

The sky's the limit

**ANNUAL
REPORT 2016**

OUR CHALLENGES, THE OPPORTUNITIES, YOUR VALUE

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CORPORATE PROFILE

Johnson County Rural Electric Membership Corporation, located in Franklin, Indiana, is a member-owned electric power corporation that supplies electricity to more than 21,000 members in Johnson County and portions of Morgan, Shelby and Brown counties.

Johnson County REMC is a Touchstone Energy® cooperative. Touchstone Energy® is a national alliance of cooperatively-owned electric utilities that are active members of their local communities committed to serving residential, commercial and industrial customers with integrity, accountability, innovation and community involvement. More than 750 Touchstone Energy® cooperatives in 46 states are delivering electric power and energy solutions to millions of customers every day.



AT A GLANCE

Sales to members, kWh

480,745,147

Number of services

26,170

Operating revenues

56,537,799

Net plant in service

84,095,718

Operating margins

1,187,197

Miles of electric line

1,656



OUR CHALLENGES, THE OPPORTUNITIES, YOUR VALUE

In this era of rapidly changing technology within the electric utility industry there are challenges ahead that will impact the way we do business. With these challenges, there are opportunities to change the way we do business and bring even more value to your membership.



Solar Array Dedication

Fiber Optic

Our SmartHub app

Supporting our community



Digital Meters

Linework

Safety Demonstration

Rescue Training



MESSAGE FROM OUR PRESIDENT AND CEO



President
Glenn McAlpin



CEO
L. Chester Aubin

There are times in industry when business processes stay relatively the same. But then a boom occurs creating change – whether it’s due to technical capabilities, economic, demographic or other forces. The theme of our annual meeting this year is Our Challenges, The Opportunities, Your Value. We are entering an era of rapid change within the electric utility industry and recognize that there are challenges ahead that will impact the way we do business. But this also opens the door for new opportunities for both the cooperative – and for our members.

We are all familiar with the Industrial Revolution in the United States where production of goods moved from home businesses and hand-crafting to machine-aided production in factories. Major changes took place in transportation, manufacturing, and communication. This revolution transformed the daily lives of Americans more than any single event in U.S. history.

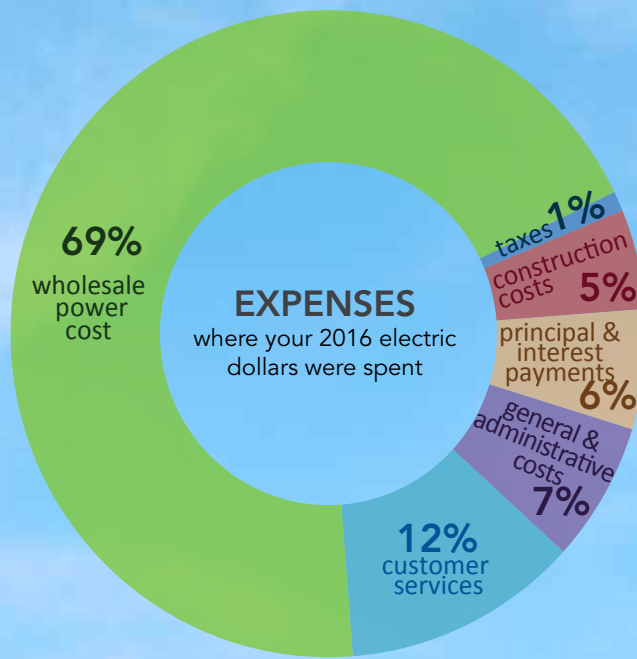
And at the height of the Industrial Revolution, another historical event was quietly in the making – the lighting of rural America. It would take another century before the reality of electrical power would come to fruition for folks in the country. A popular song during this era was, “When Johnny Comes Marching Home.” Beginning in the 1930s – “Johnny” was coming home to a new rural America, powered and thriving with the wonder of electricity. A new rural America filled with light, power and opportunity. A new era of challenges and opportunities.

Another century later, we again stand at the precipice of great change. The electric utility industry is at the brink of a massive transformation. For almost a century, the industry has steadfastly been drumming along with minimal evolution. Now, with coal power in decline, renewables reaching grid parity, rate design in reform, modernization of the grid, fiber-optics for data transfer, and other factors, it is evident we are in the midst of a revolution that is quickly embroiling our industry.

But we see opportunity in this revolution, seeking new meaning in what we do – leading at the forefront of change – facing new challenges with fortitude and tenacity – finding better ways to do what we do best. To continue to bring reliable, affordable electric power to our members.

Johnson County REMC has always been proud of our reliability and service. As the industry shifts toward a new way of doing business, we are confident in our ability to meet future challenge and seize new opportunities to maintain the level of service and reliability our members have come to expect. The name of the game is change. And the game is on. It’s an exciting time to be in the industry.

April 22, 2017



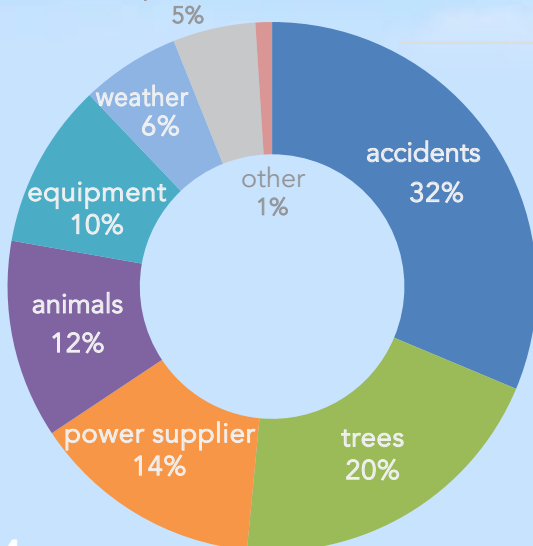
FINANCIAL AND STATISTICAL CHARTS

Consumers by Type



Causes Of Power Outages

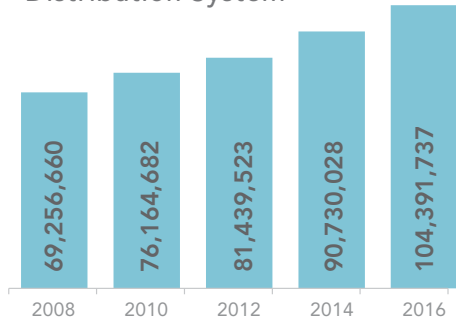
average outage time per consumer 1.0 hours



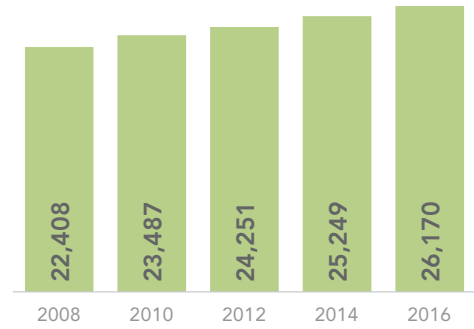
Revenue by Source



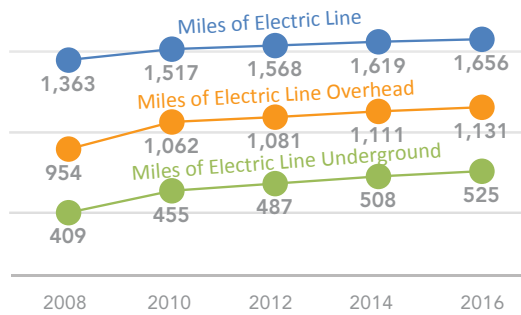
Investment in Electric Distribution System



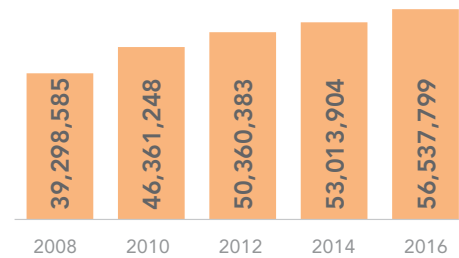
Number of Services



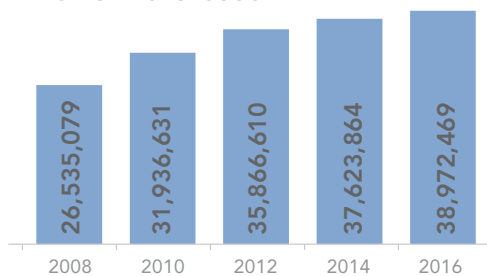
Miles of Electric Line



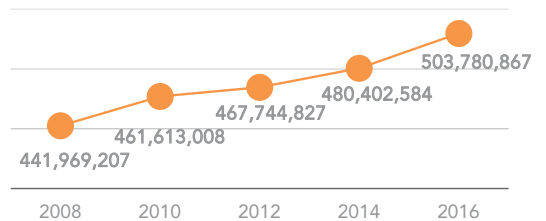
Operating Revenues



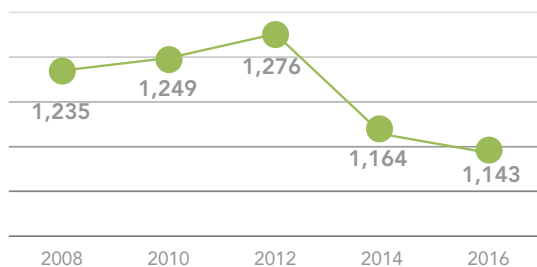
Cost of Power Purchased



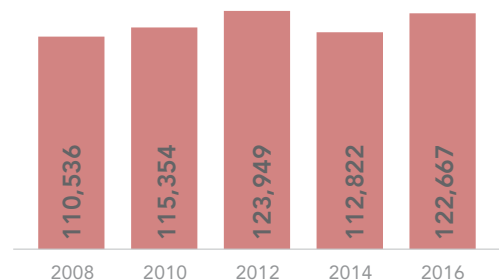
Total Electricity (kWh) Purchased



Average Monthly Residential Usage (kWh)



System Peak Demand in Kilowatts (KW)



THE PEOPLE BEH



Administration



Customer Service



Member Services & Key Accounts



Finance & Accounting

IND THE POWER



Operations



Information Technology



Engineering



REVENUE AND EXPENSE STATEMENTS

For the years ended December 31,

REVENUES	Unaudited	
	2016	2015
Residential and farm sales	41,490,017	40,352,262
Commercial and large power sales	14,453,671	13,801,561
Other electric revenue	594,111	637,792
TOTAL OPERATING REVENUES	\$ 56,537,799	\$ 54,791,615

OPERATING EXPENSES

Wholesale power costs	38,972,469	37,911,701
Operation and maintenance of lines	4,925,465	4,468,593
Consumer accounting and service	1,472,193	1,709,492
Sales and economic development	176,772	198,552
Administrative and general	3,951,300	3,686,713
Depreciation	3,508,482	3,206,670
Taxes	796,360	763,728
Interest on long term debt	1,547,561	1,571,331
TOTAL OPERATING EXPENSES	\$ 55,350,602	\$ 53,516,780

MARGINS

Operating margins	1,187,197	1,274,835
Non-operating margins	1,218,740	751,443
Capital credits allocated from associated organizations	2,017,304	1,884,561
TOTAL MARGINS	\$ 4,423,241	\$ 3,910,839

BALANCE SHEETS

As of December 31,

ASSETS

	Unaudited 2016	2015
UTILITY PLANT IN SERVICE, NET	84,095,718	79,815,555
OTHER PROPERTY AND INVESTMENTS		
Investments in subsidiary companies	849,800	849,800
Investments in associated organizations – patronage capital	20,780,004	19,181,058
Investments in associated organizations – non-general funds	621,251	621,251
Investments in economic development projects		
Special funds	380,165	380,165
TOTAL OTHER PROPERTY AND INVESTMENTS	22,631,220	21,032,274
LONG-TERM NOTE RECEIVABLE – NET	2,904,707	3,002,322
CURRENT AND ACCRUED ASSETS		
Cash and cash invested	3,853,755	2,972,713
Special deposits	12,823	119,910
Electric bills receivable, net	2,757,081	2,539,365
Accounts receivable, net – other	1,748,636	1,069,798
Inventory of materials	2,960,050	3,262,936
Prepayments and other assets	3,332,319	4,973,418
TOTAL CURRENT ASSETS	14,664,664	14,938,140
TOTAL ASSETS	\$ 124,296,309	\$ 118,788,291

EQUITIES AND LIABILITIES

PATRONAGE CAPITAL	70,025,625	66,938,465
LONG-TERM DEBT (Less current portion)	34,998,702	33,360,576
NONCURRENT LIABILITIES		
Retirement benefits other than pensions	11,732,469	10,439,366
Obligations under capital leases	0	0
TOTAL NONCURRENT LIABILITIES	11,732,469	10,439,366
CONSTRUCTION ADVANCES	451,463	470,747
CURRENT AND ACCRUED LIABILITIES		
Accounts payable	4,030,032	3,788,824
Accrued taxes and other liabilities	1,164,466	1,300,949
Customer advances and deposits	625,500	773,393
Current portion of long-term debt	1,268,052	1,715,971
Current portion of capital lease obligations	0	0
TOTAL CURRENT LIABILITIES	7,088,050	7,579,137
TOTAL EQUITIES AND LIABILITIES	\$ 124,296,309	\$ 118,788,291

STATEMENTS OF CASH FLOW

For the years ended December 31,

	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
Cash received from customers	55,634,328	55,457,365
Cash paid to suppliers, vendors and employees	(46,783,808)	(47,421,852)
Taxes paid	(796,360)	(763,728)
Interest and dividends received	406,202	318,787
Interest paid	(1,557,490)	(1,587,067)
Other revenue (expense), net	759,627	686,569
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	7,662,499	6,690,074

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of utility plant in service, net of retirements	(6,217,283)	(9,811,142)
Capital credits received	418,359	440,589
Proceeds from sale of investments	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(5,798,924)	(9,370,553)

CASH FLOWS FROM FINANCING ACTIVITIES

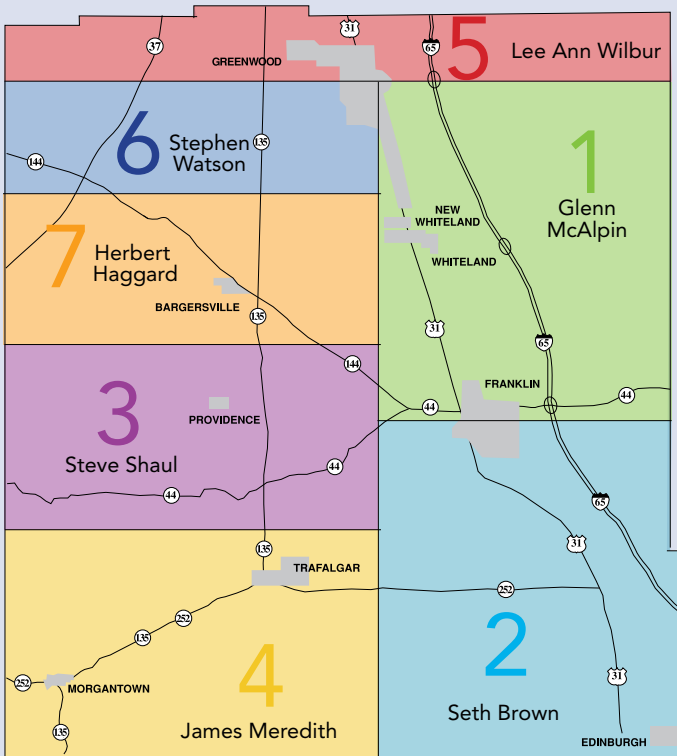
Borrowed from the RUS, FFB and NRUCFC	1,500,000	6,000,000
Repayments on borrowings	(1,802,189)	(1,203,057)
Customer patronage retirement	(722,201)	(297,808)
Repayment of notes receivable	101,950	100,000
Customer deposits and construction advances, net	(167,178)	(159,784)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,089,618)	4,439,351
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	773,957	1,758,872

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 3,092,623	\$ 1,333,751
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,866,580	\$ 3,092,623
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The books and records of Johnson County Rural Electric Membership Corporation for the year ended December 31, 2016 were being audited by London Witte Group, LLC, Certified Public Accountants as this Annual Report was printed. Any member who would like an audited copy of the financial statements is invited to contact the REMC office (317-736-6174) at 750 International Drive in Franklin.

BOARD OF DIRECTORS



Credentials and Election Committee

It is the responsibility of the Credentials and Election Committee to count all ballots or other votes cast in any election or other matter and to rule upon the effect of any ballots or other votes irregularly or indecisively marked or cast. The 2016 committee members are: Gary Hall, Paul Kaiser and Dave Parsley.

Nominating Committee

It is the responsibility of the Nominating Committee to offer a slate of candidates for election to the board of directors of the cooperative. The 2016 committee members are: District 1 – Larry Tharp and Christine Murray; District 4 – Ken Bradley and Kelly Neal.

The business affairs of Johnson County REMC are managed by a board of directors, one director for each of the seven districts in the service area of the cooperative. The general boundaries and the board member representing each district are illustrated here.



DISTRICT 1
Glenn McAlpin
President



DISTRICT 2
Seth Brown



DISTRICT 3
Steve Shaul
Secretary-Treasurer



DISTRICT 4
James Meredith



DISTRICT 5
Lee Ann Wilbur
Vice-President



DISTRICT 6
Stephen Watson



DISTRICT 7
Herbert Haggard

2015 ANNUAL MEETING MINUTES

Johnson County REMC
Minutes of the Annual Meeting

The annual meeting of the Johnson County Rural Electric Membership Corporation was held on April 23, 2016 at the Franklin Community High School, Franklin, Indiana.

Jamie Meredith, Chairperson of the Activities Committee, welcomed everyone to the meeting and announced entertainment for the children was being provided by the 4-H Junior Leaders with each child receiving a shirt. Mr. Meredith then thanked Jill Overton and her staff for the delicious breakfast and Russell Moore and Illrd Tyme Out for providing the entertainment.

Mr. Meredith introduced Ms. Kathleen Bennett, interpreter from Deaf Community Services, to help the hearing-impaired members.

Mr. Meredith asked everyone to stand for the singing of our National Anthem and then introduced Brandon Barger of Trafalgar Boy Scout Troop 218 who led everyone in the recital of the Pledge of Allegiance. Mr. Meredith called upon the Reverend Shan Rutherford, Pastor of Greenwood Christian Church, to give the invocation.

Mr. Meredith introduced Board President, Ron Grose. Mr. Grose welcomed everyone to the annual meeting and announced the door prize drawing would be held at the conclusion of the business-portion of the meeting.

Mr. Grose introduced the Directors by district. Mr. Grose then recognized special guests in attendance.

Mr. Grose introduced Lee Ann Wilbur, Secretary/Treasurer, who read the Proof of Mailing of the annual meeting. Mrs. Wilbur announced registration had been checked and a quorum was present with a total of 719 registered members.

Mr. Grose called the meeting to order and called upon Mrs. Wilbur.

Mrs. Wilbur read the notice of the annual meeting and asked for a motion to dispense with the reading of the Annual Meeting minutes from the prior year and to approve them as presented in the annual report. A motion was made, seconded and carried.

Mrs. Wilbur asked for a motion to dispense with the reading of the Treasurer's report and to accept it as presented in the annual report. A motion was made, seconded and carried.

Mrs. Wilbur introduced Larry Gesse, Legal Counsel for the Johnson County REMC, who introduced Mr. Bill Cragen, Nominating Committee Chairperson who would provide the Nominating Committee report.

Mr. Cragen announced that he represented District 6 and the other members of the Nominating Committee for this year's election are: Lynnette Gray and Curtis Brough from District 5; Don Vandoski and himself from District 6. Mr. Cragen stated that it was the Nominating Committee's duty to review the current board member from each district

and recommend any nominees they believed were qualified and appropriate for that district. At the October 1, 2015 Nominating Committee meeting the recommendation was made that the following individuals be offered to the membership for a vote. Candidates for election are Lee Ann Wilbur, District 5; and Stephen Watson for District 6.

The meeting was then turned over to Larry Gesse, Legal Counsel for the REMC.

Mr. Gesse introduced Lee Ann Wilbur, District 5 and Stephen Watson, District 6. Mr. Gesse asked for a motion from the floor to accept the Nominating Committee report and to elect by acclamation Lee Ann Wilbur for District 5 and Stephen Watson for District 6. A motion was made, seconded and carried.

Chet Aubin, CEO, was introduced and took the podium to offer his welcome. Mr. Aubin welcomed everyone to the annual meeting and made sure all members picked up their gifts (solar charger banks and energy kits).

The annual meeting video was played which was themed "A Legacy for a Powerful Tomorrow". Mr. Aubin recognized the directors and employees for all their hard dedicated work over the last 25 years. Mr. Aubin talked about the fiber optic project and AMI meters that have been installed on our system. As of May 2015, we were able to dispatch crews even before members were able to report outages due to the new meters. The cooperative is in sound financial position and the capital credits will be paid to membership for the sixth straight year in November of this year.

Mr. Grose announced the winners of the Johnson County REMC Scholarship awards. The scholarships are based upon an essay as well as academic and personal accomplishments. The winners of the \$2,000 scholarships were Emily Dougherty from Whiteland Community High School and Madeline Fain from Center Grove High School. Ms. Dougherty and Ms. Fain were presented a certificate and expressed their thanks to the REMC for awarding them this scholarship.

Mr. Grose re-introduced Russell Moore & Illrd Tyme Out for another set of music.

Mr. Aubin called upon three children from the audience to help in the prize drawing.

Mr. Grose announced the winners of the \$100 drawings which were: Tracy Mabry, South Central Real Estate and Robert Moore.

The winners of the iPads were: David Dotson, Jack Pryor (not in attendance) and David Hedrick. Damian Stanziano's name was drawn, but he was not present to win.

The winner of the John Deere tractor was A. Kennedy of Greenwood.

There being no further business to come before the membership, the meeting adjourned at 11:10 a.m.

Lee Ann Wilbur, Secretary



Providing reliable,
competitively priced utility
services to our customers
and the community.

Johnson County REMC

A Touchstone Energy® Cooperative 

**Post Office Box 309
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