

Focused
STRATEGY
to **STRENGTHEN**
Our Future



Lea County Electric Cooperative
Annual Report

2013

plan
STRATEGIC
GOAL BENEFIT
PURPOSE performance
achieve DEDICATED **consistent** GROWTH
INTENTION **strong**
quality

STRATEGY

NOTICE OF ANNUAL MEETING

TO: All Members of Lea County Electric Cooperative, Inc.

Notice is hereby given that the 2014 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 25, 2014, at the hour of 6:00 p.m., MDT, at Pannell Auditorium, 701 West Avenue K, at the Lovington High School in Lovington, New Mexico. Said meeting is in compliance with the adopted bylaws of the Cooperative and is for the purpose of electing Trustees, passing upon reports for the previous calendar year and for the transaction of such other business as may come before the meeting. Registration of members will be held on Friday, April 25, 2014 at the following locations: between 8:00 a.m. and 4:00 p.m., MDT, at the main office of the Cooperative, 1300 West Avenue D, Lovington, New Mexico or at the Tatum district office, 203 South Main, Tatum, New Mexico; between 8:00 a.m. and 4:00 p.m., CDT, at the Plains district office, 507 9th Street, Plains, Texas; and between 5:00 p.m. and 6:00 p.m., MDT, at Pannell Auditorium. You are encouraged to register early to avoid delays.

The business session of such meeting will address the following: 1) a report of members present to establish a quorum; 2) a reading of secretary's notice of meeting and a proof of mailing to members; 3) approval of minutes of the previous Annual Meeting; presentation and consideration of reports from Officers, Trustees and Committees; and 4) an election by the membership of two Trustees: one from District Four and one from District Seven.

GENERAL INFORMATION: A Committee on Nominations, in compliance with the bylaws, was appointed and met on March 11, 2014 at 5:30 p.m. for the purpose of placing in nomination candidates for the election of one Trustee from District Four and one Trustee from District Seven. A list of said nominations for Trustees has been prepared and posted at the office of Lea County Electric Cooperative, Inc., 1300 West Avenue D, Lovington, New Mexico and at each district office. Other nominations may be made by petition signed by fifteen or more members acting together no less than twenty days prior to the date of the annual meeting of members. A list of any nominations by petition will likewise be prepared and posted. Nominations from the floor shall be limited to candidates whose names have been submitted to the Secretary at least twenty days prior to the date of the Annual Meeting. All nominations, including those by the Committee on Nominations, those by petition, and those to be made from the floor will be submitted to and acted upon by the membership at the 2014 Annual Meeting. A statement of the number of Trustees to be elected and the names and addresses of the candidates (the nominations made by the Committee on Nominations, nominations made by petition, if any, and the names of candidates to be nominated from the floor, if any, being listed separately as required in the bylaws) will be mailed to the members with this Notice of Annual Meeting.

Article III, Section 5 of the Bylaws states in part: Each Person who otherwise qualifies and who wishes to vote shall register the day of the member meeting and shall be entitled to only one vote on each matter submitted to a vote at the Meeting of Members. Voting persons other than members who are natural persons (e.g. church, business, etc.) shall be allowed by the presentation to the Cooperative, prior to or upon registration at each Member Meeting, of satisfactory evidence entitling the person presenting the same to vote. Voting authorization forms are available at the main office of the Cooperative located at 1300 West Avenue D, Lovington; at the district offices in Tatum and Plains; or by calling 575-396-3631 or 1-800-510-5232.

IN WITNESS WHEREOF, this Notice has been issued by the Secretary-Treasurer of the Lea County Electric Cooperative, Inc. and its corporate seal hereon impressed this 25th day of March, 2014.



Dan Hardin, Secretary-Treasurer



IN MEMORY

OF RESPECTED BOARD MEMBER AND PROMINENT LEADER



William V. Palmer, Lea County Electric Cooperative (LCEC) Trustee, distinguished businessman, community leader, devoted husband, loving father, and a friend of many, passed away unexpectedly on May 14, 2013.

Will was elected by the membership to serve on the LCEC Board of Trustees in April 2002. He was an outstanding Trustee who helped navigate the Cooperative through a pivotal period of transition. As a member of the LCEC Board of Trustees during the planning and building of the new LCEC Generation, LLC, Will was appointed to serve on the LCEC Generation Board. He contributed his expertise and knowledge to matters relating to the Cooperative with prudence and made

decisions with integrity and foresight.

Will began his career in Rule, Texas at Amoco Productions. During his time in Rule, he served as the Mayor. He later moved to Midland to work at Plains Petroleum before relocating to Lovington. At the time of his passing, he was Operations Manager for Read & Stevens.

As a citizen of Lovington, Will was committed to community service and civic duty with unrivalled energy. He was a prominent public figure involved in organizations and causes dedicated to improving the quality of life for all. Will was an active member of First Baptist Church of Lovington. He was Past President of the Lovington Rotary Club where he also served on the Board and had been honored as a two-time Paul Harris Fellow. In addition to serving on the LCEC Board for almost 12 years, he also served on the Board of the Lovington Chamber of Commerce and New Mexico Oil and Gas Association. Will was a loyal member and Past Master of Lovington Masonic Lodge # 46.

Will was involved in theater and film productions. He was an avid Texas Rangers fan, cyclist, a talented public speaker and enjoyed politics. He was in the process of researching and writing a book about his own father's experiences as a soldier during World War II.

Will leaves a lasting legacy as a distinguished community mentor, respected leader, generous, and good-humored man. His passion for life was contagious and he rarely passed up the opportunity to make someone smile. He served his family and community well.

Will was an alumnus of Texas Tech University. Will married Shelley Jackson in 1982. They have two children: Matt and his wife, Kristen; and Micah Blair and her husband, Austin. They also have two grandchildren.



Will greeting a member at the 2013 LCEC Annual Meeting



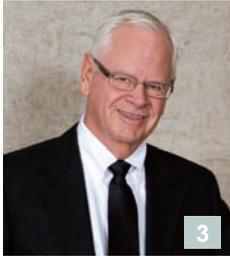
Gary Hurse and Will Palmer at the LCEC Generation, LLC groundbreaking.



Will Palmer at Read and Stevens.

LEADERSHIP

LEA COUNTY ELECTRIC BOARD OF DIRECTORS



JOHN INGLE
 President
 Spouse: Karen
 Board member since 1986
 Representing District 3
 Occupation: Retired
 Superintendent of Tatum
 Schools/Ranching



DEAN KINSOLVING
 Vice President
 Board member since 1983
 Representing District 6
 Occupation: Ranching



WADE ROBERTS
 Spouse: Shelley
 Board member since 2003
 Representing District 7
 Occupation: Banking



ROBERT CAUDLE
 Spouse: Joyce
 Board member since 1984
 Representing District 1
 Occupation: Landman



RAMON HILBURN
 Spouse: Marcia
 Board member since 2011
 Representing District 5
 Occupation: Ranching



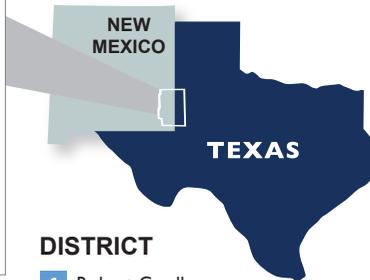
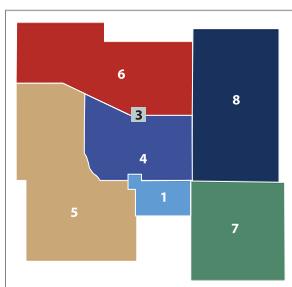
JOHN GRAHAM
 Spouse: Jeanine
 Board member since 2012
 Representing District 1
 Occupation: Businessman/
 Newspaper Publisher



DAN HARDIN
 Secretary-Treasurer
 Spouse: Sandy
 Board member since 2004
 Representing District 4
 Occupation: Finance



KENNETH WALLACE
 Spouse: Elaine
 Board member since 2013
 Representing District 1
 Occupation: Businessman/
 Oil & Gas Services

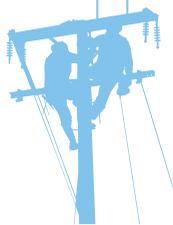


DISTRICT

- 1 Robert Caudle
- 1 Kenny Wallace
- 1 John Graham
- 3 John Ingle
- 4 Dan Hardin
- 5 Ramon Hilburn
- 6 Dean Kinsolving
- 7 Wade Roberts
- 8 Terry Davis



TERRY DAVIS
 Spouse: Wadonna
 Board member since 1984
 Representing District 8
 Occupation: Farming



COMMITTED

MESSAGE FROM MANAGEMENT



John Ingle



Gary L. Hurse

Lea County Electric Cooperative, Inc. (LCEC) is celebrating 65 years of service to the members in our southeastern New Mexico and West Texas service territories. We take pride in the safe and reliable electric service we have provided since 1949. Our membership has grown to approximately 6,800 consumers and 15,770 meters.

LCEC is a progressive distribution cooperative who looked for innovative and sound solutions to our future power supply requirements. In 2010, we became a member of Western Farmers Electric Cooperative (WFEC) located in Anadarko, Oklahoma. That same year, a new power supply contract was negotiated with Xcel requiring LCEC to reduce capacity and energy requirements in four phases that will result in full power supply requirement from WFEC in 2026. Early in the second quarter of 2011, we began construction of the LCEC Generation Plant which was completed by end of 2011. LCEC successfully completed the first step from the Xcel system by reducing 42 megawatts (MW) with the LCEC Generation Plant and the Wildcat Wind Farm. The transfer of our generation plant to WFEC as part of our equity in membership should be complete in 2014. Over time, LCEC will be moving all our power supply contracts to WFEC.

When the power plant was built, LCEC took the opportunity to join the Southwest Power Pool (SPP) which is an energy market covering all of Kansas and Oklahoma and portions of New Mexico, Texas, Arkansas, Louisiana, Missouri, Mississippi and Nebraska. As a member, we are able to purchase our power at a more economical price as the LCEC Generation plant hedges the market price when applicable. The plant generates energy when the cost of running the plant is less than the market price of energy. When the market price falls below our costs of generating electricity, we purchase the power from SPP. The cost of energy through the SPP market will continue

to be more beneficial to our membership.

The LCEC Board places high priority in maintaining and improving the LCEC system to ensure reliability and performance. These improvements are accomplished through our established USDA Rural Utilities Service (RUS) funded work plan funded at a lower interest rate available to electric cooperatives. LCEC has just completed a four year \$28 million work plan. One of the projects funded in the work plan is the pole-change out program. Over a seven year rotation, every pole in the LCEC system is tested. The poles identified as substandard are replaced.

LCEC is seeing growth in our oil field load. To accommodate our growth and expansion, there is a need to build new substations along with added transmission and distribution lines. In 2013, LCEC energized a new transmission switching station which will provide increased reliability in Gaines County, Texas. Planning and design began on a one mile tie line between the new switching station and our existing KCM substation which is expected to be complete in 2014. New distribution lines that were built totaled 35 miles of new distribution lines. LCEC experienced an increase of approximately 6560 horsepower of combined oilfield, irrigation and commercial load.

Our master communications plan is also covered under the work plan. North American Electric Reliability Council (NERC) requires dependable communications with all substations. LCEC is in the process of replacing the antiquated analog system with an efficient, updated system. This will improve our communications to our remote locations and provide remote offices with more efficient communication with the headquarters.

Active community citizenship is important to LCEC with representatives active on the Chamber of Commerce Board, Lovington Economic Development Committee, Lovington MainStreet and in numerous civic organizations. We participate in sponsoring events which include the Lea County Museum "On the Plaza" summer series events, Friends of the Library, the Lea County Fair and Rodeo, the Yoakum County Watermelon Festival and the livestock sales in Lea, Yoakum and Gaines counties.

Investing in our youth is of significant importance to LCEC. In 2013, the LCEC Education Foundation increased the number of annual scholarships

awarded to eighty. Each scholarship is worth \$1000 per semester and renewable up to eight semesters. Funding for these scholarships is provided from unclaimed capital credits that would otherwise be returned to the state of New Mexico. Since 1987, LCEC has invested over \$1.3 million for members and their dependents in scholarship funding.

LCEC continues active participation in the annual Government-In-Action Youth Tour in Washington, D.C. Four area high school students are sent to Washington where they learn about electric cooperatives, American history and U.S. government, and visit with their representatives in the House and the Senate.

LCEC is a partner in education to many schools. LCEC is a long-time sponsor of the "Character Counts" program at Ben Alexander Elementary school. Safety is taught to school children through the electric arcing demonstration, the electrical safety board and the annual Safety Poster Coloring Contest. LCEC was able to coordinate a grant with New Mexico State University (NMSU) in utilizing a lighting program in 2011. LCEC was able to pair the grant with both Lovington and Tatum schools in retrofitting dated lighting with energy efficient LED lighting. The grant was completed in 2013 with the completion of the Tatum schools retrofit.

Environmental stewardship is another priority to LCEC. We have demonstrated our leadership in continuing to search for plausible renewable energy resources. LCEC purchases wind energy from the 27 megawatt (MW) Wildcat Wind project owned by Exelon Wind. The wind capacity for 2013 was at 42% which exceeded the initial projection of 38%. LCEC members will benefit from a second wind project to be completed in 2014 in the Maljamar area. This project will consist of seven turbines with a total output of 15 MW. The Wildcat Wind Farm and the Anderson Farm (Maljamar) will provide the necessary Renewable Energy Credits (REC) to satisfy the State of New Mexico requirements. The state law requires an electric cooperative to purchase five percent (5%) of energy sales from a renewable project. The requirement increases by one percent per year for a total of ten percent (10%) in 2020.

Solar energy is a renewable resource abundant to our region. LCEC is in the initial stages of working with WFEC on a \$5 million solar project that will

cover approximately 50 acres of land. While the expense of solar energy is not competitive with the other resources, LCEC is taking the opportunity to understand the development of this abundant resource as a potential energy source for the future.

LCEC is vigilant to stay current on any other legislative and regulatory issues both on the state and national levels. As a member of New Mexico Rural Electric Cooperative Association (Statewide), WFEC and Texas Electric Cooperatives (TEC), we have a responsive group of professionals who keep us informed of legislative issues that affect our membership. The Board and Management will continue to monitor proposed legislation to achieve an acceptable balance regarding the environment and the cost incurred with such issues.

LCEC lost our friend and board member in May with the sudden passing of Will Palmer. All of us who knew him appreciated his commitment, thoughtful guidance and the knowledge he contributed. Will represented LCEC District 1 and was re-elected to a third term on the Board in 2012. Kenny Wallace was appointed by the Board to serve the remainder of Will's term as a Trustee.

As you will notice on the following pages, the LCEC Board, Management and employees continue to practice sound financial discipline. We are happy to report operating margins are healthy at \$3.2 million and kilowatt sales at just over 1.1 billion. Our assets and liabilities total \$177.6 million. The Board returned a total of \$1,944,990 in capital credits to the membership in 2013.

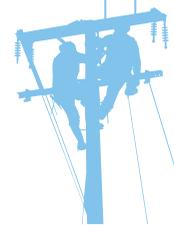
As we mark the 65th year of LCEC, we celebrate the privilege of serving our members. The Board, Management and dedicated employees will continue to take pride in our day-to-day work on behalf of our members. We are all committed to our focused strategy—providing safe, reliable energy for today and in the future.



John Ingle
President
Lea County Electric
Board of Trustees



Gary L. Hurse
Executive Vice President
and General Manager



OUR TEAM

LEA COUNTY ELECTRIC DEPARTMENTS

Management Team



Gary Hurse
Executive Vice President
and General Manager



Alma Griffin
Executive Assistant to the
General Manager



Back row (from left): John Benard, Manager of Distribution Engineering/Information Technology; Suzie Brown, Manager of Member Services. Front Row: Janette Faris, Manager of Administrative Services; Bobby Kimbro, Assistant General Manager/Manager of Systems Operations and Planning; Mike Faris, Manager of Accounting.

DEDICATED

LEA COUNTY ELECTRIC DEPARTMENTS

System Operations and Planning



Bobby Kimbro
Assistant General
Manager/Manager of
System Operations and
Planning



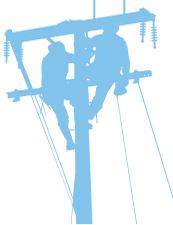
Top row (from left) Line Personnel: Mike Caudillo, Joe Garcia, Skyler Boroughs, Daniel Utajara, Brad Harrison, Jarran Chesser. Second row from top: Manuel Gutierrez, Stuart Graham, Jason Neff, Jorge Lozoya, Arthur Pando, Doug Gruenewald, Adam Marquez, Omar Pinon, Steve Pebsworth, Gary Jones, Alfredo Melendez, Director of Line Operations. Front Row: Scott Boldt, Orlando Espinosa, Jeff Redman



Back (from left): Delton Jones, System Operator; Robert Cox, Compliance Coordinator; Greg Faith, Director of System Operations and Planning; Kevin Cook, System Operator; Kenneth Porter, System Operator. Sitting: Brad Willis, System Operator. Not pictured: E. Ray Rivera, System Operator.



From left: Edward McBride, Substation Foreman; Edward Arreola, Supervisor of Substation Operations; George Morris, Apprentice Communications; Earl Davis, Substation Technician; Darrel Eubanks, Safety Coordinator; Kelvin Woody, Repairman; Juan Contreras, Apprentice Technician; Greg White, Apprentice Technician.



RELIABLE

LEA COUNTY ELECTRIC DEPARTMENTS

Administrative Services



Janette Faris
Manager, Administrative Services



From left: Rosie Insilan, Administrative Assistant/Benefits Coordinator; Erminia Alvarado, Utility Person; Mari Valencia, Customer Care Representative/Receptionist.

Member Services



Suzie Brown
Manager, Member Services



From left: Jessica Cortez, Customer Service Representative (CSR); Micah Shorter, CSR; April Luna, Member Services; Cherol Autry, Tatum Office CSR; Joyce Connolly, Director of Customer Service; Sarah Maker, Collections Coordinator; Nellie Garza, CSR; Annette Alvarado, Plains Office CSR.

CONSISTENT

LEA COUNTY ELECTRIC DEPARTMENTS

Distribution Engineering



John Benard
Manager of Distribution
Engineering/Information
Technology



From left: Floyd Chrisman, Staking Technician; Erik Hernandez, Staking Technician; Manuel Quiroz, Supervisor of Staking Technicians; John Cartwright, Staking Technician



From left: Bernard Butcher and Roy Lizardo, Jr.,
Meter Technicians



From left: Rick Porras and Britt Kerby, Mapping Technicians

Information Technology



From left: Shawndee Raburn, Director of IT; Justin Munoz, IT Technician;
Sean Guthrie, Network Administrator/System Analyst; Kyle Coleman, Programmer/
System Analyst



TRUSTWORTHY

LEA COUNTY ELECTRIC DEPARTMENTS

Accounting



Mike Faris
Manager, Accounting



Back (from left): Robert Capps, Purchasing Agent; Nelly Dominguez, Accounts Payable; Sheryl Glanton, Bookkeeper; Jane Salcido, Billing/Payroll; Ruben Aguilar, Serviceman; Mike Salas, Warehouseman. Front: Denise McDaniel, Accountant; Judy Ragland, Billing.

Gary “Butch” Taylor Retires After 22 Years of Service



Gary “Butch” Taylor

Gary “Butch” Taylor retired in December 2013 after 22 years of service to Lea County Electric Cooperative (LCEC). Butch was the Chief Mechanic at the time of his retirement.

He was one of the grill masters at the annual LCEC Member Appreciation Days in each District. Butch was instrumental in the building of all LCEC floats. He was selected by his colleagues as the LCEC August 2007 Employee of the Month.

“Butch was a dedicated professional and was truly a vital member of the LCEC team,” said Gary Hurse, LCEC General Manager. “Butch did a tremendous job in keeping our fleet and trucks in excellent condition.”

Butch and his wife, Diana, have relocated to Indiana to enjoy their retirement.

Jackie McDonnell Retires After 35 Years of Service



Jackie McDonnell

Jackie McDonnell of Plains, Texas retired in May of 2013. He began his career as an Apprentice Lineman in August 1974 and throughout his almost 35 year career served in the Line Department and Meter Reading Department. Jackie also served the Cooperative as a contract Meter Reader for over four years. “Jackie’s

knowledge of the field and hard work were a great contribution to the Cooperative. His keen observance of conditions in the field needing attention was very beneficial to the Cooperative’s hazard recognition and safety program, said Gary Hurse, LCEC General Manager.”

Jackie and his wife, Gail, are thankful for the time they have to enjoy their grandchildren.

TOP PLANT

AWARD GIVEN TO LCEC GENERATION



Back row: Robert Peltier, Editor in Chief of Power Magazine; Gary L. Hurse, LCEC General Manager; the late Will Palmer, LCEC Trustee; Chris Marks, Burns & McDonnell principle; and Grant Grothen, Burns and McDonnell principle. Front row: John Ingle, LCEC Board President; Joe Broadwater, LCEC Generation Plant Manager; John Graham, LCEC Trustee and Robert Caudle, LCEC Trustee.

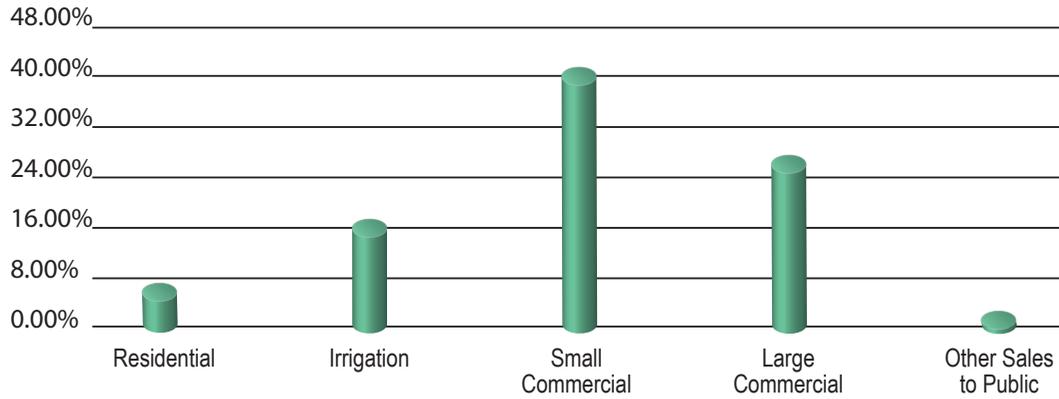
Lea County Electric Cooperative (LCEC) Generation, LLC was awarded with *POWER Magazine's* 2012 Top Plant of the Year at the 2013 Electric Power Conference held in Chicago in May. LCEC General Manager Gary Hurse and LCEC Board President John Ingle accepted *POWER Magazine's* 2012 Top Plant Award on behalf of the LCEC Generation Plant. Trustees who accompanied Hurse and Ingle to the awards ceremony in Chicago were Robert Caudle, John Graham and the late Will Palmer along with LCEC Generation, LLC Plant Manager Joe Broadwater. This award recognized a plant that had entered into commercial service within the past one to two years and lead the industry in the successful deployment of advanced technology and efficiency with minimal environmental impact. LCEC was profiled in the September 1, 2012 issue of *POWER Magazine*. LCEC Generation is a 47 Megawatt (MW) gas-fired generation plant that was completed in 2012. It consists of five Wärtsilä reciprocating engines with the ability to bring the plant to full capacity in five minutes. The plant is tied directly to a 27 MW wind farm owned by Exelon which is located southeast of the plant. This is the first generation project in the United States to pair the Wärtsilä gensets with wind energy.

Award finalists and winners were determined by *POWER Magazine* editors from nominations submitted by designers, constructors, operators, and suppliers of power plants.

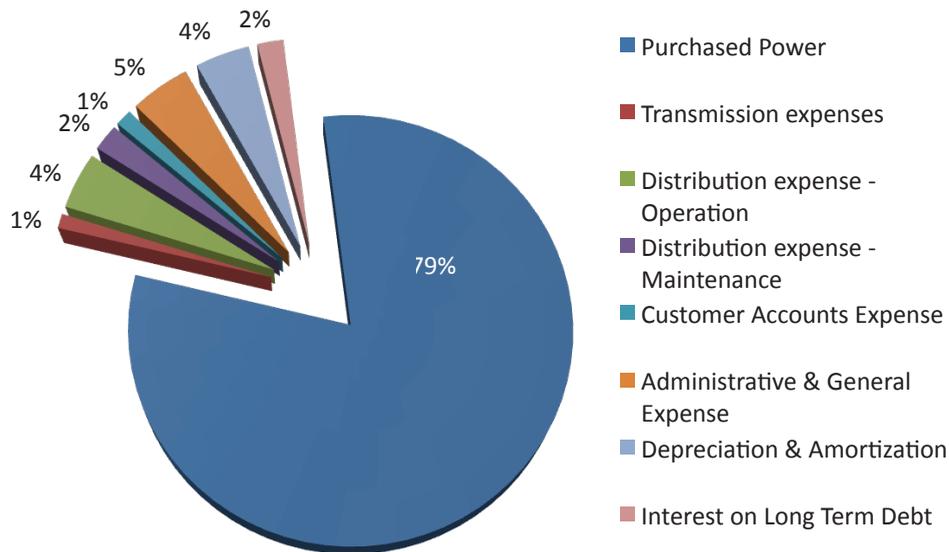


FACTS AND FIGURES

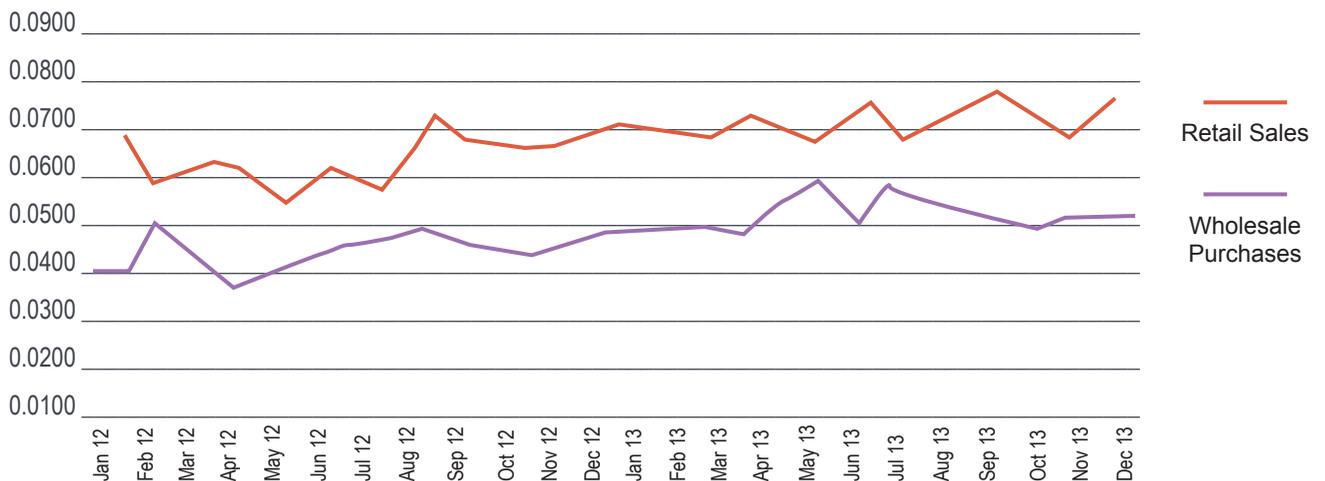
2013 Consumer Sales



2013 Operating Expenses

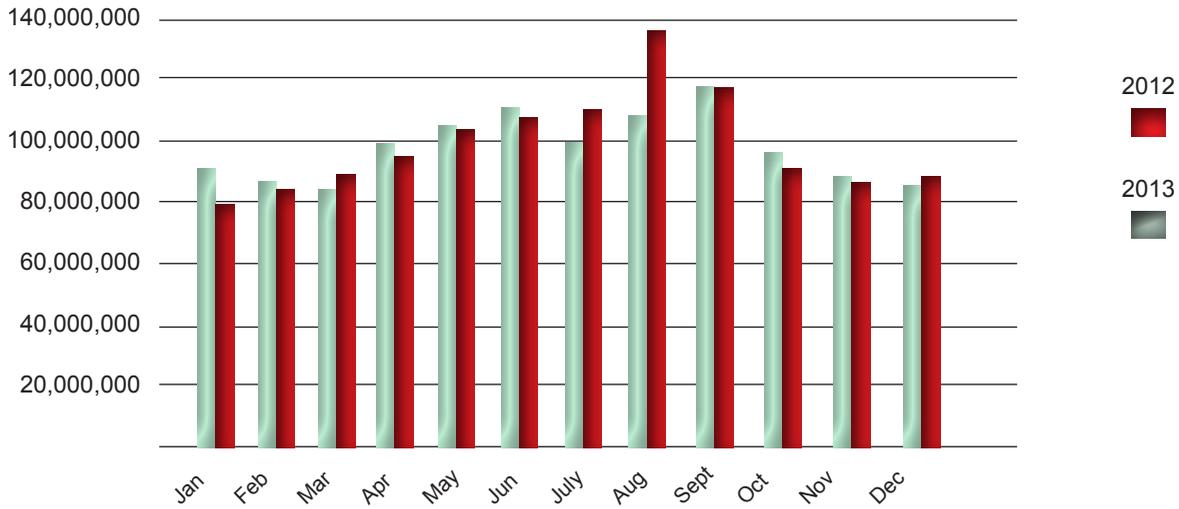


KWH Sales & Purchases

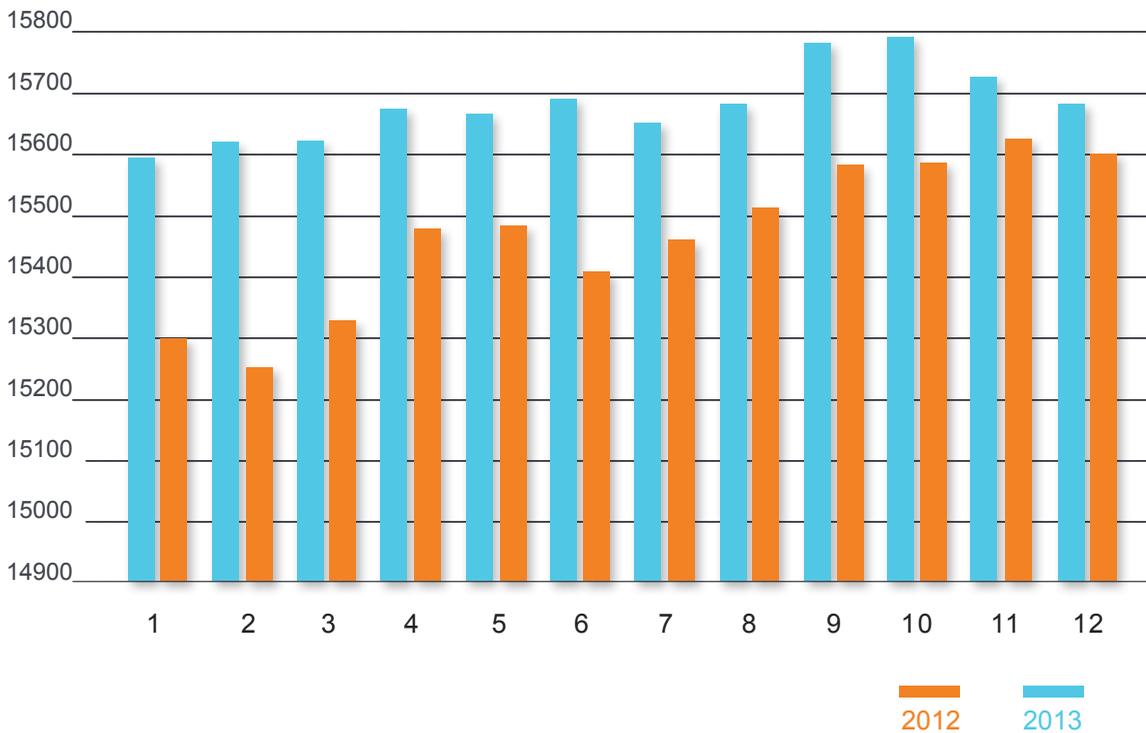


FACTS AND FIGURES

Total KWH Sales



LCEC Meters



FINANCIALS

STATEMENT OF INCOME

	Years Ended December 31,				Increase (Decrease)
	2013		2012		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 9,149,176	10.8	\$ 7,986,971	10.7	\$ 1,162,205
Irrigation	16,627,103	19.8	15,954,393	21.4	672,710
Commercial and Industrial	57,423,586	68.4	51,383,674	69.0	6,039,912
Public Buildings and Other Authorities	1,213,824	1.4	1,059,382	1.4	154,442
Accrued Unbilled Revenue	325,001	0.4	216,906	0.3	108,095
Power Cost (Over) Under Collected	(1,208,195)	(1.4)	(2,636,808)	(3.5)	1,428,613
Other Operating Revenues	467,643	0.6	533,959	0.7	(66,316)
Total Operating Revenues	\$ 83,998,138	100.0	\$ 74,498,477	100.0	\$ 9,499,661
OPERATING EXPENSES					
Purchased Power	\$ 58,792,007	70.0	\$ 51,820,294	69.6	\$ 6,971,713
Generation	1,684,067	2.0	1,370,839		313,228
Transmission	876,970	1.0	897,381	1.2	(20,411)
Distribution - Operation	3,471,273	4.1	3,353,964	4.5	117,309
Distribution - Maintenance	1,634,715	1.9	1,802,005	2.4	(167,290)
Customer Accounts	921,440	1.1	1,157,542	1.6	(236,102)
Customer Service and Information	59,484	0.1	51,833	0.1	7,651
Sales	38,837	0.0	32,911	0.0	5,926
Administrative and General	4,637,111	5.5	3,748,561	5.0	888,550
Depreciation and Amortization	4,667,927	5.6	4,579,730	6.1	88,197
Cost of Removal	1,303,923	1.6	1,237,149	1.7	66,774
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(1,023,506)	(1.2)	(1,252,637)	(1.7)	229,131
Taxes	50,049	0.1	45,158	0.1	4,891
Other Interest and Deductions	25,222	0.0	39,128	0.1	(13,906)
Total Operating Expenses	\$ 77,139,519	91.8	\$ 68,883,858	90.7	\$ 8,255,661
OPERATING MARGINS - Before					
Fixed Charges	\$ 6,858,619	8.2	\$ 5,614,619	9.3	\$ 1,244,000
FIXED CHARGES					
Interest on Long-Term Debt	2,362,934	2.8	1,278,709	1.7	1,084,225
OPERATING MARGINS - After					
Fixed Charges	\$ 4,495,685	5.4	\$ 4,335,910	7.6	\$ 159,775
Capital Credits	221,148	0.3	131,057	0.2	90,091
NET OPERATING MARGINS	\$ 4,716,833	5.7	\$ 4,466,967	7.8	\$ 249,866
NONOPERATING ITEMS					
Interest Income	\$ 516,295	0.6	\$ 374,572	0.5	\$ 141,723
Collection of Western Farmers					
Equity Requirement	2,205,958	2.6	2,205,958	3.0	0
	\$ 2,722,253	3.2	\$ 2,580,530	3.5	\$ 141,723
NET MARGINS	\$ 7,439,086	8.9	\$ 7,047,497	11.3	\$ 391,589
OTHER COMPREHENSIVE INCOME (LOSS)					
Current Year APBO Valuation Adjustment	1,033,300		(29,100)		
Post-Retirement Benefit Amortization	(32,095)		(37,205)		
COMPREHENSIVE INCOME	\$ 8,440,291		\$ 6,981,192		
Post-Retirement Benefit Adjustment	(1,001,205)		66,305		
PATRONAGE CAPITAL - BEGINNING OF YEAR					
	72,617,965		67,501,417		
TRANSFER TO OTHER EQUITIES					
PATRONAGE CAPITAL RETIRED	(2,009,143)		(1,687,376)		
PATRONAGE CAPITAL - END OF YEAR	\$ 78,047,908		\$ 72,617,965		

FINANCIALS

BALANCE SHEET

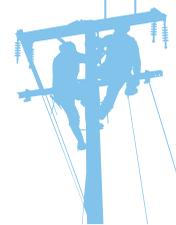
DECEMBER 31, 2013 AND 2012

ASSETS

	December 31,	
	2013	2012
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 217,960,254	\$ 210,995,584
Construction Work in Progress	2,533,386	4,399,445
Contributions in Aid of Construction	<u>(28,363,145)</u>	<u>(27,205,964)</u>
	\$ 192,130,495	\$ 188,189,065
Less: Accumulated Provision for Depreciation	63,963,311	61,154,068
	<u>\$ 128,167,184</u>	<u>\$ 127,034,997</u>
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At cost)	\$ 46,482	\$ 46,482
Investments in Associated Organizations	7,200,611	4,956,350
Other Investments	5,342,883	7,644,916
Special Funds - Restricted	35,358,026	35,327,834
Postretirement Benefits	<u>2,267,000</u>	<u>1,170,700</u>
	<u>\$ 50,215,002</u>	<u>\$ 49,146,282</u>
CURRENT ASSETS		
Cash	\$ 1,596,984	\$ 3,701,382
Temporary Investments- Cash Equivalents	4,222,002	1,750,826
Temporary Investments- Other	3,488,000	3,691,000
Cash- Restricted Reserve Funds	3,308,041	3,304,950
Accounts and Notes Receivable (Less allowance for uncollectibles of \$275,824 in 2013 and \$301,313 in 2012)	7,508,171	4,665,737
Power Cost - Under Collected	2,655,512	1,657,749
Accrued Unbilled Revenue	6,219,923	5,894,923
Materials and Supplies	3,320,142	3,818,613
Other Current and Accrued Assets	<u>558,416</u>	<u>541,398</u>
	<u>\$ 32,877,191</u>	<u>\$ 29,026,578</u>
DEFERRED DEBITS	\$ 4,154,270	\$ 1,826,162
TOTAL ASSETS	<u>\$ 215,413,647</u>	<u>\$ 207,034,019</u>

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 34,505	\$ 33,920
Patronage Capital	78,047,908	72,617,965
Accumulated Other Comprehensive Income	1,240,500	239,295
Other Equities	<u>2,096,696</u>	<u>2,096,696</u>
	<u>\$ 81,419,609</u>	<u>\$ 74,987,876</u>
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 1,753,123	\$ 1,881,287
FFB Notes Less Current Maturities	78,420,908	69,521,660
CFC Mortgage Notes Less Current Maturities	2,946,772	3,241,142
CoBank Mortgage Notes Less Current Maturities	4,339,964	4,864,630
RUS Advance Payments	<u>(8,830,522)</u>	<u>(3,557,169)</u>
	<u>\$ 78,630,245</u>	<u>\$ 75,951,550</u>
COST OF REMOVAL LIABILITY	\$ 35,263,967	\$ 35,023,249
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 3,089,000	\$ 3,057,000
Lines of Credit	1,534,243	3,417,031
Accounts Payable - Purchased Power	3,840,930	3,604,161
Accounts Payable - Other	1,657,724	1,900,643
Consumer Deposits	2,676,873	2,395,824
Other Current and Accrued Liabilities	<u>1,595,602</u>	<u>1,324,202</u>
	<u>\$ 14,394,372</u>	<u>\$ 15,698,861</u>
DEFERRED CREDITS	\$ 5,705,454	\$ 5,372,483
TOTAL EQUITIES AND LIABILITIES	<u>\$ 215,413,647</u>	<u>\$ 207,034,019</u>



FINANCIALS

STATEMENT OF CASH FLOW

	December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 7,439,086	\$ 7,047,497
Adjustments To Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities		
Depreciation	4,979,347	4,850,656
Cost of Removal Accruals - Gross	1,303,923	1,237,151
Post-Retirement Benefit (Expense)	15,105	97,305
Capital Credits	(2,395,467)	(2,337,015)
Deferred Debits	(2,328,108)	1,835,917
Deferred Credits	332,971	405,919
Accounts and Notes Receivable	(4,165,197)	1,047,070
Inventories and Prepaid Expenses	481,453	(895,442)
Payables and Other Accrued Liabilities	546,299	(1,089,566)
Net Cash Provided by Operating Activities	<u>\$ 6,209,412</u>	<u>\$ 12,199,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (6,244,688)	\$ (11,095,890)
Cost of Removal Incurred	(1,138,784)	(1,166,559)
Contributions and Other Additions to Cost of Removal	75,579	28,085
Salvage and Other Credits	133,154	343,230
Additions to Restricted Cash Reserve Accounts	(3,091)	(3,304,950)
Other Property and Investments	2,626,047	5,345,733
Net Cash Used in Investing Activities	<u>\$ (4,551,783)</u>	<u>\$ (9,850,351)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS - Scheduled	\$ (131,164)	\$ (194,725)
Payments on Long-Term Debt to RUS - Advance Payments	(5,273,353)	(172,431)
Payments on Long-Term Debt to FFB	(2,043,090)	(1,890,444)
Payments on Long-Term Debt to CFC	(278,370)	(264,209)
Payments on Long-Term Debt to CoBank	(501,666)	(476,462)
Payments on CFC Line of Credit		(500,000)
Advance on Long-Term Debt from FFB	10,938,338	51,357,000
Net Activity on Line of Credit - CoBank	(1,882,788)	3,417,031
Net Advances (Payments) on Line of Credit- NCSC		(48,622,673)
Payments on Behalf of Retirees	(110,200)	(130,800)
Retirement of Patronage Capital	(2,009,143)	(1,687,376)
Memberships	585	205
Net Cash Provided by (Used in) Financing Activities	<u>\$ (1,290,851)</u>	<u>\$ 835,116</u>
INCREASE IN CASH AND CASH EQUIVALENTS	\$ 366,778	\$ 3,184,257
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,452,208</u>	<u>2,267,951</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,818,986</u>	<u>\$ 5,452,208</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 2,307,890	\$ 1,602,230
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

During the year ended December 31, 2013 and 2012, the adjustment for the application of the *Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans* changed the accrued post-retirement benefit by \$1,001,205 and (\$66,305) and changed equities by the same amount in 2013 and 2012, respectively.

THE SEVEN COOPERATIVE PRINCIPLES

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

3. Members' Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public-particularly young people and opinion leaders-about the nature and benefits of cooperation.

6. Cooperation Among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



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