

2016 Annual Meeting

The Ozark Border Electric Cooperative's 2016 Annual Membership Meeting will be held on Saturday, August 6, 2016 at the Three Rivers College in Poplar Bluff, Missouri.

ANNUAL MEMBERSHIP MEETING August 6, 2016

Ozark Border Electric Cooperative's Annual Membership Meeting was held on Saturday, August 6, 2016 at the Three Rivers College in Poplar Bluff, Missouri. A total of 1,181 members attended the meeting. During the meeting four members were elected to serve on the Board of Directors of the Cooperative. The following were those elected:

- Jordan Collins – Ellsinore – District 1
- Judy Lunsford – Poplar Bluff – District 2
- Bill Hager – Harviell – District 3
- Greg Lintz – Dexter – District 4

There are a total of twelve members who serve on the Board and the other eight directors are as follows:

- Dewayne Ligons – Ellsinore – District 1
- Gary Melton – Poplar Bluff – District 2
- Bill Crawford – Poplar Bluff – District 3
- Jeff Holloway – Puxico – District 4
- Darrell Atchison – Williamsville – District 1
- Mark Yarbrow – Poplar Bluff – District 2
- Charlie Bunting – Poplar Bluff – District 3
- Ed Crow – Dexter – District 4

At the conclusion of the annual meeting, the Board elected the following officers:

Darrell Atchison, President
Judy Lunsford, Vice President
Mark Yarbrow, Secretary/Treasurer



Barry Hart, Executive Vice President of the Association of Missouri Electric Cooperatives in Jefferson City, Missouri gave an update on the proposed EPA rules which are being challenged in court. These rules will increase electric rates a great deal in the near future. Representative Jason Smith of the 8th District attended the meeting and updated everyone on proposed legislation. Representative Smith has been a strong supporter of Missouri Electric Cooperatives for a number of years.



Board President, Darrell Atchison reported that Ozark Border Electric Cooperative continues to remain financially strong and at the end of 2015 was providing service to 39,526 consumers and maintaining 5,941 miles of power line. The Board President reported that OBEC refunded \$1,092,000 in capital credits to the Cooperative member/owners in 2015 and another \$1,037,000 in 2016. He reported that the average annual operating expense per consumer in 2015 was \$348 for OBEC while the state average is \$534 per consumer. Ozark Border Electric Cooperative provides service to 454 consumers per full-time employee while the state average is 306 consumers per full-time employee. The Cooperative continues to operate at a high level of efficiency.



General Manager, Stanley Estes reported that in 2015 the power used by Cooperative members came from the following sources:

- Produced by coal plants – 68%
- Produced by natural gas plants – 12%
- Produced by hydroelectric dams – 8%
- Produced by wind – 12%

A total of 20% of power used in 2015 came from renewable energy.

The General Manager reported that every three years electric cooperatives in Missouri, participate in a survey of their members to determine how satisfied they are with the service they receive. The General Manager thanked the OBEC members for participating in the recent survey and for giving OBEC a rating of 89 out of 100 which was the highest score in Missouri. Ozark Border has been blessed to have a group of loyal and dedicated members and employees who work together to improve service.



Special guests at this year's Annual Meeting:

Jason Smith - US Representative, Missouri 8th District
with
Doug Libla - Missouri State Senator, District 25

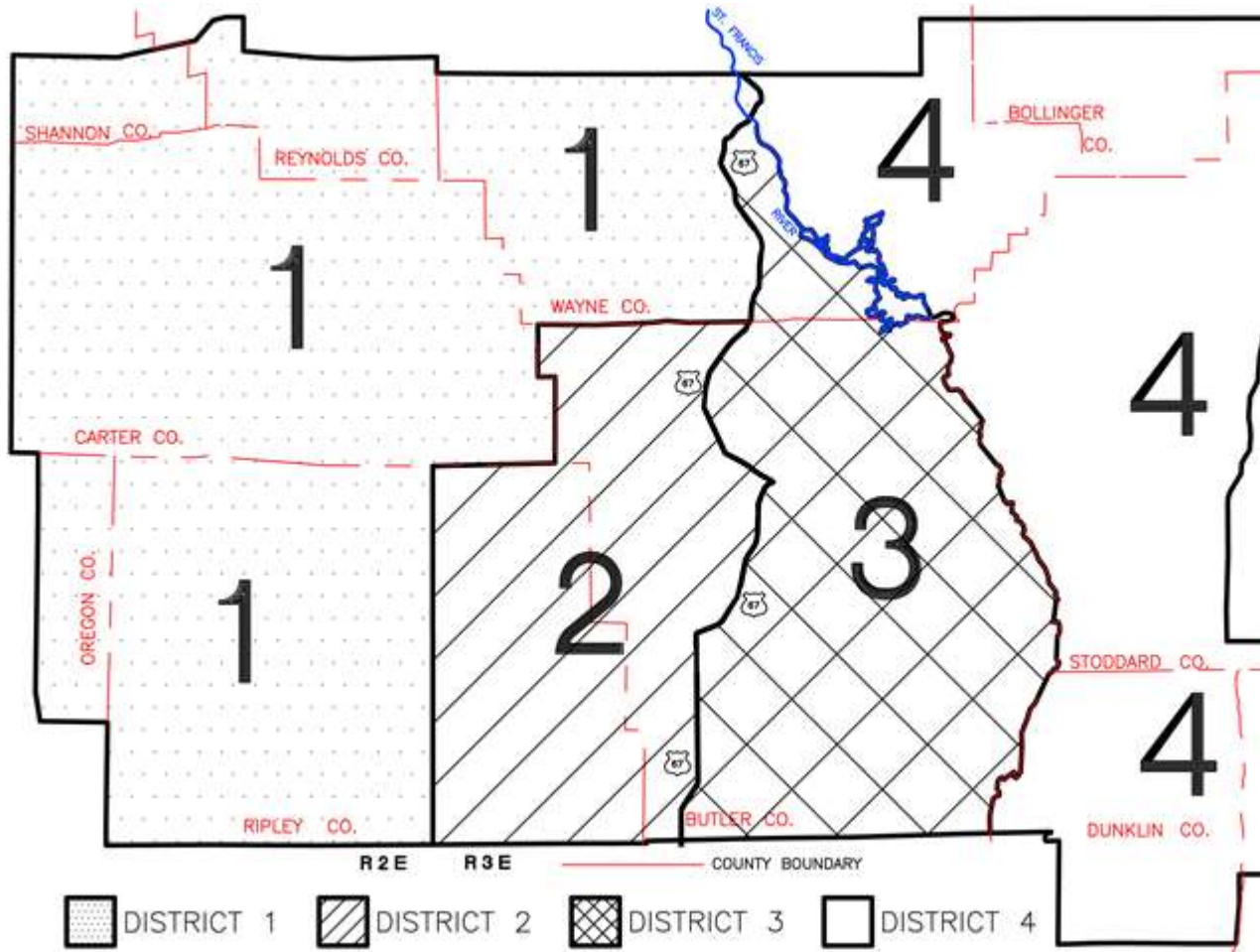
2016 OBEC Annual Meeting Prize Winners

	NAME	TOWN	PRIZE	DONATED BY
1	Abbott, Luther G.	Doniphan	6 Quart Slow Cooker	OBEC
2	Adair, Richard	Poplar Bluff	Laser Printer	Novacopy
3	Adams, Stacey	Poplar Bluff	Weed Eater	Townsend Tree Service
4	Arnold, Tony F.	Poplar Bluff	Griddle	OBEC
5	Boyers, Cynthia J.	Poplar Bluff	Auto Vac	OBEC
6	Braden, Mary J.	Poplar Bluff	\$50 Walmart Gift Card	Townsend Tree Service
7	Brooks, Dickie	Puxico	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
8	Burnett, Mack A. Jr	Williamsville	\$50 Walmart Gift Card	Pike Electric
9	Campbell, Mary K.	Poplar Bluff	Toaster/Toaster Oven	OBEC
10	Carr, Fred R. Jr.	Broseley	\$75 Walmart Gift Card	OBEC
11	City Of Naylor	Naylor	Coffee Maker	OBEC
12	Daughhete, Ronald E.	Poplar Bluff	\$75 Walmart Gift Card	OBEC
13	Dicken, Curtis	Poplar Bluff	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
14	Dorris, Roy L.	Derby, KS	Battery Backup	Novacopy
15	Drake, Donald L.	Fairdealing	\$75 Walmart Gift Card	OBEC
16	Durrow, Linda D.	Williamsville	\$75 Walmart Gift Card	OBEC
17	Dye, Myra S.	Poplar Bluff	\$50 Walmart Gift Card	Pike Electric
18	Edgin, Sharon	Bernie	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
19	Esmon, Betty M.	Doniphan	\$50 Huck's Gift Card	Cash's Car Clinic
20	Evans, Larry L.	Poplar Bluff	\$50 Walmart Gift Card	Pike Electric
21	Fann, Billy W.	Doniphan	\$50 Walmart Gift Card	Townsend Tree Service
22	Foster, Clifford L.	Doniphan	\$75 Walmart Gift Card	OBEC
23	Fris, Gerald L.	Mill Spring	\$50 Walmart Gift Card	Pike Electric
24	Getter, Edna M.	Doniphan	\$75 Walmart Gift Card	OBEC
25	Gowen, Laura B.	Poplar Bluff	4 Quart Slow Cooker	OBEC
26	Greenlee, Gary L	Poplar Bluff	Tool Set	OBEC
27	Griffin, Sam C.	Doniphan	\$50 Huck's Gift Card	Cash's Car Clinic
28	Griffin, Thomas L. Jr.	Wappapello	\$50 Huck's Gift Card	Cash's Car Clinic
29	Hall, Roy	Poplar Bluff	16 Quart Cooler	OBEC
30	Hampton, Linda Kay	Poplar Bluff	Coffee Maker 2 Way	OBEC
31	Harris, Thomas A.	Poplar Bluff	\$75 Walmart Gift Card	OBEC
32	Hedrick, Ronald L. Jr.	Poplar Bluff	6 Quart Slow Cooker	OBEC
33	Hutcheson, Jo Ann	Poplar Bluff	\$50 Huck's Gift Card	Cash's Car Clinic
34	Jenkins, Robert D.	Puxico	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
35	Jones, David E.	Poplar Bluff	NutriBullet Blender	Cape Electric
36	Jones, Matthew S.	Puxico	Fry Daddy	OBEC
37	Ketcherside, James E.	Wappapello	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC

38	Lignons, Denver	Ellsinore	\$25 Walmart Gift Card	Arkansas Electric Cooperative
39	Lloyd, Jonathan	Harviell	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
40	Long, Bonita S.	Fisk	Spot Light	Anixter
41	Lunsford, Ken	Poplar Bluff	Suitcase	MACCO
42	May, Larry D.	Doniphan	\$50 Walmart Gift Card	Townsend Tree Service
43	McGill, Glenna F.	Poplar Bluff	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
44	McMullin, Ruth	Poplar Bluff	Auto Vac	OBEC
45	Oglesville Baptist Church	Qulin	55" TV	OBEC
46	Pennington, Glen	Doniphan	Toaster/Toaster Oven	OBEC
47	Potter, Leah F.	Poplar Bluff	\$50 Walmart Gift Card	Pike Electric
48	Robinson, Jason P.	Harviell	\$25 Walmart Gift Card	Arkansas Electric Cooperative
49	Shannon, Edward H.	Poplar Bluff	\$50 Walmart Gift Card	Townsend Tree Service
50	Short, Larry D.	Poplar Bluff	Galaxy Tablet	Southern Bank
51	Smith, Alvie R.	McGee	\$75 Walmart Gift Card	OBEC
52	Smith, Matthew E.	Poplar Bluff	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
53	Smith, Stephen G.	Doniphan	\$50 Walmart Gift Card	Townsend Tree Service
54	Spencer, Julie	Poplar Bluff	Backpack	NISC
55	Spring Hill Bapt Church	Doniphan	Knife Sharpener	OBEC
56	Staley, Richard C.	Dexter	\$50 Walmart Gift Card	Pike Electric
57	Stuart, Thomas	Fairdealing	\$75 Walmart Gift Card	OBEC
58	Studt, Carol A.	Wappapello	Igloo Cooler	McCoy's Scrap Metal
59	Tate, Terry G.	Campbell	\$50 Walmart Gift Card	Townsend Tree Service
60	Thomas, Leslie E.	Harviell	4 Quart Slow Cooker	OBEC
61	Tipton, Arnold R.	Qulin	\$75 Walmart Gift Card	OBEC
62	Walk, Harold W.	McGee	\$50 Walmart Gift Card	Pike Electric
63	Watson, Rebecca F.	Poplar Bluff	Work Light	Fletcher-Reinhardt
64	Webster, Hilda J.	Poplar Bluff	Fry Daddy	OBEC
65	Weinert, Floy D.	Poplar Bluff	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
66	Wells, Naomi R.	Ellsinore	40" TV	M & A Electric
67	Wheelis, Eldon E.	Poplar Bluff	\$25 Lil Black River Café Gift Certificate & \$75 Walmart Gift Card	OBEC
68	Woolard, Leon E.	Poplar Bluff	\$50 Walmart Gift Card	Pike Electric

ELECTION OF DIRECTORS BY BOARD DISTRICTS

At the 2013 Annual Membership Meeting, the OBEC members approved a bylaw which divided the Cooperative's service area into four board districts with three directors from each district. At Annual Meetings, Cooperative members will elect four board members, one from each board district. They will serve a three year term. While one director is elected from each district, all members will vote for candidates in all four districts. The candidate receiving the most votes within a district will be elected to the board.



This bylaw ensures that each area has representation and ensures that all members can vote for one candidate in each district. The Cooperative's bylaw have a term limit provision which limits the number of terms or parts of a term that a member can serve on the board to seven terms.

Cooperative members will not need to know which district they live in unless they want to run for a director's position on the Cooperative's board of directors. Director candidates for a district shall be a bona fide resident of the district in which they run and shall be qualified to serve only in the district in which they reside.

FINANCIAL RECORDS

The Cooperative's financial records for 2015 were audited by Kraft, Miles and Tatum, Certified Public Accountants, and have been reported to the Rural Utilities Service. If anyone has questions about the enclosed financial reports or the operations of the Cooperative, please contact the Cooperative's business office at 573-785-4631 or 1-800-392-0567 in Poplar Bluff, Missouri. Business hours are Monday through Friday, 8:00 A.M. to 5:00 P.M.

The Cooperative's statement of operations and balance sheet for the year 2015 are enclosed in this annual report to the members. The Cooperative ended 2015 with an operating margin of \$199,478 which was considerably less than the previous year. Since the Cooperative sold less electricity in 2015 than 2014 because of mild weather, a decrease in margins was expected.

Ozark Border Electric Cooperative was organized in 1938 and since that time has grown to an electric cooperative with over \$222 million in assets while providing 697 million Kwh annually to its members. In the early years affordable power was more important than reliability. Today, the Cooperative provides service to 39,526 active meters, maintains 5,941 miles of power line and both affordable power and reliable power are very important to today's members.

While Ozark Border Electric Cooperative struggled in its early years like most other electric cooperatives, today it has become an efficient cooperative as a result of dedicated cooperative members and employees. In 2015, the Cooperative's annual operating expense was \$348 per consumer compared to the state average for all electric cooperatives in Missouri of \$534 per consumer. OBEC has one of the lowest annual operating cost of electric cooperatives in Missouri. OBEC serves 454 consumers per full time employee compared to a state average of 306 consumers per full-time employee. The Cooperative's efficiency level remains very good even in a difficult economy because of dedicated employees and members who are willing to work together to improve service and keep cost low. Cooperative members have allowed the Cooperative to cut and trim trees near power lines to reduce right-of-way clearing cost, reduce power outages and reduce line blinks. More than 80% of the Cooperative's 3,786 irrigation accounts have agreed to not use the irrigation wells during peak times in order to reduce demand cost. Cooperative members report damage to power lines during storms which has reduced outage time and cost. One of the strengths of our country and our Cooperative is the willingness of everyone to work together for common goals. The Cooperative would like to thank the members for making 2015 a successful year for the Cooperative.

At the end of 2015 the Cooperative's power supplier notified Ozark Border Electric Cooperative that its purchase power rates would be increased in the first part of 2016 and on April 1, 2016, the purchase power rates were increased. Since 62% of the cost to operate the Cooperative is purchase power cost OBEC has no choice but to raise rates to the members. A cost of service study was performed by an outside rate consultant and new rates have been developed and approved which will take effect on the September 1, 2016 electric bills. When the cost of the electricity used by our members is increased, there is no choice but to raise the electric rates. Along with the increase in purchase power cost the Cooperative has experienced an increase in a number of other areas such as construction cost, operations expenses and maintenance expenses. The last time rates were increased was April 1, 2012 which is over four years ago. It's never a good time to raise rates; however, sometimes there are no other choices. The Cooperative appreciates the opportunity to provide your electric service and looks forward to working with

you in the future.

Stanley Estes
General Manager

Balance Sheet

As of December 31,

Assets

	2015	2014	2013
Net utility plant	\$164,417,786	\$162,069,573	\$158,132,208
Investments in assoc organizations	41,215,715	39,902,430	38,188,834
Cash on hand	611,485	521,279	495,707
Temporary investments	5,220,310	12,322,616	3,321,210
Accounts receivable	5,082,597	5,918,050	6,455,402
Inventory	4,490,107	4,671,958	4,983,643
Other assets	<u>1,829,014</u>	<u>2,623,072</u>	<u>1,252,593</u>
Total Assets	<u>\$222,867,014</u>	<u>\$228,028,978</u>	<u>\$212,829,597</u>

Liabilities & Members' Equity

Memberships	\$845,290	\$862,875	\$884,000
Patronage Capital	73,808,659	70,444,256	66,416,438
Total Margins	<u>2,699,576</u>	<u>4,457,142</u>	<u>4,588,917</u>
Total margins & equities	<u>\$77,353,525</u>	<u>\$75,764,273</u>	<u>\$71,889,355</u>
Long-term Debt to RUS & CFC	\$136,220,802	\$140,008,988	\$131,173,920
Accounts payable	3,643,488	3,668,502	4,112,559
Consumer deposits	3,610,757	3,490,338	3,367,393
Other current liabilities	<u>2,038,442</u>	<u>5,096,877</u>	<u>2,286,370</u>
Total liabilities	<u>\$145,513,489</u>	<u>\$152,264,705</u>	<u>\$140,940,242</u>
Total Liabilities and Equities	<u>\$222,867,014</u>	<u>\$228,028,978</u>	<u>\$212,829,597</u>

Statement of Operations

As of December 31,

	2015	2014	2013
Operating Revenue	<u>\$67,319,472</u>	<u>\$68,292,778</u>	<u>\$66,476,201</u>
Cost of purchased power	41,513,470	41,107,194	40,680,993
Distribution expense	8,741,933	8,272,234	8,021,749
Customer accts and service exp	2,837,905	2,736,710	2,619,887
Administrative and general expense	2,186,379	2,102,973	1,981,491
Depreciation expense	6,168,848	5,954,357	5,764,731
Interest Expense	<u>5,671,459</u>	<u>6,006,330</u>	<u>5,857,809</u>
Total Cost of Electric Service	<u>\$67,119,994</u>	<u>\$66,179,798</u>	<u>\$64,926,660</u>
Operating Margins (LOSS)	<u>\$199,478</u>	<u>\$2,112,980</u>	<u>\$1,549,541</u>
Nonoperating Margins	<u>\$486,384</u>	<u>\$632,241</u>	<u>\$420,336</u>
G&T Capital Credits	<u>\$1,767,238</u>	<u>\$2,089,469</u>	<u>\$2,815,325</u>