JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
Jennings, Louisiana

Financial Statement and
Report of Independent Auditor

For the Years Ended December 31, 2015 and 2014

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

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JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

BOARD OF DIRECTORS

Joseph L. Tupper, Jr.	District No. 1	Elton Area
Kirk Weldon	District No. 2	Jennings Area
John V. Berken	District No. 3	Thornwell Area
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OFFICERS

E. Garner Nunez	President
Joseph L. Tupper, Jr.	1st Vice-President
Claude Breaux	2nd Vice-President
John V. Berken	Secretary-Treasurer
Michael J. Heinen	General Manager

J. Aaron Cooper , CPA, LLC

P.O. Box 918 • 510 North Cutting Avenue • Jennings, Louisiana 70546
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Member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Jefferson Davis Electric Cooperative, Inc.
Jennings, Louisiana

Report on Financial Statements
I have audited the accompanying financial statements of Jefferson Davis Electric Cooperative, Inc. (a non-profit corporation) which comprise the balance sheet as of December 31, 2015, and the related statements of revenues and expenses, capital, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Jefferson Davis Electric Cooperative, Inc. as of and for the year ended December 31, 2014, were audited by another auditor. That auditor expressed an unqualified opinion on those financial statements in their report dated March 11, 2015.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Davis Electric Cooperative, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, I have also issued a report dated March 15, 2016, on my consideration of the Cooperative's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cooperative's internal control over financial reporting and compliance.

J. Aaron Cooper, CPA, LLC

Jennings, Louisiana
March 15, 2016

FINANCIAL STATEMENTS

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Balance Sheets

December 31, 2015 and 2014

ASSETS

	2015	2014
Utility plant:		
Electric plant in service, at cost	$ 48,572,637	$ 46,817,279
Construction work in progress	2,671,438	465,134
Accumulated depreciation	(12,225,868)	(11,485,880)
Net utility plant	39,018,207	35,796,533
Other property and investments:		
Investments in associated organizations	1,704,293	1,673,641
Current assets:		
Cash and cash equivalents	283,609	175,836
Accounts receivable, less allowance for doubtful accounts of $230,208 and $226,550 in 2015 and 2014, respectively	1,919,161	2,229,281
Inventories	1,189,314	1,048,752
Other current assets	38,794	18,450
Total current assets	3,430,878	3,472,319
Deferred charges	4,032,497	5,215,016
Total assets	$ 48,185,875	$ 46,157,509

The accompanying notes are an integral part of this financial statement.

LIABILITIES AND CAPITAL

	2015	2014
Capital:		
Memberships	$ 35,200	$ 34,460
Patronage	15,796,136	16,656,662
Donated	4,808	4,808
Total capital	15,836,144	16,695,930
Long-term debt:		
National Rural Utilities Cooperative Finance Corporation (CFC)	12,888,737	13,792,030
Other long-term obligations:		
Accumulated provision for postretirement benefits	7,831,800	7,551,400
Current liabilities:		
Accounts payable	1,698,601	1,512,890
Line of credit, CFC	3,835,000	400,000
Current portion of long-term debt	903,293	1,007,679
Member deposits	154,774	172,049
Other accrued liabilities	94,021	105,878
Total current liabilities	6,685,689	3,198,496
Deferred credits	4,943,505	4,919,653
Total liabilities	32,349,731	29,461,579
Total liabilities and capital	$ 48,185,875	$ 46,157,509

The accompanying notes are an integral part of this financial statement.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Statements of Revenue and Expenses

For the Years Ended December 31, 2015 and 2014

	2015	2014
Operating revenue:		
Electricity sales	$ 23,882,581	$ 23,932,027
Miscellaneous electricity revenue	307,750	471,577
Total operating revenues	24,190,331	24,403,604
Operating expenses:		
Power purchased	15,990,099	15,057,078
Transmission - operation	12,413	3,597
Distribution - operation	1,724,200	1,632,154
Distribution - maintenance	2,165,916	1,902,178
General plant - maintenance	128,875	161,716
Customer accounts expense	832,011	737,869
Administrative and general	1,535,722	1,654,707
Depreciation and amortization	1,794,893	1,652,780
Taxes	274,117	258,159
Total operating expenses	24,458,246	23,060,238
Operating margins before interest expense	(267,915)	1,343,366
Interest expense	658,289	656,816
Operating margins	(926,204)	686,550
Nonoperating margins:		
Capital credits received	98,669	182,079
Interest income	28,339	28,325
Total nonoperating margins	127,008	210,404
Net margins	$ (799,196)	$ 896,954

The accompanying notes are an integral part of this financial statement.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Statements of Capital

For the Years Ended December 31, 2015 and 2014

	Memberships	Patronage Capital	Donated Capital	Total
Balance at December 31, 2013	$ 33,680	$ 15,832,241	$ 4,808	$ 15,870,729
2014 net margins	-	896,954	-	896,954
Retirement of capital credits	-	(72,533)	-	(72,533)
Net change in memberships	780	-	-	780
Balance at December 31, 2014	34,460	16,656,662	4,808	16,695,930
2015 net margins	-	(799,196)	-	(799,196)
Retirement of capital credits	-	(61,330)	-	(61,330)
Net change in memberships	740	-	-	740
Balance at December 31, 2015	$ 35,200	$ 15,796,136	$ 4,808	$ 15,836,144

The accompanying notes are an integral part of this financial statement.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

Statements of Cash Flows

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net margins	$ (799,196)	$ 896,954
Reconciliation of net margins to net cash provided by operating activities:		
Depreciation and amortization	1,969,485	1,707,498
Change in deferred regulatory debits	466,750	110,146
Change in deferred credits	23,852	149,763
Change in accumulated provision for postretirement benefits	280,400	452,000
Changes in current assets and liabilities:		
Accounts receivable	310,120	262,101
Inventory	(140,562)	(372,887)
Other current assets	(20,344)	(7,871)
Accounts payable	185,711	10,764
Other accrued liabilities	(11,857)	(23,851)
Net cash provided by operating activities	2,264,359	3,184,617
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(4,752,318)	(2,765,870)
Cost to remove retired plant	(141,660)	(117,903)
Reimbursement of capital expenditures	418,588	-
Change in investments in associated organizations	(30,652)	(112,377)
Net cash used by investing activities	(4,506,042)	(2,996,150)

The accompanying notes are an integral part of this financial statement.

	2015	2014
Cash flows from financing activities:		
Change in line of credit	3,435,000	174,896
Payments on long-term debt	(1,007,679)	(997,349)
Change in member deposits	(17,275)	(23,828)
Retirement of capital credits	(61,330)	(72,533)
Net change in memberships	740	780
Net cash provided (used) by financing activities	2,349,456	(918,034)
Net change in cash and cash equivalents	107,773	(729,567)
Cash and cash equivalents, beginning of year	175,836	905,403
Cash and cash equivalents, end of year	$ 283,609	$ 175,836
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 658,289	$ 656,816

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson Davis Electric Cooperative, Inc. (the Cooperative), is a Louisiana non-profit corporation organized to provide electric service at the retail level to residential and commercial accounts in southwest Louisiana. Power delivered at retail is purchased wholesale primarily from Louisiana Generating, LLC. The Cooperative is regulated by the Louisiana Public Service Commission (LPSC). Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity in the balance sheet.

The accounting records of the Cooperative are maintained in accordance with the RUS Uniform System of Accounts (USOA). The financial statements and the accompanying notes to the financial statements have been prepared on the basis of U.S. generally accepted accounting principles (GAAP).

Regulatory Accounting

Due to regulation of its rates by the LPSC, the Cooperative follows regulatory accounting requirements. Regulatory accounting requirements recognize that the ratemaking process can result in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. Such differences generally involve the accounting period in which various transactions enter into the determination of net margin. Accordingly, certain costs and receipts may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues. Regulatory assets and liabilities (included in deferred charges and deferred credits) are recorded when it is probable that future rates will permit their recovery and are amortized over their expected recovery period as authorized by the Board of Directors.

Patronage Capital

In conformity with its bylaws, the Cooperative conducts its operations on a cooperative, nonprofit basis. Annual revenues in excess of the cost of providing service, commonly referred to as net margins, are allocated in the form of "capital credits" to the customers' capital accounts on the basis of patronage. Capital credits are returned to members in accordance with the Cooperative’s policies and are classified as payable upon Board resolution authorizing retirement.

Utility Plant

Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Depreciation is recorded on the composite basis and is charged to capital and operating accounts at rates adopted by the Board of Directors in conformity with guidelines provided by the Rural Utilities Service. When transmission and distribution units of property are retired, their average cost (specific unit cost for substantially all of the general plant) is removed from utility plant and the cost, less net salvage, is removed from allowances for depreciation.

Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets, and the replacement and renewal of items determined to be less than units of plant are charged to maintenance as incurred.

Depreciation expense is provided by the straight-line method over the composite rate or a specific unit basis for transportation and power operated equipment as follows:

Classification	Rate
Transmission plant	2.75%
Distribution plant	2.30% to 3.90%
General plant:	
Structures and improvements	3.00%
Transportation equipment	10.00% to 25.00%
Power operated equipment	6.00%
Other general plant	6.00% to 7.00%

Valuation of Long-Lived Assets

Management of the Cooperative periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for any impairment write-down. Impaired assets are reported at the lower of cost or fair value. At December 31, 2015, no assets were considered to be impaired.

Investments

Investments are generally included in the financial statements at cost. Investments in associated organizations are included at its patronage capital balance or at face value of related certificates, as appropriate.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount that management of the Cooperative expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts. Additions to the allowance for doubtful accounts are based on management's judgment, considering historical write-offs, review of specific past-due accounts, collections and current credit conditions. Generally, the Cooperative considers accounts receivable past due after 30 days. Balances which remain outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Payments received on accounts subsequent to being written off are considered a bad debt recovery.

Accounts Receivable (continued)

The Cooperative recognizes sales of electricity utilizing a cycle billing procedure. This procedure records sales of electricity which may be consumed in one accounting period but not recognized as revenue until the following accounting period. In order to create a more accurate matching of revenue with expense, the Cooperative utilizes a policy which records in the current audit period a portion of the revenue from the following month's billing cycle.

Inventories

Inventories consist primarily of materials and supplies for construction and maintenance of the Cooperative's transmission and distribution system and are stated at lower of average unit cost, as prescribed by RUS. Usable material from plant retirements is returned to inventory at current average cost.

Income Taxes

The Cooperative is exempt from federal income taxes under Section 501 (c) (12) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the accompanying financial statements.

In accordance with FASB ASC 740-10 which also requires the disclosure of open tax years subject to examination and the policy for classifying interest and penalties, the Cooperative has performed an evaluation and determined that no uncertain tax liabilities or positions exist for the years ended December 31, 2015 and 2014. The Cooperative's tax years of December 31, 2012 through December 31, 2014 remain subject to examination by federal and state taxing authorities.

Fair Value Measurements

ASC Topic 820, Fair Value Measurement and Disclosures, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the organization's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the organization.

At December 31, 2015 and 2014, the only assets or liabilities that are measured at fair value on a recurring basis are temporary cash investments, which are reported using Level 1 inputs. Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Cooperative had no assets measured at fair value on a nonrecurring basis at December 31, 2015 and 2014.

Financial Instruments

ASC Topic 825, Financial Instruments, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which these instruments could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At December 31, 2015 and 2014, the carrying value of financial instruments, such as receivables and accounts payable approximated their fair values based on the short-term maturities of these instruments.

Defined Benefit Plan

The Cooperative participates in the National Rural Electric Cooperative (NRECA) Retirement Security Plan (RS Plan), a multiemployer defined benefit pension plan. The Cooperative has adopted SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, which requires the Cooperative to separately disclose the items that have not yet been recognized as components of net periodic pension cost, including net loss, prior service cost and net transition obligation. For companies not subject to SFAS No. 71, SFAS No. 158 required this information to be included in Accumulated Other Comprehensive Income. However, for companies subject to SFAS No. 71, this information is allowed to be recorded as a regulatory asset if the Cooperative has historically recovered and currently recovers pension and postretirement benefit plan expense in its electric rates and there is no negative evidence that the existing regulatory treatment will change. Therefore, the Cooperative has recorded the net loss, prior service cost, and transition obligation as a regulatory asset as these expenses are probable of future recovery. If, in the future, the regulatory bodies indicated a change in policy related to the recovery of pension and postretirement benefit plan expenses, this could cause the SFAS No. 158 regulatory asset balance to be reclassified to Accumulated Other Comprehensive Income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

(2) UTILITY PLANT

Utility plant consisted of the following at December 31, 2015 and 2014:

	2015	2014
Transmission plant	$ 4,315,299	$ 4,268,403
Distribution plant	36,965,327	35,668,898
General plant	7,292,011	6,879,978
Construction work in progress	2,671,438	465,134
Total	51,244,075	47,282,413
Accumulated depreciation	(12,225,868)	(11,485,880)
Total utility plant, net	$ 39,018,207	$ 35,796,533

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at December 31, 2015 and 2014:

	2015	2014
Cash on hand	$ 1,000	$ 1,000
Cash in bank	189,270	81,566
Cooperative Finance Corporation Daily Fund	93,339	93,270
	$ 283,609	$ 175,836

(4) INVESTMENTS IN ASSOCIATED ORGANIZATIONS

The Cooperative has business relationships with various other cooperatives. As a result, the Cooperative holds membership rights in these organizations, which include the right to receive patronage allocations.

Investments in associated organizations consisted of the following at December 31, 2015 and 2014:

	2015	2014
Arkansas Electric Cooperative Corp. - patronage capital	$ 290,688	$ 290,809
Southeastern Data Cooperative - patronage capital	95,365	101,903
Federated Rural Electric Insurance Exchange - patronage capital	289,938	238,592
CoBank common stock	173,869	207,312
Cooperative Finance Corporation (CFC):		
Membership	1,000	1,000
Patronage capital	270,538	244,117
Capital term certificates (CTC):		
Subscriptions (SCTC)	565,317	565,317
Loan (ZCTC)	17,578	24,591
	854,433	835,025
	$ 1,704,293	$ 1,673,641

The capital term certificates invested in CFC are unsecured and subordinated. The SCTSs bear interest at an annual rate of 5% and mature between 2070 and 2080. The ZCTCs are non-interest bearing and mature between 2016 and 2027.

(5) ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2015 and 2014:

	2015	2014
Consumer accounts receivable	$ 1,194,786	$ 1,283,449
Unbilled electric revenues	795,269	948,202
Customer contracts receivable	78,979	125,916
Accounts receivable - other	80,335	98,264
Total	2,149,369	2,455,831
Accumulated provision for uncollectible accounts	(230,208)	(226,550)
Total utility plant, net	$ 1,919,161	$ 2,229,281

(6) DEFERRED CHARGES

Deferred charges consisted of the following at December 31, 2015 and 2014:

	2015	2014
Unrecognized actuarial loss on RS Plan	$ 2,561,370	$ 2,821,805
Rural Utilities Service (RUS) prepayment fee	739,433	772,518
RS Plan prepayment	731,644	901,360
Estimated losses - Hurricane Rita	-	715,769
Miscellaneous	50	3,564
Total deferred charges	$ 4,032,497	$ 5,215,016

Regulatory assets are recorded for expenses that are deferred and will be recovered through rates charged to members in future periods. Such deferrals are made at the discretion of the Cooperative's Board of Directors.

As a result of the Cooperative's participation in the NRECA's RS Plan, certain components of net periodic pension costs are recorded as a regulatory asset. The Cooperative amortizes this asset as determined by the Plan actuary.

In 2013, the Cooperative refinanced its debt with RUS through CFC. RUS charged the Cooperative a fee of $827,127 for early prepayment of the debt. The fee was deferred and is being amortized over twenty-five years.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to the January 1st of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. The Cooperative's prepayment of $1,212,506 was recorded as a deferred charge and is being amortized over ten years.

The Cooperative incurred significant losses as a result of Hurricane Rita in 2005. These losses were deferred and were amortized over ten years. The asset was fully amortized in 2015.

(7) PLEDGED ASSETS, LINE OF CREDIT, AND LONG-TERM DEBT

The Cooperative has entered into various borrowing arrangements with CFC. As a result of these arrangements, substantially all assets of the Cooperative have been pledged as collateral.

The Cooperative has a line of credit of $5,000,000 with CFC. At December 31, 2015 and 2014, $3,835,000 and $400,000, respectively, was advanced on the line of credit. At December 31, 2015, the interest rate on the line of credit was 2.9%.

Long-term debt consists of mortgage notes payable to CFC. The notes are payable in quarterly installments of principal and interest at rates ranging from 2.5% to 5.7% maturing at various dates through May 31, 2042. At December 31, 2015, there were unfunded amounts totaling $6,700,000 remaining on these long-term facilities.

As of December 31, 2015, annual maturities of long-term debt outstanding for the next five years are as follows:

Year	Annual Principal Payments
2016	$ 903,293
2017	819,087
2018	855,651
2019	893,915
2020	825,282
Thereafter	9,494,802
Total	$ 13,792,030

(8) DEFERRED CREDITS

Deferred credits of $4,943,505 and $4,919,653 at December 31, 2015 and 2014, respectively, relate to advances from the Federal Emergency Management Agency (FEMA) due to losses from damage caused by hurricanes, primarily Hurricane Rita. The Cooperative has hired an outside consultant to work with the Governor's Office of Homeland Security and Emergency Preparedness to clear out the remaining project worksheets related to the storms. Based on the consultant's work, it appears that FEMA advanced approximately $3,000,000 in excess funding. If it is determined that these funds were advanced in error, this amount will need to be repaid to FEMA. The repayment, if any, will be charged to deferred credits and will have no effect on net margins or patronage capital.

(9) POSTRETIREMENT BENEFITS

The Cooperative participates in the National Rural Electric Cooperative (NRECA) Retirement Security Plan (RS Plan), a multiemployer defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Cooperative's contributions to the RS Plan in 2015 and in 2014 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of $339,744 in 2015 and $352,857 in 2014. There have been no significant changes that affect the comparability of 2015 and 2014 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2015 and over 80 percent funded on January 1, 2014, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience

Substantially all full-time employees participate in a 401(k) plan administered by NRECA. Participants are required to contribute at least 4% of their income and the Cooperative matches an additional 4%. The amount expensed for the 401(k) match totaled $76,801 and $76,098 for the years ended December 31, 2015 and 2014, respectively.

(10) SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 15, 2016, which is the date the financial statements were available to be issued.

(11) PUBLIC FUNDS PAID TO AGENCY HEAD

Michael J. Heinen, general manager, is considered the agency head of Jefferson Davis Electric Cooperative for purposes of required disclosures under R.S. 24:513(A)(3). Mr. Heinen received no payments of public funds during the year ended December 31, 2015.

REPORTS AND ADDITIONAL INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

J. Aaron Cooper , CPA, LLC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Jefferson Davis Electric Corporation
Jennings, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Jefferson Davis Electric Corporation, Inc., as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued my report thereon dated March 15, 2016.

Internal Control Over Financial Reporting
In planning and performing my audit of the financial statements, I considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, I do not express an opinion on the effectiveness of the Cooperative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report
This report is intended solely for the information and use of the Jefferson Davis Electric Cooperative, the Cooperative's management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J. Aaron Cooper, CPA, LLC

Jennings, Louisiana
March 15, 2016

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

N/A

Section II – Financial Statement Findings

None