

86th Annual Meeting of Members

WEDNESDAY, MAY 29, 2024 4:00 - 7:00 P.M. | EL CAMPO MIDDLE SCHOOL



2023 BOARD OF DIRECTORS: The WCEC 2023 Board of Directors are: (I-r) Secretary/Treasurer Gus Wessels Jr., WCEC GM/CEO Gary Raybon, Vice President Jim W. Harton, Asst. Secretary/Treasurer Patrick Kubala, Tracy Floyd, President John Roach, George "Buddy" Dornak Jr., Judy Peter, and Samuel Craig Hardin. Not Pictured: Matt Lutringer.

2024 CANDIDATES FOR WCEC BOARD OF DIRECTORS DETAILS ON PAGE 4 OF THIS REPORT



GARY CHARBULA

(INCUMBENT)



GUS WESSELS JR. (INCUMBENT)



GEORGE DORNAK JR



GARY LAMBERTH

DISTRICT 6

DISTRICT 9

(INCUMBENT)



PRESIDENT'S MESSAGE Another Successful Year at WCEC

Hello! It is once again time for our Annual Meeting of Members! I hope this finds everyone doing well. Our prayers go out to the ones that are having health problems and for a fast recovery.

Through it all Wharton County Electric Cooperative has always kept our priority on providing our members with reliable and economical electricity while maintaining superior service. WCEC focuses on strategic planning with the board and employees seeking new ways to provide better service and plan for the future. These sessions are reviewed throughout the year to make sure that we are keeping up with the plan to provide the best service and the best price for our electricity.

I am pleased to say that due to the dedicated professionalism and knowledge of your Home Team at WCEC, the cooperative is financially sound and is doing well. I feel that any challenges have been met with success, and we have been able to adjust to changing times. You can see how the Texas grid is changing right here in our service territory. We have seen an increase in solar farms and now wind turbines. Just look southeast of El Campo, the wind farm has been completed. But as you know, if there is no sun or wind, these intermittent generation sources will not be able to produce energy. That is why we need to fight for more reliable power sources such as natural gas, coal, and nuclear power.

Changing times and new power sources are here now and coming forth in the future, this may be how Texas manages the situation. You can count on the board and the employees of WCEC to work together to do all we can to represent our members' best interests.

I would personally like to thank my fellow board members and the employees of WCEC for a successful year and their dedication to moving the co-op into the future.

I look forward to seeing everyone at the Annual Meeting of Members.



MANAGER'S MESSAGE Your Vote Matters - Democracy in Action

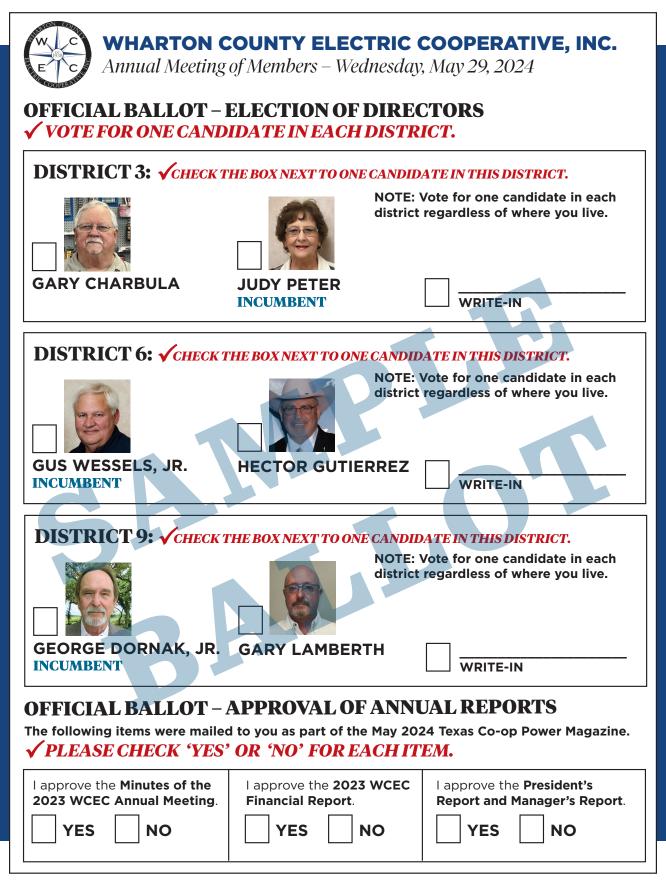
Thanks to the membership, 2023 was another successful year at WCEC. While sales were slightly less than record-setting 2022, they were still 33% higher than they were fifteen years ago. This steady increase in kWh sales has allowed us to provide the service that you expect while holding rate increases to a minimum. As an organization, we are constantly balancing the expectation of reliability against the ever-increasing costs of providing service. Everyone in the organization is cognizant of the fact that every dollar we spend has come from the pockets of our friends and neighbors and strive to stretch those dollars as far as possible.

The WCEC Annual Meeting will be held on May 29, 2024. I look forward to seeing and talking to as many of you as possible. As it was last year, based on member feedback, the meeting will be a drive-through annual meeting. As per our by-laws, WCEC members will be asked to elect three members to serve on the Board for a three-year term. A little-known fact about WCEC is that we are one of the minority of electric cooperatives in the state that has term limits, and our bylaws require at least two candidates to run in each race. Term limits are a double-edged sword, on one hand, it is hard to lose the experience and knowledge of a director who steps down due to term limits, but on the other hand, it is always good to have new blood and a new point of view in the Board Room. Having at least two candidates in each race ensures that the WCEC membership has a choice in who represents them on the Board.

It is heartening to participate in an organization led by a diverse group of individuals who can come together, look at problems and issues from all sides, come up with a solution that is the best for all concerned, and walk away still respecting each other. From the nominating process to the election process to the running of the meetings, the WCEC Board is truly a democracy in action. Through the years the WCEC members have always given me a great board to work with and for, and I do not doubt that that will still be true after the May 29th Annual Meeting.

Good luck to all the candidates and thank you for running for the Board.

As I have ended each year's message, thank you for supporting WCEC and please call me if you need me.



ONE MEMBER, ONE VOTE:

WCEC Members are allowed one vote per membership. Even if you have multiple accounts, those accounts may be listed under one membership. In this case, you will only receive one ballot. If you have questions about how your accounts are set up, please call our office before the Annual Meeting at (979) 543-6271.

All WCEC members vote for the full slate of Board candidates regardless of which district they reside in.

DISTRICT 3 -----



GARY CHARBULA

"The most important benefit to rural electrification is receiving excellent service and maintaining a personal relationship with the members."

Charbula has lived in the WCEC service territory for 26 years. He has three grown children with his wife, Jan, and six grandchil-

dren. He is a graduate of El Campo High School and Wharton County Junior College.

He is a member of the Knights of Columbus #2490 and Fourth Degree, El Campo Lions Club, El Campo Chamber of Commerce, St. Philip Catholic Church Council, El Campo High School Booster Club, and a retired El Campo Volunteer Fireman. He was also named Citizen of the Year in 2022 and has helped organize numerous community fundraisers.

Charbula is retired from ownership of Superior Motor Parts.



JUDY PETER INCUMBENT

"My family and I have lived in Wharton County our entire lives and have been a member of WCEC for well over 60 years. My dad, J. Bridges, served on the board in the 1960s, and my husband, Frankie, has served for nine years as well.

It has been a pleasure to have served on the WCEC board for the last three years, and I would be honored if you would consider allowing me to serve three more. I have recently completed five classes for the Credentialed Cooperative Director certification. Working with the CEO, WCEC Board of Directors, Experienced Staff, and Dedicated Employees has reassured me that My Co-op and Your Co-op is in great hands. They have proved that time and time again!

In 1939, the first Wharton County Electric Co-op lines (your lines) started serving our community by bringing electric power to your home/business! Now, 85 years later, WCEC is still serving and prospering as your co-op.

Our world is ever-changing. So many decisions and changes are made for us and are out of our control. I believe that we as a co-op have the advantage of being member-owned. There is a definite sense of 'community' within our co-op. Our lengthy story says it all. We are doing our very best to continue with those same values, principles, experiences, determination, and outlook to keep your WCEC in great condition to serve all our member's electrical needs.

Thank you for considering me as your Board representative for District 3 as we all work together to continue serving this great community for the next 85 years."

Peter has lived in the WCEC service territory for over 60 years. She and her husband, Frankie, have three grown children and nine grandchildren. She is a graduate of Louise High School and Wharton County Junior College.

Peter has served as secretary to the Wharton County Youth Fair Executive Board for 8 years and has been an active member and President of the Court Appointed Special Advocates (CASA) Board of Directors for 10 years.

She currently works at her family's Petr Farms and is a Realtor, wife, mother, and grandmother.

Peter has served on the WCEC Board for three years and is a Credentialed Co-op Director.

DISTRICT 6 -----



GUS WESSELS JR. INCUMBENT

"My mother told me about the first electricity coming to the rural community when she was a girl. My family has always been a member of WCEC since its beginning. It is an honor to serve as a board member representing District 6. WCEC is a well-run orga-

nization bringing low-cost power to its members."

Wessels has lived in the WCEC service territory for over 60 years and is the Dean of Financial & Business Services/CFO at Wharton County Junior College. He and his wife, Donna, have two adult daughters.

Wessels is a graduate of Louise High School and Southwest Texas State University and a Certified Public Accountant. He served as Wharton County Treasurer for 18 years. He belongs to Christ Lutheran Church and has served on the board of Czech Catholic Home.

Wessels has served on the WCEC Board for six years. He is a Credentialed Co-op Director and is the current Secretary/Treasurer.



HECTOR GUTIERREZ

"I believe providing service to our customers is the utmost important function performed by the co-op. To promote social objectives through corporate giving, volunteerism, and using new technology for the betterment of our members and provide the most reliable electric service."

Gutierrez has lived in the WCEC Service Territory for 40 years. He is an agent with Texas Insurance and Financial Services with designations in commercial and personal insurance from the Independent Insurance Agents of Texas since 2006. He and his wife, Rosemary, have two grown sons and three grandchildren.

He is a member of the the Knights of Columbus #9393 and Fourth Degree, El Campo Lions Club, El Campo Community Events, and is currently serving on St. Robert's Catholic Church Finance Board and as its Community Director.

DISTRICT 9 -----



GEORGE "BUDDY" DORNAK JR. INCUMBENT

"After serving on the WCEC Board over the past year, I have come to appreciate what the co-op stands for. It's not just a business, it's a group of people who serve the members of the co-op and the community.

As a member of the co-op, you can always rest assured that you are getting the best service and price for electricity in the area."

Dornak has lived in the WCEC service territory for 63 years. He and his wife, Cathy, have two grown children. He is a graduate of El Campo High School and is currently a Realtor and manager at E/JAH Properties, LLC. He is a member of the National Association of Realtors, Texas Association of Realtors, NRA, 100 Club, and Texas Farm Bureau. He is also a member of St. Philip Catholic Church where he volunteers at the parish as well as the school.

Dornak has served on the WCEC Board for 1 year and has begun working toward his certification as a Credentialed Co-op Director.



GARY LAMBERTH

"With a deep commitment to our community and a strong belief in the importance of sustainable and reliable energy, I am excited for the chance to contribute to the WCEC Board of Directors. As a longtime resident of El Campo, I have witnessed firsthand the critical role WCEC plays in

powering our homes and businesses. My 34 years in electric power generation and transmission at South Texas Project Electrical Generating Station (STPEGS), equip me with a unique perspective and skill set that I believe will be beneficial to the Board. I am eager to work alongside fellow Board Members to explore innovative solutions that align with our utility's mission and values. My goal is to ensure that we continue to provide affordable, efficient, and environmentally responsible energy to our customers, while also maintaining the financial stability and growth of WCEC."

Lamberth has lived in the WCEC service territory for 41 years. He and his wife, Lynn, have two grown children. He is a graduate of the University of Texas at Austin where he earned a B.S. in Human Ecology. He also studied Nuclear Science Technology at the University of Maryland. Lamberth is currently retired.

Before retirement, he worked in power generation for 34 years at South Texas Project Electric Generating Station as a Nuclear Regulatory Commission Licensed Reactor Operator.

MINUTES OF 2023 MEETING OF MEMBERS

Wharton County Electric Cooperative, Inc. held its 85th annual membership meeting Wednesday, May 31, 2023 at the El Campo Middle School (ECMS) in El Campo, Texas. The school was chosen for its capability of allowing numerous vehicles in the registration line without hindering through traffic on the street. On May 1, 2023, each member of the cooperative was mailed, in the 85th Annual Meeting brochure, an Official Notice of Annual Meeting of Members to be held May 31, 2023.

In light of the continuing success of drive-through annual meetings over the past three years, the Board of Directors of Wharton County Electric Cooperative, Inc. voted to again hold the annual membership meeting as a "drive-through." No meal was served.

Registration began at 3:41 PM. Upon entering the ECMS driveway, members paused at one of two registration tents where WCEC employees registered members and gave them a two-part ballot. The first part of the ballot was the Election of Directors; the second part was the Approval Ballot allowing members to approve the Minutes of the 2022 Annual Membership Meeting, the 2022 Financial Report, along with the President's Message and Manager's Report.

Members then drove to the front of the building for the second stop. Here each voting member received an attendance gift of an umbrella. Any children in the vehicle also received an attendance gift, which was a soft backpack.

As members continued driving forward, the third and last stop was the ballot drop-off area. Here the Ballot Committee collected the ballots, and members then exited the parking lot.

At 7:00pm sharp, no further entries were allowed into the parking lot. Any members still in line were allowed to register and vote.

After all ballots had been collected, they were directed to the WCEC Thomas Edison Room to count the ballots with the assistance of Patsy Metting, Manager of Accounting, and Cynthia Hernandez, Accountant. The Ballot Committee consisted of Joey Polak, District 1; Madelyn Zbranek, District 2; Frankie Peter, District 3; Debbie Lutringer, District 4; Barney Douglas, District 5; Donna Wessels, District 6; Tiffany Alley, District 7; and Mary Lou Ellett, District 8. The District 9 representative was absent. The Director Nominees were:

- District 2 Kurt Ilse; Patrick Kubala, Incumbent
- District 5 Brett Rachune; Samuel Craig Hardin, Incumbent
- District 8 Robert Krenek, Jr. ; Jim W. Harton, Incumbent
- District 9 George "Buddy" Dornak, Jr.; Gary Lamberth

Members of the Ballot Committee noted that there was a discrepancy on the Voting Ballot regarding "Incumbent." The committee discussed and agreed to proceed with counting the ballots. Immediately after all ballots had been counted, Ballot Committee Chairman Donna Wessels certified winners of the Director Election. Those elected by simple majority vote were:

- District 2 Kurt Ilse
- District 5 Samuel Craig Hardin
- District 8 Jim W. Harton
- District 9 George "Buddy" Dornak, Jr.

General Manager/CEO Gary Raybon called all candidates and notified them of the results.

The Approval Ballots were tallied with the following results:

- The Minutes of the 2022 Annual Membership Meeting were approved.
- The 2022 Financial Report was approved.
- The President's Message and Manager's Report were approved.

Each registered member will receive a \$20.00 bill credit that will be applied to the June billing period. A drawing for thirty-one (31) prizes took place on Thursday, June 1st at the WCEC headquarters office on Facebook Live. All entries were included for the final grand prize drawings. Grand prize winners were:

- \$100 free electricity Dustin Flagg
- \$150 free electricity Daniel Gutierrez
- \$200 free electricity Gary Meek
- \$300 free electricity Linsey Aguilar

The final count of voting members was another successful record of 838.

[NOTE - Subsequent to the Annual Meeting, it was discovered that Mr. Ilse was not eligible to serve as a Director on the WCEC Board. The Board met on June 5, 2023 and passed a resolution declaring Mr. Kubala the winner of the election. Mr. Kubala will serve as the District 2 Director for 2023-2026.]



GUS WESSELS IR. 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 sheet as of December 31, 2023, and the related statements of revenue and patronage capital, 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 Wharton County Electric Cooperative, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year 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 (GAAS). 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 Wharton County Electric Cooperative, Inc. (the Cooperative) 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 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 the Cooperative's ability to continue as a going concern within one year after the date 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 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS 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 regard-ing 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 the Cooperative'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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.

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS Lubbock, Texas March 15, 2024

FINANCIAL REPORT

BALANCE SHEET

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ASSETS AND OTHER DEBITS	As of 12/31/23	As of 12/31/22
Total Utility Plant in Service	\$64,555,005	\$73,781,498
Construction Work in Progress	1,040,100	333,976
Total Utility Plant	65,595,104	74,115,473
Accumulated Provision for Depreciation	(10,854,849)	(13,348,463)
Net Utility Plant	\$54,740,256	\$60,767,011
Investment in Assoc. Org Patronage Capital	\$23,856,183	\$21,950,203
Investment in Assoc. Org Other Non-Gen. Funds	508,153	542,439
Other Investments	2,460	2,460
Total Other Property & Investments	\$24,366,797	\$22,495,102
Cash - General Funds	\$464,363	\$389,441
Temporary Investments	25,882	652,596
Accounts Receivable - Sales of Energy (net)	1,698,222	1,959,684
Accounts Receivable - Other (net)	36,054	31,376
Materials and Supplies	22,166	30,752
Prepayments	164.375	67,814
Other Current and Accrued Assets	-	0
Total Current and Accrued Assets	\$2,411,062	\$3,131,662
Regulatory Assets	\$550,847	0
Other Deferred Debits	\$373,742	\$283,657
Total Assets and Equities	\$82,442,703	\$86,677,431
MARGINS AND EQUITIES		
Memberships	\$21,275	\$21,200
Patronage Capital	39,303,880	45,015,858
Operating Margins - Prior Years	0	0
Operating Margins - Current Year	2,999,096	1,619,273
Nonoperating Margins	73,812	81,141
Other Margins and Equities	66,484	61,195
Total Margins and Equities	\$42,464,548	\$46,798,666
LIABILITIES AND OTHER CREDITS	<u>• 12/10 1/0 10</u>	<u>+</u>
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Long-Term Debt	\$37,234,295	\$37,014,617
Accumulated Operating Provisions	36,405	38,905
Accounts Payable	1,648,433	2,045,479
Other Current and Accrued Liabilities	412,801	390,596
Total Current and Accrued Liabilities	\$2,061,235	\$2,436,075
Other Deferred Credits Total Liabilities and Other Credits	446,221	389,167
	<u>\$82,242,703</u>	<u>\$86,677,431</u>
Equity as a Percent of Assets	51.508%	53.992%
Equity as a Percent of Capitalization	53.281%	55.837%

SUMMARY OF OPERATING STATEMENT

Revenue	\$26,219,864	\$27,304,011
Less Cost of Power	17,803,136	19,329,188
Gross Margin	8,416,728	7,974,823
Distribution Expense - Operations	572,991	613,896
Distribution Expense - Maintenance	1,190,847	1,170,290
Consumer Accounting Expense	219,035	462,653
Customer Service and Information Expense	81,588	83,160
Sales Expense	344,692	96,092
Administration and General Expense	\$1,430,838	1,045,284
Total Operations and Maintenance Expense	\$21,643,126	\$22,800,563
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Depreciation, Tax and Interest Expense	\$1,867,601	\$2,103,478
Depreciation and Amortization Expense Interest Expense - Long-term Debt	1,783,202	1,644,232 241
	8,613	
Interest Expense - Other	\$3,659,416	\$3,747,951
Total Depreciation and Interest Expense		
Cost of Electric Service	\$25,302,542	\$26,548,514
Operating Margins	\$917,322	\$755,498
Nonoperating Margins - Interest	\$37,227	\$20,352
Nonoperating Margins - Other	36,585	60,789
Generation and Transmission Capital Credits	1,652,759	613,910
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Ν Generation and Transmission Capital Credits Other Capital Credits and Patronage Dividends

Patronage Capital or Margins





429,016

\$3.072.908

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2023 EXPENSES

12

As of 12/31/23

As of 12/31/22

249,865

\$1,700,414

6 WHARTON COUNTY ELECTRIC COOPERATIVE Annual Report

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Operations & Maintenance 15% Margins 3%

EMPLOYEE SERVICE MILESTONES



45 YEARS JANICE KULCAK Billing Specialist



40 YEARS GARY RAYBON General Manager/CEO



35 YEARS DONALD PRIESMEYER Meter Technician



30 YEARS VANCE JAKS Sr. Engineering Technician



25 YEARS MARIO MANRRIQUEZ Electronics Technician



25 YEARS LINDA BACAK Cashier



10 YEARS DUSTY WHITE Journeyman Lineman



5 YEARS JAYSON MCKEON Journeyman Lineman

YOUR WCEC HOME TEAM

Nathan Danielson
Dusty White10
Keaton Hubbell 9
Andrew Rothbauer 8
Ricky Garza Jr 8
Brayden Payne 8
Daniel Gutierrez 8
Shelly Schulz7
Gene Puryear 7
Lance Kolafa7
Carol Diaz 6
Jayson McKeon 4
Ashley Wells 3
Shane Langston 2
Cynthia Hernandez 2
Joshua Reyes 1
Narciso Ibarra8 months
Aric Wright8 months







2024 GOVERNMENT-IN-ACTION YOUTH TOUR DELEGATES



MEREDITH GOLD El Campo High School Daughter of Thomas & Annie Gold District 1



EMMA COBB Enlightium High School Daughter of Travis & Melody Cobb District 7

SHIRLY STUBBS FEINSTEIN SCHOLARSHIP RECIPIENTS



KADEN BEAL Son of Keith & Brandy Beal



ANTHONY IBARRA Son of Narciso & Daniela Ibarra

The Shirly Stubbs Feinstein Scholarship was initiated in 1987 by Frank N. Stubbs upon his retirement. Mr. Stubbs served as General Manager of Wharton County Electric Cooperative, Inc. from 1967-1987. The scholarship was funded initially through contributions made instead of retirement gifts to Mr. Stubbs and is in memory of his late daughter Shirly Stubbs Feinstein. The scholarship is only available to the children of WCEC employees. Since its formation, 50 children of WCEC employees have received a scholarship to further their education. In 2020, Mr. Stubbs' daughter and son-in-law, Sugar and Mike Barnes, made a generous donation to the scholarship's endowment fund, and the Shirly Stubbs Feinstein Endowment Fund was officially formed. This gift will ensure that Shirly Stubbs Feinstein will be honored for many years to come by WCEC and its employees.

OPERATION ROUND UP 2023 CHARITABLE FUND DISTRIBUTION

100 Club of Wharton County Blessing Cup Storehouse Boys & Girls Club of El Campo Coalition to Combat Human Trafficking Cross Roads Ham Radio Club Danish Heritage Preservation Society El Campo Art Association El Campo Community Events Garwood Volunteer Fire Department Gift of Adoption Gulf Coast CASA Helping Hands Ministry Lady Lions of El Campo Louise Beautification Manna Meals Northside Education Center Rainbow Room Texana Center The Crisis Center Wharton County Cares Wharton County Youth Fair

2023 COBANK SHARING SUCCESS GRANT RECIPIENT

Wharton County Youth Fair

