



2017 Annual Report Annual Meeting September 27

Linn County REC is led by members like you who understand and listen to the community. 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 its new location in 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
- Visit with cooperative staff and view display booths

11:45 am Ballroom Opens

- Member seating

12:00 pm Lunch

- Tables dismissed for Midwestern buffet served by Hotel Kirkwood

1:00 pm Business Meeting Begins

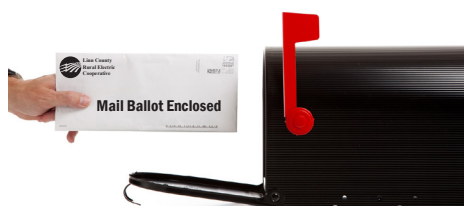
- Report of Nominating Committee; Closing of Ballots
- Reading of Official Notice and Last Year's Minutes
- President & CEO's report
- Election returns
- Prize drawings

Can't Attend? Vote By Mail Ballot

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.

We are awarding a \$100 bill credit



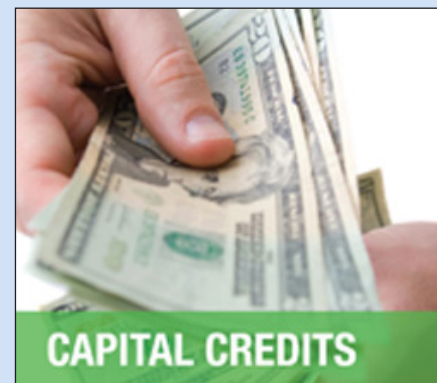
to twenty members who vote by mail ballot.

Mail ballots must be received in our office by Thursday, September 27th, 2018 in order to be valid.

Voluntary Rate Regulation Ends

The Linn County REC board of directors recently voted to end its voluntary rate regulation for Linn County REC. The Iowa Utilities Board and Office of Consumer Advocate were notified of the decision effective immediately.

This allows rate flexibility and fairness for our membership and enables us to respond to changing industry conditions in a timely manner. For more information about the decision and to view our rates/tariffs, visit www.linncountyrec.com.



Linn County REC belongs to the members we serve. Profits that exceed the amount needed to operate the cooperative are shared back with you, our members, in the form of capital credits.

Your board of directors voted to approve a capital credit payment of approximately \$500,000 for a third of 2017. If you received service from us during that time, you will have a credit on your September bill statement based upon your usage.

A Message To Our Members

Operating revenue for 2017 was \$49.6 million or \$1.2 million lower than 2016. An overall mild winter, especially February, was the main reason for lower sales. Lower power costs helped offset reduced operating revenue. However, increases in operating and maintenance expense and higher depreciation led to a reduction to the operating margin after fixed charges, \$1.4 million in 2017 vs. \$2.2 million in 2016. Operating margins were still adequate to meet our lender requirements. Our net margin was higher than the prior year due to a higher allocation of patronage mainly from Central Iowa Power Cooperative (CIPCO), our power supplier. The majority of CIPCO's patronage received is deferred until a later date and therefore is not received as cash by Linn County REC. The board of directors elected to return \$500,000 in capital credits to current members. They will see a credit on their September bill.



Terry Sullivan
General Manager/CEO



Gary Schropp
President

Reliability results for 2017 were much improved. In 2017, the cooperative had an average outage time of 1.1 hours per member versus 1.7 hours per member in 2016. The largest cause of outages for the cooperative were due to wind, trees, lighting and animals. We strive to minimize outages through system maintenance, tree trimming and animal guard programs.

New services grew slightly over the prior year with 670 services installed in 2017 versus 649 from a year ago. Total Linn County REC services at the end of 2017 were 29,766. The cooperative continues to invest in the system to address development, new services and maintaining reliability. In 2017, 94% of the cooperative's capital expenditures were for line construction, new services and substation enhancements. Total capital spent in 2017 was \$8.9 million.

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 Thursday, Sept. 27, 2018, at 1:00 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:

Name	Township	District
Steve Erusha	Cedar Rapids	4
Jeanna Sager	Hiawatha	4
Craig Meskimen	Jefferson	6
Gary Schropp	Jefferson	6

There were no nominations by petition.

Dated September 1, 2018

Lisa Rose, Secretary



Meet The Candidates

Districts 4 and 6 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.**

District 4: Steve Erusha

Member since: 2001

Occupation:

- Realtor, Iowa Realty

Activities/Organizations:

- Cedar Rapids Association of Realtors
- Homebuilders Association
- Board Member, Cedar Rapids Assessment Appeals

What strengths would you bring to our board if elected? “I have served on many boards over the years; Associations, church, school, government and others. My background in construction, land development and real estate provides me insight on how the REC can better serve its members, as well as understanding the importance of maintaining a strong balance sheet.”



District 4: Jeanna Sager

Member since: 1985

Occupation:

- Retired Asst. Supervisor of Radiology Department/Head of Special Procedures & Urological Modalities, Mercy Hospital
- Retired Head of Radiology, PCI Urology
- Co-owner Golden Hammer Collision Center

Activities/Organizations:

- Board Member, Linn County REC
- Member, Iowa Society of Radiologic Technologists
- Member, ISRA & MSRA Street Rod Associations of IA & MN
- Member, New Covenant Bible Church
- Volunteer for RAGBRAI, Hiawatha Fun Fest

What strengths would you bring to our board if re-elected? “My strengths include being fair, devoted and concerned with detail. I’m hardworking and interested in making sure a decision is the best for the majority involved. At our monthly board meetings, I always listen to the other directors input before making my final decision. I’ve lived in Linn or Johnson County all my life. This helps me understand local concerns and how they may affect Linn County REC. As a current director, I have taken many continuing education courses. This has increased my knowledge of the electric business. I am also proud to have completed my Credentialed Cooperative Director (CCD) Certificate.”



District 6: Craig Meskimen

Member since: 2010

Occupation:

- Children’s Specialty Services Manager, Unity Point St. Luke’s Hospital

Activities/Organizations:

- Board Member, St. Luke’s Health Care Foundation Scholarship Committee
- Member, Cedar Rapids Community School District Mental Health Resource Management Team

What strengths would you bring to our board if elected? “As a social worker, I have devoted my professional life to helping others. Within my role at St. Luke’s this is done in the form of program development and child/family advocacy. Those skills would translate well to this board. My goal would be to bring a common sense approach focusing on advocating for what would be best for the co-op along with its members. In the field of behavioral health, change is constant, and research dictates what is the best approach for our patients. That requires adaptability. If we continue to do the same things over and over again, we will get the same results. I would bring a fresh perspective inspired by the idea of growth and future prosperity. While my professional experience is in the behavioral health sector, my goal has always been to improve the lives of people. That approach would serve the Linn County REC board well.”



District 6: Gary Schropp

Member since: 1977

Occupation:

- Substation Field Engineer, Leidos

Activities/Organizations:

- Linn County REC Board since 1982
- Shueyville United Methodist Church
- Iowa Association of Electric Cooperatives (IAEC) Hawkeye Insurance Association Board – 6 Years

What strengths would you bring to our board if re-elected? “I believe that my 46 years of utility knowledge, 36 years of Linn County REC director experience and my leadership and decision-making skills are the strengths I have to offer the cooperative.”



Assets & Liabilities

Linn County Rural Electric Cooperative Association and Subsidiary,
Marion, IA Consolidated Balance Sheets, December 31, 2017 and 2016.

ASSETS	2017	2016
UTILITY PLANT		
Electrical Plant in Service	\$132,637,296	\$125,792,614
Construction Work in Progress	<u>9,574,495</u>	<u>7,458,514</u>
Total	142,211,791	133,251,128
Less Accumulated Provision for Depreciation	<u>(37,212,181)</u>	<u>(34,909,322)</u>
Net Utility Plant	104,999,610	98,341,806
INVESTMENTS		
Investments in Assoc. Organizations	32,207,992	30,892,838
Non-Utility Property	1,588,650	1,689,217
Other Investments	<u>861,083</u>	<u>904,925</u>
Total Investments	34,657,725	33,486,980
CURRENT ASSETS		
Cash and Cash Equivalents	2,161,039	600,838
Accounts Receivable, Net	4,440,337	4,592,525
Materials and Supplies Inventory	2,556,599	2,701,603
Prepaid Expenses	169,310	277,443
Other Current and Accrued Assets	<u>54,000</u>	<u>66,000</u>
Total Current Assets	<u>9,381,285</u>	<u>8,238,409</u>
Total Assets	<u>\$149,038,620</u>	<u>\$140,067,195</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$6,469,118	\$7,960,983
Other Equities	<u>49,004,653</u>	<u>43,581,869</u>
Total Equities	55,473,771	51,542,852
LONG-TERM DEBT (LESS CURRENT MATURITIES)	83,907,983	76,986,037
ACCUMULATED PROVISIONS FOR PENSIONS AND BENEFITS	181,831	152,414
CURRENT LIABILITIES		
Notes Payable	-	3,000,000
Current Maturities of Long-Term Debt	2,849,000	2,383,000
Accounts Payable	3,088,288	2,724,047
Consumer Deposits	157,370	177,170
Other Current and Accrued Liabilities	1,680,531	1,586,967
Current Portion of Deferred Credits	<u>38,000</u>	<u>38,000</u>
Total Current Liabilities	7,813,189	9,909,184
DEFERRED CREDITS (LESS CURRENT PORTION)	<u>1,661,846</u>	<u>1,476,708</u>
Total Equities and Liabilities	<u>\$149,038,620</u>	<u>\$140,067,195</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, 2017 and 2016.

	2017	2016
OPERATING REVENUES	\$49,631,658	\$50,833,728
OPERATING EXPENSES		
Cost of Power	30,038,690	31,443,780
Distribution Expense - Operations	3,208,670	3,027,137
Distribution Expense - Maintenance	1,844,288	1,687,291
Consumer Account Expense	1,714,893	1,789,003
Sales Expense	564,808	484,281
Administrative and General Expense	2,443,329	2,358,649
Depreciation Expense	3,693,500	3,326,803
Taxes	857,964	770,045
Other Deductions	<u>12,683</u>	<u>10,971</u>
Total Operating Expenses	<u>44,378,825</u>	<u>44,897,960</u>
OPERATING MARGINS BEFORE FIXED CHARGES	5,252,833	5,935,768
INTEREST EXPENSE		
Long-Term Debt	3,802,397	3,717,986
Other	<u>29,562</u>	<u>37,575</u>
Total Interest Expense	<u>3,831,959</u>	<u>3,755,561</u>
OPERATING MARGINS AFTER FIXED CHARGES	1,420,874	2,180,207
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	<u>3,282,401</u>	<u>3,911,953</u>
NET OPERATING MARGINS	4,703,275	6,092,160
NON-OPERATING MARGINS		
Interest Income	215,474	227,994
Other Non-Operating Margins	94,049	118,762
Gain (Loss) from Equity Investments	<u>(43,473)</u>	<u>22,341</u>
Total Non-Operating Margins	<u>266,050</u>	<u>369,097</u>
NET MARGINS	\$4,969,325	\$6,461,257



LINN COUNTY RURAL ELECTRIC COOPERATIVE

WWW.LINNCOUNTYREC.COM

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