

# Energizing Our Communities with the Cooperative Difference!



**Central Electric Cooperative**

A Touchstone Energy® Cooperative 

## 2015 Annual Report

This institution is an equal opportunity provider and employer.

# Providing Safe, Reliable and Affordable Power

## Executive Report



**Jody P. Weaver**  
President,  
Board of  
Directors

**Matthew P. Boshaw**  
CEO &  
General  
Manager



In 2015, Central Electric Cooperative (CEC) continued providing safe, reliable electricity at a reasonable cost to its member-owners, was committed to the communities it serves, and dedicated to the Cooperative Difference. The year began again with exceptionally cold weather driven by a “polar vortex.” The extremely cold and snowy winter lingered late into spring and transitioned to a summer of mild temperatures and volatile weather conditions. Highlights for last year included:

- No rate change for members.
- Returning \$1,400,000 in capital credits to members.
- Distributing 171 Energy Star appliance rebates totaling almost \$10,000 to members.
- Helping 148 families in need pay electric bills during the heating season. The Family Fund program is funded entirely by member contributions, the roundup program and unclaimed capital credits.



### Reliable Service

Reliability and timely power restoration continued to be areas of emphasis in 2015. Total outage time per member averaged 10.61 hours, with power supplier outages causing 23.2 percent of the total.

The cooperative continues to maintain its lines for improved reliability. In 2015, CEC made major improvements across its territory.

- Making major improvements in the Saxonburg, Nectarine and Mineral substations.
- Replacing 5,926 meters with new technology.
- Inspecting 5,012 poles.
- Clearing 326 miles of rights-of-way.

## Quality Service

New technologies again played a big part in member satisfaction. In 2015 CEC:

- Continued utilizing SmartHub, which provides convenient account to members online or via mobile devices to manage payments, notify member services representatives of account and service issues, check usage and more.
- Increased electronic payment processing to 48 percent of all payments received, which is convenient for members and saves on processing costs.
- Installed a new system for processing member credit card payments over the phone by our member representatives. The new system is compliant and secure, and recognized by the payment card industry as a very safe and secure way to take payment from members while protecting their card information from identity theft.



## Rates

CEC's retail electric rates did not change in 2015.



## Community

CEC continued its commitment to the communities it serves. In 2015, CEC:

- Assisted 148 families in need pay electric bills during the heating season. An improvement in the efficiency of our Family Fund disbursement resulted in an increase in families helped, up from 97 in 2014.
- Sent five students on Youth Tour, where they made lifelong memories and learned about government and cooperatives.
- Awarded 11 students the Good Neighbor Scholarship of \$2,000 each.



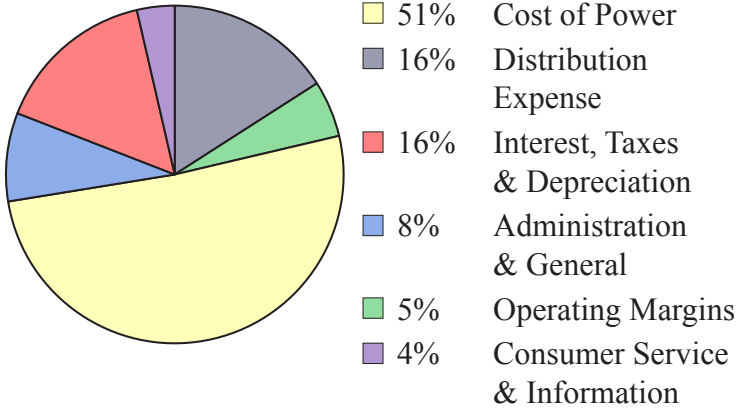
## Annual Meeting of the Members

Almost 1,000 members and guests attended the cooperative's 78th annual meeting. Members re-elected Bette Walters, representing Forest County and Althea Smith, representing Venango County to its board of directors. CEC encourages members to attend this year's Annual Meeting of the Members Friday, Aug. 26, 2016.

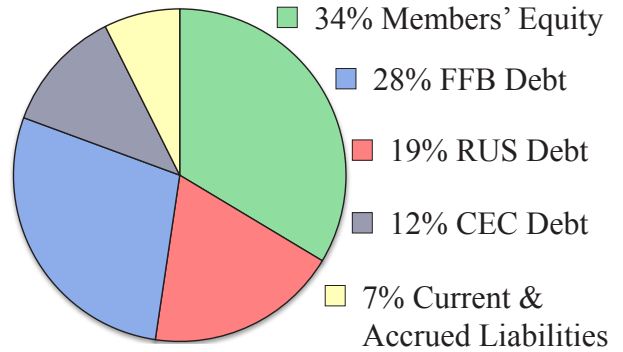
CEC is a Touchstone Energy Cooperative and serves approximately 25,000 members with over 3,000 miles of distribution line in portions of Allegheny, Armstrong, Butler, Clarion, Forest, Mercer and Venango counties. Find out more by visiting [www.central.coop](http://www.central.coop).

# 2015 Year-End Financial Review

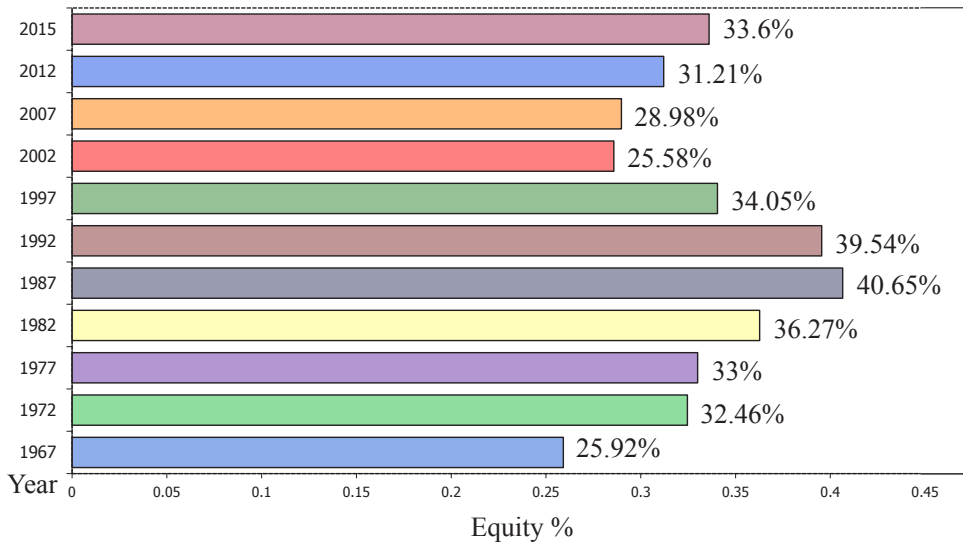
## Where Members' Electric Dollar Went Total Operating Budget: \$38,095,702



## Equity to Debt Members' Ownership vs. Borrowed Capital Total Assets \$106,311,082



## Equity/Assets Ratio



## Members Working for Members: Meet Your Board of Directors!



**Nancy Lendyak**  
Armstrong County



**Kenneth Durrett**  
Butler County



**William Eichner**  
Butler County



**Jody Weaver**  
Clarion County



**Richard Weaver**  
Clarion County



**Bette Walters**  
Forest County



**Kenneth Etzel**  
Venango County



**Althea Smith**  
Venango County

# Statements of Revenue and Patronage Capital and Retained Earnings

For the years ended Dec. 31,

	2015	2014
<b>OPERATING REVENUES:</b>		
Electric energy revenue	\$ 37,090,003	\$ 37,296,737
Customers' forfeited discounts and penalties	130,285	132,474
Rent from electric property	851,796	764,489
Miscellaneous service revenue	4,304	5,586
Miscellaneous electric revenue	23,618	24,018
<b>TOTAL OPERATING REVENUES</b>	<b>38,100,006</b>	<b>38,223,304</b>
<b>OPERATING EXPENSES:</b>		
Cost of power	19,470,882	19,953,503
Distribution - operations	1,834,915	1,631,452
Distribution - maintenance	4,233,415	4,224,281
Consumer accounts	1,036,051	1,022,348
Customer service and information	339,047	326,178
Sales	9,814	22,511
Administrative and general	3,216,358	3,031,968
Depreciation and amortization	3,914,218	3,820,433
Taxes	55,176	3,606
Interest - other	4,210	4,145
<b>TOTAL OPERATING EXPENSES</b>	<b>34,114,086</b>	<b>34,040,425</b>
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	<b>3,985,920</b>	<b>4,182,879</b>
<b>FIXED CHARGES:</b>		
Interest on long-term debt	1,921,926	1,934,331
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	<b>2,063,994</b>	<b>2,248,548</b>
<b>G&amp;T AND OTHER CAPITAL CREDITS</b>	<b>490,072</b>	<b>672,760</b>
<b>NET OPERATING MARGINS</b>	<b>2,554,066</b>	<b>2,921,308</b>
<b>NON-OPERATING MARGINS:</b>		
Interest income	212,875	74,270
Loss on disposition of property	(226,195)	(345,933)
Other	95,153	16,830
<b>TOTAL NON-OPERATING MARGINS</b>	<b>81,833</b>	<b>(254,833)</b>
<b>NET MARGINS BEFORE PROVISION FOR TAXES ON INCOME</b>	<b>2,635,899</b>	<b>2,666,475</b>
<b>PROVISION FOR TAXES ON INCOME</b>	<b>1,086</b>	<b>1,507</b>
<b>NET MARGINS</b>	<b>2,634,813</b>	<b>2,664,968</b>
<b>PATRONAGE CAPITAL, at beginning of year</b>	<b>30,073,857</b>	<b>29,451,002</b>
<b>PATRONAGE CAPITAL, before reclassification of margins not allocated and retirement of capital credits</b>	<b>32,708,670</b>	<b>32,115,970</b>
<b>PRIOR YEAR MARGINS NOT ALLOCATED</b>	<b>764,489</b>	<b>749,747</b>
<b>RETIREMENT OF CAPITAL CREDITS</b>	<b>1,383,391</b>	<b>1,292,366</b>
<b>PATRONAGE CAPITAL, at end of year</b>	<b>\$ 30,560,790</b>	<b>\$ 30,073,857</b>

The financial report statements are compiled from the 2015 Audit Report as presented by the firm of Buffamante Whipple Buttafaro, P.C. A complete copy of the audit is available for examination at the CEC office during normal business hours.

# Balance Sheets, As of Dec. 31,

## ASSETS

### PROPERTY AND EQUIPMENT:

Electric plant in service - at cost  
Construction work in progress

	2015		2014
	\$ 123,467,475	\$	120,330,878
	1,163,614		1,132,474
	<u>124,631,089</u>		<u>121,463,352</u>

### LESS ACCUMULATED PROVISIONS FOR DEPRECIATION

### TOTAL ELECTRIC PLANT

	<b>36,389,340</b>		<b>33,935,129</b>
	<u><b>88,241,749</b></u>		<u><b>87,528,223</b></u>

### OTHER ASSETS AND INVESTMENTS:

Non-utility property, at cost  
RUS cushion of credit  
Investments in associated organizations

	-		3,180
	4,039,596		505,901
	9,500,083		9,334,724
	<u><b>13,539,679</b></u>		<u><b>9,843,805</b></u>

### CURRENT ASSETS:

Cash - general funds  
Accounts and notes receivable  
Trade (less accumulated provision for uncollectible accounts of \$130,000 for 2015 and 2014 respectively)  
Rental from electric property and other receivables  
Materials and supplies (at average cost)  
Other current and accrued assets

	1,494,080		4,461,526
	3,646,743		4,014,137
	853,761		764,464
	715,056		657,346
	170,511		195,544
	<u><b>6,880,151</b></u>		<u><b>10,093,017</b></u>

### TOTAL CURRENT ASSETS

### DEFERRED CHARGES

	<u><b>1,689,098</b></u>		<u><b>1,877,604</b></u>
	<u><b>\$ 110,350,677</b></u>	<u><b>\$</b></u>	<u><b>109,342,649</b></u>

### EQUITIES AND LIABILITIES

#### EQUITIES:

Memberships  
Patronage capital  
Other equities  
**TOTAL EQUITIES**

	107,820		111,105
	30,560,790		30,073,857
	5,056,547		4,267,229
	<u><b>35,725,157</b></u>		<u><b>34,452,191</b></u>

#### LONG-TERM DEBT:

RUS notes, less current maturities  
CFC notes, less current maturities  
FFB notes, less current maturities  
**TOTAL LONG-TERM DEBT**

	19,928,055		20,792,072
	12,751,408		13,963,810
	30,050,984		28,781,503
	<u><b>62,730,447</b></u>		<u><b>63,537,385</b></u>

#### NON-CURRENT LIABILITIES:

Accumulated post retirement benefit obligation, less current portion  
Accumulated provision for storms  
**TOTAL NON-CURRENT LIABILITIES**

	3,354,037		3,395,037
	300,000		300,000
	<u><b>3,654,037</b></u>		<u><b>3,695,037</b></u>

#### CURRENT LIABILITIES:

Current maturities of long-term debt  
Accounts payable:  
Purchased power  
Other trade payables  
Consumer deposits and prepayments  
Other current and accrued liabilities  
**TOTAL CURRENT LIABILITIES**  
**TOTAL LIABILITIES**

	2,760,266		2,657,715
	1,687,904		1,744,807
	599,928		279,895
	905,084		882,364
	1,056,734		951,697
	<u><b>7,009,916</b></u>		<u><b>6,516,478</b></u>
	<u><b>73,394,400</b></u>		<u><b>73,748,900</b></u>

#### DEFERRED CREDITS

#### COMMITMENTS AND CONTINGENCIES

	<u><b>1,231,120</b></u>		<u><b>1,141,558</b></u>
	<u><b>\$ 110,350,677</b></u>	<u><b>\$</b></u>	<u><b>109,342,649</b></u>