



# ANNUAL PRESIDENT'S AND GENERAL MANAGER'S REPORT

Please make plans to attend this year's Annual Meeting on September 23rd. Each membership registering at the annual meeting will receive a \$10 energy credit on their electric bill plus a chance to win **\*FREE ELECTRICITY** for a whole year as the grand prize or **\*FREE ELECTRICITY** for six months as the consolation prize. If you've never been to an Annual Meeting, attend this year and participate in one of the most valuable benefits of being a member – the election of your local board of directors. **The ballot for this year 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** the meeting to be counted. You may also cast your ballot in person at the Annual Meeting.

In April 2013, several RECs in northwest Iowa sustained a severe storm event causing significant damage to their systems. They applied to FEMA for assistance but, for the first time in the nation, FEMA denied disaster aid to them because they had not conducted comprehensive laboratory testing on every mile of wire on an annual basis. This testing is not performed as a matter of industry practice or required to meet any industry or engineering standard. It is also not required by the Iowa Utilities Board, which regulates Iowa's electric utilities. The affected utilities have appealed this decision and are still awaiting a response. We have been fortunate in the past to receive FEMA assistance for several major storm events. If this action by FEMA is allowed to stand it will have a major financial impact on us when we experience our next major storm. A broad coalition of organizations and elected officials are supporting us in the appeal.

During the latter part of 2013, in recognition of our commitment to providing a safe workplace for our employees, the National Rural Electric Cooperative Association (NRECA) honored our Safety Achievement program. We joined an elite group of electric cooperatives from around the country with this designation that shows our commitment in complying with the many rules and regulations required by OSHA and other regulatory bodies.

In December, the Iowa Area Development Group (IADG) honored ECHCO Concrete, I.L.C. of Corning with an Iowa Venture Award. We nominated ECHCO Concrete, L.L.C. for this award to recognize their investment in and commitment to our area for building a new state-of-the-art facility with the ability to produce 150-200 cubic yards of concrete per hour and for the creation of job opportunities.

Recently, the EPA proposed carbon dioxide emissions regulations on existing power generation facilities. The proposed regulations create uncertainty about America's ongoing energy supply. The cost to operate coal-fueled generation, which is one of our nation's most reliable and cost-effective sources of power, could be significantly increased and could potentially force the premature shutdown of certain facilities. We have worked pro actively with our power supplier, CIPCO, to invest in new electric generation resources to create a balanced and diverse energy portfolio. Today, over 60% of our energy supply is generated from carbon-free and emissions-free resources. The average for electric utilities in the Midwest is only 26%. This means that the EPA's new regulations will impact Southwest Iowa REC to a lesser degree but there will still be an impact and cost associated with the new regulations.

There have been several employee changes in the past year. There has been one retirement (Bonnie Goodvin) and three employees (Stacey Truman, Nic Johnson and Melissa Douglas) who resigned to pursue other opportunities. Tanner Rinehart (Lineman – Mount Ayr), Jamie McManis (Administrative Assistant – Corning) and Sarah Newton (Accountant – Mount Ayr) have joined our Cooperative family and we are very fortunate to have them on board. Another employee, Greg Johnson (Line Foreman – Stanton) will retire at the end of October. As our workforce ages and nears retirement, staffing will present a challenge but also an opportunity. We are now operating with six (6) less employees than we were just prior to the consolidation in 2004 between Rideta Electric Cooperative and Southwest Iowa Service Cooperative. These cost savings were projected in our consolidation plan and have benefited the membership. This has been accomplished with no decrease in reliability or customer service.

In our local communities we have continued to make a difference. Last year we provided 12 - \$500 scholarships to graduating high school seniors and provided \$500 toward a scholarship at Southwestern Community College in Creston for its Electric Technology Program. Through the generosity of our participating members, Operation Roundup® has awarded \$123,675, since being formed in 2009, to community organization projects and individuals with a demonstrated need. Many of our employees also donate their time and talents to various community organizations and events.

In 2013, we spent \$1.8 million on operations and maintenance of the distribution system and also budgeted \$2.02 million for construction work plan projects. Our Average Service Availability Index (ASAI) in 2013 was 99.9883%, excluding major storm events. In other words, the average member was without power only 62 minutes during the year. Although we would like to have no outages, this performance was better than the Iowa REC average of 93 minutes and better than our neighboring investor-owned utilities' performance of 107 minutes. Kilo-watt hours sold in 2013 increased 5.99% from 2012 due mainly to weather (temperature) and increased grain drying needs. Revenues increased by 2.42%. We continued to pay out deferred patronage dividends to the membership. A total of \$413,837 was refunded in 2013 and, since inception; we have returned \$6,644,130 back 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 opinion.

It's a pleasure to serve you and we hope to see you at the annual meeting on September 23rd. Thank you.

**Phil Kinser**  
*CEO/General Manager*

**Carroll Baker**  
*President*

\*See details on FREE ELECTRICITY promotion elsewhere in this annual report.

## FINANCIAL REPORT - DECEMBER 31, 2013

### Balance Sheet

ASSETS	12-31-13	12-31-12
<b>ELECTRIC PLANT</b>		
Electric plant in service	\$38,526,345	\$36,890,959
Construction work in progress	\$573,325	\$2,265,775
Less: Accumulated depreciation	<u>(12,987,558)</u>	<u>(13,267,074)</u>
Electric Plant (net)	26,112,112	25,889,660
OTHER ASSETS AND INVESTMENTS	\$2,710,701	\$2,784,381
<b>Current Assets</b>		
Cash and cash equivalents	876,057	711,211
Accounts receivable (net)	1,402,566	1,265,795
Accounts receivable - FEMA Grants	0	518,963
Materials and supplies	482,635	454,715
Other current and accrued assets	<u>235,935</u>	<u>215,123</u>
	2,997,193	3,165,807
DEFERRED CHARGES	72,717	69,306
	<b><u>\$31,892,723</u></b>	<b><u>\$31,909,154</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Equities And Margins</b>		
Patronage capital	\$5,435,675	\$5,347,800
Other equities	<u>6,720,291</u>	<u>6,268,816</u>
	12,155,966	11,616,616
LONG-TERM DEBT, less current maturities	16,010,917	15,897,108
<b>Current Liabilities</b>		
Accounts payable	1,062,928	1,521,422
Current Maturities of long-term debt	700,000	745,000
Notes Payable	988,146	1,208,146
Other current and accrued liabilities	<u>781,711</u>	<u>717,562</u>
	3,532,785	4,192,130
DEFERRED CREDITS	193,055	203,300
	<b><u>\$31,892,723</u></b>	<b><u>\$31,909,154</u></b>

### STATEMENTS OF REVENUE AND EXPENSE

OPERATING REVENUE	\$12,381,720	\$12,088,964
<b>OPERATING EXPENSES</b>		
Cost of power	7,000,154	6,800,834
Distribution expenses - operations & maintenance	1,799,657	1,716,044
Consumer accounting/information/assistance	581,883	564,045
Administrative and general expense	804,448	825,018
Taxes and other deductions	20,263	40,666
Depreciation and amortization	<u>1,072,309</u>	<u>1,003,169</u>
	11,278,714	10,949,776
Operating margins before fixed charges	1,103,006	1,139,188
<b>FIXED CHARGES</b>		
Interest on long-term debt	718,946	750,254
Operating margins before patronage allocations	384,060	388,934
<b>DEFERRED PATRONAGE ALLOCATIONS (non-cash)</b>		
Operating Margins	495,581	418,448
	879,641	807,382
NON-OPERATING MARGINS	67,047	93,592
NET MARGINS	<b><u>\$946,688</u></b>	<b><u>\$900,974</u></b>

# 2013 ANNUAL MEETING OF MEMBERS

The Annual Meeting of the Members of Southwest Iowa Rural Electric Cooperative was held at the Lenox Community Center in Lenox, Iowa at 7:00 p.m., on the 17th day of September, 2013.

The meeting was called to order by Carroll Baker, President of the Cooperative, who presided, and Dale Walkup, Secretary of the Cooperative, acted as Secretary of the meeting and kept the minutes thereof.

The Chairman introduced the guests in attendance at the meeting.

An invocation was offered by Tim Maxa, Minister of Lenox Presbyterian Church.

The Secretary reported that the members present in person had been checked, and that said members constituted at least fifty (50) members of the Cooperative, and constituted a quorum of the members of the Cooperative.

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 Chairman reported that the Board of Directors had recommended two changes in the Cooperative's Articles of Incorporation. The Board is proposing that Section 2 of Article VII be amended concerning nominations by Petition and by adding a new Article to the Articles of Incorporation setting forth a dispute resolution provision. The full text of the Amendment was provided to the members with the notice of the meeting.

## PROPOSED RESOLUTION RECOMMENDING AMENDMENTS TO THE ARTICLES OF INCORPORATION OF SOUTHWEST IOWA RURAL ELECTRIC COOPERATIVE

WHEREAS, the Board of Directors has reviewed the Articles of Incorporation of the Cooperative and determined that: (i) the time period specified for nominations of Director candidates by petition should be changed from 15 days before the Annual meeting to 30 days before the Annual Meeting in order to be consistent with the Bylaws; and (ii) a new section should be added to establish an organized method for resolving disputes with member-consumers in an efficient, expedient, and cost-effective manner; and

WHEREAS, the Articles of Incorporation may be amended by an affirmative favorable vote of at least 66 2/3% of the members present at an Annual or Special Meeting of the Members; and,

WHEREAS, the Board of Directors wishes to adopt a resolution recommending the adoption of amendments to the Articles of Incorporation by the members at the Annual Meeting of Members to be held in 2013.

THEREFORE, IT IS HEREBY RESOLVED that the following Amendments to the Articles of Incorporation be approved by the Board of Directors and recommended to the Members for approval at the Annual Meeting of Members to be held in 2013:

1. Amend the third unnumbered paragraph of Section 2 of Article VII concerning nominations by Petition by striking the reference to "fifteen (15) days prior to the meeting" and substituting in lieu thereof "thirty (30) days prior to the meeting"
2. Amend the Articles of Incorporation by adopting a new Article XIII as follows and renumbering existing Article XIII as Article XIV:

### Article XIII

The Cooperative shall attempt to resolve any claim or dispute which may arise between the Cooperative and a member, former member, or customer who has received electric service in a good faith manner. In resolving such disputes, the Cooperative shall give consideration to: (1) applicable laws; (2) rules and regulations imposed by state and federal agencies; (3) these Articles of Incorporation; (4) the Cooperative's bylaws, policies, practices, plans, and procedures; (5) industry standards; and (6) the individual facts and circumstances regarding the claim or dispute.

If a member, former member, or customer who has received electric service is not satisfied with the Cooperative's resolution of the claim or dispute, all matters subject to the jurisdiction of the Iowa Utilities Board shall be resolved by the Iowa Utilities Board or, if and when appropriate, the applicable regulatory body with jurisdiction over the Cooperative and the matter.

All other claims and disputes shall, at the request of either the Cooperative or the member, former member, or customer who has received electric service, first be submitted to mediation conducted by an impartial mediator agreed to by the parties. In the event the claim or dispute is not resolved through mediation, then such shall, at the request of either the Cooperative or the member, former member, or customer who has received electric service, be submitted to binding arbitration to be conducted in accordance with the policies adopted by the Board of Directors of the Cooperative. In absence of such policies, or in the event such policies are incomplete, the provisions of Iowa Code 679A (Arbitration), as it may be amended from time to time, shall apply to the extent it is not inconsistent with the policies adopted by the Cooperative.

Notwithstanding the foregoing, the Cooperative reserves the right to pursue collection of a debt owed by any member, former member, or customer who has received electric service through other means, including but not limited to use of a collection agency, small claims court, and other applicable courts. Further, any claim where the amount in controversy is less than the small claims jurisdictional amount may be resolved without utilizing the alternate dispute resolution procedures set forth in this Article.

Every member, by becoming or continuing to be a member, agrees to the foregoing, and agrees to be bound by the Bylaws of the Cooperative. The Bylaws and these Articles of Incorporation constitute an agreement between the Cooperative and the members.

The Chairman stated that the next order of business was the election of three Directors for a term of three years each. He 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 Harold Rossander - Chairman, Mike Mead, Doug England, and Glenn Payton.

The Report of the Nominating Committee was then presented, nominating the following members for directors:

**THREE YEAR TERM**

(One to be Elected from Each District)

**REGION 1:**

**DISTRICT NO. 4:**

Dick Ballantyne Tom Giles Douglas Tharp

**REGION 2:**

**DISTRICT NO. 8:**

Dennis Meier

**AT-LARGE:**

Mark Herzberg Doug Maher

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 Harold Rossander, Frederick A. Berggren, Mary Lou Roberts, Sharon Walkup, Donna Payton, and Glenn Payton as Inspectors of Election and 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 8, 2012 were 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 Baker introduced the directors and their spouses and reported that Glen Roberts had served 35 years and Marilyn Werner for 20 years. 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 2012, 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.

The annual report of the General 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. He presented an award to Shayne Larson for completion of his lineman's training.

The General Manager introduced Sara Sederburg, the 2013 IAEC Manager's Group Youth Tour Winner. She thanked the Cooperative for sponsoring the trip and commented on the various tour activities.

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:**

Dick Ballantyne

**REGION 2:**

**DISTRICT NO. 8:**

Dennis Meier

**AT-LARGE:**

Mark Herzberg

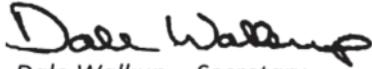
The Certificate of Inspectors of Balloting on the proposed Amendments to Section 2 of Article VII and addition of Article XIII and renumbering existing Article XIII as Article XIV was presented indicating adoption of both Amendments with an affirmative vote of 83% and 82%, respectively. Officers of the Cooperative were authorized and directed to file the Amendments to the Articles of Incorporation with the Iowa Secretary of State.

The General Manager introduced Bruce Hansen, Vice President of Business Development of the Iowa Area Development Group. Mr. Hansen presented the Silver Shovel award to the Stanton Friends for its role in economic development activities.

Meal was provided by Taylor County Cattlemen - Vendor Prize Drawings.

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 2nd prize of six months free electricity. Entertainment was American Pie with Randy and Kathy Burris.

There being no further business to come before the Meeting, upon motion duly made, seconded and unanimously carried, the meeting adjourned.

  
Dale Walkup - Secretary

# Nominees for Director

## Region 1 – District #2



### Deborah Creveling

Deborah and husband Kevin live near Ellston. They have four children and seven grandchildren. Deborah has worked at William French Agency for 20 years in Insurance and Real Estate Sales. Deborah has also been a Soil Conservation technician for Soil Conservation Service for the past 17 years. Deborah is a member of the Mount Ayr Country Club, the

Sun Valley Country Club and the Rusted Relic Model A Club. In her spare time, Deborah enjoys golfing and going on Model A Car Club trips.



### Marilyn Werner – Incumbent

Marilyn and husband Steve live on the family farm north of Tingley, Iowa. They have two daughters, one son and five grandchildren. Marilyn has a master's degree from Iowa State University. She is employed at Southwestern Community College as Assessment Coordinator and has been an active leader on the Iowa ACT Council and in the Iowa Community College Student Service Association. Marilyn is active in the Tingley United Methodist Church and currently serves as trustee. She is an active

volunteer in her community and has held various offices in Chapter BF P.E.O. Special interests include gardening, reading and photography. Marilyn has served on the REC Board of Directors since 1993 and is a credentialed director having completed the National Rural Electric Cooperative Association's Director Program. Marilyn and Steve have been REC members since 1972.

## Region 1 – At-Large



### Charles England

Charles and wife Kati live near Clearfield on a farm. Their family includes daughter Devon and sons Cael and Trey. Charles is the co-owner of England Construction LLC doing new construction/remodeling. He belongs to the American Berkshire Association and is a 4-H leader for the Calvary Go-

Getters. In his spare time, Charles enjoys camping, fishing and hunting.



### Ken Peppmeier

Ken and wife Lori live near Shannon City. Their family includes daughters Brooke and Ayla and son Zack. They have two grandchildren. Ken has a farming operation and is also a substitute rural mail carrier. Ken belongs to the Arispe Methodist Church. Ken has served on the Afton Volunteer Fire Board, Grant Township Trustee, Arispe Methodist Church Trustee and Union

County Fair Swine Committee. In his spare time, Ken enjoys hunting and keeping track of the kids' lives.

## Region 2 – District #6



### Lee Brooke

Lee and wife Darla live near Bethesda on a farm. Their family includes daughters Bailey (Cosmetologist at Williamsburg, IA), Leah (Freshman at ISU) and son Logan (Junior at Clarinda High School). Lee has a farming operation that consists of row crop, cattle and hogs. Lee belongs to the Iowa Cattleman's Association, Iowa Pork Producers, Page County Cattlemen, Page County Pork Producers, Iowa Corn and

Soybean Association, and Farm Bureau. He has also served as a former President and Treasurer of the Page County Cattlemen, a past Elder at the Immanuel Lutheran Church in Clarinda, on the Page County FSA Committee and on the Land O'Lakes Executive Board.



### Rich Fast – Incumbent

Rich and wife Kay live southeast of Villisca. They have 2 children and 5 grandchildren. Rich has a farming operation consisting of corn and soybeans. He also backgrounds feeder calves. He is a member of the Page County Cattlemen. Rich is a member of the Villisca United Methodist Church and serves as a township clerk. He was a volunteer EMT for 10 years. Rich has served on

the REC Board of Directors since 2006. Rich enjoys spending time with his family.

## ANNUAL MEETING ENTERTAINMENT



Lee Cole will be performing after the conclusion of the business meeting. You're in for a big surprise with this talented comedian/magician! See the classics of magic, effects that made names like Houdini and Copperfield legends, comically de-railed.

This is NOT your grandfather's magic show! You're sure to love this original situation comedy that puts the fun in dysfunctional! If you like magic, you'll like this show, if you don't like magic, you'll LOVE this show.

Lee's comedy magic show is always professional, in good taste, and intended for ALL audiences!

## CORNING EMPLOYEES



Phil Kinser  
26 years  
CEO/General  
Manager



Shayne Larson  
2 years  
Apprentice  
Lineman



Gary Goldsmith  
40 years  
Line Foreman



Danny Stamps  
33 years  
Lineman



Mike Stargell  
38 years  
Lineman



Les Helvie  
12 years  
Lineman



Jamie McManis  
1 year  
Administrative  
Assistant

## MOUNT AYR EMPLOYEES



John Allen  
19 years  
Director of  
Member Services



Ben Knapp  
16 years  
Line Foreman



Bill Scharfenkamp  
16 years  
Line Foreman



Justin Murphy  
16 years  
Lineman



Nathan Weeda  
9 years  
Lineman



Ginny Eighmy  
25 years  
Director of Finance  
& Administrative  
Services



Duane Schafer  
31 years  
Director of  
Operations



Wendy Wimer  
26 years  
Customer Service  
Representative



David Head  
2 years  
Apprentice  
Lineman



Zach Schafer  
10 years  
Lineman



Sarah Newton  
1 year  
Accountant



Tanner Rinehart  
6 years  
Lineman

## STANTON EMPLOYEES



Scott Geer  
27 years  
Lineman



Marilyn Rubel  
27 years  
Cost Accountant



Denise Hallquist  
37 years  
Customer Service  
Representative



Tysen Sederburg  
21 years  
Lineman



Greg Johnson  
40 years  
Line Foreman



Ken Van Wyhe  
27 years  
Lineman



Tim Pfeiffer  
7 years  
Member Services  
Representative



Paul Vanderholm  
17 years  
Lineman

Iowa State Fair  
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AUGUST 7-17 2014

Ownership in your local electric cooperative:  
satisfaction that grows.

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and register to win a gift card.**

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Cooperatives of Iowa  
sponsoring the Iowa State Fair's  
4-11 Exhibits Building

## BOARD OF DIRECTORS



Carroll Baker  
44 years  
President



Stan Peterman  
29 years  
Vice President



Dale Walkup  
34 years  
Secretary



Marilyn Werner  
21 years  
Treasurer



Richard Ballantyne  
7 years



Richard Fast  
8 years



Mark Herzberg  
4 years



Dennis Meier  
17 years



Glen Roberts  
36 years



Jack Stephens  
13 years

## WIN 1 YEAR FREE ELECTRICITY

Attend your Cooperative's Annual Meeting for the opportunity to win the grand prize.  
**1 year's worth of FREE electricity!**

At the conclusion of the meeting, one lucky member's name will be drawn.  
That member will receive the monthly availability charge and up to  
1,000 kilowatt/hours per month **FREE** for **1 year**.

If that's not reason enough to attend - another lucky member's name will be drawn for the  
second grand prize – **6 months worth of FREE electricity**.  
That member will receive the monthly service availability charge and up to 1,000 kilowatt/  
hours per month free for **6 months**.

Make plans to join us for an enjoyable evening and the chance to win 1 year or 6 months  
worth of **FREE** electricity!

**NOTE: Winners must be members of Southwest Iowa Rural Electric Cooperative, be registered and present at the Annual Meeting at the time of the drawing. Credit will be given for actual usage up to 1,000 kilowatt/hours per month with no carryover of kWh's allowed.**

*Southwest Iowa Rural Electric Cooperative Board of Directors and employees are NOT eligible to win.*