

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E-02044A

Dixie Escalante REA, Inc.  
71 E. Hwy 56  
Beryl, UT 84714

**RECEIVED**

**APR 19 2016**

**AZ CORP COMM**  
**Director - Utilities**

Please click here if pre-printed Company name on this form is not your current Company name or dba name is not included.

Please list current Company name including dba here:

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**ANNUAL REPORT**  
**Electric**

**FOR YEAR ENDING**

12	31	2015
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FOR COMMISSION USE

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4-22-16

**COMPANY INFORMATION**

Company Name (Business Name) Dixie Escalante REA, Inc.

Mailing Address 71 E HWY 56 (Street)  
Bertyl (City) UT (State) 84714 (Zip)

(435) 439-5311 Telephone No. (Include Area Code) (435) 439-5352 Fax No. (Include Area Code) \_\_\_\_\_ Cell No. (Include Area Code)

Email Address danej@dixiepower.com

Local Office Mailing Address Same (Street)  
\_\_\_\_\_  
(City) (State) (Zip)

Local Customer Service Phone No. (Include Area Code) \_\_\_\_\_ (1-800 or other long distance Customer Service Phone No.)

Email Address \_\_\_\_\_ Website address \_\_\_\_\_

**MANAGEMENT INFORMATION**

Regulatory Contact:

Management Contact: LaDel Laub (Name) CEO (Title)

Same as above (Street) \_\_\_\_\_ (City) \_\_\_\_\_ (State) \_\_\_\_\_ (Zip)

Telephone No. (Include Area Code) \_\_\_\_\_ Fax No. (Include Area Code) \_\_\_\_\_ Cell No. (Include Area Code) \_\_\_\_\_

Email Address ladell@dixiepower.com

On Site Manager: Chery Hulet (Name)

Same as above (Street) \_\_\_\_\_ (City) \_\_\_\_\_ (State) \_\_\_\_\_ (Zip)

Telephone No. (Include Area Code) \_\_\_\_\_ Fax No. (Include Area Code) \_\_\_\_\_ Cell No. (Include Area Code) \_\_\_\_\_

Email Address cheryh@dixiepower.com

Statutory Agent: Trent Reber, 1645 Littlefield Ln,  
(Name)

PO Box 176 Littlefield AZ 86432  
(Street) (City) (State) (Zip)

(928) 347-4510  
Telephone No. (Include Area Code)

Attorney: Aaron Randall  
(Name)

187 N 100 W St George UT 84770  
(Street) (City) (State) (Zip)

(435) 673-4892 (435) 673-2774  
Telephone No. (Include Area Code) Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address \_\_\_\_\_

**OWNERSHIP INFORMATION**

Check the following box that applies to your company:

- |   |   |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S)    | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P)        | <input type="checkbox"/> Subchapter S Corporation (Z)                     |
| <input type="checkbox"/> Bankruptcy (B)         | <input checked="" type="checkbox"/> Association/Co-op (A)                 |
| <input type="checkbox"/> Receivership (R)       | <input type="checkbox"/> Limited Liability Company                        |
| <input type="checkbox"/> Other (Describe) _____ |   |

**COUNTIES SERVED**

Check the box below for the county/ies in which you are certificated to provide service:

- |                                     |                                   |  |
|-------------------------------------|-----------------------------------|--|
| <input type="checkbox"/> APACHE     | <input type="checkbox"/> COCHISE  | <input type="checkbox"/> COCONINO          |
| <input type="checkbox"/> GILA       | <input type="checkbox"/> GRAHAM   | <input type="checkbox"/> GREENLEE          |
| <input type="checkbox"/> LA PAZ     | <input type="checkbox"/> MARICOPA | <input checked="" type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO     | <input type="checkbox"/> PIMA     | <input type="checkbox"/> PINAL             |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI  | <input type="checkbox"/> YUMA              |
| <input type="checkbox"/> STATEWIDE  |                                   |  |

## SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

- Electric**
- Investor Owned Electric
  - Rural Electric Cooperative
  - Utility Distribution Company
  - Electric Service Provider
    - Transmission Service Provider
    - Meter Service Provider
    - Meter Reading Service Provider
    - Billing and Collection
    - Ancillary Services
    - Generation Provider
    - Aggregator/Broker

**Other** (Specify) \_\_\_\_\_

## STATISTICAL INFORMATION

### Retail Information

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	2073	23,744,421
Commercial	232	5,815,576
Industrial	0	0
Public Street and Highway Lighting	3	121,399
Irrigation	11	786,793
<b>Total Retail</b>	<b>2318</b>	<b>30,468,189</b>

### Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	17,998	416,492,065
Short-term Sales (durations of less than one year)		
<b>Total Wholesale</b>	<b>17,998</b>	<b>416,492,065</b>

Total MWh Sold 416,492 MWh

Maximum Peak Load 120 MW

COMPANY NAME:

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211	OTHER
JANUARY		9	
FEBRUARY		18	
MARCH		7	
APRIL		14	
MAY		4	
JUNE		5	
JULY		10	
AUGUST		19	
SEPTEMBER		20	
OCTOBER		14	
NOVEMBER		15	
DECEMBER		7	
TOTALS →		142	

OTHER (description):

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VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only

**RECEIVED**

APR 19 2016

AZ CORP COMM  
Director - Utilities

VERIFICATION

STATE OF AZ  
I, THE UNDERSIGNED  
OF THE

COUNTY OF (COUNTY NAME)	<u>Mohave</u>
NAME (OWNER OR OFFICIAL) TITLE	<u>Dave Johnson, Controller</u>
COMPANY NAME	<u>Dixie Escalante REA, Inc. DBA Dixie Power</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION  
FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2015 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$) <u>\$ 2,124,544</u>
--

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 122,349  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

*[Signature]*  
SIGNATURE OF OWNER OR OFFICIAL  
(435) 439-5311  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 14<sup>th</sup> DAY OF

COUNTY NAME <u>Iron</u>
MONTH <u>April</u> .20 <u>14</u>

 <b>ERIN MITCHELL</b> Notary Public State Of Utah My Commission Expires 03-06-2017 COMMISSION NO. 664149 <u>3/06/2017</u>
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*[Signature]*  
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY

**RECEIVED**

APR 19 2016

AZ CORP COMM  
Director - Utilities

STATE OF ARIZONA

COUNTY OF (COUNTY NAME) <u>Mohave</u>	
NAME (OWNER OR OFFICIAL) <u>Dane Johnson</u>	TITLE <u>Controller</u>
COMPANY NAME <u>Dixie Escalante REA, Inc. DBA Dixie Power</u>	

I, THE UNDERSIGNED  
OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2015

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2015 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES  <u>\$ 2,124,544</u>
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(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 122,349 IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

  
SIGNATURE OF OWNER OR OFFICIAL

(435) 439-5311  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF  
THIS 14<sup>th</sup> DAY OF  
(SEAL)  
MY COMMISSION EXPIRES 3/06/2017

NOTARY PUBLIC NAME <u>Erin Mitchell</u>	
COUNTY NAME <u>Iron</u>	
MONTH <u>April</u>	<u>.2016</u>

  
SIGNATURE OF NOTARY PUBLIC

	<p><b>ERIN MITCHELL</b> Notary Public State Of Utah My Commission Expires 03-06-2017 COMMISSION NO. 664149</p>
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## FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2015) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

Pertinent numbers broken out for Arizona operations based on prior years' reports

	AZ	TOTAL
Balance Sheet Information		
Utility Plant in Service	\$5,374,910	\$75,952,488
Accumulated Depr	\$1,644,040	\$26,408,180
Net Utility Plant	\$3,730,870	\$49,544,308
Construction Work in Progress	\$232,414	\$5,582,136
Retirement Work in Progress	(\$611)	\$12,105
Net Total Utility Plant	\$3,962,673	\$55,138,549
Taxes Accrued		
Property Tax	\$0	\$0
Sales Tax	\$12,813	\$84,466
Energy Tax		\$104,319
Franchise Tax	\$42,525	\$13,465
FICA Tax		\$13,472
Federal Unemployment Tax		\$1,112
State Unemployment Tax		\$1,149
Customer Advances for Construction	\$5,383	\$3,372,674
Supplementary Utility Plant Information		
Intangible Plant	\$0	\$550,000
Transmission Plant	\$1,406,047	\$19,912,595
Distribution Plant	\$3,443,751	\$38,240,402
General Plant	\$525,112	\$17,249,491
Total Utility Plant in Service	\$5,374,910	\$75,952,488
Construction Work In Progress	\$232,414	\$5,582,136
Total Utility Plant	\$5,607,324	\$81,534,624
Accumulated Depreciation		
Transmission	\$518,587	\$4,838,049
Distribution	\$1,074,403	\$11,575,541
General	\$51,050	\$9,609,589
Accumulated Amortization - Franchise	\$0	\$385,002
Retirement Work in Progress	\$611	(\$12,105)
Net Utility Plant	\$3,962,673	\$55,138,549
Statement of Net Income		
Purchased Power		\$17,085,825
Depreciation & Amortization Expense	\$135,286	\$2,148,749
Property Tax Expense	\$80,270	\$535,143
Preliminary Survey Charges	\$2,142	\$3,163

	AZ	TOTAL
Operating Revenues		
Residential Sales	\$1,618,242	\$16,402,795
Commercial Sales	\$62,379	\$1,562,104
Industrial Sales		\$1,444,898
Public Sales	\$410,666	\$6,357,686
Irrigation Sales	\$21,084	\$93,730
Total Sales	\$2,112,372	\$25,861,213
Other Operating Revenues	\$12,172	\$175,063
Total Operating Revenues	\$2,124,544	\$26,036,276

#### Statistical Information

Average Customers		
Residential Customers	2,073	15,866
Commercial Customers	11	193
Industrial Sales		2
Public Lighting Customers	232	1,830
Irrigation Customers	3	107
Total Ultimate Customers	2,318	17,998
Residential kWh Sold	23,744,421	256,686,779
Commercial kWh Sold	786,793	28,955,234
Industrial kWh Sold		16,279,388
Public Lighting kWh Sold	5,815,576	112,337,311
Irrigation kWh Sold	121,399	2,233,353
Total kWh Sold	30,468,189	416,492,065

#### Other

Contributions in aid of Construction		
Beginning Balance	\$12,089,287	\$57,592,965
Collected this year	\$78,446	\$4,832,329
Ending Balance	\$12,167,733	\$62,425,294

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Dixie Escalante R.E.A., Inc.
	<b>BORROWER DESIGNATION</b>	UT020
	<b>ENDING DATE</b>	12/31/2015

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

<b>CERTIFICATION</b>		<b>BALANCE CHECK RESULTS</b>	<b>AUTHORIZATION CHOICES</b>
We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.			<b>A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA?</b> <input type="checkbox"/> <input type="checkbox"/>
Signature of Office Manager or Accountant 	Date 3/15/2016		<b>B. Will you authorize CFC to share your data with other cooperatives?</b> <input type="checkbox"/> <input type="checkbox"/>
Signature of Manager 	Date 3/15/2016	Matches	<input type="checkbox"/> <input type="checkbox"/>

**PART A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	24,741,027	26,048,448	25,732,786	2,103,301
2. Power Production Expense	0	943	0	0
3. Cost of Purchased Power	14,234,256	17,085,825	16,051,977	1,389,181
4. Transmission Expense	32,717	143,761	83,098	12,329
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	1,858,315	1,767,310	1,702,450	226,384
7. Distribution Expense - Maintenance	1,090,777	1,170,636	1,142,539	114,811
8. Consumer Accounts Expense	812,946	950,152	847,134	106,542
9. Customer Service and Informational Expense	1,506,552	1,296,944	1,320,469	(147,487)
10. Sales Expense	84,540	45,891	80,086	(1,217)
11. Administrative and General Expense	2,235,431	2,205,660	2,418,969	221,112
12. Total Operation & Maintenance Expense (2 thru 11)	21,855,535	24,667,122	23,646,722	1,921,654
13. Depreciation & Amortization Expense	1,969,612	2,148,749	2,221,392	188,230
14. Tax Expense - Property & Gross Receipts	462,430	535,143	474,000	52,669
15. Tax Expense - Other	0	0	0	0
16. Interest on Long-Term Debt	512,795	471,526	534,212	39,642
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	13,914	14,069	14,745	1,143
19. Other Deductions	(2,399)	1,248	2,109	(301)
20. Total Cost of Electric Service (12 thru 19)	24,811,886	27,837,857	26,893,180	2,203,037
21. Patronage Capital & Operating Margins (1 minus 20)	(70,859)	(1,789,409)	(1,160,394)	(99,736)
22. Non Operating Margins - Interest	108,354	88,247	119,839	75,812
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0
25. Non Operating Margins - Other	1,087,609	1,386,989	1,242,726	140,385
26. Generation & Transmission Capital Credits	0	16,360	16,000	0
27. Other Capital Credits & Patronage Dividends	311,329	323,775	306,000	10,104
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	1,436,432	25,961	524,171	126,565

**PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT**

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	775	924	5. Miles Transmission	116	120
2. Services Retired	0	0	6. Miles Distribution Overhead	470	473
3. Total Services In Place	18,604	19,506	7. Miles Distribution Underground	401	422
4. Idle Services (Exclude Seasonal)	62	62	8. Total Miles Energized (5+6+7)	987	1,015



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT						BORROWER NAME	Dirce Escalante
						BORROWER DESIGNATION	UT020
						ENDING DATE	12/31/2015
<b>PART E. CHANGES IN UTILITY PLANT</b>							
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)		
1 Distribution Plant Subtotal	33,481,070	5,221,212	461,800	0	38,240,402		
2 General Plant Subtotal	16,034,656	1,722,125	507,290	0	17,249,491		
3 Headquarters Plant	0	0	0	0	0		
4 Intangibles	590,000	0	0	0	590,000		
5 Transmission Plant Subtotal	18,922,890	1,184,900	198,195	0	19,912,595		
6 Regional Transmission and Market Operation Plant	0	0	0	0	0		
7 Production Plant - Steam	0	0	0	0	0		
8 Production Plant - Nuclear	0	0	0	0	0		
9 Production Plant - Hydro	0	0	0	0	0		
10 Production Plant - Other	0	0	0	0	0		
11 All Other Utility Plant	0	0	0	0	0		
12 SUBTOTAL: (1 thru 11)	68,991,616	8,128,236	1,167,365	0	76,952,488		
13 Construction Work in Progress	6,328,305	(746,169)			5,582,136		
14 TOTAL UTILITY PLANT (12+13)	75,319,922	7,382,067	1,167,365	0	81,534,624		
CFC NO LONGER REQUIRES SECTIONS "F", "G", AND "N" DATA							
These sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F), "Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).							
<b>PART H. SERVICE INTERESTS/HOURS</b>							
ITEM	Avg. Minutes per Consumer by Cause		Planned (c)	All Other (d)	TOTAL (e)		
	Power Supplier (a)	Major Event (b)				Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause
1. Present Year	4.97	0.00	1.03		41.58		
2. Five-Year Average	17.43	0.00	8.33		39.46		
<b>PART I. EMPLOYEE - HOURS AND PAYROLL STATISTICS</b>							
1. Number of Full Time Employees	63	4. Payroll - Expensed			2,600,714		
2. Employee - Hours Worked - Regular Time	131,219	5. Payroll - Capitalized			1,517,362		
3. Employee - Hours Worked - Overtime	6,278	6. Payroll - Other			1,455,450		
<b>PART J. PATRONAGE CAPITAL</b>							
ITEM	THIS YEAR (a)	CUMULATIVE (b)	1. Amount Due Over 60 Days				
1. General Retirement	0	8,403,359	2. Amount Written Off During Year:				
2. Special Retirements	0	0					
3. Total Retirements (1+2)	0	8,403,359					
4. Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	16,360						
5. Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	21,610						
6. Total Cash Received (4+5)	37,970						

<b>NATIONAL RURAL UTILITIES</b>		<b>BORROWER NAME</b>	Disse Escalante
<b>COOPERATIVE FINANCE CORPORATION</b>		<b>BORROWER DESIGNATION</b>	UT020
<b>FINANCIAL AND STATISTICAL REPORT</b>		<b>ENDING DATE</b>	12/31/2015

	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	INCLUDED IN TOTAL COST		
								FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)
1	Deseret O&I			0 None	442,029,759	17,084,825	3.87	0	0	Comments
2				0 None	0	0	0.00	0	0	Comments
3				0 None	0	0	0.00	0	0	Comments
4				0 None	0	0	0.00	0	0	Comments
5				0 None	0	0	0.00	0	0	Comments
6				0 None	0	0	0.00	0	0	Comments
7				0 None	0	0	0.00	0	0	Comments
8				0 None	0	0	0.00	0	0	Comments
9				0 None	0	0	0.00	0	0	Comments
10				0 None	0	0	0.00	0	0	Comments
11				0 None	0	0	0.00	0	0	Comments
12				0 None	0	0	0.00	0	0	Comments
13				0 None	0	0	0.00	0	0	Comments
14				0 None	0	0	0.00	0	0	Comments
15				0 None	0	0	0.00	0	0	Comments
16				0 None	0	0	0.00	0	0	Comments
17				0 None	0	0	0.00	0	0	Comments
18				0 None	0	0	0.00	0	0	Comments
19				0 None	0	0	0.00	0	0	Comments
20				0 None	0	0	0.00	0	0	Comments
21	<b>TOTALS</b>				<b>442,029,759</b>	<b>17,084,825</b>	<b>3.87</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Dixie Escalante
	<b>BORROWER DESIGNATION</b>	UT020
	<b>ENDING DATE</b>	12/31/2015

**PART L. KWH PURCHASED AND TOTAL COST (Continued)**

COMMENTS	
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<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Dixie Escalante
	<b>BORROWER DESIGNATION</b>	UT020
	<b>ENDING DATE</b>	12/31/2015

**PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)**

**LIST BELOW ALL "RESTRICTED PROPERTY" \*\* HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")**

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.			\$0
2.			\$0
3.			\$0
		<b>TOTAL</b>	<b>\$0</b>

\*\* "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.

**PART O. LONG-TERM DEBT SERVICE REQUIREMENTS**

	NAME OF LENDER	BILLED THIS YEAR			CFC USE ONLY
		BALANCE END OF YEAR	INTEREST (a)	PRINCIPAL (b)	
1	National Rural Utilities Cooperative Finance Corporation	8,823,388	460,808	840,357	1,301,165
2	NCSC	0	0	0	0
3	Farmer Mac	0	0	0	0
4	CoBank - Line of Credit	1,500,000	14,379	0	14,379
5		0	0	0	0
6		0	0	0	0
7		0	0	0	0
8		0	0	0	0
9		0	0	0	0
10	Principal Payments Received from Ultimate Recipients of IRP Loans			0	
11	Principal Payments Received from Ultimate Recipients of REDL Loans			0	
12	<b>TOTAL (Sum of 1 thru 9)</b>	<b>\$10,323,388</b>	<b>\$475,187</b>	<b>\$840,357</b>	<b>\$1,315,544</b>

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Dixie Escalante
	<b>BORROWER DESIGNATION</b>	UT020
	<b>ENDING DATE</b>	12/31/2015

**PART R. POWER REQUIREMENTS DATA BASE**

CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS	DECEMBER CONSUMERS	AVERAGE CONSUMERS	TOTAL KWH SALES AND REVENUE
		(a)	(b)	(c)	
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	15,480	16,252	15,866	
	b. KWH Sold				256,686,779
	c. Revenue				16,402,795
2. Residential Sales - Seasonal	a. No. Consumers Served			0	
	b. KWH Sold				
	c. Revenue				
3. Irrigation Sales	a. No. Consumers Served	192	194	193	
	b. KWH Sold				28,955,234
	c. Revenue				1,562,104
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	1,781	1,878	1,830	
	b. KWH Sold				112,337,311
	c. Revenue				6,357,686
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	2	2	2	
	b. KWH Sold				16,279,388
	c. Revenue				1,444,898
6. Public Street & Highway Lighting	a. No. Consumers Served	107	107	107	
	b. KWH Sold				2,233,353
	c. Revenue				93,730
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		17,562	18,433	17,998	0
11. TOTAL KWH Sold (lines 1b thru 9b)					416,492,065
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					25,861,213
13. Transmission Revenue					0
14. Other Electric Revenue					187,235
15. KWH - Own Use					1,771,992
16. TOTAL KWH Purchased					442,029,759
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					17,230,529
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					120,150

None   
 Non-coincident   
 Coincident

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Dixie Escalante
	<b>BORROWER DESIGNATION</b>	UT020
	<b>ENDING DATE</b>	12/31/2015

**PART 8. ENERGY EFFICIENCY PROGRAMS**

Line #	Classification	Added This Year			Total To Date		
		Number of Consumers (a)	Amount Invested (b)	ESTIMATED MMBTU Savings (c)	Number of Consumers (d)	Amount Invested (e)	ESTIMATED MMBTU Savings (f)
1.	Residential Sales (excluding seasonal)	0	0	0	0	0	0
2.	Residential Sales - Seasonal	0	0	0	0	0	0
3.	Irrigation Sales	0	0	0	0	0	0
4.	Comm. and Ind. 1000 KVA or Less	0	0	0	0	0	0
5.	Comm. and Ind. Over 1000 KVA	0	0	0	0	0	0
6.	Public Street and Highway Lighting	0	0	0	0	0	0
7.	Other Sales to Public Authorities	0	0	0	0	0	0
8.	Sales for Resales - RUS Borrowers	0	0	0	0	0	0
9.	Sales for Resales - Other	0	0	0	0	0	0
10.	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME	Dixie Escalante	
		BORROWER DESIGNATION	UT020	
		ENDING DATE	12/31/2015	
(All investments refer to your most recent CFC Loan Agreement)				
<b>7a - PART 1 - INVESTMENTS</b>				
DESCRIPTION		INCLUDED (\$)	EXCLUDED (\$)	INCOME OR LOSS
(a)	(b)	(c)	(d)	
<b>2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS</b>				
5	Patronage Capital - NRUCFC/Western United		893,056	
6	Capital Term Certificates - NRUCFC		330,623	
7	Memberships - NRUCFC/NRTC/CRC/COBANK		15,760	
8	Member Capital Securities - NRUCFC		100,000	
Subtotal (Line 5 thru 8)		0	1,339,438	0
<b>3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS</b>				
9				
10				
11				
12				
Subtotal (Line 9 thru 12)		0	0	0
<b>4. OTHER INVESTMENTS</b>				
13				
14				
15				
16				
Subtotal (Line 13 thru 16)		0	0	0
<b>5. SPECIAL FUNDS</b>				
17				
18				
19				
20				
Subtotal (Line 17 thru 20)		0	0	0
<b>6. CASH - GENERAL</b>				
21	Zions Bank - Capital Credit Fund		106,772	
22	Petty Cash	1,100		
23				
24				
Subtotal (Line 21 thru 24)		1,100	106,772	0
<b>7. SPECIAL DEPOSITS</b>				
25	Zions Bank Sweep		181,234	
26	Wells Fargo Sweep	308,092	250,000	
27	Mountain America Business Checking		98,358	
28				
Subtotal (Line 25 thru 28)		308,092	529,591	0
<b>8. TEMPORARY INVESTMENTS</b>				
29				
30				
31				
32				
Subtotal (Line 29 thru 32)		0	0	0
<b>9. ACCOUNT &amp; NOTES RECEIVABLE - NET</b>				
33	Notes Receivable - Red Rock Funding	1,387,640		
34	Accounts Receivable - Material/Labor/Other	1,227,255		
35				
36				
Subtotal (Line 33 thru 36)		2,614,895	0	0
<b>10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED</b>				
37				
38				
39				
40				
Subtotal (Line 37 thru 40)		0	0	0
<b>Total</b>		<b>2,924,087</b>	<b>1,975,802</b>	<b>0</b>

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME		Dixie Escalante	
		BORROWER DESIGNATION		UT020	
		ENDING DATE		12/31/2015	
(All investments refer to your most recent CFC Loan Agreement)					
<b>7a - PART II. LOAN GUARANTEES</b>					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
<b>TOTALS (Line 1 thru 5)</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>7a - PART III. LOANS</b>					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1	Red Rock Funding		0	1,387,640	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
<b>TOTALS (Line 1 thru 5)</b>			<b>0</b>	<b>1,387,640</b>	<b>0</b>
<b>7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES</b>					
1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				4,311,727
2	LARGER OF (a) OR (b)				12,230,194
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			12,230,194	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)			11,742,854	



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*The power of human connections<sup>®</sup>*



**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

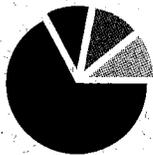
**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

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MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA  
MORRIS J. PEACOCK, CPA

PHILLIP S. PEINE, CPA  
STEVEN D. PALMER, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA  
MICHAEL J. TORGERSON, CPA

## Independent Auditors' Report

To the Board of Directors  
Dixie Escalante Rural Electric Association, Inc.  
Beryl, Utah

We have audited the accompanying financial statements of Dixie Escalante Rural Electric Association, Inc. (a Utah non-profit corporation), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, members' equity, and cash flows for the years 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 the 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 audits. We conducted our audits 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 Dixie Escalante Rural Electric Association, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
St. George, Utah  
April 1, 2016

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**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**

**Balance Sheets**

**December 31, 2015 and 2014**

---

<b>Assets</b>	<b>2015</b>	<b>2014</b>
<b>Utility plant - at cost</b>		
Electric plant in service	\$ 75,952,488	\$ 68,991,616
Under construction	5,582,136	6,328,305
Total	81,534,624	75,319,921
Less: Accumulated depreciation and amortization	(26,396,075)	(25,018,204)
Utility plant - net	55,138,549	50,301,717
 <b>Other assets and investments</b>		
Investments in CFC and others - at cost	1,339,439	1,102,712
Non-utility property	738,208	733,416
Total other assets and investments	2,077,647	1,836,128
 <b>Current assets</b>		
Cash and cash equivalents	945,555	3,282,109
Accounts receivable - principally members (less allowance for doubtful accounts of \$120,545 in 2015 and \$87,370 in 2014)	1,660,754	1,153,781
Accounts receivable - other	1,227,255	1,362,297
Notes receivable - related party - due within one year	33,905	128,392
Materials and supplies	3,831,440	3,682,046
Other assets	2,268,132	2,471,119
Total current assets	9,967,041	12,079,744
 <b>Notes receivable - related party (net of current portion)</b>	1,353,735	1,522,257
Total assets	\$ 68,536,972	\$ 65,739,846

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

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Balance Sheets, continued**  
**December 31, 2015 and 2014**

Equity and Liabilities	2015	2014
<b>Members' equity</b>		
Memberships	\$ 8,595	\$ 8,595
Patronage capital	13,588,931	12,152,499
Other equity	9,888,182	11,298,652
Total equity and margins	23,485,708	23,459,746
<b>Long-term debt (less amount due within one year included below)</b>	7,982,352	8,816,948
<b>Current liabilities</b>		
Accounts payable	3,327,741	2,670,658
Member deposits	348,870	329,665
Accrued expenses	647,998	621,117
Accrued personal leave	765,565	815,314
Line of credit	1,500,000	-
Long-term debt due within one year	841,036	846,798
Unclaimed capital credits	106,927	95,754
Total current liabilities	7,538,137	5,379,306
<b>Deferred gain from debt restructuring</b>	16,692	36,723
<b>Construction advances</b>	3,372,674	3,823,863
<b>Deferred revenue - grants</b>	729,169	1,131,551
<b>Deferred revenue - impact fees</b>	25,412,240	23,091,709
Total equity and liabilities	\$ 68,536,972	\$ 65,739,846

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

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Statements of Operations**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues</b>	\$ 26,048,448	\$ 24,741,027
<b>Operating expenses</b>		
Operation and maintenance:		
Power purchased	17,086,768	14,234,256
Transmission	143,761	32,717
Distribution - operation	1,767,310	1,858,315
Distribution - maintenance	1,170,636	1,090,777
Consumer accounts	950,152	812,946
Member service	1,296,944	1,506,552
Sales	45,891	84,540
Administrative and general	2,205,660	2,235,431
Total operation and maintenance	<u>24,667,122</u>	<u>21,855,534</u>
Depreciation and amortization	2,148,749	1,969,612
Property taxes	535,143	462,430
Other	21,279	17,632
Total operating expenses	<u>27,372,293</u>	<u>24,305,208</u>
Operating margins before interest charges	(1,323,845)	435,819
Interest charges - principally long-term debt	<u>465,564</u>	<u>506,678</u>
Operating margins	<u>(1,789,409)</u>	<u>(70,859)</u>
<b>Non-operating margins</b>		
Interest income	88,247	108,354
Other non-operating income (expense)	1,386,989	1,087,608
Patronage capital credits - G&T	16,360	-
Patronage capital credits - CFC	323,775	311,329
Total non-operating margins	<u>1,815,371</u>	<u>1,507,291</u>
<b>Net margins</b>	<u>\$ 25,962</u>	<u>\$ 1,436,432</u>

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

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Statements of Members' Equity**  
**For the Years Ended December 31, 2015 and 2014**

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Equity</u>	<u>Total</u>
<b>Balances, December 31, 2013</b>	\$ 8,595	\$ 11,402,979	\$ 11,231,136	\$22,642,710
<b>Allocation of 2013 margins</b>		1,368,916	(1,368,916)	-
<b>2014 Margins:</b>				
Operating			(70,859)	(70,859)
Non-operating			1,507,291	1,507,291
<b>Retirement of capital credits</b>		(619,396)		(619,396)
<b>Balances, December 31, 2014</b>	8,595	12,152,499	11,298,652	23,459,746
<b>Allocation of 2014 margins</b>		1,436,432	(1,436,432)	-
<b>2015 Margins:</b>				
Operating			(1,789,409)	(1,789,409)
Non-operating			1,815,371	1,815,371
<b>Retirement of capital credits</b>		-		-
<b>Balances, December 31, 2015</b>	<u>\$ 8,595</u>	<u>\$ 13,588,931</u>	<u>\$ 9,888,182</u>	<u>\$23,485,708</u>

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

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Net margin	\$ 25,962	\$ 1,436,432
Adjustments to reconcile net margin to net cash flows from operating activities:		
Depreciation and amortization	2,148,749	1,969,612
Net (gain)/loss on disposal of fixed assets and non utility plant	(95,750)	80,141
Accretion of deferred revenue	(1,620,672)	(1,100,330)
Accretion of deferred gain on debt restructuring	(20,031)	(20,031)
Changes in assets and liabilities:		
(Increase)/decrease in CFC investment	(236,727)	279,097
(Increase)/decrease in accounts receivable	(371,931)	(85,307)
(Increase)/decrease in materials and supplies	(149,394)	200,853
(Increase)/decrease in other assets	169,104	171,868
(Increase)/decrease in notes receivable	263,009	94,017
Increase/(decrease) in accounts payable	657,083	(15,629)
Increase/(decrease) in member deposits	19,205	2,661
Increase/(decrease) in accrued expenses	26,881	25,633
Increase/(decrease) in accrued personal leave	(49,749)	73,376
Increase/(decrease) in unclaimed capital credits	11,173	27,331
<b>Net cash flows from operating activities</b>	<u>776,912</u>	<u>3,139,724</u>
<b>Cash flows from investing activities:</b>		
Purchase/construction of utility plant	(11,688,277)	(11,155,299)
Purchase of non utility plant property	(5,564)	(5,550)
Proceeds from the sale of fixed assets	-	54,491
Proceeds from the sale of non utility plant property	772	190,014
<b>Net cash flows from investing activities</b>	<u>(11,693,069)</u>	<u>(10,916,344)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from new borrowings	1,500,000	-
Repayment of long-term debt	(840,358)	(840,378)
Member advances of impact fees	3,538,821	2,667,403
Member advances for construction	4,642,586	5,099,887
Refund of member advances	(261,446)	(461,862)
Refund of capital credits	-	(619,396)
Proceeds from grant	-	1,131,551
<b>Net cash flows from financing activities</b>	<u>8,579,603</u>	<u>6,977,205</u>
<b>Net change in cash and cash equivalents</b>	<u>(2,336,554)</u>	<u>(799,415)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>3,282,109</u>	<u>4,081,524</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 945,555</u>	<u>\$ 3,282,109</u>

**Supplemental Schedule of Interest Paid and Non Cash Investing and Financing Activities**

Interest paid during the year amounted to \$487,035 and \$527,270 in 2015 and 2014 respectively.

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

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

---

**Note 1. Summary of Significant Accounting Policies**

---

**ORGANIZATION**

Dixie-Escalante Rural Electric Association, Inc. is a non-profit, cooperative association organized January 1, 1978, as a result of a consolidation of Dixie Rural Electric Association and Escalante Valley Electric Association for the purpose of providing electric service to rural areas located in southwestern Utah and northwestern Arizona. Dixie-Escalante Rural Electric Association, Inc. assumed all existing assets and liabilities of the Associations in the transaction which, for accounting purposes, has been recorded as a pooling-of-interests. No additional assets or liabilities were created through the consolidation.

**REGULATION**

The Association is subject to Federal accounting regulation and, until March 8, 1979, was subject to State rate regulation. Subsequent to March 8, 1979, the Association's rates are determined by the Board of Directors, subject to certain restrictions. The Association's accounting practices and policies are generally consistent with regulatory authorities and the accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

**UTILITY PLANT AND DEPRECIATION**

Utility plant in service and under construction is stated at original cost less certain contributions received from members, as described below. Costs include labor, materials, and related indirect costs such as engineering, supervision, transportation, etc. The cost of units of property replaced or renewed plus removal cost, less salvage, is charged to accumulated depreciation. Maintenance and repairs of utility property are charged to operating expenses. The Association provides for depreciation on the straight-line basis for all property over the estimated useful lives of the related assets as follows:

	Annual Depreciation Range
Transmission Plant	2.75%
Distribution Plant	2.87%
General Plant	3yrs. – 50 yrs.

In addition to depreciation shown separately in the statement of operations, depreciation of transportation and certain other equipment, amounting to \$513,481 in 2015 and \$414,429 in 2014 was charged to certain clearing accounts and distributed to operations and construction.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

---

**Note 1. Summary of Significant Accounting Policies - Continued**

---

**REVENUES**

Revenues are recognized as members are billed. The Association does not accrue revenues for energy delivered after the billing date.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand, cash in banks and cash temporarily invested in money market accounts.

**MATERIALS AND SUPPLIES**

Materials and supplies are stated generally at average cost which is not in excess of market.

**DEFERRED DEBITS**

The Association periodically incurs expense in the development of future electrical facilities. Deferred costs include, principally, engineering and feasibility study expenditures. Such costs will be charged to operations over an estimated recovery period commencing upon completion of the facilities, or when management determines them to be of no future benefit.

**CONSTRUCTION ADVANCES**

Construction advances from members are refundable based upon terms of the line extension policy. Amounts not refunded by the end of the allowable period for refunds are accounted for as contributions in aid of construction, as described below.

**CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions in aid of construction include non-refundable amounts advanced by members for construction. As jobs are completed, such amounts are accounted for as a reduction in the cost of the electric plant in service.

**ADVERTISING COSTS**

The Association incurred advertising costs related to nondirect-response advertising. These costs are expensed the first time the advertising takes place. Advertising costs expensed for 2015 and 2014 were \$317,057 and \$329,382 respectively.

**ALLOCATION OF MARGINS**

In accordance with the Association's bylaws, operating margins are allocated to the patrons of the Association in proportion to their patronage. Non-operating margins are used to reduce prior years' losses and thereafter, may be allocated to patrons at the discretion of the Association's Board of Directors.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

---

**Note 1. Summary of Significant Accounting Policies - Continued**

---

**TAXES ON INCOME**

No amounts have been paid or accrued for income taxes as the Association is a nonprofit organization exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

**ESTIMATES**

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates, and there is a reasonable possibility that estimates might change within the near term. The more significant estimates used by management in the preparation of the accompanying financial statements include the estimated useful lives of property, plant and equipment and the estimate used to calculate the allowance for doubtful accounts. In the opinion of management the allowance for doubtful accounts is sufficient to cover any accounts or notes receivable that may be uncollectible based on historic percentages and known circumstances.

**DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 1, 2016, the date the financial statements were available to be issued.

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**Note 2. Utility Plant**

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Utility plant in service is summarized by major classification as follows:

	Balance at 12/31/15	Balance at 12/31/14
Transmission plant	\$ 19,912,595	\$ 18,925,890
Distribution plant	38,240,402	33,481,070
General plant	17,249,491	16,034,656
Intangible plant	550,000	550,000
Under construction	5,582,136	6,328,305
Subtotal	<u>81,534,624</u>	<u>75,319,921</u>
Accumulated depreciation and amortization	<u>(26,396,075)</u>	<u>(25,018,204)</u>
Net utility plant assets	<u>\$ 55,138,549</u>	<u>\$ 50,301,717</u>

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

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**Note 3. Cash**

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At various times throughout the years ended December 31, 2015 and 2014, cash balances in bank accounts exceeded the amount insured by the FDIC and/or NCUA. As of December 31, 2015 and 2014, \$1,390,005 and \$3,193,002 of the bank balance of \$2,140,005 and \$3,943,003 was uninsured and uncollateralized.

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**Note 4. Investments in Associated Organizations**

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To join NRUCFC and establish eligibility to borrow, the Association has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. The subscription certificates mature in 2070, 2075, and 2080, and bear interest at 3 percent for the first fifteen years, 4 percent for the next seven years and 5 percent thereafter. The loan certificates mature and will be returned when the loans are paid off.

Investments in associated organizations consist of the following:

	2015	2014
NRTC membership	\$ 1,000	\$ 1,000
CoBank membership	1,000	1,000
CRC		
Class A membership	2,500	2,500
Class A equity investment	10,000	10,000
Western United patronage capital certificates	483,253	266,404
NRUCFC		
NRUCFC subscription certificates	171,175	171,175
NRUCFC loan certificates	159,448	161,201
CFC patronage capital certificates	409,803	388,172
CFC member capital securities	100,000	100,000
Class A membership	1,260	1,260
	\$ 1,339,439	\$ 1,102,712

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
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**Note 5. Deferred Revenue – Impact Fees**

Since 1988 the Association has charged an impact fee for new hookups to offset some of the cost of improving the system to accommodate growth in the service area. The monies are to be used to offset the cost of new system construction or improvement. The Association records the impact fees as deferred revenues as they are collected and then recognizes them as nonoperating revenue over a period of 30 years, which approximates the estimated life of the plant constructed. The revenue recognized for the years ended December 31, 2015 and 2014 was \$1,218,290 and \$1,100,330 respectively.

**Note 6. Long-Term Debt**

The following is a summary of long term debt activity for 2015:

	Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015	Current Portion
NRUCFC loans payable	\$ 9,663,746	\$ -	\$ 840,358	\$ 8,823,388	\$ 841,036
Total long-term debt	<u>\$ 9,663,746</u>	<u>\$ -</u>	<u>\$ 840,358</u>	<u>\$ 8,823,388</u>	<u>\$ 841,036</u>

The following is a summary of long term debt activity for 2014:

	Balance 12/31/2013	Additions	Retirements	Balance 12/31/2014	Current Portion
NRUCFC loans payable	\$10,504,124	\$ -	\$ 840,378	\$ 9,663,746	\$ 846,798
Total long-term debt	<u>\$10,504,124</u>	<u>\$ -</u>	<u>\$ 840,378</u>	<u>\$ 9,663,746</u>	<u>\$ 846,798</u>

Based on the borrowing rates currently available to the Association for loans with similar terms and average maturities, the stated amount of long-term debt at December 31, 2015 and at December 31, 2014 closely approximated current fair value.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
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**Note 6. Long-Term Debt - Continued**

Long-term debt consists of the following:

	<u>2015</u>	<u>2014</u>
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing August 31, 2016.	\$ 145,639	\$ 333,896
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	81,855	116,045
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.20%, maturing February 28, 2018.	72,760	103,151
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.25%, maturing May 31, 2035.	830,882	852,132
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2021.	315,685	358,333
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing November 30, 2022.	961,474	1,069,398
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.00%, maturing November 30, 2023.	1,079,596	1,181,865
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	741,800	781,829
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 7.25%, maturing May 31, 2027.	741,800	781,829
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.90%, maturing February 28, 2029.	374,064	393,677
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.10%, maturing November 30, 2031.	1,717,583	1,792,153
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.65%, maturing February 28, 2026.	<u>1,760,250</u>	<u>1,899,438</u>
Total long term debt	8,823,388	9,663,746
Less amounts due within one year	<u>(841,036)</u>	<u>(846,798)</u>
Long term debt, net of current portion	<u>\$7,982,352</u>	<u>\$8,816,948</u>

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
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**Note 6. Long-Term Debt - Continued**

Under the terms of the mortgage, all assets of the Association are pledged as security. In addition, the mortgage provides, among other things, for the maintenance of certain financial ratios, restrictions related to expanding, refunding patronage capital, incurring indebtedness, making investments, and merging.

On October 16, 1996, Deseret Generation and Transmission (Deseret) and each of the six members of Deseret including Dixie Escalante Rural Electric Association, Inc. entered into a major debt restructuring.

The following is a summary of the debt restructuring:

Each Member of Deseret retired its individual RUS debt at approximately a 10 percent discount. The money required to retire the RUS debt was borrowed by the Members from CFC. Dixie Escalante's RUS debt bore interest at 2 percent and 5 percent per annum. The new debt to CFC bears interest at rates between 2.8 percent and 3.6 percent per annum. Dixie Escalante Rural Electric Association, Inc. realized a \$400,618 gain on the restructuring. In accordance with generally accepted accounting principles, this gain is being recognized over 20 years (the life of the new debt). During 2015, \$20,031 was recognized as revenue, leaving a balance of \$16,692 of deferred gain at December 31, 2015. During 2014, \$20,031 was recognized as revenue, leaving a balance of \$36,723 of deferred gain at December 31, 2014.

Maturities of long term debt are as follows:

Year Ended	2015		2014	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ -	\$ 846,798	\$ 473,592
2016	841,036	426,816	841,036	426,816
2017	732,386	385,231	732,386	385,231
2018	712,650	346,983	712,650	346,983
2019	732,498	310,133	732,498	310,133
2020	771,158	269,473	771,158	269,473
Thereafter	5,033,660	1,055,844	5,027,220	1,055,844
Totals	<u>\$ 8,823,388</u>	<u>\$ 2,794,480</u>	<u>\$ 9,663,746</u>	<u>\$ 3,268,072</u>

**Line of Credits**

As of December 31, 2015 and 2014, the Association maintained a \$5,000,000 perpetual line of credit with NRUCFC. The line of credit bears interest at the prime rate plus 1 percent, which was 2.90 percent and 2.90 percent at December 31, 2015 and 2014 respectively. The line of credit renews each year unless either party terminates the agreement by providing written notice. There was no outstanding balance on this line of credit at December 31, 2015 and 2014.

During 2013, the Association opened a \$3,000,000 revolving line of credit with CoBank. Interest is charged at either (1) a week quoted variable rate or (2) a quoted rate option as selected by the Association at the time funds are borrowed. The line of credit can be renewed each year at the option of CoBank. The outstanding balance on this line of credit at December 31, 2015 and 2014 was \$1,500,000 and \$0 respectively.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

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**Note 7. Members' Equity**

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Beginning January 1, 1978, the Association discontinued a policy requiring payment of initial membership fees. Under current policy, no membership fees are required and members are admitted subject to approval of the board of directors. During 2000, the board approved an early retirement of capital credits allocated to members from 1978 to 1987. The Association refunded the capital credits, at a discount, to members who desired to participate in the early retirement. During 2000, the board also approved a refund of capital credits assigned to the remaining patron accounts for 1978 and 1979. The past policy adopted by the board was to refund such credits after the twentieth year if deemed economically feasible. In 2000, the board adopted a policy to refund capital credits based on a percentage of all equities method and then fully refund any amount remaining after the thirtieth year. A refund percentage is determined each year by the board of directors. During 2015 and 2014, refunds of approximately 0 percent and 5 percent, respectively, of the remaining 1989-2012 capital credits were made. The total capital credit refunds amounted to \$0 and \$628,622 in 2015 and 2014 respectively.

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**Note 8. Employee Benefits**

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Pension benefits for all employees of the Association with one year of service who have attained age 21 are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Defined Benefit Pension Plan.

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 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.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

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**Note 8. Employee Benefits, continued**

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**Plan Information**

The Association'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 Association made contributions to the RS Plan of \$742,541 in 2015 and \$723,108 in 2014.

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.

**RS Plan Prepayment**

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 January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experience different from that expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15 year period.

Two prepayment options were available to participating cooperatives:

1. Use current assets to make the prepayment over a period of not more than 4 years
2. Borrow funds sufficient to make the prepayment in a lump sum, with the repayment of the borrowed amount determined by the loan's amortization schedule.

On May 30, 2013 the cooperative made a prepayment of \$2,098,963 to the NRECA RS Plan. The cooperative is amortizing this amount over 13 years. Interest expense associated with the prepayment loan is being accounted for in accordance with the RUS USOA.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

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**Note 8. Employee Benefits, continued**

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**Defined Contribution Savings Plan**

In addition to the RS Plan, the Association contributed \$105,181 and \$100,375 to savings plans in 2015 and 2014 respectively. Employee contributions to these savings programs amounted to \$318,935 in 2015 and \$301,838 in 2014. Dixie-Escalante Rural Electric Association, Inc. has no liability for future benefits beyond the amount contributed.

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**Note 9. Compensated Absences**

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In accordance with the personal leave policy, each full time employee earns 168 hours of personal leave the first year of employment, 264 hours during the second year with an 8 hour increase for each year thereafter to a maximum of 344 hours annually. The maximum accrued hours that may accumulate in any one employee's account by year end is 800. In May and November of each year, employees may request payment of 75 percent of their current wage for up to one third of the accumulated hours in their account. The liability for accrued personal leave amounted to \$765,565 and \$815,314 at December 31, 2015 and 2014 respectively.

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**Note 10. Related Parties**

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In September of 2005, the Board of Directors approved the creation of Red Rock Funding, LLC, as a wholly owned subsidiary of the Association, to administer the Employee Loan Program. The Association made advances of funds to Red Rock Funding, LLC as necessary for the administration of the Employee Loan Program. Participants in the Employee Loan Program were able to borrow up to \$40,000 from Red Rock Funding, LLC for assistance in purchasing housing. The loans are secured by the property purchased. Principal and interest are paid annually through the administration of the Employee Housing Compensation Benefit. As of December 31, 2015 and 2014 amounts due to the Association from Red Rock Funding, LLC for such loans totaled \$1,387,640 and \$1,650,649 respectively. In December of 2009, the Association discontinued the Employee Loan Program and the Employee Housing Compensation Benefit for all future employees.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**December 31, 2015 and 2014**

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**Note 11. Commitments and Contingencies**

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**Power Purchases**

The Association has signed a contract to purchase power from the Western Area Power Administration which is a Colorado River Storage (CRSP) allocation. Monthly power needs in excess of this allocation are purchased from Deseret G&T. The Association is committed to purchase power from Deseret G&T in excess of its CRSP allocation. Additional power beyond that provided by these two sources would be purchased under a contract with the Intermountain Power Project. This contract, termed a lay off contract, provides that power not needed or used by the Association will be allocated to the City of Los Angeles, but made available to the Association as needed.

During the year ended December 31, 2000, Dixie-Escalante Rural Electric Association, Inc. signed a new agreement with the Bureau of Reclamation concerning the hydroelectric power from the Colorado River Storage Project (CRSP) which at present is a low cost source of power available to municipalities and cooperatives having long term contracts with CRSP. The agreement is a new fifteen year agreement that began in the year 2004.

Dixie Escalante Rural Electric Association is one of six member/owners of Deseret Generation and Transmission, a Utah generating and transmitting electrical co-operative. Deseret G&T owns and operates the Bonanza power plant in eastern Utah. The Association has signed an all requirements wholesale power purchase contract with Deseret which is in force until 2025.

**Flowell Electric Association**

Effective January 1, 1999, all but the manager of Flowell Electric Association, consisting of seven employees, became employees of Dixie Escalante, and Flowell's inventory and other general fixed assets were transferred to Dixie Escalante. Dixie Escalante agreed to provide Flowell Electric with member billing and plant maintenance services. Under the agreement, Flowell will provide a shop and yard for the Dixie Escalante equipment and inventory. Flowell is being treated by Dixie Escalante as a contract customer.

**St. George City – Solar Project**

In October of 2008, the Association entered into a solar project participation agreement with the City of St. George, Utah. Under the agreement, the City of St. George agreed to construct and operate a solar photovoltaic project. The Association would participate and permit its members who reside within the city limits of St. George to purchase participating units of the solar project from St. George.

**DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC.**  
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**Note 11. Commitments and Contingencies - Continued**

The Association's participation percentage in the project was 50 percent, meaning that The Association would reimburse the City of St. George, either through cash payment or labor credits, for 50 percent of all costs associated with the construction, operation, and maintenance of the project. In return, the Association will receive an "energy entitlement" equal to its participation percentage for all completed phases of the project times the net output of the project minus the aggregate credited energy of all Dixie Escalante members participating in the project.

As of December 31, 2011 phases 1 and 2 of the project were complete and placed into service. Due to the nature of the project, management determined that the capital costs associated with the project should be recorded as "other assets" in the financial statements and amortized over the estimated life of the project (20 years). The Association's share of all costs for the construction of the project minus any shares sold to customers and net of accumulated amortization totaled \$482,367 and \$516,251 at December 31, 2015 and 2014 respectively. Operating and maintenance costs will be expensed as incurred.

**Note 12. Recognition of Capital Credits from Deseret G&T**

During 1999 the board of directors adopted the policy of only recognizing capital credits from Deseret Generation and Transmission when the credits are actually paid. Deseret has no obligation to rotate capital credits and even though capital credits are being allocated by Deseret to its members there is no present expectation that all of those credits will be rotated by payments to the members.

During 2015 and 2014, Deseret Generation and Transmission rotated and paid the Association the following capital credits and has informed the management of the following tax basis allocations of the remaining capital credits which may someday be retired.

Year	Balance 12/31/2013	2014 - 2015 Rotation	Balance 12/31/2015
1983	\$ 16,296	\$ -	\$ 16,296
1984	133,474	-	133,474
1985	-	-	-
1986	86,351	-	86,351
1997	624,852	-	624,852
1998	154,908	16,360	138,548
1999 - 2012	-	-	-
Total	<u>\$ 1,015,881</u>	<u>\$ 16,360</u>	<u>\$ 999,521</u>

Rotation of capital credits recognized as revenues in 2015 and 2014 totaled \$16,360 and \$0 respectively