



2019 Annual Report Virtual Annual Meeting September 25, 9:00 am

As mentioned in last month's newsletter, our board of directors voted to hold the annual meeting virtually for the safety of our members and staff. A virtual annual meeting will allow us to fulfill our bylaw requirements and connect with you while adhering to safety recommendations. Thank you for your patience and understanding during this unusual time. We hope to see you at our virtual Annual Meeting!

How To Participate

BY ZOOM: Go to www.linncountyrec.com. Use the Join Zoom Meeting link, Meeting ID: 883 6547 7165, and Passcode: 994878 on the annual meeting page to log in. (If you do not have a Zoom account, download it for free on your desktop or mobile device.) The virtual meeting room will open at 8:45 a.m. the day of the meeting, with the business meeting beginning at 9:00 a.m. The meeting will be recorded and available to view on our YouTube channel the last week of September.

BY PHONE: Listen to the annual meeting over the phone by dialing 1-312-626-6799, Meeting ID: 883 6547 7165 Passcode: 994878.

Vote Online or By Mail

We have partnered with Survey and Ballot Systems (SBS) to administer our voting and ballot validation process. SBS will tabulate our paper and online ballots. Candidate biographies are available at www.linncountyrec.com. All members may cast a vote regardless of the district they reside in. Members who vote online or by mail will be entered into a drawing for a bill credit. Learn more about our voting options below:



SMARTHUB (New For 2020!)

Vote online through SmartHub! Simply log in to your account and click the "vote now" button. Online voting is available from August 31 at 8:00 am through September 23. Don't have a SmartHub account? Learn all the benefits and create an account at www.linncountyrec.com/manage-my-account/smarthub-resources.



ONLINE (New For 2020!)

Vote online via the official 2020 Linn County REC Election website. Log in to directvote.net/LCRECIA. In the top left corner are your member number and election passcode. Use both of these to log in. Online voting is available from August 31 at 8:00 am through September 23.



MAIL Ballot

Survey & Ballot Systems will mail out our ballots August 31st. Mail completed ballots back to them in the postage paid return envelope provided. Mail ballots must be received by SBS no later than September 23rd in order to be valid.

Annual Meeting AGENDA

8:45 am Log In Time Opens

- Members may log in to Zoom by using the meeting link and passcode available at www.linncountyrec.com.

9:00 am Business Meeting Begins

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

SmartHub® Voting Instructions



1

Invitation to Vote

Members receive instructions to access the DirectVote® election website via SmartHub Web by mail or email.



2

SmartHub Web Log In

Members will log in with their SmartHub email address and password.



3

"Vote Now" Button

Members will log in with their SmartHub email address and password.



4

Account Selection

Choose account to cast a ballot, then click "Submit".



5

DirectVote® Election Website

After successful validation, members are directed to the DirectVote® welcome page.



6

Cast Your Ballot

Vote for your candidate(s).

A Message To Our Members



Terry Sullivan
General Manager/CEO



Ron O'Neil
President

In 2019, a new accounting principle led to a change in how the cooperative reported Operating Revenue. Most of our member's meters are read on the 20th of each month and typically cover one month's energy usage. The new principle led the Cooperative to adjust its revenue to match month end revenue as December 31st is month end and the fiscal and calendar year end. The overall change did not have a material impact on the Cooperative.

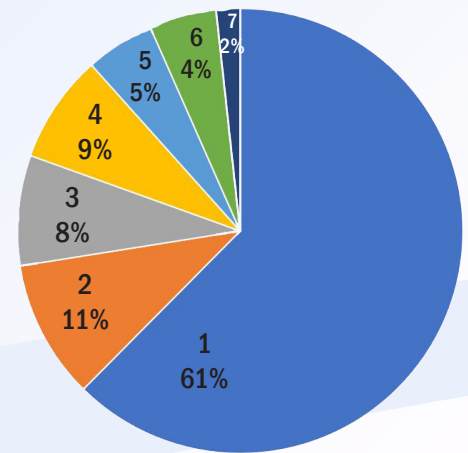
Operating revenue for 2019 was \$51.6 million or 1% higher than 2018. Power costs were \$30.7 million or 1.5% lower per kWh than 2018. Increases in line maintenance, depreciation expense and interest expense offset some of the

lower power costs. Operating Margin After Fixed Charges improved to \$1.56 million in 2019 versus \$1.1 million in 2018. Operating margins were adequate to meet our lender requirements. Our net margin improved overall due to better Cooperative operating margins and with increased patronage allocated from Central Iowa Power Cooperative (CIPCO), our power supplier.

New services grew over prior year with 776 services installed in 2019 versus 682 from a year ago. Total Linn County REC services at the end of 2019 were 30,789. The Cooperative continues to invest in the system to address development, new services and maintaining reliability. In 2019, 89% of the Cooperative's capital expenditures were for line construction, new services and substation enhancements. The remainder was spent on truck equipment and computer equipment. Total capital expenditures in 2019 were \$9.6 million.

Due to the change in accounting principles and to streamline the Cooperative's recordkeeping process, we will be converting our billing period for members currently billed around the 20th

2019 Expenses



- 1. Power Cost
- 2. Operations & Maint.
- 3. Depreciation
- 4. Interest Expense
- 5. Admin & General
- 6. Customer Service
- 7. Taxes

of each month to a billing period that corresponds to the end of the calendar month. This change will result in a one-time longer billing period where we extend the billing period to the end of the calendar month. Your **2020 October bill (mailed in November)** will have approximately **40 days** instead of 30 days.

Official Notice Of Annual Meeting

The annual meeting of the members of Linn County Rural Electric Cooperative Association, will be held virtually on Friday, Sept. 25, 2020, at 9:00 am. The Board of Directors voted to hold the meeting virtually for the safety of our members and staff. The virtual meeting room will open at 8:45 a.m. the day of the meeting. Use the meeting invite link and credentials to access the meeting at www.linncountyrec.com. The purpose of this meeting is to take action on the following matters:

- 1.) As noted in the agenda.
- 2.) The election of three directors of the Cooperative. The bylaws provide that you may vote electronically or by mail. Mail ballots will be sent to you under separate cover. Online voting is available through SmartHub or www.directvote.net/LCRECIA from August 31 - September 23.
- 3.) All other business which may come before the meeting or any adjournment or adjournments. In connection with the election of the three 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
Gloria Corbin	Coralville	2
Kirk Hiland	Penn	2
Todd Shores	North Liberty	2
Roger Krug	Fairfax	3
Al Ziskovsky	Monroe	3
Steve Dolezal	Coralville	7
Mark Ogden	Penn	7
Ron O'Neil	Cedar	7

There were no nominations by petition.
Dated September 1, 2020

Roger Krug
Roger Krug, Assistant Secretary



LINN COUNTY RURAL ELECTRIC COOPERATIVE

Meet The Candidates

Districts 2, 3 and 7 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 2: Gloria Corbin

Occupation: I am a retired music educator and school administrator. I served as a building principal (elementary), staff developer and an assistant superintendent.



What strengths would you bring to our board if elected? "I am highly organized, have the ability to understand the big picture and facilitate implementation practices that support organizational goals. I am mindful of fiscal responsibilities and the importance of social balance in organizational operations."

District 2: Kirk Hiland

Occupation: Real Estate Consultant/Certified General Real Estate Appraiser



What strengths would you bring to our board if re-elected? "Knowledge of best business practices, the co-op electric utility system, economic development, life-long resident of the area with understanding of the history and growth of Eastern Iowa."

District 2: Todd Shores

Occupation: VP of Finance and Accounting for HH Ventures LLC in Hiawatha



What strengths would you bring to our board if elected? "I worked for almost 15 years as the controller at Frontier Natural Products Co-op, a Co-op owned by its customers, so I have strong Co-op background for accounting and finance."

District 3: Al Ziskovsky

Occupation: Material Handler for General Mills and Owner/Operator of Bohem Bovine (a small black angus cattle operation)



What strengths would you bring to our board if elected? "I am a very open-minded community involved person who works for the betterment of all."

District 3: Roger Krug

Occupation: Farmer

What strengths would you bring to our board if re-elected? "Before making decisions, I listen very carefully and gather all the facts available to ensure the best decision is being made for the membership and the cooperative. The director training, including the Credentialed Cooperative Director Certificate (CCD) and Board Leadership Certificate (BLC) that I have earned has made me an effective leader for Linn County REC. I use this experience to ensure the continued success of our cooperative."



District 7: Steve Dolezal

Occupation: Chief Deputy, Johnson County Sheriff's Office (retiring 12/20); Deputy Commander Midwest 1 Disaster Medical Assistance Team; Iowa High School Football Official



What strengths would you bring to our board if elected? "My strength as a team builder has helped me be successful throughout my career. I have learned that one person cannot do it all by themselves. Linn County REC has great employees. We will work together to provide exceptional service, that is cost effective and within budget."

District 7: Mark Ogden

Occupation: "I am an independent consultant to NextEra Energy. I am also a 5th generation farmer, with a no-till corn, soybean and hay operation on our family farm established in 2007 near Kent Park."



What strengths would you bring to our board if elected? "As a life-long resident of District 7, I bring 30+ years of utility expertise, including senior leadership roles in the utility, manufacturing, renewable/emerging technology and agricultural sectors. These roles included experience in business planning, financial management, risk management, project management and cyber-security. I am a strong collaborator and would work with my fellow directors to ensure the Linn County REC senior leadership is acting in the best interest of the Co-op."

District 7: Ron O'Neil

Occupation: Retired, General Manager, VJ Engineering



What strengths would you bring to our board if re-elected? "I have considerable management experience, both in the public and private sector. This includes strategic planning, budgeting, personnel management and project management. I have been associated with several boards and commissions, both as a member and as support staff. I have several years of construction experience. I have a strong work ethic and have devoted the time needed to be an effective Board member. I have completed over 20 NRECA classes to improve my knowledge of cooperatives. I have my Credentialed Cooperative Director Certificate (CCD), my Board Leadership Certificate (BLC) and my Director Gold Credential. I have used this education to try to continually improve as a Board member during my six years on the Board."

Assets & Liabilities

Linn County Rural Electric Cooperative Association and Subsidiary,
Marion, IA Consolidated Balance Sheets, December 31, 2019 and 2018.

ASSETS	2019	2018
UTILITY PLANT		
Electrical Plant in Service	\$158,169,310	\$147,775,664
Construction Work in Progress	<u>6,357,402</u>	<u>7,123,089</u>
Total	164,526,712	154,898,753
Less Accumulated Provision for Depreciation	<u>(39,843,718)</u>	<u>(39,669,036)</u>
Net Utility Plant	124,682,994	115,229,717
INVESTMENTS		
Investments in Assoc. Organizations	33,036,425	32,414,183
Non-Utility Property	1,423,230	1,499,479
Other Investments	<u>820,552</u>	<u>820,580</u>
Total Investments	35,280,207	34,734,242
CURRENT ASSETS		
Cash and Cash Equivalents	1,591,280	1,834,651
Accounts Receivable, Net	5,336,064	4,657,781
Materials and Supplies Inventory	3,688,914	2,876,020
Prepaid Expenses	245,037	48,869
Other Current and Accrued Assets	<u>48,604</u>	<u>48,603</u>
Total Current Assets	10,909,899	9,465,924
Total Assets	<u>\$170,873,100</u>	<u>\$159,429,883</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$7,571,218	\$6,327,056
Other Equities	<u>55,543,307</u>	<u>52,501,125</u>
Total Equities	63,114,525	58,828,181
LONG-TERM DEBT (LESS CURRENT MATURITIES)	97,738,076	90,634,595
ACCUMULATED PROVISIONS FOR PENSIONS AND BENEFITS	194,188	164,834
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	3,855,000	3,503,000
Accounts Payable	2,598,745	2,670,949
Consumer Deposits	150,290	201,640
Other Current and Accrued Liabilities	1,540,051	1,855,273
Current Portion of Deferred Credits	<u>38,000</u>	<u>38,000</u>
Total Current Liabilities	8,182,086	8,268,862
DEFERRED CREDITS (LESS CURRENT PORTION)	<u>1,644,225</u>	<u>1,533,411</u>
Total Equities and Liabilities	<u>\$170,873,100</u>	<u>\$159,429,883</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, 2019 and 2018.

	2019	2018
OPERATING REVENUES	\$51,615,579	\$51,091,216
OPERATING EXPENSES		
Cost of Power	30,673,467	31,212,849
Distribution Expense - Operations	3,877,624	3,287,970
Distribution Expense - Maintenance	1,722,028	1,748,763
Consumer Account Expense	1,384,290	1,802,235
Sales Expense	407,418	610,703
Administrative and General Expense	2,666,876	2,502,615
Depreciation Expense	4,201,468	4,010,711
Taxes	862,111	862,994
Other Deductions	<u>6,546</u>	<u>10,669</u>
Total Operating Expenses	45,801,828	46,049,509
OPERATING MARGINS BEFORE FIXED CHARGES	5,813,751	5,041,707
INTEREST EXPENSE		
Long-Term Debt	4,228,325	3,942,901
Other	<u>24,363</u>	<u>18,483</u>
Total Interest Expense	4,252,688	3,961,384
OPERATING MARGINS AFTER FIXED CHARGES	1,561,063	1,080,323
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	<u>2,736,464</u>	<u>2,330,042</u>
NET OPERATING MARGINS	4,297,527	3,410,365
NON-OPERATING MARGINS		
Interest Income	233,426	217,407
Other Non-Operating Margins	80,078	199,487
Gain (Loss) from Equity Investments	<u>(676)</u>	<u>(4,991)</u>
Total Non-Operating Margins	312,828	411,903
NET MARGINS	\$4,610,355	\$3,822,268



LINN COUNTY RURAL ELECTRIC COOPERATIVE

WWW.LINNCOUNTYREC.COM

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