



2022 Annual Report Annual Meeting September 21 - 9:00 am



Join us online for the annual meeting on Thursday, September 21st. You can participate online via Zoom or by phone.

BY ZOOM: Go to www.linncountyrec.com annual meeting page. Use the Join Zoom Meeting link and enter Meeting ID: 879 4347 4478 and Passcode: 778728. The virtual meeting room opens at 8:45 a.m. and the business meeting begins at 9:00 a.m. The meeting will be recorded and available on our YouTube channel.

BY PHONE: Call 1-312-626-6799, enter Meeting ID: 879 4347 4478 Passcode: 778728.

Annual Meeting Agenda

8:45 am Log in available To Virtual Annual Meeting Room

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

Official Notice of Annual Meeting

The annual meeting of the members of Linn County Rural Electric Cooperative Association, will be held online Thursday, Sept. 21, 2023, at 9:00 am. The online meeting room opens at 8:45 am. Use the web link 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 and proposed changes to the articles of incorporation. The bylaws provide that you may vote electronically or by mail. Mail ballots will be sent to you under separate cover, or vote online through SmartHub or www.directvote.net/LCRECIA from Aug. 18 - Sept. 18.
- 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
Nick Dykstra	Penn	2
Kirk Hiland	Penn	2
Ray Buck	Fairfax	3
Kurt Falkenstein	Fairfax	3
Gary Schlotterbeck	Fremont	3
Pat Woods	Fairfax	3
Ron O'Neil	Cedar	7

There were no nominations by petition.

Dated September 1, 2023

Jeanna Sager
Jeanna Sager, Secretary

Vote Online or By Mail



Vote online through SmartHub! Simply log in to your account and click the "vote now" button. Online voting is available from August 18th through September 18th. Don't have SmartHub? Create an account on our website.



Vote online via the official 2023 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 18th through September 18th.



Survey & Ballot Systems will mail out our ballots August 18th. Mail completed ballots back to SBS in the postage paid return envelope provided. Mail ballots must be received by SBS no later than September 18th in order to be valid.

2022 YEAR IN REVIEW

A Message To Our Members



Gary Schropp
President



Terry Sullivan
General Manager/CEO

Financials

Operating revenue for 2022 was \$61.1 million, or 7% higher than in 2021. More kilowatt-hour sales and higher power costs from our power supplier were the primary drivers of more revenue. Power costs were \$35.2 million, or 12% higher than in 2021. In 2022, the natural gas prices at the U.S. natural gas benchmark (Henry Hub in Louisiana) increased an average of 53% from 2021, which increased market power prices. Increases in operations and maintenance costs and depreciation expenses were the primary factors reducing the Cooperative's operating margin after fixed charges to \$2.6 million in 2022 vs. \$3.5 million in 2021. Operating margins were still adequate to meet our lender requirements.

Capital Credits

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 \$250,000 in capital credits to current members. Those who are current members will see a credit on their September bill.

Growth & Investment

New services installed were 961 in 2022, down from the prior year. Total Linn County REC services at the end of 2022 were 33,090. The Cooperative continues investing in the system to address development, new services, and reliability. In 2022, 94% of the Cooperative's capital expenditures were for line construction, new services, and substation enhancements. The remainder was spent on equipment. The total capital spent in 2022 was \$10.2 million.

Looking Ahead

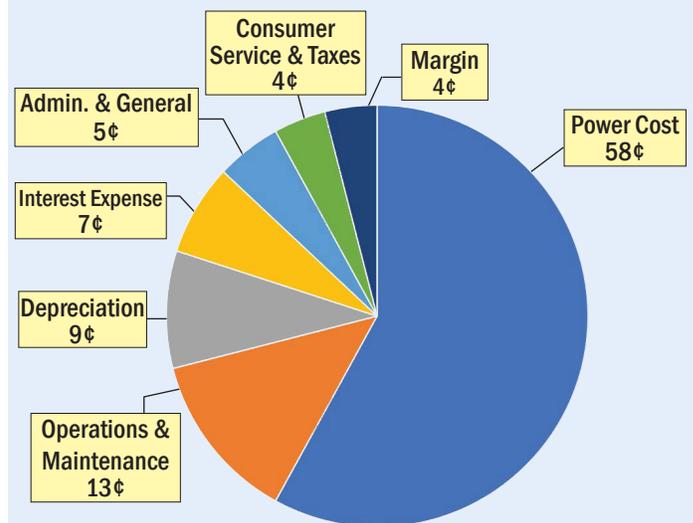
In 2023, we have noticed a few factors impacting the Cooperative so far:

- Higher interest rates are impacting new housing starts, resulting in lower new services.

- Lower natural gas prices have helped stabilize power costs. The weather has been milder, leading to slightly fewer sales than we budgeted.
- Some members are taking advantage of the new time-of-day rate and are shifting energy usage to overnight hours (i.e., EV charging), which helps the entire membership.

Results to date are very positive, with the Cooperative in good financial shape. We will continue to keep members informed about the co-op through our communications channels, including the member newsletter, Facebook, website, and email. As a locally owned cooperative, we strive to keep our members informed and educated.

How Your Dollar Is Spent



Meet The Candidates

Districts 2, 3, and 7 are up for election this year. All members may cast a vote regardless of the district they reside in. Due to space limitations, full candidate biographies are available on our website at www.linncountyrec.com.



District 2: Nick Dykstra

Occupation: Banker, MidWestOne Bank

What strengths would you bring to our board if elected? "I never stop learning and am always striving to improve myself, my career, my community, and my life. As a part of this

core outlook, I have gained over 9 years of experience in the renewable fuels industry, 7 years in financial institutions, 5 years in Ag services, 3 years in technology services, and earned degrees in Global Economic Development, International Studies, International Business, and Computer Science. I'm fully confident in my ability to utilize the knowledge gained through these experiences and combine it with my fervent work ethic to help the board reach positive outcomes concerning any complication it might face."



District 2: Kirk Hiland

Occupation: Retired, Former Real Estate Broker/Certified General Real Estate Appraiser and Adjunct Instructor-Uof I College of Business

What strengths would you bring to our board if re-elected? "Knowledge of Federal, State, and

MISO regulations and laws, and the utility grid, especially, as it pertains to Eastern Iowa. Active involvement with economic development, along with being a life-long resident of the area with understanding of the history and growth of Eastern Iowa."



District 3: Ray Buck

Occupation: Claims Supervisor, United Fire Group - Complex Claims/Litigation

What strengths would you bring to our board if elected? "As a prior city council member, I have a good understanding of the processes and procedures involving meeting

protocol. I have strong analytical skills, and an understanding of construction practices and procedures. I am a believer in research, understanding and collaboration is necessary to achieve goals of any organization."



District 3: Gary Schlotterbeck

Occupation: Retired, HVAC contractor, Owner/Operator Heating Service company

What strengths would you bring to our board if elected? "I am focused and goal-oriented. I have strong analytical skills and work with others to identify and implement solutions. I am a leader

who listens and have the ability to manage and motivate people while maintaining a congenial, professional relationship. I am a team player and work collaboratively with others, while keeping strategic goals in mind."



District 3: Kurt Falkenstein

Occupation: US Air Force Security Police Captain, Retiring

Mgt Analyst/Asst. Chief Admin. Officer - Retired (Athens, GA)
City Manager - Retired (Cedartown, GA)
Town Manager - Retired (Windsor, VA)

What strengths would you bring to our board if elected? "My experience as a manager for two municipalities, developing and managing budgets for both a general fund and water/sewer funds, has made me intimately familiar with operations, challenges, and opportunities faced by a board that provides public service and a public utility. My Masters of Public Administration (MPA) and MS in Guidance and Counseling Degrees provide an educational background for both understanding the functions of Public Services and dynamics of working with groups and individuals. My BA in Criminal Justice and experience as a Security Police officer provide a background in resources protection and information security that will be valuable to any organization. My experience in working with groups to identify and prioritize goals and objectives will help me to quickly adapt to the purpose and functions of the Board."



District 3: Pat Woods

Occupation: Retired, Collins Aerospace

What strengths would you bring to our board if elected? "Available to assist with research for future REC initiatives. I also ask good questions."



District 7: Ron O'Neil

Occupation: Retired, General Manager -VJ Engineering

What strengths would you bring to our board if re-elected? "I have a variety of management experiences, including nine years as a member of the Linn County REC Board of Directors. This includes strategic planning, budgeting, personnel management and project management. I have a strong work ethic and have devoted the time needed to be an effective Board member. I have completed over 25 NRECA classes and training 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."

Assets & Liabilities

Linn County Rural Electric Cooperative Association and Subsidiary,
Marion, IA Consolidated Balance Sheets, December 31, 2022 and 2021.

ASSETS	2022	2021
UTILITY PLANT		
Electrical Plant in Service	\$187,121,446	\$174,071,732
Construction Work in Progress	<u>3,601,894</u>	<u>7,495,075</u>
Total	190,723,340	181,566,807
Less Accumulated Provision for Depreciation	<u>(50,927,101)</u>	<u>(46,928,019)</u>
Net Utility Plant	139,796,239	134,638,788
INVESTMENTS		
Investments in Assoc. Organizations	33,643,627	34,092,103
Non-Utility Property	1,224,715	1,273,933
Other Investments	<u>829,427</u>	<u>1,155,314</u>
Total Investments	35,697,769	36,521,350
CURRENT ASSETS		
Cash and Cash Equivalents	2,620,227	2,924,664
Accounts Receivable, Net	6,744,514	7,283,682
Materials and Supplies Inventory	7,497,903	4,356,159
Prepaid Expenses	324,431	152,051
Other Current and Accrued Assets	<u>49,537</u>	<u>49,650</u>
Total Current Assets	<u>16,876,612</u>	<u>14,766,206</u>
Total Assets	<u>\$192,370,620</u>	<u>\$185,926,344</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$11,126,976	\$11,041,865
Other Equities	<u>69,935,636</u>	<u>65,325,317</u>
Total Equities	81,062,612	76,367,182
LONG-TERM DEBT (LESS CURRENT MATURITIES)		
	99,280,805	99,086,459
ACCUMULATED PROVISIONS FOR PENSIONS AND BENEFITS		
	195,076	247,327
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	4,590,000	4,259,000
Accounts Payable	3,653,190	2,713,186
Consumer Deposits	202,585	188,475
Other Current and Accrued Liabilities	<u>1,577,063</u>	<u>1,572,528</u>
Current Portion of Deferred Credits	-	-
Total Current Liabilities	10,022,838	8,733,189
DEFERRED CREDITS (LESS CURRENT PORTION)		
	<u>1,809,289</u>	<u>1,492,187</u>
Total Equities and Liabilities	<u>\$192,370,620</u>	<u>\$185,926,344</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, 2022 and 2021.

	2022	2021
OPERATING REVENUES	\$61,130,350	\$57,059,359
OPERATING EXPENSES		
Cost of Power	35,227,860	31,446,532
Distribution Expense - Operations	5,185,447	4,418,899
Distribution Expense - Maintenance	2,721,319	2,592,433
Consumer Account Expense	1,331,687	1,337,312
Sales Expense	690,610	704,695
Administrative and General Expense	3,020,459	2,843,326
Depreciation Expense	5,309,041	5,112,520
Taxes	907,188	882,821
Other Deductions	<u>6,503</u>	<u>10,032</u>
Total Operating Expenses	<u>54,400,114</u>	<u>49,348,570</u>
OPERATING MARGINS BEFORE FIXED CHARGES		
	6,730,236	7,710,789
INTEREST EXPENSE		
Long-Term Debt	4,163,204	4,156,811
Other	<u>9,974</u>	<u>8,660</u>
Total Interest Expense	<u>4,173,178</u>	<u>4,165,471</u>
OPERATING MARGINS AFTER FIXED CHARGES		
	2,557,058	3,545,318
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS		
	<u>1,282,429</u>	<u>2,170,907</u>
NET OPERATING MARGINS	3,839,487	5,716,225
NON-OPERATING MARGINS		
Interest Income	228,663	227,290
Other Non-Operating Margins	904,881	177,177
Gain (Loss) from Equity Investments	<u>(752)</u>	<u>16,427</u>
Total Non-Operating Margins	<u>1,132,792</u>	<u>420,894</u>
NET MARGINS	\$4,972,279	\$6,137,119

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