

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

	<u>2009</u>	<u>2008</u>
ELECTRIC PLANT:		
In Service—at cost	\$20,285,415	\$19,329,136
Construction Work in Progress	\$93,257	\$102,524
Subtotal	\$20,378,672	\$19,431,660
Less Accumulated Provision for Depreciation and Amortization	\$3,936,957	\$3,854,191
Net Electric Plant	\$16,441,715	\$15,577,469
OTHER ASSETS AND INVESTMENTS:		
Investments in Associated Organizations	\$5,692,927	\$6,021,623
OTHER INVESTMENTS		
Total Other Assets & Investments	\$92	\$116
	\$5,693,019	\$6,021,739
CURRENT ASSETS:		
Cash & Cash Equivalents	\$341,512	\$374,348
Cash—Construction Fund—Trustee	\$0	\$0
Accounts Receivable (less accumulated provision for uncollectible accounts of \$532 in 2009 and \$1,926 in 2008)	\$994,750	\$944,511
Interest Receivable	\$3,559	\$3,584
Material and Supplies (at average cost)	\$203,589	\$213,344
Prepayments	\$46,374	\$46,109
Total Current Assets	\$1,589,784	\$1,581,896
DEFERRED CHARGES		
	\$40,288	\$51,755
TOTAL ASSETS	\$23,764,806	\$23,232,859

EQUITIES AND LIABILITIES (NOTE 1)

	<u>2009</u>	<u>2008</u>
EQUITIES:		
Memberships	\$44,870	\$44,710
Patronage Capital	\$13,180,684	\$13,591,122
Other Equities	(\$1,254,089)	(\$597,386)
Total Equities	\$11,971,465	\$13,038,446
LONG-TERM DEBTS:		
RUS Mortgage Notes	\$8,254,260	\$7,028,295
CFC Mortgage Notes	\$479,630	\$509,776
Total Long-Term Debts	\$8,733,890	\$7,538,071
OTHER NONCURRENT LIABILITIES:		
Accrued Unfunded Pension Obligation	\$1,691,492	\$1,006,222
CURRENT LIABILITIES:		
Accounts Payable—Purchased Power	\$686,469	\$614,406
Accounts Payable—Other	\$73,059	\$465,957
Consumer Deposits	\$29,060	\$27,680
Accrued Taxes	\$287,454	\$273,723
Accrued Pension Contribution	\$0	\$0
Other Current Liabilities	\$48,828	\$42,889
Total Current Liabilities	\$1,124,870	\$1,424,655
DEFERRED CREDITS		
	\$243,089	\$225,465
TOTAL EQUITIES AND LIABILITIES	\$23,764,806	\$23,232,859

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

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES	\$10,947,030	\$10,159,878
OPERATING EXPENSES:		
Cost of Power	\$6,632,949	\$6,012,827
Distribution—Operation	\$764,737	\$690,783
Distribution—Maintenance	\$463,605	\$582,203
Consumer Record & Collection Expense	\$309,438	\$270,405
Consumer Service & Informational Expense	\$168,572	\$153,492
Administrative and General	\$679,956	\$618,682
Maintenance of General Plant	\$64,286	\$59,820
Depreciation and Amortization	\$536,578	\$499,951
Taxes	\$494,443	\$512,063
Other Income Deductions	\$4,645	\$4,035
Other Interest Expense	\$1,104	\$1,102
Total Operating Expenses	\$10,120,313	\$9,405,363
Operating Margins Before Fixed Charges	\$826,717	\$754,515
FIXED CHARGES:		
Interest on Long-Term Debt	\$311,631	\$259,110
Operating Margins After Fixed Charges	\$515,086	\$495,405
BUCKEYE CAPITAL CREDITS	\$0	\$284,540
OTHER CAPITAL CREDITS	\$20,891	\$16,302
Net Operating Margins	\$535,977	\$796,247
NON-OPERATING MARGINS:		
Interest and Dividend Income	\$31,127	\$16,483
Other Non-Operating Income	\$17,520	\$18,543
NET MARGINS FOR PERIOD	\$584,624	\$831,273
PATRONAGE CAPITAL—Beginning of Year	\$13,591,122	\$13,688,905
Retirement of Capital Credits	\$1,028,535	\$949,842
Unclaimed Capital Credits	\$33,473	\$20,786
PATRONAGE CAPITAL—End of Year	\$13,180,684	\$13,591,122

STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Margins	\$584,624	\$831,273
Add Back Depreciation Expense	\$536,578	\$499,951
Cash Provided by Operating Activities	\$1,121,202	\$1,331,224
Changes in Working Capital:		
Accounts Receivable	(\$50,239)	(\$89,318)
Inventory	\$9,755	(\$15,389)
Accounts Payable	(\$320,835)	\$494,488
Prepaid Insurance	(\$264)	(\$3,264)
Taxes	\$14,239	\$16,575
Other	\$4,209	(\$210,677)
Total Changes in Working Capital	(\$343,135)	\$192,415
Construction and Plant Acquisitions (net)	(\$1,400,824)	(\$2,141,518)
Cash Flow from Operations	(\$622,757)	(\$617,879)
Cash Flows From Financing Activities:		
Investments in Associations	\$328,881	(\$22,528)
Patronage Capital Credits Retired	(\$934,779)	(\$929,056)
Increase (Decrease) in Long Term Debt	\$1,195,819	\$809,230
Net Cash Used by Financing Activities	\$589,921	(\$142,354)
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	(\$32,836)	(\$760,233)

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009, they employ self-reading for approximately 5 percent of its consumers for purposes of determining the charges. The other 95 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 ninety days or less. There were no commercial paper investments as of Dec. 31, 2009. 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, 2009 and 2008, the cooperative's uninsured cash and cash equivalent balances total \$340,512 and \$373,348, 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>2009</u>	<u>2008</u>
Assignable	\$584,624	\$831,273
Assigned to Date	\$23,931,368	\$23,100,095
TOTAL	\$24,515,992	\$23,931,368
Less: Retirement to Date	\$11,335,308	\$10,340,246
TOTAL	\$13,180,684	\$13,591,122

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, 2009, as required by the RUS. Their report is on file at the cooperative 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.