



ANNUAL REPORT

CHERRYLAND ELECTRIC COOPERATIVE

2023

WE ALWAYS FIND A WAY

Do you know what I appreciate most about our cooperative?

We always find a way. We always find a solution, a way to improve, and a way to learn, grow, and be better for the members. 2023 didn't come without its challenges, but our successes in addressing those challenges are indicative of what the team at Cherryland is capable of achieving.



- 2023 presented a challenging economic environment for everyone, especially utilities. The mild weather led to sluggish energy sales as inflation and interest rates grew (and continue to rise), further increasing our cost pressures. This confirmed our need to realign our rates in order to collect the increased costs we are experiencing. Even though we ended the year in the red, the positive aspect is we found new and creative ways to cut back and accelerate projects to ensure we end 2024 in the black, without sacrificing safety or reliability.
- A huge, unprecedented opportunity to invest in the stability of future power supply costs came our way when an agreement for the restart of the Palisades Nuclear Plant came to fruition with full bipartisan support at both the state and national levels. For months, Cherryland's representatives on the Wolverine Power Cooperative Board of Directors discussed the pros, cons, and feasibility of entering this agreement. Their work paid off in a well-thought-out plan to secure reliable, carbon-free, affordable energy for decades to come. It's the first nuclear plant to reopen in the United States. We found a way to take advantage of a win-win opportunity for Michigan cooperatives and their members.
- Recently, Michigan legislators passed a package of energy bills that includes a requirement that 100%

of Michigan's electricity must come from clean energy sources by 2040. A provision was approved that allows Cherryland to count the output of Palisades as clean energy. A big win for your cooperative!

- About half of Cherryland's workforce is part of the Utility Workers Union of America. Every few years, we revisit and revise the cooperative's contract with the union. Cherryland employees are the ones who bring our mission to life, providing member-focused, safe, affordable, reliable service to you 365 days a year. The leadership at Cherryland worked alongside the union's leadership to successfully negotiate a new contract that demonstrates the value these employees bring to your cooperative and their dedication to the cooperative members. We've found a way to attract top talent that takes great pride in what they do.
- Our area is growing, and it's growing fast. This is great news for the cooperative because the more members we have, the more we can spread out the cost to serve our members. Cherryland sets a goal of completing more than 90% of construction projects within 15 days. Despite the busiest construction season in recent memory, amid extreme price increases on materials and supply chain issues, the staff at Cherryland found a way to keep up and exceed that goal.

- For years, Cherryland has invested in reliability. We've spent decades working towards the goal of keeping your lights on 99.99% of the time—what we call the elusive four nines. For the first time in Cherryland's recorded history, we reached our goal of four nines. That means that in 2023, our average member experienced less than 43 minutes without power throughout the entire year. The average electric customer in Michigan experiences 188 outage minutes per year. That is more than four times longer than what Cherryland members experienced last year. Meeting this goal wasn't just luck—it comes after years of hard work and prioritizing investments in upgrading, rebuilding, and maintaining our electric system. It wasn't easy, but we found a way.

We have a lot to be proud of at our cooperative. Some of our proudest moments are born out of obstacles and challenges. I am confident there are many more proud moments that lie ahead, and even though some will come disguised as bumps in the road, you can trust that Cherryland will always find a way to turn those obstacles into opportunities. I look forward to seeing you at this year's Annual Meeting.

Sincerely,

Dave Schweitzer,
Cherryland Electric Cooperative
Board President

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 CEO, 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.



FIVE-YEAR MEMBER STATISTICS

	2023	2022	2021	2020	2019	1983
Average No. Members Served	38,486	37,421	36,915	36,487	36,075	16,364
Average No. Members per Employee	630.92	645.01	659.20*	663.40	621.98	N/A**
Miles of Line	3,261	3,228	3,199	3,176	3,162	1,880
Services per Mile	12	12	12	12	11	9
Property Taxes	\$1,526,256	\$1,441,309	\$1,396,103	\$1,316,913	\$1,277,174	\$213,104
Property Taxes per Member	\$39.66	\$38.52	\$37.82	\$36.09	\$35.40	\$13.02
Residential Member's Average Monthly Kilowatt-Hour Usage	679	713	717	723	690	579
Reliability	99.99%	99.98%	99.91%	99.98%	99.98%	N/A**

*Most efficient co-op in the country when compared to co-ops of similar size.

**Historic data not available.

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 13, 2024. The following will be brought before the members for their action:

1. The reports of officers, directors, and committees.
2. The election of two directors, one at-large and one from Grand Traverse/Kalkaska County, for terms of three years each.
3. Other business properly brought before the membership.

In-person voting will be available from 4:00–5:30 p.m.

—Valarie Handy,
Cherryland Electric Cooperative Board Secretary



For 86 years, Cherryland's been on a mission to take care of our members and the communities they call home. We're proud to power your homes with best-in-class reliability, at an affordable rate, with a commitment to your safety and ours. We're looking forward to serving our members with the same dedication for the next 86 years.

Thank you for being part of our cooperative family!

MEMBER FOCUSED. SAFE. RELIABLE. AFFORDABLE.

MEET THE CANDIDATES

AT-LARGE



TERRY LAUTNER

(Incumbent)
Leelanau County resident
Cherryland member
since 1984

What is your occupation?

My wife, Cathy, and I own and operate a dairy farm in Elmwood Township, Leelanau County. We have three adult children and three grandchildren.

What organizations are you currently involved with?

I am a member of the Michigan Milk Producers Association and a trustee on the Elmwood Township Board. In addition to serving on the Cherryland Electric Board, I am Cherryland's representative on the Spartan Renewable Energy Board and a member of the Wolverine Power Cooperative Board.

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

I am running for re-election to ensure Cherryland remains financially strong and continues to focus on reliability and affordability. To improve the member experience, our financial strength allows us to utilize and embrace new technology, such as outage text messaging and advanced metering.

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

My experience in operating a successful farm business, which requires planning, budgeting, and allocating scarce resources to ensure financial success, translates well into the decision-making process of a co-op director. I will do my best to keep Cherryland as one of the leading electric co-ops in the nation. Thank you for your continued support.

GRAND TRAVERSE/KALKASKA COUNTY



GABE SCHNEIDER

(Incumbent)
Grand Traverse
County resident
Cherryland member
since 2006

What is your occupation?

I am a small business owner who founded Northern Strategies 360, a Traverse-City-based business. We provide government relations services to clients throughout the state. This includes serving as the Director of Government Relations for Munson Healthcare and Northwestern Michigan College, and supporting organizations such as the Women's Resource Center, TART Trails and the Great Lakes Fishery Commission.

What organizations are you currently involved with?

I currently serve as Vice Chair of the Cherryland Board and represent the co-op on the Michigan Electric Cooperative Association, where I also serve as Vice Chair. In addition, I am the Chair of the Traverse City Downtown Development Authority and Michigan Council of Trout Unlimited, and serve on the Traverse Connect Government Relations Committee.

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

I want to help the cooperative continue to focus on our mission of providing safe, reliable, affordable electricity to all of our member owners, while also maintaining a strong commitment to the environment and our community. As we build on our successes, such as keeping the lights on 99.99% of the time in 2023, we still have more work to do: Navigating cost pressures while maintaining affordability and reliability, as well as ensuring we stay competitive with our wages and benefits. I am seeking another term on the Board to make sure that Cherryland remains sustainable and strong into the future.

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

Having served on the Cherryland Board since 2017, in addition to my role on the statewide association of electric coops, and my years of business and leadership experience, I bring a solid foundation of knowledge and skills that will continue to benefit the cooperative.

BALANCE SHEET

ASSETS	Audited Dec. 31, 2023	Audited Dec. 31, 2022
Current		
Cash	\$ 411,874	\$ 156,472
Receivables, net	7,631,702	8,542,704
Inventories	1,476,908	1,173,272
Other	787,590	620,618
Total Current Assets	10,308,074	10,493,066
Property, Plant, and Equipment		
Electric distribution plant	125,590,545	119,833,134
Non-utility plant	16,211,283	13,501,449
Finance lease right-of-use assets	923,333	863,087
	142,725,161	134,197,670
Less accumulated depreciation and amortization	51,216,498	48,035,500
Net Property, Plant, and Equipment	91,508,663	86,162,170
Other Assets and Investments		
Restricted cash	393,923	105,006
Investments in associated cooperatives	37,138,437	34,461,898
Capital term certificates	780,828	792,835
Deferred compensation	600,752	172,629
Other assets	4,291,153	3,341,137
Total Other Assets and Investments	43,205,093	38,873,505
TOTAL ASSETS	\$ 145,021,830	\$ 135,528,741
LIABILITIES AND EQUITIES		
Current Liabilities		
Lines of credit	\$ 5,041,550	\$ 6,380,173
Checks issued against future deposits	68,129	163,161
Accounts payable	5,813,958	4,991,465
Accrued expenses	2,190,668	2,061,315
Member deposits and advances	581,107	688,123
Current portion of long-term debt	3,003,374	2,834,125
Current portion of finance lease obligations	168,618	184,042
Total Current Liabilities	16,867,404	17,302,404
Post-retirement Benefit Obligation, Other than Pensions	153,461	61,173
Deferred Compensation	600,752	172,629
Long-term Debt, less current portion	70,018,331	61,762,482
Finance Lease Obligations, net of current portion	450,581	480,230
Total Liabilities	88,090,529	79,778,918
Equities		
Patronage capital	55,518,153	52,377,276
Current year margins	1,413,148	3,372,547
Total Equities	56,931,301	55,749,823
TOTAL LIABILITIES AND EQUITIES	\$ 145,021,830	\$ 135,528,741

The balance sheet and statement of operations show the results of the cooperative's electric operations for the calendar year 2023. The Dec. 31, 2023, 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, 2023, and the results of its electric operations for the year under review, according to the information and explanation shown in the records of Cherryland Electric Cooperative.

—Tom Van Pelt, Cherryland Electric Cooperative Board Treasurer

STATEMENT OF OPERATIONS

	Audited Dec. 31, 2023	Audited Dec. 31, 2022
Operating Revenues	\$ 56,539,884	\$ 58,746,530
Operating Expenses		
Cost of power	35,175,983	37,655,708
Distribution—maintenance	5,109,264	4,320,593
Depreciation and amortization	4,402,718	4,249,731
Administrative and general	3,583,863	3,444,464
Distribution—operations	2,189,002	1,755,830
Member service and information	1,550,421	1,617,221
Taxes—property and other	1,526,256	1,441,309
Member accounts	1,338,230	1,214,851
Total Operating Expenses	54,875,737	55,699,707
Operating Margin – Before Interest Expense	1,664,147	3,046,823
Interest Expense		
Interest expense on long-term debt	2,844,228	2,531,524
Other interest	516,958	307,056
Total Interest Expense	3,361,186	2,838,580
Operating Margins (Loss) After Interest Expense	(1,697,039)	208,243
Other Income		
Income from associated cooperatives	2,918,489	3,011,309
Other income, net	191,698	152,995
Total Other Income	3,110,187	3,164,304
Net Margins	\$ 1,413,148	\$ 3,372,547

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

CONSUMER COOPERATIVE ACT DISCLOSURE

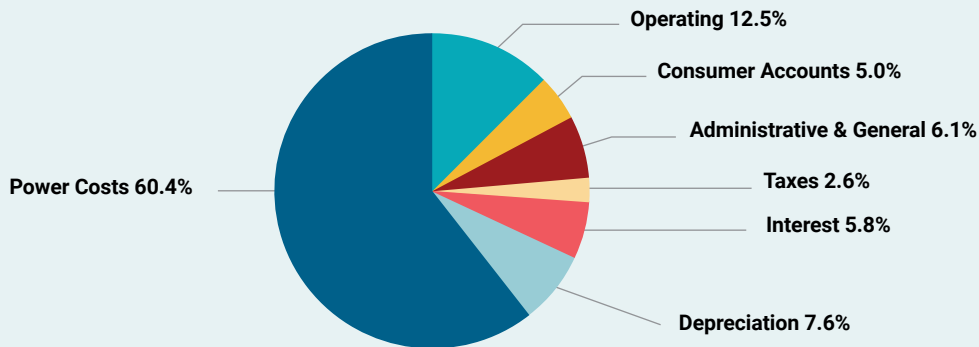
NAME	ADDRESS	EMAIL	TITLE	TERM*
Rachel Johnson	5930 U.S.-31 South Grawn, MI 49637	rjohnson@cherrylandelectric.coop	Chief Executive Officer	
David Schweitzer	4562 Ground Pine Trail Traverse City, MI 49686	dschweitzer@cherrylandelectric.coop	Director At-Large President	2026
Gabe Schneider	5119 Silver Cove Drive Traverse City, MI 49685	gschneider@cherrylandelectric.coop	Director, Grand Traverse/Kalkaska Senior Vice President	2024
Valarie Handy	3858 Lazy Forest Trail Interlochen, MI 49643	vhandy@cherrylandelectric.coop	Director, Benzie/ Manistee/Wexford Secretary	2025
Tom Van Pelt	6961 N. Overlook Road Northport, MI 49670	tvanpelt@cherrylandelectric.coop	Director, Leelanau Treasurer	2026
Dean Adams	1980 Evergreen Ave. Traverse City, MI 49696	dadams@cherrylandelectric.coop	Director At-Large	2025
Melinda Lautner	12708 S. Solon Road Cedar, MI 49621	mlautner@cherrylandelectric.coop	Director At-Large	2025
Terry Lautner	13718 S. Bugai Road Traverse City, MI 49684	tlautner@cherrylandelectric.coop	Director At-Large	2024

*All terms expire in June.

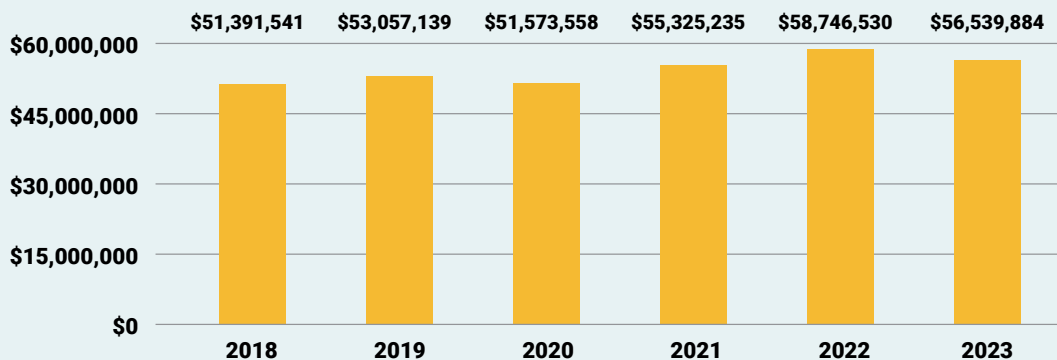
Board members are compensated \$1,000 per board meeting. CEO is compensated \$230,006 annually.

BALANCE SHEET

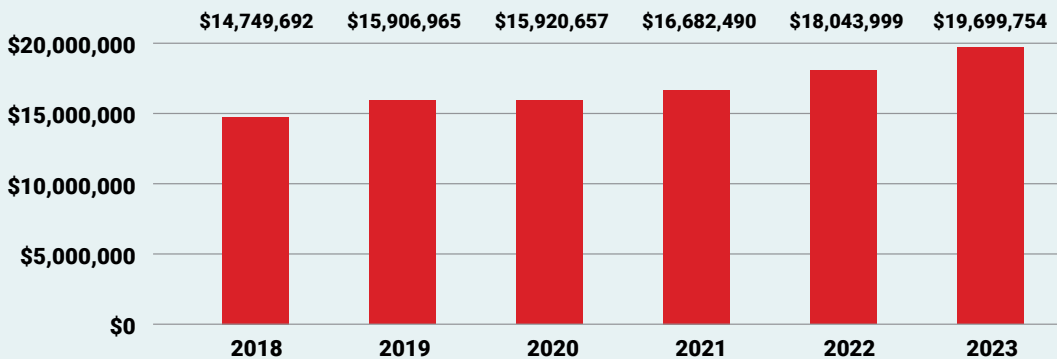
2023 CHERRYLAND ELECTRIC COOPERATIVE EXPENSES PER DOLLAR



CHERRYLAND ELECTRIC COOPERATIVE REVENUES



CHERRYLAND ELECTRIC COOPERATIVE OPERATING EXPENSES



SCHEDULE OF PATRONAGE ASSIGNED TO MEMBERS

