2023- 2024 Annual Report

Members First!

HANCOCK-WOOD
ELECTRIC COOPERATIVE

A Touchstone Energy® Cooperative

Hancock-Wood Electric Cooperative

news and recap of 2023 and 2024

along with

The auditors report consolidated financial statements and supplementary information

2023-24 Hancock-Wood Electric Cooperative Board of Trustees

A POWERFUL VALUE FOR 86 YEARS

HISTORY

The countryside was left in the dark in the early 1930s, even though electricity was common in cities across the nation. Most rural residents were farmers who had to pump water by hand, see at night by oil lamps, and heat food and homes with wood or coal stoves. It was a labor-intensive life. Despite farmers' pleas, privately owned power companies would not extend electric service to rural areas because they claimed houses were too far apart and farmers would not use enough electricity to make it profitable.

The Rural Electrification Administration was formed in 1935 to administer a program that would encourage companies to extend power to rural areas by offering low-interest loans. Even with such attractive financing, private companies did not get involved.

Instead, farmers formed cooperatives to do the job themselves. In northwest Ohio, organizers started a drive to get electricity in 1937. Hancock-Wood was founded April 20,1938, and the first lines were electrified in 1939.

Since then, the co-op has grown and membership has become plentiful and diverse. Hancock-Wood Electric Cooperative now spans 1,700 miles of line, serving more than 13,000 members and residential, business and non-profit accounts in 10 counties, including portions of Hancock, Wood, Allen, Erie, Hardin, Henry, Putnam, Sandusky, Seneca and Wyandot counties. Throughout its history, the cooperative has offered reliable, affordable services, supported economic development through infrastructural and community investment, and contributed to local causes within the communities it serves to make a positive impact within the communities it serves.

Hancock-Wood Electric Cooperative, 1399 Business Park Dr. S., P.O. Box 190, North Baltimore, Ohio 45872
Call us at 800-445-4840 • Visit us at hwe.coop •

EXECUTIVE MESSAGES- watch virtual annual meeting here

Gene Barker
Board Chairman

I am happy to announce your Hancock-Wood Electric Cooperative board had another successful year which consisted of holding 12 regular board meetings, passing 33 resolutions, and calling 7 special pr committee meetings.

Strategic Planning Updates
The board of trustees worked with our statewide Ohio's Electric Cooperative to facilitate and create a new strategic plan to help move out cooperative forward.

ACSI

- ACSI is the American Customer Satisfaction Index. We partner with the National Rural Electric Cooperative to conduct this annual survey and we are happy to share. In 2023 we received a score of 86 from our members.
- Our score was higher than the all-Ohio average score
- This provides us with insights on improvements we can make at our cooperative and what members like about Hancock-Wood Eclectic. This survey typically takes place in May, and we would like to thank all the members who participated this past year.

Patronage Capital

- One of the Cooperative Principles is Members' Economic Participation. Members contribute equitably to, and democratically control, the capital of this cooperative
- With that in mind, the Board approved to return over $3.1M in patronage to members in 2023.
- This is the largest patronage return to out members in over 25 years.
- Members can see this return on their bills as a credit in December

Economic Development

- Completed a comprehensive review of the code of regulations and amended the code as needed to better support partner's mission.
- Partnership between Nooter, Delventhal Construction, and HWE Partners completed a 100,000 square foot industrial facility on 39-acres, right off I-75 in North Baltimore, just minutes from the CSX intermodal Terminal. The Building and site are being marketed by the regional growth partnership and Jobs Ohio. The group has contracted with a private relator group for the sale or lease of the property.
- HWE partners continues to explore all options and utilizing the USDA REDLG program. The group established a revolving loan fund with the funds that are being repaid by the Northwest Hancock Joint Fire District form the Rural Economic Development Grant, awarded in December of 2022.

I want to thank you for allowing me to serve as board chairman and as a trustee representing District 4

Gene R Barker

Gene Barker
Board Chairman, Hancock-Wood Electric Cooperative

William Barnhart
President and CEO

I am thankful for the support I have received during the past 12 months from the board of Trustees, our employees, and my family. The past twelve months can be defined as "change". Even with the pressures caused by change, your dedicated cooperative employees continued to put members first and worked to provide safe and reliable electric service.

Safety Improvement Plan

- Every year, Hancock Wood evaluates its safety programs, establishes new objectives and records these gals in our Safety Improvement Plan or SIP. The Hancock-Wood team did an amazing job completing the 2023 SIP goals.
- The team also surpasses out previous record of 7 years, 1 month and 16 days without a lost time accident, and we are still going strong.

Reliability

- Hancock-Wood's primary goal is to deliver the highest possible quality of electric service, safely, and at a fair price.
- In 2023, the average member experienced slightly less than 1 outage and a total of 70 outage minutes for the year.
- Hancock Wood crews responded quickly and safely to address outage issues. Even though our electrical system totals almost 1,587 miles of line and covers ten counties, the average length of an outage was only 81 minutes. When compared to our five-year averages, members experienced ½ as much outage time.

Political Action

- The cooperative continues to be politically active through America's Electric Cooperative PAC, voicing our concerns about reliability of the electric grid and rising costs.
- Cooperative representatives attended Legislative events in Washington DC and at the Ohio Statehouse, to discuss our concerns over power reliability and the impact it will have to our community.
- Overreaching and unreasonable environmental regulations are proposed that will result in unnecessarily high costs and provide only minimal environmental benefits.
- Your cooperative will continue to advocate for common sense energy policies and challenge poorly conceived and harmful policies.

We strive every day to serve our members by keeping the lights on and rates affordable for our membership.

William Barnhart

William Barnhart
President and CEO, Hancock-Wood Electric Cooperative


EXIT


NRECA
Duane T. Fry
Board Leadership Program


THANK YOU!
thank you
FOR THE
HIGH
MARKS
SATISFACTION
MEDIUM
2023
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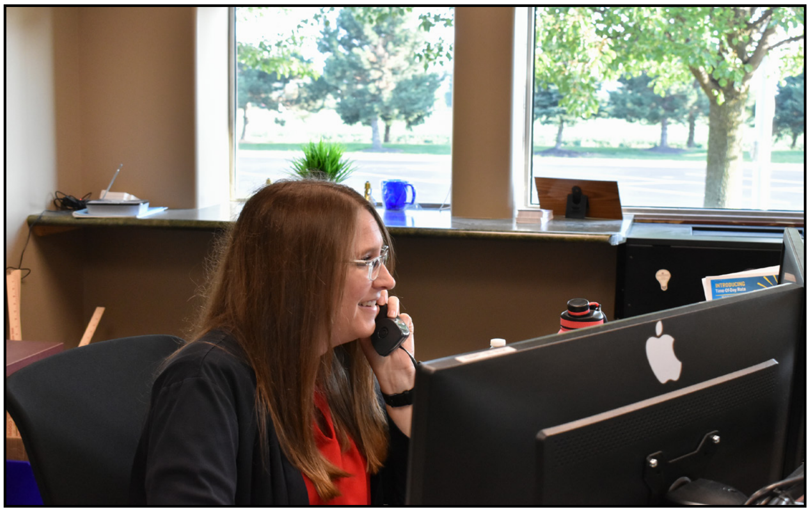
Hancock-Wood Electric Cooperative, Inc.
ACSI


VERSALIFT
RELIABILITY
ENERGY
SERVICE
RELIABILITY


Ryan
COOPERATIVE


I pledge allegiance
to the flag of the
United States of
America, and to the



Hancock-Wood Electric Cooperative, 1399 Business Park Dr. S., P.O. Box 190,
North Baltimore, Ohio 45872

Call us at 800-445-4840 • Visit us at www.hwe.coop • Find us on Facebook and Twitter

Hancock-Wood Electric Cooperative is just that - a cooperative organization. Our partners help us to provide services in a more effective and efficient manner. Because of this, we thank the following industry leaders that help shape the words "electric cooperative" into an entity you can trust.

National Rural Electric Cooperative Association
Touchstone Energy Cooperatives
Ohio's Electric Cooperatives
Cooperative Action Network
Youth Tour
CoBank (a cooperative lending institution)

Hancock-Wood Electric Cooperative, Inc.
and Subsidiary

Consolidated Financial Statements
with
Additional Information

Years Ended March 31, 2024 and 2023

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

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CPAS ADVISORS

Independent Auditor's Report

To the Board of Directors
of Hancock-Wood Electric Cooperative, Inc. and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary, which comprise the consolidated balance sheets as of March 31, 2024 and 2023, and the related consolidated statements of revenue, consolidated statements of changes in members' equity, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hancock-Wood Electric Cooperative, Inc. and Subsidiary as of March 31, 2024 and 2023, 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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary'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 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 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, 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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary'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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary'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.

Supplementary Information

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information provided on pages 23-28 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated May 28, 2024 on our consideration of Hancock-Wood Electric Cooperative, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
May 28, 2024

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
March 31, 2024 and 2023

	2024	2023
ASSETS		
UTILITY PLANT IN SERVICE, NET	$ 108,996,019	$ 105,924,221
INVESTMENTS	22,888,281	22,087,930
DEFERRED ASSETS	181,165	224,727
GOODWILL	731,892	731,892
CURRENT ASSETS		
Cash and cash equivalents	5,090,481	4,880,185
Accounts receivable, consumer, less allowance for doubtful accounts of $223,605 for 2024 and $191,904 for 2023	5,021,596	4,050,419
Materials and supplies	1,403,792	1,468,897
Prepaid expenses	2,045,556	3,075,783
Income tax receivable	24,800	-
TOTAL CURRENT ASSETS	13,586,225	13,475,284
TOTAL ASSETS	$ 146,383,582	$ 142,444,054
MEMBERS' EQUITY AND LIABILITIES		
LONG-TERM DEBT, less current portion	$ 52,906,947	$ 51,636,966
FINANCE LEASE OBLIGATIONS, less current portion	278,099	285,511
RETIREMENT BENEFITS OTHER THAN PENSIONS	2,087,178	2,118,813
DEFERRED TAX OBLIGATONS	205,444	224,128
MEMBERS' EQUITY		
Patronage capital/retained earnings	82,503,899	79,551,772
TOTAL MEMBERS' EQUITY	82,503,899	79,551,772
CURRENT LIABILITIES		
Accounts payable	2,957,573	3,189,457
Accrued expenses	752,850	722,936
Customer prepaid liabilities	532,374	479,097
Current portion of long-term debt	2,177,292	2,376,793
Current portion of finance lease obligations	136,461	112,596
Accrued taxes	1,626,399	1,525,140
Customer deposits	219,066	220,845
TOTAL CURRENT LIABILITIES	8,402,015	8,626,864
TOTAL MEMBERS' EQUITY AND LIABILITIES	$ 146,383,582	$ 142,444,054

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE
Years Ended March 31, 2024 and 2023

	Amount		Percent	
	2024	2023	2024	2023
OPERATING REVENUES	$ 55,999,520	$ 55,190,559	100.0	100.0
OPERATING EXPENSES				
Purchased power/cost of sales	33,278,663	33,682,349	59.5	61.0
Operations	2,760,216	2,615,400	4.9	4.7
Maintenance	1,775,847	1,765,043	3.2	3.2
Customer account expense	670,435	504,141	1.2	0.9
Administrative and general expense	5,772,952	5,728,834	10.3	10.4
Depreciation	4,393,331	4,238,946	7.9	7.7
Taxes other than income taxes	1,470,005	1,489,422	2.6	2.7
Income taxes				
Deferred	8,641	67,195	0.0	0.1
Currently payable	25,531	-	0.0	0.0
TOTAL OPERATING EXPENSES	50,155,621	50,091,330	89.6	90.7
OPERATING MARGINS BEFORE OTHER ITEMS	5,843,899	5,099,229	10.4	9.3
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,727,448	1,629,953	3.1	2.9
Interest expense	(1,971,509)	(1,984,803)	(3.5)	(3.6)
TOTAL OTHER OPERATING ITEMS, NET	(244,061)	(354,850)	(0.4)	(0.7)
OPERATING MARGINS	5,599,838	4,744,379	10.0	8.6
NON-OPERATING ITEMS, NET				
Gain (loss) on disposition and exchange of property and equipment	20,790	21,407	0.0	0.0
Interest and dividend revenue	208,220	100,853	0.4	0.2
All other, net	2,177	(42,905)	0.0	(0.1)
TOTAL NON-OPERATING ITEMS, NET	231,187	79,355	0.4	0.1
NET MARGINS	$ 5,831,025	$ 4,823,734	10.4	8.7

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended March 31, 2024 and 2023

	Amount		Percent	
	2024	2023	2024	2023
NET MARGINS	$ 5,831,025	$ 4,823,734	10.4	8.7
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on postretirement benefit obligation	(68,674)	711,610	(0.1)	1.3
COMPREHENSIVE INCOME	$ 5,762,351	$ 5,535,344	10.3	10.0

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years Ended March 31, 2024 and 2023

	Total	Patronage Capital Assigned	Patronage Capital Assignable	Donated Capital	Unallocated Margins	Accumulated Other Comprehensive Income	Retained Earnings
BALANCE, March 31, 2022	$ 76,360,728	$ 74,868,950	$ (4,456,157)	$ 1,861,440	$ 1,468,244	$ (689,227)	$ 3,307,478
Net margins	4,823,734	-	4,672,507	-	-	-	151,227
Transfers at 12/31/2022	-	3,786,405	(3,265,180)	-	(521,225)	-	-
General retirement of capital credits	(2,371,991)	(2,360,459)	-	-	-	-	(11,532)
Estates	(213,158)	(328,282)	-	115,124	-	-	-
Voided capital credit	240,849	-	240,849	-	-	-	-
Unrecognized postretirement benefit cost	711,610	-	-	-	-	711,610	-
BALANCE, March 31, 2023	$ 79,551,772	$ 75,966,614	$ (2,807,981)	$ 1,976,564	$ 947,019	$ 22,383	$ 3,447,173
Net margins	5,831,025	-	5,820,235	-	-	-	10,790
Transfers at 12/31/2023	-	3,812,230	(3,927,601)	-	115,371	-	-
Retirement of capital credits/dividends	(2,880,408)	(2,871,663)	-	-	-	-	(8,745)
Estates	(225,751)	(341,406)	-	115,655	-	-	-
Voided capital credits	295,935	-	295,935	-	-	-	-
Unrecognized postretirement benefit cost	(68,674)	-	-	-	-	(68,674)	-
BALANCE, March 31, 2024	$ 82,503,899	$ 76,565,775	$ (619,412)	$ 2,092,219	$ 1,062,390	$ (46,291)	$ 3,449,218

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from consumers	$ 55,001,018	$ 55,198,483
Cash paid to suppliers and vendors	(44,737,767)	(47,362,180)
Interest and dividends received	208,220	100,853
Interest paid	(1,971,509)	(1,984,803)
Income taxes paid	(50,331)	-
All other, net	2,177	(42,905)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,451,808	5,909,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of utility plant in service, net	(7,573,652)	(6,042,585)
Proceeds from sale of utility plant in service	129,313	176,159
Purchase of deferred assets	(979)	(28,844)
Purchase of investments	(288,000)	-
Proceeds from sale/redemption of investments	1,215,097	1,659,535
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(6,518,221)	(4,235,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on borrowings	(2,689,520)	(2,006,895)
Borrowings of long-term funds	3,760,000	4,600,000
Borrowings on capital lease obligations	129,878	-
Repayments on capital lease obligations	(113,425)	(128,292)
Retirement of capital credits/dividends	(2,810,224)	(2,344,300)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,723,291)	120,513
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	210,296	1,794,226
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,880,185	3,085,959
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,090,481	$ 4,880,185

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2024 and 2023

	2024	2023
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net margins	$ 5,831,025	$ 4,823,734
Non-cash items		
Depreciation	4,393,331	4,238,946
Amortization	44,541	143,829
Patronage revenue / non-cash revenue	(1,727,448)	(1,629,953)
(Gain) loss on sale or exchange of property and equipment	(20,790)	(21,407)
Deferred tax benefit	8,641	67,195
Decrease (increase) in assets		
Accounts receivable, consumer	(998,502)	7,924
Materials and supplies	65,105	202,146
Income tax receivable	(24,800)	-
Prepaid expenses	1,030,227	(2,689,488)
Increase (decrease) in liabilities		
Accounts payable	(231,884)	397,541
Customer deposits	(1,779)	1,669
Customer prepaid liabilities	53,277	154,576
Post retirement expense	(100,309)	(60,293)
Accrued expenses	131,173	273,029
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 8,451,808	$ 5,909,448

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended March 31, 2024 and 2023

1. Summary of significant accounting policies

The significant accounting policies followed by Hancock-Wood Electric Cooperative, Inc. and Subsidiary are summarized below.

Principles of consolidation – The accompanying consolidated financial statements reflect the consolidated accounts of Hancock-Wood Electric Cooperative, Inc. (the "Cooperative" or "HWE") and its wholly-owned subsidiary, Prism Solutions, Inc. ("Solutions"), collectively the "Company". Solutions wholly owns Prism Propane Services of Ohio, LLC ("Propane"). All significant intercompany transactions have been eliminated.

Nature of operations – HWE is a not-for-profit rural electric membership cooperative, engaged principally in the distribution and sale of electricity in Hancock, Wood and nine surrounding counties in Northwest Ohio. The Subsidiary is a for-profit corporation engaged in the distribution of propane gas and related products.

Accounting records – HWE maintains its books and records in accordance with policies prescribed or permitted by the United States Department of Agriculture Rural Utilities Services (RUS). The applicable uniform system of accounts prescribed by these regulatory bodies conform in all material respects with accounting principles generally accepted in the United States of America (GAAP) as applied to rate regulated utilities.

Use of estimates – The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates include, but are not limited to, allowance for doubtful accounts, long-lived asset impairment, unbilled revenue, the effects of regulation, and long-lived asset recovery. The estimates and assumptions used are based on management's evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could ultimately differ from those estimates.

Utility plant – Distribution plant is stated at original cost. Such cost includes materials and supplies, direct and indirect labor, allocable overhead, and asset retirement costs. Upon the partial sale or retirement of distribution plant assets, the original asset cost and current disposal costs less sales proceeds, if any, are charged or credited to accumulated depreciation. In accordance with industry practice, no profit or loss is recognized in connection with normal sales and retirements of property units. General plant is stated at fair market value at acquisition plus the original cost of property acquired or constructed since the acquisition, less disposals. Additions, major replacements and betterments are added to the plant accounts. Maintenance and repair costs are charged to expense as incurred. Both distribution and general plant do not include capitalized interest during construction. Although the capitalization of interest during construction is GAAP, the effect on the consolidated financial statements is immaterial.

1. Summary of significant accounting policies (continued)

Depreciation – Depreciation is recorded on the composite basis for distribution plant and the unit basis for general plant, and is charged to capital and operating accounts at rates adopted by the Board of Directors. HWE's straight-line depreciation rates are as follows: distribution plant, 2.7 - 3.2%; transmission plant, 2.75%; structures and improvements, 2.0 - 20.0%; transportation equipment, 12.5 - 14.28%; office furniture and fixtures, 6.66 - 33.33%; and other general plant, 3.6 – 6.0%.

Goodwill – In 1998, the acquisition of a 50% interest in Propane resulted in the recognition of goodwill in the amount of $731,892. An annual assessment for impairments is performed as of the balance sheet dates. Based on this analysis, management determined that goodwill was not impaired as March 31, 2024 and 2023.

Cash and cash equivalents – HWE considers all short-term deposits and highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. Cash and cash equivalents consist of demand deposits and money market funds. At times such investments may be in excess of the FDIC insurance limits.

Accounts receivable customer – Customer accounts receivable include receivables from the sales to its electric and propane customers. Credit is extended based on evaluation of a customer's financial condition; sometimes a deposit is required based on these evaluations. Accounts receivable are due within 30 days and are stated net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. Interest is not charged on delinquent account balances. Management determines its allowance by considering a number of factors, including previous loss history, the customer's current ability to pay its obligation and the condition of the general economy and industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments are subsequently received on such receivables are credited to the allowance of doubtful accounts.

Investments in associated organizations – Investments in associated organizations are carried at cost plus the share of patronage capital credits allocated, reduced by distributions received.

Materials and supplies – Materials and supplies include items used in the distribution of energy to consumers and propane gas inventories. They are carried at average cost.

Deferred charges – Deferred charges represent costs incurred, which are chargeable to future periods. These costs are amortized to operations by the straight-line method over the period of benefit. See Note 7 for further information.

Patronage capital – HWE is operated on a cooperative not-for-profit basis for the mutual benefit of its members. Accordingly, annual operating revenues, in excess of the cost of providing service, are allocated in the form of capital credits to the member's capital accounts on the basis on patronage.

1. Summary of significant accounting policies (continued)

Revenue recognition – HWE has adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers ("Contract Revenue"). Under Contract Revenue, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the HWE and subsidiary expects to be entitled to receive in exchange for goods or services. The adoption of the Contract Revenue standard did not result in any prior period adjustments. See Note 14 for further information on Contract Revenue

Taxes on revenue producing transactions – It is the Company's policy to show revenues as net income on the Consolidated Statements of Revenue after sales tax payments to government entities.

Income taxes – HWE operates as a not-for-profit organization as provided for in Section 501(c)(12) of the Internal Revenue Code, and therefore, is exempt from income taxes. Solutions is a for profit corporation and as such, files a Form 1120 corporate income tax return annually. As such, a provision has been made for deferred income taxes for Solutions. See Note 11 for further information on income taxes.

Accounting for uncertain tax positions – The Company follows "Accounting for Uncertainty in Income Taxes." The generally accepted accounting principal provides detailed guidance for the consolidated financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. The accounting principal requires an entity to recognize the consolidated financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the Company does not believe they are taking any uncertain tax positions.

Advertising – Advertising costs are expensed when incurred and were $15,952 and $14,589 for 2024 and 2023, respectively

Subsequent events – Subsequent events have been evaluated through May 28, 2024,the date of which the consolidated financial statements were available to be issued.

2. Utility plant in service, net

Utility plant in service consists of the following:

	2024	2023
Cost		
General plant	$ 23,118,121	$ 22,752,707
Transmission plant	414,062	414,062
Distribution plant	110,961,499	108,294,954
Propane property and equipment	10,067,196	9,386,807
Construction in progress	4,417,710	2,104,128
Total cost	148,978,588	142,952,658
Accumulated depreciation	39,982,569	37,028,437
UTILITY PLANT IN SERVICE, NET	$ 108,996,019	$ 105,924,221

The aggregate depreciation charged to operations was $4,393,331 for 2024 and $4,238,946 for 2023. The depreciation policies followed by the Company are described in Note 1.

Utility plant in service is pledged to secure long-term debt as described in Note 5.

3. Investments in associated organizations

Investments in associated organizations consist of the following:

	2024	2023
Patronage capital		
Buckeye Power, Inc.	$ 20,425,047	$ 19,938,809
National Rural Utilities Cooperative Finance Corporation (CFC)	235,795	242,668
Rural Electric Supply Cooperative	150,377	132,623
CoBank	614,371	617,741
Federated Rural Electric Insurance Exchange	271,467	260,967
Capital term certificates issued by CFC	629,442	629,977
All other	561,782	265,145
TOTAL INVESTMENTS	$ 22,888,281	$ 22,087,930

The accounting policies for recognition of patronage revenue are described in Note 1.

Investments are pledged to secure long-term debt as described in Note 5.

4. Fair value measurement

The Company follows generally accepting accounting principles relating to accounting for fair value measurements and disclosures. These principles define fair value, establish a framework for measuring fair value and expand disclosures on fair value measurements. Disclosure is required surrounding the various inputs that are used in determining the fair value of the Company's investments. These inputs are summarized into three broad levels listed below.

Level 1 - quoted prices in active markets for identical securities

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)

Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments.)

Investments in other entities are unsecured and measured using level 3 inputs. Factors such as historical and project financial results economic conditions, financial conditions of investee, and other factors and events subject to change are considered in the determination of fair value. Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

Investments held at March 31, 2024 and 2023, valued at $22,888,281 and $22,087,930, respectively, are valued with level 3 inputs, due to the nature of the investment (investments in other cooperatives/associations). No gains or losses have been recognized for the period on the level 3 investments. Increases resulting from patronage totaled $1,727,448 and $1,629,953 for the years ended March 31, 2024 and 2023, respectively. Increases resulting from additional purchases totaled $288,000 and $0 for the years ended March 31, 2024 and 2023, respectively. Redemptions of level 3 investments totaled $1,215,097 and $1,659,535 for the years ended March 31, 2024 and 2023, respectively.

5. Long-term debt

Long-term debt consists of the following:

	2024	2023
1.753% - 5.22% notes, payable to RUS in quarterly installments of approximately $600,000, including interest, with final maturities ranging from 2036 to 2052. Secured by all assets.	$ 38,289,932	$ 36,690,182
2.99% - 6.30% notes, payable to CoBank in quarterly and monthly installments of approximately $46,000 and $150,000, including interest, with final maturities ranging from 2023 to 2039. Secured by all assets.	16,140,144	16,975,003
6.60% note, payable to CFC in quarterly installments of approximately $19,000, including interest, with final maturity in 2029. Secured by all assets.	294,163	348,574
0% notes, issued by United States Department of Agriculture ("USDA"), Rural Economic Grant Program and Hancock-Wood Electric Economic Development Partners, Inc. Grants are not required to be repaid as long as funds continue to be used for approved projects.	360,000	-
Total long-term debt	55,084,239	54,013,759
Less current portion	2,177,292	2,376,793
LONG-TERM DEBT, less current portion	$ 52,906,947	$ 51,636,966

The future maturities of long-term debt are as follows:

2024	$ 2,177,292
2025	2,299,347
2026	2,393,278
2027	2,488,216
2028	2,553,307
Thereafter	43,172,799

Unadvanced long-term loan fund are available to HWE from RUS in the amount of $17,060,000.

HWE maintains a perpetual line of credit with CFC in the amount of $3,850,000 bearing an interest rate of 7.25% and 6.50% at March 31, 2024 and 2023, respectively. There was no outstanding balance at March 31, 2024 and 2023.

5. Long-term debt (continued)

HWE also has a line of credit with CoBank with a maximum borrowing capacity of $4,000,000. The outstanding balance was $0 and $0 at March 31, 2024 and 2023, respectively. The interest rate was 7.39% and 6.814% at March 31, 2024 and 2023, respectively. The line of credit matures on January 31, 2025.

Propane has a line of credit with CoBank with a maximum borrowing capacity of $1,700,000. The outstanding balance was $0 and $0 at March 31, 2024 and 2023, respectively. The interest rate was 7.39% and 6.814% at March 31, 2024 and 2023, respectively. The line of credit matures on January 31, 2025.

6. Finance lease obligations

HWE and Propane has leased certain equipment with CoBank. During the year ended March 31, 2023, HWE and Propane adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) to account for these transactions as finance leases using the cumulative effect which did not result in a prior period adjustment. These leases have an original term ranging from 60 months to 84 months.

Total cost of the equipment financed was approximately $775,563 and $838,312 as of March 31, 2024 and 2023, respectively. Accumulated depreciation was $450,244 and $514,473 as of March 31, 2024 and 2023, respectively. Finance leases are included in utility plant in service, net, on the balance sheet. The components of lease expense are as follows:

	2024	2023
Finance lease cost		
Amortization of right-of-use assets	$ 146,279	$ 145,474
Interest on lease liabilities	11,658	11,826
Total finance lease cost	$ 157,937	$ 157,300

Supplemental cash flow information related to leases is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ 11,658	$ 11,826
Financing cash flows from finance leases	113,425	128,292

The weighted average remaining lease term is 3 years. The weighted average discount rate is 2.6%.

6. Finance lease obligations (continued)

The future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of March 31, 2024 are as follows:

Year Ended March 31,		
2025	$	137,155
2026		109,243
2027		104,793
2028		76,112
2029		16,208
Thereafter		-
Total future minimum lease payments		443,511
Less amounts representing interest		28,951
Present value of net minimum lease payments		414,560
Less current portion of capital lease obligations		136,461
Long-term capital lease obligations	$	278,099

7. Deferred charges and credits

The following is a summary of deferred charges and credits as of March 31:

		2024		2023
Prepaid pension	$	-	$	2,616
Work plan and system studies		181,165		222,111
TOTAL DEFERRED CHARGES	$	181,165	$	224,727

The prepaid pension was being amortized over ten years on the straight-line method, and was fully amortized during the year. Work plan and system studies are being amortized over the life of the plan, from four years to ten years. Deferred charges are amortized to operations.

8. Retirement plans

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

8. Retirement plans (continued)

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

HWE and Propane contributions to the RS Plan in 2024 and in 2023 represented less than 5 percent of the total contributions made to the plan by all participating employers. HWE and Propane made contributions to the plan of approximately $836,500 in 2024 and $805,100 in 2023.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80% funded on both January 1, 2024 and 2023 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participants in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a company'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. The prepayment amount will typically equal approximately 2.5 times a company's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most companies the billing rate is reduced 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 expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period.

In addition, HWE also participates in the NRECA 401(k) plan, a multi-employer defined contribution plan. All employees who have been employed in excess of one full month are eligible to participate in the contributory plan. HWE makes matching contributions up to 5% for all eligible employees hired prior to June 1, 2007 after six full months of employment. HWE also makes matching contributions up to 6% for all eligible employees hired on or after June 1, 2007. HWE's contribution expense was $221,573 and $205,415 for 2024 and 2023, respectively.

9. Postretirement benefits other than pensions

HWE sponsors an unfunded defined benefit postretirement medical insurance plan, which covers substantially all employees retiring from HWE who were hired prior to January 1, 2004. The accounting for the health care plan anticipates future cost-sharing equal to 30% of the premium cost paid by the employee. A study was last prepared as of March 31, 2024.

The accumulated postretirement benefit obligation was $2,087,178 and $2,118,813 at March 31, 2024 and 2023. The accumulated other comprehensive income (loss) was $(46,291) and $22,383 at March 31, 2024 and 2023. The accrued benefit cost of $2,040,887 and $2,141,196 as of March 31, 2024 and 2023. The plan assets were $0 for 2023 and 2022. The following table details the net periodic benefit cost for 2024 and 2023.

	2024	2023
Service cost	$ 31,729	$ 48,791
Interest cost	105,620	94,277
Net prior service cost amortization	(121,100)	(121,100)
Net loss / (gain) amortization	9,418	42,628
Net periodic benefit cost	$ 25,667	$ 64,596

Amounts recognized in the current period as comprehensive income include the following:

	2024	2023
Net actuarial gain / (loss)	$ 43,008	$ 790,082
Amortization of gain / (loss)	9,418	42,628
Prior service amortization	(121,100)	(121,100)
Net periodic benefit cost	$ (68,674)	$ 711,610

Amounts recognized in accumulated other comprehensive income include the following:

	2024	2023
Net actuarial loss / (gain)	$ 260,891	$ 313,317
Net prior service cost / (credit	(214,600)	(335,700)
Net periodic benefit cost	$ 46,291	$ (22,383)

9. Postretirement benefits other than pensions (continued)

The estimated net loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost of the next year is $5,125. The estimated prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year is ($121,100).

The study used a weighted average discount rate of 5.60% at March 31, 2024 and 5.30% at March 31, 2023. For measurement purposes, a 9.90% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2024. The rate was assumed to gradually decrease to 4.75% in the year 2032 and remain at that level thereafter.

The following benefit payments, which reflect expected future service, are expected to be paid to the plan participants: 2025 - $138,311; 2026 - $116,028; 2027 - $133,094; 2028 - $127,940; 2029 - $125,288; 2030-2034 - $628,062.

Mortality rates used in the study were: Healthy - Pri-2012 (headcount-weighted) tables, projected generationally with Scale MP-2021 and Disabled – Pri-2012 disabled annuitant tables, projected generationally with Scale MP-2021.

10. Commitments

At times, Propane may enter into various propane supply agreements requiring purchase of specified quantities of propane. At March 31, 2024, Propane has contracts to purchase propane, which require the purchase of 1,300,000 gallons of propane at prices ranging from $0.760 per gallon to $0.665 per gallon. These contracts also required a deposit of $0.05 per gallon to be purchased, which Propane recorded as a prepaid asset in the balance sheet.

HWE is committed to purchase its electric power and energy requirements from Buckeye Power, Inc. under a wholesale power supply contract expiring in year 2057. The rates paid for such purchases are subject to review annually.

11. Income taxes

Solutions operates as a for profit corporation. The net deferred tax liabilities recorded at March 31, 2024 and 2023 are comprised of temporary timing differences resulting from differences between book and tax depreciation and the allowance for doubtful accounts.

The deferred tax assets (liabilities) are as follows at March 31:

	2024	2023
Property and equipment	$ (280,140)	$ (249,804)
Net operating loss carryforward	58,554	8,996
Allowance for doubtful accounts	16,142	16,680
DEFERRED TAX LIABILITY	$ (205,444)	$ (224,128)

HWE and Solutions have open tax years for 2023, 2022, and 2021 for income tax filings. No interest or penalties related to income tax are included in these financial statements.

12. Concentrations of credit risks

HWE provides electric service in portions of 10 northwest Ohio counties with its customers representing residents and local businesses. A deposit is required before services are rendered for potential members with inadequate credit ratings, and for existing customers if disconnection occurs. Such deposits are applied to any amounts owed to the Cooperative in the event of non-payment.

Developers and certain potential customers are required to deposit the estimated construction cost to serve locations when there is no guarantee of immediate electric revenue from the areas served. All or part of the amount deposited is returned when there is new electric revenue from the area served.

13. Specialized labor concentration

HWE employes 42 people full time and 2 part time, of which 28 are represented under union contract. The current contract expires on February 28, 2026.

14. Revenue recognition

Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company has elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Nature of products and services

Revenue for HWE is generated primarily from electric services delivered to customers. These contracts contain a single performance obligation, the delivery of electricity, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration.

Propane earns revenues primarily through the sale of propane to residential and commercial customers and propane cylinders used in industrial applications. Additionally, Propane earns revenue through ancillary activities including line locating, maintenance charges, part sales, and similar services. Revenues are recognized at a point-in-time based on management's best depiction of when title, ownership and risk of loss pass to the customer. For propane and propane cylinder sales this generally occurs upon delivery of the product to the customer's on-site storage location. Revenues from any miscellaneous activities are recognized upon completion of the job or delivery of the product.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. HWE records unbilled receivables when revenue is recognized prior to invoicing and are included in accounts receivable. As of March 31, 2024 and 2023, HWE had unbilled revenues of $4,045,793 and $2,142,803, included in accounts receivable, respectively.

14. Revenue recognition (continued)

Propane customers may participate in the Company's "pre-buy" program which provides for the prepayment, at a fixed price, for future deliveries of propane. The Company does not consider this to take the form of a significant financing component given that the timing for future deliveries of propane are generally not in excess of one year form the time of the prepayment. Upon receipt of the prepayment from customers participating in the "pre-buy" program, the Company recognizes a corresponding liability for future deliveries. As of March 31, 2024 and 2023, the contract liability associated with the "pre-buy" program and prepaid propane are $532,374 and $479,097, respectively. The following table provides operating revenues disaggregated for the years ended March 31, 2024 and 2023.

	2024	2023
Residential electric	$ 24,714,703	$ 23,287,327
Commerical electric	25,970,799	25,554,567
Residential propane	3,277,076	4,246,281
Commercial propane	511,737	607,541
Propane cylinder	935,687	958,779
Other revenues	589,518	536,064
TOTAL REVENUES	$ 55,999,520	$ 55,190,559

ADDITIONAL INFORMATION

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2024 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
ASSETS					
UTILITY PLANT IN SERVICE, NET	$ 108,996,019	$ -	$ 105,419,958	$ -	$ 3,576,061
INVESTMENTS	22,888,281	(4,262,892)	25,564,425	1,574,666	12,082
DEFERRED ASSETS	181,165	-	181,165	-	-
GOODWILL	731,892	-	-	731,892	-
CURRENT ASSETS					
Cash and cash equivalents	5,090,481	-	3,486,214	7,000	1,597,267
Accounts receivable, consumers	5,021,596	(52,125)	4,884,407	-	189,314
Materials, supplies and inventories	1,403,792	-	1,209,821	-	193,971
Prepaid expenses	2,045,556	-	1,908,526	-	137,030
Income tax receivable	24,800	-	-	24,800	-
TOTAL CURRENT ASSETS	13,586,225	(52,125)	11,488,968	31,800	2,117,582
TOTAL ASSETS	$ 146,383,582	$ (4,315,017)	$ 142,654,516	$ 2,338,358	$ 5,705,725

See independent auditors' report.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2024 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
EQUITIES AND LIABILITIES					
LONG-TERM DEBT, less current portion	$ 52,906,947	$ -	$ 51,777,741	$ -	$ 1,129,206
FINANCE LEASE OBLIGATIONS, less current portion	278,099	-	105,013	-	173,086
RETIREMENT BENEFITS OTHER THAN PENSIONS	2,087,178	-	2,087,178	-	-
DEFERRED TAX	205,444	-	-	205,444	-
PATRONAGE CAPITAL AND OTHER EQUITIES	82,503,899	(4,262,892)	81,117,376	2,079,420	3,569,995
CURRENT LIABILITIES					
Accounts payable	2,957,573	-	2,917,727	-	39,846
Accrued expenses	752,850	(52,125)	686,649	53,494	64,832
Customer prepaid liabilities	532,374	-	-	-	532,374
Current portion of long-term debt	2,177,292	-	2,125,986	-	51,306
Current portion of finance lease obligations	136,461	-	64,271	-	72,190
Accrued taxes	1,626,399	-	1,626,399	-	-
Customer deposits	219,066	-	146,176	-	72,890
TOTAL CURRENT LIABILITIES	8,402,015	(52,125)	7,567,208	53,494	833,438
TOTAL EQUITIES AND LIABILITIES	$ 146,383,582	$ (4,315,017)	$ 142,654,516	$ 2,338,358	$ 5,705,725

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HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2024 CONSOLIDATED STATEMENT OF REVENUE

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
OPERATING REVENUES	$ 55,999,520	$ -	$ 51,245,451	$ -	$ 4,754,069
OPERATING EXPENSES					
Purchased power/cost of sales	33,278,663	-	30,423,808	-	2,854,855
Operations	2,760,216	-	2,760,216	-	-
Maintenance	1,775,847	-	1,775,847	-	-
Customer account expense	670,435	-	670,435	-	-
Administrative and general	5,772,952	(34,276)	4,425,950	8,745	1,372,533
Depreciation	4,393,331	-	3,926,667	-	466,664
Taxes other than income taxes	1,470,005	-	1,450,636	-	19,369
Income taxes					
Deferred	8,641	-	-	8,641	-
Currently payable	25,531	25,531	-	-	-
TOTAL OPERATING EXPENSES	50,155,621	(8,745)	45,433,559	17,386	4,713,421
OPERATING MARGINS BEFORE OTHER ITEMS	5,843,899	8,745	5,811,892	(17,386)	40,648
OTHER OPERATING ITEMS, NET					
Patronage revenue	1,727,448	-	1,726,732	-	716
Interest expense	(1,971,509)	-	(1,933,335)	-	(38,174)
TOTAL OTHER OPERATING ITEMS, NET	(244,061)	-	(206,603)	-	(37,458)
OPERATING MARGINS	5,599,838	8,745	5,605,289	(17,386)	3,190
NON-OPERATING ITEMS, NET					
Gain (loss) on disposition and exchange	-				
of property and equipment	20,790	-	20,790	-	-
Interest and dividend revenue	208,220	-	199,239	(18)	8,999
All other, net	2,177	-	(5,083)	-	7,260
TOTAL NON-OPERATING ITEMS, NET	231,187	-	214,946	(18)	16,259
NET MARGINS	$ 5,831,025	$ 8,745	$ 5,820,235	$ (17,404)	$ 19,449

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HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2023 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
ASSETS					
UTILITY PLANT IN SERVICE, NET	$ 105,924,221	$ -	$ 102,415,890	$ -	$ 3,508,331
INVESTMENTS	22,087,930	(4,271,637)	24,761,252	1,583,411	14,904
DEFERRED ASSETS	224,727	-	222,111	-	2,616
GOODWILL	731,892	-	-	731,892	-
CURRENT ASSETS					
Cash and cash equivalents	4,880,185	-	3,390,807	7,018	1,482,360
Accounts receivable, consumers	4,050,419	-	3,665,261	-	385,158
Materials, supplies and inventories	1,468,897	-	977,537	-	491,360
Prepaid expenses	3,075,783	-	2,959,575	-	116,208
TOTAL CURRENT ASSETS	13,475,284	-	10,993,180	7,018	2,475,086
TOTAL ASSETS	$ 142,444,054	$ (4,271,637)	$ 138,392,433	$ 2,322,321	$ 6,000,937

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HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2023 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
EQUITIES AND LIABILITIES					
LONG-TERM DEBT, less current portion	$ 51,636,966	$ -	$ 50,456,726	$ -	$ 1,180,240
CAPITAL LEASE OBLIGATIONS, less current portion	285,511	-	40,166	-	245,345
RETIREMENT BENEFITS OTHER THAN PENSIONS	2,118,813	-	2,118,813	-	-
DEFERRED TAX	224,128	-	-	224,128	-
PATRONAGE CAPITAL AND OTHER EQUITIES	79,551,772	(4,271,637)	78,167,294	2,096,824	3,559,291
CURRENT LIABILITIES					
Accounts payable	3,189,457	-	2,926,053	-	263,404
Accrued expenses	722,936	-	645,621	1,369	75,946
Customer prepaid liabilities	479,097	-	-	-	479,097
Current portion of long-term debt	2,376,793	-	2,320,268	-	56,525
Current portion of capital lease obligations	112,596	-	42,585	-	70,011
Accrued taxes	1,525,140	-	1,525,140	-	-
Customer deposits	220,845	-	149,767	-	71,078
TOTAL CURRENT LIABILITIES	8,626,864	-	7,609,434	1,369	1,016,061
TOTAL EQUITIES AND LIABILITIES	$ 142,444,054	$ (4,271,637)	$ 138,392,433	$ 2,322,321	$ 6,000,937

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HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2023 CONSOLIDATED STATEMENT OF REVENUE

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
OPERATING REVENUES	$ 55,190,559	$ -	$ 49,353,032	$ -	$ 5,837,527
OPERATING EXPENSES					
Purchased power/cost of sales	33,682,349	-	29,833,044	-	3,849,305
Operations	2,615,400	-	2,615,400	-	-
Maintenance	1,765,043	-	1,765,043	-	-
Customer account expense	504,141	-	504,141	-	-
Administrative and general	5,728,834	(11,532)	4,491,270	11,532	1,237,564
Depreciation	4,238,946	-	3,755,843	-	483,103
Taxes other than income taxes	1,489,422	-	1,474,194	-	15,228
Income taxes					
Deferred	67,195	-	-	67,195	-
TOTAL OPERATING EXPENSES	50,091,330	(11,532)	44,438,935	78,727	5,585,200
OPERATING MARGINS BEFORE OTHER ITEMS	5,099,229	11,532	4,914,097	(78,727)	252,327
OTHER OPERATING ITEMS, NET					
Patronage revenue	1,629,953	-	1,629,268	-	685
Interest expense	(1,984,803)	-	(1,945,604)	-	(39,199)
TOTAL OTHER OPERATING ITEMS, NET	(354,850)	-	(316,336)	-	(38,514)
OPERATING MARGINS	4,744,379	11,532	4,597,761	(78,727)	213,813
NON-OPERATING ITEMS, NET					
Gain (loss) on disposition and exchange of property and equipment	21,407	-	21,407	-	-
Interest and dividend revenue	100,853	-	99,151	8	1,694
All other, net	(42,905)	-	(45,812)	-	2,907
TOTAL NON-OPERATING ITEMS, NET	79,355	-	74,746	8	4,601
NET MARGINS	$ 4,823,734	$ 11,532	$ 4,672,507	$ (78,719)	$ 218,414

See independent auditors' report.

REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS

Board of Directors
Hancock-Wood Electric Cooperative, Inc. and Subsidiary
1399 Business Park Drive South
North Baltimore, Ohio 45872

Independent Auditor's Report

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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary, which comprise the balance sheet as of March 31, 2024, and the related statements of revenue, comprehensive income, changes in members equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2024. In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2024, on our consideration of Hancock-Wood Electric Cooperative, Inc. and Subsidiary' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Hancock-Wood Electric Cooperative, Inc. and Subsidiary 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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary' 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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary' accounting and records to indicate that Hancock-Wood Electric Cooperative, Inc. and Subsidiary 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, attached.

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.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
May 28, 2024

LWG CPAS ADVISORS

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 of
Hancock-Wood Electric Cooperative, Inc. and Subsidiary

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 Hancock-Wood Electric Cooperative, Inc. and Subsidiary (the "Company") as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated May 28, 2024.

Internal Control Over Financial Reporting

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

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

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

> There is an absence of appropriate segregation of duties in certain accounting areas consistent with control objectives. The Company's response to the findings is the hiring of additional employees in order to segregate the duties may not be economically practical for the benefit to be derived. The Company's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
May 28, 2024

CPAS ▲ ADVISORS

May 28, 2024

To the Board of Directors of
Hancock-Wood Electric Cooperative, Inc. and Subsidiary

We have audited the financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary as of and for the year ended March 31, 2024, and have issued our report thereon, dated May 28, 2024. As part of our reporting requirements, the National Rural Utilities Cooperative Finance Corporation (CFC) has requested that we make the following certification regarding loan fund expenditures:

Loan Funds - During the period of our audit, Hancock-Wood Electric Cooperative, Inc. and Subsidiary received no long-term loan fund advances from CFC on loans controlled by the 100% CFC Electric Mortgage and Loan Agreement.

This letter supplements the information included in the financial statements and notes. It is intended solely for the use of management, the National Rural Utilities Cooperative Finance Corporation, and supplemental lenders and should not be used for any other purposes.

LWG CPAs & Advisors

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Indianapolis, Indiana

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May 28, 2024

Board of Directors
Hancock-Wood Electric Cooperative, Inc. and Subsidiary
1399 Business Park Drive South
North Baltimore, Ohio 45872

We have audited the financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary as of and for the year ended March 31, 2024, and have issued our report thereon dated May 28, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 2, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Hancock-Wood Electric Cooperative, Inc. and Subsidiary solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control and other matters noted during our audit in a separate letter to you dated May 28, 2024.

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Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

Management override of controls – Due to the size of the Company and the limited accounting staff there is a significant risk of management override of controls.

Cash – The company receives cash and other forms of payment from customers and pays invoices to vendors. We consider this a significant risk, specifically related to misappropriation of assets.

Revenue recognition – Under AU-C Section 240, recognizing revenue is a presumed significant risk. We are required to identify if the Company properly recognized revenue based on Accounting Standards Codification Top 606, Revenue from Contracts with Customers.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Hancock-Wood Electric Cooperative, Inc. and Subsidiary is included in Note 1 to the financial statements. There have been no initial accounting selections in 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Company's financial statements relate to: Contracts with Customers.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Hancock-Wood Electric Cooperative, Inc. and Subsidiary's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the attached letter dated May 28, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultation with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Company, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Company's auditors.

This information is intended solely for the use of the board of directors and management of Hancock-Wood Electric Cooperative, Inc. and Subsidiary and is not intended to be and should not be used by anyone other than these specified parties.

LWG CPAs & Advisors

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Client:	*10348.001 - Hancock-Wood Electric Cooperative, Inc. and Subsidiary*
Engagement:	*Audit 2024*
Period Ending:	*3/31/2024*
Trial Balance:	*IV-01-2 - TB*
Workpaper:	*AJE Report- REMC*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		**I-04**		
Entry to adjust post retirement liability for new study				
2152000	Accumulated Other Comprehensive Income - Post Ret Med Ins		68,674.00	
2283100	Accumulated Provision for Benefits - Post Retirement Med Ins		1,832.41	
9200002	Administrative and General Salaries - Benefits			70,506.41
Total			**70,506.41**	**70,506.41**
	Total Adjusting Journal Entries		**70,506.41**	**70,506.41**
	Total All Journal Entries		**70,506.41**	**70,506.41**

Client: ***10348.001 - Hancock-Wood Electric Cooperative, Inc. and Subsidiary***
Engagement: ***Audit 2024***
Period Ending: ***3/31/2024***
Trial Balance: ***IV-01-3 - SUB***
Workpaper: ***AJE Report - Sub***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		**TB**		
to record prior year entries				
2905	Retained Earnings		89,173.24	
2680	Deferred Tax			89,173.24
Total			**89,173.24**	**89,173.24**
Adjusting Journal Entries JE # 2		**VI-a J**		
To adjust the tax related accounts for the year				
1550	Income Tax Receivable		24,800.00	
2680	Deferred Tax		18,683.90	
4889	Deferred tax expense		27,325.00	
2650	Payable to Propane			24,800.00
2650	Payable to Propane			27,325.00
4889	Deferred tax expense			18,683.90
Total			**70,808.90**	**70,808.90**

Client: *10348.001 - Hancock-Wood Electric Cooperative, Inc. and Subsidiary*
Engagement: *Audit 2024*
Period Ending: *3/31/2024*
Trial Balance: *IV-01-2 - TB*
Workpaper: *PJE Report - REMC*

Account	Description	W/P Ref	Debit	Credit
Passed Journal Entries JE # 10		**B-01**		
Entry to reclass the credit balances for deferred revenue to the liability section. Passed upon due to immaterial impact to the financial statements.				
1421000	Customer Accounts Receivable - Electric		367,737.98	
2429000	Miscellaneous Accruals			367,737.98
Total			**367,737.98**	**367,737.98**
Passed Journal Entries JE # 11		**B Lead**		
to adjust prepayments recorded in AR. Due to immateriality to the financial statements, pass adjustment.				
1656000	Miscellaneous Prepayments		78,420.00	
1431000	Other Accounts Receivable - Employees			78,420.00
Total			**78,420.00**	**78,420.00**
Passed Journal Entries JE # 12		**H-03**		
to pass on adjusting accrued interest on the CoBank Debt				
4277019	Interest on Long-Term Debt - CoBank		59,750.00	
2372200	Accrued Interest on CoBank Long-term Debt			59,750.00
Total			**59,750.00**	**59,750.00**
Passed Journal Entries JE # 13		**I-03**		
To pass on adjusting the estimated property taxes due				
2361000	Accrued Property Taxes		82,784.97	
5830026	Distribution Overhead Line Expenses - Property Tax			82,784.97
Total			**82,784.97**	**82,784.97**