

ANNUAL REPORT 2015

LCEC

LEA COUNTY ELECTRIC COOPERATIVE

NEW ENERGY
NEW ERA





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.

NOTICE OF ANNUAL MEETING



DAN HARDIN

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

Notice is hereby given that the 2016 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 22, 2016, 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 22, 2016 at the following locations: at the Cooperative's main office, 1300 West Avenue D, Lovington, New Mexico or Tatum district office, 203 South Main, Tatum, New Mexico between 8:00 a.m. and 4:00 p.m. MDT; Plains district office, 507 9th Street, Plains, Texas between 8:00 a.m. and 4:00 p.m. CDT; or at Pannell Auditorium between 5:00 p.m. and 6:00 p.m. MDT. 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 a Trustee from District Five.

Pursuant to Article IV, Section 4 of the Bylaws, a Committee on Nominations, in compliance with the bylaws, was appointed, and met on March 14, 2016 at 12:00 p.m. for the purpose of placing in nomination candidates for the election of one Trustee from District Five. 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 2016 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 the 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.

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 31st day of March, 2016.

Dan Hardin, Secretary-Treasurer



MESSAGE FROM MANAGEMENT



JOHN INGLE



GARY L. HURSE

Our theme for this annual meeting is “New Energy...New Era”. The challenge to meet the energy needs of our membership has always been and still remains the goal of Lea County Electric Cooperative, Inc. (LCEC).

LCEC continues to be progressive and innovative in meeting our power supply portfolio. We realize that many opportunities and challenges lie ahead, but members can rest assured that we have minimized member increases through cost management and continuation of a number of cost-saving measures which include strategic planning efforts and investing in technologies that make us more proficient.

Power supply is the largest cost to the membership. For example, for every dollar a member pays each month, eighty (80) cents is allocated for payment of power costs. In conjunction with Phase One (1) of our guide path reduction plan from our XCEL Energy Contract, we participate in the Southwest Power Pool (SPP) Integrated Energy Market. Our membership with SPP has proven critical to cost containment for our membership. The market settles every five (5) minutes and is a massive undertaking. Additionally, the integration of wind energy, the LCEC Generation plant and other power supply contracts are all part of the complete wholesale capacity and energy portfolio for the Cooperative.

The LCEC Generation Plant continues to operate in the SPP Integrated Market to meet the reduction in capacity and energy purchases from the above mentioned XCEL Contract. LCEC continues to work

with Western Farmers Electric Cooperative (WFEC) to meet the Phase Two (2) requirements that will occur June 1, 2017.

We search for the most effective contracts and projects to meet the Cooperative’s capacity and energy portfolio in the effort to meet power supply requirements and the Renewable Portfolio Standard (RPS) mandated by the State of New Mexico. Currently, we purchase wind energy from the twenty-seven (27) megawatt (MW) Wildcat Wind Farm owned by Exelon Wind and fifteen (15) MW from the Anderson Wind Farm owned by BayWa. We are in negotiations with an additional wind farm project that will consist of thirteen (13) wind turbines at a capacity of thirty (30) MW’s. New Mexico’s RPS requirement for electric cooperatives of five percent (5%) energy sales to be from a renewable energy source (wind) was not only met but exceeded 2015 requirements. The Board and Management will continue to monitor and review the RPS requirements that must total ten percent (10%) by 2020.

One of the ways LCEC is maintaining the integrity and reliability of the system is by continual maintenance through the pole-change out program. The Cooperative is on a seven (7) year, rotation to ensure every pole in the system has been inspected. An example of the program’s effectiveness was the system’s ability to withstand this recent Goliath snowstorm.

LCEC is in the process of developing a new construction work plan for 2016. Every four (4) years the Board approves a work plan to assist with the financing of new construction and system maintenance.

As you will observe in the financial report, the Cooperative continues to satisfy all financial requirements. We are dedicated to ensuring financial strength and competitive rates through managing costs and preserving fiscal integrity. The Board reviews all expenditures on a monthly basis and approves an annual budget to ensure operations of the Cooperative are being reviewed and monitored by appropriate personnel.

The LCEC Board, Management, and employees



have worked hard in a challenging economy to control operating expenses which in turn has stabilized member retail rates. The Cooperative principle of returning patronage capital continued in 2015 with LCEC returning \$1.4M in capital credits to the members.

The Cooperative continues to participate in civic groups, local livestock shows, schools and many community activities throughout the year. LCEC also takes pride in maintaining a strong Scholarship Program and Government-in-Action Youth Tour. Our involvement in the communities we serve allows us to give back to our members and support projects that are important locally.

At this year's Annual Meeting, the Board has voted to giveaway a 2010 used Chevrolet ½ Extended Cab Pick-up as the Grand Prize. There will be many more additional door prizes, which include a flat screen television, an iPad, a laptop and many more great prizes. Rudy Gatlin of the Gatlin Brothers is this year's entertainment.

This year we will have two (2) Board members retire: John Ingle, President of Board of Trustees and Ramon Hilburn, Trustee. In addition, Gary Hurse, General Manager, will be retiring in January of 2017. We express our sincere appreciation for the dedication and service of these employees retiring: Greg Faith, Gary Jones, George Morris and Jeff Redman.

As LCEC goes into a New Era, we are confident that the membership will continue to elect a strong board to lead this forward-thinking cooperative. We thank you for your continued support.

John Ingle
President
Lea County Electric
Board of Trustees

Gary L. Hurse
Executive Vice President
and General Manager
Lea County Electric



Grand Prize
2010 Used Chevrolet



BOARD OF DIRECTORS



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



JOHN GRAHAM
Vice President
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



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



CJ KINSOLVING
Board member since 2015
Spouse: Kaitlin
Representing District 6
Occupation: Ranching



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



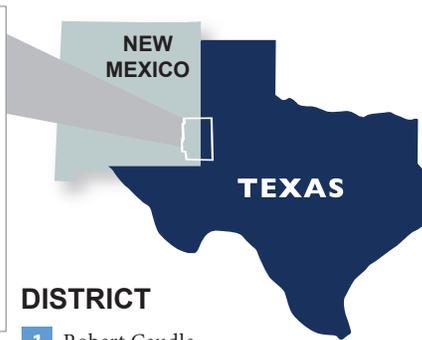
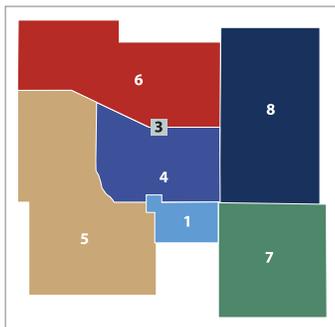
RAMON HILBURN
Spouse: Marcia
Board member since 2011
Representing District 5
Occupation: Ranching



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



CHARLES W. GARNER II
Spouse: Christy
Board member since 2014
Representing District 7
Occupation: Farming &
Ranching



DISTRICT

- 1 Robert Caudle
- 1 Kenneth Wallace
- 1 John Graham
- 3 John Ingle
- 4 Dan Hardin
- 5 Ramon Hilburn
- 6 CJ Kinsolving
- 7 Charles W. Garner II
- 8 Terry Davis



IN MEMORY

ESTEN ALEXANDER

Retired Trustee
32 Years of Service
District 2



THURMAN "SLICK" DUNCAN

Retired Trustee
39 Years of Service
District 1



RETIREES

IN GRATITUDE TO OUR RETIREES

RAMON M. HILBURN

Trustee
District 5

2011-2016



GREG FAITH

Director of
System Operations
and Planning

1970-2016



GEORGE MORRIS

Communications
Technician

1996-2016



GARY JONES

Groundman

1998-2015



JEFF REDMAN

Journeyman

1986-2016





YEAR IN REVIEW

We realize that you, our members, are the foundation of Lea County Electric Cooperative, Inc. (LCEC). Every challenge and decision we have faced, we have done so with our membership in mind. Last year was no different. It brought continued efforts and challenges to stay abreast of Environmental Protection Agency (EPA) regulations, New Mexico State Renewable Energy Requirements, the Clean Air Plan and our continued plan for system growth.

LCEC reflects on our achievements in 2015 with an assurance that we can report that the Cooperative had an exceptional year achieving many of the objectives set forth by the Board and Management Team. Each year Management with Board approval develops an operating budget and capital outlay to establish funding for the year. This provides goals to ensure that reliability and capital improvements are accomplished systematically.

The Cooperative is utilizing advanced communication and automation technologies to improve services, increase reliability and help control energy costs to our members. The North American Electric Reliability Corporation (NERC) requires electric utilities to comply with cybersecurity and reliability standards to maintain and protect the reliability of the bulk power system. LCEC is required to comply with these standards to develop and implement strategies and programs that support a culture of compliance. The Master Communication Plan upgrade that was finalized in 2015 included relay protection on our substations and transmission grid along with phone service to the LCEC district offices. This project comes with the benefits of allowing LCEC to respond quickly to outages, monitor substations and conduct self-diagnostic checks across our system.

The Cooperative completed several new construction projects and upgrades on the system. Our mobile substation was put to use again and carried much of Lovington while LCEC built a new substation known as the North 115/12.47 KV substation. The new substation will replace LCEC's



Daniel Utajara, Apprentice Lineman

old Diesel Plant Substation which was built in 1959 and will serve a major part of Lovington providing a higher level of reliability. Another substation upgrade completed in 2015 was the Waits Substation located between Yoakum and Lea Counties on State Line Road. A new relay building with digital relaying and protection devices was installed. Additionally, LCEC upgraded Supervisory Control and Data Acquisition (SCADA) controls in two transmission substations. Improvements were made to the battery system in existing substations, reclosers on distribution. Poles throughout the system were also replaced.

In 2015, LCEC built several miles of distribution lines bringing the total miles of line to 3,799. Some of the projects in 2015 included: the Nor-Lea Hospital Heliport primary underground line; Lovington Trails Apartment complex; Assisted Living complex; and Comfort Inn and Suites. LCEC added an additional 5,700 horsepower of combined oilfield, irrigation, and commercial load.

As part of LCEC's commitment to the safety of our employees and members, monthly safety meetings are conducted. Subjects include OSHA Standards such as: Arc Flash Prevention, Lock-out/Tag-out procedures, Approach Distances, Line Clearance, Tree Trimming, Fall Prevention & Protection, First Aid/CPR, Blood borne Pathogens and Grounding. Other subjects include Emergency Plan & Procedures, Safe Driving,



Hazard Assessment, Aerial Device Safety Operation & Rescue, Personal Protective Equipment (PPE) and National Electric Safety Code (NESC).

Serving our communities is a long-standing commitment to our members. LCEC recognizes that investment in our youth is vital and necessary for our future. One of the programs the Cooperative supports in is the annual Government-In-Action Youth Tour. The Cooperative sponsors four (4) high school students from our service territory as delegates on a week-long trip that educates our students about the importance of being an involved citizen, having a voice in your government, and being aware of issues being addressed in Washington, D.C.

LCEC is also committed to offering educational opportunities by awarding scholarships to our members and their dependents through the Cooperative's Education Foundation. The Foundation is funded by unclaimed capital credits that would otherwise be escheated to the State. In 2015, LCEC Board of Trustees added ten (10) more scholarships bringing the total to ninety (90) scholarships worth \$1,000 per semester for up to eight (8) semesters. Since the program was introduced in 1987, over \$1.5 million has been issued to 1,712 students.

Additionally, LCEC participates in "Farm Safety Days." This event is a Lea County wide event that allows 3rd-grade students to participate in learning about safety. The Cooperative also invites all 2nd, 3rd and 4th-grade students to participate in the annual Safety Poster Coloring Contest in which students are encouraged to color and add their own safety message to their poster. Once completed, the posters are judged on neatness, creativity, and safety. The 1st, 2nd and 3rd place winners are awarded prizes at each school's end of the year programs with the top three (3) overall winners introduced at the Annual Meeting and awarded cash prizes.

In 2014, LCEC and New Mexico State University (NMSU) coordinated the construction of a small solar project behind the Freshman Academy Building on the Lovington High School campus. It was completed and energized in late 2015. The sixty (60) panel

project enables students to learn first-hand how a solar renewable project is constructed and produces energy.

In 2015, LCEC hosted several meetings including the annual Member Appreciation Days in all three (3) districts. Members were updated by General Manager, Gary Hurse, on LCEC projects and business. Cooperative employees served hamburgers to those in attendance. The meat served at the event is from the livestock purchased by LCEC from our membership at the various livestock shows benefiting the youth in our service territories.

The Cooperative recognized the success of offering the option to pay your electric bill with a credit card via telephone and will be introducing on-line bill presentation and payment in the near future. We are committed to making business transactions with us as convenient as possible while ensuring your payment information is secure.

LCEC is in the process of analyzing the feasibility of constructing a new Operations and Planning center. The new building would replace the Cooperative's current buildings utilized by the Operations and Planning Department. Most of the buildings were built in the early 1960's and in need of extensive repair.

The Cooperative has begun a search for a new General Manager to replace Gary Hurse who has announced his retirement as of January 2017. We have enlisted the assistance of Langley and Associates, a national firm, that will be conducting the national search. The Board anticipates having someone appointed sometime in the last quarter of 2016.

As we move into a New Era the continual goal of the Cooperative is to serve our members with quality service at a competitive cost to the membership in years past. It is what we have strived to do for more than six (6) decades, and it is what we are solidly focused on doing every day.



JOHN RETIRES FROM LCEC BOARD AFTER 30 YEARS

John Ingle announced he will retire as President of the Lea County Electric Cooperative (LCEC) Board of Trustees after this year's Annual Meeting, April 22, 2016. His contributions to LCEC will be a part of our Cooperative culture and history for a very long time to come. His humble leadership will always be greatly admired and appreciated for his wisdom, strong business sense, and dedication to the membership he selflessly served.

John was elected to the LCEC Board of Trustees in 1986 to represent District Three (3). He was elected by the Board to serve as President in 2010 upon the retirement of Billy Royce Medlin. Ingle has served with three (3) General Managers: K.C. Martin, Michael Dreyspring and Gary L. Hurse. He also served with interim General Manager, John Benard. John represented Western Farmers Electric Cooperative (WFEC) at the New Mexico Rural Electric Cooperative Association from 2011-2013 and represented LCEC on the Western Farmers Electric Cooperative Generation/Transmission Board since 2010. He has also served on the USDA Farm Service Board for nine (9) years and has been actively involved in church all of his life.



John was a key part in the origination of the LCEC Education Foundation Scholarship Program that began in 1987. Funds from unclaimed capital credit, that would have been escheated to the state were reclaimed and now fund educational opportunities for members and their dependents. Since the inception of this program, LCEC has funded 1712 scholarships totaling \$1.5 million.

John has been a leader in the power supply requirements for LCEC finalizing the construction of the LCEC Generation plant in 2012 and the continued search for renewable resources to meet New Mexico state requirements.

John has a Master's Degree from Eastern New Mexico. Among his many accomplishments during his career are: Educator for many years in Tatum, NM; Tatum High School Principal from 1982-1991; Superintendent of the Tatum Municipal School District from 1991-1998; and Interim Superintendent in 2007-2008.

John and his wife Karen have three (3) children: Wade Ingle and his wife Christy; Trisha and her husband Bryce McMurtrey; and Kristy and her husband Jim Reagan. John and Karen have recently purchased a home in Lubbock, Texas. On behalf of the Board, Management team and employees of LCEC, we would like to sincerely thank John for his many years of service. We owe John a debt of gratitude for his valuable contribution to the success of this Cooperative.

We wish John the best in his retirement.



GARY'S RETIREMENT ANNOUNCEMENT

Gary Hurse, Executive Vice President and General Manager of Lea County Electric Cooperative, Inc. (LCEC) and LCEC Generation Plant has announced his retirement effective January 3, 2017. Gary has spent the last 36 years working in the electric industry with 31 of those years spent at electric cooperatives. Gary received his Industrial Engineering degree from Texas A&M University - Commerce and MBA from the University of Phoenix.

In 2004, Gary was hired as Executive Vice President and General Manager with a top priority of determining the future power supply for LCEC. Through his leadership, Gary and the Board of Trustees: negotiated a new power supply contract with XCEL (SPS) to completely be off the XCEL (SPS) system by 2026 through a step off plan to be completed in phases; ensured future power supply for the Cooperative by joining Western Farmers Electric Cooperative, a Generation and Transmission Cooperative (G&T) in Anadarko, Oklahoma; and built a 46.4 megawatt (MW) gas-fired, reciprocating engine plant in the LCEC service area to include a 27.3 MW purchase power agreement with the Wildcat Wind Farm located east of Lovington and 14.2 MW from the Anderson Wind Farm located on the Caprock.

Gary oversaw an \$84 million annual budget and a team of 85 employees responsible for generation and distribution of electricity to over 7,000 residential and business members in both New Mexico and Texas. His contributions to LCEC were monumental in meeting the State mandated Renewable Energy requirement and putting LCEC in a very prominent posture for the future. Without his persistence and vision, LCEC would not be where it is today. Gary will continue to assist the Board with power supply on a contract basis.

Gary and his wife Virginia have three (3) children: Gary Hurse and his wife Joy; John Hurse and his wife Meghan; Sarah Garza and her husband Alex and eight (8) grandchildren: Jaxon, Cora, Ruby, Charlee, Alexis, Aliyah, Gavin and Gage. Gary and Virginia will be residing in their new residence in Lake Kiowa, Texas, where he will be consulting in the area of power supply.

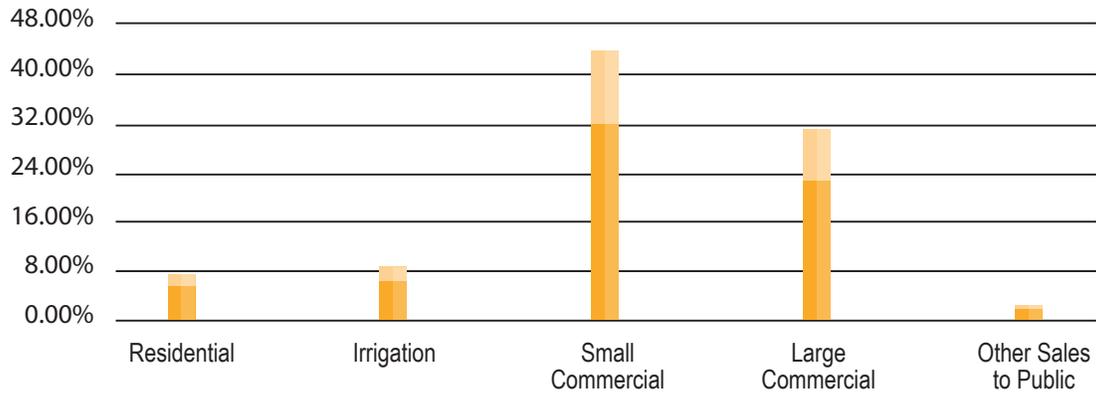
LCEC would like to express their gratitude for his inordinate efforts while leading us during his twelve (12) years of service. LCEC Board, Management and employees want to wish the best to Gary and his wife Virginia.



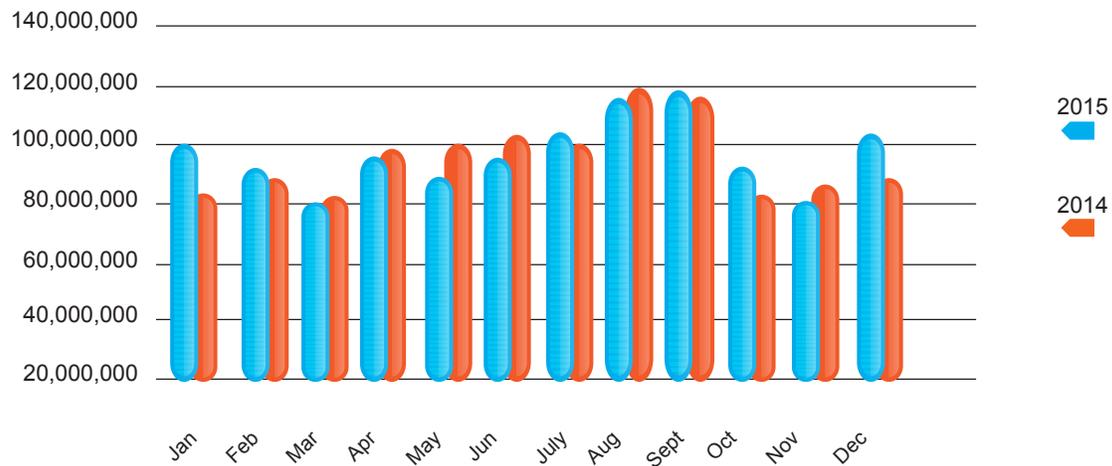


GRAPHS AND CHARTS

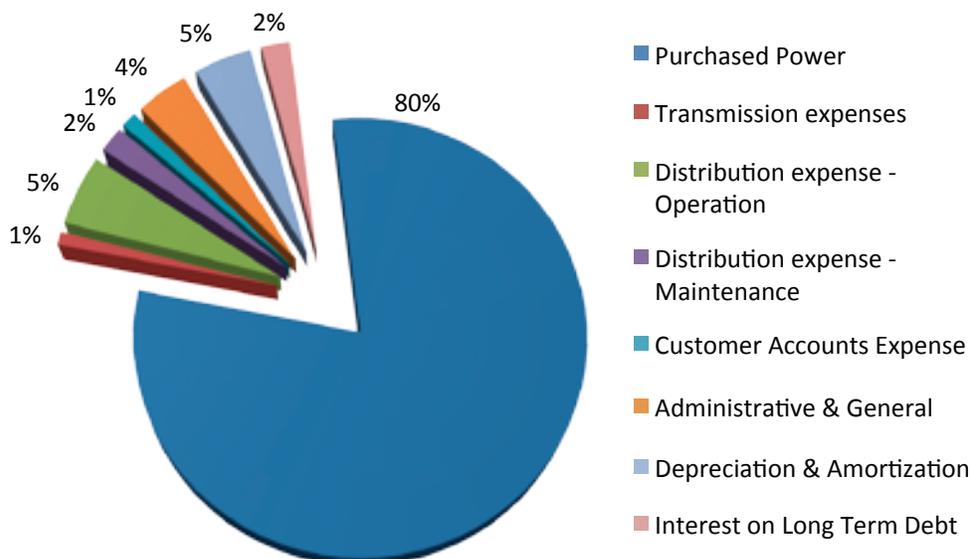
2015 CONSUMER SALES



2015 KWH SALES



2015 OPERATING EXPENSES



STATEMENTS OF INCOME



LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND PATRONAGE CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Years Ended December 31,				Increase (Decrease)
	2015		2014		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 9,580,993	11.4	\$ 10,187,179	11.4	\$ (606,186)
Irrigation	10,762,259	12.9	16,054,800	17.9	(5,292,541)
Commercial and Industrial	63,823,497	76.4	66,958,586	74.8	(3,135,089)
Public Buildings and Other Authorities	1,237,509	1.5	1,350,099	1.5	(112,590)
Accrued Unbilled Revenue	(495,683)	(0.6)	430,350	0.5	(926,033)
Power Cost Over Collected	(1,840,144)	(2.2)	(6,170,177)	(6.9)	4,330,033
Other Operating Revenues	474,568	0.6	700,587	0.8	(226,019)
Total Operating Revenues	<u>\$ 83,542,999</u>	<u>100.0</u>	<u>\$ 89,511,424</u>	<u>100.0</u>	<u>\$ (5,968,425)</u>
OPERATING EXPENSES					
Purchased Power	\$ 64,776,957	77.5	\$ 66,997,511	74.8	\$ (2,220,554)
Generation		0.0	1,368,421	1.5	(1,368,421)
Transmission	802,068	1.0	766,569	0.9	35,499
Distribution - Operation	4,278,255	5.1	3,608,077	4.0	670,178
Distribution - Maintenance	1,607,654	1.9	1,715,152	1.9	(107,498)
Customer Accounts	965,112	1.2	896,873	1.0	68,239
Customer Service and Information	51,361	0.1	40,408	0.0	10,953
Sales	42,361	0.1	34,581	0.0	7,780
Administrative and General	3,216,948	3.9	3,418,324	3.8	(201,376)
Depreciation and Amortization	3,526,546	4.2	3,728,503	4.2	(201,957)
Cost of Removal	1,982,431	2.4	1,373,504	1.5	608,927
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(919,747)	(1.1)	(1,010,443)	(1.1)	90,696
Taxes	47,880	0.1	52,925	0.1	(5,045)
Other Interest and Deductions	89,372	0.1	46,077	0.1	43,295
Total Operating Expenses	<u>\$ 80,467,198</u>	<u>96.5</u>	<u>\$ 83,036,482</u>	<u>92.7</u>	<u>\$ (2,569,284)</u>
OPERATING MARGINS - Before					
Fixed Charges	\$ 3,075,801	3.5	\$ 6,474,942	7.3	\$ (3,399,141)
FIXED CHARGES					
Interest on Long-Term Debt	<u>1,700,261</u>	<u>2.0</u>	<u>2,010,213</u>	<u>2.2</u>	<u>(309,952)</u>
OPERATING MARGINS - After					
Fixed Charges	\$ 1,375,540	1.5	\$ 4,464,729	5.1	\$ (3,089,189)
Capital Credits	<u>1,330,486</u>	<u>1.6</u>	<u>873,446</u>	<u>1.0</u>	<u>457,040</u>
NET OPERATING MARGINS	<u>\$ 2,706,026</u>	<u>3.1</u>	<u>\$ 5,338,175</u>	<u>6.1</u>	<u>\$ (2,632,149)</u>
NONOPERATING ITEMS					
Interest Income	\$ 650,880	0.8	\$ 642,780	0.7	\$ 8,100
Gain on Sale of Property	6,042	0.0	252,249	0.3	(246,207)
Collection of Western Farmers					
Equity Requirement	<u>721,537</u>	<u>0.9</u>	<u>1,929,300</u>	<u>2.2</u>	<u>(1,207,763)</u>
	<u>\$ 1,378,459</u>	<u>1.7</u>	<u>\$ 2,824,329</u>	<u>3.2</u>	<u>\$ (1,445,870)</u>
NET MARGINS	<u>\$ 4,084,485</u>	<u>4.8</u>	<u>\$ 8,162,504</u>	<u>9.3</u>	<u>\$ (4,078,019)</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Current Year APBO Valuation Adjustment	(215,300)		44,600		
Post-retirement Benefit Amortization	<u>(232,800)</u>		<u>(175,100)</u>		
COMPREHENSIVE INCOME	<u>\$ 3,636,385</u>		<u>\$ 8,032,004</u>		
Post-retirement Benefit Adjustment	448,100		130,500		
PATRONAGE CAPITAL - BEGINNING					
OF YEAR	83,199,116		78,047,908		
PATRONAGE CAPITAL RETIRED	<u>(1,600,434)</u>		<u>(3,011,296)</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 85,683,167</u>		<u>\$ 83,199,116</u>		



BALANCE SHEETS

LEA COUNTY ELECTRIC COOPERATIVE, INC.

BALANCE SHEETS DECEMBER 31, 2015 AND 2014

ASSETS

	December 31,	
	2015	2014
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 174,425,415	\$ 168,863,488
Construction Work in Progress	5,215,243	6,142,195
Contributions in Aid of Construction	<u>(30,472,460)</u>	<u>(29,341,158)</u>
	\$ 149,168,198	\$ 145,664,525
Less: Accumulated Provision for Depreciation	<u>64,253,174</u>	<u>63,193,150</u>
	\$ 84,915,024	\$ 82,471,375
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At cost)	\$ 46,482	\$ 46,482
Investments in Associated Organizations	26,921,382	24,978,191
Other Investments	10,679,430	6,457,652
Special Funds - Restricted	35,215,002	34,972,624
Employee Benefit Funds- Restricted	1,511,958	
Postretirement Benefits	<u>966,000</u>	<u>2,412,900</u>
	\$ 75,340,254	\$ 68,867,849
CURRENT ASSETS		
Cash	\$ 623,389	\$ 1,173,819
Temporary Investments- Cash Equivalents	12,607,063	6,709,301
Temporary Investments- Other	2,735,000	3,821,000
Accounts and Notes Receivable (Less allowance for uncollectibles of \$277,579 in 2015 and \$331,615 in 2014)	7,217,304	6,585,858
Accrued Unbilled Revenue	6,154,590	6,650,273
Materials and Supplies	2,384,439	2,480,926
Other Current and Accrued Assets	<u>978,315</u>	<u>959,882</u>
	\$ 32,700,100	\$ 28,381,059
DEFERRED DEBITS	\$ 3,169,088	\$ 4,061,828
TOTAL ASSETS	<u>\$ 196,124,466</u>	<u>\$ 183,782,111</u>
	EQUITIES AND LIABILITIES	
EQUITIES		
Memberships	\$ 35,185	\$ 35,162
Patronage Capital	85,683,167	83,199,116
Accumulated Other Comprehensive Income	661,900	1,110,000
Other Equities	<u>2,096,696</u>	<u>2,096,696</u>
	\$ 88,476,948	\$ 86,440,974
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 1,502,575	\$ 1,627,599
FFB Notes Less Current Maturities	51,660,316	42,906,935
CFC Mortgage Notes Less Current Maturities	2,310,601	2,637,271
CoBank Mortgage Notes Less Current Maturities	3,209,322	3,790,633
RUS Advance Payments	<u>(9,737,269)</u>	<u>(9,265,258)</u>
	\$ 48,945,545	\$ 41,697,180
COST OF REMOVAL LIABILITY	\$ 37,200,389	\$ 35,834,071
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,314,000	\$ 2,167,000
Accounts Payable - Purchased Power	4,887,941	5,164,984
Accounts Payable - Other	2,098,273	964,079
Power Cost - Overcollected	2,703,972	1,585,364
Consumer Deposits	2,771,609	2,665,765
Other Current and Accrued Liabilities	<u>1,613,955</u>	<u>1,298,787</u>
	\$ 16,389,750	\$ 13,845,979
DEFERRED CREDITS	\$ 5,111,834	\$ 5,963,907
TOTAL EQUITIES AND LIABILITIES	<u>\$ 196,124,466</u>	<u>\$ 183,782,111</u>

STATEMENTS OF CASH FLOWS



LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 4,084,485	\$ 8,162,504
Adjustments To Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	3,893,833	4,072,568
Cost of Removal Accruals - Gross	1,982,431	1,373,504
Post-Retirement Benefit (Expense)	(401,058)	(170,300)
Capital Credits	(2,052,023)	(2,781,347)
Deferred Debits	892,740	92,442
Deferred Credits	(852,073)	258,453
Accounts and Notes Receivable	(135,763)	3,052,338
Inventories and Prepaid Expenses	78,054	(228,458)
Payables and Other Accrued Liabilities	2,396,771	2,391,175
Transfer to Outside Party		(1,689,310)
Net Cash Provided by Operating Activities	<u>\$ 9,887,397</u>	<u>\$ 14,533,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (6,714,394)	\$ (8,247,146)
Cost of Removal Incurred	(691,960)	(880,460)
Contributions and Other Additions to Cost of Removal	75,847	77,060
Salvage and Other Credits	376,912	165,791
Additions to Restricted Cash Reserve Accounts		939
Other Property and Investments	(3,269,324)	536,687
Net Cash Used in Investing Activities	<u>\$ (10,222,919)</u>	<u>\$ (8,347,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS - Scheduled	\$ (121,024)	\$ (123,524)
Payments on Long-Term Debt to RUS - Advance Payments	(472,011)	(434,736)
Payments on Long-Term Debt to FFB	(1,147,619)	(1,307,833)
Payments on Long-Term Debt to CFC	(309,670)	(293,501)
Payments on Long-Term Debt to CoBank	(554,311)	(527,331)
Advance on Long-Term Debt from FFB	10,000,000	1,119,763
Net Activity on Line of Credit - CoBank		561,595
Payments on Behalf of Retirees	(112,100)	(106,100)
Retirement of Patronage Capital	(1,600,434)	(3,011,296)
Memberships	23	657
Net Cash Used in Financing Activities	<u>\$ 5,682,854</u>	<u>\$ (4,122,306)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>\$ 5,347,332</u>	<u>\$ 2,064,134</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,883,120</u>	<u>5,818,986</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 13,230,452</u></u>	<u><u>\$ 7,883,120</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 1,686,296	\$ 2,016,898
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

During the year ended December 31, 2015 and 2014, 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 \$(448,100) and (\$130,500) and changed equities by the same amount in 2015 and 2014, respectively.



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