



ANNUAL REPORT
CHERRYLAND ELECTRIC COOPERATIVE

2018



Terry Lautner
Board President

Being Prepared

When there's a big storm on the horizon, Cherryland's often asked what we're doing to get ready. The answer's been simple, "We're always ready."

As a board, it's our job to think about not only the co-op of today, but the co-op of tomorrow. That means ensuring that we are prepared for whatever comes our way. In 2018, we saw Cherryland prepare itself for the future and reap the benefits of past preparation.

Here are some highlights from 2018:

- Cherryland has always led the way in reliability and technology. Last year, the co-op started a new drone program. Through training offered by Northwestern Michigan College, a handful of engineers, lineworkers, and operations staff became licensed drone pilots. Like a new tool in the toolbox, we look forward to drones' potential for supporting our system's reliability.
- 2018 was record-breaking for power consumption. During the heat wave of early July, Cherryland and the other Wolverine Power Cooperative members set a new all-time peak demand record. We also set a new daily peak demand record during the cold snap of late January this year. Thanks to Wolverine and, in particular, the Alpine natural gas peaking plant, our energy demands were met then and will continue to be met down the road.
- We celebrated the graduation of two of our lineworkers from the first class of the Joint Michigan Apprentice Program last spring. This state-of-the-art apprentice training program is one of the ways Cherryland's being proactive in attracting lineworkers to the co-op and preparing for any future talent shortage.
- Last year, we voted to retire approximately \$2.2 million in capital credits back to the membership. That marks the 10th retirement in a row and over \$23 million given back in a decade. We wouldn't have been able to do that without sound financial planning and decision-making.
- With all the talk nationally about cybercrime and grid security, your board isn't taking the matter lightly. Co-op staff continually keeps us up-to-date on all the technology, training, and other preventative measures they're taking to keep our system safe. Simply put, we are in a great spot to prevent and respond to potential cyber threats.

This is just the short list. Cherryland will continue to prepare for tomorrow. That way you too can confidently say, "We're always ready."

Thank you and I look forward to seeing you at our Annual Meeting on June 20.

Cooperatively yours,

Terry Lautner

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COVER:

Lineworkers install a new pole and transformer in the heart of Leelanau County.

Pictured — (L-R) Dallas Knoll, Kyle Griffin

Photo — Casey Clark, MECA

Notice Of Annual Meeting

Cherryland Electric Cooperative

The Annual Meeting of the members of Cherryland Electric Cooperative will be called to order at Incredible Mo's in Grawn, Michigan, at 5:30 p.m. on Thursday, June 20, 2019. The following items will be brought before the members for their action:

1. The reports of officers, directors and committees.
2. The election of three directors, two At-Large and one from Benzie/Manistee/Wexford County, for a term of three years each.
3. Other business properly brought before the membership.

Registration will begin at 4 p.m.

— Melinda Lautner, Secretary



Director Duties

And Responsibilities



The Board of Directors is the governing body of the cooperative and is responsible for establishing policies, providing strategic direction, hiring and evaluating the General Manager, providing for a plan of succession, and overseeing all major corporate decisions. It has a fiduciary responsibility to represent the members of the cooperative as provided for in state law and Cherryland Electric Cooperative Bylaws. To accomplish this, the Board must structure itself so that it has the requisite knowledge and skills to carry out its duties in a manner that is efficient and cost-effective.

Meet The Candidates

AT-LARGE



Melinda Lautner

(Incumbent)

Leelanau County resident

Cherryland member since 1981

What is your occupation?

I am a lifelong farmer raised on a cherry farm in Grand Traverse County. Now, along with husband Jim and son Clint, own/operate the 6th generation family farm. The farm has been a Cherryland member since the cooperative formed in 1938. I also operate two seasonal farm markets. With the help of our three daughters we grow and harvest the produce, teaching the grandchildren along the way.

What organizations are you currently involved with?

I am a proud to be a Lion in the Cedar/Maple City Lions club, volunteer at the Cedar Rod and a Gun Club, member Holy Rosary Church, member Leelanau County Parks and Recreation, and Leelanau County Planning Commission, Benzie Leelanau Board of Health, and Leelanau County commissioner responsible for budget and policy development.

Why are you interested in serving on the board of directors?

I find it fascinating to take on the challenges of

the electric industry, and hope to continue to help Cherryland balance it's power mix. We are at 62% carbon free, and continue to explore ways to do even better, while delivering affordable and reliable electricity. It is rewarding to be part of a team that has made Cherryland a cooperative leader.

How will your skills, connections, resources, and expertise benefit the cooperative?

Being available to the cooperative members is very important, and being self employed allows me the time needed to put members first. I have continued my education, and have earned the NRECA Credentialed Co-op Director certificate.

As a small business owner I understand the need for reliable power. Having served on boards and commissions, I also understand the role of a director and how to study every issue from every angle to always make decisions that are in the best interest of both the member and the cooperative. I bring accountability, honesty and accessibility. I have never been afraid of hard work and will continue to work hard for you.



John Olson

(Incumbent)

Grand Traverse County resident

Cherryland member since 1984

What is your occupation?

- Associate Broker with Real Estate One in Traverse City
- Co-Owner of Elmbrook Golf Course, Co-Partner of Ole Partners-LLC, Real Estate Investment

What organizations are you currently involved with?

- Currently serves on the Cherryland Electric Cooperative Board—I was elected to the board in 2000 and serves on Board Auditing Committee
- Serves on Michigan Electrical Cooperative Association (MECA)
- Accredited mediator for Conflict Resolution Services
- Member of Rotary Club
- Member of Traverse City Chamber of Commerce
- Member of Michigan Golf Course Owner Association
- Member of First Congregational Church

Why are you interested in serving on the board of directors?

As a board member for over 18 years I have witnessed the progression of Cherryland's success

and I want to continue to use my experience to further CEC positive direction.

I believe in our mission of providing safe, reliable and affordable electricity. Cherryland continues to be a leader in renewable energy. In 2019 we will be 19% renewable and 62% carbon free.

Cherryland returned \$2.2 million to its members in 2018 through patronage capital.

How will your skills, connections, resources, and expertise benefit the cooperative?

As I stated prior, I have used my experience and education to be an active board member in the decision making process at the board level.

I am a Traverse City native, a graduate of Traverse City Central High and graduated from Ferris University with a BS in Business Administration. My wife Carolyn and I have lived in Acme Township since 1984. We have two grown children and five grandchildren.

Thank you for your past support and I would appreciate your vote again this year.

AT-LARGE



Nicola Philpott

Grand Traverse County resident

Cherryland member since 2014

What is your occupation?

I have a doctorate in biochemistry and spent 16 years working in research science. After 5 years running my own laboratory as a research professor, I became a mom and took a career break. Becoming a parent has heightened my concern about climate change, particularly its impact on global stability. For two years I have been a volunteer Coleader of Grand Traverse Area Citizens' Climate Lobby.

What organizations are you currently involved with?

I am president of Westwoods Elementary School PTO. Thanks to Cherryland, I have obtained funds for school library books and organized rebates for parents that purchased LED light bulbs.

Why are you interested in serving on the board of directors?

Northern Michigan is experiencing the impacts of volatile weather in farming, winter sports and tourism. Development of renewable energy projects will provide year-round jobs and thus boost our local economy. Currently, Cherryland

customers receive 19% of their electricity from wind and solar sources. Increasing renewable energy production in our area will provide local skilled jobs, stabilize our economy, protect our local farming and tourism, and ensure a safe, healthy future for our children.

How will your skills, connections, resources, and expertise benefit the cooperative?

Climate change is a local, national and global problem. It is overwhelming and often paralyzing. But it is not insurmountable.

Energy efficiency rebate programs provide incentives; they should be promoted and made more accessible. Small renewable energy projects must be encouraged and incentivized, so they multiply. Cherryland should call upon environmental groups to help generate public support for large-scale renewable operations.

As a board director, I would work to promote local renewable energy projects thus providing skilled jobs, boosting the economy and tackling the global climate crisis.

BENZIE/MANISTEE/WEXFORD COUNTY



Jon Zickert

(Incumbent)

Manistee County resident

Cherryland member since 2006

What is your occupation?

I am the Lead Realtor on The Jon Zickert Group at Real Estate One. We offer a specialized team approach to buying and selling real estate. With four full-time professionals, the Team can focus on building client relationships with the highest level of personal service and communication. We have a mission to help others and give back to people and our community.

What organizations are you currently involved with?

I have been a member of the Cherryland Electric board of directors since being appointed in December 2009. I am a member of the Special Olympics Polar Plunge committee where I have personally raised over \$39,000 for Special Olympics since 2013. I also am the office representative for The Real Estate One Charitable Foundation which raises money for local community organizations.

Why are you interested in serving on the board of directors?

I have enjoyed serving on the Cherryland board of directors for the past 10 years. I am proud to

call Thompsonville, in Manistee County, home. Originally from Wisconsin, I have enjoying living the beauty of northern Michigan for the past 18 years with my wife Karen and our three children—Quinn (15), Flora (13) and Rowan (11). I have always been concerned with responsible energy consumption for many years. Helping to provide a sustainable environment for my children and future generations is important to me.

How will your skills, connections, resources and expertise benefit the cooperative?

With over 22 years of experience in the service industry, I have developed strong leadership skills. My current role as a licensed Realtor with Real Estate One puts me in touch with our members and business owners daily. I understand how important customer service and member communication is to an organization. Recognizing that members want to receive quality electrical services at competitive rates now and in the future is at the forefront of my thinking. I believe this can be accomplished by long-term investments in Cherryland's employees, equipment, technology and infrastructure

Balance Sheet

ASSETS	Audited Dec. 31, 2018	Audited Dec. 31, 2017
Current		
Cash	\$ 5,355	\$ 157,117
Receivables, net	6,601,614	7,631,335
Inventories	638,052	609,114
Other	693,459	526,498
Total Current Assets	7,938,480	8,924,064
Property, Plant and Equipment		
Electric distribution plant	101,509,836	96,724,622
Non-utility plant	11,894,808	12,201,352
	113,404,644	108,925,974
Less accumulated depreciation	37,945,353	36,118,047
Net Property, Plant and Equipment	75,459,291	72,807,927
Other Assets and Investments		
Restricted Cash	173,900	85,780
Investments in associated cooperatives	33,069,749	32,743,899
Investments in subsidiaries	-	800
Capital term certificates	891,048	906,046
Post-retirement benefit, other than pensions	103,122	149,134
Other assets	1,522,337	1,761,000
Total Other Assets and Investments	35,760,156	35,646,659
TOTAL ASSETS	\$ 119,157,927	\$ 117,378,650
LIABILITIES AND EQUITIES		
Current Liabilities		
Lines of credit	\$ 3,607,332	\$ 6,680,417
Checks issued against future deposits	477,550	555,059
Accounts payable	3,501,772	3,792,033
Accrued expenses	2,462,310	1,411,681
Member deposits and advances	609,806	588,698
Current maturities of long-term debt	2,928,422	2,684,912
Total Current Liabilities	13,587,192	15,712,800
Unamortized Gain on Early Extinguishments of Debt	218,000	283,400
Long-term Debt, less current maturities	56,222,531	53,200,359
Total Liabilities	70,027,723	69,196,559
Equities		
Patronage capital	45,388,678	44,391,619
Current year margins	3,741,526	3,790,472
Total Equities	49,130,204	48,182,091
TOTAL LIABILITIES AND EQUITIES	\$ 119,157,927	\$ 117,378,650

The balance sheet and statement of operations show the results of the cooperative's electric operations for the calendar year 2018. The Dec. 31, 2018, balance sheet and the related statement of operations for Cherryland's electric operations were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of preceding years. In my opinion, the statements shown here present the financial position of the cooperative's electric operations as of Dec. 31, 2018, and the results of its electric operations for the year under review, according to the information and explanation shown on the records of Cherryland Electric Cooperative.

– David Schweitzer, Treasurer

Statement Of Operations

	Audited Dec. 31, 2018	Audited Dec. 31, 2017
Operating Revenues	\$ 51,391,541	\$ 50,606,630
Operating Expenses		
Cost of power	33,210,388	33,492,712
Depreciation and amortization	3,624,445	3,453,799
Distribution—maintenance	3,259,930	2,870,547
Administrative and general	2,621,198	2,484,901
Member service and information	1,617,408	1,468,762
Distribution—operations	1,404,646	1,310,201
Taxes—property and other	1,144,014	1,005,703
Member accounts	1,078,051	1,039,983
Total Operating Expenses	47,960,080	47,126,608
Operating Margin	3,431,461	3,480,022
Other Income (Expense)		
Income from associated cooperatives	2,816,948	2,514,099
Interest expense on long-term debt	(2,510,665)	(2,306,586)
Other income	3,782	102,937
Total Other Income (Expense), Net	310,065	310,450
Net Margins	\$ 3,741,526	\$ 3,790,472

Copies of the cooperative's audited financial statements are available upon request.

Consumer Cooperative Act Disclosure

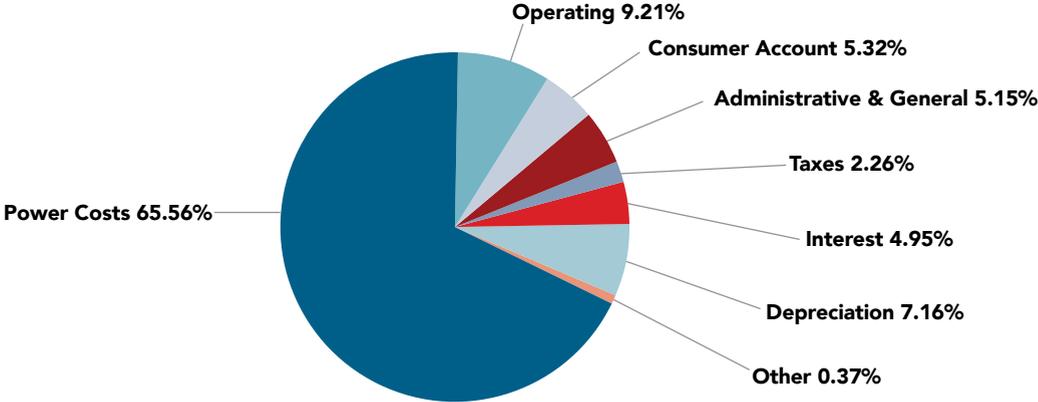
Name	Address	Email	Title	Term*
Tony Anderson	5930 U.S.-31 South Grawn, MI 49637	tanderson@cherrylandelectric.coop	General Manager	
Terry Lautner	13718 S. Bugai Road Traverse City, MI 49684	tlautner@cherrylandelectric.coop	Director At-Large President	2021
Tom Van Pelt	6961 N. Overlook Road Northport, MI 49670	tvanpelt@cherrylandelectric.coop	Director, Leelanau Senior Vice President	2020
Melinda Launter	12708 S. Solon Road Cedar, MI 49621	mlautner@cherrylandelectric.coop	Director At-Large Secretary	2019
David Schweitzer	4562 Ground Pine Trail Traverse City, MI 49686	dschweitzer@cherrylandelectric.coop	Director At-Large Treasurer	2020
John Olson	3846 Bay Valley Williamsburg, MI 49690	jolson@cherrylandelectric.coop	Director At-Large	2019
Gabe Schneider	5119 Silver Cove Drive Traverse City, MI 49685	gschneider@cherrylandelectric.coop	Director, Grand Traverse/Kalkaska	2021
Jon Zickert	15811 Nuthatch Drive Thompsonville, MI 49683	jzickert@cherrylandelectric.coop	Director, Benzie/Manistee/Wexford	2019

*All terms expire in June

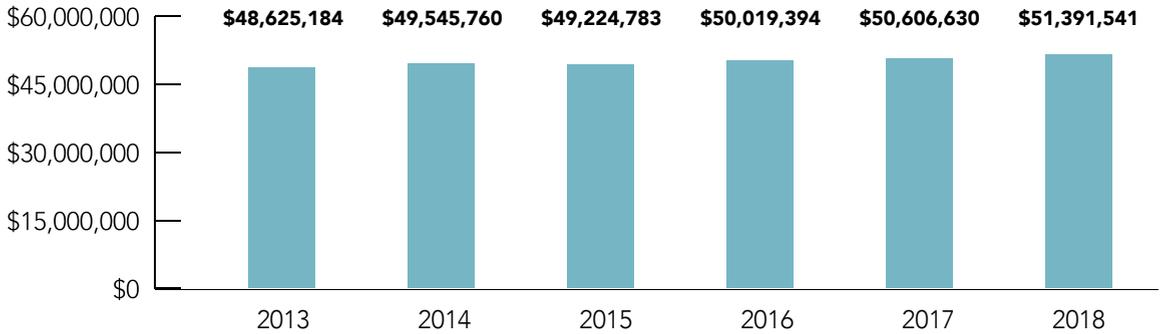
Board members are compensated \$1,000 per board meeting. General Manager is compensated \$260,000 annually.

Financial Overview

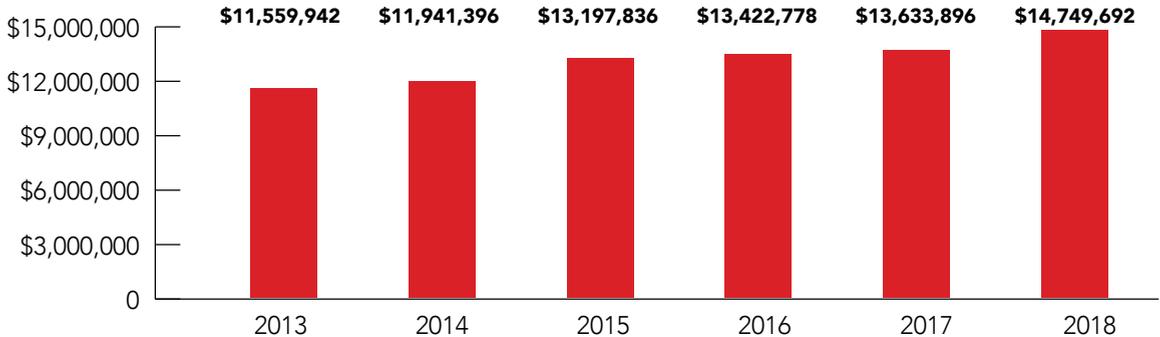
2018 Cherryland Electric Cooperative Expenses Per Dollar



Cherryland Electric Cooperative Revenues



Cherryland Electric Cooperative Operating Expenses



Schedule Of Patronage Assigned To Members

