

**BALANCE SHEET**  
**FOR YEARS ENDED DECEMBER 31**  
**ASSETS (NOTES 1 AND 2)**

	<u>2008</u>	<u>2007</u>
<b><u>ELECTRIC PLANT:</u></b>		
In Service — at cost	\$19,329,136	\$17,870,639
Construction Work in Progress	<u>\$102,524</u>	<u>\$57,735</u>
Subtotal	\$19,431,660	\$17,928,374
Less Accumulated Provision for Depreciation and Amortization	<u>\$3,854,191</u>	<u>\$3,992,472</u>
Net Electric Plant	\$15,577,469	\$13,935,902
<b><u>OTHER ASSETS AND INVESTMENTS:</u></b>		
Investments in Associated Organizations	\$6,021,623	\$5,999,072
<b><u>OTHER INVESTMENTS:</u></b>		
Total Other Assets & Investments	<u>\$116</u> \$6,021,739	<u>\$139</u> \$5,999,211
<b><u>CURRENT ASSETS:</u></b>		
Cash & Cash Equivalents	\$374,348	\$1,134,581
Cash — Construction Fund — Trustee	\$0	\$0
Accounts Receivable (less accumulated provision for uncollectible accounts of \$1,926 in 2008 and \$1,087 in 2007)	\$944,511	\$855,193
Interest Receivable	\$3,584	\$3,569
Material and Supplies (at average cost)	\$213,344	\$197,955
Prepayments	<u>\$46,109</u>	<u>\$42,845</u>
Total Current Assets	\$1,581,896	\$2,234,143
<b><u>DEFERRED CHARGES</u></b>	<u>\$51,755</u>	<u>\$63,400</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$23,232,859</u>	<u>\$22,232,656</u>
<b>EQUITIES AND LIABILITIES (NOTE 1)</b>		
	<b><u>2008</u></b>	<b><u>2007</u></b>
<b><u>EQUITIES:</u></b>		
Memberships	\$44,710	\$44,670
Patronage Capital	\$13,591,122	\$13,688,905
Other Equities	(\$597,386)	(\$307,803)
Total Equities	\$13,038,446	\$13,425,772
<b><u>LONG-TERM DEBTS:</u></b>		
RUS Mortgage Notes	\$7,028,295	\$6,190,740
CFC Mortgage Notes	<u>\$509,776</u>	<u>\$538,101</u>
Total Long-Term Debts	\$7,538,071	\$6,728,841
<b><u>OTHER NONCURRENT LIABILITIES:</u></b>		
Accrued Unfunded Pension Obligation	\$1,006,222	\$982,118
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts Payable — Purchased Power	\$614,406	\$523,104
Accounts Payable — Other	\$465,957	\$62,771
Consumer Deposits	\$27,680	\$27,650
Accrued Taxes	\$273,723	\$257,148
Accrued Pension Contribution	\$0	\$0
Other Current Liabilities	<u>\$42,889</u>	<u>\$56,242</u>
Total Current Liabilities	\$1,424,655	\$926,915
<b><u>DEFERRED CREDITS</u></b>	<u>\$225,465</u>	<u>\$169,010</u>
<b><u>TOTAL EQUITIES AND LIABILITIES</u></b>	<u>\$23,232,859</u>	<u>\$22,232,656</u>

**STATEMENTS OF REVENUE, PATRONAGE CAPITAL AND OTHER EQUITIES  
FOR THE YEARS ENDED DECEMBER 31**

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES:</u>	\$10,159,878	\$9,408,084
<u>OPERATING EXPENSES:</u>		
Cost of Power	\$6,012,827	\$5,520,806
Distribution — Operation	\$690,783	\$581,010
Distribution — Maintenance	\$852,203	\$452,923
Consumer Record & Collection Expense	\$270,405	\$252,901
Consumer Service & Informational Expense	\$153,492	\$135,026
Administrative and General	\$618,682	\$606,353
Maintenance of General Plant	\$59,820	\$66,085
Depreciation and Amortization	\$499,951	\$476,799
Taxes	\$512,063	\$506,430
Other Income Deductions	\$4,035	\$3,278
Other Interest Expense	<u>\$1,102</u>	<u>\$1,100</u>
Total Operating Expenses	\$9,405,363	\$8,602,711
Operating Margins Before Fixed Charges	\$754,515	\$805,373
<u>FIXED CHARGES:</u>		
Interest on Long-term Debt	<u>\$259,110</u>	<u>\$260,749</u>
Operating Margins After Fixed Charges	\$495,405	\$544,624
<u>BUCKEYE CAPITAL CREDITS</u>	\$284,540	\$559,498
<u>OTHER CAPITAL CREDITS</u>	<u>\$16,302</u>	<u>\$16,747</u>
Net Operating Margins	\$796,247	\$1,120,869
<u>NONOPERATING MARGINS:</u>		
Interest and Dividend Income	\$16,483	\$28,028
Other Non-Operating Income	\$18,543	(\$1,445)
<u>NET MARGINS FOR PERIOD</u>	<u>\$831,273</u>	<u>\$1,147,452</u>
<u>PATRONAGE CAPITAL</u> — Beginning of Year	\$13,688,905	\$13,312,685
Retirement of Capital Credits	\$949,842	\$795,345
Unclaimed Capital Credits	<u>\$20,786</u>	<u>\$24,113</u>
<u>PATRONAGE CAPITAL</u> — End of Year	<u>\$13,591,122</u>	<u>\$13,688,905</u>

**STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED DECEMBER 31**

	<u>2008</u>	<u>2007</u>
<u>Cash Flows From Operating Activities:</u>		
Margins	\$831,273	\$1,147,452
Add Back Depreciation Expense	<u>\$499,951</u>	<u>\$476,799</u>
Cash Provided by Operating Activities	\$1,331,224	\$1,624,251
<u>Changes in Working Capital:</u>		
Accounts Receivable	(\$89,318)	(\$111,256)
Inventory	(\$15,389)	\$26,617
Accounts Payable	\$494,488	(\$143,552)
Prepaid Insurance	(\$3,264)	(\$394)
Taxes	\$16,575	\$15,494
Other	<u>(\$210,677)</u>	<u>\$90,552</u>
Total Changes in Working Capital	\$192,415	(\$122,539)
Construction and Plant Acquisitions (net)	(\$2,141,518)	(\$713,498)
Cash Flow from Operations	(\$617,879)	\$788,214
<u>Cash Flows From Financing Activities:</u>		
Investments in Associations	(\$22,528)	(\$304,271)
Patronage Capital Credits Retired	(\$929,056)	(\$771,232)
Increase (Decrease) in Long-term Debt	<u>\$809,230</u>	<u>\$547,045</u>
Net Cash Used by Financing Activities	(\$142,354)	(\$528,458)
<u>NET INCREASE (DECREASE) IN CASH &amp; EQUIVALENTS</u>	<u>(\$760,233)</u>	<u>\$259,756</u>

(The accompanying notes are an integral part of this statement)

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Darke Rural Electric Cooperative, Inc. is incorporated under the laws of the State of Ohio, operates as a cooperative, and is exempt from federal taxation under Section 501(C) (12) (A) of the Internal Revenue Code. The cooperative's business is that of providing electric service primarily to rural consumers in Darke and Preble counties in Ohio. Providing electric service includes construction of plant as well as purchasing electricity to sell to its consumers.

The cooperative reports income using the accrual method of accounting. As of Dec. 31, 2008, the cooperative employs self-reading for approximately 10 percent of its consumers for purposes of determining the charges. The other 90 percent is determined by Turtle® meters, whose reading is received via satellite. The cooperative is exempt from income taxes, but pays kWh taxes and property taxes. Inventories are valued at cost or market, whichever is lower. The cooperative considers cash and cash equivalents to be cash on demand, certificates of deposit, money market accounts, and investments in commercial paper having a maturity of 90 days or less. There were no commercial paper investments as of Dec. 31, 2008.

The cooperative maintains cash balances at several financial institutions located in Ohio and Virginia. The cooperative's investments in commercial paper are uninsured. All other accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At Dec. 31, 2008 and 2007, the cooperative's uninsured cash and cash equivalent balances total \$373,348 and \$1,133,581, respectively. Credit risk for accounts receivable is concentrated because substantially all of the balances are receivable from consumers located within the same geographic region.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. ASSETS PLEDGED:**

Substantially all assets are pledged as security for the long-term debts to RUS, Rural Utilities Service, and CFC, Cooperative Finance Corporation.

**3. PATRONAGE CAPITAL:**

As of December 31, patronage capital consisted of:

	<u>2008</u>	<u>2007</u>
Assignable	\$831,273	\$1,147,452
Assigned to Date	<u>\$23,100,095</u>	<u>\$21,952,643</u>
<b>TOTAL</b>	<b>\$23,931,368</b>	<b>\$23,100,095</b>
Less: Retirement to Date	<u>\$10,340,246</u>	<u>\$9,411,190</u>
<b>TOTAL</b>	<b>\$13,591,122</b>	<b>\$13,688,905</b>

Patronage Capital disbursement is subject to Board approval each year.

**4. LITIGATION:**

There is no litigation pending against the cooperative at this time.

**5. COMMITMENTS:**

Under its wholesale power agreement, the cooperative is committed to purchase its electric power and energy requirements from Buckeye Power, Inc. until Dec. 31, 2025. The rates paid for such purchases are subject to review not less than annually.

**6. AUDIT:**

The accompanying financial statements are unaudited. The cooperative's Board of Trustees authorized the accounting firm of Arena, Harrison and Ring, Certified Public Accountants, Inc., 615 Rome-Hilliard Road, Columbus, Ohio, 43228, to audit the financial statements and prepare an Independent Auditors' Report for the year ending Sept. 30, 2008, as required by the RUS. Their report is on file at the cooperative's office and may be reviewed by any member of the cooperative upon request at the office during regular office hours.

**7. REPORT PREPARED**

This report is prepared by the cooperative staff on a calendar year basis.

