



Annual meeting summary

Due to the COVID-19 pandemic restrictions, the Holmes-Wayne Electric Board of Trustees canceled the 2021 public annual meeting that is normally held in June. Your cooperative looks forward to hosting the 2022 annual meeting in person.

Enclosed is the information that would have been presented at the annual meeting. The election of board trustees was not altered — members received mailed ballots on June 1 with the ability to vote June 1 through June 22 via mail or online. The election results, which historically have been announced at the annual meeting, are published below.

2021 TRUSTEE ELECTION RESULTS

Three seats on Holmes-Wayne Electric Cooperative's board of trustees were up for election this year.

Reelected to the board were Randy Sprang, District 1; Jackie McKee, District 3; and David Tegtmeier, District 7.

District 7

Congress Township in Wayne County and Jackson Township in Ashland County



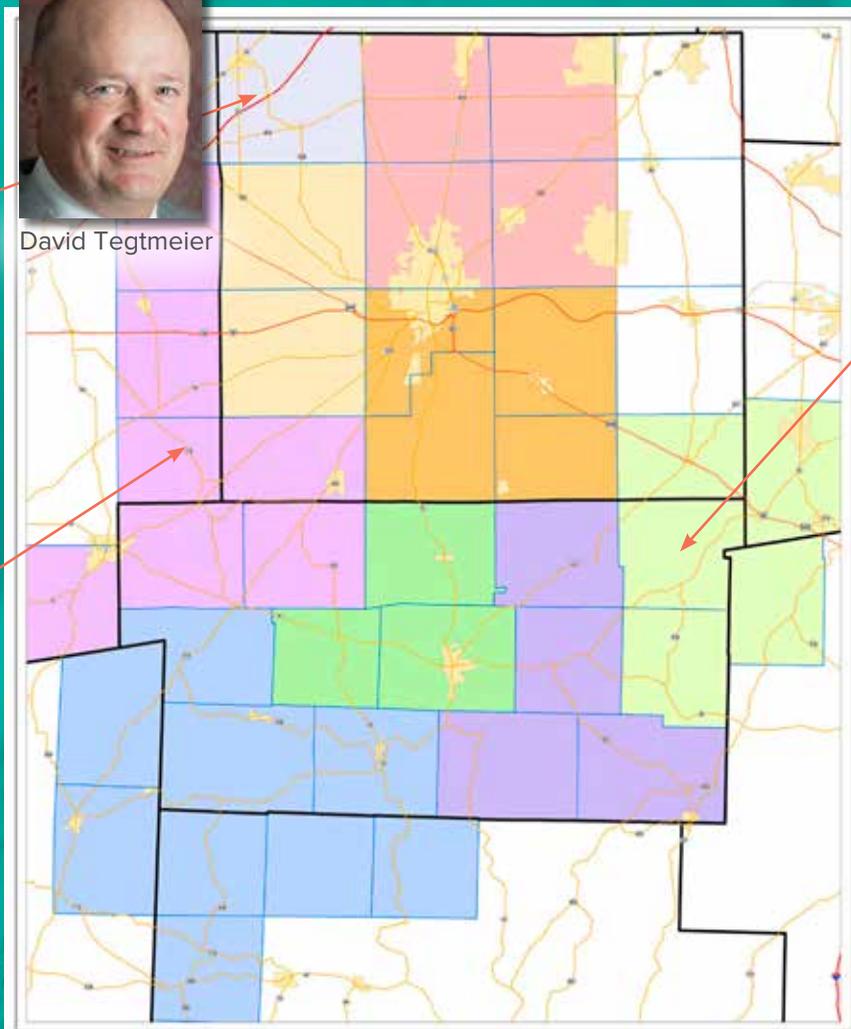
David Tegtmeier

District 3

Perry, Mohican, Lake, and Hanover townships in Ashland County, Washington and Ripley townships in Holmes County, and Clinton Township in Wayne County



Jackie McKee



District 1

Paint and Walnut Creek townships in Holmes County, Paint Township in Wayne County, Wayne Township in Tuscarawas County, and Sugarcreek Township in Stark County



Randy Sprang



RANDY SPRANG BOARD OF TRUSTEES

Although we were unable to have our 2021 annual meeting, it is nice to see the pandemic coming to a close, and your Holmes-Wayne Electric board looks forward to seeing you, the members, at our 2022 annual meeting.

In the midst of COVID-19, your electric cooperative has responded with its emergency management strategy. Annually HWEC reviews different emergency scenarios like ice storms and pandemic scenarios to prepare the organization for such emergency situations. This annual practice has proven to be critical in the successful transition of remotely working and protecting HWEC staff. Processes are in place to eliminate as much contact with staff and yet still provide safe and reliable service to you, the members. As your board, we also were meeting remotely and using technology to stay apprised of the situation and continuing to manage the organization.

Although the past 16 months looked very different, the HWEC board is very grateful for the 42 staff members who again showed their dedication to the community by working with great flexibility and ingenuity to continue to provide excellent service to our members during the pandemic.

Your cooperative continues to be a financially healthy organization. Every month you pay your electric bill, you are not only paying for the service provided but investing in the future. The margin after sales is used by your cooperative as working capital. This is used to maintain the electric distribution system as well as to build and upgrade lines and substations. This allows for you to have the most reliable and safe service possible. Also, that investment is returned to you as capital credits. In June, \$1,138,751.99 in capital patronage credits was returned to HWEC members. This is a retirement for members receiving electricity from Holmes-Wayne Electric in 2000 and 2001.

While we all faced a time of uncertainty through this pandemic, we should be proud of the entrepreneurial spirit that remains in our community. As our commercial load continues to grow, we look forward meeting these new electricity demands and are thrilled with the

growth that continues to make Holmes-Wayne Electric Cooperative thrive.

Even in the midst of the pandemic, cooperatives still maintained our Seven Cooperative Principles, including Cooperation Among Cooperatives. Last February, our line crews assisted Buckeye Rural Electric during their devastating ice storm. We also received that favor from Guernsey-Muskingum Electric Cooperative when we saw high winds hit our area in late March. The spirit and commitment of restoring power efficiently and safety was not wavered by COVID-19.

The success of your cooperative is also the engagement of you, the members. We appreciate your continuous interest in the organization and the valuable feedback you give us during storms as well as ways to improve.

Many members also participate in our Co-op Owners for Political Action — a political action committee that supports state and federal officeholders and candidates who support co-ops. More than 36,000 electric cooperative members across the country support ACRE and Co-op Owners — including 6,900 from Ohio. We want to thank the 316 HWEC members who are invested in the future of their cooperative through political engagement.

In closing, I would like to take a moment to recognize the loss in the past year of two retired HWEC board members — Ken Conrad and Ken Bower. They had a combined service of 60 years. Both these men served the cooperative with the highest integrity and fullest commitment to the organization, members, community, and staff. We again thank them and their family for their service.

On behalf of the nine-member board of trustees and the entire Holmes-Wayne staff, we look forward to seeing you at the 2022 annual meeting and wish you blessings and safety.

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GLENN MILLER – PRESIDENT/CEO

As I reflect on the year 2020, I can say it was a year like no other in recent memory. With so many aspects of our lives being disrupted, one thing stayed consistent — electricity! We knew when the COVID pandemic began that we must remain a stable part of our members' lives. We responded swiftly to prioritize the health and well-being of our employees, members, and others around us, while minimizing any impact on daily business operations. It may not have been the year that we hoped for, but we still accomplished a tremendous amount of work, proving just how resilient we can be.

One of Holmes-Wayne Electric's founding principles is Concern for Community. Given the unpredictable state of the COVID-19 pandemic, the Holmes-Wayne Board of Trustees, along with HWEC management, made the difficult decision to cancel the 2021 in-person meeting. This decision did not come easy, and we look forward to a brighter tomorrow and seeing you all again in 2022.

Although we are unable to meet face-to-face, Holmes-Wayne Electric wants to be sure its members are still able to stay informed of their cooperative's operations, financial health, and plans for the future.

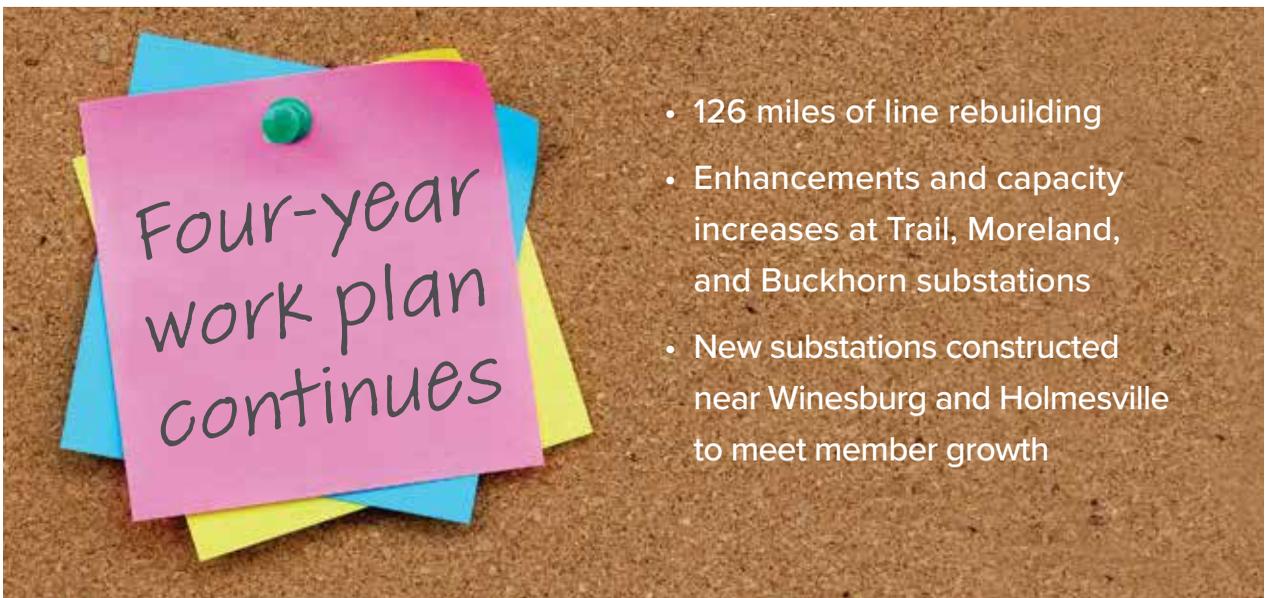
Upgrading and maintaining our system

2020 was another busy year. While it may not have unfolded as planned, it was still very successful in many ways. We rebuilt 18.5 miles of line, replaced 799 poles, trimmed trees for 474 miles, and sprayed vegetation control for 397 miles, all while adding 224 new services!

We continue to invest in your system to provide increased reliability. These investments include line rebuilding, substation testing, pole replacements, and other equipment replacements and upgrades.

We have completed building tie lines between our 18 substations, a total of 203 miles. In most cases, if our transmission supplier is unable provide electric service to our substations, we can switch direction of power delivery through these tie lines.

This will greatly reduce your outage time, generally from eight to 12 hours to two to three hours. It also gives us control of restoring your power. We are installing many devices to automate this switching process in the future, when conditions warrant, to reduce that time even more.



- 126 miles of line rebuilding
- Enhancements and capacity increases at Trail, Moreland, and Buckhorn substations
- New substations constructed near Winesburg and Holmesville to meet member growth



HOLMES-WAYNE ELECTRIC COOPERATIVE LOCAL PAGES

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This has improved our overall reliability and has proved to be an excellent investment. Last year, members had power 99.895% of the time.

We are in the final year of our four-year work plan that totals \$23.1 million of investment. This work plan features 126 miles of line rebuilding. Transformer capacity increases will be completed at Trail substation, while Moreland and Buckhorn substations will be enhanced. Future projects will include the construction of substations near Winesburg and Holmesville to meet member growth.

There are many ways HWEC provides you with safe, reliable electric service. One of the most common and crucial ways we do this is through right-of-way clearing, or vegetation management. HWEC trimming and vegetation management is on a four-year rotation. A third-party contractor completes this work, and HWEC bids out the contract every year, to ensure we are providing the best value to our members.

This year, in our four-year cycle program, Davey Tree Service will trim 404 miles in Hefferline, Moreland, Alpine, and Trail substation areas.

A few years ago, we added an ash tree removal program. We decided to be proactive in taking down trees that have been affected by the emerald ash borer in areas that are not in the current year tree-trimming program cycle.

Though these efforts reduce outages tremendously, they do not eliminate them. We will always battle a variety of factors, such as weather, wildlife, and car accidents.

Additionally, your cooperative has a very good mix of commercial and residential members. Our kilowatt-hours sold are about 52% residential and 48% commercial. This growth and load mix enables us to keep our rates low.

Keeping costs low

Overall, Holmes-Wayne continues to have one of the lowest electric service rates in the state of Ohio, out of the 25 cooperatives.

Your cooperative is a vital part of our local tax base. In 2020, we paid \$1,482,000 in kilowatt-hour tax to the state of Ohio. Additionally, we paid \$1,246,000 in property taxes that benefit 12 local school districts and local governments.

In today's busy world, we realize how difficult it can be to keep up with everything. We offer several convenient ways to help you stay connected with us, allowing you to choose which way works best for you.

2020 HWEC projects



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18.5 miles of line built

799 poles replaced

trimmed trees for 474 miles

397 miles of vegetation control

224 new services

We have several electronic options, including our mobile application, SmartHub, and text and email notifications and through social media on Facebook. If you prefer printed notifications, we've got you as well. Members can receive the latest co-op news in the local pages of *Ohio Cooperative Living* magazine and through messages on their bill.

Concern for Community

From a community standpoint, your cooperative continues to prosper in the area of community service.

At Christmas, the cooperative decorated bucket trucks and personal vehicles and had a parade for the local county home and a nursing home, taking an opportunity to bring smiles through long distance waves to those who were not allowed to have visitors during the pandemic.

We continue to be active in promoting energy efficiency and safety through our communications avenues listed previously and look forward to returning to local schools and community organizations in the near future.

Unfortunately, we had to make the difficult decision to cancel the 2021 Honor Trip scheduled for August. We will continue to assess the current health situation and proceed

with our next trip when it has been deemed safe to do so. Honor trips are often a once-in-a-lifetime opportunity for our veterans, but their health and welfare come first!

Our wonderful members

Beyond our dedicated staff is our supportive community. You the members, are key to the success of the co-op. We appreciate your valuable feedback and support.

The events of past year were among the most difficult that we have all experienced, yet our employees rose to the challenge. That should give you all tremendous confidence in our plans, our people, and our future. Our foundations in reliability and member service made all the difference. Our dedication was and is unique, especially during these difficult times. We pulled together as a team to continue powering our members' lives.

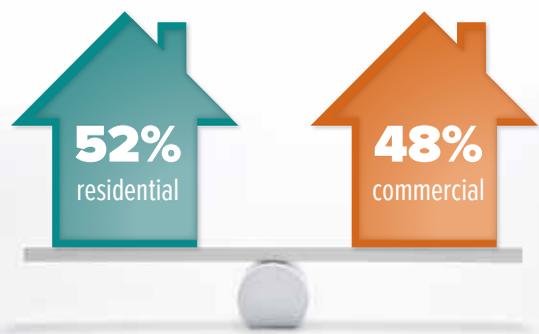
In closing, it was a privilege to help lead Holmes-Wayne Electric through such unprecedented times. At the heart of resilience is the ability to work together and adapt. As we move forward, I can promise, 2020 made us better, stronger, and brighter. I look forward to continued success of your cooperative. Many thanks for the trust you have in HWEC!

HWEC taxes support our communities

- \$1,482,000 in kilowatt-hour tax to the state of Ohio
- \$1,246,000 in property taxes that benefit 12 local school districts and local governments



2020 HWEC members kWh distribution





Making a difference

Holmes-Wayne Electric Foundation Inc. was formed in 2006. The mission of the foundation is “to support the poor and those in need during times of emergency, in support of charitable activities for the betterment of the communities served by Holmes-Wayne Electric Cooperative, Inc. and other communities and other charitable purposes.”

The foundation fulfills its mission from generous donations made by the members of Holmes-Wayne Electric Cooperative Inc. through a program known as Operation Round Up, which gives members of the cooperative the option of rounding their monthly electric bill up to the next even dollar. Cooperative members participating in Operation Round Up contribute an average of \$6 per year to the foundation for each electric service account.

In 2020, the foundation distributed more than \$58,000 in the communities served by the cooperative. Of that amount, \$9,000 was submitted in the spring to local food pantries that were overwhelmed with families in need of basic supplies because of job loss. Over \$10,000 was distributed directly to individuals to assist with medical treatment, to purchase beds for children, to replace basic necessities because of a home fire, and for home modifications to assist individuals with special needs. The remaining \$39,000 was distributed to other charitable organizations with missions and values that align with

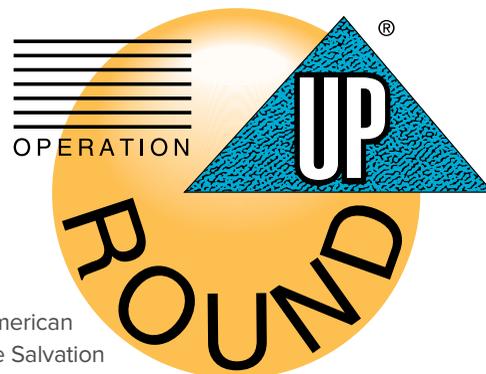
those of the foundation. These other charitable organizations include the American

Red Cross, the Salvation Army, OneEighty, Viola Startzman Health Clinic, and numerous local food pantries. A complete list of 2020 distributions can be found in the June 2021 issue of *Ohio Cooperative Living*.

An example of putting the funds of Operation Round Up to work in our communities is evidenced by the following, contained in a thank you note received from a local food pantry recipient:

“The year of 2020 had presented many blessings and challenges. One of the blessings is the faithfulness of our volunteers during this pandemic. Their everyday ministry and kindness are a great act of love for our food pantry and its families!”

There are times in ministry when we wonder if we are really making a difference, but when someone shares a heartfelt thank you, it puts this question to rest. I want to share a letter we received from a young mother. Her story is why we continue to press on and serve.



Dear all,

Although I know this most likely won't be able to reach each person, I do wish to say a BIG, sincere thank you to each and every person who makes Love Center Pantry a possibility. My family and I are so grateful to have this opportunity to receive such fresh and healthy items during a time that has been financially challenging for us. I will be honest ... I was a bit embarrassed of our situation and I was anticipating receiving a lot of processed food (but beggars can't be choosers, right?). I was so surprised I was treated with such kindness and dignity, and I nearly wanted to tear up at the wonderful food I was receiving to feed my family. Your giving spirits and hard work are deeply appreciated! God bless!

Special thanks to Shay Lynch and Robyn Tate, who initially review applications for assistance, screen applicants, and provide the foundation board with the information necessary to confirm that those applying for assistance are truly in need and their situation is consistent with the mission of the foundation.

Also thanks to fellow board members Jonathan Berger, Lisa Grassbaugh, Matt Johnson, and Glenn Miller for their wisdom and leadership, their compassion for those in need in their communities, and the time and effort they put into screening applicants for assistance by the foundation.

Operation Round Up has been extremely successful since its inception in 2006. More than \$750,000 in assistance has been distributed to individuals and other charitable organizations assisting individuals in need in the communities served by the cooperative. To the more than 7,200 cooperative members participating in Operation Round Up, thank you so much for your generosity. Your contributions truly make a difference to those in our communities who have fallen on hard times and might otherwise fall through the cracks if it were not for Operation Round Up. For those who are not currently participating in Operation Round Up, please consider becoming a part of this amazing program that helps so many in need in our communities.

Dan Mathie
President, Holmes-Wayne Electric Foundation, Inc.

THANK YOU!
thank you!



HOLMES-WAYNE ELECTRIC COOPERATIVE LOCAL PAGES



AJ KNAPP – AUDITOR’S REPORT

Rea & Associates, Inc. is pleased to present the results of the 2020 financial audit for Holmes-Wayne Electric Cooperative, Inc. 2020

was another great year financially for the cooperative. Since the cooperative has financing through Rural Utilities Service and Cooperative Finance Corporation, an audit is required to test work orders in detail. The auditor’s report summarizes the audit process and results; we will also discuss some financial highlights from the year showing the positive results of the cooperative.

The Independent Auditor’s Report is issued upon the completion and issuance of our audit. It notes that the cooperative’s management is ultimately responsible for the financial statements, and our responsibility is to express an opinion to determine if the financial statements are fairly stated in accordance with accounting principles generally accepted in the United States of America. We obtain audit evidence regarding the amounts and disclosures in the financial statements. We evaluate internal controls and examine support on a test basis. We have issued an unqualified opinion, which is the best opinion result the cooperative can receive.

The balance sheets report the cooperative’s assets, liabilities, and equity as of Dec. 31, 2020, and 2019.

Net utility plant increased approximately \$5.8 million from the prior year. This is a result of the cooperative continually adding new lines and upgrading existing lines.

Accounts receivable increased about \$700,000 from the prior year which was mostly a result of a colder December and some mailing issues with the United States Postal Service during that timeframe. There was an increase in mortgage notes payable as the cooperative drew down additional funding to finance the improvements in utility plant in 2020. Equity increased in 2020 due to positive net margins. All other accounts on the balance sheet were very comparable to the prior year.

The Statements of Revenue and Expenses report the cooperative’s revenues and expenses for the 2020 and 2019 years. Noted that revenues increased approximately \$1.7 million from 2019, which was a result of an increase in rates passed in May 2020. Noted that the usage compared to 2019 was very comparable. The cost of purchased power also increased slightly. Maintenance expense in 2020 increased approximately \$450,000 which was related to a focused effort by the cooperative on tree trimming around power lines. All other expenses were comparable to the prior year. Buckeye Power was able to allocate patronage capital credits of about \$1.3 million, which was \$100,000 more than the prior year. Overall, the line item in the entire financial statements I would tell everyone to focus on is net operating margins. They were \$2.5 million in 2020, which indicates that the cooperative is operating effectively and very strong financially.

We appreciate being able to serve the cooperative in this capacity. If there are any specific inquiries related to the financial statements, they can be directed to AJ Knapp, Manager, or Chris Roush, Principal, at Rea & Associates, Inc.



**Holmes-Wayne
Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative 

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