

Notice of Annual Meeting of Members

– Southwest Iowa Rural Electric Cooperative —

→ → MAIL VOTING ONLY → →

he Annual Meeting of the Members of Southwest Iowa Rural Electric Cooperative will be held at the Lenox Community Center in Lenox, Iowa, at 6:30 P.M., on September 10, 2020, to take action upon the following matters:

- 1. The election of three (3) directors of the Cooperative for a term of three years each;
- 2. All other business which may legally come before the meeting or any adjournment or adjournments thereof.

DUE TO COVID-19 RESTRICTIONS, AND IN AN EFFORT TO PROTECT THE HEALTH AND SAFETY OF THE MEMBERS AND EMPLOYEES, THE BOARD HAS DECIDED NOT TO HOLD AN IN-PERSON MEETING; BUT RATHER WILL COMPLETE THE ELECTION OF DIRECTORS BY MAIL VOTING AS PERMITTED BY THE BYLAWS.

In connection with the election of directors scheduled for this meeting, the following members have been nominated for Director by the Committee on Nominations appointed by the Board of Directors of the Cooperative pursuant to the Bylaws.

No In-Person Meeting due to Covid-19

THREE-YEAR TERM

(Three to be elected)

Region 1 - District No. 2: Curtis Greene

Marilyn Werner

Region 1 - At-Large: Ken Peppmeier

Rusty Zimmerman

Region 2 - District No. 6: Kay Fast

Colene Roberts

You are urged to vote for directors by returning your mail ballot. The election results will be announced following the meeting. The information you receive in the officer reports will be included in your newsletter.

DATED this 10th day of August, 2020.

Ken Peppmeier

Ken Peppmeier, Secretary

Ballots must be received no later than 12:00 noon on September 10, 2020 to be counted.



COVID-19 updates available on our facebook page and website.



Annual President's and General Manager's Report

In light of the COVID-19 pandemic and the uncertainty surrounding large group gatherings, the Southwest Iowa REC Board of Directors has decided to not hold an in-person annual meeting on September 10th to protect the health and safety of our members and employees. For 2020, the business of the annual meeting will only consist of the election of Directors by mail voting as permitted by the Bylaws. This decision was not an easy one for the Board of Directors. The mail voting still allows and encourages your participation in one of the most valuable benefits of being a member – the election of your local board of directors. The Director Election ballot is being mailed separately so look for it in your mailbox and follow the instructions provided. Your mail-in ballot must reach our office BEFORE noon on September 10th to be counted.

2019 was another solid year for your electric cooperative. We had record sales of electricity (111,719,301 kilo-watt hours) which were .53% higher than the previous record set in 2018 and beat budget by 5.55%. After all expenses, we recorded total margins of \$1,096,585 which was 33.49% more than 2018 and 35.76% more than budget. This increase in margins was mainly due to lower depreciation charges and strong kilo-watt hour sales. During the year deferred patronage dividends of \$337,126 were retired (paid out) to current and former members. Since inception, a total of \$8,877,813 has been returned to the members. We were able to meet the financial targets set by our lenders and an independent audit of the books resulted in a clean audit opinion.

Cooperatives function most effectively with committed and informed leadership. Your board of directors is democratically elected from the membership to represent your interests and to provide long-term vision and direction. We hold true to our mission to <u>Provide safe</u>, reliable electric service and promote community and economic development utilizing cooperative principles and values. Strong leadership is essential to Southwest Iowa REC, and we are also blessed to employ many hard-working people who manage the day-to-day operations of the co-op and keep your lights on. We are proud to be locally owned and managed and because of that, we can provide the best possible service to you.

By design, not-for-profit electric cooperatives are structured to be accountable, transparent and locally responsive to the communities we serve. Cooperatives are locally governed with an elected board that actively participates in setting policies and making long-term decisions. This local business structure has been at the heart of Southwest Iowa REC since the very beginning. We work hard to hold open and fair director elections and we make sure our directors receive cooperative training and education so they can make informed decisions and manage fiduciary responsibilities on your behalf. We are committed to living by the seven cooperative principles which serve as a foundation for all electric cooperatives:

- 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.
- 2. Democratic Member Control: Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. Members have equal voting rights (one member, one vote).

- 3. Members' Economic Participation: Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- 4. Autonomy and Independence: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- 5. Education, Training, and Information: Cooperatives provide education and training for their members, elected representatives, managers and employees so 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.
- 6. Cooperation Among Cooperatives: Cooperatives serve their members most 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 policies accepted by their members.

Recently, a Frequently Asked Questions (FAQ) section was added to the "About Us" tab on our website www.swiarec.coop. The FAQ section includes information on board governance, summaries of board meetings, bios and contact information for board members, our energy mix, and detail on how to understand your electric bill. We also work to keep all members informed about the co-op through other communication channels, including the monthly printed member newsletter and social media posts on Facebook. An informed and educated membership is in our best interest as a locally owned cooperative.

While the cost of most things (such as cars, houses, eggs, milk, stamps and gasoline) has increased twenty-fold or more during the past 75 years, electricity has remained very affordable. In fact, the average American household is steadily spending less on electricity as a percentage of its income. The Revenue Per KWH Sold graphic in this report shows that the overall average charge for electricity to Southwest Iowa REC members has decreased from 12.01 cents/kWh in 2015 to 11.03 cents/kWh in 2019. Much of this decrease has to do with the other graphic Cost Per KWH Purchased which shows the decrease in cost of purchased power from 6.26 cents/kWh in 2015 to 5.65 cents/kWh in 2019. Those purchased power cost savings are passed along to you as Energy Adjustment Charge credits on your monthly electric bill. Not-for-profit electric cooperatives aren't in business to make profits for out-of-state shareholders; locally owned and governed, we exist to improve the quality of life for our members who own the cooperative. We help our members use energy wisely through energy efficiency programs, rebates and

incentives so they can spend their hard-earned money on other things. We work hard to control local costs and we invest in technology and innovation to improve service and efficiency, in order to keep rates as low as possible. Soon, we will be rolling out a new option for members to complete and submit an online application for energy efficiency rebates. Information on that new feature will be publicized on our website and in our newsletter.

Operation Round Up* has continued to be a success story in our local communities. This program makes charitable awards to deserving groups and individuals. Since inception in 2009, \$256,680 has been awarded. This is made possible by the generous and voluntary contributions of our members. We also invest in our youth by annually sponsoring a student to participate in the national Youth Tour event in Washington D.C. This event is a great opportunity for our future leaders to learn more about cooperatives and our political system. Joslynn Moore was selected as our representative this year and will attend in 2021 since the COVID-19 pandemic caused the 2020 event to be cancelled. Another great program we offer is scholarships which are awarded on a competitive basis to graduating seniors choosing to further their post-high school education.

During 2019-2020, our locally-managed Revolving Loan Fund was active in making three loans to assist economic development projects. A total of \$865,000 was loaned to 818 Forward With Faith (construct group home for disabled adult males) in Pella; Stanton Area Industrial Foundation (historic building renovations) in Stanton; and Corning Hotel, LLC (construct 33 room hotel) in Corning. As these loans are repaid, with interest, the funds become available to lend to other projects.

As we plan for the future, we know that finding and hiring skilled workers to handle the jobs of tomorrow will be a big key to our success in serving you. Proactively investing in future careers is a top priority for Southwest Iowa REC and the electric cooperatives of Iowa. We need skilled and trained employees who are looking to plant roots in the communities we serve. We hire professionals from several disciplines including accounting, human resources, engineering, communications, energy services, economic development, and line work jobs. Southwest Iowa REC offers good paying jobs with great benefits, and as our employees retire in the years ahead, we'll need to find skilled workers to continue serving our members with excellence.



Phil Kinser CEO / General Manager



Marilyn Werner President

It's a pleasure to serve you and we hope to see a return to a "normal" annual meeting next year when we can share with you, in-person, the positive things happening at your cooperative. Thank you!

SOUTHWEST IOWA RURAL ELECTRIC COOPERATIVE ANNUAL MEETING OF MEMBERS - September 5, 2019

The Annual Meeting of the Members of Southwest Iowa Rural Electric Cooperative was held at the Lenox Community Center in Lenox, Iowa at 6:30 p.m., on the 5th day of September, 2019.

The meeting was called to order by Marilyn Werner, President of the Cooperative, who presided as Chairman, and Mark Herzberg, Treasurer of the Cooperative, acted as Secretary of the meeting and kept the minutes thereof.

Chair Werner introduced the guests in attendance at the meeting. Special recognition was awarded to Directors and employees for their years of service. Also present were Attorneys J. T. Ward and Amanda James of Sullivan & Ward, P.C.

An invocation was offered by Director Kay Fast and followed by the recitation of the Pledge of Allegiance.

The Chair stated that the members who had registered at the door had been checked, and that a quorum was present for the transaction of business. She stated that it would be in order for the registration to be accepted in lieu of roll call, whereupon a motion was duly made, seconded and carried, to accept the members' registration at the door in lieu of roll call. A list of the members who registered in attendance at the meeting is attached to these minutes and made a part hereof by reference.

The Secretary then presented a copy of the Notice of the meeting, together with proof of the due mailing thereof to all members of the Cooperative, and such Notice and proof were ordered to be annexed to the minutes of this meeting.

The Chair stated that the next order of business was the election of three Directors for a term of three years each. She reported that, in accordance with the By-Laws, the Board of Directors had appointed from the members of the Cooperative a Nominating Committee consisting of John A. Overholtzer, Glenn Payton, Danny Peterson and Joe Kernen who had nominated the following members as candidates for Director:

THREE YEAR TERM

(Three to be elected)

Region 1 - District No. 4

Richard "Dick" Ballantyne Terry Barnes

Region 2 - At-Large

Mark Herzberg Jed Palmer

Region 2 - District No. 8

Fred Hossle Greg Wallin

The Report of the Nominating Committee was ordered to be identified by the Secretary and annexed to the minutes of the meeting.

The Chairman then appointed John A. Overholtzer, C.B. Moore, Mary K. Overholtzer, Lisa Kernen, Joseph P. Kernen, Julie Wallace, Dan Peterson and Douglas Wallace as Inspectors of Balloting. The ballots were delivered to the Inspectors, who proceeded to count the same.

Upon motion duly made, seconded and carried, the reading of the minutes of the Annual Meeting of the Members of Southwest Iowa Rural Electric Cooperative held on September 13, 2018 was waived. The minutes were thereupon declared approved and were ordered to be filed in the records of the Cooperative.

The annual report of the President was presented. Copies of the President's report had been distributed to the members and appeared in the Annual Meeting program. President Werner introduced the directors and their spouses. Following discussion, the annual report of the President was directed to be filed in the records of the Cooperative.

The annual report of the Treasurer was presented. The members had received copies of the Treasurer's report, in the form of the balance sheet and statement of revenue and expense for the year ending 2018, both of which were published in the Annual Meeting program distributed to the members.

Following discussion, the annual report of the Treasurer was approved and directed to be filed in the records of the Cooperative.

Chair Werner introduced Youth Tour winner Anika Wenstrand who presented a report on the Youth Tour to Washington, D.C. and thanked the Cooperative for sending her.

The annual report of Manager Phil Kinser was presented. After presentation, the report was directed to be filed in the records of the Cooperative. Mr. Kinser introduced the employees of the Cooperative and commented on the length of service of the employees.

The Certificate of Inspectors of Election was then presented and read, certifying that the following members, having received the highest number of votes cast, had been duly elected as Directors of the Cooperative to hold office for the term specified, and until their successors shall have been duly elected and qualified:

THREE YEAR TERM

Region 1 - District No. 4

Terry Barnes

Region 2 - At-Large

Mark Herzberg

Region 2 - District No. 8

Fred Hossle

The Chairman directed the Secretary to annex the Certificate of the Inspectors of Election to the minutes of the meeting, and thereupon declared the above members duly elected directors of the Cooperative to hold office for the term specified, and until their successors shall have been elected and qualified.

Meal was provided by Taylor County Cattlemen prior to the meeting.

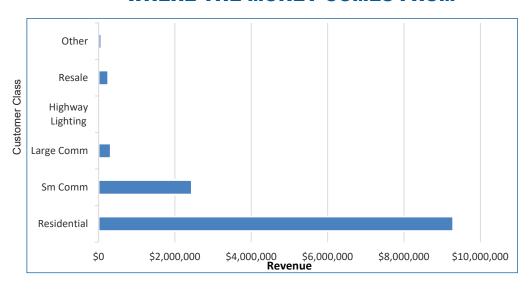
Each registered member received a door prize of \$10.00 credit on member's electric bill and participated in a drawing for Grand Prize of one-year free electricity and second prize of six months free electricity.

Financial Report - December 31, 2019

Balance Sheet

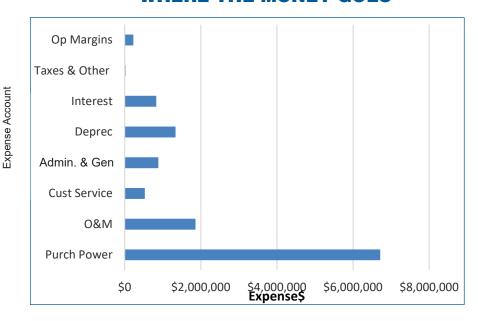
ASSETS ELECTRIC PLANT	12-31-19	12-31-18
Electric plant in service	\$45,762,636	\$45,101,131
Construction work in progress	\$1,283,525	\$1,282,021
LESS: Accumulated Depreciation	(15,589,961)	(16,518,403)
Electric Plant (net)	31,456,200	29,864,749
OTHER ASSETS AND INVESTMENTS	3,625,925	3,302,652
CURRENT ASSETS		
Cash and cash equivalents	118,142	132,779
Restricted cash	925,712	1,098,729
Accounts receivable (net)	1,317,285	1,340,190
Materials and supplies	464,725	549,072
Other current and accrued assets	63,822	72,264
	2,889,686	3,193,034
DEFERRED CHARGES	22,236	37,014
	\$37,994,047	\$36,397,449
LIABILITIES AND MEMBERS' EQUITY		
EQUITIES AND MARGINS		
Patronage Capital	\$7,396,141	\$6,811,636
Other Equities	9,353,955	9,184,106
	16,750,096	15,995,742
LONG-TERM DEBT, less current maturities	17,733,453	16,630,288
CURRENT LIABILITIES		
Accounts payable	771,074	893,772
Current Maturities of long-term debt	780,000	877,000
Notes Payable	940,000	900,000
Other current and accrued liabilities	882,298	891,629
	3,373,372	3,562,401
DEFERRED CREDITS	137,126	209,018
_	\$37,994,047	\$36,397,449
Statements of Revenue and Expense	9	
OPERATING REVENUE	\$12,401,689	\$12,538,633
OPERATING EXPENSES	(=11:00	C 0=C ===
Cost of power	6,714,490	6,876,592
Distribution expenses - operations & maintenance	1,859,206	1,841,037
Consumer accounting / information / assistance	526,634	542,054 848,470
Administrative and general expense	885,131 828,641	819,831
Interest on long-term debt	22,613	25,514
Taxes and other deductions Depreciation and amortization	1,336,329	1,659,730
Depreciation and amortization	12,173,044	12,613,228
	12,173,044	12,013,220
Operating margins before patronage allocations	228,645	(74,595)
DEFERRED PATRONAGE ALLOCATIONS (non-cash)	627,061	622,038
Net Operating Margins	855,706	547,443
NONOPERATING MARGINS	240,879	274,030
NET MARGINS	\$1,096,585	\$821,473

WHERE THE MONEY COMES FROM

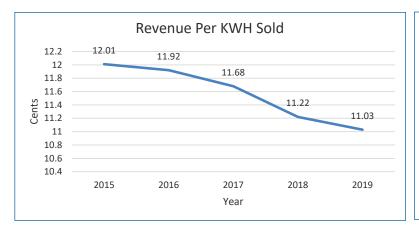


Residential \$9,288,963 Sm Comm \$2,445,086 Large Comm \$320,964 Highway Lighting \$15,058 Resale \$256,254 Other \$75,364

WHERE THE MONEY GOES



Purch Power \$6,714,490 O&M \$1,859,206 **Cust Service** \$526,634 Admin. & Gen \$885,131 Deprec \$1,336,329 Interest \$828,641 Taxes & Other \$22,613 Op Margins \$228,645





Nominee Bio's

Region 1 - District #2

Curtis Green:

Region 1 - District 2: Ellston

Curt and his wife, Billie Jo, live at Sun Valley Lake and own a farm north of Ellston. Their family includes 2 sons Steven and Scott. Curt and Billie Jo have three grandchildren. The Greene's have a corn/ bean row crop farming operation and a cow/calf herd. Curt is currently a member of Sun Valley Golf Club and a member of Ellston United Methodist Church. Curt enjoys spending time with his family, friends, golfing and boating.



-Region 1 - At Large

Ken Peppmeier:

Region 1 - At Large: Shannon City

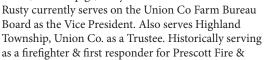
Ken and wife Lori live near Shannon City. Their family includes daughter Brooke (Patrick), daughter Ayla, and son Zack. They have four grandchildren. Ken has a farming operation and is also a rural mail carrier. He belongs to the Arispe Methodist Church, where he has served as a trustee, as well as serving on the Afton Volunteer Fire Board, Grant Township Trustee, and Union County Fair Swine Committee. Ken is also a Credentialed Cooperative Director.



Rusty Zimmerman:

Region 1- At Large: Creston

Rusty Zimmerman is a native of Creston & lived in SW Iowa his entire life other than 5 years in the US Army where he served 2 combat tours in Iraq. Rusty, wife Hillary & 3-year-old daughter Emerson, live on a small farm SE of Creston where they raise feeder calves, butcher pigs, & layer chickens.





Rescue, Prescott City Council, Creston Faternal Order of Eagles #1398 holding an array of offices to include a Trustee & President and has also served as a volunteer coach for Creston Track & Field. Rusty currently works as a head butcher & slaughter house manager at Weaver Meats in Afton, Ia. In his spare time, he enjoys camping with family & friends, hunting, fishing, & spending time on his farm.



Marilvn Werner:

Region 1 - District 2: Shannon City

Marilyn and her husband Steve live on a farm north of Tingley. They have two daughters, one son and seven grandchildren. Marilyn has a master's degree from Iowa State University and is retired from 23 years of employment at Southwestern Community College as Assessment Coordinator. She is active in the Tingley United Methodist Church and currently serves as trustee. Marilyn is an active volunteer in her community and has held various offices in P.E.O. Her special interests include gardening, reading and

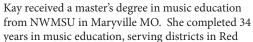


photography. She has served on the Southwest Iowa REC Board of Directors since 1993, and is a credentialed director having completed the National Rural Electric Cooperative Association's Director Program. Directors who hold this distinction are required to attend classes and demonstrate understanding of competencies contained in five core electric utility courses.

Region 2 - District #6-

Kay Fast: Region 2 - District 6: Villisca

Kay was born and raised on a family farm, southeast of Villisca, where she continues to live. She has two children, Dustin, and Trisha (Kyle), and seven grandchildren. She has served on the REC board since 2017, and is the current treasurer of the board. Kay is working on completing her CCD (credential cooperative director) certification.





Oak, Villisca, and Glenwood. Kay has received numerous honors, including the Navy Music Award of Excellence, the prestigious Charles Lakin Teacher Award of Excellence, and the Outstanding Music Director at the Heritage Festivals in New Orleans. Under Kay's direction, the Glenwood Jazz choir were 3A state champions, and she was chosen to conduct the Opus Honor Choir at ISU in Ames. Kay is a published song writer, and the author of the book "Learning To Live Again".

Kay retired from education in 2015, but continues to work as a certified Iowa adjudicator for vocal music competitions. She is a lifelong member of the Villisca United Methodist church, where she has served as pianist for the past 35 years. Kay has also been a member of the Clarinda Health Foundation Board of Directors. Her hobbies include spending time with family and friends, walking, shopping, and reading.

Colene Roberts:

Region 2- District 6: Nodaway

Colene Roberts was born in central Montana and attended the University of Montana Northern. She and her late husband Garry have two daughters; Stacey (Mike) Mullins and Erin (Chris) Taylor and 3 grandchildren. Colene moved to the community of Nodaway in 1979 when she married Garry. She recently retired from Hoskins Siding and Windows in Clarinda as the office manager. She was active at Nodaway United Methodist Church, United Methodist Women and 4-H when her daughters were young.



In her spare time, she enjoys traveling, quilting, and dabbling in oil painting. Her favorite pastimes are fishing and spending time with friends and family.

Corning Employees



Phil Kinser 32 Years CEO / General Manager



Suzy Olson 1 Year Administrative Assistant



Danny Stamps 39 Years Line Foreman



Les Helvie 18 Years Lineman



Lucas Dalton 3 Years Lineman



Luke Brockshus 1st Year Apprentice Lineman



Dustin Smith 1 Year Apprentice Lineman

Mount Ayr Employees



Duane Schafer 37 Years Operations Manager



Steven Grace 1 Year Member Services Technician



Wendy Wimer 32 Years Customer Service Representative



Sarah Newton 6 Years Director of Finance/ Administrative Services



Cacey Quick 1 Year Accountant



Bill Scharfenkamp 22 Years Line Foreman



Zach Schafer 16 Years Lineman



Nathan Weeda 15 Years Lineman



Tanner Rinehart 12 Years Lineman



David Head 8 Years Lineman



Sam Elsberry 6 Years Lineman

Stanton Employees



Denise Hallquist 43 Years Customer Service Representative



Marilyn Rubel 33 Years Accountant



Tim Pfeiffer 13 Years Director of Member Services



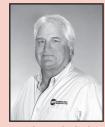
Ken Van Wyhe 33 Years Line Foreman



Scott Geer 33 Years Lineman



Tysen Sederburg 27 Years Lineman



Paul Vanderholm 23 Years Lineman



Shayne Larson 8 Years Lineman

SWIAREC,

am honored to be one of the recipients of the Southwest Iowa REC Scholarship. Your support will help me reach my goal of graduating from Iowa State University with a bachelor's degree in Ag Business.

> Sincerely, Easton Hulton

Dear Southwest Iowa REC, Thank you for awarding me one of your scholarships. This scholarship will help me obtain my goal of becoming a nurse.

> Sincerely, Kayley Myers

Thank you for the generous scholarship. I plan to attend Iowa State University.

> Sincerely, Mathew Burton

Southwest Iowa REC. Thank you for your support of our seniors as their end their time at Stanton High School. We greatly appreciate the video we used for our virtual awards presentation.

> Sincerely, Sheila Mainquist

Board of Directors



Marilyn Werner 27 Years President



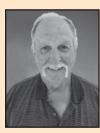
Mark Herzberg 10 Years Vice President



Kay Fast 3 Years Treasurer



Ken Peppmeier 10 Years Secretary



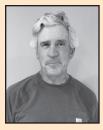
Terry Barnes 1 Year



Deena Moore 5 Years



Dana Morgan 6 Years



Fred Hossle 1 Year



Iason Smith 5 Years



Dale Walkup 40 Years

Energy Efficiency Tip of the Month

Installing a smart power strip is a quick and easy way to start saving money while making your home more energy efficient. Smart power strip can actually cut power off to save energy since they are able to detect when a device is in standby mode.

Source: energy.gov

Phil Kinser, CEO

2020 Energy Efficiency & Beneficial Electrification Program Delivery Costs = \$.0028/kwh



Facebook

Corning

1801 Grove Ave., Corning, IA 50841

Mount Ayr

1502 W. South St., Mount Ayr, IA 50854

415 Broad Ave., Stanton, IA 51573

Phone Number: (888) 220-4869

Board of Directors

Marilyn Werner, President Mark Herzberg, Vice President Ken Peppmeier, Secretary

Kay Fast, Treasurer

Fred Hossle Deena Moore Dana Morgan Terry Barnes Jason Smith Dale Walkup

Southwest Iowa REC is an equal opportunity provider and employer.