



ADAMS RURAL ELECTRIC COOPERATIVE 2022 ANNUAL REPORT

2022 Annual Report to Members



Erika Ackley
GENERAL MANAGER

On behalf of the employees and board of trustees of Adams Rural Electric Cooperative, Inc., I am pleased to update you on the health and operations of your member-owned rural electric cooperative. I hope you find this annual report informative and you see that your cooperative continuously strives to meet the needs of our members. As Adams Rural Electric has done for 82 years, the cooperative continues to provide safe, reliable, and affordable electricity to members' homes, farms, businesses, churches, and schools throughout our five-county service territory.

Financial performance

Adams Rural Electric continued to maintain a strong financial position in 2022. Thanks to the diligent efforts of management and employees, we finished the year with a margin of \$1,054,759, which was allocated to members' capital credit accounts. The cooperative retired \$270,665 to the estates of deceased members in 2022. We also retired \$644,471 to members who had service in 2000 and 2001.

In 2022, kilowatt hours sold to members totaled 118,235,973, up 3.13% over 2021, and total revenue was \$17,557,823, up 5.4%. Our total number of meters billed at the end of 2022 was 7,673.

Power is purchased from Buckeye Power, a generation cooperative owned by Ohio's Electric Cooperatives. The cost of purchased power in 2022 was \$10,518,359, a 7.28% increase from 2021. The cost of purchased power represents 59.9% of total revenue for the year.

Supply chain issues and significant increases in the cost of doing business remained a challenge in 2022. The rate of inflation and rising material costs resulted in small rate increases in 2022 and 2023. Rest assured, though, that Adams Rural Electric will continue to make every effort to continue providing reliable electric service at the most affordable cost possible.

Reliability

Adams Rural Electric strives to keep the lights on for our members. However, outages do happen and our crews are ready to respond and work to get the power on in a quick but safe manner. The number of power outages increased by 24 in 2022; however, the average length of time a member was out of power went down by 11%. Trees were the primary cause of outages. An ice storm in February and stormy weather in June resulted in lengthy outages and required assistance from contractors in restoration efforts.





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Enhancing reliability continues to be a goal of Adams Rural Electric. Line crews are actively working on the cooperative's construction work plan. In 2022, crews changed 186 poles that had been identified as potential hazards during our annual pole inspection program. Right-of-way crews removed 7,552 trees and trimmed 1,931 more that were in our rights-of-way. Adams Rural Electric crews and a contractor, A-1 Tree Care, mowed and cleared 25 miles of line.

Members who live in Scioto County and the Blue Creek area are currently served from the Tick Ridge metering point. Historically, it has been one of the state's highest for the number of power supply outages. These outages are beyond our control. In 2022, land was purchased on Rocky Fork Road to build a new substation to provide power to the area and eliminate the metering point.



Future site of substation.

This project is part of a collaboration between Buckeye Power and American Electric Power to upgrade new transmission in the area and provide better reliability. A project of this magnitude does take time and the updated in-service date is now 2027.

Commitment to youth

Adams Rural Electric is proud to sponsor programs and scholarships that benefit youth in areas that we serve. In 2022, we presented scholarships to five students for a total of \$4,300. The winners were:

1st Place – Morgan Shupert

2nd Place – Molly Purcell

3rd Place – Aaron Irwin

4th Place – Katelyn Seas

5th Place – Ainsley Grooms



Morgan Shupert

Looking forward

Overall, 2022 was another solid year for your electric cooperative. We continued to provide reliable electricity. We kept rate increases modest during a time of rapid inflation and ongoing supply chain difficulties. We allocated more than a million dollars in margin to members. And we maintained an excellent safety record while accomplishing these achievements. We look forward to continuing to bring you reliable, safe, and affordable electricity in the coming year.





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2022 FINANCIAL REPORTS

BALANCE SHEET

Years ending December 31, 2022 and 2021
(Based on audited financial statements)

	2022	2021
ASSETS		
Total Utility Plant	\$ 45,634,803	\$ 44,896,329
Less: Accumulated Depreciation	(16,815,486)	(15,969,471)
Net Utility Plant	28,819,317	28,926,858
Cash	154,322	198,008
Investments	8,287,200	8,356,667
Accounts Receivable - Electric Sales	1,659,056	1,429,852
Materials and Supplies - Electric	464,171	377,540
Other Deferred Debts	35,483	94,400
Other Current and Accrued Assets	796,163	705,968
TOTAL ASSETS	\$ 40,215,712	\$ 40,089,293
LIABILITIES		
Debt-RUS, CFC, and FFB	\$ 14,128,929	\$ 14,832,927
Obligations under Capital Leases	43,496	127,436
Current and Accrued Liabilities	3,734,456	2,996,872
TOTAL LIABILITIES	17,906,881	17,957,235
Total Margins and Equity	22,277,203	21,441,051
Non-operating Margins	31,628	691,007
TOTAL LIABILITIES AND EQUITY	\$ 40,215,712	\$ 40,089,293

STATEMENT OF OPERATIONS

Years ending December 31, 2022 and 2021
(Based on audited financial statements)

	2022	2021
INCOME		
Operating Revenue	\$ 17,557,824	\$ 16,658,197
Interest	17,848	211,910
Other Revenue & Patronage Capital	612,372	972,266
TOTAL INCOME	\$ 28,819,317	\$ 28,926,858
EXPENSES		
Cost of Power	\$ 10,518,359	\$ 9,804,187
Operations & Maintenance Expense	2,443,233	2,302,517
Administrative & General Expense	1,065,075	1,041,336
Consumer Accounting Expense	437,263	354,316
Customer Service & Sales Expense	44,195	43,515
Depreciation Expense	1,436,020	1,327,883
Tax Expense	522,462	516,285
Interest Expense	657,390	667,891
Miscellaneous Expense	9,288	9,411
TOTAL EXPENSES	\$ 17,133,285	\$ 16,067,341
PATRONAGE CAPITAL AND MARGINS	\$ 1,054,759	\$ 1,775,032

(A complete copy of the audited financial report is available upon request.)

Financial Reporting 101

What is a balance sheet?

It presents the financial position of an entity at a given date. This is a two-year comparison with the following three elements:

- 1. Assets** — something a business owns or controls (cash, inventory, plant, and investments, etc.)
- 2. Liabilities** — something a business owes to someone (creditors, bank loans, etc.)
- 3. Equity** — represents how much you, the members, own in your cooperative

What is an income statement?

Also known as the Statement of Revenue and Expense, it reports the company's financial performance in terms of net profit or loss over a specified period. This is a two-year comparison that has two elements:

- 1. Income** — what the business has earned over a period (sales revenue)
- 2. Expense** — the costs incurred by the business over a period (salaries and wages, depreciation, cost of power, etc.)

Net margins are calculated by subtracting expenses from income. The margin belongs to you, the members, and gets added to each member's capital credit account based on the percentage of kilowatt hours used.



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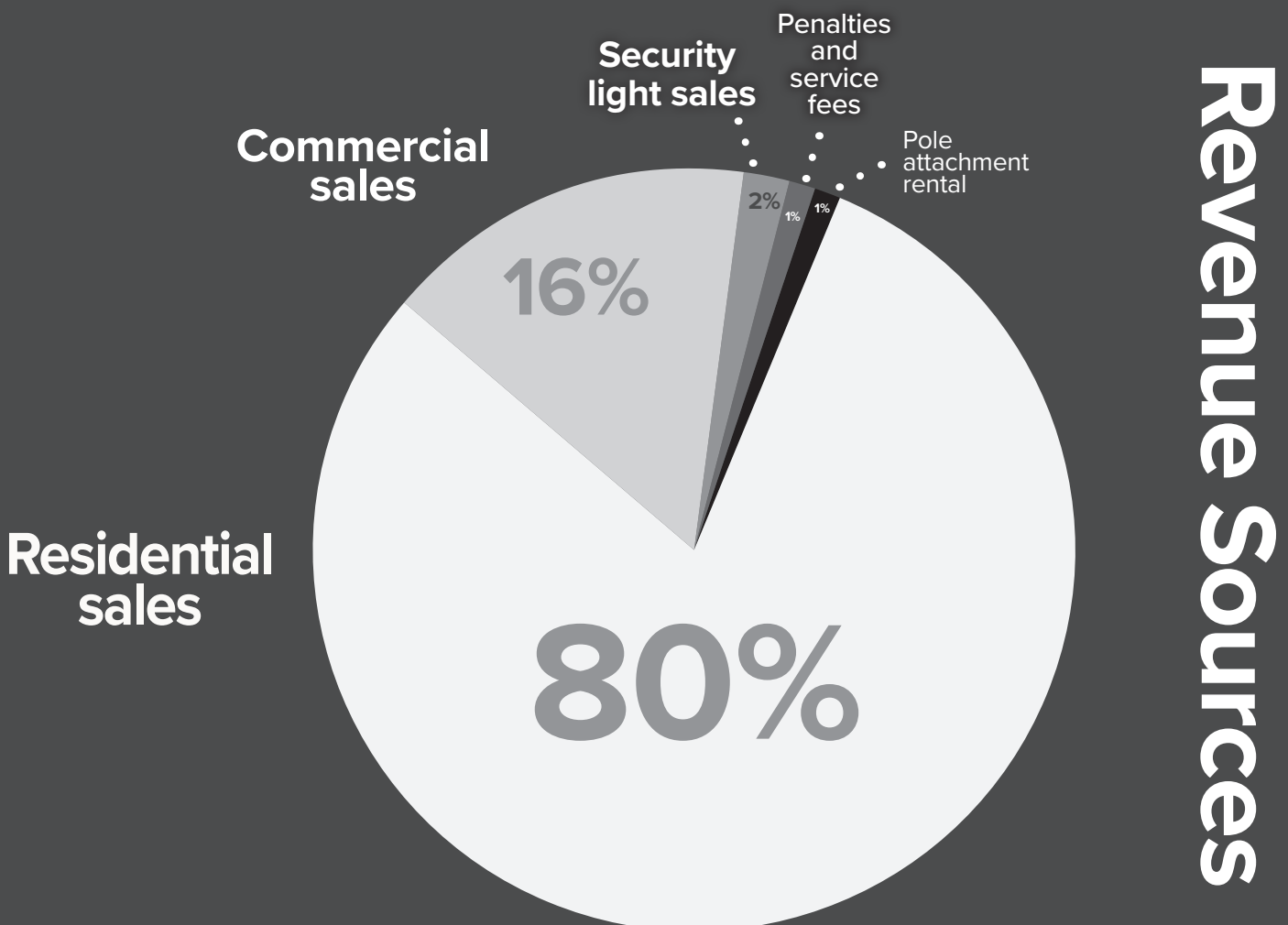
We have audited the accompanying financial statements of Adams Rural Electric Cooperative (the Cooperative), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of revenues and expenses, member equities and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adams Rural Electric Cooperative (the Cooperative) as of December 31, 2022 and 2021, and the results of its operations, the changes in members' equities, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We conducted our audit 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 Adams Rural Electric Cooperative, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinions.

Caudill & Associates, CPA, PLLC

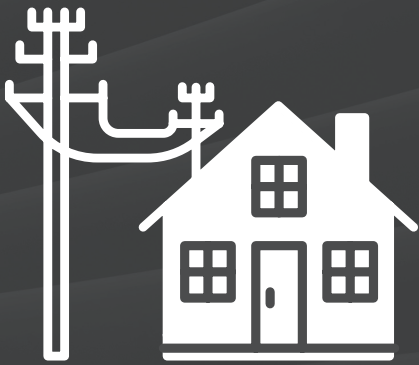
March 1, 2023





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7,673
Meters served



1,332

miles of electric line powering
Adams Rural Electric service territory

25

miles of line cleared by Adams
Rural Electric and contractor crews

1,931

Trees trimmed

7,552

Trees removed



\$915,136

in Capital Credits were returned to
current and former members in 2022

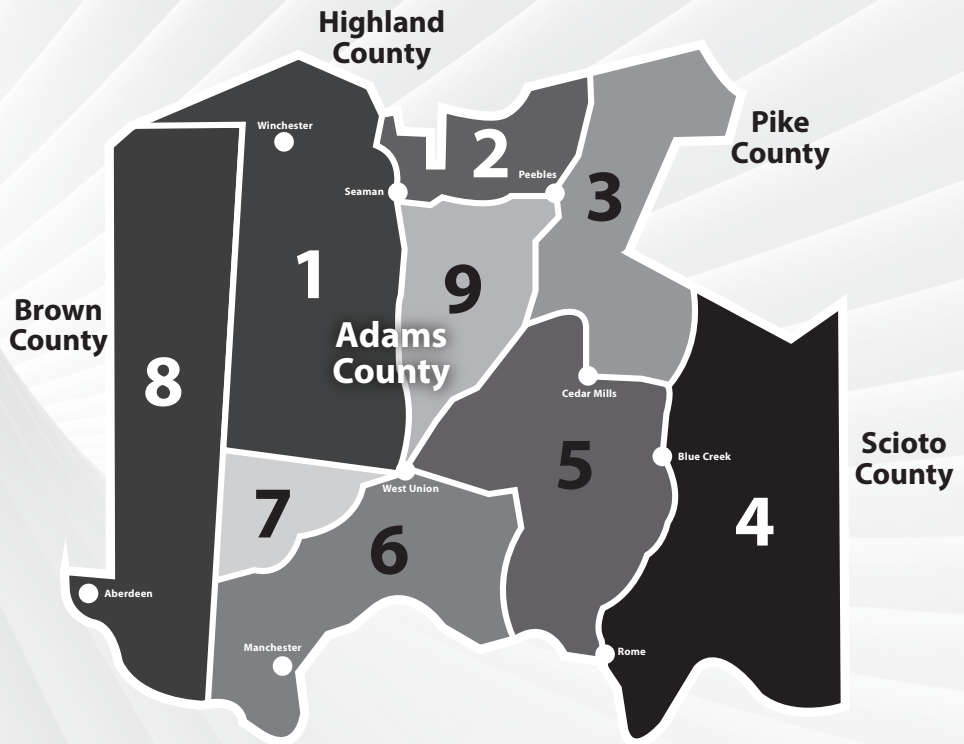


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Adams Rural Electric Cooperative, Inc., is governed by a board of nine trustees. Each trustee represents a district in the cooperative service area, which is made up of a portion of five counties: Adams, Brown, Highland, Pike, and Scioto. Elected by the membership, these trustees are also members of the cooperative. They live and work in the same communities they serve. Each board of trustees member serves a three-year term. The board of trustees meets monthly at the cooperative office. Throughout the year, they receive education and training to better serve the membership.

The board of trustees provides strategic guidance to serve the best interest of all member-owners. They are responsible for establishing policies, approving the annual budget and cooperative rate schedules and fees, reviewing and approving major work plans for maintenance and improvement to the cooperative's distribution system, and continuously monitoring the financial condition of the cooperative.

Board districts



1

District 1 Blanchard
"Buck" Campbell



2

District 2 William Wylie



3

District 3 Dale Grooms



4

District 4 William Seaman



5

District 5 Kenneth McCann,
Secretary/Treasurer



6

District 6 Donald
McCarty Sr., President



7

District 7 David Abbott



8

District 8 Stephen Huff



9

District 9 Charles
Newman, Vice President



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Adams Rural Electric Cooperative is operated by 22 employees.

Right-of-way staff



David Ralston, John Hayslip, and Randy Johnson

Mechanic, engineering, and safety



Sam Kimmerly, Rodney Little, and Dewayne Sexton

Office staff



Hannah Ellenberger, Jaimie Bayless, Joyce Grooms, Jordan Williams, and Jennifer Baughey

Management staff



Kacee Cox, Erika Ackley, and Steve Hoop

Linemen



Mike Whitley, Jacob Alexander, Trace Pistole, Nathan Colvin, David Henry, Zach Rowe, Cody Rigdon, and Brett Fawns.

Ballot reminder: Trustee election ballots were mailed to the member of record on July 21, 2023. Ballots must be postmarked by **August 11, 2023**, and include the member's signature to be counted. Please return your ballot in the envelope provided and mail to the CPA. The CPA will make sure all ballots are valid by checking for any duplication and that the signature on the ballot is the member of record. Do not send your ballot to the cooperative office, as it will not be accepted and counted. Election results will be announced at the Annual Meeting on August 19, 2023.



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You're Invited!

Adams Rural Electric Cooperative, Inc. 83rd Annual Meeting

Saturday, August 19, 2023

Hosted at Adams REC Office
4800 State Route 125, West Union, Ohio

Business meeting begins at **8:00 a.m.**
Drive-thru will be held **9:00 a.m. – noon**

Enter from St. Rt. 125 entrance. For business meeting, park in front of building. For drive-thru, stay in vehicle.
The business meeting will also be posted on Facebook.

Members will receive a gift and food coupon and those who attend the drive-thru will be entered for a chance to win a \$50 bill credit.

**DRIVE
THRU**