

Darke Rural Electric Cooperative



**80th Annual Meeting of Members
Thursday, March 16, 2017**

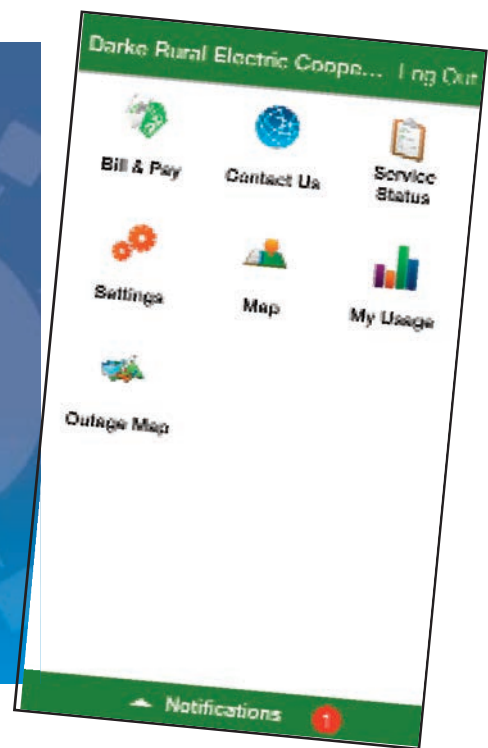
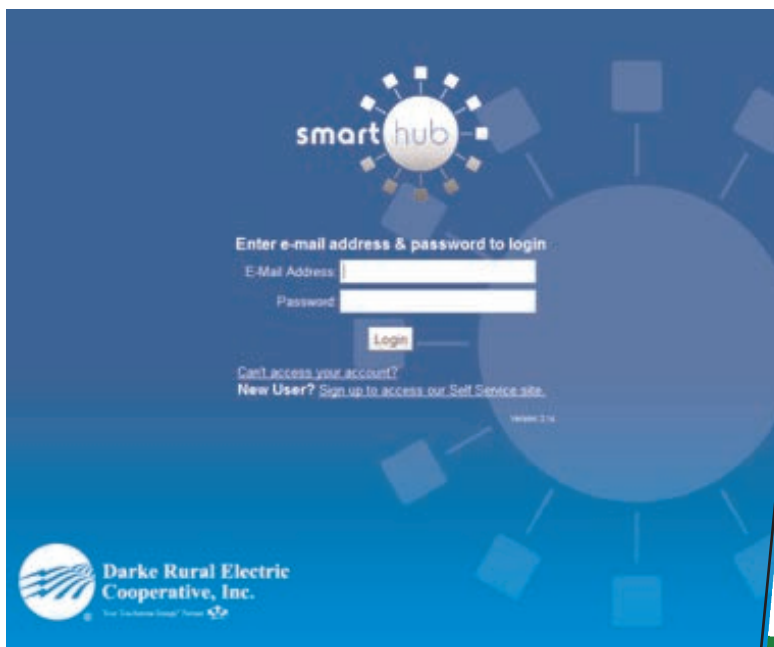
2016 Annual Report

SmartHub

SmartHub easy account management system

join today to see what 25% of your fellow members have been experiencing since joining SmartHub

Our goal is to make it convenient and quick for members to pay your bill and obtain information on usage through an easy-to-use on-line bill payment system. If you haven't checked out SmartHub yet, please do.



Some of the initial features include:

- Quickly pay your bill by check or credit card
- View your monthly electric usage
- Receive bill reminders
- Report an outage/get outage information
- Connect with social media

The weblink for SmartHub is available on our website (darkerec.com) or download the free SmartHub app for your smartphones and tablets through your app store.

Program

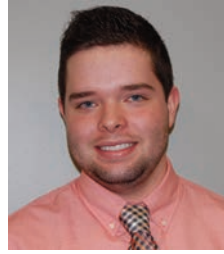
Call to Order	Jack Kitchel, <i>President</i>
Pledge of Allegiance	Matt Webster, <i>Trustee</i>
Invocation	Michelle Marker, <i>Secretary/Treasurer</i>
Notice of Meeting	Michelle Marker, <i>Secretary/Treasurer</i>
Approval of 2016 Minutes President's Report	Jack Kitchel, <i>President</i>
Financial Report	Brad Flora, <i>CFO</i>
Introduction of guests Manager's Report	Ted Holsapple, <i>CEO</i>
Statewide Report	Pat O'Loughlin, <i>President & CEO, OEC & Buckeye Power</i>
Election of Trustees	Susan Laux, <i>Chair-Nominating Committee</i>
Entertainment	<i>"Back to School Quartet"</i>
Election Results	Susan Laux, <i>Chair-Nominating Committee</i>
Door Prizes/80th AM Celebration	Niles Swank & Beth Davenport
Adjournment	

Scholarships



Suzanne Kimball

Scholarship: 1st Place - \$1,200
High School: National Trail
College: Wilmington College
Parents: Jonathon & Tammy Kimball



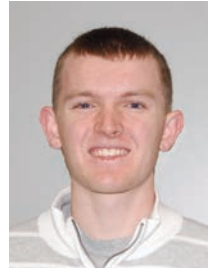
Konner Aldridge

Scholarship: 1st Place - \$1,200
High School: National Trail
College: Ohio Northern University
Parents: Harry & Rhonda Aldridge



Abigail Bruns

Scholarship: 2nd Place \$900
High School: Arcanum
College: Lincoln Memorial University
Parents: Greg & Julie Bruns



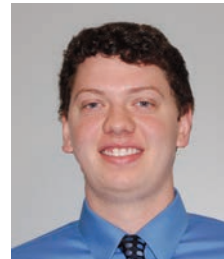
Jacob Hounshell

Scholarship: 2nd Place \$900
High School: Greenville
College: The Ohio State University
Parents: Barry & Kelly Hounshell



Kasey Hummel

Scholarship: 3rd Place \$600
High School: Mississinawa Valley
College: Wilmington College
Parents: Don & Kim Hummel



Isaac Buschur

Scholarship: 3rd Place \$600
High School: Versailles
College: Wright State University
Parents: Jacob & Linda Buschur



Youth Tour

Macy Schepis and Marley Judd represented Darke Rural Electric Cooperative on a seven-day, all expense-paid trip to Washington, DC, in the 2016 Youth Tour program.

Macy, a student at Tri-Village High School, is the daughter of Susan Laux and Ty Schepis. Marley attends Tri-County North High School and is the daughter of Scott and Robin Judd.

Macy and Marley joined approximately 40 students from other Ohio electric cooperatives for the tour that began June 12th. The first stop was in Gettysburg and then on to Washington where they met up with approximately 1600 students from all across the United States.

The week-long tour included visits to Jefferson and Lincoln Memorials, Arlington Cemetery, the National Zoo, Mt. Vernon, Smithsonian Institution, a night cruise down the Potomac River and many other interesting places. In addition, the students had the opportunity to have lunch with their congressional representative.

The tour is offered so that students can be educated about the principles and practices of American democracy and gain an understanding of the rural electric cooperatives.

The contest is conducted annually and is open to sophomores and juniors whose parents are members of Darke REC.



Candidates



District 4:

MARK ASHWORTH and his wife Janet have been members of the cooperative for 40 years, since they moved to their home at 2726 State Route 36, Neave Township, Darke County in 1977. Mark has a degree in electrical engineering technology from Edison State Community College. His work experience includes over 40 years with industrial electricity, electrical controls, and power transmission and distribution (12,470 volts and below). Mark and Janet have three married sons and three grandchildren. They are members of Beech Grove Church of the Brethren, where both are Deacons and have served on the church board for over 30 years.

MICHELLE MARKER and her husband Daniel, live at 4670 Crumrine Road, Greenville, in Neave Township and have been members of the cooperative for 18 years. She has 14 years experience in the electric industry and has been serving on the Darke Rural Electric Board of Trustees for nine years.

Michelle has completed the courses necessary to receive her Credentialed Cooperative Director certificate and Board Leadership certificate. Michelle earned her Bachelor's Degree from the University of Dayton and is currently a Customer Service Representative for Joyce/Dayton Corporation. The Marker's attend the Castine Church of the Brethren. They have two daughters in college at Cornerstone University in Grand Rapids, MI.

District 7:

VICTOR BOGGS and his wife Holly, live at 8683 Verona Road, Harrison Township in Preble County and have been members of the cooperative for 14 years. He is a plumber by trade and is currently employed at General Motors. Victor is also engaged in grain farming on the family farm. The Boggs have two grown sons. In his spare time, he enjoys spending time with his family, woodworking and fishing.

MATT WEBSTER and his wife Patricia, live at 3937 Sonora Road, Harrison Township in Preble County and have been members of the cooperative for 17 years. He has served on the Darke Rural Electric Board of Trustees for the past three years. Matt is a graduate of Tri-County North Local Schools and continued his education at Miami University with a Bachelor of Science degree in Accounting. He is currently employed at The Farmers State Bank as their Chief Financial Officer. He is a member and Treasurer of the Trailrider Sportsmens Club (a non-profit organization) in Lewisburg. Matt enjoys farming with his father and son on a small family farm in northern Preble County. His favorite hobbies are boating on Norris Lake and trap shooting. The Webster's have two children.

Board of Trustees

Jack Kitchel, President, District 6

Jefferson, Monroe & Jackson Townships in Preble County

Keith Daugherty, Vice President, District 5

Harrison & Butler Townships in Darke County

Michelle Marker, Secretary/Treasurer, District 4

Liberty, Neave, VanBuren & Twin Townships in Darke County

Neal Siefring, Trustee, District 1

Mississinawa, Allen & Brown Townships in Darke County

Dan Gehret, Trustee, District 2

Wabash, Patterson, York, Richland & Wayne Townships in Darke Co.

Tod Carroll, Trustee, District 3

Jackson, Washington & Greenville Townships in Darke County

Matt Webster, Trustee, District 7

Harrison, Washington & Twin Townships in Preble County

Nominating Committee

Roger Fortkamp	District 1
Denise Heitkamp	District 2
Karen Harder	District 3
Susan Laux	District 4
Robert Godown	District 5
Joyce Neanen	District 6
Wendy Aker	District 7

2016 Minutes

MINUTES OF THE ANNUAL MEETING

March 17, 2016

The Annual Meeting of Darke Rural Electric Cooperative, Inc. was held at the Lighthouse Christian Center, Greenville, Ohio at 12:30 p.m. on Thursday, March 17, 2016. Wayne Hospital conducted a health fair for members wishing to participate, with health awareness blood panel tests being offered as well as several other tests at reduced cost. A chicken lunch was served between 11:00 a.m. and 12:30 p.m. prior to the meeting.

The meeting was called to order by Jack Kitchel, President of the Cooperative Board of Directors, who presided. Michelle Marker acted as Secretary of the meeting and kept the minutes thereof.

The pledge of allegiance was led by Keith Daugherty and Michelle Marker offered the invocation.

The Secretary reports there were 184 members present and a copy of the list of members attending the meeting is annexed to these minutes. The Secretary read the letter, "Notice of Annual Meeting" that was mailed February 26, 2016.

Upon a motion by Dixie Robbins, seconded by Bill Siefring, the minutes of the Annual Meeting of Members held on March 19, 2015 were approved unanimously.

In his report, Darke REC General Manager Ted Holsapple garnered applause when he told members they will not see a distribution rate increase in 2016. He also reported on the cooperative's efforts to improve service reliability by rebuilding old power lines and increasing tree trimming. He reported over the last 25 years, nearly half of the electric system has been rebuilt and the improvement of the infrastructure and removing trees and brush that could fall into power lines directly reduces the risk of power outages, especially during bad weather. The co-op has also built a new substation that will be put into service next month, and an automated metering information system is being installed in phases over the next several years. Both of these measures will improve service to members, he said.

Darke REC Director of Finance & Accounting Brad Flora presented the Financial Report. He reported total revenue was down 2.3% and margins increased 5.2% in 2015. System improvements for 2015 were \$3,156,551.

Doug Miller of Ohio's Electric Cooperatives, the statewide service organization and wholesale power supplier for Darke REC, said these accomplishments shows the integrity of the cooperative. "Reliability improvements, capital credits, Operation Round Up — all this tells me that your board of trustees and co-op employees really embrace the cooperative principles," Miller said. He also reported that wholesale power rates have been and will remain stable for the next several years. "I commend your cooperative's board and management for their efforts to control costs locally, which, in turn, helps to keep costs low at the distribution level. Both measures ensure that co-ops remain an invaluable source of energy and information."

Board president Jack Kitchel reported that the cooperative was able to refund more than \$821,000 in capital credits to members in December, signaling that Darke REC is in strong financial shape. He also highlighted the co-op' Operation Round Up program, which rounds up participating members' bills to the next whole dollar and uses the collective spare change to help people in need in local communities. Grants are awarded two times a year, amounting to about \$21,400 a year. Since beginning the program in 2004, the cooperative awarded nearly \$294,000 in grants.

Jack Kitchel called on Susan Laux, Chairperson of the Nominating Committee to make a report on the nominations. She reported the following members were nominated from the districts as directed in Article IV, Section 4, in the revised Code of Regulations.

District 1	District 3	District 5
Dennis Siefring	Tod Carroll	Keith Daugherty
Neal Siefring	Kris Osterbur	Todd Ellis

Upon a motion by Bob Welch, seconded by Allan Murray, the nominations were closed. The Nominating Committee was then appointed to act as tellers for the election. Voting by secret ballot proceeded and the ballots were collected by the tellers who proceeded to tabulate them.

Ted Holsapple introduced the entertainment, "Mandy Rismiller."

Susan Laux, Chairperson of the Nominating Committee, reported on the results of the election announcing that the following members were elected to the office of Trustee for three (3) year terms by receiving the highest number of votes: District #1- Neal Siefring; District #3-Tod Carroll; and District #5-Keith Daugherty

A drawing for attendance prizes was then held.

There being no further business to come before the meeting, Jack Kitchel declared the meeting adjourned.

Operation Roundup

Darke members give \$22,400 to area causes

Darke REC members awarded \$22,400 to organizations through the Operation Roundup program in 2016. Since the beginning of the program in 2004 Darke members have donated \$320,274 back to the community.

Operation Roundup is a voluntary charitable program. Participating members' monthly electric bills are rounded up to the next dollar, with the additional pennies put into the "Trust" fund.

A Board of Trustees, made up of Darke Rural Electric Cooperative members oversees the Operation Roundup process. Those serving as trustees are Susan Laux-Chairman, Joan Buschur-Treasurer, Susan Smearsoll-Secretary, Paul Robbins, Wendy Aker, Shirley Hundley and Elaine Siefing.

They volunteer their time and meet twice a year to review applications and decide if an application should be funded. The decision can be very difficult when the request exceeds the available monies. The goal is to disperse funds to best serve the communities of the cooperative members.

Organizations or individuals can contact Beth Davenport at Darke REC (937-548-4114) or visit our website at www.darkerec.com to receive an application.

2016 Recipients of Funds

- New Madison Community Fire Company - \$3,000
- Darke County Chapter Farm Safety for Kids - \$500
- Cancer Association of Darke County - \$1,000
- Grace Resurrection Association- \$700
- North Star Community Fire Company - \$2,000
- NT Eldorado Boosters - \$1,300
- Darke County Jr. Fair Swine Committee- \$700
- Tri-Village Youth Football - \$1,200
- Liberty Township Fire Department - \$800
- Boy Scout Troop 96 - \$800
- Community Help Center - \$1,300
- City of Greenville Parks - \$1,000
- Hooked on Fishing not on Drugs - \$800
- The Friends of the Cardinal Center - \$500
- Lewisburg Fire Department - \$800
- Center for Neurological Development - \$1,700
- Darke County Shrine Club - \$500
- Big Brothers Big Sisters - \$1,300
- Gettysburg Rural Fire Department - \$2,500

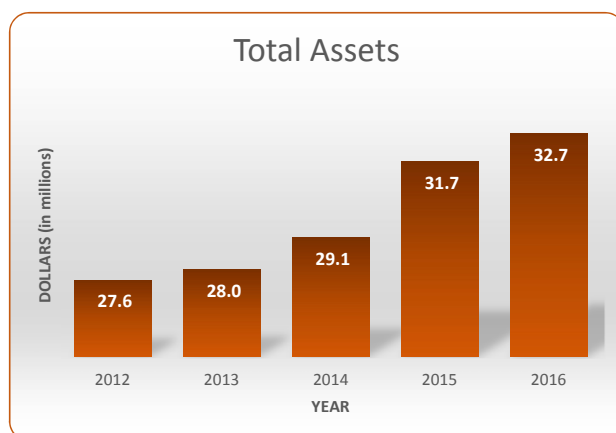
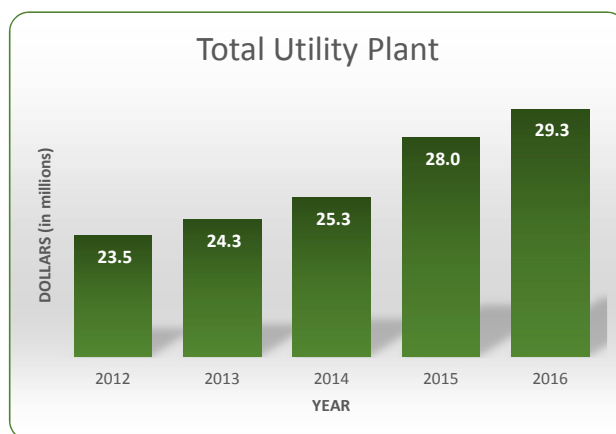


BALANCE SHEET

AS OF DECEMBER 31, 2016

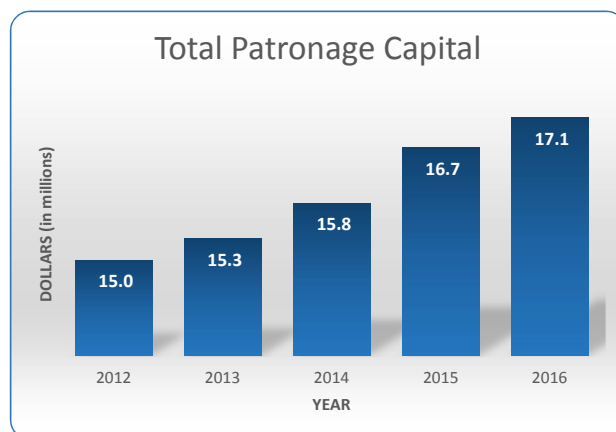
ASSETS

ELECTRIC PLANT	
In Service - at cost	\$28,976,300
Construction Work in Progress	325,700
Subtotal	\$29,302,000
Less Accumulated Provision for Depreciation and Amortization	6,627,221
Net Electric Plant	\$22,674,779
OTHER ASSETS & INVESTMENTS	
Investments in Associated Organizations	\$6,870,478
Total Other Assets & Investments	\$6,870,478
CURRENT ASSETS	
Cash & Cash Equivalents	\$1,616,787
Accounts Receivable (less accumulated provision for uncollectible accounts of \$1,578)	1,081,182
Materials and Supplies	254,427
Prepayments	54,238
Other Current Assets	27,538
Total Current Assets	\$3,034,172
DEFERRED DEBITS	
	\$73,510
TOTAL ASSETS	\$32,652,939



EQUITIES AND LIABILITIES

EQUITIES	
Patronage Capital	\$17,125,334
Accumulated Other Comprehensive Income	(2,419,187)
Other Equities	237,404
Total Equities	\$14,943,551
LONG-TERM DEBT	
USDA Rural Development	\$12,129,774
Cooperative Finance Corporation	542,069
Total Long-Term Debt	\$12,671,843
OTHER NONCURRENT LIABILITIES	
Accumulated Operating Provisions	\$3,432,761
Total Other Noncurrent Liabilities	\$3,432,761
CURRENT LIABILITIES	
Accounts Payable	\$912,724
Consumer Deposits	45,870
Other Current & Accrued Liabilities	436,312
Total Current Liabilities	\$1,394,906
DEFERRED CREDITS	
	\$209,878
TOTAL EQUITIES AND LIABILITIES	\$32,652,939



STATEMENT OF REVENUE FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES \$14,295,719

OPERATING EXPENSES

Cost of Power	\$8,566,285
Distribution - Operation	936,794
Distribution - Maintenance	639,618
Customer Accounts Expense	311,269
Customer Service and Informational Expense	156,494
Administrative and General Expense	1,041,604
Depreciation and Amortization	780,210
Taxes	517,900
Other Deductions	3,696
Interest on Long-Term Debt	252,152
Other Interest Expense	1,545
Total Operating Expenses	\$13,207,567

Operating Margins Before Capital Credits \$1,088,152

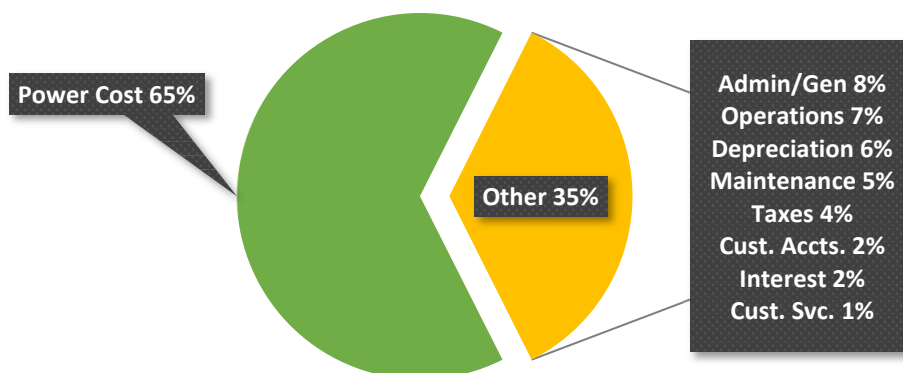
Buckeye Capital Credits	285,501
Other Capital Credits	22,033
Net Operating Margins	\$1,395,686

NONOPERATING MARGINS

Interest and Dividend Income	\$25,151
Other Nonoperating Income	2,947
Total Nonoperating Margins	\$28,098

NET MARGINS \$1,423,784

How Your Electric Dollar Was Spent in 2016



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Patronage Capital or Margins	\$1,423,784
Depreciation and Amortization Expense	780,210
Loss from Disposal of Assets	(190,909)
Total Funds from Operations	\$2,013,085
Accounts Receivable - Sale of Energy	(\$72,514)
Materials and Supplies	(10,731)
Other Operating Assets	(46,786)
(Increase)/Decrease in Operating Assets	(\$130,031)
Accumulated Operating Provisions	\$955,686
Accounts Payable	92,871
Other Current and Accrued Liabilities	29,498
Increase/(Decrease) in Operating Liabilities	\$1,078,055
CASH FROM OPERATING ACTIVITIES	\$2,961,109

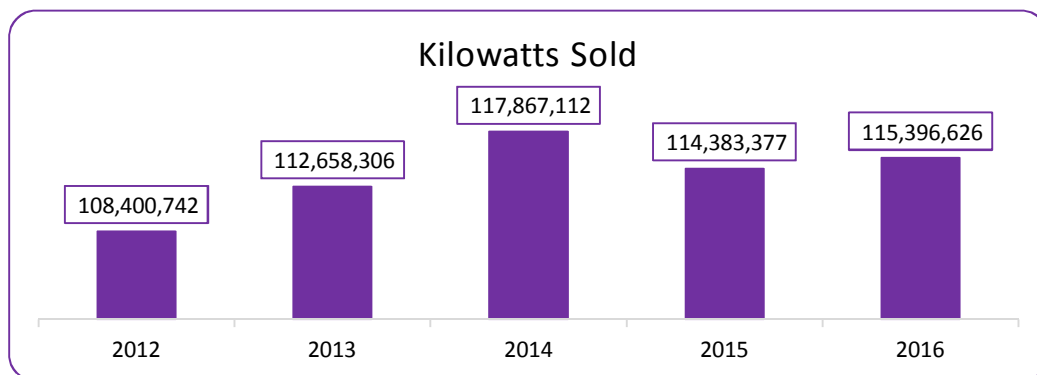
INVESTMENT ACTIVITIES

Utility Plant	(\$3,218,763)
Construction Work-in-Progress	1,934,617
Other Property and Investments	72,228
CASH FROM INVESTMENT ACTIVITIES	(\$1,211,918)

FINANCING ACTIVITIES

Margins and Equities	(\$1,729,551)
Long-Term Debt	191,307
Consumer Deposits	20
CASH FROM FINANCING ACTIVITIES	(\$1,538,224)

CASH FROM ALL ACTIVITIES	\$210,967
TOTAL CASH BEGINNING OF PERIOD	1,405,820
TOTAL CASH END OF PERIOD	\$1,616,787



The Cooperative Advantage

innovation

accountability

commitment to community

integrity