



## 2018 Annual Report Annual Meeting September 27



As a member, you have the opportunity to vote for directors who will represent you. You may cast your vote at the annual meeting on September 27th at **The Kirkwood Center** (south end of Hotel Kirkwood), 7725 Kirkwood Blvd. SW, Cedar Rapids.

### 11:00 am Registration

- Sign up for door and grand prizes
- Meet our cooperative staff and visit the SmartHub booth

### 11:30 am Ballroom Opens

### 11:45 pm Lunch

- Buffet served by Hotel Kirkwood

### 12:30 pm Business Meeting Begins

- Report of Nominating Committee; Closing of Ballots
- Reading of Official Notice and Last Year's Minutes
- President & CEO's report
- Election returns
- Prize drawings

**NEW THIS YEAR - RAPID REGISTRATION:** As a convenience for our members, we have added a bar code to the back of your bill statement for rapid registration. Simply bring your statement to the registration table at annual meeting, we will scan your bar code and your registration is complete.

If you are unable to attend the annual meeting on September 27th, you can still vote for your directors by mail ballot.

Ballots will be mailed out to members the first week in September. **All members may cast a vote regardless of the district you reside in.**

Candidate biographies can be found in last month's newsletter and on our website at [www.linncountyrec.com](http://www.linncountyrec.com).

We are awarding a \$100 bill credit to twenty members who vote by mail ballot. **Mail ballots must be received in our office by Friday, September 27th, 2019 in order to be valid.**

## Official Notice Of Annual Meeting

The annual meeting of the members of Linn County Rural Electric Cooperative Association, will be held at the Kirkwood Center, 7725 Kirkwood Blvd. SW, Cedar Rapids, Iowa on Friday, Sept. 27, 2019, at 12:30 pm to take action on the following matters:

- 1.) The report of officers, directors and committees.
- 2.) The election of two directors of the Cooperative. If you do not plan to attend the meeting, the bylaws provide that you may vote by mail. Mail ballots will be sent to you under separate cover.
- 3.) All other business which may come before the meeting or any adjournment or adjournments. In connection with the election of the two directors scheduled for this meeting, the following members have been nominated for directors by a Committee

of Nominations appointed by the Board of Directors of the Cooperative pursuant to the bylaws:

<u>Name</u>	<u>Township</u>	<u>District</u>
Kenneth Squires	Otter Creek	1
Paul Wood	Spring Grove	1
Lisa Rose	Linn	5
Allen Wagner	Linn	5

There were no nominations by petition.

Dated September 1, 2019

Lisa Rose, Secretary

# A Message To Our Members



**Terry Sullivan**  
General Manager/CEO



**Gary Schropp**  
President

Operating revenue for 2018 was \$51.3 million or 3% higher than 2017. A cold winter coupled with a very hot and humid summer were the primary factors for higher sales. Power costs were \$31.2 million or 3.9% higher than 2017. Increases in depreciation expense and interest expense were the primary factors reducing the cooperative's operating margin after fixed charges to \$1.3 million in 2018 vs. \$1.4 million in 2017. Operating margins were still adequate to meet our lender requirements. Our net margin was down due to less patronage allocated from Central Iowa Power Cooperative (CIPCO), our power supplier. The Board of Directors elected to return \$350,000 in capital credits to current members.

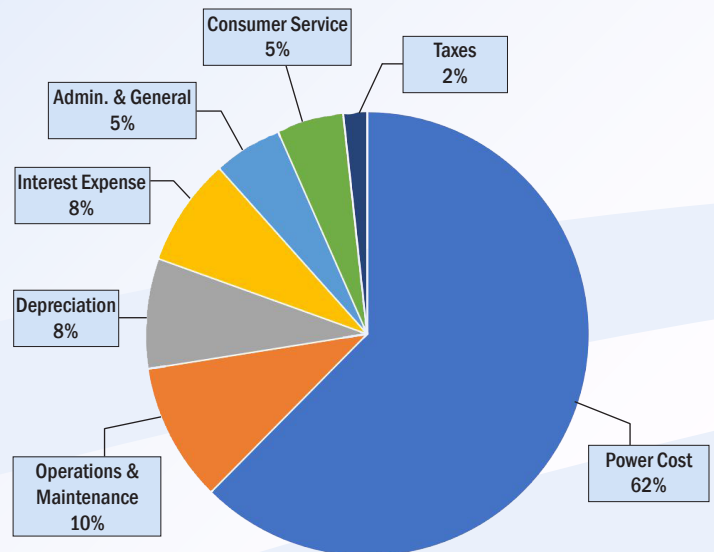
Those who are current members will see a credit on their September bill.

New services grew slightly over prior year with 682 services installed in 2018 versus 670 from a year ago. Total Linn County REC services at the end of 2018 were 30,092. The cooperative continues to invest in the system to address development, new services and maintaining reliability. In 2018, 81% of the cooperative's capital expenditures were for line construction, new services and substation enhancements. The remainder was spent on truck equipment, building addition and computer equipment. Total capital spent in 2018 was \$12.7 million.

In August of this year, the cooperative completed the installation of its Advanced Metering System (AMI). We have seen many benefits of AMI for our membership including:

- Faster restoration of outages
- Detection of potential equipment failure (such as a bad transformer) that can reduce the duration of or prevent an outage

## 2018 Expenses



- More time for our line personnel to dedicate to system maintenance and installation of new services
- Providing members with more detailed information regarding their electric usage

CIPCO is 20 percent owner of the Duane Arnold Energy Center (DAEC), the nuclear power plant located near Palo. Majority owner and operator of DAEC, NextEra Energy, has decided to close the plant early (end of 2020) in connection with the early termination of its power agreement with Alliant Energy. CIPCO has taken active steps to ensure adequate power supply through additional wind (Heartland Divide 103.5 MW wind farm near Audubon, IA) and solar (Wapello Solar 100 MW near Wapello, IA) purchase contracts and the construction of a 60 megawatt natural gas plant near Creston, IA. CIPCO will further be able to procure energy through the open wholesale energy markets and is actively exploring other energy opportunities.



# Meet The Candidates

Districts 1 and 5 are up for election this year. All members may cast a vote regardless of the district you reside in. **Due to space limitations, full candidate biographies are available at [www.linncountyrec.com](http://www.linncountyrec.com).**

## District 1: Kenneth Squires

**Member since:** 1959

**Occupation:** Farmer; I have successfully farmed for over 50 years. For the last 30 years, I have operated a 2000-acre family farm corporation with my son and grandson.



**Activities/Organizations:**

- Linn County REC Board; have previously held all offices on the board of directors
- Member, Alice Methodist Church
- Linn County Corn Growers, Soybean Association

**What strengths would you bring to our Board if re-elected?**

“As a credentialed cooperative director, I continue to stay updated on changing environmental issues and on changes that affect the cooperative. I am conservative, dependable, am open to listen and address issues. My core ethical values are honesty, responsibility, fairness, respect and compassion.”

## District 1: Paul Wood

**Member since:** 2009

**Occupation:**

- Pastor, Methodist Church
- Retired, Duane Arnold Power Station



**Activities/Organizations:**

- District Director, District 19 Iowa Toastmasters
- Chairman, Iowa Rugby Referee’s Society
- Director, University of Sheffield American Alumni Assoc.
- Volunteer for Bruce more and Granger House

**What strengths would you bring to our Board if elected?**

“With over 30 years experience as a contracts manager within the power generation industry, I can give support and knowledge in future project developments. With the long term assessment of the benefits of solar and wind energy for power generation, I have extensive experience and knowledge that would be a support to the proactive management of the REC.”

## District 5: Lisa Rose

**Member since:** 1982

**Occupation:**

- Managing Associate, edCount, LLC

**Activities/Organizations:**

- Seeds of Faith Lutheran Church



**What strengths would you bring to our Board if re-elected?**

“Large account management and expansion, client relationship management, new business development, consultative sales and marketing, motivational leadership and team management, creative and resourceful crisis management, revenue generation and profitability.”

## District 5: Allen Wagner

**Member since:** 1984

**Occupation:**

- Retired, Rockwell Collins
- Tree farmer



**Activities/Organizations:**

- Board Member, Iowa Woodland Owners Association

**What strengths would you bring to our Board if elected?** “My experience on the Iowa Woodland Owners Association Board would likely help me understand some of the issues that will come before the board of REC.”



## Assets & Liabilities

Linn County Rural Electric Cooperative Association and Subsidiary,  
Marion, IA Consolidated Balance Sheets, December 31, 2018 and 2017.

ASSETS	2018	2017
<b>UTILITY PLANT</b>		
Electrical Plant in Service	\$147,775,664	\$132,637,296
Construction Work in Progress	<u>7,123,089</u>	<u>9,574,495</u>
Total	154,898,753	142,211,791
Less Accumulated Provision for Depreciation	<u>(39,669,036)</u>	<u>(37,212,181)</u>
Net Utility Plant	115,229,717	104,999,610
<b>INVESTMENTS</b>		
Investments in Assoc. Organizations	32,414,183	32,207,992
Non-Utility Property	1,499,479	1,588,650
Other Investments	<u>820,580</u>	<u>861,083</u>
Total Investments	34,734,242	34,657,725
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	1,834,651	2,161,039
Accounts Receivable, Net	4,851,696	4,440,337
Materials and Supplies Inventory	2,876,020	2,556,599
Prepaid Expenses	48,869	169,310
Other Current and Accrued Assets	<u>48,603</u>	<u>54,000</u>
Total Current Assets	9,659,839	9,381,285
Total Assets	<u>\$159,623,798</u>	<u>\$149,038,620</u>
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES</b>		
Patronage Capital	\$6,520,971	\$6,469,118
Other Equities	<u>52,501,125</u>	<u>49,004,653</u>
Total Equities	59,022,096	55,473,771
<b>LONG-TERM DEBT (LESS CURRENT MATURITIES)</b>	90,634,595	83,907,983
<b>ACCUMULATED PROVISIONS FOR PENSIONS AND BENEFITS</b>	164,834	181,831
<b>CURRENT LIABILITIES</b>		
Notes Payable	-	-
Current Maturities of Long-Term Debt	3,503,000	2,849,000
Accounts Payable	2,670,949	3,088,288
Consumer Deposits	201,640	157,370
Other Current and Accrued Liabilities	1,855,273	1,680,531
Current Portion of Deferred Credits	<u>38,000</u>	<u>38,000</u>
Total Current Liabilities	8,268,862	7,813,189
<b>DEFERRED CREDITS (LESS CURRENT PORTION)</b>	<u>1,533,411</u>	<u>1,661,846</u>
Total Equities and Liabilities	<u>\$159,623,798</u>	<u>\$149,038,620</u>

## Consolidated Statements of Revenue & Expenses

Linn County Rural Electric Cooperative Association and Subsidiary,  
Marion, IA Consolidated Statements of Operations and Patronage  
Capital for the years ended, December 31, 2018 and 2017.

	2018	2017
<b>OPERATING REVENUES</b>	\$51,285,131	\$49,631,658
<b>OPERATING EXPENSES</b>		
Cost of Power	31,212,849	30,038,690
Distribution Expense - Operations	3,287,970	3,208,670
Distribution Expense - Maintenance	1,748,763	1,844,288
Consumer Account Expense	1,802,235	1,714,893
Sales Expense	610,703	564,808
Administrative and General Expense	2,502,615	2,443,329
Depreciation Expense	4,010,711	3,693,500
Taxes	862,994	857,964
Other Deductions	<u>10,669</u>	<u>12,683</u>
Total Operating Expenses	46,049,509	44,378,825
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	5,235,622	5,252,833
<b>INTEREST EXPENSE</b>		
Long-Term Debt	3,942,901	3,802,397
Other	<u>18,483</u>	<u>29,562</u>
Total Interest Expense	3,961,384	3,831,959
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	1,274,238	1,420,874
<b>GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS</b>	<u>2,330,042</u>	<u>3,282,401</u>
<b>NET OPERATING MARGINS</b>	3,604,280	4,703,275
<b>NON-OPERATING MARGINS</b>		
Interest Income	217,407	215,474
Other Non-Operating Margins	199,487	94,049
Gain (Loss) from Equity Investments	<u>(4,991)</u>	<u>(43,473)</u>
Total Non-Operating Margins	411,903	266,050
<b>NET MARGINS</b>	\$4,016,183	\$4,969,325



LINN COUNTY RURAL ELECTRIC COOPERATIVE

WWW.LINNCOUNTYREC.COM

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