

MCREA 2018 ANNUAL REPORT

BY DAVID FRICK, GENERAL MANAGER



DAVID FRICK

On behalf of the board of directors, management staff and employees of Morgan County Rural Electric Association, Inc., we are pleased to bring you the 2018 Annual Report.

Morgan County Rural Electric Association is a not-for-profit electric cooperative, and is dedicated to serving our members with a strong tradition and vision for the future. Under the cooperative business model, we are owned by those we serve. A member-elected board of directors guides the MCREA staff on the administration of assets and financial responsibilities of the cooperative.

As a member-owned electric cooperative, it is the responsibility of Morgan County REA's board and management staff to provide our member-owners with an annual report detailing the association's economic and operational condition. We would encourage our membership to review the following pages, which contain comprehensive information about the state of your electric cooperative.

I would also like to extend an invitation to our member-owners to attend the Morgan County REA Annual Meeting on March 16, 2019, at Fort Morgan High School. The doors will open at 11 a.m. for registration and a complimentary lunch,

with the business meeting to follow at 12:30 p.m. The MCREA Board of Directors and management staff are looking forward to reviewing the past year with you and discussing the future plans for our cooperative. *(Burlie Segelke, acct #xxx700)*

On behalf of the board of directors, staff and employees at Morgan County REA, we express our thanks our member-owners for your support of our electric cooperative, and we're looking forward to seeing many of you at our annual meeting later this month.

MCREA STATISTICAL INFORMATION*

As of December 31, 2018

Counties Served	Adams, Arapahoe, Logan, Morgan, Washington, Weld
Power Source.	Tri-State Generation & Transmission Association, Inc.
Number of Employees.	38
Year Organized	1937
RUS Borrower No..	Colorado 15 Morgan
Monthly Board Meeting.	4th Monday
Total Members	4,343
Meters Served	8,512
Overhead Line.	2,598 miles
Underground Line.	194 miles
Transmission Line	44 miles
Consumers per Mile	3.00
Annual Revenue	\$41,487,541
Annual Wholesale Power Cost.	\$28,307,707
Total Energy Purchased by Members	366,629,088 kWh
Average Residential Usage per Month	1,029 kWh
Total Plant in Service	\$69,739,202
Property Taxes.	\$766,860
Interest Paid	\$1,312,939

* 2018 preliminary unaudited numbers

MCREA's 82nd ANNUAL MEETING


Saturday, March 16, 2019

11 a.m. Registration & Lunch
12:30 p.m. Business Meeting

Fort Morgan High School
Glenn Miller Auditorium
709 E. Riverview Ave.
Fort Morgan, CO

Attendees are asked to please enter through the upper gymnasium doors off the school's northwest parking lot. *(Betty Keirnes, acct #xxx200)*



 Guests enjoy lunch at last year's annual meeting. We hope to see you this year!

Morgan County REA Board of Directors



Randolph D. Graff
President
District II



Cary L. Wickstrom
Vice President
District I



Larry Hoozee
Secretary
District III



Timothy A. Peggram
Treasurer
District I



Brian Schlager
District I



David Arndt
District II



Terry Tormohlen
District II



Brian Pabst
District III



Terry Linker
District III

FROM TIMOTHY A. PEGGRAM TREASURER, DISTRICT I

All members of the association are encouraged to carefully examine this annual report. Included are the balance sheet as of December 31, 2018, and the statements of revenue and expense for the same year. Also shown are the trends of the previous year.

In my opinion, the financial report fairly presents the financial position of Morgan County Rural Electric Association for the year ending December 31, 2018, and is in conformity with accepted accounting principles applied on a basis consistent with that of the preceding year.

Timothy A. Peggram
Treasurer

BALANCE SHEET*

Assets	December 31, 2018
Total utility plant	\$ 69,739,202
Accumulated provision for depreciation	(\$ 14,018,145)
Net utility plant	\$ 55,721,056
Nonutility plant	\$ 192,354
Investment in associated organizations – patronage capital	\$ 18,955,808
Investment in associated organizations – other	\$ 1,510,072
Cash	\$ 2,723,825
Temporary investments	\$ 6,931,846
Notes and accounts receivable – net	\$ 3,240,916
Materials and supplies	\$ 1,749,515
Prepayments	\$ 37,547
Current and accrued assets	\$ 13,783
Deferred debits	\$ 741,435
Total assets	\$ 91,818,157
Liabilities	December 31, 2018
Margins and equities	\$ 42,974,150
Long-term debt – RUS	\$ 18,058,025
Long-term debt – other	\$ 19,681,462
Accumulated operating provisions	\$ 3,788,167
Notes and accounts payable	\$ 2,430,573
Other current and accrued liabilities	\$ 4,885,780
Total liabilities and other credits	\$ 91,818,157

* 2018 preliminary unaudited numbers

2018 FINANCIAL INFORMATION*

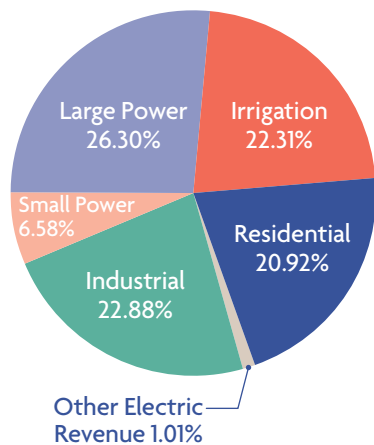
Operating Statement

Revenue by class	2017	2018
Residential	\$ 8,274,216	\$ 8,680,424
Irrigation	\$ 8,782,006	\$ 9,256,574
Small power	\$ 2,621,687	\$ 2,727,868
Large power	\$ 9,530,055	\$ 10,910,739
Industrial	\$ 8,383,299	\$ 9,490,376
U.S. Air Force	\$ 273,266	\$ 270,981
Other electric revenue	\$ 134,585	\$ 150,579
Total operating revenue	\$ 37,999,114	\$ 41,487,541

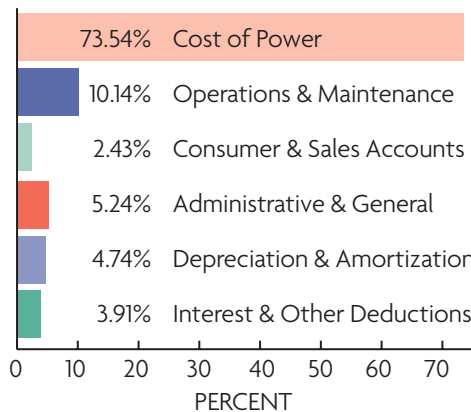
Expenditures by account	2017	2018
Cost of purchased power	\$ 25,955,795	\$ 28,307,707
Operation and maintenance	\$ 3,307,364	\$ 3,903,036
Consumer and sales accounts	\$ 917,300	\$ 936,837
Administrative and general	\$ 2,029,860	\$ 2,017,069
Depreciation and amortization	\$ 1,767,343	\$ 1,824,501
Interest and other deductions	\$ 1,331,640	\$ 1,502,722
Total cost of electric service	\$ 35,309,302	\$ 38,491,872

Operating margin	\$ 2,689,812	\$ 2,995,669
Nonoperating margin	\$ 273,683	\$ 393,649
Other capital credits and dividends	\$ 314,373	\$ 383,369
Tri-State G&T capital credits (allocated)	\$ 1,340,264	\$ 1,018,737
Extraordinary items	\$ -0-	\$ -0-
Net margin or patronage capital	\$ 4,618,131	\$ 4,791,424

2018 ELECTRIC ENERGY REVENUE BY CLASS*



EXPENDITURES IN 2018*



* 2018 preliminary unaudited numbers

Current MCREA Staff & Employees

Bill Annan	Angie Larson
Rob Baranowski	Cheryl Lewis
Curtis Berg	Ray Mann
Kaitlyn Bernhardt	Kevin Martens
Kristie Binder	Alan Mason
Chuck Blackwelder	Susie Norton
Brad Boppre	Chris Pachek
Bobby Brenton	Jamie Plakorus
Josh Bristol	Rodney Rhoades
Curtis Covelli	Brandon Ryff
Cirildo Estrada	Francisco Sanchez
David Frick	Dean Segelke
Joe Graves	Robb Shaver
Amanda Green	Deb Strauch
Dave Henderson	Steve Sundet
Tim Hishinuma	Mark Taylor
Suzi Iungerich	John Underwood
Tucker Jochim	Colton Unrein
Travis Kallweit	Tammy Walker



This institution is an equal opportunity provider and employer.

Win \$25 Off Your Electric Bill

Each month Morgan County REA gives two lucky members a \$25 credit on their electric bill, just by reading *Colorado Country Life*.

Congratulations, **Robert and Bethany Grupp** (account #xxx8100) and **Christopher and Tamara Dreher** (account #xxx8100), you saw your names and account numbers in the January edition of *Colorado Country Life*. You received a \$25 credit on your bill.

There are two more MCREA member names and their account numbers hidden somewhere in this issue. If you find your name and account number, call member services at 970-867-5688 by March 30 to claim a \$25 credit on your electric bill.

MEET MCREA'S CANDIDATES FOR BOARD DIRECTOR

These three candidates have submitted petitions to serve on the Morgan County REA Board of Directors. Board elections will take place at the MCREA Annual Meeting on March 16, 2019. Here is some background information about each of the candidates.

DISTRICT ONE



Brian Schlager is owner of Schlager Farms located north of Strasburg. Brian and his wife Diane have raised irrigated crops and cattle since 1971, although they are now retired from active production agriculture.

Schlager was first elected to the board in 1990 and served as president from 1997-99. Brian is Morgan County REA's representative on the Tri-State Board of Directors. He holds the NRECA Credentialed Cooperative Director, Board Leadership, and Gold Level certifications. Schlager represented Colorado, Wyoming, Nebraska, and Kansas as a director of National Rural Utilities Cooperative Finance Corporation headquartered in Dulles, VA from 1998-2004. He is also a former president of the Colorado Rural Electric Association, the statewide trade association for rural electric cooperatives.

Brian and Diane have two grown sons, Doug and Aaron. He enjoys spending time with his family, traveling, and attending sporting events.

Schlager lists maintaining reliable electric power at the lowest cost possible, while continuing to be good stewards of the planet as his priorities for MCREA. He states that directing electric cooperatives has become more complex and requires more knowledge than ever before. Brian believes complying with increasing government regulation while preserving a reliable power grid and reining in costs is the major challenge facing the industry.

DISTRICT TWO



Randolph D. (Randy) Graff has been a Morgan County REA member since 1979, and has served on the MCREA board of directors since 2010. He currently holds the position of president of the association, and has achieved the Credentialed Cooperative Director (CCD), Director Gold Level Certification, and Board Leadership (BL) certifications.

Randy was the owner/operator of Graff's Turf Farms, Inc. from 1979 to 2007. While building his turfgrass business he served on the Turfgrass Producers International (TPI) Board of Directors for eight years, during which time he worked his way up through the chairs, completing his presidency of that association in July 2009. During those years he earned many awards, including the prestigious Ernst and Young Entrepreneur of the Year in 1995. He also served as President of the Rocky Mountain Sodgrowers Association for three years.

Randy and his wife, Betsy, live near Fort Morgan and have two grown children and four grandchildren. He enjoys hunting, fishing, golfing, travelling and spending time with family and friends.

Being a director has been a welcome challenge for Randy, as he understands how increasingly difficult it is to maintain competitive rates. Therefore, he remains committed to MCREA members to work to keep those rates affordable.

DISTRICT THREE



Larry Hoozee, a former vocational agriculture teacher, returned to farming and ranching north of Snyder in 1981. Now in business for himself, Hoozee finds his experience and his degree from Colorado State University extremely beneficial.

Larry has been a member of the Morgan Conservation District board of directors since 1995. His involvement with the conservation district has included leadership positions on the Lower South Platte Watershed and Colorado Association of Conservation Districts boards, serving as state president of CACD for two years. Larry is also a member of the pension board for the local fire district.

Larry and his wife Karen have two grown children, Kristen and Justin, and six grandchildren who are all involved in the families operation. In his spare time he enjoys camping and spending time with family and friends.

Hoozee says that he has found his time on the MCREA board educational and challenging, adding, "I have grown to appreciate the cooperative business model and how it works for members." Larry has achieved the Cooperative Credential Director, Board Leadership, and Director Gold certification for education through NRECA while on the Morgan County REA board.