	266,800	101,538,422	(1,928,141)	99,877,081
Net income	- -	6,413,476	- -	6,413,476
Unrealized gain on debt securities, net of deferred tax expense of $48,746	- -	- -	138,740	138,740
Minimum pension liability, net of deferred tax benefit of $50,843	- -	- -	(144,706)	(144,706)
Dividends paid	- -	(212,990)	- -	(212,990)
Balance - December 31, 2023	$ 266,800	$ 107,738,908	$ (1,934,107)	$ 106,071,601

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

THACKER-GRIGSBY TELEPHONE COMPANY, INC. AND SUBSIDIARIES

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,413,476	$ 4,177,877
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,628,314	6,789,459
Amortization	23,909	26,951
Non-cash operating lease expense	91,242	105,480
Deferred income taxes (benefit)	(445,988)	845,876
Pension expense (benefit)	106,852	(406,486)
Unrealized (gain) loss on equity securities	(756,644)	1,925,257
Income in limited liability company	(1,885,796)	(1,644,016)
Change in current assets and liabilities, net of the effects of investing and financing activities:		
Accounts receivable, net	424,958	(812,187)
Material and supplies	(655,332)	(615,211)
Prepaid expenses	(26,862)	13,779
Prepaid income taxes	426,795	(392,486)
Accounts payable	(1,043,117)	579,508
Customer deposits	(8,075)	(55,283)
Other current and accrued expenses	616,591	43,750
Pension liability	542,240	(2,699,529)
Operating lease liability	(91,242)	(105,480)
Net cash provided by operating activities	11,361,321	7,777,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction of plant	(13,486,818)	(11,334,611)
Retirement costs, net of salvage recovered from plant	- -	(1,013)
Distributions from limited liability company	1,768,485	1,745,211
Purchases of investment securities	(921,337)	(1,185,967)
Proceeds from sale and maturities of investment securities	154,663	912,861
Nonregulated investments and others	(805,125)	(3,103,289)
Net cash (used in) investing activities	(13,290,132)	(12,966,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	2,238,012	7,195,849
Payments on long-term debt	(2,876,059)	(1,609,858)
Dividends paid	(212,990)	(211,790)
Net cash provided by (used in) financing activities	(851,037)	5,374,201
Net increase (decrease) in cash and cash equivalents	(2,779,848)	184,652
Cash and cash equivalents:		
Beginning of year	7,903,144	7,718,492
End of year	$ 5,123,296	$ 7,903,144
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash interest paid	$ 533,904	$ 425,000
Income taxes paid	1,041,205	1,798,068

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

THACKER-GRIGSBY TELEPHONE COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Business

Thacker-Grigsby Telephone Company, Inc. (Thacker-Grigsby) 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 to generally accepted accounting principles in all material respects. Thacker-Grigsby is a local exchange telecommunications company providing local, long distance, and internet services. Elk Glen, LLC, (Elk Glen) was formed to provide economic development by constructing a subdivision from a reclaimed coal strip mine. Allied Services, LLC (Allied Services) was formed to purchase a cable television company. TV Service, Inc. (TV Service) operates a cable television company that also provides internet services. As a result of the cable television acquisition, Thacker-Grigsby expects to reduce overall costs through economies of all the companies. The Company refers to all the companies collectively. The consolidated financial statements of the Company include the provisions of FASB ASC 980, Certain Types of Regulation, which gives recognition to the ratemaking and accounting practices of the PSC and RUS.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Thacker-Grigsby and its subsidiaries, Elk Glen and Allied Services, which owns 100% of TV Service. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

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

Risk Management

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

Cash and Cash Equivalents

The Company considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. These financial institutions have strong credit ratings and management believes that credit risk related to the accounts is minimal.

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Allowance for Credit Losses

The Company 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 Company 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 Company 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 the accounts receivable as of December 31, 2023, 2022 and 2021 was $388,735, $813,693, and $1,506, respectively.

The allowance estimate is derived from a review of the Company'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 Company. The Company believes historical loss information is a reasonable starting point with which to calculate the expected allowance for credit losses as the Company's portfolio segments have remained consistent since the Company's inception.

The Company 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 5,535 and 5,729 for 2023 and 2022, respectively. Changes in the allowance for credit losses are as follows:

	2023	2022
Beginning balances	$ 60,731	$ 38,117
Provision (reduction in) for credit losses	(210,001)	233,571
Write-offs	(89,705)	(293,282)
Recoveries	279,652	82,325
	$ 40,677	$ 60,731

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.

Fiber to the Home Activities

Thacker-Grigsby and TV Service have each launched a fiber to the home (FTTH) network. This network will establish each company as a full service network (FSN) provider allowing them to provide video services, high speed internet, virtual private networks, and multiple voice lines to their customers.

Plans are to complete the FSN in several phases by building in the most populated areas followed by lower density areas. Long range plans for each system is to build on the initial network with additional equipment and facilities replacing existing copper facilities with fiber optics.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Taxes and Fees

The Company is required to collect taxes and fees from various taxing authorities. The Company's policy is to exclude taxes from revenue when collected and expenses when paid and instead, record collection and payment of taxes through a liability account.

Utility Plant

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

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

	2023	2022
Thacker Grigsby plant:		
General support	$ 19,784,605	$ 17,538,071
Central office switching	1,293,317	1,164,024
Central office transmission	15,098,099	13,170,792
Cable and wire facilities	48,358,036	39,559,362
	84,534,057	71,432,249
Elk Glen plant:		
Vehicles	81,883	81,883
Work and other equipment	954,315	944,034
	1,036,198	1,025,917
TV Service plant:		
General support	2,792,394	2,514,262
Headend and electronics	10,863,806	10,642,452
Conductor and distribution	26,833,575	25,394,241
	40,489,775	38,550,955
	$ 126,060,030	$ 111,009,121

Depreciation

Provision has been made for depreciation on the basis of estimated lives of assets, using the straight-line method. Rates are as follows:

	Thacker Grigsby	TV Service
General support	2.7% - 15.8%	14.3%
Central office switching and headend	7.2%	6.7%
Central office transmission	9.6%	
Cable and wire facilities	4.7% - 8.4%	
Cable conductor and distribution		5.1% - 20.0%

Note 2. Summary of Significant Accounting Policies (Continued)

Leases

The Company leases various equipment and determines if an arrangement is a lease at inception.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Company's use a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease term may include options to extend or terminate the lease when it is reasonably certain the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For its leases, the Company accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments are recognized in operating expenses in the period in which the obligation for those payments was incurred.

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 new and enhanced disclosures only.

Acquisitions

TV Service purchases smaller cable companies from unrelated parties on a routine basis. Goodwill represents the excess of consideration over the fair value of the identifiable net assets acquired in a business combination accounted for as a purchase. The Company has elected to amortize goodwill under Accounting Standards Update No. 2014-02. As a result of the election, the Company amortizes goodwill on a straight-line basis over 10 years and tests goodwill for impairment at the entity level. The Company tests goodwill for impairment when a triggering event occurs that indicates that the fair value of the entity may be below its carrying value. As of December 31, 2023 and 2022, management does not believe an impairment exists.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes

Thacker-Grigsby and TV Service are "C" corporations that pay income taxes on their net income. Allied Services and Elk Glen are single-member limited liability companies and their activity is reported on Thacker-Grigsby's consolidated tax return. 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, investment securities, pension liability, and accumulated depreciation. 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 Company'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 Company has no uncertain tax positions resulting in an accrual of tax expense or benefit.

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

The Company'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.

Comprehensive Income

Comprehensive income includes both net income and other comprehensive income. Other comprehensive income represents the change in funded status of pension plans and unrealized gains and losses on debt securities.

Advertising

The Company expenses advertising costs as incurred. For the years ended December 31, 2023 and 2022, these costs were $178,061 and $154,630, respectively.

Reclassification

Certain amounts in the 2022 consolidated financial statements have been reclassified in order to conform to the 2023 presentation.

Subsequent Events

Management has evaluated subsequent events through March 7, 2024, the date the consolidated financial statements were available to be issued.

Note 3. Investment Securities

Investment securities consist of cash equivalents, certificates of deposit, debt securities classified as available for sale, and equity securities. Debt securities classified as available for sale are recorded at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Equity securities are recorded at fair value with unrealized gains and losses included in earnings. 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 company's own assumptions of market participant valuation (Level 3).

The fair values are based primarily on quoted market prices. The Company has classified all debt investments as available-for-sale. 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			
Cash equivalents	$ 98,094	$ 98,094	$ - -
Certificates of deposit	1,455,377	- -	1,455,377
Equities	3,019,369	3,019,369	- -
Debt securities	10,387,816	- -	10,387,816
	$ 14,960,656	$ 3,117,463	$ 11,843,193
December 31, 2022			
Cash equivalents	$ 59,703	$ 59,703	$ - -
Certificates of deposit	1,443,729	- -	1,443,729
Equities	2,715,716	2,715,716	- -
Debt securities	9,618,190	- -	9,618,190
	$ 13,837,338	$ 2,775,419	$ 11,061,919

The amortized cost of debt securities available for sale was $10,329,990 and $9,682,602 as of December 31, 2023 and 2022, respectively. Unrealized gains (losses) as of December 31, 2023 and 2022 were $57,825 and ($64,412), respectively.

The amortized cost of equity securities was $1,654,354 and $2,036,281 as of December 31, 2023 and 2022, respectively. Unrealized gains (losses) as of December 31, 2023 and 2022 were $1,365,015 and $679,435, respectively.

The amortized cost of cash equivalents and certificates of deposit approximates fair value.

Note 4. Intangible Assets

Intangible assets used in operations consist of the following as of December 31, 2023:

	Gross Amount	Accumulated Amortization
Goodwill	$ 3,946,715	$ (3,871,862)
Non-compete agreements	1,312,500	(1,312,500)
Customer lists and other	937,653	(881,175)
	$ 6,196,868	$ (6,065,537)

Intangible assets used in operations consist of the following as of December 31, 2022:

	Gross Amount	Accumulated Amortization
Goodwill	$ 3,946,715	$ (3,851,853)
Non-compete agreements	1,312,500	(1,312,500)
Customer lists and other	937,653	(877,275)
	$ 6,196,868	$ (6,041,628)

Aggregate amortization expense related to these intangible assets for the years ended December 31, 2023 and 2022 totaled $23,909 and $26,951, respectively. The following represents the total estimated amortization of intangible assets for each of the succeeding five years:

Year ending December 31:

2024	$ 23,909
2025	23,909
2026	7,235
2027	3,900
2028	3,900

Note 5. Associated Organizations

The amounts for East Kentucky Network, LLC (EKN) represents the Company's 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 the Company 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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Associated Organizations (Continued)

	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 6. Leases

The Company has operating leases for equipment and office space. The leases have remaining lease terms of 3 to 5 years, some of which may include options to extend the leases for up to 6 years.

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

	2023	2022
Operating lease cost	$ 91,242	$ 105,480

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

	2023	2022
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 91,242	$ 105,480
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$ - -	$ 379,967
Weighted average remaining lease term		
Operating leases	4.90 years	5.06 years
Weighted average discount rate		
Operating leases	3.39%	2.92%

Note 6. Leases (Continued)

Future undiscounted lease payments for operating leases with initial terms o December 31, 2023 were as follows:

2024	$	48,528
2025		48,528
2026		43,040
2027		32,064
2028		32,064
Thereafter		13,293
	$	217,517
Less: imputed interest		(18,073)
Net lease liabilities	$	199,444

Note 7. Non-Regulated Activities

Deregulated customer premises equipment (CPE) is stated at cost; material held for lease or resale is stated at average cost. CPE also includes inside wire revenues and expenses. Depreciation is provided on a straight-line basis at 11.9% per year. Non-regulated investments also include amounts that Thacker-Grigsby has invested to provide internet services to its customers.

Thacker-Grigsby provides long distance telephone service under the name of Thacker-Grigsby Long Distance (TGLD). TGLD revenues are billed and collected through Thacker-Grigsby Telephone. A monthly fee is recorded based on telephone usage and for billing and collecting. TGLD purchases minutes of long distance to resell to its customers from an unrelated party.

Non-regulated property includes the following as of December 31:

	2023		2022	
Radio Equipment	$	36,313	$	36,313
Cable System		85,500		85,500
Tower		408,829		408,829
Video		208,987		208,987
Outside plant		6,115,385		5,073,811
Broadband		4,759,025		3,937,358
Customer-premises equipment		1,147,939		1,131,031
Other		368,984		321,519
Depreciation		(5,893,256)		(4,770,767)
	$	7,237,706	$	6,432,581

Note 7. Non-Regulated Activities (Continued)

Non-regulated activities consisted of:

	Income	Expense	Net
Long distance services	$ 18,421	$ 18,808	$ (387)
Internet services	7,240,486	3,976,171	3,264,315
Customer premises equipment	166,873	348,494	(181,621)
Fiber to the Home	92,051	109,019	(16,968)
Competitive Local Exchange Carrier (CLEC)	784,416	118,243	666,173
Consumer Broadband-Only Loop (CBOL)	1,364	- -	1,364
Total - 2023	$ 8,303,611	$ 4,570,735	$ 3,732,876
Long distance services	$ 20,019	$ 18,819	$ 1,200
Internet services	6,110,610	3,111,857	2,998,753
Customer premises equipment	155,672	344,145	(188,473)
Fiber to the Home	237,974	169,645	68,329
Competitive Local Exchange Carrier (CLEC)	543,049	119,327	423,722
Consumer Broadband-Only Loop (CBOL)	80	- -	80
Total - 2022	$ 7,067,404	$ 3,763,793	$ 3,303,611

Note 8. Long-Term Debt

All assets of Thacker-Grigsby, except motor vehicles, are pledged as collateral on the first mortgage notes due to RUS and Rural Telephone Bank (RTB) under a joint mortgage agreement. The long-term debt payable to RUS and RTB is due in monthly installments of varying amounts through 2041.

During 2006, Allied Services advanced $12,765,000 of long-term bonds with Fifth Third Bank to purchase all of the outstanding stock of TV Service. During 2017, Allied Service refinanced the loan from Fifth Third Bank with proceeds from National Bank for Cooperatives (CoBank) in the amount of $5,700,000. Substantially all assets of TV Service are pledged as collateral on the long-term debt due to CoBank. The long-term debt due to CoBank is a seven-year note bearing interest at 3.65%. The note was paid in full in 2023.

In January 2019, Thacker-Grigsby borrowed $804,622 from Ditch Witch Financial Services to purchase equipment. The note is payable in 60 monthly installments with an interest rate of 6.13%. The note is secured by the equipment.

In April 2019, TV Service borrowed $55,000 to acquire the assets of B&B Communications, LLC, a cable company. The note was payable in five annual installments at an interest rate of 5.00%. The note was paid in full in 2023.

In December 2019, TV Service borrowed $345,935 from Harmonic, Inc. to purchase equipment. The note is payable in 24 monthly installments with an interest rate of zero percent. The note was secured by equipment and was paid off during 2022. In December 2022, TV Service borrowed $612,011 from Harmonic Inc. to purchase equipment. The note is payable in 36 monthly installments with an interest rate of zero percent. The note is secured by the equipment.

Note 8. Long-Term Debt (Continued)

Long-term debt consisted of the following as of December 31:

	2023	2022
Thacker Grigsby:		
Due RUS at 1.69% to 4.84%	$ 19,429,751	$ 19,226,656
Due RUS at 2.02% to 3.42%, ARRA loan	885,363	1,031,371
Ditch Witch Financial at 6.13%	13,342	168,257
	20,328,456	20,426,284
Less current portion	1,326,210	1,340,753
	19,002,246	19,085,531
Allied Services:		
CoBank at 3.65%	- -	260,000
Less current portion	- -	260,000
	- -	- -
TV Service:		
Harmonic Inc. at zero percent	343,442	612,011
B&B Communications, LLC at 5.00%	- -	11,650
	343,442	623,661
Less current portion	143,447	215,654
	199,995	408,007
Total long-term debt	$ 19,202,241	$ 19,493,538

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

2024	$ 1,469,657
2025	1,492,656
2026	1,443,106
2027	1,425,001
2028	1,471,018
Thereafter	13,370,460
	$ 20,671,898

Note 9. Capital Stock and Retained Earnings Restriction

The long-term debt agreement with RUS contains restrictions on the payment of dividends or redemption of capital stock. The restrictions relate primarily to Thacker-Grigsby’s net worth, assets, and working capital, as defined. At December 31, 2023, there was approximately $1,500,000 available for payment of dividends or redemption of capital stock.

Note 10. Pension Plans

Thacker-Grigsby and TV Service have noncontributory defined benefit pension plans covering substantially all employees who meet minimum age and service requirements through participation in the Thacker-Grigsby Employee Trust Agreement and TV Service, Inc Pension Plan. Both plans are qualified as tax exempt by the Internal Revenue Service and have pay-related pension benefit formulas. It is the policy to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act (ERISA) of 1974. The plans are measured as of July 27, 2023 and 2022 for Thacker-Grigsby and August 31, 2023 and 2022 for TV Service. There have been no significant changes that affect the comparability of 2023 and 2022.

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen from the best range determined by applying anticipated long-term returns for various asset categories to the target asset allocation of the plans, as well as taking into account historical returns.

The general investment objectives are to invest in a diversified portfolio, comprised of bond holdings, equity investments, and fixed income investments. The diversification is designed to minimize the risk of large losses while maximizing total return within reasonable and prudent levels of risk. The investment objectives specify a targeted investment allocation for the pension plan of approximately 35% each for equities and bond holdings. The remaining may be allocated among bond holdings or cash equivalent investments.

Thacker-Grigsby Telephone Company, Inc.

The following is an assessment of the noncontributory defined benefit plan:

	2023	2022
Projected benefit obligation	$ (2,920,251)	$ (4,234,847)
Fair value of plan assets	1,833,036	3,261,752
Funded status (deficit)	$ (1,087,215)	$ (973,095)

The change in projected benefit obligation is as follows:

	2023	2022
Obligation at beginning of year	$ 4,234,847	$ 7,618,448
Service cost	192,008	246,632
Settlement	(1,182,406)	(2,445,141)
Interest cost	172,704	201,052
Actuarial (gain)	(471,932)	(1,367,253)
Benefit payments	(24,970)	(18,891)
Obligation at December 31	$ 2,920,251	$ 4,234,847

Note 10. Pension Plans (Continued)

The change in fair value of plan assets are as follows:

	2023	2022
Beginning balance	$ 3,261,752	$ 4,995,173
Employer contributions	- -	600,000
Actual return on assets	82,494	(217,243)
Settlement	(1,486,240)	(2,097,287)
Benefits paid	(24,970)	(18,891)
Ending balance	$ 1,833,036	$ 3,261,752

The amounts recognized in the consolidated balance sheets are as follows:

	2023	2022
Pension liability	$ (1,087,215)	$ (973,095)

Components of net pension cost, which is calculated based on actuarial assumptions at July 27, were as follows:

	2023	2022
Service cost	$ 192,008	$ 246,632
Interest cost	172,704	201,052
Expected return on assets	(150,295)	(248,413)
Settlement gain (loss)	(346,999)	(478,685)
Amortization of gains (losses)	101,996	140,053
Net Pension Cost	$ (30,586)	$ (139,361)

Assumptions used to develop the projected benefit obligation were as follows:

	2023	2022
Discount rate	4.13%	2.68%
Rate of increase in compensation level	3.00%	3.00%
Expected long term rate of return on assets	5.00%	5.00%

Expected retiree pension benefit payments are projected to be as follows: 2024 - $24,970; 2025 - $30,033; 2026 - $41,902; 2027 - $52,467; 2028 - $53,841.

Note 10. Pension Plans (Continued)

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

	Fair value	Fair value measurements using: Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
December 31, 2023			
Cash and cash equivalents	$ 458,259	$ 458,259	$ - -
Equity securities	238,295	238,295	- -
Debt securities	1,136,482	- -	1,136,482
	$ 1,833,036	$ 696,554	$ 1,136,482
December 31, 2022			
Cash and cash equivalents	$ 750,203	$ 750,203	$ - -
Equity securities	1,206,848	1,206,848	- -
Debt securities	1,304,701	- -	1,304,701
	$ 3,261,752	$ 1,957,051	$ 1,304,701

Thacker-Grigsby expects to contribute $300,000 to the pension plan trust in 2024.

TV Service, Inc.

The following is an assessment of the noncontributory defined benefit plan:

	2023	2022
Projected benefit obligation	$ (1,724,213)	$ (2,019,689)
Fair value of plan assets	1,227,977	1,658,425
Funded status	$ (496,236)	$ (361,264)

The change in projected benefit obligation is as follows:

	2023	2022
Obligation at beginning of year	$ 2,019,689	$ 5,766,598
Service cost	67,841	186,394
Interest cost	89,492	157,295
Settlement	(284,672)	(2,424,228)
Actuarial (gain)	(147,143)	(1,645,376)
Benefit payments	(20,994)	(20,994)
Obligation at December 31	$ 1,724,213	$ 2,019,689

Note 10. Pension Plans (Continued)

The change in fair value of plan assets are as follows:

	2023	2022
Beginning balance	$ 1,658,425	$ 3,949,499
Actual return on assets	(313,897)	(119,929)
Employer contributions	200,000	510,000
Settlement	(295,557)	(2,660,151)
Benefits paid	(20,994)	(20,994)
Ending balance	$ 1,227,977	$ 1,658,425

The amounts recognized in the statement of financial position are as follows:

	2023	2022
Pension liability	$ (496,236)	$ (361,264)

Components of net periodic pension cost, which is calculated based on actuarial assumptions at August 31, were as follows:

	2023	2022
Service cost	$ 67,841	$ 186,394
Interest cost	89,492	157,295
Expected return on assets	(77,120)	(203,004)
Settlement gain (loss)	(15,905)	(487,995)
Amortization of gains (losses)	73,130	80,185
Net Pension Cost	$ 137,438	$ (267,125)

Assumptions used to develop the projected benefit obligation were as follows:

	2023	2022
Discount rate	4.46%	2.75%
Rate of increase in compensation level	3.00%	3.00%
Expected long term rate of return on assets	5.00%	5.00%

Expected retiree pension benefit payments are projected to be as follows: 2024 - $21,702; 2025 - $33,894; 2026 - $36,429; 2027 - $40,914; 2028 - $56,629.

TV Service expects to contribute $250,000 to the pension plan trust in 2024.

Note 10. Pension Plans (Continued)

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

		Fair value measurements using:	
	Fair value	Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
December 31, 2023			
Cash and cash equivalents	$ 159,637	$ 159,637	$ - -
Equity securities	822,745	822,745	- -
Other	245,595	- -	245,595
	$ 1,227,977	$ 982,382	$ 245,595
December 31, 2022			
Cash and cash equivalents	$ 199,011	$ 199,011	$ - -
Equity securities	812,628	812,628	- -
Other	646,786	- -	646,786
	$ 1,658,425	$ 1,011,639	$ 646,786

Note 11. Income Taxes

The components of income tax are as follows:

	December 31,	
	2023	2022
Current:		
Federal	$ 1,777,854	$ 1,109,588
State	356,665	305,803
	2,134,519	1,415,391
Deferred:		
Federal	(360,221)	681,620
State	(85,767)	164,256
	(445,988)	845,876
	$ 1,688,531	$ 2,261,267

Note 11. 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	$ 2,808,265	$ 3,168,486
State	668,634	754,401
	$ 3,476,899	$ 3,922,887

Note 12. Related Party Transactions

Thacker-Grigsby and TV Service, in the ordinary course of business, purchase merchandise and services from two businesses owned by one of the major stockholders of the Company.

Thacker-Grigsby transacts business with East Kentucky Network, LLC (East Kentucky Network), of which Thacker-Grigsby is a one-fifth (1/5) owner. East Kentucky Network utilizes office space, office equipment, and personnel of Thacker-Grigsby. Thacker-Grigsby leases fiber from East Kentucky Network, with the amount being determined by the number of fiber leased and traffic along the fiber network. Thacker-Grigsby leases circuits from East Kentucky Network for trunk lines to carry long distance traffic. East Kentucky Network pays Thacker-Grigsby $1,200 per month for a representative to attend monthly board meetings.

Note 13. Commitments

Thacker-Grigsby 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 14. Contingencies

The Company 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 15. Revenue Recognition

Nature of goods and services

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

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

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 Company 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 Company sells bundled service and equipment offerings. In these instances, the Company recognizes its revenue based on the relative standalone selling prices for each distinct service or equipment performance obligation or bundles thereof. The Company estimates the standalone selling price of the device or accessory to be its retail price excluding discounts. The Company 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 Company may offer certain promotions to incentivize customers to switch to, or to purchase additional services from the Company. 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 15. 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 are recognized over time and equipment sales at a point in time.

	2023	2022
Regulated income:		
Local network services	$ 1,122,544	$ 1,235,847
Network access services	10,821,979	9,215,190
Cable television services	7,136,002	7,418,388
Cable internet services	5,275,792	5,788,654
Miscellaneous	1,437,205	2,436,205
Carrier billing and collection	11,131	11,764
	$ 25,804,653	$ 26,106,048
Nonregulated income:		
Long distance services	$ 18,421	$ 20,019
Internet services	7,240,486	6,110,610
Customer premises equipment	166,873	155,672
Fiber to the Home	92,051	237,974
Competitive Local Exchange Carrier (CLEC)	784,416	543,049
Consumer Broadband-Only Loop (CBOL)	1,364	80
	$ 8,303,611	$ 7,067,404

Contract cost liabilities

Contract cost liabilities include customer deposits. The balance in contract liabilities was as follows as of December 31:

	2023	2022	2021
Customer deposits	$ 127,273	$ 135,348	$ 190,631

JNM

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT ON
THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Thacker-Grigsby Telephone Company, Inc. and Subsidiaries
Hindman, Kentucky

We have audited the consolidated financial statements of Thacker-Grigsby Telephone Company Inc. and Subsidiaries as of and for the years ended December 31, 2023 and 2022, and our report thereon dated March 7, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 through 3. 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 28 and 29, 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 7, 2024

Certified Public Accountants and Advisors

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THACKER-GRIGSBY TELEPHONE COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
December 31, 2023

Assets	Thacker Grigsby	Elk Glen	Allied Services	TV Services	Eliminations	Consolidated
Current Assets:						
Cash and cash equivalents	$ 3,341,377	$ 334,803	$ 812,427	$ 634,689	$ - -	$ 5,123,296
Accounts receivable, less allowance for credit losses of $40,677	316,098	- -	- -	277,522	(204,885)	388,735
Material and supplies, at average cost	2,455,460	- -	- -	389,630	- -	2,845,090
Prepaid expenses	20,953	3,209	- -	120,812	- -	144,974
	6,133,888	338,012	812,427	1,422,653	(204,885)	8,502,095
Noncurrent Assets:						
Investment in limited liability companies	58,659,784	- -	12,345,444	- -	(37,460,137)	33,545,091
Investment in securities, at fair value	4,628,170	- -	9,708,172	624,314	- -	14,960,656
Nonregulated investments	7,108,756	3,555	59,739	65,656	- -	7,237,706
	70,396,710	3,555	22,113,355	689,970	(37,460,137)	55,743,453
Property and Equipment:						
In service	84,534,057	1,036,198	- -	40,489,775	- -	126,060,030
Under construction	15,094,050	1,596,137	- -	285,106	- -	16,975,293
Less accumulated depreciation	(43,721,284)	(680,177)	- -	(30,054,778)	- -	(74,456,239)
	55,906,823	1,952,158	- -	10,720,103	- -	68,579,084
Operating lease right-of-use asset	- -	- -	- -	199,444	- -	199,444
	55,906,823	1,952,158	- -	10,919,547	- -	68,778,528
Intangible assets, net of accumulated amortization of $6,065,537	13,153	- -	- -	118,178	- -	131,331
Total	$132,450,574	$ 2,293,725	$ 22,925,782	$ 13,150,348	$ (37,665,022)	$ 133,155,407
Liabilities and Stockholders' Equity						
Current Liabilities:						
Current portion of long term debt	$ 1,326,210	$ - -	$ - -	$ 143,447	$ - -	$ 1,469,657
Accounts payable	413,402	23,732	1,332	62,911	(204,885)	296,492
Customer deposits	126,073	1,200	- -	- -	- -	127,273
Other current and accrued expenses	11,193	599	- -	54,761	- -	66,553
Accrued income taxes	661,796	- -	- -	- -	- -	661,796
Short-term operating lease liability	- -	- -	- -	42,441	- -	42,441
	2,538,674	25,531	1,332	303,560	(204,885)	2,664,212
Non-Current Liabilities:						
Long-term debt, less current portion	19,002,246	- -	- -	199,995	- -	19,202,241
Pension liability	1,087,215	- -	- -	496,236	- -	1,583,451
Deferred income taxes	3,750,838	- -	77,951	(351,890)	- -	3,476,899
Long-term operating lease liability	- -	- -	- -	157,003	- -	157,003
	23,840,299	- -	77,951	501,344	- -	24,419,594
Stockholders' Equity:						
Capital investments	266,800	4,614,720	19,111,506	9,392,436	(33,118,662)	266,800
Retained earnings	107,738,908	(2,346,526)	3,513,134	3,954,541	(5,121,149)	107,738,908
Accum comprehensive income (loss)	(1,934,107)	- -	221,859	(1,001,533)	779,674	(1,934,107)
	106,071,601	2,268,194	22,846,499	12,345,444	(37,460,137)	106,071,601
Total	$132,450,574	$ 2,293,725	$ 22,925,782	$ 13,150,348	$ (37,665,022)	$ 133,155,407

THACKER-GRIGSBY TELEPHONE COMPANY, INC. AND SUBSIDIARIES

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

	Thacker Grigsby	Elk Glen	Allied Services	TV Services	Eliminations	Consolidated
Operating Revenues:						
Local network services	$ 1,122,544	$ - -	$ - -	$ - -	$ - -	$ 1,122,544
Network access services	10,477,654	- -	- -	344,325	- -	10,821,979
Cable television services	- -	- -	- -	7,136,002	- -	7,136,002
Cable internet services	- -	- -	- -	5,275,792	- -	5,275,792
Billing and collection	11,131	- -	- -	- -	- -	11,131
Miscellaneous	1,048,516	135,957	- -	252,732	- -	1,437,205
Recovery of credit losses	133,146	- -	- -	76,855	- -	210,001
Total operating revenues	12,792,991	135,957	- -	13,085,706	- -	26,014,654
Operating Expenses:						
Plant specific	3,098,036	98,457	- -	2,850,199	- -	6,046,692
Plant nonspecific	841,166	10,673	- -	1,004,162	- -	1,856,001
Depreciation and amortization	4,447,211	36,737	483	3,167,792	- -	7,652,223
Programming costs	- -	- -	- -	3,909,190	- -	3,909,190
Customer operations	800,103	740	- -	1,260,436	- -	2,061,279
Corporate operations	1,486,156	12,376	9,436	1,216,779	- -	2,724,747
Other operating taxes	729,601	13,596	- -	171,597	- -	914,794
Other expenses	129,477	99,584	- -	13,188	- -	242,249
Total operating expenses	11,531,750	272,163	9,919	13,593,343	- -	25,407,175
Operating income (loss)	1,261,241	(136,206)	(9,919)	(507,637)	- -	607,479
Other Income and Expense:						
Other income	1,208,164				- -	1,208,164
Investment income	825,244	10,782	337,395	28,175	- -	1,201,596
Net income (loss) from limited liability companies	1,917,764	- -	(169,057)	- -	137,089	1,885,796
Nonregulated activities	3,732,876	- -	- -	- -	- -	3,732,876
	7,684,048	10,782	168,338	28,175	137,089	8,028,432
Income (loss) before interest and tax	8,945,289	(125,424)	158,419	(479,462)	137,089	8,635,911
Interest on long-term debt	532,244	- -	1,027	633	- -	533,904
Total interest expense	532,244	- -	1,027	633	- -	533,904
Income (loss) before income taxes	8,413,045	(125,424)	157,392	(480,095)	137,089	8,102,007
Income tax expense	1,999,569	- -	- -	(311,038)	- -	1,688,531
Net income (loss)	6,413,476	(125,424)	157,392	(169,057)	137,089	6,413,476
Other comprehensive income (loss):						
Investment securities	138,740	- -	1,090,307	8,975	(1,099,282)	138,740
Pension plans	(144,706)	- -	- -	(146,174)	146,174	(144,706)
Total comprehensive income (loss)	$ 6,407,510	$ (125,424)	$ 1,247,699	$ (306,256)	$ (816,019)	$ 6,407,510

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

To the Board of Directors
Thacker-Grigsby Telephone Company, Inc. and Subsidiaries
Hindman, 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 Thacker-Grigsby Telephone Company, Inc. and Subsidiaries (the Company), 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 March 7, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) as 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 enity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 7, 2024

Jones, Nale & Mattingly PLC

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

Board of Directors
Thacker-Grigsby Telephone Company, Inc. and Subsidiaries
Hindman, 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 Thacker-Grigsby Telephone Company, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income and comprehensive income, changes in stockholders' equities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 7, 2024. In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024 on our consideration of the Company'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 Company 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 Company'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 Company's accounting and records to indicate that the Company 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;

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- Obtain written permission from 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.

Thacker-Grigsby Telephone Company Inc. is a one-fifth (1/5) owner of East Kentucky Network, LLC, which provides cellular and other communication services in Eastern Kentucky. The initial investment was $30,000. The investment is comprised of the following:

	Investments	Profits	Total
Beginning of year	$ 3,241,250	$ 30,186,530	$ 33,427,780
Activity for 2023	- -	117,311	117,311
End of Year	$ 3,241,250	$ 30,303,841	$ 33,545,091

During 2006, Thacker-Grigsby Telephone Company Inc. formed a limited liability company, Elk Glen, LLC, that purchased land for the purpose of developing lots for housing in Thacker-Grigsby's service territory. The objective is to recover costs incurred, not to generate profits from the venture. The initial investment was $5,000. The investment is as follows:

	Investments	Profits	Total
Beginning of year	$ 5,545,000	$ (3,151,382)	$ 2,393,618
Activity for 2023	- -	(125,424)	(125,424)
End of Year	$ 5,545,000	$ (3,276,806)	$ 2,268,194

During 2006, Thacker-Grigsby Telephone Company Inc. formed a limited liability company, Allied Services, LLC, that purchased all the outstanding stock of a cable television company. As a result of the acquisition, Thacker-Grigsby expects to reduce overall costs through economies and sharing equipment and facilities. The initial investment in Allied Services was $15,061,506. The investment is as follows:

	Investments	Profits	Total
Beginning of year	$ 19,291,315	$ 3,409,018	$ 22,700,333
Activity for 2023	(100,000)	246,166	146,166
End of Year	$ 19,191,315	$ 3,655,184	$ 22,846,499

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
March 7, 2024