



GUS WESSELS JR.
Secretary/Treasurer

INDEPENDENT AUDITOR'S REPORT

Wharton County Electric Cooperative, Inc.

Opinion: We have audited the accompanying financial statements of Wharton County Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, 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 Wharton County Electric Cooperative, Inc. as of December 31, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wharton County Electric 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.

Responsibilities of Management for the Financial Statements: Management is responsible for the preparation and fair presentation of these 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 Wharton County Electric 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.

Auditors' Responsibilities for the Audit of the Financial Statements: Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, including omissions, 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, 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 Wharton County Electric 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 Wharton County Electric 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.

Bumgardner, Morrison & Company, LLP
Victoria, Texas
February 21, 2023

FINANCIAL REPORT

BALANCE SHEET

ASSETS AND OTHER DEBITS

Total Utility Plant in Service	As of 12/31/22	As of 12/31/21
Construction Work in Progress	\$73,781,498	\$70,755,789
Total Utility Plant	333,976	573,253
Accumulated Provision for Depreciation	74,115,473	71,329,041
Net Utility Plant	(13,348,463)	(12,396,841)
Investment in Assoc. Org. - Patronage Capital	\$60,767,011	\$58,932,200
Investment in Assoc. Org. - Other Non-Gen. Funds	\$21,950,203	\$21,246,803
Other Investments	542,439	545,952
	2,460	2,460
Total Other Property & Investments	\$22,495,102	\$21,795,215
Cash - General Funds	\$389,441	\$526,074
Temporary Investments	652,596	800,120
Accounts Receivable - Sales of Energy (net)	1,959,684	1,530,056
Accounts Receivable - Other (net)	31,376	22,598
Materials and Supplies	30,752	32,977
Prepayments	67,814	86,129
Other Current and Accrued Assets	0	0
Total Current and Accrued Assets	\$3,131,662	\$2,997,954
Other Deferred Debits	\$283,657	\$447,247
Total Assets and Equities	\$86,677,431	\$84,172,616

MARGINS AND EQUITIES

Memberships	\$21,200	\$20,970
Patronage Capital	45,015,858	44,227,053
Operating Margins - Prior Years	0	0
Operating Margins - Current Year	1,619,273	1,070,297
Nonoperating Margins	81,141	75,544
Other Margins and Equities	61,195	60,915
Total Margins and Equities	\$46,798,666	\$45,454,779

LIABILITIES AND OTHER CREDITS

Long-Term Debt	\$37,014,617	\$36,330,830
Accumulated Operating Provisions	38,905	28,905
Accounts Payable	2,045,479	1,596,535
Other Current and Accrued Liabilities	390,596	387,028
Total Current and Accrued Liabilities	\$2,436,075	\$1,983,563
Other Deferred Credits	389,167	\$374,539
Total Liabilities and Other Credits	\$86,677,431	\$84,172,616

Equity as a Percent of Assets	53.992%	54.002%
Equity as a Percent of Capitalization	55.837%	55.578%

SUMMARY OF OPERATING STATEMENT

Revenue	As of 12/31/22	As of 12/31/21
Less Cost of Power	\$27,304,011	\$22,159,134
Gross Margin	19,329,188	15,201,292
Distribution Expense - Operations	7,974,823	6,957,841
Distribution Expense - Maintenance	613,896	592,666
Consumer Accounting Expense	1,170,290	1,066,890
Customer Service and Information Expense	462,653	438,905
Sales Expense	83,160	85,925
Administration and General Expense	96,092	93,098
	1,045,284	950,468
Total Operations and Maintenance Expense	\$22,800,563	\$18,429,245

Depreciation, Tax and Interest Expense	\$2,103,478	\$2,000,095
Depreciation and Amortization Expense	1,644,232	1,593,151
Interest Expense - Long-term Debt	241	2,254
Interest Expense - Other	\$3,747,951	\$3,595,500
Total Depreciation and Interest Expense		

Cost of Electric Service	\$26,548,514	\$22,024,745
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Operating Margins	\$755,498	\$134,389
Nonoperating Margins - Interest	\$20,352	\$17,456
Nonoperating Margins - Other	60,789	58,088
Generation and Transmission Capital Credits	613,910	652,070
Other Capital Credits and Patronage Dividends	249,865	283,838

Patronage Capital or Margins	\$1,700,414	\$1,145,841
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2022 REVENUE



2022 EXPENSES

