



Holmes-Wayne
Electric Cooperative, Inc.

A Touchstone Energy® Cooperative

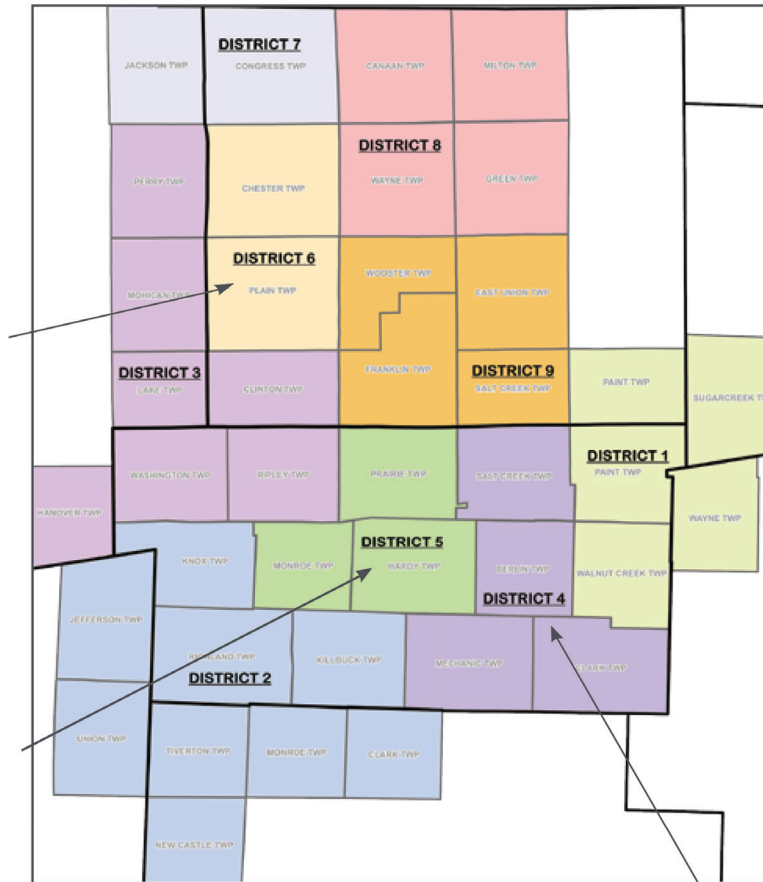


20 22 ANNUAL REPORT

2023 Board of Trustees Election: Districts

District 6

Chester and Plain townships in Wayne County



District 5

Hardy, Monroe, and Prairie townships in Holmes County

District 4

Berlin, Clark, Mechanic, and Salt Creek townships in Holmes County

Candidate information is presented as provided by each candidate.

HWEC Code of Regulations requires a nominating committee consisting of one member from each of the nine districts to select a minimum of one and maximum of three candidates for the election process.

District 4



Chris Young

Name: Chris Young, P.E., P.S. (incumbent)

Home Address: 2860 TR 128 Millersburg, OH 44654

Email Address: youngcivileng@gmail.com

Number of years as HWECC Member: 18

Cooperative voting district: 4

Education and specific degree: The Ohio State University - Bachelor of Science in civil engineering (1995); Stark Technical College - associates degree in civil engineering technology (1992); Registered Professional Engineer (#64075) and Surveyor (#8197) in the State of Ohio

Current employment or employment history: Holmes County engineer/Highway Department – county engineer (2001-Present): Responsible for the planning, budgeting, maintenance, and construction for 250 miles of roads and 286 bridges; Holmes County Sewer District - county sanitary engineer (2008-Present): Manage the sewer district's six treatment plants and collection systems for the County Commissioners. More than 30 years of experience in construction, engineering, and surveying on both private and public works projects

Leadership and community activities: Holmes Wayne Electric Cooperative Board of Trustees, member of the Ohio Public Works Commission – District 14 Committee, member of the American Society of Civil Engineers and charter member of the Structural Engineering Institute, member of the National Association of County Engineers, member of the County Engineers Association of Ohio, member of the Professional Land Surveyors of Ohio, member of the American Public Works Association, Board of Directors – County Engineers Association of Ohio (2014-2018).

Why are you interested in becoming a member of the HWECC Board of Trustees or serving another term? I would enjoy and be proud to serve another term representing the members of Holmes-Wayne Electric Cooperative. I feel that I have been able to contribute positively to the board of trustees decisions over the past three years. Through the combined efforts of its leadership, employees, and members they serve, I believe Holmes-Wayne Electric to be one of the best electric co-ops in the state. I am proud to be a part of such a well-run organization that always keeps the best interests of the membership in mind for every decision that is made. The people and the businesses of the community will continue to thrive as a result of good infrastructure, strategic planning, and smart growth. I feel that the quality of life in our community is in large part due to the hard work that has built a strong local economy. This strong economy requires reliable and affordable electricity. As a professional engineer and father, I wish to help our community remain strong and prosperous for future generations by continuing to serve on the HWECC Board of Trustees.

Any additional information you feel is essential for members to be aware of:

As the Holmes County engineer and sanitary engineer, I am responsible for budgeting and management, including maintenance and construction of the county's critical infrastructure when it comes to roads, bridges, and sanitary sewers. I feel my collective experience and thorough understanding of critical infrastructure will directly translate into serving as an effective trustee on the HWECC Board.

Family: Spouse, Diane; children: Matthew and Nathan.

District 4



Matt Polcyn

Name: Matt D. Polcyn

Home address: 7838 Township Road 102, Millersburg, OH 44654

Email address: mattpolcyn@gmail.com

Number of years as HWECC Member: 14

Cooperative voting district: 4

Education and specific degree: Bachelor of Arts — Moody Bible Institute

Current employment or employment history:

Self-employed plumbing contractor since 2004. Mr. Rooter franchise from 2008-2016. The Trenchless Guys 2012-present specializing in Epoxy drain replacements and excavation work. Early years, I was general farm labor and helped milk cows for a local farmer. At 16, I worked as a farm and field tech for Open Road Holsteins out of Stillwell, Ohio. Later switched to excavating for Tom Miller and then got started in plumbing with Trail Plumbing from Berlin, Ohio. Later moved to Chicago and pursued a BA degree in communications at Moody Bible Institute.

Leadership and community activities: Business owner and leader for almost 20 years. I enjoy being involved in young lives and encouraging them to think bigger and beyond the immediate. I have a small campground and Airbnb and I enjoy interacting with new people from different walks of life. I travel a lot and have been to all 50 states, many of them numerous times. I enjoy meeting new people and opening my eyes and mind to new ideas and experiences.

Why are you interested in becoming a member of the HWECC Board of Trustees or serving another term? As a local business owner and homeowner for numerous years now, I have seen the importance of what you do as an organization providing power to rural America. I've traveled to numerous Caribbean islands and have seen how important dependable and regular, reliable electricity is. It definitely is one of those blessings that you really appreciate when they aren't available. Holmes-Wayne, to me, has done an amazing job providing consistent power for my homes and business in places that many others in the world would hope to have.

Family: Ex-spouse, Jennifer; children: Laura and Adam; parents: Richard & Margaret.

Did you know?

In 2022, Holmes-Wayne Electric Cooperative completed:

10.1 miles of line rebuilt

1,008 poles replaced

390.7 miles of tree trimming

413.6 miles of vegetation control

300 new services connected

2023

Board of Trustees Election: Candidates

District 5



Ronnie Schlegel

Name: Ronnie R. Schlegel (incumbent)

Home Address: 8011 Township Road 323,
Holmesville, OH 44633

Email Address: ronnierschlegel@gmail.com

Number of years as HWECC Member: 50

Cooperative voting district: 5

Education and specific degree: High school graduate, Waynedale; University of Akron, Wayne General College; NRECA CCD Certificate, Director

Gold Credential; Dale Carnegie Sales Training Certificate

Current employment or employment history: G&R Schlegel Farms, Rayco, Reberland Equipment, Shearer Equipment, North Central Ag Equipment, Ohio Ag Equipment Manager, retired.

Leadership and community activities: Former 4-H Advisor (10 years), former 4-H County Committee chairman, Holmes County Farm Bureau, previous Farm Bureau Advisory Council member, previous member of Holmes County Fairground & Expo committee, previous board member of Federal Land Bank Association, current United Way of Wayne & Holmes County member, current chairman of United Way of Wayne and Holmes County.

Why are you interested in becoming a member of the HWECC Board of Trustees or serving another term? I firmly believe in the cooperative business model and in membership representation. I have very strong ties and commitment to the communities served by HWECC. I feel my 39 years of service on the board, my maturity, my training, and my experience give me insight and the ability to represent the members and help guide the cooperative through the current changing times and new technologies.

Any additional information you feel is essential for members to be aware of:

In my role as a business owner, and later in my employment at area businesses, I have been exposed to a wide variety of business models along with their procedures and policies. This, along with continued training I have taken from the National Rural Electric Cooperative Association and other outside institutions, has given me the tools, experience, and knowledge to serve on the HWECC Board of Trustees.

Family: Wife, Sandy (50 years); married daughters Merci and Charity; five grandchildren; six great-grandchildren.

District 5



Michele Snow

Name: Michele M. Snow

Home address: 5971 County Road 333,
Millersburg, OH 44654

Email address: michelemsnow@gmail.com

Number of years as HWECC Member: 12

Cooperative voting district: 5

Education and specific degree: West Holmes High School, 2000 OBL School of Consumer Lending, 2002 OBL School of Real Estate Lending, 2006 ABA School of Commercial Lending

Current employment or employment history: I have been employed by the Killbuck Savings Bank Company for 29 years. I have worked in various departments, starting out as a teller and now in my leadership position as vice president/retail lending manager. I lead the Consumer Lending Department, overseeing all consumer real estate lending, covering 11 branches in six counties. I am also a mortgage loan originator.

Leadership and community activities: 1999-present: Board member for the Killbuck Community Improvement Corporation, serving as the financial advisor; 2013 Holmes County Leadership graduate; 2016-present: Board member for the Holmes County Board of Developmental Disabilities, serving as secretary and on the ethics committee; 2019 CBAO Emerging Leader graduate.

Why are you interested in becoming a member of the HWECC Board of Trustees or serving another term? As a lifetime resident of Holmes County, I am always seeking opportunities to serve within our community. I feel my values line up with Holmes-Wayne Electric's mission and the cooperative principles. My financial background, along with my leadership skills, will allow me to collaborate with current board members to look out for the shareholders' interests.

Any additional information you feel is essential for members to be aware of:

I am a dedicated leader with the ability to train, manage, and motivate team members while creating a positive environment. I have the ability to make personal connections and engage customers, and I am always courteous and professional in a team environment. I empower and develop team members (through delegation of duties, coaching/mentoring, and training) to improve the customer experience.

Family: Daughter, Zoe, who is a junior at West Holmes High School.

District 6



Jonathan Berger

Name: Jonathan Berger (incumbent)

Home Address: 8200 Lattasburg Road, Wooster, OH 44691

Email Address: JDJDBERGER@gmail.com

Number of years as HWECC Member: 30+

Cooperative voting district: 6

Education and specific degree: Graduated Northwestern High School (1978), Ohio State University, B.S. in Agriculture (1982)

Current employment or employment history: Self-employed farmer

Leadership and community activities: Attends Southside Community Church; Wayne County Volunteer Guardianship Program; Operation Round Up Board at Holmes-Wayne Electric Cooperative.

Why are you interested in becoming a member of the HWECC Board of Trustees or serving another term? It has been a rewarding experience to serve three terms on the board of Holmes-Wayne Electric Cooperative. Throughout the last couple of years — dealing with restrictions created by COVID and, more recently, our devastating storm in June that left so many without power — it has brought to mind again the quality of employees we are fortunate to have. From management to the hard-working linemen that put their safety on the line (pun intended) every day to bring us reliable electricity, I cannot overemphasize the gratitude it brings to attend a board meeting with reports of another month where everyone went home safe every evening and reports of appreciation shown with letters and notes from our members.

Family: Wife, Debbie; daughter, Jessica (Craig) Nolletti, with grandchildren Dominic, Macy, and Lilly; son David (Stefanie), with grandson Ronan; son David (Anna) with grandsons Finn and Calvin.

District 6



Jim Yarwood

Name: James D. Yarwood

Home address: 6196 Lattasburg Road, Wooster, OH 44691

Email address: james.yarwood@outlook.com

Number of years as HWECC Member: 3

Cooperative voting district: 6

Education and specific degree: Baldwin Wallace University, Bachelor of Arts

Current employment or employment history: 2004-present: Ryder Systems, Inc., director of sales. Responsible for \$155,000,000 in annual contractual revenue for the Great Lakes business unit; leader of thirty locations and team of fifteen employees for all facets of sales, including talent management, customer experience, and new business acquisition; successful in implementing marketing plans, including local, regional, and national programs; held positions of increased responsibility, including management trainee, market development manager, customer development manager, rental manager, senior rental manager, director of rental, and director of operations.

Leadership and community activities: Leadership activities as member of St. Peter Lutheran Church, New Pittsburg, Ohio, including properties committee and nominating committee, as well as volunteering to run audio/visual equipment; coach for Northwestern youth baseball; volunteer for Blessings in a Backpack for Northwestern Elementary.

Why are you interested in becoming a member of the HWECC Board of Trustees or serving another term? I would be honored to serve as a board member of the Holmes-Wayne Electric Cooperative, Inc. I have always been impressed with the efficiency of the cooperative and the benefit it brings to its members. I believe in the mission of the cooperative to safely provide reliable, competitively priced electric service to our member-owners to enhance the quality of life in the communities we serve while embracing cooperative principles and values.

Any additional information you feel is essential for members to be aware of:

I have completed the United Way Blueprint for Boardroom Success Program. I also have prior board experience with WorkSource Cobb.

Family: Spouse, Angela (Elser) Yarwood; children, JD and Grace.

2022

Minutes from the annual meeting

Due to the COVID-19 pandemic, the Holmes-Wayne Electric Cooperative Board of Trustees canceled the 2022 public annual meeting. The election of candidates remained the same, and results of the election were published on HWECC's website on June 30, 2022, and in the October edition of *Ohio Cooperative Living*. All key information that would have been presented at the 2022 meeting, including messages from the president/CEO and trustee chairman, was published in the October *Ohio Cooperative Living* magazine and posted on our website at www.hwecoop.com.

2022

Operation Round Up summary: Pennies add up to more than \$900,000

In January 2006, Holmes-Wayne Electric introduced our Operation Round Up program, a simple concept with difference-making impact in our community. Seventeen years later, the Operation Round Up Foundation has distributed more than \$900,000 back to our community.

“This program has been critical to helping individuals within our community who have fallen through the cracks,” explained Jonathan Berger, HWEC board member and ORU board member. “Our community is known for its kinship spirit and this program allows for that to continue by not burdening any one person while making life-changing impact on our neighbors.

“We saw this need spike last summer when many of our members experienced severe damage to their homes and property due to a derecho storm slamming some areas with 94 mph winds,” Berger said. “Partnering with the United Way of Wayne and Holmes Counties, we donated \$25,000

to assist members who physically or financially could not make the home repairs or property damage clean-up.”

If you are currently not participating in Operation Round Up, it is easy to sign up for the program. You can contact the cooperative toll-free at 866-674-1055 or email us at memberservices@hwecoop.com.

The program is simple. Every month, your bill is rounded up to the nearest dollar. That spare change is placed into the foundation. The foundation board of five people reviews all applications and specific criteria must be met. These funds are never used to pay HWEC bills. Funds are only distributed within our community, so the money remains within our community’s economy and helps our neighbors.

Following is last year’s distribution summary so you can see how ORU is helping out during difficult and unexpected medical emergencies, house fires, and situations that have fallen through the cracks of other agencies.



The Operation Round Up Board, pictured from left to right: (front) Michelle Wood, Glenn Miller, (back) Jonathan Berger, Matt Johnson, and Dan Mathie.

2022

Operation Round Up grants

Assist individual -- medical condition -- Holmesville	\$870.99
CampOhio Youth 4-H Camp	\$2,500.00
Adaptive Sports Program -- sled hockey -- Wooster	\$1,000.00
Scouters for Holmes County	\$1,000.00
Sacred Grounds -- adult special needs	\$1,000.00
National Alliance for Mental Illness -- Wayne & Holmes counties	\$500.00
Assist family -- medical needs -- Shreve	\$300.00
YMCA -- After School Program -- Wooster	\$1,000.00
West View Healthy Living -- wheelchair swing	\$1,000.00
Holmes County Safe Communities	\$506.20
Pomerene Hospital Lifting Hearts Bereavement	\$1,000.00
One Eighty -- assist with addiction treatment programs	\$500.00
Shreve United Methodist Church -- home maintenance program	\$1,000.00
Adaptive Sports Program -- Wooster	\$500.00
Holmes County Association of Handicapped Citizens -- playground project	\$2,500.00
United Way of Wayne and Holmes Counties -- derecho storm cleanup/repair	\$25,000.00
Assist individual -- medical needs and beds for children	\$700.00
Holmes County Farm Bureau -- Harvest for Hunger	\$1,000.00
Pomerene Health Auxiliary	\$1,000.00
Assist family with bed and clothing for child -- Millersburg	\$495.00
Holmes County Home & Senior Center -- processing of donated fair animals	\$2,500.00
Pomerene Health Foundation	\$500.00
American Red Cross -- Festival of Trees Fundraiser	\$1,500.00
Millersburg Food Run -- support local food pantry	\$500.00
Assist family with bed and clothing for child -- Wooster	\$920.00
Ashland/Wayne Young Ag Professionals -- Holiday Toy Drive	\$500.00
Farmers and Hunters Feeding the Hungry -- processing for donated deer -- Coshocton	\$500.00
Wayne County Agencies -- processing of donated fair animals	\$2,500.00
Wayne County First Responders	\$500.00
West Salem Police Auxiliary	\$1,000.00
Assist family -- house fire -- Shreve	\$1,000.00
Farmers and Hunters Feeding the Hungry -- Wayne -- processing for donated deer	\$1,000.00
West Holmes Middle School -- Shop with a Teacher	\$250.00
Assist family -- beds for children -- Wooster	\$1,260.00
Wayne & Holmes County -- bereavement items for loss of child	\$500.00
Share-A-Christmas -- Holmes County	\$1,000.00
West Salem Outreach & Food Pantry	\$1,000.00
Light House Love Center -- Holmes County	\$1,000.00
Salvation Army -- Wayne County	\$1,000.00
Salvation Army -- Holmes County	\$1,000.00
Town & Country Fire & Rescue -- West Salem Toy Drive	\$1,000.00
Christian Children's Home -- Wooster	\$1,000.00
Meals and More -- West Salem	\$1,000.00

2022

Operation Round Up grants (continued)

Meals on Wheels – Holmes County Senior Center	\$1,000.00
OneEighty – domestic violence, substance abuse and mental health services – Holmes County	\$1,000.00
OneEighty – domestic violence, substance abuse and mental health services – Wayne County	\$1,000.00
American Red Cross	\$1,000.00
Hospice – Holmes & Wayne counties	\$1,000.00
Viola Startzman Health Clinic – Wooster	\$1,000.00
Church of God – food pantry – Millersburg	\$1,000.00
Meals Together – Wooster Methodist Church – Wooster	\$1,000.00
Glenmont Food Pantry	\$1,000.00
Shreve United Methodist Church – food pantry	\$1,000.00
Mohican Area Community Fund	\$250.00
Goodwill Industries of Wayne & Holmes Counties, Inc.	\$1,000.00
The Lord's Pantry – West Salem	\$1,000.00
New Leaf Center – clinic for special needs children – Mount Eaton	\$1,000.00
Apple Creek United Methodist Church Food Pantry & Christmas Outreach	\$1,000.00
Nick Amster Workshop – Wayne County	\$1,000.00
Hillsdale CARES food drive	\$500.00
People to People Ministries	\$1,000.00
TOTAL	\$83,052.19

Operation Round Up annual distributions:

2022 – \$83,052.19
2021 – \$45,761.00
2020 – \$58,722.90
2019 – \$62,101.43
2018 – \$59,807.74
2017 – \$52,659.98
2016 – \$56,137.27
2015 – \$49,449.70
2014 – \$48,216.56
2013 – \$63,099.06
2012 – \$51,343.99
2011 – \$63,289.93
2010 – \$59,670.87
2009 – \$38,794.38
2008 – \$38,279.61
2007 – \$37,596.26
2006 – \$31,986.93



2022

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Opinion

We have audited the financial statements of Holmes-Wayne Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2022 and 2021, the related statements of revenue and expense, patronage capital and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2022 and 2021, and the results of its operations and its 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, 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 the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

During the years ended December 31, 2022 and 2021, the Cooperative received \$0 in long-term loan fund advances from CFC on loans controlled by the CFC Loan Agreement and/or Mortgage or Security Agreement.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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,

February 22, 2023 • Board of Trustees
Holmes-Wayne Electric Cooperative, Inc.
Millersburg, Ohio 44654

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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 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 the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

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

Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2023, on our consideration of Holmes-Wayne Electric Cooperative, Inc.'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. The purpose of that report is to solely 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 Holmes-Wayne Electric Cooperative Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Holmes-Wayne Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Millersburg, OH

2022

Balance sheets

As of December 31, 2022 and 2021

ASSETS**UTILITY PLANT:**

	<u>2022</u>	<u>2021</u>
Electric plant in service	\$ 105,205,760	\$ 98,864,172
Construction work in progress	282,188	2,554,197
	105,487,948	101,418,369
Less: provision for accumulated depreciation	25,914,524	24,112,808
Net utility plant	79,573,424	77,305,561

OTHER ASSETS AND INVESTMENTS:

Retirement security plan prepayment	-	154,985
Investments in associated organizations	2,256,404	2,250,188
Patronage capital from associated organizations	19,688,804	19,556,309
Total other assets and investments	21,945,208	21,961,482

CURRENT ASSETS:

Cash and cash equivalents	652,362	253,415
Accounts receivable, net of allowance	5,902,263	5,346,253
Other receivable	2,300,000	-
Materials and supplies	1,302,929	1,367,077
Other current assets	216,795	176,101
Total current assets	10,374,349	7,142,846
Total assets	<u>\$ 111,892,981</u>	<u>\$ 106,409,889</u>

EQUITIES AND LIABILITIES**EQUITY:**

	<u>2022</u>	<u>2021</u>
Patronage capital	\$ 44,081,628	\$ 42,953,874
Other equities	2,101,964	2,039,624
Accumulated other comprehensive loss	(17,462)	(124,800)
Total equity	46,166,130	44,868,698

LONG-TERM LIABILITIES:

Mortgage notes payable	52,842,439	52,569,363
Deferred credits	8,603	1,355
Postretirement benefit obligation	643,048	690,043
Total long-term liabilities	53,494,090	53,260,761

CURRENT LIABILITIES:

Current maturities of mortgage notes payable	2,182,000	2,051,000
Line of credit	4,500,000	500,000
Accounts payable	3,120,473	3,419,597
Postretirement benefit obligation, current portion	15,800	31,400
Accrued taxes	1,636,972	1,517,108
Customers' deposits	128,875	129,730
Other current liabilities	648,641	631,595
Total current liabilities	12,232,761	8,280,430
Total equities and liabilities	<u>\$ 111,892,981</u>	<u>\$ 106,409,889</u>

(The accompanying notes are an integral part of this statement.)

2022

Statements of Revenue and Expense

For the years ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
OPERATING EXPENSES:	\$ 50,712,896	\$ 48,134,283
Cost of purchased power	32,197,552	29,846,701
Operations	4,255,721	4,070,070
Maintenance	3,766,290	2,692,292
Consumer accounts	1,149,234	1,106,350
Customer service and informational expense	103,933	103,104
Administrative and general	2,056,921	1,893,419
Depreciation	3,032,724	2,895,455
Tax expense	1,582,919	1,571,082
Interest - other	3,967	4,170
Other deductions	3,790	964
Total cost of electric service	48,153,051	44,183,607
Operating margins before fixed charges	2,559,845	3,950,676
FIXED CHARGES , interest on long-term debt	1,815,236	1,762,483
Operating margins after fixed charges	744,609	2,188,193
PATRONAGE CAPITAL CREDITS:		
Generation and transmission credits, Buckeye Power, Inc.	1,543,008	1,123,338
Other credits	119,285	117,448
	1,662,293	1,240,786
Net operating margins	2,406,902	3,428,979
NON-OPERATING MARGINS:		
Interest income	45,196	41,777
Other income	24,602	35,606
Gain on disposition of property	272	35,338
	70,070	112,721
Net margins	\$ 2,476,972	\$ 3,541,700

(The accompanying notes are an integral part of this statement.)

2022

Patronage Capital

For the years ended December 31, 2022 and 2021

	2022	2021
PATRONAGE CAPITAL , beginning of year	\$ 42,953,874	\$ 40,768,367
Net margins	2,476,972	3,541,700
Retirement of capital credits	(1,349,218)	(1,356,193)
PATRONAGE CAPITAL , end of year	\$ 44,081,628	\$ 42,953,874

(The accompanying notes are an integral part of this statement.)

2022

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 2,476,972	\$ 3,541,700
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	3,032,724	2,895,455
Amortization of retirement security plan prepayment	154,985	154,986
Non-cash capital credits received	(1,674,065)	(1,241,815)
(Increase) decrease in assets:		
Accounts receivable, net	(2,856,010)	(131,929)
Other current assets	(40,694)	(52,779)
Increase (decrease) in liabilities:		
Accounts payable	(299,124)	219,333
Accrued taxes	119,864	92,598
Customers' deposits	(855)	(15,855)
Other current liabilities	17,046	48,434
Deferred credits	7,248	(15,101)
Postretirement benefit obligation	(62,595)	53,104
Total adjustments	<u>(1,601,476)</u>	<u>2,006,431</u>
Net cash provided by operating activities	875,496	5,548,131
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of utility plant	(5,300,587)	(6,655,654)
Decrease (increase) in materials and supplies	64,148	(349,072)
Investments in associated organizations	(18,716)	(23,608)
Proceeds from redemption of capital credits	1,541,570	1,714,402
Return of investment in associated organizations	12,500	684
Net cash used in investing activities	<u>(3,701,085)</u>	<u>(5,313,248)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (payments) on line of credit	4,000,000	(500,000)
Proceeds from mortgage notes payable	2,500,000	3,050,000
Principal payments on mortgage notes payable	(2,095,924)	(1,940,612)
Patronage capital credits retired	(1,349,218)	(1,356,193)
Retired capital credits unclaimed	4,529	6,538
Donated capital received	57,811	46,715
Actuarial gain on postretirement benefits	107,338	6,300
Net cash provided (used) by financing activities	<u>3,224,536</u>	<u>(687,252)</u>
Net increase (decrease) in cash and cash equivalents	398,947	(452,369)
CASH AND CASH EQUIVALENTS, beginning of year	<u>253,415</u>	<u>705,784</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 652,362</u>	<u>\$ 253,415</u>

(The accompanying notes are an integral part of this statement.)

2022

Notes to the financial statements

NOTE A: ORGANIZATION

Holmes-Wayne Electric Cooperative, Inc., (the Cooperative) is a non-profit corporation operating on a cooperative basis. Its primary purpose is to provide electric power and energy to its membership, which includes individuals as well as commercial and industrial businesses.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Cooperative's accounting policies conform to generally accepted accounting principles of the United States of America following the accounting procedures common to rural electrical cooperatives and as recommended by the Rural Utilities Service (RUS).

Uninsured Risk

The Cooperative maintains its cash and cash equivalents balances in multiple financial institutions located in central Ohio. Deposits in interest-bearing and non-interest-bearing accounts are collectively insured by the Federal Deposit Insurance Corporation ("FDIC") up to a coverage limit of \$250,000 at each FDIC-insured depository institution. As a result, the Cooperative may have balances that exceed the insured limit.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Electric Plant, Equipment and Depreciation

The Cooperative records improvements and additions to the distribution plant at cost using continuing property records. Retirements are removed from the asset and accumulated depreciation accounts at a standard cost, which approximates original cost, which is updated periodically.

The general plant and equipment is recorded at cost based on the unit method. Any retirements or disposals of general plant and equipment are removed at cost from the asset and accumulated depreciation.

Depreciation is provided for by the straight-line method over the estimated useful lives of the property. The provisions are determined by the use of functional composite rates as follows:

Distribution Plant	3.2%
General Plant:	
Structure and improvements	2.0 - 5.0 %
Office furniture and equipment	10.0%
Computer equipment	25.0%
Transportation equipment	14.0%
Power operating equipment	12.0%
Communications equipment	10.0%
Other general plant	10.0%

Investments

Investments in associated organizations are recorded at cost, which is the same as par value. The investments have no ready market and are included in the financial statements as long-term assets. These investments, for the most part, represent equity contributions in other cooperatives and patronage capital received from other cooperatives.

Materials and Supplies

Inventory of materials and supplies not allocated to construction in progress is valued at average cost.

Patronage Capital

Net margins arising from operations are allocated to the members in the form of capital credits based on each member's billings during the year. No portion of the current allocation is paid in cash.

Leases

The Company applies Accounting Standards Codification (ASC) 842 in the accounting for leases. The Company determines if a contract contains a lease when the contract conveys the right to control the use of identified assets for a period in exchange for consideration. Upon identification and commencement of a lease, the Company establishes a right-of-use (ROU) asset and a lease liability. The total lease term is determined by considering the initial term per the lease agreement, which is adjusted to include any renewal or termination options that the Company is reasonably certain to exercise. The Company does not recognize ROU assets and lease liabilities for leases with a term of 12 months or less. As a result of evaluating any contracts that may contain a lease, management of the Company determined that ASC 842 does not have material impact on the Company and therefore no ROU assets or lease liabilities are included in the financial statements.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, "Leases (Topic 842)," which specifies the accounting for leases. The objective is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. This ASU introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The guidance was effective for annual reporting periods beginning after December 15, 2021, and interim periods within those fiscal years. The adoption of the guidance did not have a material impact on the Company.

Income Taxes

The Cooperative is a Rural Electric Cooperative exempt from federal income taxes under Internal Revenue Code Section 501(c) (12). Accordingly, no provision for federal income taxes has been made. An informational tax return, Form 990, is prepared and filed each year with the Internal Revenue Service.

The Cooperative presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits. Interest and penalties would be recorded as operating expenses when they are incurred.

Statements of Cash Flows

For purposes of the statements of cash flows, the Cooperative considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Net cash flows from operating activities include cash payments for interest of \$1,819,902 and \$1,768,079 for the years ended December 31, 2022 and 2021, respectively. There were no payments for federal income taxes for 2022 or 2021.

NOTE C: REVENUE

Revenue from the sale of electricity is recorded monthly based on consumer electricity consumption. The Cooperative bills monthly for all consumers. Commercial consumers with capacity in excess of 15 KW have "Demand" meters and are billed based upon automated meter readings taken at the end of each calendar month. All other consumers are billed based upon self-read meter readings. Substantially all of the cooperative's consumers are located in Holmes and Wayne counties. The allowance for doubtful accounts at December 31, 2022 and 2021, was \$30,000. Bad debt expense for 2022 and 2021 was \$22,932 and \$20,347, respectively.

The Cooperative derives its revenues primarily from sales of electricity. For such revenues, the Cooperative recognizes revenues in an amount derived from the electricity delivered to customers.

The Cooperative calculates revenue earned but not yet billed based on the number of days not billed in the month, the estimated amount of energy delivered during those days and the estimated average price per customer class for that month. Differences between actual and estimated unbilled revenue are immaterial.

The performance obligation in all arrangements is satisfied over time because the customer simultaneously receives and consumes the benefits as the Cooperative delivers or sells the electricity. The Cooperative records revenue for all of those sales based upon the volume delivered, which corresponds to the amount that the Cooperative has a right to invoice.

There are no material initial incremental costs of obtaining a contract in any of the arrangements. The Cooperative does not adjust the promised consideration for the effects of a significant financing component if it expects, at contract inception, that the time between the delivery of promised goods or service and customer payment will be one year or less. The Cooperative does not have any material significant payment terms because it receives payment at or shortly after the point of sale.

The Cooperative also has various other sources of revenue including billing, collection, other administrative charges, rent of utility property, and miscellaneous revenue. It classifies such revenues as other ASC 606 revenues to the extent they are not related to revenue generating activities from leasing.

NOTE D: UTILITY PLANT

Listed below are the major classes of the electric plant as of December 31:

	2022	2021
Intangible Plant	\$ 248,131	\$ 248,131
Distribution Plant	94,611,657	88,380,639
General Plant	10,345,972	10,235,402
Electric Plant in Service	105,205,760	98,864,172
Construction Work in Progress	282,188	2,554,197
Total Utility Plant at Cost	<u>\$ 105,487,948</u>	<u>\$ 101,418,369</u>

NOTE E: INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations consisted of the following on December 31:

	2022	2021
Investments in Associated Organizations:		
Capital term certificates of the National Rural Utilities Cooperative Finance Corporation (NRUCFC)	\$ 620,608	\$ 621,336
NRUCFC member capital securities	200,000	200,000
Equity contribution with Buckeye Power, Inc.	1,209,981	1,209,981
NRUCFC membership	1,000	1,000
Cooperative Response Center membership	12,500	12,500
Heartland Emergency Equipment, Ltd.	212,315	205,371
Total investments in associated organizations	<u>\$ 2,256,404</u>	<u>\$ 2,250,188</u>

NOTE F: PATRONAGE CAPITAL FROM ASSOCIATED ORGANIZATIONS

Patronage Capital from associated organizations consisted of the following on December 31:

	2022	2021
Patronage Capital from Associated Organizations:		
Buckeye Power, Inc.	\$ 18,675,524	\$ 18,620,704
NRUCFC	207,035	200,833
National Information Solutions Cooperative	121,031	126,356
Federated Rural Electric Insurance Exchange	188,624	171,448
Cooperative Response Center membership	12,262	14,622
United Utility Supply Cooperative Corporation	484,328	422,346
Total patronage capital from associated organizations	<u>\$ 19,688,804</u>	<u>\$ 19,556,309</u>

NOTE G: LEASES

Operating Leases: The Cooperative leases land and a postage machine that expire in various years through 2027. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. Rent expense for the years ended December 31, 2022 and 2021, was \$6,968.

NOTE H: PATRONAGE CAPITAL

At December 31, 2022 and 2021, patronage capital consisted of:

	2022	2021
Assignable	\$ 2,476,972	\$ 3,541,700
Assigned	72,260,285	68,718,585
	74,737,257	72,260,285
Retired	(30,655,629)	(29,306,411)
Total patronage capital	<u>\$ 44,081,628</u>	<u>\$ 42,953,874</u>

The Cooperative's patronage capital balances represent 39 and 40 percent, of the total assets at December 31, 2022 and 2021, respectively. Capital credit retirements in the amount

NOTE H: PATRONAGE CAPITAL (continued)

of \$1,349,218 and \$1,356,193 were paid in 2022 and 2021, respectively.

The Cooperative received donated capital from members totaling \$57,811 and \$46,715 during 2022 and 2021, respectively, which is included in the patronage capital retired for the year.

Patronage capital at December 31, 2022 and 2021, includes \$23,201,311 and \$23,076,730, respectively, reinvested in Buckeye Power, Inc., which has been restricted by action of the Board of Trustees and members of the Cooperative. This patronage capital reinvested in Buckeye Power, Inc., has been separately identified on the books of the Cooperative and will not be available for retirement by the Cooperative until retired in cash by Buckeye Power, Inc.

The Cooperative makes annual contributions to the Program equal to the amounts accrued for pension expense except for the period when a moratorium on contributions is in effect. In this Plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The pension expense for 2022 and 2021 was \$853,237 and \$788,159, respectively.

All employees of Holmes-Wayne Electric Cooperative, Inc. are eligible to participate in the selected pension plan and trust defined contribution benefit plan administered by NRECA. The Cooperative contributes 1 percent of all eligible participants' base salary and wages and matches up to an additional 4 percent of a participant's voluntary contributions. The Cooperative expensed \$167,946 and \$159,477 for the years ended December 31, 2022 and 2021, respectively.

NOTE I: OTHER EQUITIES

At December 31, 2022 and 2021, other equities consisted of:

	<u>2022</u>	<u>2021</u>
Donated capital	\$ 1,389,136	\$ 1,331,325
Retired capital credits unclaimed	712,828	708,299
Total other equities	<u>\$ 2,101,964</u>	<u>\$ 2,039,624</u>

NOTE J: BENEFIT PLANS

All employees of Holmes-Wayne Electric Cooperative, Inc. participate in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program, a multi-employer defined benefit pension plan qualified under Section 410 and tax exempt under Section 501(a) of the Internal Revenue Code.

NOTE K: SHORT-TERM DEBT

The short-term line of credit of \$10,000,000 maximum is available to the Cooperative on loan commitments from NRUCFC at December 31, 2022 and 2021. The interest rate on the line of credit at December 31, 2022 and 2021, was 5.75 and 2.45 percent, respectively, with outstanding balances on the line of \$4,500,000 and \$500,000, for 2022 and 2021, respectively. Substantially all of the assets of the Cooperative are pledged for the mortgage notes payable and the line of credit. Principal and interest installments on the above notes are due either quarterly or monthly.

The Cooperative also has a corporate charge card agreement in place with US Bank and NRUCFC. The terms of the agreement state that CFC will extend the Cooperative credit, if needed, at CFC's current line of credit rate, payable upon demand by CFC.

NOTE L: LONG-TERM DEBT

Long-term debt is comprised substantially of mortgage notes payable to the United States of America (RUS & FFB) and supplemental mortgages to NRUCFC. Following is a summary of outstanding long-term debt as of December 31, 2022 and 2021:

<u>Loan</u>	<u>Fixed Interest Rate</u>	<u>Maturity Date</u>	<u>2022</u>	<u>2021</u>
RUS ADVANCE PAYMENTS UNAPPLIED			\$(109)	\$(108)
CFC	6.250%	3/14/26	131,689	170,416
CFC	6.300%	7/28/29	159,415	178,686
CFC	4.600% - 4.850%	9/23/26	319,029	405,365
CFC	4.400% - 4.950%	11/25/39	4,950,755	5,203,247
FFB	4.503%	12/31/31	457,045	497,370
FFB	4.120%	12/31/31	854,932	931,888
FFB	2.736%	12/31/31	407,328	446,721
FFB	4.269%	12/31/31	229,580	250,086
FFB	4.295%	12/31/31	461,013	502,134
FFB	3.879%	12/31/31	442,432	482,761
FFB	2.009%	12/31/34	494,870	530,986
FFB	2.231%	12/31/34	486,621	521,609
FFB	2.795%	12/31/34	504,560	539,483
FFB	4.550%	12/31/34	566,664	601,428
FFB	4.353%	12/31/34	565,886	601,082
FFB	4.543%	12/31/34	1,375,420	1,459,844
FFB	3.889%	12/31/42	4,519,437	4,666,263
FFB	3.849%	12/31/42	2,255,935	2,329,568
FFB	4.419%	12/31/42	1,616,125	1,665,462
FFB	3.873%	12/31/45	1,634,233	1,677,545
FFB	2.763%	12/31/45	1,100,588	1,134,408
FFB	2.702%	12/31/45	1,019,648	1,051,232
FFB	2.330%	12/31/45	1,314,507	1,357,245
FFB	2.421%	12/31/45	969,982	1,001,149
FFB	2.777%	12/31/45	1,865,868	1,923,099

NOTE L: LONG-TERM DEBT (continued)

Loan	Fixed Interest Rate	Maturity Date	2022	2021
FFB	2.256%	12/31/45	776,436	801,923
FFB	2.331%	12/31/48	851,296	874,860
FFB	2.813%	12/31/48	1,723,541	1,767,957
FFB	1.965%	12/31/48	1,598,522	1,645,202
FFB	2.384%	12/31/48	2,042,621	2,098,722
FFB	2.308%	12/31/48	1,555,142	1,598,335
FFB	2.791%	12/31/48	1,676,501	1,719,847
FFB	2.936%	12/31/48	902,510	925,343
FFB	2.941%	12/31/52	1,422,251	1,451,407
FFB	1.862%	12/31/52	2,812,742	2,882,141
FFB	1.175%	12/31/52	1,859,691	1,911,108
FFB	1.071%	12/31/52	1,856,783	1,908,996
FFB	1.208%	12/31/52	1,837,935	1,888,477
FFB	2.206%	12/31/52	2,948,442	3,017,076
FFB	2.067%	12/31/52	<u>2,456,573</u>	<u>-</u>
TOTAL MORTGAGE NOTES			55,024,439	54,620,363
LESS: CURRENT PORTION OF MORTGAGE NOTES			<u>2,182,000</u>	<u>2,051,000</u>
LONG-TERM MORTGAGE NOTES PAYABLE			<u>\$ 52,842,439</u>	<u>\$ 52,569,363</u>

The annual maturities of long-term debt for the next five years are as follows:

2023	\$ 2,182,000
2024	2,259,000
2025	2,319,000
2026	2,304,000
2027	2,323,000
Thereafter	<u>43,637,439</u>
	<u>\$ 55,024,439</u>

NOTE M: DEFERRED CREDITS

Deferred credits are summarized as follows:

	2022	2021
Consumer energy prepayments	\$ 1,253	\$ 1,355
Construction deposits	<u>7,350</u>	<u>-</u>
	<u>\$ 8,603</u>	<u>\$ 1,355</u>

NOTE N: COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Cooperative purchases all of its power from Buckeye Power, Inc., a non-profit corporation operating on a cooperative basis whose membership includes Holmes-Wayne Electric Cooperative, Inc. Rates for service members of Buckeye Power, Inc., are in accordance with the provisions of the Wholesale Power Agreement. The Cooperative had accounts payable due to Buckeye Power, Inc., of \$2,653,739 and \$2,494,602 at December 31, 2022 and 2021, respectively.

The Cooperative purchases material from United Utility Supply Cooperative Corporation, formerly Rural Electric Supply Cooperative, Inc., of which it is an owner and member. Total purchases were \$2,482,595 and \$2,123,973 for the years ended December 31, 2022 and 2021, respectively.

The Cooperative has an agreement with National Information Solutions Cooperative (NISC), St. Louis, Missouri, to participate

in data processing services offered by NISC. This contract will continue until terminated by written notice given by either party. The total expense under this agreement was \$202,430 and \$197,866 for the years ended December 31, 2022 and 2021, respectively.

The Cooperative borrows funds from National Rural Utilities Cooperative Finance Corporation of which it is a member and owner (see also Note J and K).

The Cooperative has an investment in Heartland Emergency Equipment, Ltd., a limited liability company (LLC). The LLC's members consist of 13 rural electric cooperatives. The purpose of the LLC is for the cooperatives to pool resources for the provision and use of emergency substation equipment. The investment balance is disclosed in Note E.

The Cooperative has an investment in Cooperative Response Center (CRC). CRC provides after-hours emergency telephone services for the Cooperative. Total fees for services were \$59,187 and \$42,447 for the years ended December 31, 2022 and 2021, respectively.

The Cooperative maintains insurance coverage through Federated Rural Electric Insurance Exchange, of which it is a member and owner. Total premiums paid were \$122,854 and \$121,328 for the years ended December 31, 2022 and 2021, respectively.

NOTE O: ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the accumulated other comprehensive loss at December 31:

	2022	2021
Accumulated other comprehensive loss, beginning of year	\$ (124,800)	\$ (131,100)
Actuarial gain on postretirement benefits	159,291	6,300
Prior service cost	(51,953)	-
Accumulated other comprehensive loss, end of year	\$ (17,462)	\$ (124,800)

NOTE P: EMPLOYEE POSTRETIREMENT BENEFITS

The Cooperative sponsors an unfunded defined benefit postretirement medical insurance plan, which covers substantially all employees retiring from the Cooperative. Such a plan requires the recording of the net periodic postretirement benefit cost as employees render services necessary to earn such benefits, and requires the accrual of the postretirement benefit obligation (including any unfunded portion of the plan).

RUS is not requiring the Cooperative to fund the plan. The Cooperative is paying benefits to retirees on a "pay-as-you-go" basis. Therefore, there are no assets available for benefits.

The following table sets forth the plan's accrued postretirement benefit obligation ("APBO") at December 31:

	2022	2021
APBO, beginning of year	\$ 721,443	\$ 668,339
Service cost	26,535	31,000
Interest cost	24,187	28,404
Prior service cost	51,953	-
Benefit payments	(5,979)	-
Amortization	-	(6,300)
Less: actual cash payments and actuarial adjustment	(159,291)	-
APBO, end of year	658,848	721,443
Less: current portion	(15,800)	(31,400)
APBO, long-term portion	\$ 643,048	\$ 690,043

Benefits expected to be paid, representing expected future service, are as follows:

2023	\$ 15,800
2024	35,074
2025	57,065
2026	80,752
2027	68,410
Thereafter	280,711

The annual health care cost trend rates, which have a significant effect on the amounts reported, are assumed as follows:

Medical / Drugs	
2022	6.88%
2023	6.63%
2024	6.30%
2025	5.88%
2026	5.53%
2027	5.18%
2028 and later	5.00%

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 4.50 percent.

NOTE Q: RETIREMENT SECURITY PLAN PREPAYMENT

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

On February 28, 2013, the Cooperative made a prepayment of \$1,549,855 to the NRECA RS Plan. The cooperative is amortizing this amount over 10 years. The Cooperative obtained a loan through NRUCFC to finance the RS Plan prepayment. Interest expense associated with the prepayment loan was accounted for in accordance with the RUS USOA.

NOTE R: OTHER RECEIVABLE

The Cooperative applied for funding from the Ohio State Disaster Relief Program related to restoration costs incurred from a wind storm that occurred in June 2022. The funding is expected to be received in 2023 and is recorded as other receivable on the balance sheet as of December 31, 2022.

NOTE S: SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2023, the date on which the financial statements were issued.

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

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 financial statements of Holmes-Wayne Electric Cooperative, Inc., as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Holmes-Wayne Electric Cooperative, Inc.'s (the Cooperative) basic financial statements, and have issued our report thereon dated February 22, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing the 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 Holmes-Wayne Electric Cooperative, Inc.'s, internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Millersburg, OH

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

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 financial statements of Holmes-Wayne Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheet as of December 31, 2022, and the related statements of revenue, patronage capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2023. In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2023, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, §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 the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting and records to indicate that the Cooperative did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over 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 trustees, 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Millersburg, OH

2023 Annual Meeting

The Holmes-Wayne Electric
Cooperative Annual Meeting of
Members will take place at:

10:00 a.m., June 29, 2023

**Baker Building at Harvest Ridge
8880 OH-39
Millersburg, OH 44654**

Agenda

1. Meeting called to order
2. Invocation
3. Chairman's report
4. Financial report
5. ORU report
6. President's report
7. Results of trustee election and
swearing in of trustees
8. Unfinished business
9. New business
10. Adjournment



Holmes-Wayne
Electric Cooperative, Inc.

A Touchstone Energy® Cooperative 