

2018

THE PRINCIPLES
THAT GUIDE US

ALLAMAKEE
CLAYTON
ELECTRIC COOPERATIVE



Your Touchstone Energy® Cooperative 

ACEC
ANNUAL
REPORT

BALLOT ENCLOSED

YOU'RE INVITED!

Please join us at our
81ST ANNUAL MEETING

Postville High School Fine Arts Center

Monday, September 16, 2019

Registration opens at 6:00 p.m.

Business meeting begins at 7:00 p.m.

(SEE BACK COVER FOR OFFICIAL ORDER
OF BUSINESS AND REGISTRATION CARD.)



PRESIDENT AND GENERAL MANAGER REPORT

What Does Co-op Ownership Really Mean?

Dear Members:

It's that time of year again and we're gearing up for our 81st Annual Meeting. 2018 was a good year overall, and our economic performance remained strong. This is a good opportunity to remind our members about ownership in a rural electric cooperative.

At Allamakee-Clayton Electric Cooperative we often say that those who receive electricity from the co-op are also owners of the co-op, but what exactly does that mean? If you own your home or car, you have the keys and can access your property any time you want to. As a part owner of ACEC, you don't exactly get a set of keys to the office, but you do receive some great benefits.

One of the most important benefits of being a co-op owner is that you have a voice in how the co-op operates. Members like you democratically elect the co-op's local board of directors, who must also be members. These directors serve your local interests in governing the cooperative. Be sure to attend our annual meeting each year in September to exercise your right to vote as an owner. During the meeting, co-op members vote in director elections, review the cooperative financials and vote on any other cooperative business such as proposed bylaw amendments. You also have an opportunity to talk directly with co-op staff and your board directors.

As a member of Allamakee-Clayton, you are also accumulating equity in the co-op as you use electricity each month. In fact, each member has a patronage dividend allocation account on file which tracks the credit or equity accumulated each year. The cooperative is a not-for-profit organization, but when we experience additional income over expenses – referred to as profits or margins – at the end of the year, we allocate that extra money back to our owners in relation to how much electricity each member used during the year. These funds are allocated to your patronage allocation account and returned to you over time when the board determines that it is financially feasible to do so. Your bill statement last month detailed your patronage allocation from the Cooperative. To date, Allamakee-Clayton Electric Cooperative has returned more than \$16.5 million to our members over the years.

As an electric cooperative, Allamakee-Clayton truly belongs to the local communities we serve and any profits are shared back with our members over time. Our staff truly care about you, our



members. Whether it's an outage restoration, a question about your bill, a potential business expansion, electrical safety education, or energy efficiency questions, we look forward to serving you in a friendly and efficient manner over the next year. While we can't give you a set of keys to the office, co-op ownership does have its privileges!

Hollie McCormick, Executive VP/General Manager

Roger Arthur, President

A RENEWED COMMITMENT A REPORT ON DAIRYLAND POWER COOPERATIVE

Headquartered in La Crosse, Wis., Dairyland Power Cooperative was formed in 1941 when cooperative leaders unified with the vision to ensure reliable electricity in their rural communities. These cooperatives made a long-term commitment and created their own power provider. In 2018, Allamakee-Clayton Electric Cooperative renewed their commitment to Dairyland through the extension of their Wholesale Power Contract. The WPC ensures Dairyland will continue to provide the energy and flexibility needed by Allamakee-Clayton to serve our members.



RESOURCE DIVERSIFICATION –

- Dairyland staff have been diversifying resources intentionally and thoughtfully by using the best economic decisions for a sustainable resource mix.
- Through power purchase agreements, renewable wind energy resources were added from the Barton Wind Project in Iowa, Quilt Block Wind Farm in southwest Wisconsin and Dodge Center Wind Farm in Minnesota.
- Since 2017, 18 large-scale cooperative solar energy projects have been announced, harnessing renewable energy in the service areas of Dairyland members. This is an example of aligning business decisions with strategy. Many of these sites also include community solar projects, including SunSource, Allamakee-Clayton's Community Solar located at headquarters in Postville.
- The regulatory process for the Nemadji Trail Energy Center (Superior, Wis.) is moving forward in Wisconsin with the filing of the Wisconsin Certificate of Public Convenience and Necessity (CPCN). Dairyland and ALLETE's Minnesota Power (Duluth, Minn.) announced the proposed natural gas facility in June 2017. The plant is an up to 625 MW combined-cycle natural gas facility and scheduled to be in service by 2025, contingent on regulatory approvals. The Nemadji Trail Energy Center will help Dairyland diversify its resources and reduce carbon intensity. It will ensure reliability for our growing system as an agile and flexible energy source that will support additional renewable energy sources.

COMPETITIVE SERVICE – & FINANCIAL STRENGTH

- Ensuring rates and services are competitive is critical to the economic well-being of the region. Dairyland's Board approved a 1 percent increase on the average wholesale rate in Dairyland's 2019 budget, effective May 1.
- Maintaining financial strength and competitive access to capital are critical to delivering Dairyland's strategic plans. Standard and Poor's elevated Dairyland's rating to A+ with a stable outlook in early 2018. Dairyland's Board and management work to balance building Dairyland's financial strength with maintaining competitive rates and sound operations.
- Dairyland's system will experience significant growth in the next few years with the addition of service territory acquired by its member cooperatives, mostly in southern Minnesota. Planned additional resources, including renewables and the Nemadji Trail Energy Center, are important to meet that growing demand.

OPERATIONAL EXCELLENCE

- Dairyland strives for high availability and reliable performance of its power plants and transmission system, as well as the overall performance of the organization. The expectation is that Dairyland's operational performance will be 100-percent compliant and in the top tier for the industry. The men and women who operate and maintain Dairyland's generating facilities are focused on a culture of safety, while holding high standards for reliable operations, which rank among the best in the industry.
- Maintaining a robust transmission system is vital for the reliable delivery of energy. Dairyland's Transmission Construction crews work to safely rebuild, construct and upgrade approximately 50 miles of 69 kV transmission line each year. Each mile takes approximately two weeks to complete with roughly 17 poles per mile. The safe, skilled work of Dairyland's power delivery professionals yields steady progress.

PLANNING FOR LONG-TERM SUCCESS:

- **Wholesale Rate Study Task Force** – The Board of Directors and managers of Dairyland's member cooperatives are collaborating on an effort to assess Dairyland's current wholesale rate structure, along with potential new rate structures. The goal is to develop a rate design that is competitive, while providing long-term mutual success for Dairyland, its member cooperatives and members of ACEC.
- **Strategic Decision Excellence** – The goal of this cooperative-wide initiative is to improve how Dairyland makes business decisions today and to enhance their decision-making process in the future. This includes evaluating processes and systems used to make major capital, operational and strategic business decisions, and ensure alignment of key business decisions with Dairyland's long-term Strategic Plan.
- **Sustainable Generation Plan** – The goal of Dairyland's Sustainable Generation Plan is to provide a framework for strategic resource planning for the next 7-10 years. This will bring value to members through continued expansion of renewable energy, evaluating energy price volatility and determining the best project mix for Dairyland's members.

Exceeding members' expectations is Dairyland's Vision. I am pleased that Dairyland is financially and operationally sound. I assure you that Dairyland continues to plan to reliably and sustainably meet our cooperative's future energy needs.

Respectfully,

Larry Lamborn

Allamakee-Clayton's Representative on Dairyland Power Cooperative's Board

MISSION STATEMENT

Allamakee-Clayton
Electric Cooperative

is dedicated to
enhancing the
quality of life for
our members,
partners and
neighbors by
providing safe,
reliable and
affordable electric
services and other
innovative solutions.

THE PRINCIPLES THAT GUIDE US

1 Open and Voluntary Membership

Membership in a cooperative is open to all persons who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.



2 Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Elected representatives (directors/trustees) are elected from among the membership and are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote); cooperatives at other levels are organized in a democratic manner.



3 Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; 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 as well as their unique identity.



5 Education, Training, and Information

Education and training for members, elected representatives (directors/trustees), CEOs, and employees help them effectively contribute to the development of their cooperatives. Communications about the nature and benefits of cooperatives, particularly with the general public and opinion leaders, helps boost cooperative understanding.



6 Cooperation Among Cooperatives

By working together through local, national, regional, and international structures, cooperatives improve services, bolster local economies, and deal more effectively with social and community needs.



15 electric cooperatives, including Allamakee-Clayton Electric, assisted Okfenoke Rural Electric Membership Corporation in southeast Georgia with power restoration in wake of Hurricane Irma.



In April, a four-man crew assisted Freeborn-Mower Cooperative Services in Minn. after Winter Storm Wesley.

7 Concern for Community

Cooperatives work for the sustainable development of their communities through policies supported by the membership.



Cooperatives around the world operate according to the same set of core principles and values, adopted by the International Co-operative Alliance. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844. These principles are a key reason that America's electric cooperatives operate differently from other electric utilities, putting the needs of their members first.

BOARD OF DIRECTORS

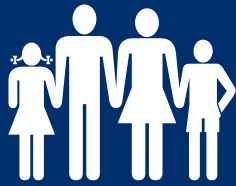


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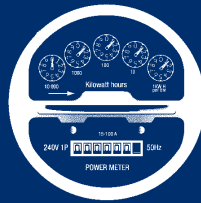
ARLYN FOSSUM, Waterville | **MICHAEL GIBBS**, vice president, Waterville |
DONALD MCCORMICK, Harpers Ferry | **JERRY KELEHER**, Elkader |
JEFF BRADLEY, Wadena | **LARRY LAMBORN**, Luana | **CINDY HEFFERN**,
Harpers Ferry | **ROGER ARTHUR**, president, Sumner | **ROBERT SWENSON**,
secretary-treasurer, Clermont

ELECTRIC DISTRIBUTION BY THE NUMBERS

Allamakee-Clayton Electric Cooperative Services:



Serves
7,000
members on
10,000
active meters



Has **16**
substations
providing power
to its service
territory

Operates over
2,500
miles of
electric
distribution
power lines



93%
of these, or
2,338
miles, are overhead
power lines

7%
of these, or
175
miles, are
underground lines



CORE VALUES

Cooperatives are organized under the Cooperative, or Rochdale, Principles

WHY MEMBERSHIP MATTERS

- Every home or business that receives power from Allamakee-Clayton Electric Cooperative owns a portion of the utility.
- Anyone who receives services is more than a customer; they are a member and they are an owner.
- Members have a voice and a vote on how the Cooperative is governed by democratically electing fellow members to represent them on the board of directors.
- Any excess revenues, or margins, are returned to members as capital credits based on their patronage.

WHY YOU SHOULD ATTEND YOUR ANNUAL MEETING

You're a member of the Cooperative, but just what does that mean?

A cooperative is different from other forms of business. It's not owned by far away investors, and it's not run by an appointed board of directors. A cooperative is run by a democratically elected board of directors, a board who is given the privilege to serve because of your vote. Your directors are members of your community; they are concerned about the same issues as you because they face them, too.

MISSION STATEMENT

Allamakee-Clayton Electric Cooperative is dedicated to enhancing the quality of life for our members, partners and neighbors by providing safe, reliable and affordable electric services and other innovative solutions.

The board is given a privilege to serve because of your vote.

Casting your vote for the directors of your choice gives you a voice in how the Cooperative is run. Not every American has the right to vote for those who will represent their interests with their electric utility. You do have that right, so why not exercise it?

We hope to see you at the annual meeting – it's an opportunity to learn more about the issues we all face and become better acquainted with your representatives. We encourage you to take part in helping us improve how we serve you, our members.

DISTRICT A

Arlyn “Butch” Fossum

ARLYN R. FOSSUM
Waterville, Center Township

Assists son with 200-cow dairy and grain operation. Wife, Lois. ACEC member since 1969, board member since 2007.

Has served on boards of Old West Paint Creek Lutheran Church, Waukon Equity Co-op, Waterville Creamery, Allamakee Community School, Allamakee County Soil and Water Commission, DHIA; former Allamakee County supervisor and 4-H leader. Enjoys involvement with family, watching them show cattle and participate in sports on the local and state levels.

“I enjoy working with the board and staff at the Cooperative,” says Arlyn. He adds that he likes to be responsible to the people who elected him and “I want those residents to feel they can come to me with questions or comments.”

He also says renewable energy, especially wind and solar, is a hot topic. With so much member-owned renewable projects being added, we need to continue to educate the public. “It will take more than the United States to eliminate global warming,” he added.

After serving three terms, Arlyn feels ACEC members want the board to be progressive in new technologies, and listen to and address their concerns.



ROBIN HARMON
New Albin, Iowa Township

Owens and operates Harmon’s High Chaparral Tavern and Restaurant in New Albin for 31 years. Husband Larry. ACEC member since 1984.

Is the Iowa Township Clerk, belongs to the New Albin Community Center Fundraising Committee and is a 4-H Leader. Has served on several boards, committees and fundraising teams. “I know how to get the job done while still considering all sides and options,” says Robin.

Renewable energy continues to get more attention and Robin believes that “we always need a backup plan and that diversification is just smart business.”

In addition to reliable electric service, she believes members should expect good service with reasonable prices, information and choices.

“New faces and fresh ideas are a good combination to keep our co-op alive and healthy.”



Strength Through Unity

NRECA

America’s electric cooperatives are energy providers and engines of economic development for more than 19 million American homes, businesses, farms and schools in 47 states. As an advocate for these electric cooperatives, the National Rural Electric Cooperative Association (NRECA) provides collaborative leadership in many areas including Director and Employee Education, Employee Benefits, Electric System Reliability and Security, Cooperative Operations, Power Supply, Environmental Issues, Distributed Energy Resources and Cooperative Financing.

833 distribution
and 62 generation
& transmission
cooperatives

Power
56%
of the nation’s
landmass.



DISTRICT B

ROGER ARTHUR

Sumner, Center Township

Previously served as director and president of Iowa Association of Electric Cooperatives, NRUFC director and officer including president, and director, vice president and president of AgVantage FS. Wife, Cheryl. ACEC member since 1972, board member since 1992.



Roger says “we have an extremely efficient, well run electric cooperative. I believe we are headed in the right direction. High-speed Internet is essential for our members’ businesses and way of life.” Roger feels he has experience to offer as the Cooperative finds new ways to provide reliable, cost effective electric energy.

On the subject of renewable energy, Roger says “as the electric industry becomes more complex and challenging with new federal and state mandates, the Cooperative needs to provide accurate information and guidance on renewable energy.” A long-time participant in the Evergreen Program, Roger sees it as another way to support the development of renewable energy. He encourages others to participate.

ALAN “AL” STEFFENS

Clermont, Dover Township

Owns beef and crop family farm with two sons. Former owner of 100-cow registered Holstein dairy for 42 years. Wife, Brenda. ACEC member since 1974.



Dover Township Trustee, Fayette County zoning board. Past president of Farm Credit Services of America, Vice-chairman of Clermont Rural Fire Board, board member for DHIA, District I Holsteins, Fayette County Holsteins, Fayette County Extension, West Clermont Lutheran Church, and Clermont Township clerk.

Al hopes to continue moving REC ahead for the next generation looking for new ways to move the co-op ahead. “I’ve learned from serving on various boards to have an open ear to the members and to listen to them for new ideas.” He trained in risk management, leadership and finance while serving on other boards and believes you also have to listen for any concerns from members so they can be taken back for discussion. “When you’re a board member, people call you and ask you questions and give you ideas that you bring back to the board room so the board knows what everyone is thinking.”

Al, who is thinking about adding solar on his property, believes in renewable energy and thinks it’s very important. “Clean air is very important and you find that out more as you visit the big cities.” He thinks members should expect competitive rates and for the Co-op to keep up with modern technology.

DUANE PATTERSON

Elgin, Pleasant Valley Township

Retired from Farm Credit Services of America, representing nine counties in northeast Iowa as a Certified Real Property Appraiser. Farming partner, primarily hog operations, marketing 75,000 head/year. Wife, Sue. ACEC member since 1973.



Duane wants to keep rural Iowa competitive with other parts of the country, one reason he’s interested in serving on the board. His appraisal experience gives him a diverse background as well as familiarity of northeast Iowa and its residents. He supports development of new sources of renewable energy to meet the increasing demand for energy and adds, “We all want to live in a clean environment.” In addition to reliable electric service, Duane believes consumers expect their REC to be rate-competitive with other utilities. He has participated in the peak alert program and says it’s one way the Co-op helps keep electricity affordable. With an AgriBusiness degree from Iowa State, Duane is active in church and is a member of both the Iowa and national chapters of the American Society of Farm Managers and Rural Appraisers.

LISA ROBERTS

Fayette, Smithfield Township

Owns 280-acre three-generation farm with husband, Randall. Certified EMT active with Arlington and Fayette Ambulance Services and Wadena First Responders. Raises American Quarter Horses for pleasure and show. Until 2000, operated 50-cow dairy farm. ACEC member since 1984.



Serves as board secretary for District 2-Iowa Homeland Security Emergency Management Division; Executive board member for the Fayette County EMS Council; secretary-treasurer-training officer-grant writer for the Fayette Ambulance Service; training officer for the Arlington Ambulance Service; advisory board member for NICC EMS Council, team lead for the Fayette County Critical Incident Stress Management team. Red Cross and Cub Scouts of America volunteer.

On the subject of renewable energy, Lisa believes that compared with fossil fuel technologies, the renewable energy industry is more labor intensive and will add jobs to several sectors of our economy. “Iowa’s abundance of crops, livestock, landscape, and weather patterns provides strong winds, sunny skies, abundant plant matter, heat from the earth, and fast-moving water can each provide a vast and constantly replenished supply of energy.”

Lisa says she would be honored to represent the membership on the board and believes she possesses the positive attributes needed to be a positive team member for the board. “They deserve a board member ready to meet, listen and work for the electrical cooperative consumers.”

NOMINATING COMMITTEE

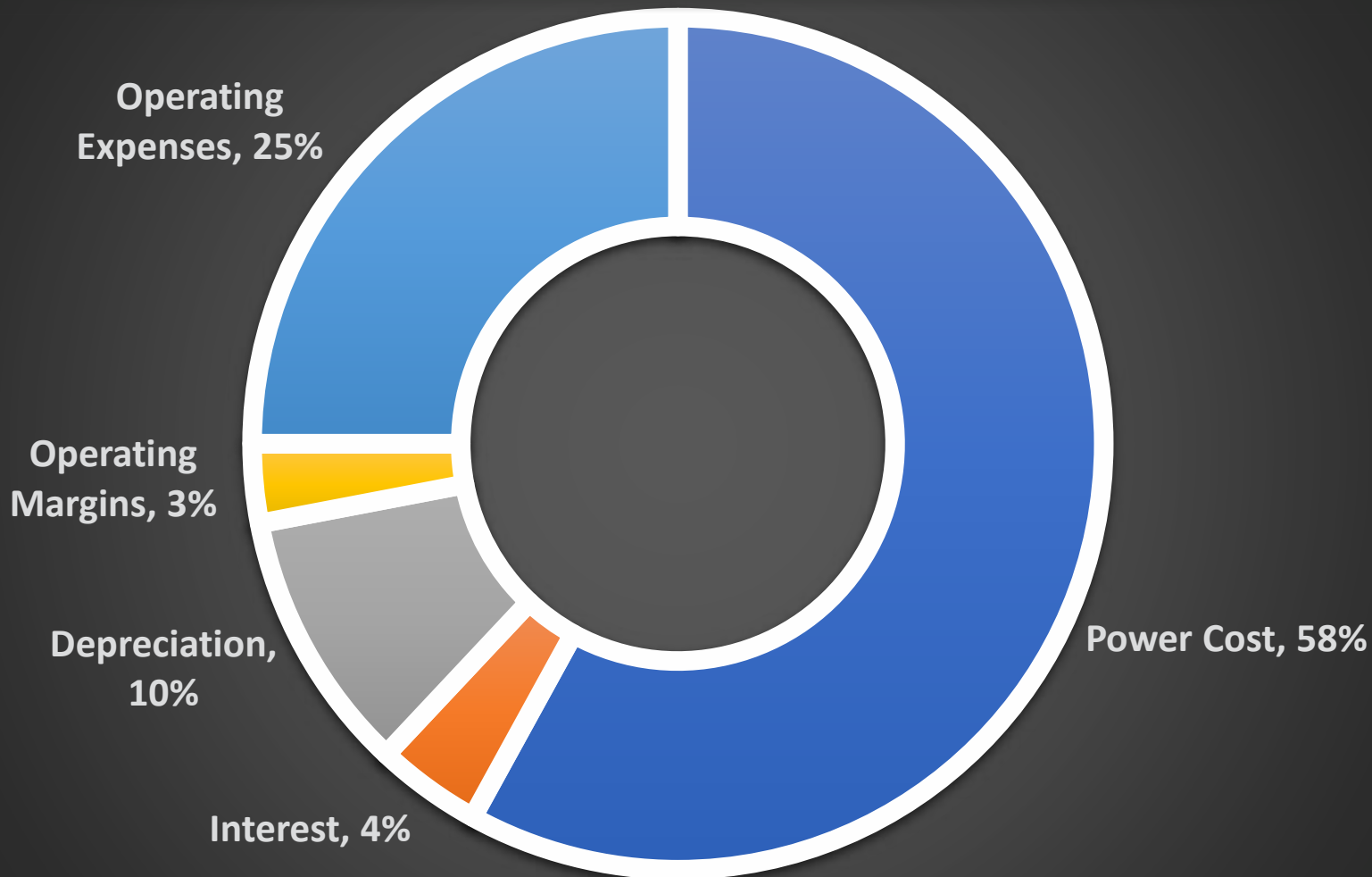
Allamakee-Clayton thanks the 2019 Nominating Committee for their time and efforts selecting candidates to run for the board this year.



Pictured l-r: Kari Kelly, Waukon; Robert Camp, Elkader; Marcia Miles, Elgin (secretary); Michael McFadden, Randalia; Teresa Myers, Waukon; Michael Cline, Elgin; Ricky Matt, Castalia; Bill Bennett, Elgin (chairman); Gary Kregel, Guttenberg, and Daren Kaepfel, Harpers Ferry (vice-chairman).

2018 FINANCIAL HIGHLIGHTS

This graph depicts the percent of revenue for each major category of expense. Power Cost comprises 58% of revenue with Operating Expenses the next highest at 25%. Interest and Depreciation make up 14%, combined, while Operating Margins consist of the remaining 3%.



MANAGEMENT STAFF

Hollie McCormick, Executive VP/General Manager

With guidance from Allamakee-Clayton's board of directors, is responsible for the overall development and implementation of a comprehensive and effective management program including: strategic planning, annual work plans, financial management, budgeting, engineering, operations, purchasing and warehousing, wholesale power supply, billing, staffing, human resources, information technology, member services, and public relations.



David Decker, Director, Finance and Administrative Services

Responsible for accounting, finance rates, billing, the RECare and energy assistance programs, financial forecasting, personnel policies, employee benefits and the Cooperative's annual budget.

Brenda Hackman, Manager, Economic Development and Community Relations

Responsible for advancing the economic development efforts of the Cooperative. Oversees rural economic development programs and acts as a community relations and legislative affairs liaison for Allamakee-Clayton Electric.



Jenny McIntyre, Manager, Marketing and Communications

Responsible for communications to engage and educate members, employees and the public. Accountable for the Cooperative's monthly newsletter, bill inserts and social media. Also responsible for marketing of the Cooperative's Skyways' internet division.

John Molumby, Manager, Member Services

Responsible for the Cooperative's rebate and energy audit programs, high energy bill concerns, maintaining relationships with members, overseeing the load management program and assisting with energy audits.



Dan Stelplflug, Director, Operations, Engineering and Technology

Responsible for areas of strategic planning, operations and engineering, power supply, distribution system planning, member relations, annual and long-range work plans, vegetation management, purchasing and inventory and management of the Cooperative's Skyways' internet division.



MANAGEMENT STAFF

Hollee McCormick, executive vice president/general manager
 David Decker, director, finance and administrative services
 Brenda Hackman, manager, economic development and community relations
 Jenny McIntyre, manager, marketing and communications
 John Molumby, manager, member services
 Dan Stelpflug, director, operations, engineering and technology



Josh Abbott, lead lineman
 Tim Bauch, line superintendent
 Jeff Cox, line crew foreman
 Aandi Deering, first class lineman
 Jessica Deering, member accounts clerk
 Jason Donnelly, first class lineman
 Dave Dougherty, fleet services technician
 Dave Dull, custodian
 Travis Erickson, first class lineman
 Blair Everman, first class lineman
 Susan Goodman, engineering supervisor
 Ben Grangaard, first class lineman
 Carol Griebenow, Skyways/member service representative
 Luke Hackman, IT/broadband specialist
 Genette Halverson, staff services/accounting assistant
 Garrett Hamilton, IVM work planner (shared employee)
 Andrew Henderson, first class lineman

Sonja Hillman, FirstCall senior customer service representative
 Regan Jacobson, accountant
 Jason Leonhart, lead lineman
 Matt Marting, IT specialist
 Josh Mitchell, utility forester (shared employee)
 Doug Moose, equipment operator/groundman
 Jason Nefzger, lead lineman
 Brad Pecinovsky, compliance and training coordinator (shared employee)
 Derrick Peters, lead equipment technician
 Jack Regan, hot line foreman
 Donna Schultz, cashier/collections representative
 Brent Schutte, first class lineman
 Jed Siebrecht, equipment operator/groundman
 Stacy Stock, operations and engineering coordinator
 Jo Suckow, data processing clerk
 Jason Troendle, staking engineer
 Ryan Wagner, equipment technician

BALANCE SHEET

As of December 31

ASSETS

ELECTRIC PLANT

In service	\$62,141,128	\$58,753,739
Under construction	482,353	782,211
Total electric plant	62,623,481	59,535,950
Less accumulated depreciation	23,649,664	22,392,042
Electric plant, net	38,973,817	37,143,908

OTHER PROPERTY AND INVESTMENTS

Investments in associated companies	11,226,479	11,184,923
Non-utility property, net	1,050,010	1,175,393
Restricted investments, net	1,777,859	1,523,004
Total other property and investments	14,054,348	13,883,320

CURRENT ASSETS

Cash and cash equivalents	98,494	118,848
Accounts receivable, net of allowances	1,814,388	1,871,099
Material and supplies	655,052	685,750
Prepayments	41,901	48,406
Interest receivable	22,198	22,170
Total current assets	2,632,033	2,746,273

DEFERRED DEBITS

TOTAL ASSETS AND OTHER DEBITS	\$55,823,193	\$53,884,039
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EQUITIES AND LIABILITIES

EQUITIES

Memberships	\$45,600	\$46,440
Patronage capital	14,071,006	14,368,519
Other equities	12,747,282	12,306,187
Total equities	26,863,888	26,721,146

LONG-TERM DEBT, LESS CURRENT MATURITIES

	22,877,315	21,610,874
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POST RETIREMENT BENEFITS

	939,854	955,690
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CURRENT LIABILITIES

Current maturities of long-term debt	1,033,559	895,696
Line of credit	1,270,977	748,322
Accounts payable	1,342,548	1,303,012
Customer deposits	81,202	85,313
Taxes accrued	239,890	227,045
Post retirement benefits	16,340	10,638
Other	598,114	558,549
Total current liabilities	4,582,630	3,828,575

DEFERRED CREDITS

TOTAL LIABILITIES AND OTHER CREDITS	\$55,823,193	\$53,884,039
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Reprinting or use of any information in this report is strictly forbidden without permission of the Cooperative.

STATEMENT OF OPERATIONS

As of December 31

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES	\$19,906,459	\$18,954,400
OPERATING EXPENSES		
Cost of power	11,453,226	10,951,867
Distribution - operations	1,139,846	888,866
Distribution - maintenance	1,874,270	1,423,080
Customer accounts	424,860	444,334
Customer service and informational	398,833	401,327
Administrative and general	1,051,976	1,002,309
Depreciation	2,037,724	1,888,359
Taxes	0	17,962
Interest on long-term debt	883,362	881,747
Other	49,401	36,918
Total operating expenses	<u>19,313,498</u>	<u>17,936,769</u>
OPERATING MARGIN BEFORE CAPITAL CREDITS	592,961	1,017,631
GENERATION AND TRANSMISSION AND OTHER COOPERATIVE CAPITAL CREDITS	339,100	662,135
NET OPERATING MARGIN	<u>932,061</u>	<u>1,679,766</u>
NONOPERATING MARGIN (LOSS)		
Interest income	110,094	104,718
Income from equity investments	(1,213)	(2,892)
Other nonoperating margin	(337,360)	(327,327)
Total nonoperating margin	<u>(228,479)</u>	<u>(225,501)</u>
NET MARGIN	<u>\$703,582</u>	<u>\$1,454,265</u>

Independent Auditor's Report

EideBailly, LLP

Certified Public Accountants & Consultants

The Members

Allamakee-Clayton Electric Cooperative, Inc., Postville, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of Allamakee-Clayton Electric Cooperative, Inc. as of December 31, 2018, and the related statements of operations, equities and cash flows (not presented herein) for the year then ended, and in our report, dated March 18, 2019, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated in all material respects in relation to the financial statements from which it has been derived. Complete financial statements are on file at the Cooperative's office.

March 18, 2019

Sioux Falls, South Dakota

COMPARATIVE OPERATING STATISTICS

	<u>2018</u>	<u>2017</u>
Number of members billed	9,990	9,981
Total miles of line energized	2,513	2,512
Number of substations	16	16
Total kWhrs sold	144,286,547	135,415,342
Average monthly kWhrs used per member	1,204	1,131
Average monthly bill	\$163.41	\$156.82
Total cost of purchased power	\$11,453,226	\$10,951,867
Total annual operating revenue	\$19,906,459	\$18,954,400
Deferred patronage dividends refunded this year	\$566,094	\$532,685
Deferred patronage dividends refunded to date	\$16,514,724	\$15,948,630

MEETING MINUTES

This is an abbreviated version of the minutes. A full version is available by request.

The annual meeting of the members of the Allamakee-Clayton Electric Cooperative, Inc. was held at the Postville High School Fine Arts Center, Postville, Iowa, beginning at 7:00 p.m. on Monday, September 10, 2018. Entertainment had been provided before the meeting by the musical group "Root River Jam".

The meeting was called to order by Roger Arthur, President of the Cooperative, who presided; and Robert V. Swenson, Secretary of the Cooperative, acted as Secretary and kept the minutes.

Those present recited the Pledge of Allegiance to the United States flag. The Chairman presented Cindy Heffern who gave the invocation.

General Manager Paul Foxwell gave the Moment of Safety discussion and spoke to the members regarding directions for restrooms and other pertinent matters.

Upon motion and a second of that motion, the members voted to adopt rules of order for the official business meeting as had been printed on the back of the program presented to them at the time of registration.

Secretary Swenson had reported to the President that a quorum was present, and that notice of this meeting had been mailed to each member in accordance with the Bylaws of the Cooperative. A motion was made, seconded, and passed to waive notice of this annual meeting, and reading of the publication of such notice.

Minutes of the annual meeting held September 18, 2017, were included in the booklet mailed to each member of the Cooperative prior to the annual meeting. There being no objections or corrections to the minutes, President Arthur declared the minutes approved as submitted.

Members of the Board of Directors of the Cooperative were introduced by President Arthur.

President Arthur stated that in accordance with the By-laws of the Cooperative, the Board of Directors had appointed a Nominating Committee that had met on June 1, 2018 at Postville, Iowa. Nominations for Directors to be elected at this annual meeting were made. President Arthur called upon Pete Tweed, Chairman of the Nominating Committee, to present the Report of his committee. Mr. Tweed read his Report

to the members, and his Report showed that the following members had been nominated by his committee for the office of Director:

DIRECTOR DISTRICT "B"

Jeff Bradley	Wadena, Iowa	Westfield Township
Mike Jacobson	Clermont, Iowa	Dover Township

DIRECTOR DISTRICT "C"

Casey Flack	Postville, Iowa	Monona Township
Greg Formanek	Farmersburg, Iowa	Wagner Township
Jerry Keleher	Elkader, Iowa	Boardman Township
Don McCormick	Harpers Ferry, Iowa	Fairview Township

Mr. Tweed moved for the adoption of the Report of the Nominating Committee, this motion was seconded and unanimously carried. The candidates were then introduced to the members. Members of the Nominating Committee were appointed Inspectors of the Election.

President Arthur called upon the Cooperative's Attorney, Amanda James, to explain the voting procedures for the election of three Directors. Ms. James referred to the ballot and indicated that Directors would be elected for only two districts; but that all members in attendance could vote for each position without regard to the district in which they reside. The members were then directed to proceed with the marking of the ballots. The Inspectors of Election passed through the aisles and picked up all ballots from the members, and took them to the counting room in the building.

President Arthur introduced former Directors Oliver Larson, Bill Moody, George Beardmore, Duane Klink and Robert Leppert and former Cooperative General Manager Larry Reed. He also introduced guests from Iowa Association of Electric Cooperatives, IADG, Heartland Power Cooperative, Pioneer Rural Electric Cooperative, MiEnergy Cooperative, Dairyland Power Cooperative, Attorney Matthew Erickson and Representatives from Iowa House Districts 55 and 56.

Kenric Scheevel, Senior Government Relations Representative, Dairyland Power Cooperative was introduced by Paul Foxwell and Roger Arthur. Mr. Scheevel spoke on "Oh, What A Year!"

Rand Fisher, President, Iowa Area Development Group, delivered the Impact Award Recognition.



President Roger Arthur and General Manager Paul Foxwell spoke on “A Year in the Life of Your Electric Cooperative”.

President Arthur stated that his report and the report of the General Manager, the financial report, and the report of the Director for Dairy-land Power Cooperative had all been included in the booklet mailed to the members. He asked for any questions or comments concerning these reports. The motion was made and seconded, and passed to approve all of these reports.

President Arthur introduced Luke Tuecke and Caleb Opfer, who were participants in the Washington Youth Tour for 2018. Luke and Caleb spoke about their experiences on this tour and they thanked the Cooperative for the opportunity to be part of the Youth Tour for 2018.

President Arthur announced that awards for the Robert “Bill” Hauschild Memorial Scholarship had been made to Tristan Hansmeier, Kyle Beck, Tanner Peterson, Landon Berns, Joseph Boehm, Jacob Steffans, and Levi Tuecke.

After all ballots for the election of Directors had been counted and tabulated, the Certificate of the Inspectors of the Election was presented by Pete Tweed, Chairman of the Nominating Committee. He certified that Jeff Bradley had been elected as Director for District “B” and that Don McCormick and Jerry Keleher had been elected as Directors for District “C”. The persons elected to the board will serve terms to run for three years, or until their successors shall have been elected and shall have qualified. Said Certificate was ordered by the Chairman to be attached to the minutes of this meeting.

The Chairman thanked all for their attendance. There being no further business to come before the meeting, upon motion duly made, seconded, and carried, the meeting was adjourned.



MOVE OVER
SLOW DOWN

GREEN ENERGY

A dual-mounted level 2 EV charger was installed at headquarters in 2018.

Allamakee-Clayton has plans to add an EV to our fleet in 2020!



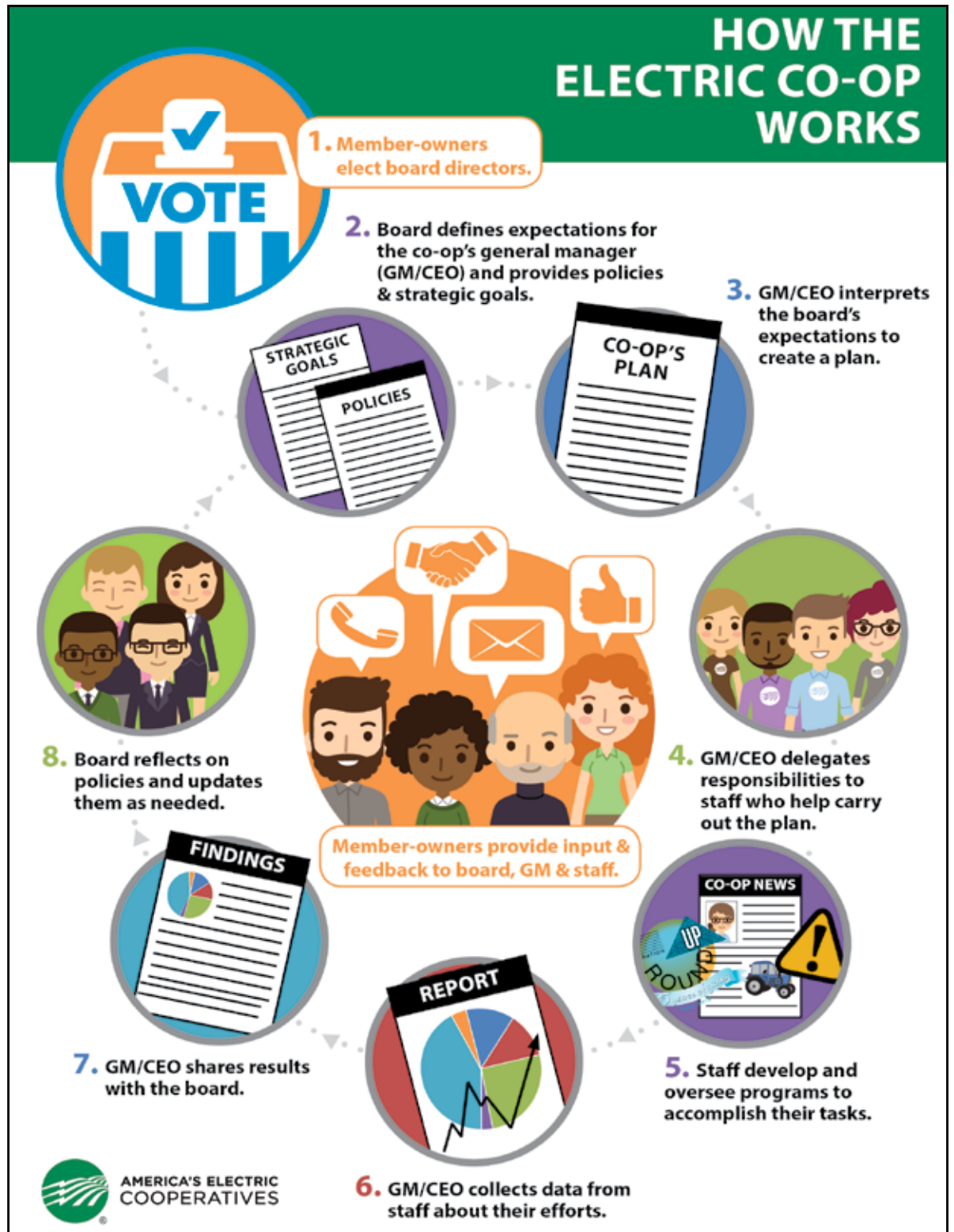
RURAL HIGH-SPEED BROADBAND INTERNET

Additional high-speed broadband internet added in rural areas in Allamakee and Clayton counties in 2018.

STREAM. GAME. DOWNLOAD.



Allamakee-Clayton Electric Cooperative is your local electricity provider. Your community is our community. We're owned and controlled by the members who use our service. Therefore, we're concerned about what happens right here where we live too.



IMPORTANT REGISTRATION CARD

Bring this registration card with you to the

81ST ANNUAL MEETING

Allamakee-Clayton Electric Cooperative, Inc.

**POSTVILLE HIGH SCHOOL – 7:00 PM
MONDAY, SEPTEMBER 16, 2019
REGISTRATION BEGINS AT 6:00 PM**

**PLEASE RETURN
THE ENCLOSED DIRECTOR
BALLOT BY MAIL.**



PRESENT THIS CARD at the registration table for your free meal (while they last) and you will qualify for cash prize drawings (must be present to win.)

OFFICIAL ANNUAL MEETING NOTICE

The regular annual meeting of members of the Allamakee-Clayton Electric Cooperative, Inc. will be held at the Postville High School, Postville, Iowa at 7:00 p.m., Monday, September 16, 2019, to take action upon the following:

1. The reports of officers, directors, the general manager of the Cooperative and the Cooperative's representative on the board of directors of Dairyland Power Cooperative.
2. The election of three (3) directors of the Cooperative.
3. The transaction of all other business that may come before said meeting or any adjournment or adjournments thereof.

For your information in connection with election of three (3) directors scheduled for this meeting, the committee on nominations, appointed by the board of directors of the Cooperative, pursuant to the by-laws, has nominated six members of the Cooperative as indicated on the enclosed ballot.

PLEASE VOTE BY MAIL: For directors by marking a check ✓ opposite the names of three (3) candidates you wish to vote for. After you have marked your ballot, enclose it in the self-addressed envelope provided, seal it and return it to the Cooperative's office. Any other type of envelope will be acceptable if the member's name is in the upper left corner of the envelope, BUT TO BE VALID IT MUST BE ADDRESSED TO:

SECRETARY: Allamakee-Clayton Electric Cooperative
PO Box 715
Postville, IA 52162

CAUTION: Ballots are not valid if mailed in an envelope without your name and return address on same. Mail your ballot so it reaches the Cooperative office before September 16, 2019. Ballots brought to the meeting will NOT be accepted.


PLEASE: Return your ballot by mail to qualify for a \$25 bill credit. The senders of the twelve mail ballots drawn will receive one of twelve \$25 bill credits.

Dated at Postville, Iowa, this 20th day of August, 2019.

Robert Swenson,
Secretary



P O Box 715
Postville, IA 52162-0715

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DON'T FORGET! Tear off here and bring this card to register at the annual meeting. 

81ST ANNUAL MEETING AGENDA

Monday, Sept. 16, 2019

6:00 p.m. Registration and Meal

Entertainment by "Root River Jam"

7:00 p.m. Call to order – President Roger Arthur

Pledge of Allegiance

Invocation – Cindy Heffern

Waiver of Notice / Approval of Minutes

Report of the Nominating Committee – Bill Bennett, chairman

Casting of Ballots

Recognition of Special Guests – Hollee McCormick

50-year Employee Service Recognition – Hollee McCormick

Introduction of Guest Speaker – Roger Arthur

WINNING THE LOTTERY – Rand Fisher, President, Iowa Area Development Group

YOUR COOPERATIVE'S PRINCIPLED APPROACH – President Roger Arthur and General Manager Hollee McCormick

Approval of Reports of Directors, Officers and Management

Washington Youth Tour – Skyler Kelly and Michael Hagen

Awarding of Hauschild Memorial Scholarships –

Clayton Helle, Zachary Massman, Cole Walch, and Mason Wille.

Announcement of Election Results – Bill Bennett, chairman

Adjournment

Drawing for cash prizes



Enjoy music by "Root River Jam" band