

Capital Credits

	2020	2019
Capital Credits G&T	\$1,762,442	\$1,924,064
Other Capital Credits & Patronage	\$543,269	\$345,813
Total Capital Credits	\$2,305,711	\$2,269,877

Net margins before income taxes	\$3,987,229	\$3,861,261
Net margins for year	\$3,987,229	\$3,861,261

Patronage capital beginning of year	\$52,503,787	\$50,228,897
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Retirement of patronage capital	\$1,257,974	\$1,264,207
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Patronage capital end of year	\$55,233,042	\$52,825,951
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What are Capital Credits?

LREC operates on an at-cost, not-for-profit basis. Instead of returning profits, known as margins, to stockholders who may not live in the same region or even the same state as you, LREC allocates and periodically retires Capital Credits based on how much electricity you, the member, purchased during a year. On the other hand, investor-owned utilities create a rate structure that will maximize their margins (profits) to pay dividends to their stockholders. In a cooperative business structure, your Capital Credit represents your share in the margins of the cooperative. Electric cooperatives exist to provide members with reliable electric service and high satisfaction.

CEO & President Report

LREC wrapped up the fiscal year 2020 (FY 2020), maintaining a healthy financial position. We had 1% lower energy sales as compared to 2019. However, total kWh sales were 3% higher than projections. Sales generated adequate revenues to cover all the operating expenses of the cooperative. LREC ended the year with an operating margin of \$928,810. However, the addition of the non-operating revenues enabled us to end the year with \$3,987,229 in total margins.

Other highlights from the Fiscal Year include:

- LREC members received over \$2.5 million credit (rate reduction) on their bills in the form of negative Power Cost Adjustment. (average of \$7 credit per month for residential members)
- The average residential kWh usage per month dropped to 1,155 kWhs from 1,189 kWhs in 2020.
- Total miles of line were 3,127, which served an average of 25,075 meters.

2020 was a challenging year and provided many obstacles for the LREC team to overcome. COVID-19 pandemic changed everything. There was no more business as usual. In order to protect the safety of our employees and members alike, we were forced to close our lobbies, figure out a way for the employees to work from home or work at the office by social distancing and wearing protective masks. We also had to cancel the Annual Meeting in April of 2020.

The pandemic also provided opportunities. It became obvious early in the pandemic that there was a very high demand for dependable and fast broadband service in order to allow members working from home and the distance learning for our children. LREC's Fiber-To-The-Home project had to step up trying to meet the extraordinarily high demand. The phase one construction of this broadband project which included construction of over 800 miles of fiber optics to bring high speed internet to over 9,000 homes was completed, and the Phase 2 project started. Just over 6,000 customers were connected to the broadband internet service at the end of 2020.

In December of 2020 the board was pleased to approve a patronage capital retirement/refund of \$1,257,975 to the members, bringing to total funds refunded to the members to \$24,538,502.



2020 Annual Report



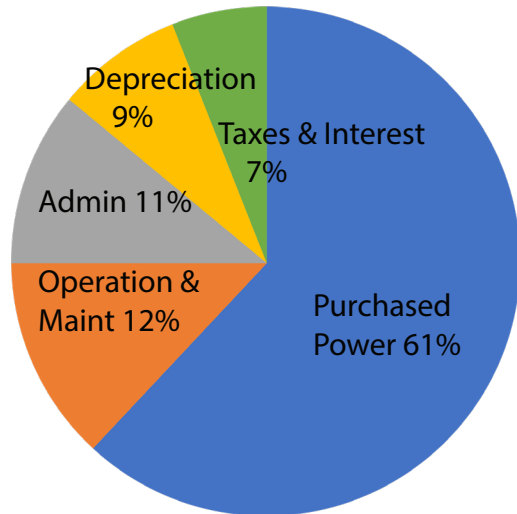
Providing our members safe, reliable, and competitive services today and tomorrow

Revenues and Expenses

Total Revenue	\$43,377,352
Expenses Controlled By Other Entities	
Cost of Power	\$25,962,266
Depreciation & Amortization	\$3,694,971
Interest on Long-Term Debt	\$1,904,328
Taxes	\$868,956
Other Interest and Deductions	\$90,454
Total Expenses By Other Entities	\$32,520,675
Operations & Maintenance	\$5,349,587
Consumer & Customer Service	\$1,732,146
Administration & General	\$2,845,834
Total Controllable Expenses	\$9,927,567
TOTAL EXPENSES	\$42,448,542
Net Operating Margins	\$928,810

Where the Dollar Goes

Purchased Power 61%	■
Operation & Maintenance 12%	■
Administration 11%	■
Depreciation 9%	■
Taxes & Interest 7%	■



Assets

ASSETS	2020	2019
Utility plant		
Electric Plant in Service	\$122,981,436	\$116,846,648
Construction work in progress	\$1,443,038	\$1,202,951
	\$124,424,474	\$118,049,599
Less: accumulated provision for depreciation and amortization	\$41,536,804	\$39,822,477
Net utility plant	\$82,887,670	\$78,227,122
Nonutility plant	\$41,865,130	\$17,750,654
Construction work	\$11,298,541	\$20,092,221
	\$53,163,671	\$37,842,875
Less: accumulated depreciation	\$8,577,959	\$6,698,767
Net nonutility plant	\$44,585,712	\$31,144,108
Other assets		
Investments in associated organizations	\$26,114,367	\$24,527,001
other long-term investments	\$1,275	\$1,275
Intangible assets, net	\$371,103	\$199,012
Total other assets	\$26,486,745	\$24,727,288
Current assets:		
Cash and cash equivalents	\$2,462,353	\$2,192,727
Accounts receivable		
doubtful accounts:	\$3,557,045	\$3,603,124
Materials & supplies	\$3,224,906	\$3,687,322
Other accrued assets	\$312,680	\$288,911
Total current assets	\$9,556,984	\$9,772,084
Deferred debits	\$598,765	\$609,949
TOTAL ASSETS	\$164,115,876	\$144,480,551

Liabilities & Members' Equity

	2020	2019
Equities and margins		
Memberships	\$103,415	\$101,955
Patronage capital	\$55,233,042	\$52,503,787
Accumulated other comprehensive income	\$1,506,460	\$1,163,541
Other equities	\$825,314	\$817,736
Total equities and margins	\$57,668,231	\$54,587,019
Long-term liabilities:		
Long-term debt less current maturities	\$81,414,765	\$70,160,959
Other non-current liabilities	\$4,824,505	\$5,029,743
Total long-term liabilities	\$86,239,270	\$75,190,702
Current liabilities		
Current maturities of long-term debt	\$1,429,978	\$1,353,076
Line of credit	\$3,900,000	\$500,000
Account payable	\$6,048,556	\$4,929,830
Consumer deposits	\$2,434,337	\$2,220,907
Other current and accrued liabilities	\$4,462,429	\$4,356,066
Total Current liabilities	\$18,275,300	\$13,359,879
Deferred credits	\$1,933,075	\$1,342,951
TOTAL LIABILITIES & MEMBERS' EQUITY	\$164,115,876	\$144,480,551