KENERGY CORP.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

KENERGY CORP.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kenergy Corp.
Henderson, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kenergy Corp., which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of revenue and expenses, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kenergy Corp. as of December 31, 2023 and 2022, and the changes in members' equity, and 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Financial Statements section of our report. We are required to be independent of Kenergy Corp. and to meet our other ethical responsibilities, in accordance with 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, wither 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 Kenergy Corp.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 GAAS 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit, in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgement and maintain professional skepticism throughout our audit.
- Identify and assess the risk of 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 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 Kenergy Corp.'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 judgement, there are conditions or events, considered in the aggregate, that raise a substantial doubt about Kenergy Corp.'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 time of the audit, significant audit findings, and certain internal control matters that we identified during the audit.

Supplementary Information

Our audit was conduction for the purpose or forming an opinion on the financial statements as a whole. The accompanying consolidating statement of revenues and expenses, schedule of broadband revenues and expenses and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 consolidating statement of revenues and expenses, the schedule of federal awards, and the schedule of broadband revenues and expenses are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024 on our consideration of Kenergy Corp.'s internal control over financial reporting and our test 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 Kenergy Corp.'s internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kenergy Corp.'s internal control over financial reporting and compliance.

ATA, PLLC

Owensboro, Kentucky
April 3, 2024

Kenergy Corp.
Consolidated Balance Sheets
As of December 31, 2023 and 2022

ASSETS	2023	2022
Utility Plant, Net	$ 209,837,083	$ 202,649,383
Non Utility Plant (Fiber), Net	42,197,941	2,141,489
Investments	6,189,841	6,160,185
Current Assets:		
Cash and Cash Equivalents	1,413,796	9,477,202
Accounts Receivable, Less Allowance For Credit Losses: 2023 $212,234 and 2022 $189,560	21,843,209	32,625,169
Materials and Supplies - Electric	3,585,398	3,224,561
Materials and Supplies - Non-Utility (Fiber	22,023,645	6,204,197
Accrued Utility Revenue	12,075,295	13,890,407
Other Current Assets	676,356	664,584
Total Current Assets	61,617,699	66,086,120
Other Assets	1,713,235	1,955,336
Total Assets	$ 321,555,799	$ 278,992,513
MEMBERS' EQUITY AND LIABILITIES		
Members' Equity:		
Memberships	$ 233,190	$ 231,750
Patronage Capital	73,209,436	73,775,336
Other	11,824,520	11,748,228
Total Members' Equity	85,267,146	85,755,314
Long-Term Debt, Net of Current Portion - Electric	136,501,717	134,378,862
Long-Term Debt, Net of Current Portion - Fiber	12,569,216	-
Total Long-Term Debt, Net of Current Portion	149,070,933	134,378,862
Current Liabilities:		
Accounts Payable - Electric	28,057,648	39,110,035
Accounts Payable - Fiber	13,514,922	3,225,204
Consumer Deposits	5,346,646	4,952,411
Current Maturities of Long-Term Debt - Electric	6,656,855	6,375,473
Current Maturities of Long-Term Debt - Fiber	130,784	-
Notes Payable - Electric	-	-
Notes Payable - Fiber	27,400,000	-
Other Current and Accrued Liabilities	2,864,058	2,328,236
Total Current Liabilities	83,970,913	55,991,359
Other Noncurrent Liabilities	37,832	39,975
Deferred Credits	3,208,975	2,827,003
Total Members' Equity and Liabilities	$ 321,555,799	$ 278,992,513

The accompanying notes are an integral part of the financial statements.

Kenergy Corp.
Consolidated Statements of Revenue and Expenses
For the years ended December 31, 2023 and 2022

	2023	2022
Operating Revenue	$ 344,716,800	$ 623,264,772
Operating Expenses		
Cost of Power	300,514,192	578,498,247
Distribution Operation	5,002,838	4,621,428
Distribution Maintenance	13,690,047	13,462,670
Customer Accounts	2,582,459	2,700,833
Consumer Service and Information	157,412	156,344
Administrative and General	4,419,253	4,334,701
Depreciation and Amortization	14,812,004	14,456,228
Taxes	645,157	626,365
Other Deductions	52,267	57,223
Total Operating Expenses	341,875,629	618,914,039
Operating Margin Before Interest Expense	2,841,171	4,350,733
Interest on Long-Term Debt	3,985,331	3,505,100
Other Interest Expense	223,011	5,828
Total Interest Expense	4,208,342	3,510,928
Operating Margin	(1,367,171)	839,805
Non-operating Margin		
Investment Income	310,227	284,650
Fiber and Broadband-net margin	(34,665)	7,820
Other Income (Expense)	231,161	110,759
Net Margin Before Operating Margins Assigned by Associated Organizations	(860,448)	1,243,034
Operating Margin Assigned by Associated Organizations	540,653	353,717
Net Margin	$ (319,795)	$ 1,596,751

The accompanying notes are an integral part of the financial statements.

Kenergy Corp
Consolidated Statements of Changes in Members' Equity
For the years ended December 31, 2023 and 2022

	Memberships	Patronage Capital	Other	Total
Balance, January 1, 2022	$ 230,340	$ 72,416,704	$ 11,605,531	$ 84,252,575
Increase (Decrease) in Membership Fees	1,410	-	7,736	9,146
Net Margin	-	1,596,751	-	1,596,751
Patronage Capital Retired	-	(238,119)	-	(238,119)
Retired Capital Credits - Gain	-	-	134,961	134,961
Balance, December 31, 2022	$ 231,750	$ 73,775,336	$ 11,748,228	$ 85,755,314
Increase (Decrease) in Membership Fees	1,440	-	6,284	7,724
Net Margin	-	(319,795)	-	(319,795)
Patronage Capital Retired	-	(246,105)	-	(246,105)
Retired Capital Credits - Gain	-	-	70,008	70,008
Balance, December 31, 2023	$ 233,190	$ 73,209,436	$ 11,824,520	$ 85,267,146

The accompanying notes are an integral part of the financial statements.

Kenergy Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Net Margin - Electric	$ (285,130)	$ 1,588,931
Net Margin - Fiber	(34,665)	7,820
Adjustments to Reconcile Net Margin to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization Charged to Operations - Electric	15,192,695	14,805,734
Depreciation and Amortization Charged to Operations - Fiber	161,963	-
Noncash Assigned Capital Credits	(388,278)	(277,800)
Changes In:		
Accounts Receivable	10,781,960	(4,793,588)
Materials and Supplies - Electric	(360,837)	(498,426)
Materials and Supplies - Non Utility (Fiber	(15,819,448)	(6,204,197)
Other Current Assets	1,815,113	(4,578,929)
Accounts Payable - Electric	(11,052,387)	9,523,448
Accounts Payable - Fiber	10,289,718	-
Other Current and Accrued Liabilities	535,822	(370,353)
Other Items, Net	371,671	273,424
Net Cash Provided by Operating Activities	11,208,197	9,476,064
Cash Flows From Investing Activities:		
Capital Expenditures - Electric	(18,029,945)	(15,341,314)
Capital Expenditures - Fiber	(44,330,380)	(2,141,489)
(Increase) Decrease in:		
Other Investment, Excluding		
Assigned Capital Credits	358,622	231,498
Net Cash Used by Investing Activities	(62,001,703)	(17,251,305)
Cash Flows From Financing Activities:		
Additional Deposits, Net of Refunds	401,959	92,281
Proceeds From Long-Term Debt - Electric	8,750,000	8,750,000
Proceeds From Long-Term Debt - Fiber	12,700,000	-
Proceeds from Notes Payable - Fiber	27,400,000	-
Interest Income Added to Cushion of Credit Balance	-	(1,956)
Interest Expense Paid From Prior Note Payments	-	2,404,264
Principal Payments on Long-Term Debt - Electric	(6,345,763)	(6,733,544)
Principal payments paid from prior year note payments	-	3,489,113
Patronage Capital Retired	(176,096)	(103,158)
Net Cash Provided (Used) by Financing Activities	42,730,100	7,897,000
Net Increase (Decrease) in Cash and Cash Equivalents	(8,063,406)	121,759
Cash and Cash Equivalents, Beginning of Year	9,477,202	9,355,443
Cash and Cash Equivalents, End of Year	$ 1,413,796	$ 9,477,202
Supplemental Disclosure of Cash Flow Information:		
Interest Paid, Net of Amounts Capitalized	$ 4,830,908	$ 4,058,675

The accompanying notes are an integral part of the financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Kenergy Corp. ("Kenergy") is a nonprofit electric distribution cooperative association which provides electric power to approximately 59,510 residential, commercial and industrial member accounts located in fourteen western Kentucky counties. The consolidated financial statements also include the accounts of Kenect, Inc., a wholly owned subsidiary of Kenergy. (See Note 16). All intercompany transactions and balances have been eliminated.

Variable Interest Entity

A legal entity is referred to as a variable interest entity ("VIE") if any of the following conditions exist: (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties or (2) the entity has equity investors who cannot make significant decisions about the entity's operations or who do not absorb their proportionate share of the expected losses or receive the expected returns of the entity, Kenect, Inc. is considered to be a VIE.

A VIE's primary beneficiary is the entity that has the power to direct the VIE's significant activities and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE.

A VIE must be consolidated by the Company if it is deemed to be the primary beneficiary of the VIE.

All facts and circumstances are taken into consideration when determining whether the Company has variable interests that would deem it the primary beneficiary and, therefore, require consolidation of the related VIE or otherwise rise to the level where disclosure would provide useful information to the users of the Company's financial statements. In many cases, it is qualitatively clear based on whether the Company has the power to direct the activities significant to the VIE and, if so, whether that power is unilateral or shared, and whether the Company is obligated to absorb significant losses of or has a right to receive significant benefits from the VIE. In other cases, a more detailed qualitative analysis and possibly a quantitative analysis are required to make such a determination.

The Company monitors the consolidated VIE to determine if any reconsideration events have occurred that could cause any of them to no longer be a VIE. The Company reconsiders whether it is the primary beneficiary of a VIE on an ongoing basis. A previously unconsolidated VIE is consolidated when the Company becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when the Company ceases to be the primary beneficiary or the entity is no longer a VIE.

Basis of Accounting

The accounting policies of Kenergy reflect those prescribed by the United States Department of Agriculture Rural Utilities Service ("RUS") and the Kentucky Public Service Commission ("KPSC"), which conform with accounting principles generally accepted in the United States of America in all material respects.

Revenues

Revenues are accrued when services are rendered based on rates authorized by the KPSC. (ASC) 606, *Revenue from Contracts with Customers* requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which Kenergy expects to be entitled in exchange for those goods or services. Kenergy adopted the requirements of the new revenue recognition guidance as of January 1, 2019, utilizing the cumulative effect transition method. The adoption of the new revenue recognition guidance did not have any material effect on Kenergy's financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Utility Plant

Utility plant is stated at original cost, net of contributions, which is the cost when first dedicated to public service. Kenergy capitalizes supervisory and overhead costs applicable to construction projects. Maintenance and repairs of property units and renewals of minor items of property are charged to maintenance expense accounts. The costs of replacing complete property units are charged to utility plant accounts and the original cost of distribution plant property units retired and cost of removal, net of salvage value, are charged to accumulated depreciation.

Depreciation

Depreciation is provided on the basis of the estimated useful lives of assets at straight-line rates, which for 2023 and 2022, were as follows:

Distribution Plant	1.90% to 7.50%
General Plant	2.00% to 20.00%

Kenergy uses the composite method of depreciation for distribution plant and the unit method of depreciation for general plant.

Investments

As more fully described in the following notes, Kenergy's investment in a generation and transmission corporation is recorded at estimated net realizable value. All other investments of Kenergy are stated at cost, which approximates fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, money market funds, and investments with an original maturity of three months or less. The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Investments in Associated Organizations

Investments in associated organizations include patronage capital, capital term certificates, and other investments. Patronage capital investments are stated at cost plus undistributed allocated equities from other cooperatives. Capital term certificates and other investments are carried at cost which approximates market.

Material and Supplies

Materials and supplies inventories are stated at the lower of cost or market using the average cost method.

Use of Estimates

The preparation of financial statements in conformity 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 disclosure 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.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts Receivable-Allowance for Credit Losses FASB ASC 326

Accounts receivable are uncollateralized obligations of members, which are stated at the amount billed. The carrying amount of accounts receivable is reduced by the allowance for credit losses for amounts considered to be uncollectible. Kenergy's management, on a regular basis, monitors accounts in arrears and estimates the amount determined to be uncollectible. Accounts deemed to be uncollectible are charged against the allowance for credit losses.

In June of 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. 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 and entity's exposure to credit risk and the measurement of credit losses. Financial assets held by Kenergy that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

Kenergy adopted this standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statement and resulted in new and enhanced disclosures only.

Unbilled Revenue

Kenergy records unbilled revenue for the amount of electricity consumed from the last meter reading date to the last day of the year.

FASB ASC 842 Leases

Kenergy implemented FASB ASC 842 Leases during the year ended December 31, 2022. The implementation of this new standard had no material impact on the financial statements.

NOTE 2 – PLANT ASSETS – ELECTRIC AND NON-UTILITY

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

Electric Plant Assets:	**2023**	**2022**
Distribution Plant	$ 354,847,334	$ 343,375,010
General Plant	28,462,126	27,535,205
	383,309,460	370,910,215
Less: Accumulated Depreciation	(175,399,013)	(169,414,176)
Construction in Progress:	1,926,636	1,153,344
Total Utility Plant	$ 209,837,083	$ 202,649,383
Non-Utility Assets:		
Fiber and Broadband	$ 22,114,049	$ -
Less: Accumulated Depreciation	(161,963)	-
Construction in Progress:	20,245,855	2,141,489
Total Non Utility (Fiber)	$ 42,197,941	$ 2,141,489

NOTE 2 – PLANT ASSETS – ELECTRIC AND NON-UTILITY, CONTINUED

Depreciation expensed for the years ended December 31, 2023 and 2022 was $15,123,771 and $14,574,847 respectively. These amounts include depreciation of transportation equipment charged to operating accounts and depreciation of Non-Utility Property charged to non-operating accounts.
Interest capitalized during 2023 and 2022 related to construction of utility plant was $-0- and $-0- respectively.

NOTE 3 - INVESTMENTS

Generation and Transmission Corporation
As discussed in preceding notes, Kenergy purchases electric power from Big Rivers, a generation and transmission cooperative association, Century Marker, LLC (beginning June 1, 2023 and EDF Trading North America, LLC beginning January 1, 2015 through June 1, 2023) (For the two smelter loads – see footnote 8). The membership of Big Rivers is comprised of Kenergy and two other distribution cooperatives.

The following is a summary at December 31, 2023 and December 31, 2022 of financial information pertaining to Big Rivers:

	2023	2022
Balance Sheet Data	UNAUDITED	AUDITED
Assets:		
Current Assets	$ 209,232,000	$ 164,090,000
Noncurrent Assets	1,439,798,000	1,425,637,000
Total Assets	$ 1,649,030,000	$ 1,589,727,000
Liabilities:		
Current Liabilities	$ 113,468,000	$ 259,197,000
Noncurrent Liabilities	1,050,181,000	854,863,000
Total Liabilities	1,163,649,000	1,114,060,000
Equity:	$ 485,381,000	$ 475,667,000
Income Statement Data		
Revenues	$ 395,200,000	$ 490,348,000
Operating Margin	$ 5,099,000	$ 10,317,000
Net Margin	$ 11,892,000	$ 14,027,000

In years in which Big Rivers earns in excess of a 1.30 TIER, 40% of the excess net margin is returned to Big Rivers' members over the following year through a monthly bill credit. The remaining 60% of the excess net margin reduces Big Rivers' regulatory assets. Prior to accruing the excess TIER amounts in 2023 and 2022, Big Rivers' net margin was $39.6 million in 2023 and $43.3 in 2022.

On July 16, 2009, Big Rivers Electric Corporation completed a transaction referred to as the "unwind" with E.ON US. Under the unwind agreement, Big Rivers assumed from E.ON US full responsibility for operating three generation facilities and the obligation to provide power to two aluminum smelters through Kenergy

NOTE 3 – INVESTMENTS, CONTINUED

Corp. E.ON US provided cash payments, asset transfers and other benefits to Big Rivers, which resulted in Big Rivers realizing income of $537,978,261 in 2009. These funds allowed Big Rivers to reduce its debt by $140,180,652 provide $252,855,791 in rate stabilization funds, and to increase its equity position to $379,391,541 from a deficit of ($154,601,580).

Under the Big Rivers Joint Plan of Reorganization in 1998, member cooperatives of Big Rivers were required to charge down their previously allocated capital credits to zero. After evaluating the key issues related to the unwind, Kenergy has elected to continue valuing the non-cash allocations at zero for financial reporting purposes, a practice which it has followed since 1998 when Big Rivers emerged from bankruptcy protection. As of December 31, 2009, the non-cash allocations from Big Rivers to Kenergy represent 69% of the total allocations. Big Rivers, which allocates margins on the tax basis, has not made any allocations for 2010-2022 due to tax losses in those years.

Kenergy Corp. will continue to record memorandum entries in its patronage capital records to reflect the value of allocations received from Big Rivers. (Refer to Note 12 - Income Tax Status).

Other Investments

The more significant other investments are as follows:

Capital Term Certificates (CTC's) of the National Rural Utilities Cooperative Finance Corporation are carried at cost which approximates market. The investment at December 31, 2023 totaled $2,072,573 and 2022 totaled $2,072,573. The CTC's mature in varying amounts from 2025 to 2080 and bear interest at 3% and 5% per year.

Investment in CoBank, an international cooperative bank, is a required investment, which is carried at cost and totaled $1,060,478 and $1,362,041 at December 31, 2023 and 2022, respectively. Under the terms of this Loan Base Capital Plan, Kenergy's investment in CoBank (stock and allocated surplus from CoBank) is required to be 10% of Kenergy's average loan balance due to CoBank for the past five years accumulated through equity issued as a patronage return.

Kenergy's primary insurance carrier, Federated Rural Electric Insurance Exchange (Federated) insures electric cooperatives across the nation by offering property, general liability, automobile, crime, umbrella liability, cyber liability, director, officer and manager liability, and workers' compensation coverage. As a member-owned cooperative, Federated allocates its net margins to its members each year as patronage, and Kenergy carries its investment at cost. Kenergy's investment in Federated totaled $1,121,171 and $1,144,685 at December 31, 2023 and 2022.

Kenergy is also a member of other cooperatives from which it purchases materials, supplies and services. These entities allocate their net margins to its members as patronage dividends. Kenergy carries these investments at cost. The value of these investments was $1,911,013 and $1,556,280, as of December 31, 2023 and 2022.

	2023	2022
Patronage Capital Credits		
Investments in CoBank	$ 1,060,478	$ 1,362,041
Investments Federated	1,121,171	1,144,685
Other Investments	1,911,013	1,556,280
	4,092,662	4,063,006
Other Assets	24,606	24,606
Capital Term Certificates	2,072,573	2,072,573
	$ 6,189,841	$ 6,160,185

NOTE 4 – INVENTORIES

Inventories consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Materials and Supplies - Electric	$ 3,585,398	$ 3,224,561
Materials and Supplies - Fiber	22,023,645	6,204,197
	$ 25,609,043	$ 9,428,758

NOTE 5 – LONG-TERM DEBT

Long-Term Debt as of December 31, 2023 and 2022 consists of:

	2023	2022
First mortgage notes payable to:		
RUS in quarterly and monthly installments of varying amounts through 2032		
Interest rate term fixed to principle maturity:		
1.96% notes	$ 886,015	$ 1,025,984
Laddered interest rate terms of 1-6 years at an average rate of 1.89% at December 31, 2023	25,301,440	27,194,163
	26,187,455	28,220,147
CoBank in quarterly and monthly installments of varying amounts through 2026:		
Interest rate term fixed to principle maturity:		
6.10% average rate at December 31, 2023	996,535	1,371,652
Laddered interest rate terms of 1 to 3 years, average rate of 4.48% at December 31, 2023	2,318,336	2,661,303
	3,314,871	4,032,955
Federal Financing Bank in quarterly installments of varying amounts through December 2057		
Interest rate term fixed to maturity:		
Average interest rate of 3.13%	101,377,257	82,197,162
Interest rate term fixed for 2 years		
Average interest rate of 2.38%	5,453,975	5,643,826
	106,831,232	87,840,988

NOTE 5 – LONG-TERM DEBT, CONTINUED

	2023	2022
CFC in quarterly installments with a Level debt service note maturing 2038 4.10% interest rate fixed to maturity	19,525,014	20,660,245
	19,525,014	20,660,245
Total Long-Term Debt	155,858,572	140,754,335
Less Current Maturities	6,787,639	6,375,473
Long-Term Debt, Net of Current Portion	$ 149,070,933	$ 134,378,862

Aggregate annual maturities of long-term debt at December 31, 2023 are as follows:

	Amounts
2024	$ 6,787,639
2025	6,919,197
2026	7,007,667
2027	6,950,342
2028	7,068,317
Thereafter	121,125,410
	$ 155,858,572

Substantially all assets are pledged as security for long-term debt issued to the Rural Utilities Service, Federal Financing Bank, CoBank, and the National Rural Utility Cooperative Finance Cooperation (CFC).

NOTE 6 – SHORT-TERM BORROWINGS

Kenergy has unsecured line of credit agreements with financial institutions permitting short-term borrowings for general corporate purposes totaling $40 million. Rates for such borrowings are variable. There was $0 and $0 outstanding under these agreements at December 31, 2023 and 2022, respectively. The rate at December 31, 2023 was 7.05%. Kenergy also has a $35 million credit agreement that provides interim financing for Kenergy's RUS guaranteed Federal Financing Bank smart-grid fiber broadband loan. Rates for borrowings under this agreement are also variable. There was $27.4 million and $0 outstanding under this agreement at December 31, 2023 and 2022, respectively. The rate at December 31, 2023 was 7.41%. Kenergy's loan contract with RUS limits unsecured indebtedness to 15% of Net Utility Plant, or $34.5 million at December 31, 2023.

NOTE 7 – MAJOR CUSTOMER CONCENTRATION

Operating revenue for 2023 and 2022 includes approximately $139.9 million and $399.4 million, respectively, attributable to sales of power to two aluminum smelting customers. Accounts receivable from these customers totaled $7.4 and $19.0 million at December 31, 2023 and 2022 respectively. Operating revenue also includes sales of power to five other large industrial customers totaling approximately 16.6% and 10.1% of Kenergy's operating revenue for 2023 and 2022, respectively. Sales to the smelters decreased as they purchased a significant amount of their power needs on the open market during 2023.

NOTE 8– COST OF POWER & RATE MATTERS

Kenergy presently purchases all of its non-smelter power and energy requirements from Big Rivers Electric Corporation (Big Rivers) under wholesale power contracts which expire in 2043. Accounts payable under Big Rivers' contracts were $16.8 million and $17.9 million at December 31, 2023 and 2022 respectively. From January 1, 2015 through June 1, 2023, Kenergy purchased its power requirements for the two smelters from EDF Trading North America, LLC. Beginning June 1, 2023, Kenergy purchases its power requirements for the two smelters from Century Marketer, LLC.

On October 2, 2023, Kenergy filed for a $4.9 million annual increase in revenues with the Kentucky Public Service Commission. The rates will be put into effect on April 2, 2024, subject to refund. The final order is expected no later than October 2, 2024.

NOTE 9 – RETIREMENT PLANS

NRECA Retirement and Security Plan

All eligible employees of Kenergy participate in the National Rural Electric Cooperative Association (NRECA) sponsored Retirement Security Plan (RS Plan), a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The plan sponsor's Employee Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Kenergy contributions to the RS Plan in 2023 and 2022 represent less than 5 percent of the total contributions made to the RS Plan by all participating employers. Kenergy made contributions of $2,422,387 in 2023 and $2,319,605 in 2022, which equals the amount accrued for pension expense. There have been no significant changes that affect the comparability of 2023 and 2022 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2023 and over 80 percent funded on January 1, 2022 based on the PPA funding target and PPA actuarial value of assets on those dates.

NOTE 9 – RETIREMENT PLANS, CONTINUED

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to the January 1st of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. On April 30, 2013, Kenergy made a prepayment of $1,394,196 into the program, which was included in pension expense over ten years.

<u>Retirement Savings Plan</u>

The Retirement Savings Plan is available to all eligible Kenergy employees. The plan allows participants to make contributions by salary reduction, pursuant to Section 401(k) of the Internal Revenue Code. Kenergy matched the contributions of each participant, up to 3% of the participant's base compensation until January 1, 2019. Kenergy contributed $-0- and $-0- for 2023 and 2022, respectively. Participants vest immediately in their contributions and the contributions of Kenergy.

<u>Deferred Compensation Plan</u>

The Kenergy Corp. 457(b) Deferred Compensation Plan allows designated senior management personnel the opportunity to make salary deferral contributions into a retirement plan once they reach the IRS limit on voluntary contributions into their 401(k) plan.

NOTE 10 – FINANCIAL INSTRUMENT – FAIR VALUES

FASB ASC 820 "Fair Value Measurement," requires Kenergy to disclose estimated fair values of its financial instruments. Fair value estimates, methods, and assumptions are set forth below for Kenergy's financial instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable, and other current liabilities approximate fair value because of the short-term maturity of those instruments. In management's opinion, the carrying value of long-term debt also approximates fair value.

Kenergy's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. During 2019 Kenergy enrolled in an Insured Cash Sweep program that sweeps cash deposits in excess of the FDIC limit to other banks so all of the cash enrolled in the program is FDIC insured. Kenergy routinely assesses the financial strength of its customers and, as a consequence, believes that its trade accounts receivable credit risk exposure is limited.

NOTE 11- RELATED PARTY TRANSACTIONS

In previous years, Big Rivers provided billing, safety training, and other services to its three distribution cooperative members for which it was not reimbursed, and Big Rivers reimbursed its members for economic development costs. In 2013, Big Rivers began reimbursing Kenergy for certain billing and IT services which were previously incurred by Big Rivers. Services requested for reimbursement from Big Rivers during the years ended December 31, 2023 and 2022 totaled $1,017,045 and $962,367 respectively, of which $0 and $59,640 respectively, was included in accounts receivable. These amounts do not include the cost of computer programming, safety training and postage provided but not quantified.

NOTE 12 – INCOME TAX STATUS

Kenergy is exempt from federal and state income taxes under section 501(c) (12) of the Internal Revenue Code and, accordingly, the accompanying financial statements include no provision for such taxes. When applying the 85 percent test of IRC 501(c)(12), Kenergy excludes the Big Rivers non-cash allocations from gross income.

ASC 740-10, *Income Taxes*, provides guidance for reporting uncertainty in income taxes. Kenergy has performed an evaluation of uncertain tax positions for the years ended December 31, 2023 and 2022, and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

NOTE 13 – LIMITATIONS ON DISTRIBUTIONS

Without the prior written approval of RUS, Kenergy shall not in any calendar year make any Distributions (exclusive of any Distributions to the estates of decreased natural patrons) to its members, stockholders or consumers except as follows:

> If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than 30% of its Total Assets or after giving effect to any such Distribution, the Equity of the Borrower shall be greater than or equal to 20% of its Total Assets and the aggregate of all Distributions made during that calendar year when added to such Distribution shall be less than or equal to 25% of the prior year's margins;
>
> Provided however, that in no event shall Kenergy make any Distributions if there is unpaid, when due, any installment of principal of (premium, if any) or interest on any of its payment obligations secured by the mortgage, if the borrower is otherwise in default hereunder or if, after giving effect to any such Distribution, the Borrower's current and accrued assets would be less than its current and accrued liabilities.

NOTE 14 – LEASE AGREEMENTS

Kenergy entered into a leasing arrangement with its wholly owned subsidiary, Kenect, Inc. on August 23, 2022, allowing Kenect, Inc. exclusive rights and privilege to use the fiber network, including fiber strands constructed or to be constructed in the future.

NOTE 14 – LEASE AGREEMENTS, CONTINUED

Kenect, Inc. subsequent to the agreement with Kenergy, entered into a subleasing arrangement on August 29, 2022 with Conexon Connect, LLC for the purpose of leasing a fiber optic network to be constructed within Kenergy's service territory. The sublease grants Conexon Connect, LLC the exclusive right and privilege to us the network, including any fiber strands and any segment later constructed by or on behalf of Kenect, Inc. except for the capacity used in connection with the operation of Kenergy's electrical distribution system.

The initial term of the sublease is 30 years commencing August 29, 2022. The sublease shall automatically renew for a term of 10 years, unless either party provides notice with 180 days prior to expiration of its intent not to renew the sublease.

Lease payments to be made to Kenect consist of three components:

Base Access Fee:

The "Base Access Fee" will be determined based on both parties' approval of the income projections. Conexon Connect, LLC will calculate the per mile fee, the service drop fee, and the fiber hut fee for the portion of the network not reserved by Kenergy.

Shared Savings Analysis:

In the event that cost savings measures such as grants, tax abatements, or in-kind services are secured by Kenect, Inc., one-half of these amounts shall be included in the total costs of the fiber network for purposes of calculating the base access fee.

Revenue Share:

Conexon shall pay a fee equal to 10% of Conexon Connect, LLC's gross revenue earned from any of the following services; internet access, telephone, telecommunication services, government subsidy programs, and "backhaul" service.

As of the date of these financial statements, the fiber network is still under construction and the final fees have not yet been determined.

NOTE 15 – RISK MANAGEMENT

Kenergy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets: errors and omissions; injuries to employees; and natural disasters. Kenergy carries commercial insurance for all risks of loss, including workers' compensation, general liability and property loss insurance. As is customary in the utility industry, Utility Plant is not insured with the exception of substations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in 2023 and 2022.

NOTE 16 – FORMATION OF WHOLLY OWNED SUBSIDIARY-VARIABLE INTEREST ENTITY

On June 25, 2020, Kenergy formed a wholly owned subsidiary, Kenect, Inc., for the purpose of providing broadband internet service to its members. The Kentucky Public Service Commission gave Kenergy approval to move forward with the broadband project in Case Number 2021-00365. Kenergy will construct and own a smart grid fiber-optic network and Kenect, Inc. will utilize excess capacity on the network to provide broadband service. Kenect, Inc. has contracted with Conexon Connect, LLC to provide retail broadband service to Kenergy's members. In return, Conexon Connect, LLC will pay Kenect, Inc. a base access fee and a percentage of the revenue from broadband sales. Kenect, Inc. will then pay the entire base access fee and revenue share to Kenergy, the asset owner. The revenue and expenses related to broadband are recorded as Nonoperating Margins and the assets are recorded as Non-Utility Plant (Fiber), Net. Kenergy had $20.2 and $2.1 million in construction at December 31, 2023 and 2022. Kenergy had $22.0 million and $6.2 million in materials and supplies at December 31, 2023 and 2022.

The following table summarizes the carrying amount of the assets and liabilities of Kenect, Inc., net of intercompany balances which have been eliminated, included in the Cooperative's balance sheet as of December 31, 2023 and 2022:

	2023	2022
Cash In Bank	$ -	$ 57

NOTE 17 – UNION VOTE

On December 15, 2023, all full time and part time construction and maintenance crews, substation crews, and line technicians voted to join the International Brotherhood of Electrical Workers Local 1701. Management, as of the date of our report, is in the process of negotiating a contract with its bargaining employees.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events have been considered and evaluated through April 3, 2024 the date these financial statements were available to be issued.

a. Broadband Grant

On March 1, 2024, Kenergy was awarded a grant in the amount of $10,246,019 from the Kentucky Office of Broadband Development. These funds will be used for the purpose of providing high speed internet access to approximately 3,600 homes and businesses located in Daviess and Henderson County, Kentucky.

Kenergy Corp.
Schedule of Expenditures of Federal Awards
December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures
Passed through the Commonwealth of Kentucky Emergency Management Department			
Department of Homeland Security			
Disaster Grants-Public Assistance (Presidentally Declared Disasters)	97.036	PA-04-4792-PW-00010(0)	$ 483,513
Disaster Grants-Public Assistance (Presidentally Declared Disasters)	97.036	PA-04-4792-PW-00017(0)	918,594
			$ 1,402,107

NOTE 1- BASIS OF PRESENTATION:

The accompanying Schedule of Expenditure of Federal Awards includes the federal grant activity of Kenergy Corp. under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kenergy Corp., it is not intended to be and does not present the financial position, net margin, or cash flows of Kenergy Corp.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3- INDIRECT COST RATE:

Kenergy Corp. has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Kenergy Corp.
Consolidating Statement of Revenues and Expenses
For the year ended December 31, 2023

	Kenergy Corp.	Kenect, Inc.	Eliminations	Consolidated
Operating Revenue	$ 344,716,800	$ -	$ -	$ 344,716,800
Operating Expenses				
Cost of Power	300,514,192	-	-	300,514,192
Distribution Operation	5,002,838	-	-	5,002,838
Distribution Maintenance	13,690,047	-	-	13,690,047
Customer Accounts	2,582,459	-	-	2,582,459
Consumer Service and Information	157,412	-	-	157,412
Administrative and General	4,419,253	-	-	4,419,253
Depreciation and Amortization	14,812,004	-	-	14,812,004
Taxes	645,157	-	-	645,157
Other Deductions	52,267	1,486,787	(1,486,787)	52,267
Total Operating Expenses	341,875,629	1,486,787	(1,486,787)	341,875,629
Operating Margin Before Interest Expense	2,841,171	(1,486,787)	1,486,787	2,841,171
Interest on Long-Term Debt	3,985,331	-		3,985,331
Other Interest Expense	223,011	-		223,011
Total Interest Expense	4,208,342	-	-	4,208,342
Operating Margin	(1,367,171)	(1,486,787)	1,486,787	(1,367,171)
Non-operating Margin				
Investment Income	310,227	-	-	310,227
Fiber and Broadband-net margin	(34,665)	1,486,787	(1,486,787)	(34,665)
Other Income (Expense)	231,161	-	-	231,161
Net Margin Before Operating Margins Assigned by Associated Organizations	(860,448)	-	-	(860,448)
Operating Margin Assigned by Associated Organizati	540,653	-	-	540,653
Net Margin	$ (319,795)	$ -	$ -	$ (319,795)

Kenergy Corp.
Schedule of Broadband Revenues and Expenses
For the years ended December 31, 2023 and 2022

	2023	2022
Revenues:		
Broadband revenue share	$ 463,563	$ 32,676
Broadband base access fees	1,023,224	-
Other	1,221	1,177
Total revenues	1,488,008	33,853
Operating Expenses:		
Administration	134,480	20,402
Depreciation	161,963	-
Director fees	20,081	4,338
Interest expense	993,863	-
Other operating expenses	151,319	1,293
Property taxes	60,967	-
Total expenses	1,522,673	26,033
Net margin from fiber operations	$ (34,665)	$ 7,820

INDEPENDENT AUDITORS' 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
Kenergy Corp.
Henderson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Kenergy Corp., as of and for the year ended December 31, 2023, and the related notes to the financial statements and have issued our report thereon dated April 3, 2024.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kenergy Corp.'s 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 determination of 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.

ATA, PLLC

Owensboro, Kentucky
April 3, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Kenergy Corp.
Henderson, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kenergy Corp.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Kenergy Corp.'s major federal programs for the year ended December 31, 2023. Kenergy Corp.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kenergy Corp. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kenergy Corp. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kenergy Corp.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Kenergy Corp.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kenergy Corp.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kenergy Corp.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Kenergy Corp.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kenergy Corp.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kenergy Corp.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ATA, PLLC

Owensboro, Kentucky
April 3, 2024

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

To the Board of Directors
Kenergy Corp.
Henderson, 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 Kenergy Corp. which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of revenue and expense, changes in members' equity, and changes in cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 3, 2024.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024, on our consideration of Kenergy Corp.'s internal control over financial reporting and on our test 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 have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Kenergy Corp. 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,* § 1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, 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 Kenergy Corp.'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 Kenergy Corp.'s accounting and records to indicate that Kenergy Corp. did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and 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 the 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 materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;

- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

- Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and;

- Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

ATA, PLLC

Owensboro, Kentucky
April 3, 2024

Kenergy Corp.
Schedule of Findings and Questioned Costs
December 31, 2023

SECTION 1- FINANCIAL STATEMENTS:

Type of report the auditor issued on whether the financial statements audited were Prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material Weaknesses Identified?	None
• Significant deficiencies identified?	None reported
Non-compliance material to the financial statements noted.	None

Federal Awards

Internal control over major programs:	
• Material Weaknesses Identified?	None
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major federal programs.	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None

Identification of major federal programs:

Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	$1,402,107

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as a low risk auditee?	No

SECTION II- FINDINGS- FINANCIAL STATEMENT AUDIT:

None. There were no findings resulting from the financial statement audit of Kenergy Corp.

SECTION III- FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL PROGRAM AUDIT:

None. There were no material findings or questioned costs related to major federal programs for the year ended December 31, 2023.

SECTION IV- STATUS OF PRIOR YEAR FINDINGS:

None. There were no findings resulting from the financial statement audit of Kenergy Corp. for the year ended December 31, 2022.