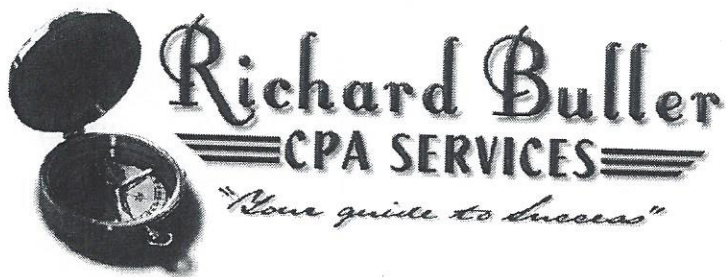


JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
JENNINGS, LOUISIANA
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014 AND 2013
AND
INDEPENDENT AUDITORS' REPORT

Richard Buller CPA Services, LLC
742 East Plaquemine Street
Post Office Drawer 1429
Jennings, Louisiana 70546

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jefferson Davis Electric Cooperative, Inc.

We have audited the accompanying financial statements of Jefferson Davis Electric Cooperative, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Richard Buller". The signature is written in a cursive, flowing style.

Richard Buller CPA Services, LLC
Jennings, LA.
March 11, 2015

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
STATEMENTS OF FINANCIAL POSITION
As Of December 31, 2014 and 2013

<u>ASSETS</u>	2014	2013	INCREASE (DECREASE)
<u>UTILITY PLANT:</u>			
ELECTRIC PLANT IN SERVICE - AT COST	\$ 46,817,279	\$ 40,979,604	\$ 5,837,675
CONSTRUCTION WORK IN PROGRESS	465,134	3,536,940	(3,071,805)
TOTAL ELECTRIC PLANT IN SERVICE	47,282,413	44,516,544	2,765,870
LESS: ACCUMULATED DEPRECIATION	11,485,880	10,811,390	674,491
NET UTILITY PLANT	\$ 35,796,533	\$ 33,705,154	2,091,379
<u>OTHER PROPERTY AND INVESTMENTS:</u>			
ASSOCIATED ORGANIZATIONS	207,312	201,644	5,668
SU CAPITAL TERM CERTIFICATES	1,466,329	1,359,620	106,709
OTHER INVESTMENTS	93,280	93,224	56
TOTAL OTHER PROPERTY &	1,766,921	1,654,488	112,433
<u>CURRENT ASSETS:</u>			
CASH - GENERAL	82,556	812,179	(729,623)
ACCOUNTS RECEIVABLE (LESS PROVISION FOR DOUBTFUL ACCOUNTS OF \$ ***** IN 2014 AND \$202,227 IN 2013)	2,229,281	2,491,382	(262,101)
MATERIALS AND SUPPLIES	1,048,752	675,865	372,887
PREPAYMENTS	11,262	3,391	7,870
OTHER CURRENT AND ACCRUED ASSETS	7,188	7,188	-
TOTAL CURRENT ASSETS	3,379,039	3,990,005	(610,966)
<u>OTHER ASSETS:</u>			
DEFERRED CHARGES-HURRICANE RITA	2,389,647	3,308,224	(918,577)
DEFERRED CHARGES:	3,565	91	3,474
TOTAL OTHER ASSETS	2,393,211	3,308,314	(915,103)
TOTAL ASSETS	\$ 43,335,704	\$ 42,657,961	\$ 677,743

The accompanying notes are an integral part of the financial statements.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
STATEMENTS OF FINANCIAL POSITION
As Of December 31, 2014 and 2013

	2014	2013	INCREASE (DECREASE)
<u>EQUITIES AND MARGINS:</u>			
MEMBERSHIP	\$ 34,460	\$ 33,680	\$ 780
PATRONAGE CAPITAL	16,656,662	15,832,240	824,422
DONATED CAPITAL	4,808	4,808	-
TOTAL EQUITIES AND MARGINS	\$ 16,695,931	\$ 15,870,729	825,202
<u>LONG TERM DEBT:</u>			
RUS MORTGAGE NOTES	-	-	-
RUS GUARANTEED-FFB	-	-	-
COBANK	-	-	-
CFC NOTE	13,792,030	14,799,709	(1,007,679)
TOTAL LONG TERM DEBT	13,792,030	14,799,709	(1,007,679)
TOTAL LONG TERM DEBT		14,799,709	(1,007,679)
<u>CURRENT LIABILITIES:</u>			
ACCOUNTS PAYABLE	1,512,890	1,502,126	10,764
CONSUMER DEPOSITS	172,049	195,877	(23,828)
RUS MORTGAGE NOTES	-	-	-
RUS GUARANTEED-FFB	-	-	-
NOTE PAYABLE - CFC	1,007,679	997,349	10,329
NOTE PAYABLE - COBANK	-	-	-
NOTE PAYABLE - LOC COBANK	400,000	225,104	174,896
OTHER CURRENT AND ACCRUED	5,025,531	4,899,619	125,912
TOTAL CURRENT LIABILITIES	8,118,148	7,820,075	298,073
<u>DEFERRED CREDITS AND OTHER:</u>			
POST RETIREMENT BENEFIT	4,729,595	4,167,449	562,146
TOTAL EQUITIES AND LIABILITIES	\$ 43,335,704	\$ 42,657,961	\$ 677,743

The accompanying notes are an integral part of the financial statements

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
COMPARATIVE STATEMENT OF ACTIVITIES AND PATRONAGE CAPITAL
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>INCREASE (DECREASE)</u>
OPERATING REVENUES	\$ 24,403,604	\$ 23,963,055	\$ 440,549.03
OPERATING EXPENSES:			
COST OF POWER	\$ 15,057,078	\$ 14,681,126	\$ 375,952
TRANSMISSION EXPENSE	3,597	4,929	(1,332)
DISTRIBUTION EXPENSE OPERATIONS	1,632,154	1,715,110	(82,956)
DISTRIBUTION EXPENSE MAINTENANCE	1,904,027	1,851,294	52,733
MAINTENANCE OF GENERAL PLANT	161,716	138,952	22,765
CONSUMER ACCOUNTS EXPENSE	737,869	652,440	85,429
SALES EXPENSE	20,291	19,517	775
ADMINISTRATIVE AND GENERAL	1,632,567	1,644,560	(11,994)
DEPRECIATION & AMORTIZATION	1,652,780	1,662,895	(10,115)
TAXES	258,159	278,326	(20,167)
INTEREST ON LONG TERM DEBT	656,816	740,887	(84,071)
TOTAL OPERATING EXPENSE	<u>23,717,055</u>	<u>23,390,034</u>	<u>327,020</u>
COST OF POWER	686,549	573,020	113,529
TRANSMISSION EXPENSE	182,079	66,137	115,942
DISTRIBUTION EXPENSE OPERATIONS	-	-	-
DISTRIBUTION EXPENSE MAINTENANCE	-	-	-
MAINTENANCE OF GENERAL PLANT	28,325	28,561	(237)
INTEREST INCOME	-	-	-
OTHER NON-OPERATING INCOME	-0-	-0-	-0-
TOTAL NON-OPERATING INCOME	<u>28,325</u>	<u>28,561</u>	<u>(237)</u>
NET MARGINS FOR PERIOD:	<u>896,952</u>	<u>667,718</u>	<u>229,234</u>
PATRONAGE CAPITAL - BEGINNING OF YEAR	15,832,240	15,221,535	610,705
LESS: RETIREMENT OF CAPITAL CREDITS	<u>(72,530)</u>	<u>(57,013)</u>	<u>(15,517)</u>
PATRONAGE CAPITAL-END OF YEAR	<u>\$ 16,656,662</u>	<u>\$ 15,832,240</u>	<u>\$ 824,422</u>

The accompanying notes are an integral part of the financial statements

Louisiana 19 Jefferson Davis
JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	2014	2013
OPERATING ACTIVITIES:		
NET MARGINS FOR PERIOD	\$ 896,952	\$ 667,718
ADJUSTMENTS TO RECONCILE NET MARGINS TO NET CASH PROVIDED BY OPERATIONS:		
DEPRECIATION AND AMORTIZATION	1,652,780	2,008,539
SALVAGED MATERIAL	-	(159,555)
DECREASE (INCREASE) IN ACCOUNTS RECEIVABLE	262,101	(906,702)
DECREASE (INCREASE) IN MATERIAL AND SUPPLIES	(372,887)	(24,455)
DECREASE (INCREASE) IN PREPAYMENTS	(7,870)	44,041
DECREASE (INCREASE) IN ACCRUED ASSETS AND OTHER DIFFERED EXPENSES	(3,474)	20
INCREASE (DECREASE) IN DEFERRED CREDITS	112,848	1,374,381
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,102,595	3,359,935
INVESTING ACTIVITIES:		
PURCHASES OF UTILITY PLANT	(2,765,870)	(2,698,316)
NET PLANT REMOVAL COST	(132,242)	(2,521,239)
INVESTMENTS IN ASSOCIATED ORGANIZATIONS AND LT SU CAPITAL TERM CERTIFICATES	(5,668)	20,891
OTHER INVESTING ACTIVITIES	(106,709)	(26,428)
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	(3,010,545)	(4,356,882)
FINANCING ACTIVITIES:		
PAYMENTS OF LONG TERM DEBT	(822,453)	1,300,031
FINANCING THROUGH LONG TERM DEBT	-	-
INCREASE (DECREASE) IN MEMBERSHIP	780	720
RETIREMENT OF CAPITAL CREDITS	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(821,673)	1,300,751
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(729,623)	303,804
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	812,179	508,375
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 82,556	\$ 812,179

1. Accounting Policies Note: Cash Equivalents - The Cooperative considers only cash to be cash and cash equivalents.
2. Debt Note: During 2014 and 2013 respectively, the Cooperative paid interest of \$ 610,497 and \$ 683,367.
3. Income Taxes: The Cooperative paid no income taxes in 2014 and 2013.
4. Acquisitions: The Cooperative had acquisitions in 2014 and 2013 of utility plant.

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF OPERATIONS:

Jefferson Davis Electric Cooperative, Inc. is a tax exempt electrical cooperative with offices in Jennings, Louisiana and Cameron, Louisiana. The cooperative provides electricity to residential and commercial customers located in Southwestern Louisiana.

A. Basis of Accounting - The records of the Cooperative is maintained on the accrual basis of accounting in accordance with the "Uniform System of Accounts Prescribed for Electric Borrowers of the Rural Utilities Service" (RUS Bulletin 181-1).

B. Allowance For Uncollectibles - Estimated uncollectible accounts receivable are based on the Cooperative's prior experience with bad debts.

C. Inventories - Inventories are valued at average cost.

2 - ELECTRIC PLANT AND DEPRECIATION PROCEDURES:

Listed below are the assets comprising the electric plant as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Transmission Lines	\$ 4,268,404	\$ 4,211,464
Distribution Plant	35,668,897	31,888,572
General Plant	<u>6,879,978</u>	<u>4,879,568</u>
Electric Plant in Service	46,817,279	40,979,604
Construction Work In Progress	<u>465,134</u>	<u>3,536,940</u>
 Total Electric Plant	 <u>\$ 47,282,413</u>	 <u>\$ 44,516,544</u>

Provision has been made for depreciation of transmission lines at a straight-line composite rate of 2.75 percent per annum.

Provision has been made for depreciation of distribution plant at straight-line composite rates ranging from 2.3 to 4.15 percent per annum depending on the type of distribution asset.

General plant depreciation rates have been applied on a straight-line basis and are as follows:

Structures and Improvements	3.00%
Communication Equipment	8.00%
Transportation Equipment	16.67 to 25.00%
Stores Equipment	6.00%
Office Equipment	7.00%
Laboratory Equipment	6.00%
Miscellaneous Equipment	6.00%

Electric Plant-in-Service: Electric plant-in-service is stated on the basis of cost. Depreciation is computed using the straight-line method over the expected useful lives of the related component assets. The cost of units of property replaced or retired, including costs of removal net of any salvage value, is charged to accumulated depreciation.

Construction-in-Progress: Construction-in-progress is stated at cost.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
 NOTES TO THE FINANCIAL STATEMENTS (cont.)
 For The Years Ended December 31, 2014 and 2013

3 - OTHER PROPERTY AND INVESTMENTS:

Investments consisted of the following at December 31, 2014 and 2013.
 Held to Maturity:

	<u>2014</u>	<u>2013</u>
Capital Stock - Nat'l Bank For Cooperatives	\$ 207,312	\$ 201,644
Total Investments in Associated Organizations	207,312	201,644
Capital Term Certificates of NRUCFC (1)	1,466,329	1,359,620
Other Investments:		
Bank Rate Saving (1)	10	10
CFC Daily Cash Fund (1)	93,270	93,213
Total Other Investments	<u>93,280</u>	<u>93,224</u>
Total Other Property and Investments	<u>\$ 1,766,921</u>	<u>\$ 1,654,488</u>

(1) Deposits and investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Cooperative's name are considered to have custodial risk.

Market value on investments in Associated Organizations was indeterminable because these securities are not ordinarily traded. The market value on the Capital Term Certificates and other cash investments approximates cost at 12/31/14 and 12/31/13.

4 - DETAILS OF PATRONAGE CAPITAL:

	<u>2014</u>	<u>2013</u>
Assigned and Assignable	\$ 16,656,662	\$ 15,832,240
Less: Retirements	-	-
Total Assigned and Assignable	<u>16,656,662</u>	<u>15,832,240</u>
Less: Unassigned Losses	-	-
Balance	<u>\$ 16,656,662</u>	<u>\$ 15,832,240</u>

5 - MORTGAGE NOTES:

Additional loans have been obtained from the National Rural Utilities Cooperative Finance Corporation at variable interest rates. All assets are pledged as security for this debt. These notes will amortize over 21 years maturing at May 15, 2027. This loan was combined with the rest of long-term debt September 2013.

All long-term debt payable to RUS was combined with this loan. The principle and interest are due quarterly.

The long-term debt to the National Rural Utilities Cooperative Finance Corporation is summarized below:

	<u>2014</u>	<u>2013</u>
Total CFC Loans	\$ 14,799,709	\$ 15,797,058
Less: Current Portion	<u>(1,007,679)</u>	<u>(997,349)</u>
Total	<u>\$ 13,792,030</u>	<u>\$ 14,799,709</u>

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
 NOTES TO THE FINANCIAL STATEMENTS (cont.)
 For The Years Ended December 31, 2014 and 2013

5 - MORTGAGE NOTES (d) (Continued):

The maturities of the long-term debt through December 31, 2042 due to National Utilities Cooperative Finance Corporation for years ending December 31, 2014 and December 31, 2013 are as follows:

	<u>2014</u>	
2015		\$ 1,007,679
2016		903,293
2017		819,087
2018		855,651
2019		893,915
2020		825,282
2021-2025		3,718,091
2026-2030		2,351,134
2031-2035		2,214,081
2036-2040		1,082,858
2041-2042		128,638
	<u>2013</u>	
2014		\$ 997,349
2015		1,007,679
2016		903,293
2017		819,087
2018		855,651
2019		893,915
2020-2024		3,879,626
2025-2029		2,632,846
2030-2034		2,109,322
2035-3039		1,489,665
2040-2042		208,625

Line of credit available at December 31, 2014 was \$ 4,600,000 and \$ 4,774,896 for December 31, 2013.

6 - PENSION PLAN:

Plan I:

Pension benefits for substantially all employees are provided through participation in the NRECA Retirement Savings and Security Program, which is a multiemployer cost sharing plan whose report can be found on line at NRECA.org. The defined benefits pension plan is at a 1.9% benefit level on the number of years of service. All new employees must be employed for one year before becoming eligible. Pension costs to the Cooperative were \$ 352,587 in 2014 and \$ 366,321 in 2013. The plan is approved by the Internal Revenue Service.

The retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer 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.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
 NOTES TO THE FINANCIAL STATEMENTS (cont.)
 For The Years Ended December 31, 2014 and 2013

6 - PENSION PLAN (Continued):

Jefferson Davis Electric Cooperative, Inc. contributions to the RS Plan in 2014 and in 2013 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. Jefferson Davis Electric Cooperative, Inc. made contributions to the RS Plan of \$352,587 in 2014 and \$366,321 in 2013.

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, 2014 and over 80 percent funded on January 1, 2013 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.

Plan II:

The Cooperative has made available a 401k plan to its employees. Participants are required to contribute 4 % of their wages. The Cooperative matches that 4 %. Any additional contributions by the employee are not matched by the Cooperative. The Cooperative's matching was \$ 45,582 in 014 and \$ 76,098 in 2013.

7 - INCOME TAX STATUS:

More than 85 percent of the income is collected from the Cooperative's members. Exemption from federal income taxes has been obtained due to organization type 501(c) 12, and Internal Revenue Service Form 990 is being filed.

8 - COMPENSATED ABSENCES:

The Cooperative does not record a provision for accrued sick pay. Vested vacation time is accrued at current pay rates. The amount accrued at December 31, 2013 and 2012 is \$ 28,789 and \$ 30,539, respectively.

9 - MAJOR VENDOR:

Louisiana Generating LLC is Jefferson Davis Electric Cooperative's major power supplier.

10 - POST RETIREMENT BENEFITS:

In addition to providing pension benefits, the Cooperative provides certain medical and dental insurance benefits for retired employees. Effective January 1, 1995 the Cooperative adopted SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions". Reconciliation of the funded status of the Plan and amounts recognized in the Cooperative's Balance Sheet at December 31, 2014 and 2013 follows:

	2014(1)	2013(1)
Accumulated Postretirement Benefits Obligation:		
Retirees and dependents	\$ (3,407,000)	\$ (3,309,600)
Fully eligible active plan participants	(1,294,700)	(1,101,400)
Other active plan participants	(2,849,700)	(2,688,400)
Total	(7,551,400)	(7,099,400)
Plan assets at fair value	-	-
Accumulated postretirement benefit obligation in excess of plan assets	(7,551,400)	(7,099,400)
Unrecognized actuarial gain (loss)	2,821,805	2,931,951
Prior service cost not yet recognized in net periodic postretirement bene	-	-
Unrecognized transition obligation	-	-
Accrued postretirement benefit cost recognized in the Balance Sheet	\$ (4,729,595)	\$ (4,167,449)

(1) Rounded to nearest hundred.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
 NOTES TO THE FINANCIAL STATEMENTS (cont.)
 For The Years Ended December 31, 2014 and 2013

11 - CONCENTRATION OF CREDIT RISK:

Deposit Risk:

	<u>2014</u>	<u>2013</u>
Deposits insured by the FDIC or FSLIC	\$ 82,556	\$ 250,000
Uninsured uncollateralized deposits	\$ 250,000	\$ 250,000

The Cooperative extends credit to their electrical customers who are all located in Southwest Louisiana. Accounts receivable become due within a short period after billing and the Cooperative performs on going reviews of balances. Credit losses consistently have been within management's expectation.

12 - LABOR UNION:

During 1998 a voting unit consisting of linemen, groundsmen and staking coordinator voted to become part of IBEW.

13 - DEFERRED DEBTS:

The following is a summary of the amounts recorded as deferred debits as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Estimated plant loss due to hurricane Rita	\$ 715,769	\$ 1,431,545

14 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following summarizes the carrying amounts and estimated fair value of the Cooperative's financial instruments for which it is practicable to estimate the value as of December 31, 2013 and December 31, 2012:

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash	\$ 82,556	\$ 82,556	\$ 812,179	\$ 812,179
Other Investments	1,466,329	1,466,329	1,359,620	1,359,620
Investments in Capital Term Certificates	300,592	300,592	1,183,969	1,183,969
Long Term Debt	13,792,030	13,792,030	14,799,709	14,799,709

Investments in associated organizations consist of investments in nonmarketable securities as disclosed in Note 3 above. It is impracticable to measure the fair value of these investments.

The following methods were used to estimate the fair value of the financial instruments included above:

Cash and Other Investments

The carrying amount is assumed to approximate fair value because of the short maturities of those instruments.

Investments in Capital Term Certificates

The fair value of the Cooperative's investment in CFCs is based on market prices for these or like kind investments.

Long-Term Debt

The fair value of the Cooperative's long-term debt is estimated using the discounted cash flow method based on the quoted market rates and prices for the same or similar issues of the same maturities.

15 - OTHER BALANCE SHEET RISK:

The Cooperative purchases commercial insurance to reduce the risk of loss due to liability claims and loss due to physical damage to fixed assets should they occur.

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS (cont.)
For The Years Ended December 31, 2014 and 2013

16 - USE OF ESTIMATES:

The preparation of Jefferson Davis Electric Cooperative, Inc.'s financial statements in conformity with generally accepted accounting principles 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.

17 - LITIGATION:

The only open litigation is a settlement with FEMA for a total of \$ 889,018 for damages caused by Hurricane Rita (see Note 19).

18 - PHYSICAL PLANT AND FEMA REIMBURSEMENTS:

Jefferson Davis Electrical Cooperative, Inc. has recorded estimated FEMA reimbursements for funds expended as a result of damages sustained due to hurricane Rita on an accrual basis through December 31, 2006. The amounts received were recorded as an aid to construction except for advanced funds from the State of Louisiana in the amount of \$ 3,206,368 and \$ 3,206,368, which had not been expended as of December 31, 2013 and 2012, were recorded as a liability at that date. As the result of an audit by the office of Inspector General, FEMA had disallowed the sum of \$ 5,844,015 for funds paid the Co-op for damages caused by Hurricane Rita. FEMA's disallowance is based on the lack of documentation supplied by the Co-op. The Co-op filed an appeal because the proper documentation has been supplied. On March 10, 2011 FEMA approved the appeal, and the sum of \$889,018 is owed to FEMA as the result of the audit.

19 - DEFERRED CHARGES-PLANT LOSS DUE TO STORM:

The physical plant loss due to hurricane Rita has been set up as a deferred charge and is being amortized over a ten year period which began January 1, 2006.

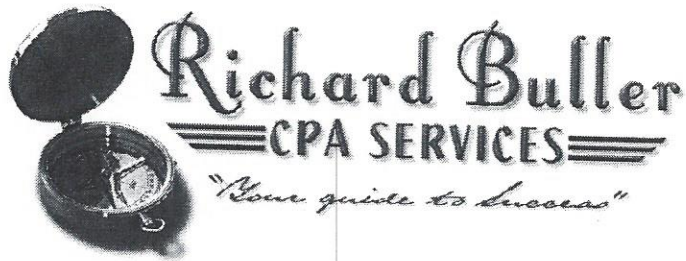
20 - CAMERON SERVICE FACILITY FEMA PW 2339:

Beginning in 2012, Jefferson Davis Electric Cooperative, Inc. began replacing the loss of its Cameron Parish plant in Cameron, Louisiana, with a total Project Worksheet approval of \$ 1,490,189. FEMA reimbursed Jefferson Davis Electric Cooperative, Inc. \$156,520 for this project which represented all the invoices Jefferson Davis Electric Cooperative, Inc. paid and sent to FEMA. For the year ending December 31, 2013, Jefferson Davis Electric Cooperative, Inc. paid and applied to FEMA for reimbursement \$1,405,678 of paid invoices, of which FEMA reimbursed \$1,162,290. The balance due Jefferson Davis Electric Cooperative, Inc. was reimbursed in calendar year 2014. The total amounts paid by FEMA has been accounted for as received and completed. This transaction is for replacement for the loss of a plant facility due to hurricanes Rita, Gustoff, and Ike. These funds were not capitalized, expensed, or accounted for as revenue. The plant value retained the original book value and the reimbursement of the plant by FEMA did not increase capital expenses from Jefferson Davis Electric Cooperative, Inc.

21 - Subsequent Events

Management evaluated subsequent events through March 11, 2015, the date these financial statements were available to be issued, to evaluate whether such events warrant adjustment to any reported amounts or inclusion of additional financial disclosures. No such adjustments or disclosures were judged necessary.

COMPLIANCE, INTERNAL CONTROL AND OTHER MATTERS



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

To the Board of Directors of
Jefferson Davis Electric Cooperative

We have audited, in accordance with the 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 Cooperative (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Davis Electric 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of V's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson Davis Electric 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 Jefferson Davis Electric Cooperative's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard Buller CPA Services, LLC
Jennings, LA.
March 11, 2015

JEFFERSON DAVIS ELECTRIC COOPERATIVE, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

A. SUMMARY OF AUDITOR'S REPORTS

1. The auditor's report expresses an unqualified opinion on the financial statement of the Jefferson Davis Electric Cooperative, Inc.
2. No significant deficiencies in internal control relating to the financial statements are reported in the 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 *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Jefferson Davis Electric Cooperative, Inc. were reported in the 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*.
4. A and B programs was \$ 300, 000.
5. Jefferson Davis Electric Cooperative, Inc. was determined to be a low-risk auditee.
6. A management letter was not issued for the year ended December 31, 2014.

See Independent Auditor's Report on Other Financial Reporting.

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

NOT APPLICABLE

SECTION II- FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

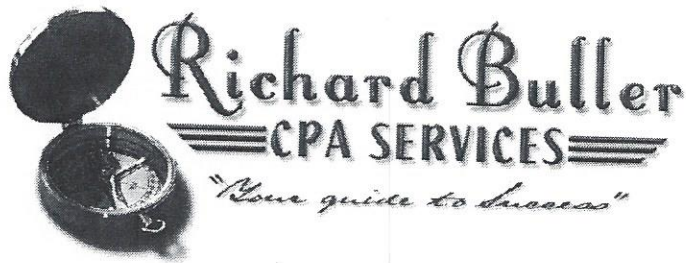
NOT APPLICABLE

SECTION III – MANAGEMENT LETTER

NOT APPLICABLE

See Independent Auditor's Report on Other Financial Reporting.

SUPPLEMENTAL INFORMATION



**Auditor's Certification Regarding Loan Fund Expenditures
For the year ended December 31, 2014**

For the year ended December 31, 2014, the Cooperative did not receive any dollars in long-term fund advances from CFC on loans controlled by the CFC Loan Agreement and/or Mortgage or Security Agreement. Based on our review of construction work orders and other plant accounting records created for the year ended December 31, 2014, it is our opinion that the CFC loan funds were expended for purposes contemplated in the Loan Agreement(s) on such loan(s).

A handwritten signature in black ink that reads "Richard Buller". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Richard Buller CPA Services, LLC
Jennings, LA.
March 11, 2015