



HARRISON COUNTY

RURAL ELECTRIC COOPERATIVE

A Touchstone Energy® Cooperative



EMPOWERING LIVES...



POWERING COMMUNITIES

2018 Annual Report

EMPOWERING LIVES... POWERING COMMUNITIES

We are a member-owned rural electric cooperative. We are owned by those we serve, to an extent. We serve our members with electricity and provide superior service, but in other ways we also serve others. Cooperative principle number seven, "Concern for Community", inherently drives us to do more than sell electricity. Yes, our electric power helps maintain and improve the quality of life, thus "powering lives", but we also work beyond that effort by staying engaged in local and area wide development projects. By being involved in economic and community development, even with communities we do not serve, we help stimulate growth, commerce, services, etc. which will empower the communities we touch to thrive and be a place for families to live and an attraction for new business. In rural America, vibrant small towns are inviting to young families and small business.

This is our 84th annual meeting of our members. As a member, you are an equal owner in this cooperative. Throughout our history we've endeavored to bring business and new residents to our area. We explore opportunities to participate in projects and programs that may allow a means to improve an existing business, enhance housing, or improve commerce by attracting new business.

Over the past two years we've been working on several projects, some of which are now coming to fruition. In May, 2019, we are anticipating the full startup of a new CO2 processing facility near Denison, which should provide up to 40 new jobs. Many of you are aware of the new value added poultry facilities that are being built in our area. We will provide power necessary for these businesses. When we add more load, it improves our system and allows us to get better use of our capacity for our power. This creates more cost efficiency for each kilowatt-hour we purchase.

In 2018, we had a strong year. There were periods of modest weather, but also periods of strong conditions both hot and cold. Our system held up extremely well during storms. Rates, although strong, have remained stable the past two years, which resulted in a negative power cost adjustment factor each month.

Your board and management team continue to seek efficiencies, control costs, and seek value in our primary mission, Safely Providing Reliable Electric Power and Related Services at the Best Possible Value for Our Members.

As we move into another year, we are proud to share that our financial position is strong. We surpassed all

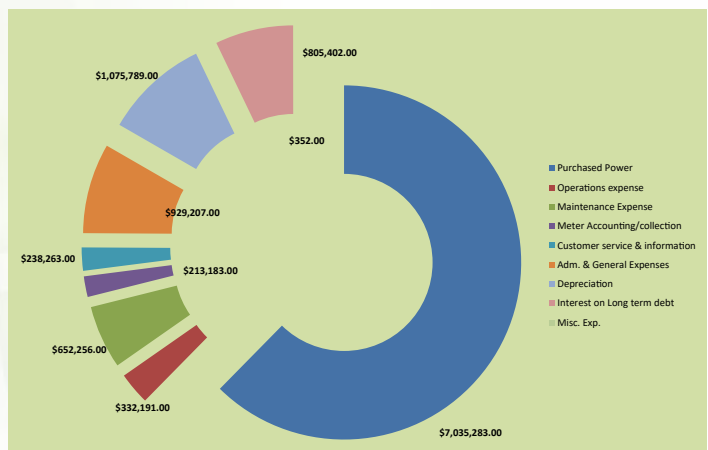


Tim Sproul, President and Joe Farley, Manager/EVP

financial benchmarks; our equity is near 43%; our debt per member-consumer is trending down; sales are steady and will improve with new loads coming. Operating margins are improving and revenues should grow.

We continue to work very hard to provide the electric power needed in your daily lives while continuing our commitment to power the communities in and around the HCREC service territory. We will always seek opportunities for growth in our local communities and enhance the quality of life in our part of rural America.

Thank you for your membership.



STATEMENT OF REVENUE & EXPENSES

Our Receipts

	<u>2018</u>	<u>2017</u>
Electricity Sold	\$ 11,787,060	\$ 11,579,755
Other Operating Revenue	\$ 46,268	\$ 39,228
Non-Operating Revenue	\$ 651,439	\$ 775,568
Total Revenue	\$ 12,484,767	\$ 12,394,551

Our Expenses

Purchased Power	\$ 7,035,283	\$ 7,083,938
Operation Expense	\$ 332,191	\$ 359,667
Maintenance Expense	\$ 652,256	\$ 594,319
Meter Accounting & Collection	\$ 213,183	\$ 219,413
Customer Service & Information	\$ 238,263	\$ 219,936
Other General Expenses	\$ 929,207	\$ 905,017
Depreciation Expense	\$ 1,075,789	\$ 1,056,115
Interest on RUS, CFC & CoBank Loans	\$ 805,402	\$ 827,760
Other Miscellaneous Expenses	\$ 352	\$ 1,250
Total Operating Expenses	\$ 11,281,926	\$ 11,267,416

Margin for the year	\$ 1,202,841	\$ 1,127,135
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Respectfully Submitted:

Thomas Bothwell, Treasurer

This unaudited financial report shall be regarded as confidential information and not distributed to other than members of the Cooperative. Reprinting of any information in this report is strictly forbidden without the permission of the Board of Directors.

In compliance with regulations issued by the Rural Utilities Service, a copy of the Cooperative's by-laws are also available to all members upon request. Please contact the Cooperative's office if you would like a copy.

Note: In 2017, Harrison County REC received an allocation of patronage in the amount of \$477,329 from its power supplier, Northwest Iowa Power Cooperative (NIPCO). This allocation was not a cash payment but represents a receivable that will be paid by NIPCO at a future time. This allocation resulted in overall margins of \$1,127,135, instead of \$649,806.

Note: In 2018, Harrison County REC received an allocation of patronage in the amount of \$326,919 from its power supplier, Northwest Iowa Power Cooperative (NIPCO). This allocation was not a cash payment but represents a receivable that will be paid by NIPCO at a future time. This allocation resulted in overall margins of \$1,202,841, instead of \$875,922.

COMPARATIVE BALANCE SHEETS

December 31, 2018 & 2017

Assets (What we have)

Current Assets

	<u>2018</u>	<u>2017</u>
Cash, Temporary Investments, Special Funds	\$ 4,845,328	\$ 4,495,002
Notes & Accounts Receivable	\$ 1,112,064	\$ 1,242,577
Materials & Supplies	\$ 767,025	\$ 655,277
Accrued & Deferred Debits	\$ 306,755	\$ 300,626
Current Asset Totals	\$ 7,031,171	\$ 6,693,483

Fixed Assets

Poles, Lines, Transformers, Equipment	\$ 35,451,779	\$ 34,663,725
Less: Provision For Depreciation	\$ (9,572,118)	\$ (8,786,807)
Fixed Asset Totals	\$ 25,879,662	\$ 25,876,918

Asset Totals

\$ 32,910,833	\$ 32,570,401
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Liabilities (What we owe)

Current Liabilities

Accrued & Deferred Credits	\$ 1,432,141	\$ 1,514,402
Consumer Deposits	\$ 53,930	\$ 48,991
Current Portion Long-Term Debt	\$ 835,616	\$ 880,271
Current Liability Totals	\$ 2,321,687	\$ 2,443,664

Long Term Liabilities

RUS (Rural Utilities Service)	\$ 9,386,887	\$ 9,401,860
CFC	\$ 4,284,437	\$ 4,500,474
COBANK	\$ 2,921,032	\$ 3,023,898
Long Term Liability Totals	\$ 16,592,356	\$ 16,926,233

Net Worth (What we own)

Membership fees	\$ 11,860	\$ 11,855
Deferred Patronage Allocated	\$ 4,869,471	\$ 4,400,895
Current Year Margins	\$ 1,202,841	\$ 1,127,135
Margin Reserves	\$ 7,912,617	\$ 7,660,619
Net Worth Total	\$ 13,996,790	\$ 13,200,503

Total Liabilities & Net Worth

\$ 32,910,833	\$ 32,570,401
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Respectfully Submitted:

Thomas Bothwell, Treasurer

BUSINESS OFFICE



Lori Barry

Director of Finance/Administration

Business Office – Reorganization to the business office has involved several employees operating smoothly with all working as a team. Shanell Dickman was moved to Sr. Accountant position. Tara Ganzhorn was then moved to Billing Supervisor position. Amy Klein was hired as CSR/Billing Assistant. Gaylene Woodward is our Office Assistant.



Business Office – Shanell Dickman, Tara Ganzhorn, Gaylene Woodward, Amy Klein



Mary Zahner retired in April, 2018

SERVICE AWARDS



Mike Vana
20 years
Operations Assistant



Dan Royer
40 years
Foreman



Jackie Androy
Communicator/Admin. Asst.
Retirement Plaque effective April 15, 2019

Watch for announcement of Jackie's replacement as Communications Specialist/Administrative Aide in May's issue of Hi-Lites.

OPERATIONS



Operations Crew - L to R – Dan Royer, Mike Vana, Robert Wakehouse, Andy Wray, Jeremy Jochims, Jacolby Ehlert, Dave Stevens, Tom Ellison, Jim Andersen, Kert Barnum

DIRECTORS



MEMBER SERVICES



Vic and Alan will be replacing approximately 1800 switches throughout the HCREC service territory over the next 3 years. HCREC is working to upgrade load control equipment to assist in providing the best energy efficient power available to our members. Call the Member Service Department at 800-822-5591 or 712-647-2727 or email tplumb@hcrec.coop or just stop by our office 7:30 a.m. – 4:00 p.m. Monday – Friday with questions or concerns.

Seven Cooperative Principles

- VOLUNTARY AND OPEN MEMBERSHIP**
Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- DEMOCRATIC MEMBER CONTROL**
Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. This democratic control is exercised through elected representatives in primary assemblies, or through other structures of governance.
- MEMBERS' ECONOMIC PARTICIPATION**
Members participate actively in, and democratically control, the capital of their cooperative. At least part of that capital is usually the property of the cooperative. Members usually receive limited compensation, if any, on capital contributed as a condition of membership. Members allocate surplus for any or all of the following purposes: developing the cooperative, providing for setting up reserves, part of which at least, will be set aside to help other members in need, or to help transactions with the cooperative and community development projects approved by the members.
- AUTONOMY AND INDEPENDENCE**
Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including government, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative character.
- EDUCATION, TRAINING AND INFORMATION**
Cooperatives provide education and training for their members, elected representatives, managers, and staff, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.
- COOPERATION AMONG COOPERATIVES**
Cooperatives, through their members, work effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- CONCERN FOR COMMUNITY**
While focusing on member needs, cooperatives work for the sustainable development of their communities through actions approved by their members.

REC Harrison County REC
A Wisconsin Rural Community

STAY CONNECTED

Members can stay informed by reading our bill inserts, Hi-Lites monthly newsletter now in full color, website www.hcrec.coop, Smart Choices e-newsletter, and face book. Visit our website and sign up at the Smart Choices button for our FREE monthly e-newsletter featuring tips and up-to-date information on energy efficiency, electrical safety, promotions, and many other topics of interest.

OUR MISSION

To safely provide reliable electric power and related services
at the best possible value for our members.

