UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

REPORT OF AUDIT

* * * * * * *

December 31, 2023 and 2022

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bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Utilities District of Western Indiana REMC and Subsidiary

Opinion

We have audited the accompanying financial statements of Utilities District of Western Indiana REMC and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of revenues and expenses, comprehensive income, changes in members' and patrons' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Utilities District of Western Indiana REMC and Subsidiary, as of December 31, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Utilities District of Western Indiana REMC and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Utilities District of Western Indiana REMC 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Utilities District of Western Indiana REMC 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.

BHM CPA Group, Inc.

Columbus, Ohio
March 19, 2024

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2023 and 2022

	2023	2022
ASSETS		
UTILITY PLANT AND OTHER PROPERTY		
Electric plant in service	$ 118,792,040	$ 114,213,214
Non-utility property	2,490,449	2,427,609
Construction work in progress	911,964	818,763
	122,194,453	117,459,586
Less: Accumulated provision for depreciation and amortization	(37,350,439)	(35,221,626)
NET UTILITY PLANT AND OTHER PROPERTY	84,844,014	82,237,960
INVESTMENTS AND OTHER ASSETS		
Investments in associated organizations	19,516,999	19,204,351
Other investments	89,697	58,829
Note receivable - less current portion	-	2,000
TOTAL INVESTMENTS AND OTHER ASSETS	19,606,696	19,265,180
CURRENT ASSETS		
Cash and cash equivalents	984,626	2,203,055
Accounts receivable, net of allowance for uncollectible accounts of $9,691 for 2023 ($3,280 in 2022)	5,411,749	5,472,826
Current portion of note receivable	-	8,000
Current portion of deferred charges	-	59,997
Materials and supplies	960,223	997,016
Prepaid power costs	-	1,186,546
Prepaid expenses and other receivables	411,608	494,989
TOTAL CURRENT ASSETS	7,768,206	10,422,429
TOTAL ASSETS	$ 112,218,916	$ 111,925,569

	2023	2022
LIABILITIES AND EQUITIES		
EQUITIES		
Patronage capital	$ 83,543,103	$ 82,509,021
Memberships	413,817	407,398
Donated capital	305,813	305,813
Accumulated other comprehensive loss	(208,000)	(224,000)
TOTAL EQUITIES	84,054,733	82,998,232
LONG-TERM LIABILITIES		
Notes payable, less current maturities	22,551,117	24,240,538
Accrued postretirement benefits	536,000	454,000
Deferred compensation liability	89,697	58,829
TOTAL LONG-TERM LIABILITIES	23,176,814	24,753,367
CURRENT LIABILITIES		
Current maturities of notes payable	1,957,032	1,888,329
Accrued interest	189,147	202,614
Accounts payable	465,078	682,757
Accounts payable - purchased power	1,041,035	-
Consumer deposits	630,708	676,326
Accrued taxes	572,314	602,244
Other current liabilities	132,055	121,700
TOTAL CURRENT LIABILITIES	4,987,369	4,173,970
TOTAL LIABILITIES AND EQUITIES	$ 112,218,916	$ 111,925,569

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

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES

For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES	$ 47,760,562	$ 46,629,879
OPERATING EXPENSES		
Cost of power	29,745,353	29,069,718
Distribution expense - operations	3,908,155	3,675,087
Distribution expense - maintenance	4,019,823	2,860,396
Consumer accounts	1,572,265	1,293,606
Administrative and general	3,199,713	3,081,007
Depreciation	3,828,844	3,771,272
Taxes	5,763	350,151
TOTAL OPERATING EXPENSES	46,279,916	44,101,237
OPERATING MARGINS BEFORE FIXED CHARGES	1,480,646	2,528,642
Interest on long-term debt	1,297,820	1,385,169
OPERATING MARGINS AFTER FIXED CHARGES	182,826	1,143,473
Capital credits from associated organizations	1,195,508	1,009,488
OPERATING MARGINS	1,378,334	2,152,961
NON-OPERATING MARGINS		
Interest and dividend income	279,914	182,277
Loss on disposition of assets	-	(6,321)
Other income, net	39,587	163,005
TOTAL NON-OPERATING MARGINS	319,501	338,961
NET MARGINS FOR YEAR	$ 1,697,835	$ 2,491,922

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

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2023 and 2022

	2023	2022
NET MARGINS FOR YEAR	$ 1,697,835	$ 2,491,922
OTHER COMPREHENSIVE INCOME		
Amortization of actuarial loss included in net periodic postretirement benefit cost	16,000	17,000
TOTAL COMPREHENSIVE INCOME	$ 1,713,835	$ 2,508,922

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

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' AND PATRONS' EQUITY

For the Years Ended December 31, 2023 and 2022

	Patronage Capital	Memberships	Donated Capital	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2022	$ 80,786,909	$ 410,932	$ 305,813	$ (241,000)
Net margins for year	2,491,922	-	-	-
Unrecognized gains and losses related to nonpension postretirement benefit plan	-	-	-	17,000
Memberships redeemed, net	-	(3,534)	-	-
Retirement and reassignment of patronage capital	(769,810)	-	-	-
Balance, December 31, 2022	82,509,021	407,398	305,813	(224,000)
Net margins for year	1,697,835	-	-	-
Unrecognized gains and losses related to nonpension postretirement benefit plan	-	-	-	16,000
Memberships issued, net	-	6,419	-	-
Retirement and reassignment of patronage capital	(663,753)	-	-	-
Balance, December 31, 2023	$ 83,543,103	$ 413,817	$ 305,813	$ (208,000)

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

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Net margins	$ 1,697,835	$ 2,491,922
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation of utility plant	3,828,844	3,771,272
Amortization in postretirement net periodic benefit cost	16,000	17,000
SBA forgiveness income	-	-
Amortization of debt expense	267,611	284,749
Amortization of deferred charges	59,997	143,993
Patronage allocation from associated organizations	(1,195,508)	(1,009,488)
Loss on disposition of property	-	6,321
Changes in assets and liabilities:		
Accounts receivable (net)	71,077	(810,656)
Materials and supplies	36,793	(437,601)
Prepayments	1,269,927	1,297,263
Accounts payable	823,356	251,117
Accrued liabilities	79,826	(13,447)
Consumer deposits	(45,618)	(111,540)
Net cash provided by operating activities	6,910,140	5,880,905
CASH FLOW FROM INVESTING ACTIVITIES		
Extension and replacement of plant and non-utility property, net of salvage and removal costs	(6,434,898)	(5,448,925)
Proceeds from disposal of property assets	-	25,000
Purchase of investments	(30,867)	(14,939)
Patronage redemption and cash patronage proceeds	882,859	1,212,037
Net cash used by investing activities	(5,582,906)	(4,226,827)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on long-term debt	(1,888,329)	(1,828,485)
Memberships issued (redeemed), net	6,419	(3,534)
Patronage capital credits retired	(663,753)	(769,810)
Net cash used by financing activities	(2,545,663)	(2,601,829)
Net change in cash and cash equivalents	(1,218,429)	(947,751)
Cash and cash equivalents at beginning of year	2,203,055	3,150,806
Cash and cash equivalents at end of year	$ 984,626	$ 2,203,055

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

NATURE OF ORGANIZATION

Utilities District of Western Indiana REMC (the REMC) is a tax-exempt organization engaged principally in the distribution and sale of electricity in Greene and parts of Clay, Daviess, Lawrence, Martin, Monroe, Owen, Putnam, Knox, Sullivan and Vigo counties in Indiana. Hoosier Heritage Management, LLC (the Subsidiary), a for-profit entity, and wholly owned subsidiary of the REMC, was created to provide tree trimming services for the REMC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cooperative maintains its records in accordance with accounting policies prescribed by Rural Utilities Services, U.S. Department of Agriculture, which conform with accounting principles generally accepted in the United States of America in all material respects. Following are the more significant of those policies:

Principles of Consolidation
The consolidated financial statements include the accounts of the REMC and the Subsidiary (collectively the Cooperative); which is 100% owned by the REMC. All significant intercompany transactions have been eliminated in the consolidated financial statements of the Cooperative.

Utility Plant
Utility plant is stated at original cost, net of contributions, which is the cost when first dedicated to public service. Such cost includes the cost of contracted services, direct labor, materials, and applicable overhead cost. Utility plant assets that have not been placed in service are shown on the balance sheet as construction work in progress and are not depreciated. The Cooperative does not capitalize interest during construction.

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

In accordance with procedures prescribed by Rural Utilities Services, the Cooperative records contributions in aid of construction as reductions in the cost of construction.

Accounts Receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances. The allowance for uncollectible accounts is the best estimate of the current expected credit losses in existing accounts receivable. In establishing the valuation allowance, management considers a variety of broad-based factors, including age of the accounts receivable balance, knowledge of their customers, historical losses, and current and future economic conditions. Balances that are still outstanding after reasonable collection efforts have been exhausted are written-off through a charge to the valuation allowance. Changes in the valuation allowance historically have not been significant. The Cooperative performs ongoing credit evaluations of its consumers and requires a security deposit for consumers meeting specified criteria.

Materials and Supplies
The cost of inventory not allocated to construction work in progress is determined using the average cost method.

Investments
Investments are primarily in the form of patronage and equity capital of other cooperatives. They are included on the balance sheets as long-term assets. These investments are considered equity investments without readily determinable fair values and are accounted for at cost, minus impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment. No impairment or observable price changes were recorded during 2023 and 2022.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Instruments
The Cooperative believes that the carrying amount of its financial instruments, which include cash and cash equivalents, and various other current assets and liabilities, approximates fair value based on their short-term duration. The Cooperative has determined that it is not practical to determine the fair value of its long-term debt and investments in associated organizations due to the excessive cost involved.

Deferred Charges
Deferred charges represent costs incurred which are chargeable to future periods and are amortized using the straight-line method over the estimated period to be benefited.

Income Taxes
The Cooperative has been recognized by the Internal Revenue Service as an organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(12). Accordingly, no provision for federal income taxes has been recorded.

The Cooperative complies with Accounting Standards Codification (ASC) 740-10 related to uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. Management is not aware of any tax positions taken by the Cooperative on its tax returns that they consider to be uncertain or that would jeopardize its tax-exempt status. Tax returns for the years ended 2020, 2021 and 2022 are still open and subject to examination by the Internal Revenue Service.

Revenues and Cost of Purchased Power
The Cooperative complies with ASC 606, *Revenue from Contracts with Customers,* in accounting for revenues. Revenues primarily represent amounts billed monthly to members using established rates applied to energy consumption. Revenues and the related cost of purchased power are recognized during the month in which energy is consumed. Revenues from all other sources, primarily services and late charges, are recognized as the service is provided and the customer is charged. The Cooperative generally meets its performance obligations related to services within a month and bills the customer upon completion. Payment for the services are due upon delivery of the service and when the invoice is prepared. The sales price for the services are based on established rates per unit, fixed at the amounts in the contract or agreed to at the time of sale. There are generally no rights of return or warranties related to the sale of power and services.

Some of the Cooperative's operations provide for deposits or prepayments for power. The revenue and gross profit related to these transactions is not recognized until the power is consumed by the customer and the decision to apply the prepayment to the unpaid balance is made. Until that time, these customer deposits are classified as current liabilities on the balance sheet.

Included as a portion of miscellaneous revenue are revenues from rental agreements, which are recognized under ASC 842, *Leases*. Rents not yet received for the fiscal period are included as other current and accrued assets on the balance sheets while the related revenue is included in the statements of revenue and expense. The table below provides disaggregated revenue by significant type for the years presented:

	2023	2022
Residential electric revenue	$ 37,364,932	$ 37,023,982
Commercial and industrial electric revenue	9,909,629	9,159,703
Miscellaneous revenue	486,001	446,194
Total revenue	$ 47,760,562	$ 46,629,879

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Retirement Related Benefits
ASC 715, *Compensation - Retirement Benefits* requires the recognition of the funded status of the pension and nonpension postretirement benefit plans as an asset or a liability on the balance sheet. ASC 715 also requires the recognition of changes in the funded status in the year they occur through other comprehensive income and the amortization of previously unrecognized gains, losses, prior service costs and credits and transition assets or liabilities as a component of accumulated other comprehensive income.

Accrued Accumulated Sick Leave
The Cooperative allows sick leave to employees without a payroll deduction. Sick leave may accumulate up to, but not exceed 125 working days. Upon retirement, the employee will be paid for unused sick time based on their time with the Cooperative up to 125 working days. No accrual is recorded by the Cooperative and there is no legal obligation to pay the employee their accumulated sick leave balance upon termination or separation.

Statement of Cash Flows
For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Net cash flows from operating activities includes cash payments for interest of $1,043,676 and $1,113,306, for the years ended December 31, 2023 and 2022, respectively. There were no payments for federal income taxes.

Concentration of Credit Risk
All of the Cooperative's accounts receivable result from the sale of electricity to its members, located primarily in Greene and parts of Clay, Daviess, Lawrence, Martin, Monroe, Owen, Putnam, Knox, Sullivan and Vigo counties in Indiana.

At various times throughout the year, the Cooperative may have cash balances in financial institutions that exceed the federally insured limit. The Cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to its cash balances.

Patronage Capital and Margins
Utilities District of Western Indiana REMC and Subsidiary operates under the Cooperative form of organization. As provided in the code of regulations, any excess of revenues over expenses from operations is treated as advances of capital by the patrons and credited to each of them on an individual basis. Generally, it is the Cooperative's policy to retire capital contributed by patrons periodically as deemed appropriate by management and the Board of Directors. Capital credits due to patrons who become deceased are paid to the estates of such patrons in accordance with the code of regulations.

Comprehensive Income
Accumulated other comprehensive income represents the cumulative net change in equity related to the recording of the funded status of the postretirement benefit plan.

Use of Estimates
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently Adopted Accounting Standards
During the fiscal year ended December 31, 2023, the Cooperative adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses*. This ASU revised the measurement of credit losses for financial assets measured at amortized cost from an incurred loss methodology to an expected loss methodology. The amendment requires companies to consider a broader range of information to estimate expected credit losses, which may result in earlier recognition of losses. The Cooperative has determined that their allowance for uncollectible accounts is applicable to the amended framework. The Cooperative adopted the ASU using the modified retrospective transition method and determined that no adjustment to their prior allowance for uncollectible accounts was necessary, as their previous estimate considered a broad-based scope of factors including current and forward expectations in determining an expected loss.

CONTINGENCIES, RISKS AND UNCERTAINTIES

The Cooperative is from time to time subjected to litigation through the ordinary course of business. As of December 31, 2023, management is not aware of any significant litigation pending or pertaining to the Cooperative.

DEFERRED CHARGES

Deferred charges consist of costs incurred for future periods related to the NRECA pension plan. The Cooperative, along with many other participating employers, made a prepayment to the NRECA pension plan. Prepayments related to the NRECA pension plan are being amortized over 10 years using the straight-line method. Amortization charged to administrative expense in the consolidated statements of revenues and expenses was $59,997 and $143,993 for the years ended December 31, 2023 and 2022, respectively.

UTILITY PLANT AND DEPRECIATION

The following schedule presents the major classes of the electric plant at December 31:

	2023	2022
Distribution plant	$ 109,554,586	$ 105,121,630
General plant	9,237,454	9,091,584
Non-utility property	2,490,449	2,427,609
Utility plant and other property in service	121,282,489	116,640,823
Construction work in progress	911,964	818,763
Total utility plant and other property, at cost	$ 122,194,453	$ 117,459,586

Provision for depreciation has been made on the basis of estimated useful lives of assets, using the straight-line method. Distribution plant depreciation is based on a composite rate of 2.9% per annum. General plant depreciation rates range 2.5% to 20% per annum. Non-utility property is primarily depreciated at rates between 10% and 20% per annum.

Depreciation for 2023 and 2022 was $3,828,844 and $3,771,272, respectively.

INVESTMENTS IN ASSOCIATED ORGANIZATIONS

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

	2023	2022
Equity Capital:		
Capital term certificates of the National Rural Utilities Cooperative Finance Corporation (NRUCFC)	$ 609,252	$ 609,252
Patronage Capital Credits and Memberships:		
Hoosier Energy Rural Cooperative, Inc.	17,724,173	17,509,159
NRUCFC	568,039	533,433
United Utility Supply	246,810	194,504
SEDC	93,886	79,983
IEC	113,159	123,274
Federated Rural Electric Insurance Exchange	134,906	127,972
Other associated organizations	26,774	26,774
Other Investments:	89,697	58,829
Total investments	$ 19,606,696	$ 19,263,180

Capital Term Certificates of the National Rural Utilities Cooperative Finance Corporation are recorded at cost and earn interest at 3% and 5% annually.

Included in other investments is a CEO deferred compensation agreement. The benefit is based upon the contributions made by the Cooperative adjusted to fair value. Deferred compensation at December 31, 2023 and 2022 totaled $89,697 and $58,829, respectively.

COMMITMENTS AND RELATED PARTY TRANSACTIONS

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Hoosier Energy REC under a wholesale power supply contract until January 1, 2055. The rates paid for such purchases are subject to review annually.

The Cooperative borrows funds from the NRUCFC of which it is a member and owner.

Materials and supplies are purchased from the United Utility Supply Cooperative, Inc. of which Utilities District of Western Indiana REMC and Subsidiary is an owner and member. These purchases totaled $1,430,938 and $1,040,512, including amounts in accounts payable of $55,053 and $177,489 as of and for the years ended December 31, 2023 and 2022, respectively.

Federated Rural Electric Insurance Exchange provides property and liability insurance to the Cooperative. The investment balance represents the Cooperative's contributions and share of patronage capital. The amounts paid for insurance to Federated Rural Electric Insurance Exchange were $232,805 and $224,681, for the years ended December 31, 2023 and 2022, respectively. There were no amounts due to Federated Rural Electric Insurance Exchange at December 31, 2023, or 2022.

NOTES PAYABLE

Notes payable is comprised of the following as of December 31:

	2023	2022
3.74% - 4.90% notes payable to NRUCFC in quarterly and semi-annual installments appoximating $662,000 and $130,000, respectively, including interest. Maturities range from 2023 to 2038. Secured by all assets.	$ 26,120,408	$ 28,008,737
Less: unamortized issuance costs	1,612,259	1,879,870
Total notes payable less issuance costs	24,508,149	26,128,867
Less: current maturities	1,957,032	1,888,329
Long - term notes payable, less current portion	$ 22,551,117	$ 24,240,538

The Cooperative has a perpetual line of credit through the NRUCFC in the amount of $3,600,000. There was no outstanding balance on the line of credit as of December 31, 2023 and 2022. The interest rate on the line of credit was 7.25% and 5.75% at December 31, 2023 and 2022, respectively.

At December 31, 2023, there are no unadvanced loan funds available to the Cooperative on commitments.

Substantially all of the assets of the Cooperative are pledged as security against these loans. As of December 31, 2023, annual maturities of long-term debt outstanding for the next five years are as follows:

2024	$ 1,957,032
2025	1,987,861
2026	2,030,946
2027	2,118,027
2028	2,173,745

PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS

The Cooperative sponsors three retirement related benefit plans, a defined benefit pension plan, a defined contribution retirement plan and a postretirement plan. Following is a brief description of each of the plans including financial data recognized in the accompanying consolidated financial statements related to each plan.

Defined Contribution Retirement Plan

The Cooperative offers a voluntary pre-tax salary reduction plan in which regular full-time and regular part time employees, who are 21 years of age or older, may elect to participate beginning with the first payroll period administratively feasible after employment. Employees are also offered a Roth option to contribute money on an after-tax basis. There are no employer contributions associated with this plan for December 31, 2023 and 2022.

PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS - Continued

Defined Benefit Pension Plan

Substantially all of the employees of the Cooperative are covered by the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) which 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. 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. 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 RS Plan was over 80% funded on January 1, 2023 and 2022 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the 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.

Utilities District of Western Indiana REMC and Subsidiary's contributions of $647,342 and $574,952 to the RS Plan in December 31, 2023 and 2022, respectively, represented less than 5% of the total contributions made to the Plan by all participating employers. There have been no significant changes that affect the comparability of 2023 and 2022 contributions.

Nonpension Postretirement Benefit Plan

The Cooperative sponsors a defined benefit postretirement plan covering substantially all employees. The estimated cost for benefits that will be paid after retirement was being accrued by charges to expense over the employees' service period to the date they are eligible for benefits. Balance of liability is for accrued vacation and sick time at retirement. Eligible retirees will receive full cost of unused vacation and sick time at retirement date. The Plan is funded by the Cooperative on a "pay as you go" basis. As noted earlier ASC 715 requires the recognition of the funded status of pension plans and nonpension postretirement benefit plans as an asset or liability on the balance sheet, the recognition of changes in that funded status in the year in which they occur through other comprehensive income and the recognition of previously unrecognized gains, losses, prior service costs and credits and transition assets or liabilities as a component of accumulated other comprehensive income.

The accrued postretirement benefits recorded in the consolidated balance sheets are $536,000 and $454,000 at December 31, 2023 and 2022.

The estimated funded status is measured as the difference between the fair value of plan assets and the benefit obligation at the Cooperative's year end. For nonpension postretirement benefit plans the benefit obligation is the accumulated postretirement benefit obligation (APBO). The APBO represents the actuarial present value of postretirement benefits attributed to employee services already rendered. Underfunded plans, with the benefit obligation exceeding the fair value of plan assets, are recorded as a benefit obligation (liability) equal to this excess. Since there are no plan assets, the entire APBO is recorded as a liability.

Net periodic benefit cost is capitalized and included in the cost of workorders and includes service cost, interest cost, amortization of prior service costs or credits, and gains and losses previously recognized as a component of other comprehensive income. Service cost represents the actuarial present value of participant benefits earned in the current year. Interest cost represents the value of money associated with the passage of time. Certain events, such as changes in employee base, plan amendments and changes in actuarial assumptions, result in a change in the benefit obligation and a corresponding change in other comprehensive income. The result of these events is amortized as a component of net periodic benefit cost over the service lives of the participants, provided such amounts exceed thresholds which are based upon the benefit obligation.

PENSION PLAN AND OTHER POSTRETIREMENT BENEFITS - Continued

Nonpension Postretirement Benefit Plan - Continued
Net periodic benefit costs included in the capitalized costs of workorders for the years ended December 31 is as follows:

	2023	2022
Service and interest cost	$ 53,000	$ 53,000
Amortization of prior losses	16,000	17,000
Net periodic postretirement cost	$ 69,000	$ 70,000

The measurement of the accumulated postretirement benefit obligation and net periodic benefit cost is based on actuarial valuations provided by third-party actuaries. These valuations reflect terms of the plans and use participant-specific information such as age and years of service, as well as certain assumptions, including estimates of discount rates, retirement dates and mortality rates.

Gains, losses and prior service costs and credits not recognized as a component of net periodic benefit cost as they arise are recognized as a component of other comprehensive income. Those gains, losses and prior service costs and credits are subsequently recognized as a component of net periodic benefit cost pursuant to the recognition and amortization provisions of applicable accounting standards. Gains and losses arise as a result of differences between actual experience and assumptions or as a result of changes in actuarial assumptions. Prior service cost represents the cost of benefit changes attributable to prior service granted in plan amendments. Amounts recognized in accumulated other comprehensive income at December 31, 2023 and 2022 consists of unrecognized actuarial gains of $208,000 and $224,000, respectively.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.85% and 5.00% for the years ended December 31, 2023 and 2022, respectively.

Based on the actuarial report received, the following are estimated amounts of the benefits to be paid by the Plan for the retirees for the years subsequent to 2023:

2024	$ 97,000
2025	47,000
2026	58,000
2027	29,000
2028	34,000
2029-2033	144,000

SUBSEQUENT EVENTS

Subsequent events were evaluated through March 19, 2024, which is the date the financial statements were available to be issued.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

SUPPLEMENTAL INFORMATION

* * * * * * *

December 31, 2023

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Utilities District of Western Indiana REMC and Subsidiary

We have audited the consolidated financial statements of Utilities District of Western Indiana REMC and Subsidiary as of and for the years ended December 31, 2023 and 2022, and our report thereon dated March 19, 2024, which expressed an unmodified opinion on those consolidated financial statements appears on page 2. Our audit was conducted for the purpose of forming an opinion on the consolidated statements as a whole. The supplementary information on pages 20-22 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Columbus, Ohio
March 19, 2024

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UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATING BALANCE SHEETS

December 31, 2023

	Utilities District of Western Indiana REMC	Hoosier Heritage Management	Eliminations	Consolidated
ASSETS				
UTILITY PLANT AND OTHER PROPERTY				
Electric plant in service	$ 118,792,040	$ -	$ -	$ 118,792,040
Non-utility property	-	2,490,449	-	2,490,449
Construction work in progress	911,964	-	-	911,964
	119,704,004	2,490,449	-	122,194,453
Less: Accumulated provision for depreciation and amortization	(35,256,295)	(2,094,144)	-	(37,350,439)
NET UTILITY PLANT AND OTHER PROPERTY	84,447,709	396,305	-	84,844,014
INVESTMENTS AND OTHER ASSETS				
Investments in associated organizations	20,003,562	-	(486,563)	19,516,999
Other investments	89,697	-	-	89,697
Note receivable - less current portion	-	-	-	-
TOTAL INVESTMENTS AND OTHER ASSETS	20,093,259	-	(486,563)	19,606,696
CURRENT ASSETS				
Cash and cash equivalents	815,823	168,803	-	984,626
Accounts receivable, net of allowance for uncollectible accounts of $9,691 for 2023 ($3,280 in 2022)	5,411,749	-	-	5,411,749
Current portion of note receivable	60,000	-	(60,000)	-
Materials and supplies	960,223	-	-	960,223
Prepaid power costs	-	-	-	-
Prepaid expenses and other receivables	366,967	171,015	(126,374)	411,608
TOTAL CURRENT ASSETS	7,614,762	339,818	(186,374)	7,768,206
TOTAL ASSETS	$ 112,155,730	$ 736,123	$ (672,937)	$ 112,218,916

	Utilities District of Western Indiana REMC	Hoosier Heritage Management	Eliminations	Consolidated
LIABILITIES AND EQUITIES				
EQUITIES				
Patronage capital	$ 83,543,103	$ 486,563	$ (486,563)	$ 83,543,103
Memberships	413,817	-	-	413,817
Donated capital	305,813	-	-	305,813
Accumulated other comprehensive loss	(208,000)	-	-	(208,000)
TOTAL EQUITIES	84,054,733	486,563	(486,563)	84,054,733
LONG-TERM LIABILITIES				
Notes payable, less current maturities	22,551,117	-	-	22,551,117
Accrued postretirement benefits	536,000	-	-	536,000
Deferred compensation liability	89,697	-	-	89,697
TOTAL LONG-TERM LIABILITIES	23,176,814	-	-	23,176,814
CURRENT LIABILITIES				
Current maturities of notes payable	1,957,032	60,000	(60,000)	1,957,032
Accrued interest	189,147	-	-	189,147
Accounts payable	439,923	151,529	(126,374)	465,078
Accounts payable - purchased power	1,041,035	-	-	1,041,035
Consumer deposits	630,708	-	-	630,708
Accrued taxes	572,314	-	-	572,314
Other current liabilities	94,024	38,031	-	132,055
TOTAL CURRENT LIABILITIES	4,924,183	249,560	(186,374)	4,987,369
TOTAL LIABILITIES AND EQUITIES	$ 112,155,730	$ 736,123	$ (672,937)	$ 112,218,916

See independent auditor's report on supplemental information.

UTILITIES DISTRICT OF WESTERN INDIANA REMC AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF REVENUES AND EXPENSES

For the Year Ended December 31, 2023

	Utilities District of Western Indiana REMC	Hoosier Heritage Management	Eliminations	Consolidated
OPERATING REVENUES	$ 47,760,562	$ 1,781,276	$ (1,781,276)	$ 47,760,562
OPERATING EXPENSES				
Cost of power	29,745,353	-	-	29,745,353
Distribution expense - operations	2,294,919	1,613,236	-	3,908,155
Distribution expense - maintenance	5,801,099	-	(1,781,276)	4,019,823
Consumer accounts	1,572,265	-	-	1,572,265
Administrative and general	3,013,666	186,047	-	3,199,713
Depreciation	3,661,535	167,309	-	3,828,844
Taxes	32	5,731	-	5,763
TOTAL OPERATING EXPENSES	46,088,869	1,972,323	(1,781,276)	46,279,916
OPERATING MARGINS BEFORE FIXED CHARGES	1,671,693	(191,047)	-	1,480,646
Interest on long-term debt	1,297,660	160	-	1,297,820
OPERATING MARGINS AFTER FIXED CHARGES	374,033	(191,207)	-	182,826
Capital credits from associated organizations	1,195,508	-	-	1,195,508
OPERATING MARGINS	1,569,541	(191,207)	-	1,378,334
NON-OPERATING MARGINS				
Interest and dividend income	279,914	-	-	279,914
Loss on disposition of assets	-	-	-	-
Loss attributable to subsidiary	(127,269)	-	127,269	-
Other income (expense), net	(24,351)	63,938	-	39,587
TOTAL NON-OPERATING MARGINS	128,294	63,938	127,269	319,501
NET MARGINS FOR YEAR	$ 1,697,835	$ (127,269)	$ 127,269	$ 1,697,835

See independent audtior's report on supplemental information.