MID-OHIO ENERGY COOPERATIVE, INC.
A Touchstone Energy® Cooperative

2023 Annual Report

A steadfast commitment to reliability

A STEADFAST commitment to RELIABILITY

John Metcalf
President & CEO

John Thiel
Board Chairman

Report from Management

Staying the course

A year ago, Mid-Ohio Energy's annual report discussed the theme of "Reliability in Uncertain Times." While Mid-Ohio Energy has continued to deliver on its promise of providing excellent service reliability to our members at an affordable price, the uncertainty within the electric utility industry remains very high.

As discussed last year, Mid-Ohio Energy continues to implement a strategic maintenance program designed to maintain the cooperative's 1,350 miles of electric distribution lines, and at the same time improve the system's capacity and technology. These factors are key to maintaining excellent reliability for years to come.

Each year, Mid-Ohio Energy invests millions of dollars into our distribution system, using our detailed four-year construction work plan as a road map for identifying key projects. We are currently working on projects identified in the second year of the current four-year work plan model and we are currently on target with budget and scheduling.

Investing in reliability

It is vital that your co-op continue making investments within our electric distribution system to ensure our reliability remains strong. These investments include:

- pole replacements
- wire replacement/upgrades
- equipment replacements (including specialized line equipment like voltage regulators and automated circuit breakers)
- communications systems
- right-of-way maintenance (tree trimming, bush-hog mowing of rights-of-way, and targeted herbicide treatments when necessary).

Our maintenance programs also require periodic testing such as pole inspections to find rotten poles, substation infrared testing to find poor electrical connections, and transformer oil testing to determine the physical condition of the transformer, just to name a few. Many of these maintenance programs are required by federal regulators but also prove their value, especially during severe weather events.

Weathering the storms

For example, Mid-Ohio Energy's distribution facilities suffered damage last April and again in August when a total of four tornadoes touched down within our 10-county service area. The two April tornadoes impacted the western side of Mid-Ohio Energy's system, while the August tornadoes impacted the central portion of our service territory. In fact, a funnel cloud was spotted passing close to our Kenton headquarters facility but fortunately passed without damage.

While nearly a dozen poles structures were destroyed because of these storms, Mid-Ohio Energy's crews responded quickly, restoring power to our members within 24 hours, far quicker than other area utilities affected by these events. Mid-Ohio Energy's modern distribution facilities and our well-trained employees allowed us to respond and repair the damage quickly and safely, reducing the overall impact of the storms.

Our ability to respond quickly and efficiently to outages such as the 2023 storm events is a testament to the foresight and dedication of your cooperative's board and employee team, whose focus is on our members' best interests. Unfortunately, the same cannot be said regarding our nation's power grid, which has been affected by poor federal energy policy in recent years.

Advocating for realistic, achievable, sustainable energy policies

Transformer supply. For those members who attended last year's annual meeting, you might remember our discussion concerning proposed federal regulations from the U.S. Department of Energy (DOE) concerning the manufacturing of transformers used in electric distribution. The proposed regulations required transformer manufacturers switch to a rare type of steel to produce transformer cores to meet new energy efficiency goals proposed by the DOE. The proposed rules would ultimately require electric utilities to change millions of transformers already in service across the country to meet the efficiency goal. The result would be billions of dollars in added costs to energy consumers. The rule would also exacerbate the current supply chain issues our industry faces concerning transformers as well as other electrical equipment that utilizes rare-earth materials. Your cooperative has aggressively challenged the proposed rule and has sought support from our federal legislators to try and halt its implementation.




Unfortunately, our federal energy policymakers in Washington, D.C., continue to ignore the reliability and affordability of our national power grid by proposing more regulations that require costly, unproven technologies to be implemented within unreasonable timelines.

Costly Proposals. This past May, the U.S. EPA announced a proposed Carbon Pollution Standard for all fossil fuel power plants that would likely result in the closure of every remaining coal-fired power plant (as well as most natural gas-fired power plants) currently operating in the United States by the year 2031. The proposed rules would require fossil fuel plants to install carbon capture technology and utilize hydrogen co-fired technology, neither of which is commercially available, especially at the scale required, anywhere in the world. In addition, the EPA also proposed revisions to the current 2015 Steam Electric Effluent rules that would virtually eliminate electric utilities from returning any water used to produce steam for electric generation back to a river or lake. This would overlook the fact that most utilities have already invested tens of millions of dollars at each plant to comply with the current 2015 rules. Once again, no technology currently exists that would allow utilities to meet the proposed standards.

Baseload Generation. It has been said within the industry that the intention of many of these regulations is to cause "death from a thousand cuts," making it nearly impossible to continue to operate fossil fuel energy plants in the United States, and it appears to be working. For example, in 2009, Ohio had 21 coal-fired power plants in operation and was a net exporter of electricity. Today, only four coal-fired electric plants are still in operation, with one of those plants scheduled to close in 2028. Ohio has become an importer of electricity, meaning we must rely on the power grid in surrounding states to meet our energy demand. Ohio's 24 electric cooperatives collectively own 100% of two of the four plants still operating, as well as a percentage of one other plant. Buckeye Power is the generation and transmission cooperative that operates these plants. Investor-owned utilities have closed or sold their generation assets in recent years, causing electric rates for their customers to skyrocket, as well as jeopardizing reliability for the electric grid.

Tracking regional grid concerns

The reduction in baseload generation is a common theme not only in Ohio, but across the nation. In recent years, many states have already experienced rolling blackouts during extreme weather events, and more will likely occur in the coming years due to the lack of adequate generation sources on the power grid.

Recently, our nation's electric reliability organization, the North American Electric Reliability Corporation (NERC), released its Winter Reliability Assessment and found that over half of the United States, including Ohio, is at an elevated risk of insufficient operating reserves, especially during extreme winter weather events. The report cites:

"The disorderly retirement of existing generation assets as the cause that is directly impacting reliability. Many generation assets taken offline in recent years have been replaced with sources providing less capacity, no capacity, or capacity that's intermittent and not always available. Reliability has been threatened as a result."

The NERC study also listed the top five reasons why reliability is at risk in our country, with one of the reasons listed as "public policy."

Reliable electricity for all

Despite any local investments by Mid-Ohio Energy or our energy supplier Buckeye Power, we're all ultimately impacted by the availability of generation resources across the entirety of the electric grid. The effect of poor public policy will be felt not only locally, but across the entire region of our country.

Mid-Ohio Energy and Buckeye Power, as well as the other 900-plus electric cooperatives across our nation, continue to advocate for reliable electricity for all by educating our legislators and promoting an "all-of-the-above" energy strategy for our nation going forward.

Your trusted energy partner

It's critical to our mission as your trusted energy partner to educate our members and communities on issues that may affect the cost and reliability of your electricity. As new developments arise, your co-op's board and staff will continue to keep you informed. Please look to our website, social media, and *Ohio Cooperative Living* magazine for up-to-date communications.

We hope you'll join our virtual Annual Meeting on **Tuesday, April 9, 2024**, and consider attending our Member-Family Fun Days this August.

STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

For the years ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES	$ 24,651,741	$ 24,978,739
OPERATING EXPENSES		
Cost of purchased power	13,995,256	14,760,801
Distribution - operation	1,028,200	1,047,921
Distribution - maintenance	1,706,622	1,517,696
Consumer accounts	760,171	835,672
Administrative and general	2,112,185	2,106,486
Depreciation and amortization	2,066,345	1,994,402
Taxes	736,981	753,065
Interest	1,055,390	968,250
Other deductions	12,174	12,174
TOTAL OPERATING EXPENSES	23,473,324	23,996,467
Operating margins before capital credits	1,178,417	982,272
Buckeye Power, Inc., capital credits	804,584	705,786
Other capital credits	120,158	107,160
NET OPERATING MARGINS	2,103,159	1,795,218
NON-OPERATING MARGINS		
Interest income	253,858	46,272
Miscellaneous non-operating income	1,583	1,036
Gain on disposition of property	7,202	15,311
TOTAL NON-OPERATING MARGINS	262,643	62,619
NET MARGINS	2,365,802	1,857,837
Patronage capital, beginning of year	28,379,692	27,542,067
Retirement of capital credits	(991,133)	(1,020,212)
Reassignment of retired capital credits	109,761	-
Patronage capital, end of year	$ 29,864,122	$ 28,379,692

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 2,365,802	$ 1,857,837
Adjustments to reconcile net margins to net cash provided by operating activities:		
Change in provision for credit losses	(56,718)	30,418
Depreciation and amortization	2,287,367	2,231,000
Other deductions	12,174	12,174
Non-cash capital credits allocation	(924,743)	(812,946)
Gain on disposition of property	(7,202)	(15,311)
Changes in assets and liabilities:		
Accounts receivable	1,486,318	153,542
Materials and supplies	(13,555)	(174,977)
Deferred charges, interest receivable and prepayments	(1,969,417)	(1,348,192)
Accounts payable	(81,729)	251,119
Accumulated provision for non-pension postretirement benefits, patronage capital payable, accrued taxes and other current liabilities	60,485	(167,890)
Total adjustments	792,980	158,937
Net cash provided by operating activities	3,158,782	2,016,774
CASH FLOWS FROM INVESTING ACTIVITIES		
Extension and replacement of electric plant, net of salvage and cost of retirements	(4,589,736)	(2,554,056)
Proceeds from sale of scrap	24,765	9,609
Proceeds from sale of assets	13,500	15,387
Proceeds from redemption of investments - patronage capital	658,967	825,785
Net cash used by investing activities	(3,892,504)	(1,703,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in consumer memberships and deposits	133,050	(96,502)
Proceeds from long-term debt	3,500,000	2,000,000
Payments on long-term debt	(1,659,353)	(1,597,530)
Payments on finance lease obligations	(177,835)	(181,320)
Patronage capital credits retired	(881,372)	(1,020,212)
Net cash used by financing activities	914,490	(895,564)
(Decrease) Increase in cash and cash equivalents	180,768	(582,065)
Cash and cash equivalents at beginning of year	2,410,926	2,992,991
Cash and cash equivalents at end of year	$ 2,591,694	$ 2,410,926

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

NATURE OF ORGANIZATION

Mid-Ohio Energy Cooperative, Inc. (the Cooperative) was incorporated under the laws of the State of Ohio, operates as a cooperative, and is exempt from federal taxation under Section 501(c)(12) of the Internal Revenue Code. The Cooperative's primary business is that of providing electric service to rural consumers in Hardin, Allen, Auglaize, Marion, Logan, Wyandot, Morrow, Union and Crawford counties in Ohio. Providing electric service includes construction of plant as well as purchasing electricity to sell to consumers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cooperative's accounting policies conform to generally accepted accounting principles, as applied to Rural Electric Cooperatives, substantially in accordance with the *Uniform System of Accounts* of the Rural Utilities Service (RUS). Following is a description of the more significant accounting policies used by the Cooperative in the preparation of its financial statements:

Electric plant and depreciation - The Cooperative records improvements and additions to the distribution plant at cost using continuing property records. Retirements are removed from the cost and accumulated depreciation accounts at standard costs which are updated periodically. The actual cost of removing retirements is charged to accumulated depreciation during the year the retirement is completed. General plant and equipment are recorded at cost based on the unit method. Any retirements or disposals of general plant and equipment are removed from the cost and accumulated depreciation accounts. Any salvage received is credited to accumulated depreciation.

Investments - Investments are primarily in the form of patronage and equity capital of other cooperatives. They are included on the balance sheets as longterm 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.

Materials and supplies - Inventories of material and supplies not allocated to construction work in progress are valued at the lower of cost (determined using the average cost method) or net realizable value.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides a valuation allowance for potential credit losses through a charge to earnings. In establishing the valuation allowance, using the current expected credit loss methodology, management considers their knowledge of customers, historical losses, and current economic conditions in their service area. 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.

Cash and cash equivalents - The Cooperative considers cash and cash equivalents to be cash on hand, demand deposits, certificates of deposit, money market accounts, and investments in commercial paper having a maturity of ninety days or less. There were no investments in commercial paper at December 31, 2023 or 2022.

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

Income taxes - The Cooperative has been recognized by the Internal Revenue Service as an organization exempt from 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, *Accounting for Uncertainty in Income Taxes*. 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 2022, 2021 and 2020 are still open and subject to examination by the Internal Revenue Service.

Retirement related benefits - Generally accepted accounting principles requires the recognition of the funded status of the non-pension postretirement benefit plan as an asset or a liability on the balance sheets. It also requires the recognition of the changes in that funded status in the year in which they occur through other comprehensive income and the recognition of previously unrecognized gains and losses, prior service costs and credits and transition assets or liabilities as a component of accumulated other comprehensive income. However, these amounts were not significant for the Cooperative, therefore other comprehensive income has not been recorded.

Compensated absences - The Cooperative accrues a liability for compensated absences for which the employee has earned a vested, non-forfeitable right. Non-vested benefits related to accumulated sick leave, which cannot be reasonably estimated, are expensed as incurred.

Patronage capital and margins - Mid-Ohio Energy Cooperative, Inc. 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 Trustees. Capital credits due to patrons who become deceased are paid to the estates of such patrons.

Concentration of credit risk - At various times throughout the year, the Cooperative may have deposits in financial institutions that exceed the federally insured limit. The Cooperative's investments with Cooperative Response Center Inc. (CRC) and National Rural Utilities Finance Corporation (NRUCFC) are uninsured. Management does not believe it is exposed to any significant credit risk related to its cash deposits.

Credit risk for accounts receivable is concentrated because substantially all the balances are unsecured credit to consumers, primarily for the sale of electricity, located within the same geographic region. The Cooperative has five major consumers that represent approximately 14.5% of revenue for the years ended December 31, 2023 and 2022.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – ***Continued*** **Revenue recognition and cost of purchased power -** Revenues 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 or the consumer is charged. The Cooperative generally meets its performance obligations related to the service within a month of the order. Payments for the service are due upon delivery of the service. The sales price for the services are fixed at established rates or amounts in the contract or agreed to at the time of the sale of the 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 member. These consumer deposit contract liabilities are classified as current liabilities on the balance sheets.

The table below includes disaggregated information by the significant type of consumer and services for the years ended December 31:

	2023	2022
Residential	$ 16,243,727	$ 16,637,274
General service	2,182,648	2,170,462
Large commercial	892,682	895,527
Generator station	344,622	396,175
Large commercial standby	136,032	115,375
Large power	4,411,346	4,396,785
Late charges	148,968	149,658
Pole attachments, net	210,496	141,493
Miscellaneous service	81,220	75,990
Total Operating Revenue	$ 24,651,741	$ 24,978,739

Statement of cash flows - Net cash flows from operating activities include cash payments for interest of $1,084,149 and $927,711 for 2023 and 2022, respectively. There were no payments for federal income taxes.

Use of estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of recent accounting standards - The Cooperative adopted the Accounting Standards Update (ASU) No. 2016-13, and additional ASUs issued to clarify and update the guidance in ASU 2016-13. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

LITIGATION

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 litigation pending or pertaining to the Cooperative that is material to the financial statements. The Cooperative is fully insured against any pending litigation.

DEFERRED CHARGES

On February 28, 2013, the Cooperative, along with many of the participating employers, made a prepayment to the National Rural Electric Cooperative Association (NRECA) Retirement Security (RS) Plan, a defined benefit pension plan, to improve the plan's funded status. The Cooperative recorded the payment of $875,083 in deferred charges on the balance sheets and was amortizing it over ten years. The prepayment became fully amortized in 2022. The prepayment and the interest expense associated with the prepayment are being accounted for in accordance with RUS policies and procedures.

Starting in 2018, participating Cooperatives in the RS Plan may make an additional contribution prepayment (voluntary contribution acceleration program or 'VCAP' contribution) in order to reduce future required contributions. The reduction in future contributions (contribution discount) and the length of the period over which the contribution reduction extends (discount period) is selected by the Cooperative. The VCAP contribution amount is then determined such that it is expected to fund the contribution discount over the discount period. After making the VCAP contribution, the RS Plan billing rate is reduced to reflect the selected contribution discount, which becomes effective the subsequent January 1. The VCAP contribution is accounted for on a monthly basis by crediting it with the actual monthly RS Plan investment return and reducing it by the reduction in monthly contributions obtained through the contribution discount, until the account value reduces to zero. Changes in plan provisions, demographic changes, asset returns different from the long term expected return on plan assets, and other factors will have an impact on the length of the discount period.

On December 1, 2021, December 1, 2022, and December 1, 2023, the Cooperative made voluntary $250,000 prepayments to the NRECA RS Plan with a three-year discount period. The Cooperative recorded the prepayments in deferred charges on the balance sheets and is amortizing each over three years.

ELECTRIC PLANT

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

	2023	2022
Intangible plant	$ 339	$ $339
Transmission plant	129,800	129,800
Distribution plant	47,243,282	45,165,410
General plant	13,010,675	12,994,096
Electric plant in service	60,384,096	58,289,645
Construction work in progress	116,326	124,279
Total Electric Plant	$ 60,500,422	$ 58,413,924

General plant depreciation rates have been applied on a composite and straight-line basis as follows:

Structures and improvements	10 to 50 years	Office furniture and fixtures	5 to 24 years
Transportation equipment	5 to 15 years	Laboratory equipment	5 to 10 years
Communications equipment	5 to 12 years	Shop equipment	5 to 20 years

Provisions have been made for depreciation of transmission plant and distribution plant at a straight-line composite rate of 3.10 percent per annum. The depreciation and amortization expense for the years ended December 31, 2023 and 2022 totaled $2,287,367 and $2,230,999, respectively, of which $221,022 and $236,597, respectively, have been capitalized to distribution plant and expensed to numerous accounts in accordance with RUS policies and procedures.

LEASES

During 2023 and 2022, the Cooperative held leased vehicles under finance lease agreements. For financial reporting purposes, the present value of the minimum lease payments has been capitalized. The equipment has a total cost of $971,006 and $1,005,092 at December 31, 2023 and 2022, respectively, and accumulated amortization of $677,845 and $542,513 at December 31, 2023 and 2022, respectively. Amortization of property leased under finance leases is included in depreciation expense and was $169,418 and $181,741 for the years ended December 31, 2023 and 2022, respectively. Interest expense related to these leases and charged to operations was $13,559 and $20,660 during 2023 and 2022, respectively. During 2022, the Cooperative executed the purchase option upon the expiration of a finance lease contract for $43,146 for a vehicle with a net book value of $2,528. During 2023, the Cooperative executed the purchase option upon the expiration of a finance lease contract for $8,282 for a vehicle with no remaining net book value.

Future minimum lease payments required under finance lease agreements for the years subsequent to December 31, 2023 are as follows:

	Payment	Interest	Principal
2024	$ 123,579	$ 7,870	$ 115,709
2025	99,851	4,297	95,554
2026	68,323	1,700	66,623
2027	20,037	192	19,845
	$ 311,790	$ 14,059	$ 297,731

INVESTMENTS

Investments consisted of the following as of December 31:

	2023	2022
Patronage Capital:		
Buckeye Power, Inc.	$ $9,118,314	$ 8,921,259
United Utility Supply (UUS)	291,762	246,252
Meridian Cooperative	105,889	102,436
NRUCFC	185,406	175,200
National Rural Telecommunications Cooperative, Inc. (NRTC)	22,388	24,417
National Information Solutions Cooperative (NISC)	5,522	6,851
CRC	7,208	7,208
Central Ohio Farmers Coop	4,380	3,803
CoBank	146,426	138,430
Federated Rural Electric Insurance Exchange (Federated)	135,852	130,837
Equity Capital:		
Buckeye Power, Inc.	896,059	896,059
Meridian Cooperative	100	100
NRUCFC	1,000	1,000
NRTC	1,000	1,000
NISC	25	25
CRC	2,500	2,500
Central Ohio Farmers Coop	10	10
Other Investments:		
NRUCFC member capital securities	170,000	170,000
NRUCFC capital term certificates	214,372	215,050
NRUCFC other	1,390	1,390
CRC	10,000	10,000
Total Investments	$ $11,319,603	$ 11,053,827

The member capital securities held by NRUCFC earn interest at an annual rate of 5.0%, payable semi-annually with a maturity date of July 2044. The NRUCFC has the option to redeem all or a portion of the principal in July 2025.

The capital term certificates held by NRUCFC earn interest at an annual rate of 3.0% or 5.0%, payable semi-annually with maturity dates ranging from 2025 to 2080. The $10,000 equity investment with CRC earns dividends annually at the discretion of its Board of Directors.

LONG-TERM DEBT

Long-term debt is represented by mortgage notes payable to the Federal Financing Bank (FFB) of the United States of America acting by and through RUS, NRUCFC and CoBank. Following is a summary of outstanding long-term debt as of December 31:

	2023	2022
Mortgage notes payable to FFB:		
3.403% note due December 2042	$ 2,153,873	$ 2,231,460
4.197% note due December 2042	2,940,975	3,037,742
2.314% note due December 2042	1,031,195	1,073,120
3.912% note due April 2046	2,006,949	2,062,117
2.398% note due January 2046	1,673,740	1,729,816
2.352% note due January 2050	1,465,461	1,505,191
3.055% note due January 2050	1,516,953	1,553,870
2.527% note due January 2050	1,624,258	1,667,137
1.121% note due January 2050	724,298	747,855
1.188% note due December 2053	1,413,869	1,452,399
1.188% note due December 2053	1,952,501	1,990,680
3.710% note due December May 2053	3,485,397	-
Subtotal FFB	21,989,469	19,051,387
Mortgage notes payable to NRUCFC:		
5.00% note due December 2023	-	23,743
4.35% note due December 2029	5,252,449	6,002,795
3.00% note due September 2024	115,035	125,854
Subtotal NRUCFC	5,367,484	6,152,392
Mortgage notes payable to CoBank		
6.50% notes due March 2029 and December 2030	262,965	293,636
3.78% note due October 2030	1,844,173	2,075,886
3.00% note due September 2034	647,074	697,217
Subtotal CoBank	2,754,212	3,066,739
Total mortgage notes payable	30,111,165	28,270,518
Less: current maturities	(1,913,170)	(1,644,749)
Total Long-term Debt	$ 28,197,995	$ 26,625,769

The Cooperative had one variable rate note due to FFB in January 2022 that was classified as long-term debt. This note had a recurring 90-day maturity extension feature with a final maturity date of January 2046. Management continued with the recurring extensions up to the September 30, 2022 when the Cooperative refinanced this variable rate note, to a fixed rate note with interest of 3.912%, due April 2046.

LONG-TERM DEBT - Continued

Substantially all assets of the Cooperative are pledged as security for the long-term debt to FFB, NRUCFC and CoBank. Loan agreements contain various financial covenants, which the Cooperative was in compliance for both periods presented.

As of December 31, 2023, there are unadvanced loan funds available to the Cooperative from NRUCFC and CoBank for lines of credit of $2,000,000 and $1,000,000, respectively, of which there was no outstanding balance as of December 31, 2023 and 2022. Unadvanced loan funds available to the Cooperative through FFB were $12,000,000 and $4,500,000 at December 31, 2022 and 2023, respectively.

During 2019 certain debt was refinancing resulting in a prepayment penalty of $182,608. The penalty is included in prepayments on the balance sheets and is being amortized over fifteen years. The amortization expense is included in other deductions on the statements of revenue and capital patronage.

As of December 31, 2023, annual maturities of all long-term debt outstanding for the next five years are as follows:

2024	$1,913,170
2025	1,824,416
2026	1,895,735
2027	1,795,159
2028	2,037,698
Thereafter	20,644,987

PATRONAGE CAPITAL

Patronage capital is the retained net margins arising from operations of the Cooperative which have been or are expected to be allocated to its members in the form of capital credits, determined by each member's billings during the year the margins were generated. No portion of any current allocation is paid in cash. Patronage capital consisted of the following as of December 31:

	2023	2022
Assignable	$ 2,365,802	$ 1,857,837
Assigned to date	48,990,126	47,132,289
	51,355,928	48,990,126
Less: Retirements to date	(21,491,806)	(20,610,434)
Total Patronage Capital	$ 29,864,122	$ 28,379,692

Under the provisions of the mortgage agreement with RUS, until the equities and margins equal or exceed 30 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year.

The equities and margins of the Cooperative represent 46.5% in 2023 and 46.7% in 2022 of the total assets at the balance sheet dates. During 2023, the Board of Trustees approved a 2% general retirement of 2022 capital credits totaling $566,592.

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 health care plan. Following is a brief description of each of the plans including financial data recognized in the accompanying financial statements related to each plan.

Defined Contribution Retirement Plan - The Cooperative maintains a 401(k)-profit sharing plan that covers substantially all employees. In accordance with this plan, the Cooperative contributes 0.5% of each participant's base salary for each 1% of salary that the participant contributes to the plan. The maximum contribution by the Cooperative is 3% of salary. For the years 2023 and 2022, the Cooperative made contributions to the plan of $62,630 and $61,464, respectively.

Defined Benefit Pension Plan - Substantially all the employees of the Cooperative are covered by the NRECA 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.

The Cooperative's contributions to the plan of $178,675 and $166,446 for 2023 and 2022, respectively, represented less than 5% of the total contributions made to the plan by all 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 January 1, 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 RS Plan and may change as a result of plan experience.

Non-pension Postretirement Benefit Plan - The Cooperative sponsors a defined benefit postretirement health care plan covering substantially all employees. The plan is funded by the Cooperative on a "pay as you go" basis and provides a fixed annual benefit for retired employees with 20 years of service between the ages of 61 and 65. ASC 715 *Compensation - Retirement Benefits*, requires the recognition of the funded status of pension plans and non-pension postretirement benefit plans as an asset or liability on the balance sheets, 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 and losses, prior service costs and credits and transition assets and liabilities as a component of accumulated other comprehensive income. Since the Cooperative's postretirement benefit plan covers a limited time period for the retiree (between ages 61 and 65) and the benefits paid cannot exceed a total of $21,600 per participant for the four-year period, management did not obtain an actuarial study and did not implement all of the provisions of this standard. Management estimated the maximum potential liability for the Cooperative and determined that the impact of not implementing the standard was not significant.

The following table sets forth the plan's estimated funded status and presents the amounts shown in the Cooperative's financial statements as of December 31:

	2023	2022
Accumulated postretirement benefit obligation	$ 196,367	$ 169,889
Accrued benefit cost included on the balance sheets	120,812	107,594
Net periodic postretirement benefit cost for the year	13,218	(5,493)
Benefits paid	5,400	5,200

As noted above, the total estimated accumulated postretirement benefit obligation is not recorded on the balance sheets but will eventually be recorded through annual charges of net periodic postretirement benefit cost. The accumulated postretirement benefit obligation ($120,812 as of December 31, 2023) includes estimates for experience gains and losses and unrecognized prior service costs. The discount rate used in determining the accumulated postretirement benefit obligation is 6 percent. The estimated maximum potential for benefits to be paid over the next five years approximates $78,750. Management believes the estimated accrued benefit cost included on the balance sheets is very conservative since no allowance is included for employee turnover and no reduction in the obligation was made for employees that choose to not retire between ages 61 and 65.

RELATED PARTY TRANSACTIONS

The Cooperative purchases all of its power from Buckeye Power, Inc. at rates determined in its wholesale power agreement. Buckeye Power, Inc. is a cooperative whose membership includes Mid-Ohio Energy Cooperative, Inc. The Cooperative has an investment in and receives patronage from Buckeye Power, Inc. Accounts payable to Buckeye Power, Inc. at December 31, 2023 and 2022 were $1,202,858 and $1,283,344, respectively.

There is also a prepaid balance with Buckeye Power, Inc. of $3,369,885 and $1,438,004 as of December 31, 2023 and 2022, respectively, that earns interest at an annual weighted average rate of 6.63% and 2.16%, respectively. The prepaid balance is included in current portion of prepayments on the accompanying balance sheets.

Th Cooperative borrows funds from CoBank, in which it is an owner and a member. The Cooperative has an investment in CoBank and may receive patronage from time to time.

The Cooperative is a member of the NRUCFC, which provides a portion of the Cooperative's financing. Investments in NRUCFC include stock and patronage capital as well as interest bearing capital term certificates and capital security investments.

The Cooperative purchases most of its materials and supplies from UUS of which it is an owner and member. Investments in this organization include patronage capital.

The Cooperative purchases data processing services from Meridian Cooperative of which it is an owner and member. Investments in this organization include stock and patronage capital.

The Cooperative previously purchased data processing services from NISC of which it is still an owner and member. Investments in this organization include a membership fee and patronage capital.

The Cooperative is a member of NRTC. Membership in this association required an investment of $1,000.

The Cooperative is a member of CRC. Membership in this association required an investment of $2,500.

Federated, a non-assessable reciprocal insurer, provides property and liability insurance to the Cooperative. The carrying value of this investment represents the Cooperative's contributions and share of patronage capital.

The Cooperative purchases fuel and other miscellaneous materials from Central Ohio Farmers Coop of which it is a member. Investments in this organization includes a membership fee and patronage capital.

Additional information, including the investment balances in these related entities, is provided in the "**INVESTMENTS**" note.

Following is a summary of related party purchases for the years ended December 31:

	2023	2022
UUS	$ 1,241,614	$ 862,823
Meridian Cooperative	262,488	289,866
CRC	37,526	34,595
Federated	91,307	89,769
Central Ohio Farmers Coop	56,368	75,270

Accounts payable due to related parties included the following as of December 31:

	2023	2022
UUS	$ 18,813	$ 105,290
Meridian Cooperative	20,167	21,527
CRC	3,092	3,053
Federated	-	1,000
Central Ohio Farmers Coop	4,422	6,677

The above amounts are included in "accounts payable - other" on the accompanying balance sheets.

SUBSEQUENT EVENTS

Subsequent events were evaluated through February 9, 2024, which is the date the financial statements were available to be issued.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Mid-Ohio Energy Cooperative, Inc. • Kenton, Ohio

Opinion

We have audited the accompanying financial statements of Mid-Ohio Energy Cooperative, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of revenue and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Ohio Energy Cooperative, Inc., 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mid-Ohio Energy Cooperative, Inc., 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.

Responsibility 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 Mid-Ohio Energy Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Mid-Ohio Energy Cooperative, Inc.'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 Mid-Ohio Energy Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, statistical sections and include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2024, on our consideration of the Mid-Ohio Energy Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mid-Ohio Energy Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mid-Ohio Energy Cooperative, Inc.'s internal control over financial reporting and compliance.

Circleville, Ohio
February 9, 2024

BHM CPA Group, Inc.

BALANCE SHEETS

December 31, 2023 and 2022

	2023	2022
ASSETS		
ELECTRIC PLANT		
In service - at cost	$ 60,384,096	$ 58,289,645
Construction work in progress	8,033	124,279
Subtotal Electric Plant	60,392,129	58,413,924
Less: accumulated provision for depreciation and amortization	(17,407,517)	(16,394,850)
NET ELECTRIC PLANT	42,984,612	42,019,074
INVESTMENTS AND OTHER ASSETS		
Investments - patronage capital	10,023,147	9,756,693
Investments - equity capital	900,694	900,694
Other investments	395,762	396,440
Deferred charges, less current portion	250,000	250,000
Prepayments, less current portion	118,695	130,870
TOTAL INVESTMENTS AND OTHER ASSETS	11,688,298	11,434,697
CURRENT ASSETS		
Cash and cash equivalents	2,591,694	2,410,926
Accounts receivable, less provision for uncollectible accounts of $34,868 and $91,586, respectively	2,523,275	2,530,348
Materials and supplies	840,454	826,899
Interest receivable	4,711	4,711
Prepaid power costs	3,369,885	1,438,004
Current portion of deferred charges	250,000	250,000
Current portion of prepayments	135,245	97,708
TOTAL CURRENT ASSETS	9,715,264	7,558,596
TOTAL ASSETS	$ 64,388,174	$ 61,012,367
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	$ 70,205	$ 69,755
Patronage capital	29,864,122	28,379,692
TOTAL EQUITIES	29,934,327	28,449,447
LONG-TERM DEBT		
FFB mortgage notes, less current maturities	21,196,487	18,504,069
CoBank mortgage notes, less current maturities	2,428,956	2,754,216
NRUCFC mortgage notes, less current maturities	4,572,552	5,367,484
Capital lease obligations, less current portion	182,022	297,731
TOTAL LONG-TERM DEBT	28,380,017	26,923,500
OTHER NONCURRENT LIABILITIES		
Accumulated provision for non-pension postretirement benefits	120,812	107,594
TOTAL OTHER NONCURRENT LIABILITIES	120,812	107,594
CURRENT LIABILITIES		
Current maturities of long-term debt	1,913,170	1,644,749
Current portion of capital lease obligations	115,709	177,835
Accounts payable - cost of purchased power	1,202,858	1,283,344
Accounts payable - other	330,077	331,320
Patronage capital payable	275,096	340,868
Consumer deposits	405,371	272,771
Accrued taxes	803,035	777,706
Other current liabilities	907,702	703,233
TOTAL CURRENT LIABILITIES	5,953,018	5,531,826
TOTAL EQUITIES AND LIABILITIES	$ 64,388,174	$ 61,012,367

BOARD OF TRUSTEES

Mid-Ohio Energy Cooperative serves portions of 10 counties in north-central Ohio. The current board is made up of one trustee from each of the cooperative's nine districts. Each year, prior to the annual meeting of members, members vote (either by mail or by online ballot) to elect trustee representatives. Board members are responsible for cooperative policies, rates, and contracts. They are the ambassadors of the cooperative's rural community, focusing on the needs of the membership.

Tony Hastings
SECRETARY

Brice Turner
ASSISTANT SECRETARY

Trevor Fremont
VICE CHAIR

Curtis Byers

Howard Lyle
TREASURER

Paul Beineke

Gene McCluer

John Thiel
CHAIRMAN

Robert Imbody