GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

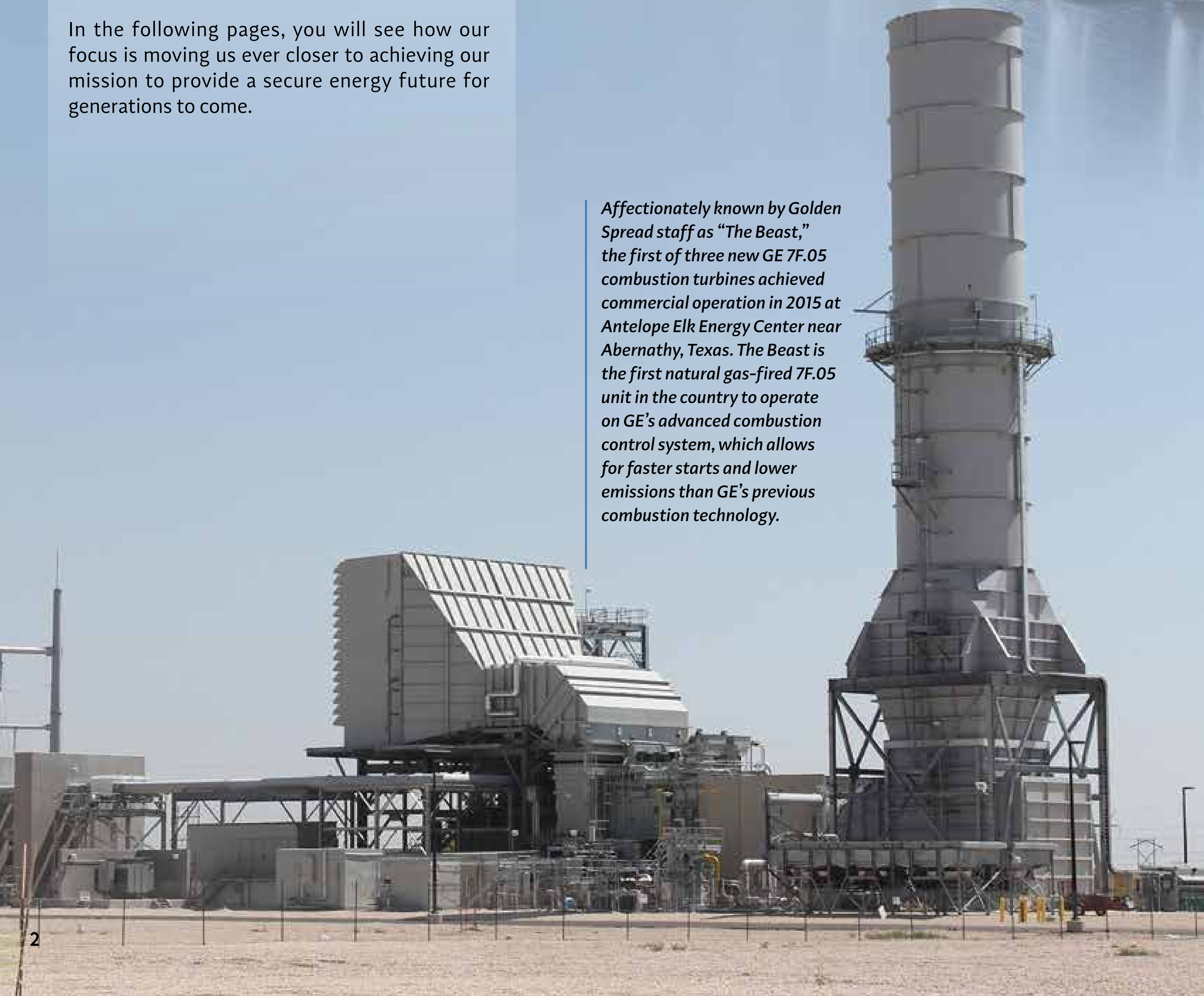
2015 ANNUAL REPORT

EXECUTING OUR PLAN

At Golden Spread Electric Cooperative, Inc., we began in 2012 to **focus our efforts** on the results we wanted to achieve by 2020. Our work started with careful attention to **building a foundation** that would support our aspirations. That foundation included expanding our generation fleet to meet Members' needs and aligning current and new staff members for the work ahead.

Next, we assembled and **strengthened a structure** based on our vision to bring competitive energy solutions to our Members. With this foundation and framework in place, we were well-prepared to begin **executing our plan**.

In the following pages, you will see how our focus is moving us ever closer to achieving our mission to provide a secure energy future for generations to come.



Affectionately known by Golden Spread staff as "The Beast," the first of three new GE 7F.05 combustion turbines achieved commercial operation in 2015 at Antelope Elk Energy Center near Abernathy, Texas. The Beast is the first natural gas-fired 7F.05 unit in the country to operate on GE's advanced combustion control system, which allows for faster starts and lower emissions than GE's previous combustion technology.

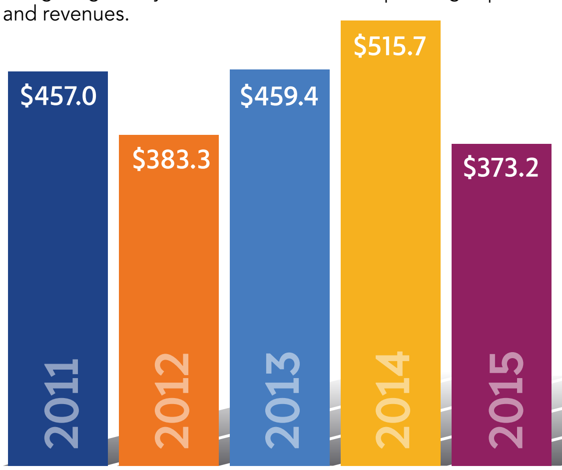
KEY DATA

Condensed Financial Data	2015	2014
Operating Revenues	**$ 373,173,261**	$ 515,652,789
Operating Expenses	**$ 324,739,178**	$ 445,783,195
Operating Margins before Fixed Charges	**$ 48,434,083**	$ 69,869,594
Fixed Charges before AFUDC	**$ 29,193,075**	$ 26,972,189
AFUDC on Borrowed Funds	**$ 3,738,294**	$ 640,981
Nonoperating Margins	**$ 5,344,353**	$ (11,592,985)
Net Margins	**$ 28,323,655**	$ 31,945,401
Total Assets	**$ 1,163,514,307**	$ 1,076,687,710
Long-Term Debt	**$ 664,000,420**	$ 559,870,327
Members' Equity	**$ 416,237,524**	$ 395,913,869
Financial Ratios		
Total Equity/Total Assets (%)	**35.77**	36.77
Days Cash on Hand	**150**	114
Debt Service Coverage Ratio	**1.91**	2.46
Debt/Funds Available for Debt Service	**7.31**	5.62
Total Equity/Total Capitalization (%)	**38.37**	39.32
Operating Statistics		
Average Rate to Members ($/MWh)	**$ 61.94**	$ 66.98
Energy Sales to Members (MWh)	**6,291,738**	6,928,717
Energy Sales to Nonmembers (MWh)	**554,860**	877,076
Total Energy Sales (MWh)	**6,846,598**	7,805,793
Member Peak Demand (MW)	**1,472**	1,538
Member System Load Factor (%)	**48.47**	51.43
Energy Generated (MWh) (1)	**1,412,824**	3,008,848
Energy Purchased (MWh) (1)	**5,575,815**	4,981,174

(1) Includes ancillary services for Member load

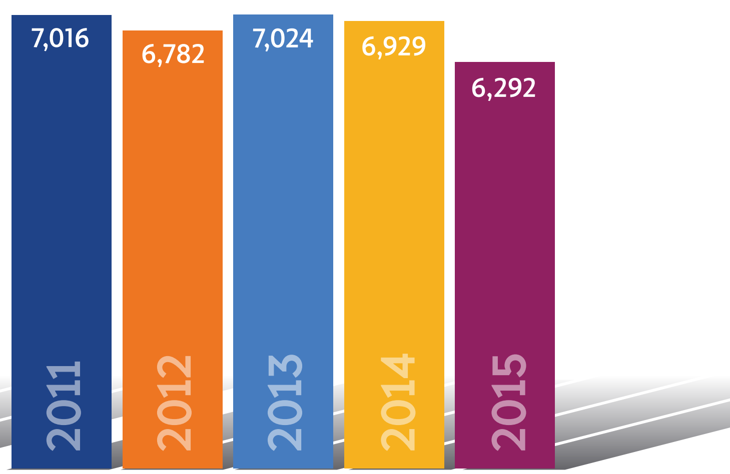
OPERATING REVENUES
(in Millions of Dollars)

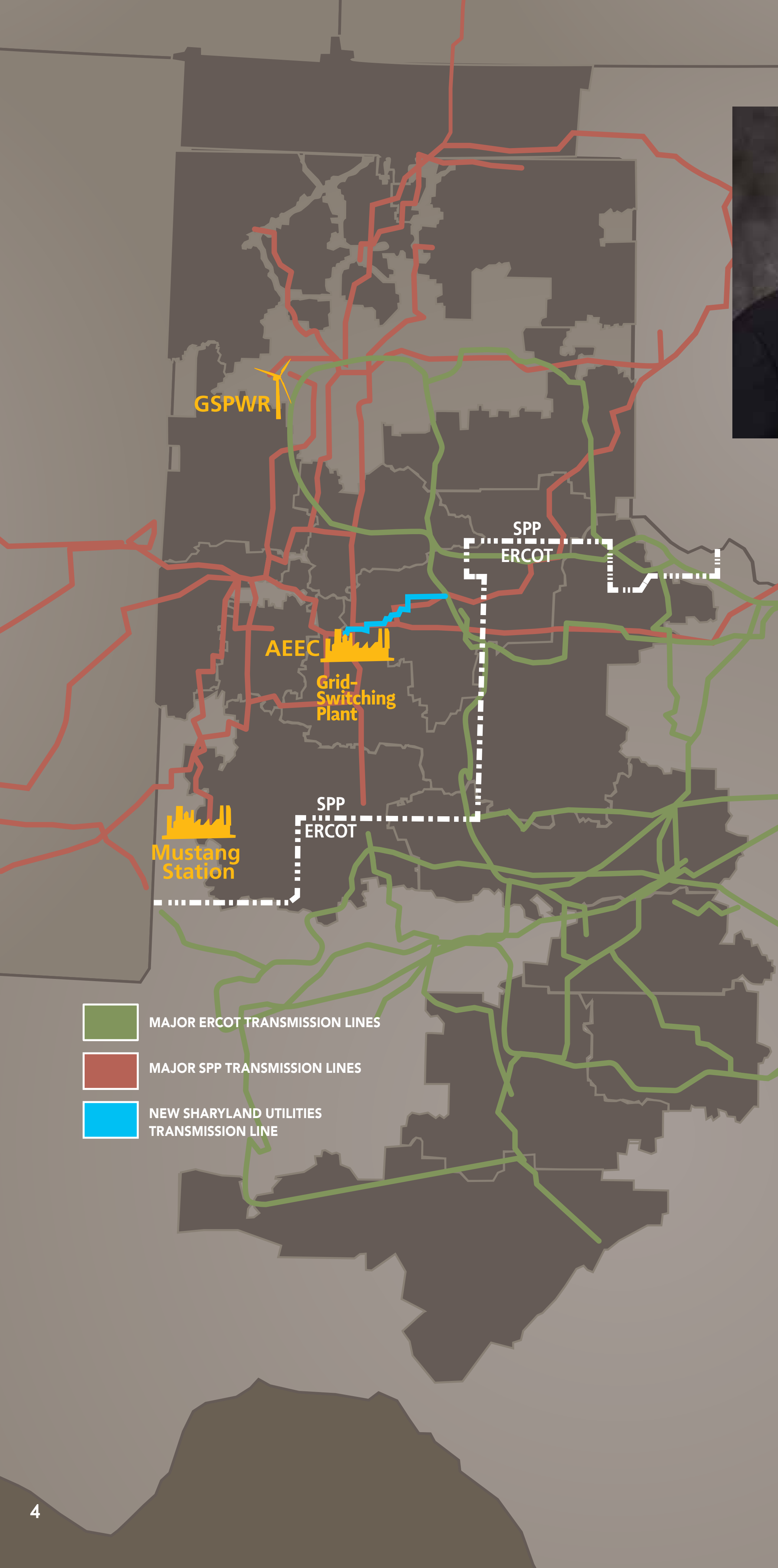
Variations in operating revenues are due to the volume of kWh sales, fuel prices, operating expenses and Board-approved margins. The 2015 revenues were reduced due to a large regulatory refund which reduced operating expenses and revenues.



SALES TO MEMBERS
(in Millions of Kilowatt Hours)

Other than fluctuations caused by weather conditions, Member sales have been stable.





From left, Golden Spread Chairman of the Board Stan McClendon and President Mark Schwirtz

As part of Golden Spread's vision to provide flexible energy solutions, we began construction of grid-switching equipment at Antelope Elk Energy Center (AEEC on the map). The grid-switching equipment allows the injection of power from this plant to be switched between the Electric Reliability Council of Texas and the Southwest Power Pool. This allows us to efficiently serve our Members in both markets and provides the added benefits of maximizing the value of our assets and letting us take advantage of market conditions in either grid.

LETTER FROM THE PRESIDENT AND THE CHAIRMAN OF THE BOARD

Golden Spread Electric Cooperative, Inc., is executing its plan to build generating units at low capital cost, hedge our energy market position and purchase as much low-cost energy as possible from the market. Golden Spread's strategy takes into account the sensitivity of the weather-driven load of many of our Members, our location in a region with abundant renewable resources and new opportunities in both emerging energy markets and resources. All of those factors came into play in 2015.

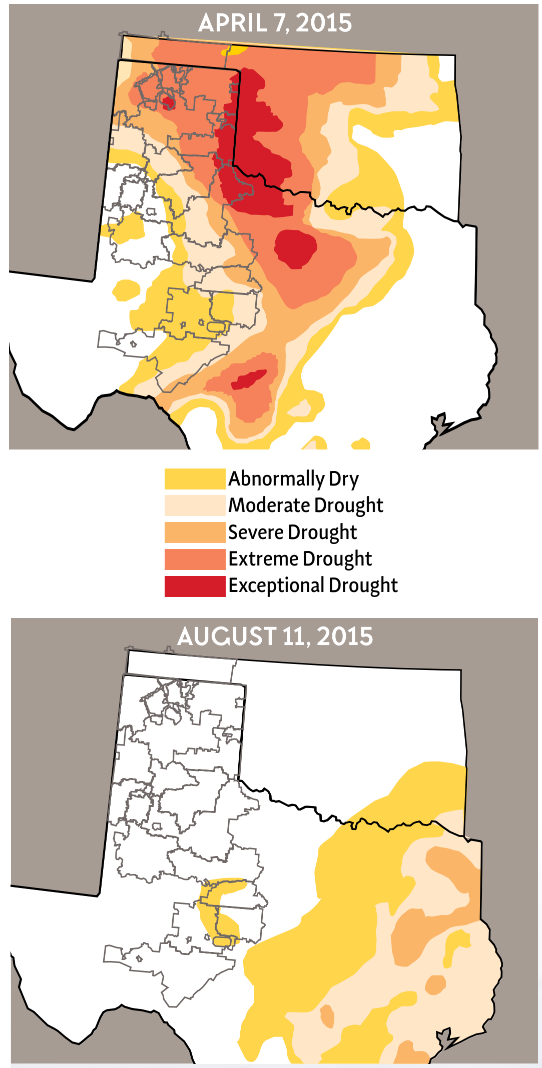
We are pleased to report that in the face of significant challenges in 2015, this strategy worked well. Despite weather and plant outage issues, Golden Spread provided low-cost power to its Members and their Member-Consumers.

We experienced a "Godzilla" El Niño last year. The wet year brought much-needed moisture to Member service areas that had been in severe drought since 2011. While this moisture is critical to our area, El Niño significantly reduced the need for irrigation and, therefore, the amount of energy Golden Spread sold to its Members. To put what happened in 2015 into perspective, Golden Spread had projected the sale of 7,214,000 MWh for 2015 and actually sold 6,291,738 MWh. This is a reduction in sales of 12.8%.

In addition, Golden Spread did not have its most efficient unit on line in 2015. Mustang Station's combined-cycle unit experienced an unscheduled steam turbine outage early in 2015 and remained out of service for the balance of the year. Golden Spread's flexible strategy allowed us to take advantage of low-cost energy in the market and this, combined with the relatively low fixed cost of Golden Spread's hedge units, kept power costs at a reasonable level despite weather conditions and the outage. Our strategy also allowed us the time needed to methodically evaluate the entire combined-cycle system and make needed repairs and improvements.

In the past, this combination of events could have been disastrous for Golden Spread and its Members. We would have incurred high energy costs, and at the same time, fixed expenses would have been spread over fewer billing units. However, Golden Spread's strategy to build gas-fired units at low capital cost to hedge our energy market position and purchase as much low-cost energy as possible worked well, even with the significant headwinds in 2015.

In 2012, Golden Spread and its Members set a goal for 2020 to achieve the lowest optimal rates for our Members by replacing expiring power purchase contracts with the right blend of cost-effective resources, navigating the regulatory challenges and continuing purchases and market activities that support our mission. The past four years have seen significant progress toward our 2020 goal, and our activity in 2015 centered on executing the plan. We added new generating capability, infrastructure and internal programs.



El Niño significantly reduced the need for irrigation and, therefore, the amount of energy Golden Spread sold to its Members.

The first of three new GE 7F.05 combustion turbines achieved commercial operation at Elk Station in 2015. This unit met or exceeded all of the objectives established in the planning phase for this generation. It came in under budget and exceeded almost every performance target. This is significant because the unit is the first natural gas-fired application in the U. S.; however, it is built on a known and stable GE industrial turbine platform. The teams that built and run the unit affectionately call it "The Beast."

In 2015, construction also began on two sister units at Elk Station. This construction will complete a strategy developed to replace existing power purchase agreements with market-flexible generation resources.

To finish development of the Antelope Elk Energy Center (AEEC), Sharyland Utilities began construction on a transmission line and Golden Spread began construction on the associated grid-switching equipment necessary to switch units at AEEC between either the Electric Reliability Council of Texas (ERCOT) or Southwest Power Pool (SPP) grid. This is critical to our ability to efficiently serve our Members in both markets and provides the added benefits of maximizing the value of our assets and letting us take advantage of market conditions in either grid, while also adhering to market requirements.

In 2015, Golden Spread achieved a settlement of multiple regulatory disputes associated with its purchased power from Southwestern Public Service Company (SPS) and the transmission rates that SPS charged. The settlement resolved nine pending cases before the Federal Energy Regulatory Commission, some originating in 2004, and one pending

The Golden Spread Executive Team is comprised of, from left, Margaret "Peg" Rupert, Chief Strategy, Information and Risk Officer; Mary Hekman, Esq., Chief Legal Officer; Mark Schwirtz, President and Chief Executive Officer; Scott Gross, Chief Financial Officer; Jolly Hayden, Chief Operating Officer; Michelle Fishback, Vice President, Human Resources; and John Eichelmann, Vice President, Member Services.

court of appeals case. We avoided two potential rate-of-return-on-equity cases and several potential formal challenges in the transmission rate process. The settlement provided a refund to our Members of $44.86 million.

As we executed our plan in 2015, we implemented new technology and processes to further empower employees for the future. These additions provide tools that facilitate communication and collaboration and simplify how we do business. This work continues in 2016 to enhance our internal processes and help us make decisions by getting better information to and from our employees in real time. This allows employees to mine the wealth of information we collect in our daily business operations.

We also implemented additional decision process tools to improve how we evaluate, communicate and decide on projects and opportunities. The process helps us understand, evaluate and quantify the potential variables that can affect a decision. Most importantly, it is a risk-based decision process that allows us to quickly identify the key variables affecting a decision and, through the use of probabilities, communicate the likelihood of outcomes around those variables to decision makers.

One of the decisions that utilized this improved process was the decision to give notice to terminate a power purchase agreement with SPS. Golden Spread and its Members have been purchasing power from SPS since many of its Members were created. Terminating this power purchase agreement allows Golden Spread to take advantage of market opportunities that did not exist several years ago. The decision is expected to save our Members millions of dollars in power supply costs.

All of these internal process improvements contribute to Golden Spread's goal of achieving the Board's vision to be trusted, innovative and flexible, while delivering competitive energy solutions for our Members.

Golden Spread faced powerful headwinds in 2015, and yet we made steady forward progress executing our plan to build a cooperative that can be flexible and innovative in meeting future challenges. We look forward to continued progress in 2016.

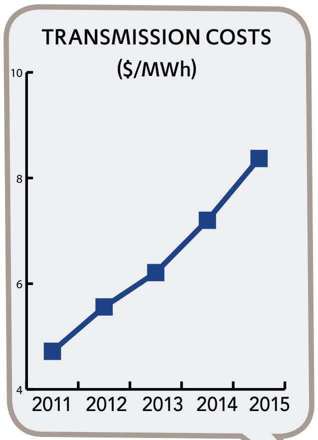
Mark W. Schwirtz

Stan McClendon

Golden Spread Members and employees tour the facility during the Antelope Elk Energy Center Celebration Ceremony.

Mark Schwirtz remarks that Golden Spread's improvements enhance our ability to meet Member needs.

Software enhancements allow Golden Spread's finance and accounting staff to provide critical information to the organization's leadership.

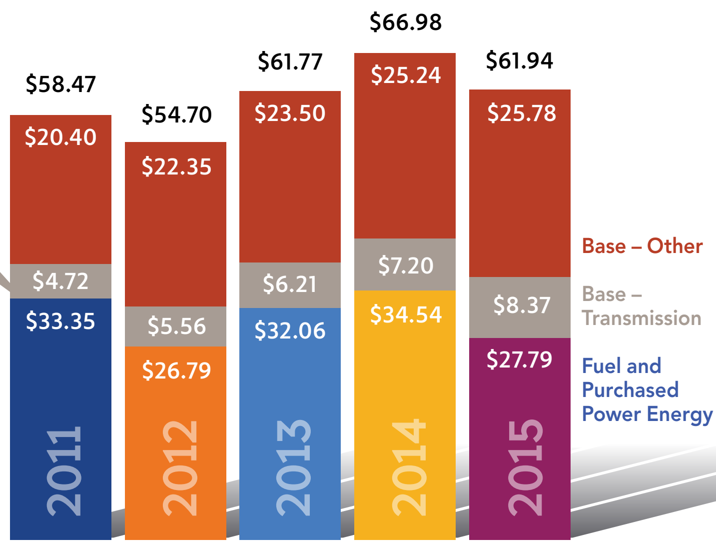


Golden Spread takes transmission service under regional Open Access Transmission Tariffs and works with regional entities to control costs.

AVERAGE RATE TO MEMBERS

(in Dollars per Megawatt Hour)

Average rate to Members fluctuates with changes in fixed costs, sales volume and fuel and purchased power energy costs. The 2015 rate shown below excludes the impact of the regulatory settlement received.



FINANCIAL INDICATORS

Credit Rating Upgrade

In January 2016, Standard & Poor's Financial Services (S&P) upgraded its credit rating on Golden Spread Electric Cooperative, Inc., to "A+" from "A." This upgrade reflects a trend of strong financial metrics, including good coverage of total fixed costs, robust liquidity and expectations that this will continue over the next five years, with capital needs not adding significant leverage.

In December 2015, Moody's Corporation (Moody's) reaffirmed its "A3" issuer credit rating on Golden Spread and, in June 2015, Fitch Ratings reaffirmed its "A" rating on Golden Spread's 2005 secured bonds. Both S&P and Moody's provide issuer credit ratings (rather than ratings of senior secured debt), which are intended to be representative of Golden Spread's ability to meet its unsecured contractual obligations.

All three rating agencies' outlooks on Golden Spread are stable.

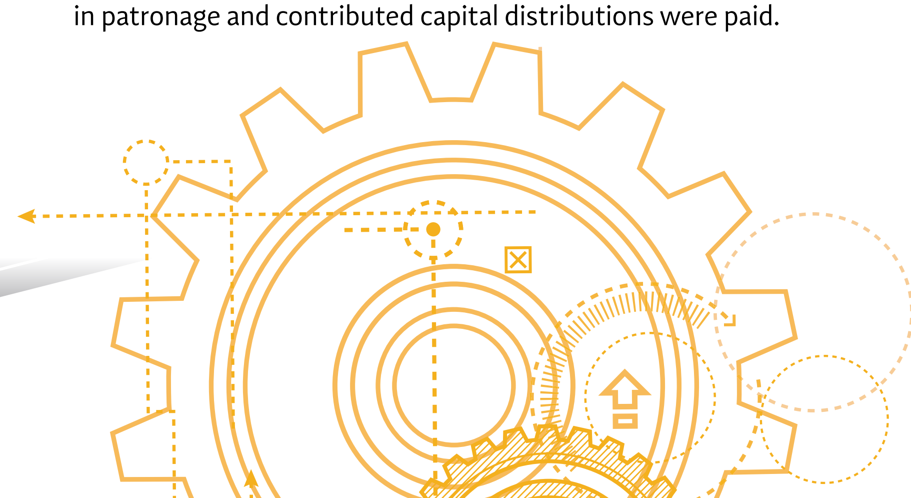
Decrease in Operating Expenses

Golden Spread's 2015 operating costs yielded a net decrease as compared to 2014. The net decrease in costs is attributed primarily to lower fuel and purchased power costs, which were offset by higher plant maintenance costs, as well as higher transmission costs due to additional transmission facilities in both the Electric Reliability Council of Texas and the Southwest Power Pool. This decrease positively impacted the 2015 average rate to Members, which was $61.94 per MWh, compared to the 2014 rate of $66.98 per MWh.

Patronage and Contributed Capital Distributions

Golden Spread's Board of Directors has authorized payment of patronage and contributed capital distributions to Members for 16 consecutive years. In March 2015 and 2016, respective distributions totaling $8.0 million and $8.3 million were authorized and paid.

The Board currently is authorizing patronage and contributed capital distributions of approximately 2% of end-of-year equity balances. From 2001 through March 2016, an aggregate total of more than $87.6 million in patronage and contributed capital distributions were paid.

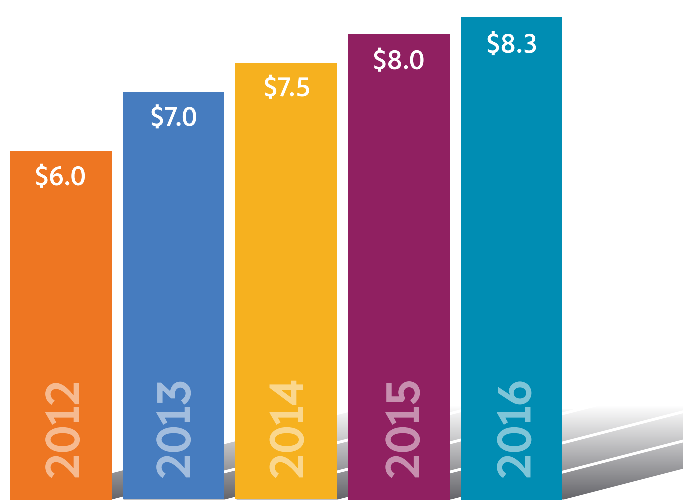


INVESTMENT IN UTILITY PLANT IN SERVICE
(in Millions of Dollars)

Golden Spread embarked on a major capital expansion program in 2010, driven by load growth and expiring power purchase contracts.

PATRONAGE AND CONTRIBUTED CAPITAL DISTRIBUTIONS
(in Millions of Dollars)

Golden Spread's Board of Directors has authorized payment of patronage capital distributions to Members for 16 straight years.



OPERATIONAL HIGHLIGHTS

Elk Station Unit 1

Elk Station Unit 1 reached commercial operation one year after its groundbreaking in June 2014. With its new combustion hardware, the GE 7F.05 natural gas-fired combustion turbine at Antelope Elk Energy Center (AEEC) is identified by GE as a "fleet leader" because it is the first of its class to reach commercial operation in the country. This unit has exceeded performance expectations for heat rate, output and emissions.

The project is the first GE 7F.05 natural gas-fired turbine startup in the country, and the first 7F unit to operate with the advanced combustion system which lowers emissions. This turbine represents the continued improvements in the GE technology that Golden Spread Electric Cooperative, Inc., already relies on at Mustang Station.

Elk Station Unit 1 is the first of three Golden Spread units to operate with GE 7F.05 turbines, which are capable of producing 195 MW each (summer rating). These units are a later model of those operating at Mustang Station. The Elk Station units, like the Antelope Station reciprocating engines, use a quick-start technology that provides rapid support in the market when renewable resources, like wind or solar, drop off quickly.

Elk Station Units 2 and 3

In March 2015, Golden Spread signed a contract with Kiewit/The Industrial Company (TIC) to build and install two new combustion turbine generators at AEEC. This next phase of additional electrical generation includes an expansion of the existing AEEC control building complex. By timing the construction of these two additional units to coincide with the completion of Elk Station Unit 1, Golden Spread was able to save significantly on capital costs.

As part of the construction, Golden Spread is installing grid-switching equipment to allow two of the Elk Station units and the Antelope Station units to supply electricity to either the Electric Reliability Council of Texas (ERCOT) or the Southwest Power Pool (SPP).

The generators will add approximately 390 MW of new generation connecting to the ERCOT Competitive Renewable Energy Zones (CREZ) transmission system. Commercial operation is currently on schedule with a planned start date by summer 2016.

At completion, Golden Spread will operate approximately 753 MW of generating units at AEEC with the flexibility to connect approximately 558 MW of that generation to two regional transmission grids. This arrangement will provide added flexibility for generation to our Members in both grids as loads and markets dictate.

In 2015, construction began on two sister units at Elk Station. This construction will complete a strategy developed to replace existing power purchase agreements with market-flexible generation resources.

Mustang Station Outage

The year 2015 proved to be very challenging for Mustang Station Units 1-3. In the fall of 2014, Golden Spread initiated a major outage to upgrade the Unit 1 and Unit 2 gas turbine exciter systems, steam turbine generator rotor rewind and controls upgrades. These upgrades are intended to increase plant reliability via increased redundancy, availability and technology modernization.

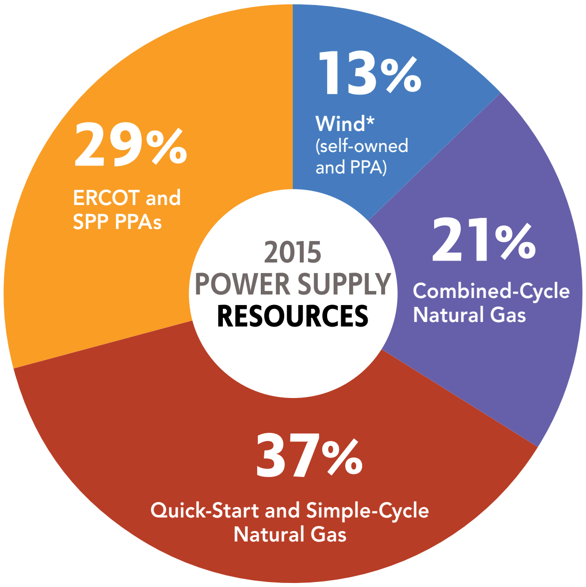
Golden Spread experienced two unplanned events which were of great significance. In January 2015, several natural gas leaks were discovered along the length of the pipeline that feeds the combined-cycle side of the facility. This necessitated immediate removal and replacement of piping and cathodic protection systems.

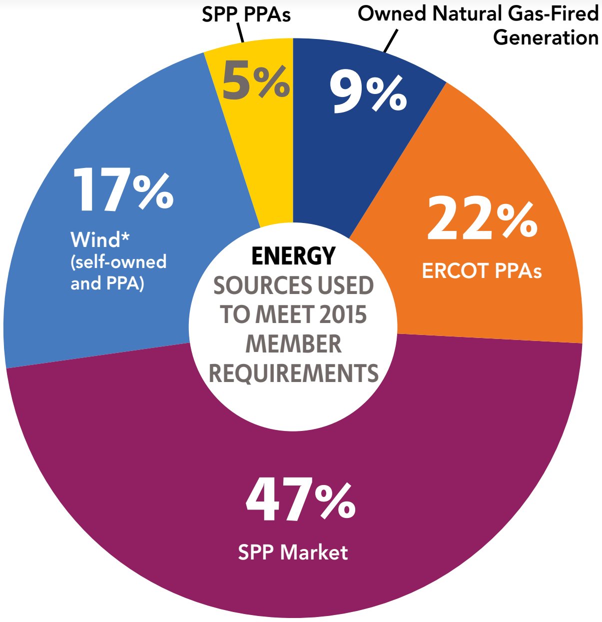
The second major event occurred in March 2015 when an unexpected plant trip cascaded, causing severe damage to Mustang Station Unit 3. This event required a major overhaul, giving us an opportunity to evaluate the entire combined-cycle system and make repairs and improvements. Mustang Station resumed normal operation in January 2016.

Mustang Station's combined-cycle unit experienced an unplanned steam turbine outage early in 2015. These photos show the submerged arc welding in progress and the steam turbine rotor after repair.

CURRENT RESOURCE OPERATIONS

Golden Spread's mission is to deliver cost effective, competitive and reliable power.





PPAs are power purchased agreements.

* Golden Spread sold all of the environmental attributes associated with wind to third parties in the form of renewable energy credits.

Golden Spread is fortunate to be located in an area with great renewable potential. Golden Spread's strategy is designed to take advantage of this potential.

Minco Wind III and Seiling II Wind

Golden Spread has a long-term power purchase agreement with Minco Wind III, LLC (Minco), an affiliate of NextEra Energy Resources, LLC (NextEra), for output from a 100.8 MW nameplate capacity wind project in central Oklahoma. NextEra recently had the turbine manufacturer (GE) perform upgrades that resulted in increased output of each turbine. This upgrade increases the facility output from a 100.8 MW nameplate to approximately 106.5 MW and increases the overall energy production by approximately 5%. Golden Spread will purchase the additional output pursuant to the terms of the existing contract.

Golden Spread also has an additional long-term power purchase agreement with NextEra affiliate Seiling II Wind, LLC (Seiling). Both Minco and Seiling purchases are low-cost, long-term, nearly fixed-priced energy purchases that are considered an important part of Golden Spread's fuel diversity.

Golden Spread does not currently retain the environmental attributes of the Minco or Seiling projects; rather, it sells those to third parties.

Environmental

Golden Spread takes an active role in proposed Environmental Protection Agency (EPA) rules that impact our plant operations. An example is the New Source Performance Standard for New and Modified Electric Generating Units section 111(b). In the final rule, which was released in August 2015, the EPA discusses issues raised by Golden Spread in its comments regarding limitations on simple-cycle combustion turbine units that could have limited run time on these units. We believe these quick-start units are needed to stabilize power grids with significant renewable generation.

In order to address these concerns, EPA changed the proposed limit to be based on the individual design efficiency of the unit. The result is that the more efficient the unit, the more run time the unit will have. This allows units like Golden Spread's efficient simple-cycle combustion turbines to be dispatched as needed by the market, a solution that helps not only Golden Spread, but also the area power grid.

Golden Spread is also taking an active role in monitoring and commenting on the EPA's development of the Federal Implementation Plan requirements for the Clean Power Plan. Golden Spread believes it is well positioned with our generation fleet. We continue to analyze the rule and its impacts.

Production and Transmission Rate Refund

Several Federal Energy Regulatory Commission (FERC) proceedings were pending in 2015 that involved disputes between Golden Spread Electric Cooperative, Inc., and Southwestern Public Service Company (SPS) over SPS production and transmission rates. Some of these matters pertain to the method employed by SPS since 2004 to allocate its fixed capacity costs. Other cases included three brought by Golden Spread seeking to reduce the authorized return on common equity by Xcel Energy, the parent company of SPS. FERC approved a settlement of all these matters between Golden Spread, SPS and several other interested parties.

The settlement resolved nine pending FERC cases and one pending court of appeals case, resulting in a refund of $44.86 million to Golden Spread, which it subsequently passed through to its Member distribution cooperatives.

FERC Price Formation Investigation

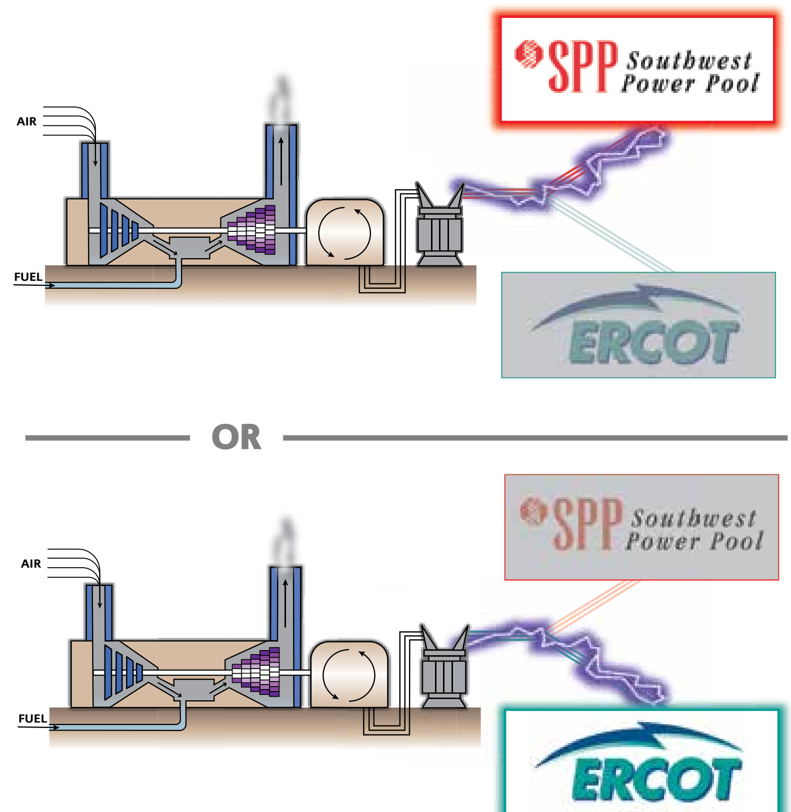
Golden Spread actively participated in FERC's ongoing investigation of energy price formation in wholesale power markets, advocating for changes that would more accurately reflect the value of quick-start, fast-ramping resources, such as Golden Spread's reciprocating engines and new gas-fired combustion turbines at Antelope Elk Energy Center (AEEC).

Prompted by FERC's activities in this area, the Southwest Power Pool (SPP) has been working on market reforms that should better reflect the value these resources provide to support SPP's integration of a substantial and growing fleet of intermittent renewable resources.

Grid-Switching Agreement

By summer 2016, Golden Spread will begin to operate its generating assets at AEEC in the Electric Reliability Council of Texas (ERCOT). Previously, energy from AEEC was only available to SPP. This operation will include the ability to "grid switch," or inject the power from these units into either of the two separate transmission grids operated in the wholesale power regions in which Golden Spread serves its Members.

The two power regions – ERCOT and SPP – have entered into a reliability coordination agreement that expressly recognizes Golden Spread's grid-switching operations. In October 2014, FERC ruled that Golden Spread's grid-switching operations will not interfere with the State of Texas' existing authority over ERCOT. These actions secure Golden Spread's plan of providing flexible and reliable operations in both markets to maximize the value to its Members.



Golden Spread's grid-switching operation allows units at the AEEC to provide power either to ERCOT or to SPP, the transmission grids in which Golden Spread Members operate.

TECHNOLOGICAL ADVANCES

By necessity, technology at Golden Spread Electric Cooperative, Inc., must focus on efficiency and effectiveness. Our goal is to provide employees with better information for key decisions that are critical to Golden Spread's overall success. Key projects aimed at delivering new capabilities made 2015 particularly active from a technology standpoint.

As the internal "utility" to the organization, Golden Spread's technology infrastructure must operate consistently and reliably with minimal outages and protection from cybersecurity risks that could threaten operations. During 2015, Golden Spread performed critical upgrades to communication networks in order to further increase reliability and provide essential monitoring of plant communications at Mustang Station, Antelope Elk Energy Center and Golden Spread Panhandle Wind Ranch.

A new employee portal named "The Grid" provides a single site for employees to access news, tools, work group sites and much more. Shown below, its primary benefits include reduction of email traffic and ease of access to common information, while reducing the challenge associated with locating key information needed to support efficient operations.

Reducing costs while providing employees with new features and capabilities is a perfect combination. With the implementation of Microsoft's Office 365, Golden Spread transitioned to "cloud" technology. This move leverages Microsoft's capabilities for remote file storage and management and eliminates the cost of acquiring and maintaining on-site hardware. Additionally, the service provides many new capabilities, including video conferencing, file sharing and collaboration, in addition to the product's core productivity features.

Creating scalable processes that support enterprise-wide "back office" efficiency, better data access and improved reporting are a few of the many reasons Golden Spread is pursuing an enterprise system. An enterprise system achieves efficiency by integrating or "bundling" core back office operations, such as accounting, finance, reporting, payroll, accounts payable and procurement into a single platform. The initial phase of software selection and planning were completed in 2015, and implementation is planned for 2016.

Golden Spread proactively evaluates and adapts leading technology trends to ensure sustainable competitive advantage for our Members.

Cybersecurity

Golden Spread is diligent in its response to the growing threat of cyber-attacks in the utility industry. This threat continues to create the risk of disruption, outages and confidentiality breaches. During 2015, the organization saw an uptick in the number of cyber events, and the Golden Spread Security Operations Center has been successful in monitoring, identifying and mitigating cyber-attack attempts. As this risk has increased, so has Golden Spread's response. We have increased cybersecurity resources and continue to execute our Cybersecurity Plan, enabling leading technologies to actively monitor, identify and respond to cyber incidents. Cybersecurity will continue to be a vigilant focus for Golden Spread.

BOARD SERVICE RECOGNITION

A major strength of Golden Spread Electric Cooperative, Inc., is its Board of Directors, comprised of 32 individuals, two from each of the 16 Member systems. Our deep gratitude goes to Steve Gee and Larry Hodges as they retire from the Board.

Mr. Gee served as a board member for five years and was Chair of the Asset Committee. He worked as General Manager of Swisher Electric Cooperative, Inc., since 2010 and was dedicated to the electric industry for 44 years.

STEVE GEE

LARRY HODGES

Mr. Hodges was a Golden Spread Board Member from 1985 to 2015 and served on the Policy, Performance/Salary and other Committees. He is a Director of Tri-County Electric Cooperative, Inc., a position he has held since 1968, having served as President, Vice President and Secretary of its Board. He has been a farmer for 59 years.

IN MEMORIAM

JOHN E. NORMAN, JR.

DUANE LLOYD

JIMMY STOKES

Golden Spread Electric Cooperative, Inc., recognizes the passing of and extends condolences to the families of three former Golden Spread Board Members, John E. Norman, Jr., Duane Lloyd and Jimmy Stokes.

Mr. Norman served on the Golden Spread Board of Directors from its inception in December 1983 until 1986 serving as Vice-Chairman. He began working at Tri-County Electric Cooperative, Inc. (TCEC) in 1968 as an Engineer and later became the General Manager in 1975. Mr. Norman served as General Manager for TCEC until his retirement in 1986.

Mr. Lloyd joined Bailey County Electric Cooperative Association (BCEC) in Muleshoe, Texas, in 1973. He worked as Office Manager, primarily with the engineering department, until his appointment as Administrative Assistant in 1983. In 1986, 13 years after joining BCEC, he was named Manager, a position he held for 16 more years. He served on the Golden Spread Board of Directors from 1986 to 2002, was Board Liaison to Opportunity Plan, Inc., and served on several committees.

Mr. Stokes served on the Golden Spread Board of Directors from 1998 to 2015. He was a member of the Government Relations, Farm Management, Legislative and GS PAC Committees. He also had been active as a Director and former Secretary/Treasurer of Rita Blanca Electric Cooperative, Inc., which he served from 1977 until the time of his death.

GOLDEN SPREAD BOARD OF DIRECTORS

Stan McClendon – CHAIRMAN
William "Buff" Whitten – VICE CHAIRMAN
Bill Harbin– SECRETARY/TREASURER

BAILEY COUNTY ELECTRIC COOPERATIVE
- Darrell Stephens
- David Marricle

BIG COUNTRY ELECTRIC COOPERATIVE
- Roger Blackwelder
- Mark McClain

COLEMAN COUNTY ELECTRIC COOPERATIVE
- Bob Fuchs
- Clint Gardner

CONCHO VALLEY ELECTRIC COOPERATIVE
- Jeff Copeland
- Kelly Lankford

DEAF SMITH ELECTRIC COOPERATIVE
- Vick Christian
- Mike Veazey

GREENBELT ELECTRIC COOPERATIVE
- James Batton
- Stan McClendon

LAMB COUNTY ELECTRIC COOPERATIVE
- Kevin Humphreys
- Boyd McCamish

LIGHTHOUSE ELECTRIC COOPERATIVE
- Gaylord Groce
- Bill Harbin

LYNTEGAR ELECTRIC COOPERATIVE
- Earl Brown
- Greg Henley

NORTH PLAINS ELECTRIC COOPERATIVE
- David Sell, CPA
- Randy Mahannah, PE

RITA BLANCA ELECTRIC COOPERATIVE
- Shad McDaniel
- Brent Wheeler

SOUTH PLAINS ELECTRIC COOPERATIVE
- Tommy Joines
- Dale Ancell

SOUTHWEST TEXAS ELECTRIC COOPERATIVE
- Steve Williams
- William "Buff" Whitten

SWISHER ELECTRIC COOPERATIVE
- Jimie Reed
- Dwain Tipton

TAYLOR ELECTRIC COOPERATIVE
- Cecil Davis
- Darryl Schriver

TRI-COUNTY ELECTRIC COOPERATIVE
- Shawn Martinez
- Jack Perkins

GOLDEN SPREAD OFFICERS

MARK SCHWIRTZ – President and Chief Executive Officer

SCOTT GROSS – Assistant Treasurer and Chief Financial Officer

JOLLY HAYDEN – Chief Operating Officer

MARY HEKMAN, Esq. – Assistant Secretary and Chief Legal Officer

MARGARET "PEG" RUPERT – Chief Strategy, Information and Risk Officer

DIRECTORS' MEMORIAL SCHOLARSHIP

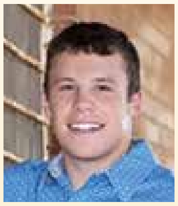
For more than 20 years, Golden Spread Electric Cooperative, Inc., has provided financial assistance to electric cooperative family members seeking a college or university education. The Directors' Memorial Scholarship was established in memory of individuals who were dedicated to the development and advancement of rural electrification.

The scholarship is designated for families who are customers – also known as Member-Consumers – of Golden Spread's 16 Member cooperatives. More specifically, eligibility is for any Member-Consumer, a spouse or child of a Member-Consumer or a child whose guardian is a Member-Consumer of one of Golden Spread's Member cooperatives.

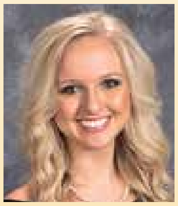
The scholarship pays a total of $2,000, providing $500 for each of four semesters through the sophomore year. Six new scholarships are awarded each year to qualifying scholars enrolled as full-time students in an accredited college or university in Texas or Oklahoma. Thirteen students received scholarships in 2015. More than $69,500 in scholarship funds have been disbursed to 65 recipients since the first scholarship was awarded in 1995.

Currently, the scholarship fund has a balance of $145,000 and is administered by Opportunity Plan, Inc., located in Canyon, Texas. Golden Spread makes annual contributions to the fund, in addition to making contributions in memory or in honor of past Board Members. Individual contributions are welcomed and add to the endowment for the scholarship fund.

SOUTH PLAINS COOP



Cory Myers
Texas Tech University
Major: Agricultural & Applied Economics

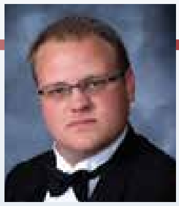


Cheyenne Tucker
Blinn College/Texas A&M University
Major: Nursing & Hospitality Management

BIG COUNTRY COOP

Saicy Lytle
Texas Tech University
Major: Agribusiness

NORTH PLAINS COOP



Gage Greenhouse
Oklahoma State University
Major: Electrical Engineering

Justice Harper
University of North Texas
Major: Psychology

LYNTEGAR COOP

Darrell (Ben) Waller
South Plains College
Major: Pre-Engineering

Golden Spread employees have fun participating in a number of fundraising projects throughout the year to give back to our communities. The Halloween costume contest, left, raised more than $2,400 and tapped into the creativity of our employees.

HUMAN RESOURCES

At Golden Spread Electric Cooperative, Inc., we recognize that our ability to execute our plan to provide energy solutions to our Members, manage our assets and navigate industry risk depends on our people.

Developing and sustaining a high performance culture was identified as a strategic objective of Golden Spread in 2014 and continues to drive most human resource initiatives. A high performance culture is defined as a culture that enables a workforce to execute and innovate.

Golden Spread focuses on this strategic objective by increasing employee engagement, identifying the attributes and characteristics that support the desired culture and providing management and leadership development opportunities.

Our intentional efforts to increase employee engagement are paying off, and we have seen significantly increased scores in this area. High-performing employees are critical to our ability to execute and innovate on behalf of those we serve – our Members.

Golden Spread employees give back to the community by playing Bingo with veterans at the VA Medical Center and volunteering in the warehouse at Snack Pak 4 Kids.

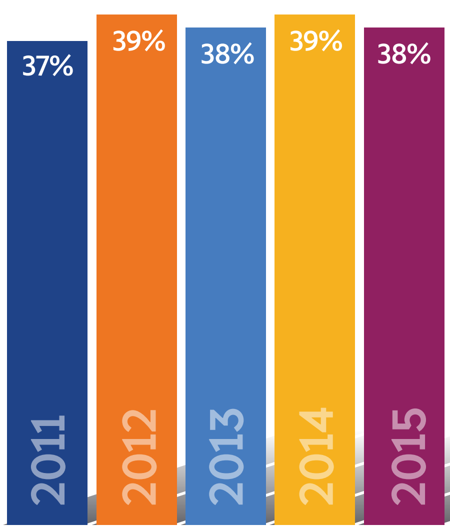
GIVING BACK TO OUR COMMUNITIES

Golden Spread Electric Cooperative, Inc., employees give back to the communities in our operating territory through activities organized by the employee-run Community Involvement Committee (CIC). Approved by the Board of Directors, the CIC demonstrates Golden Spread's continued commitment to the communities it serves by providing financial contributions and employee volunteer efforts.

In 2015, Golden Spread employees set a new record by donating 330 hours to our communities through Golden Spread sponsored events. This is in addition to the many activities our employees volunteer to do on their own. Looking forward to 2016, the CIC will continue to promote and celebrate the involvement, reputation and values of Golden Spread and its Members.

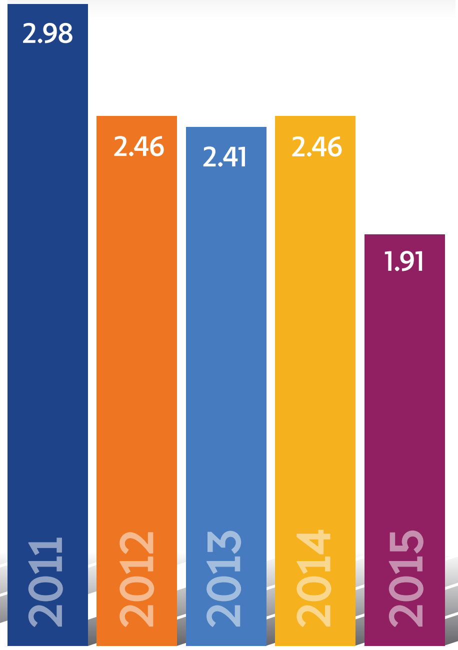
EQUITY/CAPITALIZATION

As Golden Spread is progressing in the addition of generation, its equity/capitalization ratio has remained stable for 2011 through 2015.



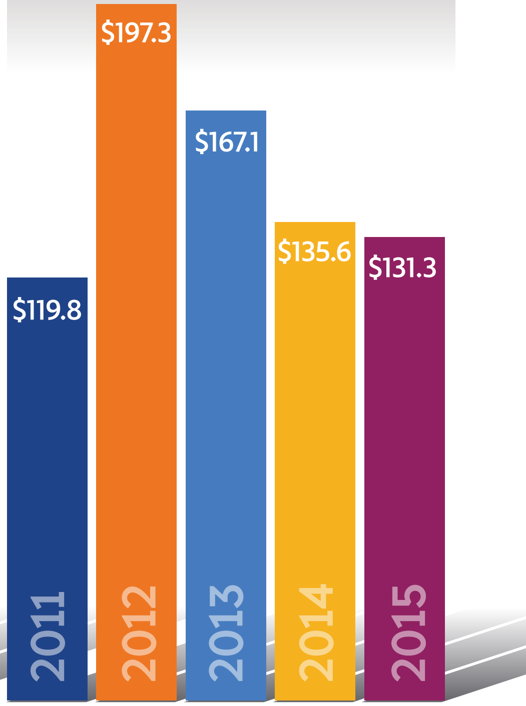
DEBT SERVICE COVERAGE (DSC) RATIO

Golden Spread has been planning for its capital expansion by accumulating equity and producing margins. As a result, DSC ratios remain strong despite the increasing debt associated with Golden Spread's capital expansion program. As we complete the generation expansion plan, the Board in 2015 approved a reduction in the margin.



CASH LIQUIDITY (in Millions of Dollars)

Cash, cash equivalents and short-term investments fluctuate based on the cash liquidity needed to fund construction expenditures. Golden Spread targets cash balances of at least 90 days cash operating expenses at all times.



FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations

Management's Discussion and Analysis provides an overview of the consolidated financial condition and results of operations of Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly owned operating subsidiaries as of December 31, 2015 and 2014, and for the three years ended December 31, 2015. At December 31, 2015, the operating subsidiaries included Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties). At December 31, 2014, Golden Spread's operating subsidiaries also included Fort Concho Gas Storage, Inc. (FCGS). GSPWR owns wind generation assets, and GSEC Properties owns a seven-story office building in which Golden Spread's headquarters are located. FCGS owned a natural gas storage facility. On September 30, 2015, Golden Spread closed on the sale of its 100% ownership interest of FCGS to an unaffiliated third party.

The matters discussed in Management's Discussion and Analysis contain forward-looking statements that are based on estimates, forecasts and assumptions involving risks and uncertainties that could cause actual results or outcomes to differ from those expressed in these statements. Any forward-looking statements are based on information as of the date of this report.

OVERVIEW

Golden Spread

Golden Spread, headquartered in Amarillo, Texas, is a tax-exempt, consumer-owned public utility, organized in 1984 to provide low cost, reliable electric service for our rural distribution cooperative Members, located in both the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) regions. Currently, our 16 Members supply power to approximately 233,500 Member-Consumers located in the Panhandle, South Plains and Edwards Plateau regions of Texas, the Panhandle of Oklahoma, Southwest Kansas and a small portion of Southeast Colorado. Six of our Members operate solely in SPP, four operate solely in ERCOT, and six operate in both regions.

Since 2010, Golden Spread has been executing a multi-year power supply plan which includes capital expansion to add new generation to replace expiring power purchase agreements and to meet the growing load requirements of its Members. As part of this execution, Golden Spread needed to generate cash and equity at levels necessary to achieve and maintain our target financial objectives and retain high investment-grade credit ratings (currently "A" or better from the three main credit rating agencies). To achieve these financial objectives, the Golden Spread Board of Directors acted in 2009 to change the Member rate to include an Equity Stabilization Charge (ESC) to generate margins needed to supplement margins and equity from other sources. Our target financial objectives are:

- Finance 65-70% of capital projects with long-term debt, with remaining amount provided by equity;
- Maintain equity as a percentage of total capitalization of 30-35%;
- Maintain Debt Service Coverage (DSC) ratio of not less than 1.5 times; and
- Maintain cash working capital equal to 90 days cash operating expenses (including interest) for operating liquidity supplemented with credit lines to provide liquidity needed for other purposes, such as construction program and collateral for credit markets.

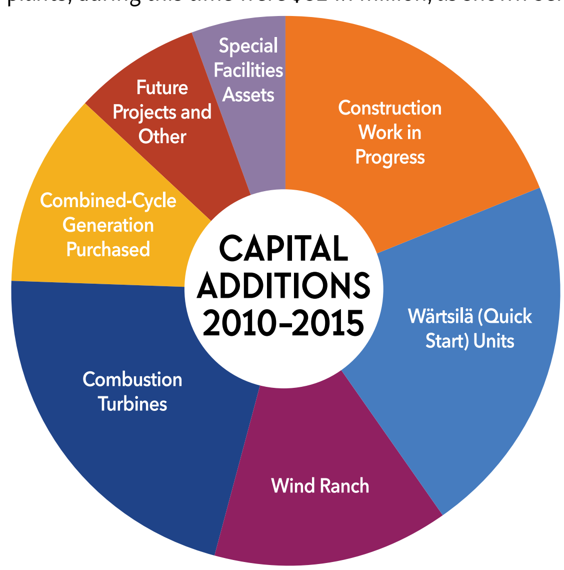
As Golden Spread strives to enhance our power supply plan to deliver competitive energy solutions for our Members, we continually evaluate how best to utilize existing plant capacity and be flexible in how we add resources (e.g. owned and contracted) to our power supply portfolio while achieving our targeted financial objectives and optimizing the rate charged to our Members.

We earn revenue and generate cash from operations by providing wholesale electric service. Our business is affected primarily by:

- Weather, particularly precipitation timing and amounts, affecting irrigation loads;
- Fuel prices;
- Geographic location in an area with abundant supply of high capacity wind energy;
- Prices of energy in the markets;
- Farm, oil and gas commodity prices, the primary industries in our Members' service territories;
- Economic conditions;
- Interest rates;
- Golden Spread's securities' credit ratings; and
- Regulation and regulatory matters.

Capital Expansion

Over the last six years, we have completed 606 MW of new generation at a total cost, including Allowance for Funds Used During Construction (AFUDC), of $468.1 million and purchased an additional 244 MW at a cost of $94.4 million. During 2014, we began the construction of a 195 MW simple-cycle plant which began commercial operations in June 2015. Total capital expenditures, including the purchase of generation equipment for future plants, during this time were $824.1 million, as shown below:



Our generation expansion plan for 2016 includes an additional 390 MW of simple-cycle generation.

This planned construction for new generation will provide the additional capacity needed to replace expiring power purchase agreements and to meet the growing demand and energy needs of our 16 Members and their Member-Consumers. Of the 760 MW of third-party power purchase agreements at the end of 2015, 560 MW will terminate by May 31, 2017. The remaining 200 MW (wind contracts) terminate in 2032 and 2034.

Regulation

To protect and maximize the effectiveness of our power supply strategy, including the value of the physical assets we have secured, Golden Spread must actively participate and advocate our position in regional markets and federal and state regulatory proceedings that affect our operations. Golden Spread's rates for wholesale sales to its Members taking service in the Southwest Power Pool (SPP) region, Golden Spread's rate for third-party transmission wheeling across assets it owns on behalf of its SPP Members pursuant to the Special Facilities Agreement program, as well as the rates of certain of its wholesale suppliers that provide power and transmission services to Golden Spread, which are later passed on to its Members through Golden Spread's wholesale rates, are regulated by the Federal Energy Regulatory Commission (FERC). The market rules in the SPP and in the regional market in Texas operated by the Electric Reliability Council of Texas (ERCOT) also substantially affect the operations and financial performance of Golden Spread's generation fleet and power supply strategy. And of course, federal initiatives such as the Environmental Protection Agency's (EPA's) Clean Power Plan will undoubtedly transform energy markets in the years to come. In these important arenas, Golden Spread remains active and has had some significant successes.

First and foremost, in 2015 Golden Spread settled multiple regulatory disputes associated with Golden Spread's wholesale purchased power and transmission rates charged by Southwestern Public Service Company (SPS). This global settlement resolved nine pending cases before the FERC, some originating as early as 2004, including disputes over the peak demand method of allocating production and transmission costs, authorized return on equity and other rate issues. The global settlement also resolved one pending court of appeals case and numerous potential future rate issues that would otherwise have been raised to the FERC in formal proceedings. Overall, the settlement provided a direct refund to Golden Spread for the benefit of our Members of $44.86 million, including interest. This refund was paid by SPS in December 2015. Golden Spread passed this settlement refund to its Members in December 2015. Other benefits of the settlement will manifest themselves in the form of certain prospective rate treatments.

Beginning January 1, 2014, we received approval from FERC to implement new rates. The overall tariff change was revenue neutral. With respect to its own rates for service to its Members under wholesale power purchase contracts that are regulated by the FERC, Golden Spread submitted four rate change filings to FERC in 2015. These filings ranged from routine obligations such as modifying Member delivery points and adding new resources to more substantive changes to align the rates within the wholesale power contracts with the needs of its Members. Golden Spread modified aspects of the Dedicated Service Rate schedule, eliminated rate riders that were deemed to be unnecessary, and modified other rate riders to accommodate economic development opportunities that may arise in the future. Additionally, Golden Spread revised its formula rate template used to estimate and then reconcile to actual the charges to its Members to provide additional transparency. The Members' FERC rate remains a formula rate that allows recovery of all of Golden Spread's costs plus a margin and includes the ability to modify margin contribution levels with the Board's approval.

Golden Spread's open access transmission tariff rate applicable to transmission wheeling service to third parties across assets it owns on behalf of its Members pursuant to the Special Facilities Agreement is also an annually adjusting, cost-based formula rate. Golden Spread's sole transmission customer, Pleasant Hill Wind Energy, LLC, has entered into a contract for 20 MW firm point-to-point service under the tariff, terminating on April 1, 2034.

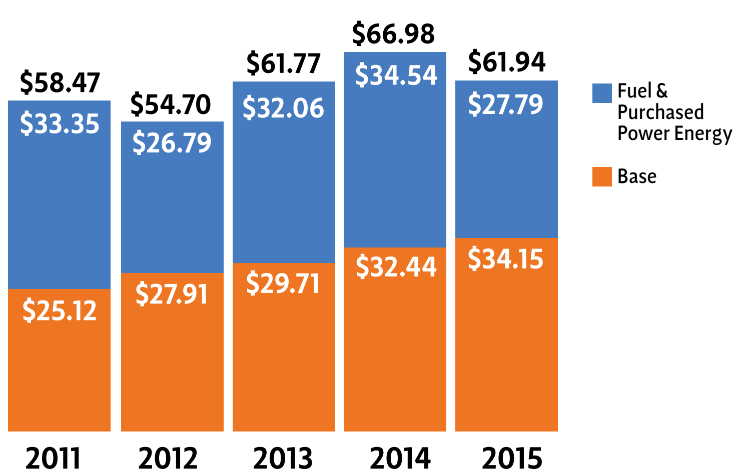
Golden Spread was and remains active in FERC's investigation of energy price formation in wholesale power markets, which has led to initiatives in the SPP to improve the treatment of quick-start, fast-ramping resources, such as Golden Spread's reciprocating engines and new gas-fired combustion turbines at Antelope Elk Energy Center (AEEC). These initiatives should lead to SPP market reforms that improve the efficiency of the market and better reflect the value quick-start, fast-ramping resources provide to support the SPP's integration of a substantial and growing fleet of intermittent renewable resources.

Golden Spread has supported and continues to support the National Rural Electric Cooperative Association's and other parties' legal challenges to the EPA's new regulations on emissions at existing power plants, known as the Clean Power Plan. The U.S. Supreme Court halted implementation of the Clean Power Plan by issuing a stay on February 9, 2016. Nevertheless, Golden Spread actively engaged to also shape the EPA's regulations. Unlike many other cooperatives, Golden Spread does not own coal resources. Our active participation in the EPA's separate rule-making governing emissions at new power plants allowed us to successfully protect against unreasonable restrictions on the operation of our new gas-fired combustion turbines at AEEC.

After concerted market and regulatory efforts spanning more than two years, Golden Spread is poised to begin its innovative "grid-switching" operations, which will allow it to inject power from generating units at the AEEC into either of the two power markets, ERCOT or SPP, and related transmission grids in which it operates to serve its Members' loads. Golden Spread obtained authority and rules that allow it to flexibly operate its switchable generation, culminating in a reliability coordination agreement between ERCOT and SPP that addresses grid-switching operations and FERC's grant of a declaratory order finding that those operations will not disturb the State of Texas' existing exclusive authority over ERCOT. These actions secure Golden Spread's ability to flexibly and reliably operate our grid switching in both markets beginning in the second quarter of 2016, increasing the efficiency and reliability of both markets, as well as the value of these assets to our Members.

Rates

AVERAGE RATE TO MEMBERS ($/MWH)



In the chart on the previous page, the 2015 rate does not include impact of the regulatory settlement with SPS, as discussed previously.

With the additional capacity resulting from the 2011, 2013 and 2015 generation resource additions, combined with the abundance of wind and coal resources in the SPP control area in which we operate, we took advantage of low energy prices available in the SPP market. In 2015 and 2014, 47.2% and 16.7%, respectively, of the energy needed to serve our Members' SPP load was purchased from the SPP market. We utilize market purchases to reduce Members' rates when market prices are less than our incremental production cost.

Base rates have increased, in part, due to transmission expenses that have increased from 2013 to 2015 and are expected to continue to increase in the future. Both ERCOT and SPP have implemented comprehensive high-voltage transmission construction plans to improve interconnectivity within their respective grids. Transmission expenses for SPP increased from $33.6 million in 2013 to $40.3 million in 2015, an increase of 20.0%. In ERCOT, transmission expenses increased from $10.0 million in 2013 to $11.6 million in 2015, an increase of 16%. Transmission expenses are expected to continue to increase as more of the planned transmission projects are placed in service. For 2016, we have budgeted $63.2 million for transmission expenses compared to 2015 actual costs of almost $52.7 million.

The increase in base rates was also affected by increases in plant operation and maintenance expenses which will cause some increase in the future corresponding with the expansion of the generation fleet and the expiration of manufacturers' warranty contracts. These expenses will be mitigated as demand costs related to expiring power purchase agreements decrease. The increase in 2015 was impacted by lower MWh sales. The upward pressure on the 2015 base rate caused by increased expenses and lower MWh sales was mitigated by a Board-approved reduction in the Equity Stabilization Charge (ESC).

RESULTS OF OPERATIONS

Sales

Sales are summarized in the following table:

SUMMARY OF SALES AND REVENUE

	Years Ended December 31		
	2015	2014	2013
Operating Revenues ($ in 000s)			
Member Sales	$ 389,692	$ 464,079	$ 433,879
Settlement Refund	(44,862)	-	-
Nonmember Sales	18,738	43,646	19,239
Other	9,605	7,928	6,330
Total Operating Revenues	$ 373,173	$ 515,653	$ 459,448
Megawatt-Hour Sales (MWhs in 000s)			
SPP Member Sales	4,857	5,483	5,646
ERCOT Member Sales	1,435	1,446	1,378
Total Member Sales	6,292	6,929	7,024
Nonmember Sales	555	877	397
Total MWh Sales	6,847	7,806	7,421
Average Rate to Members ($/MWh)	$ 61.94	$ 66.98	$ 61.77

The average rate (excluding Settlement Refund) to Members decreased 7.5% in 2015, compared to 2014, due to a decrease in fuel and purchased power energy costs and partially offset by higher transmission rates in ERCOT and SPP, lower ESC and higher plant operation and maintenance costs. These factors resulted in a decrease in operating revenues in 2015 as compared to 2014. Fuel and purchased power energy costs to Members averaged $27.79 per MWh in 2015, lower than the average price in 2014 of $34.54 per MWh and lower than the 2013 average price of $32.06 per MWh.

The average fuel and purchased power energy costs correlate to the changes in natural gas prices which averaged $2.76 per MMBtu in 2015, $4.50 per MMBtu in 2014 and $3.80 per MMBtu in 2013 (average natural gas prices represent the annual average natural gas prices per MMBtu delivered to Mustang and Antelope Stations), but were also affected by market prices and to the extent wind energy was available to serve Members' loads. In 2015, approximately 279 MW of wind generation resources, producing energy at capacity factors approaching 45% depending upon wind conditions, were available to serve Member loads within SPP. Golden Spread does not retain the environmental attributes for these wind projects.

In late 2014, a 100 MW wind generation project from which we have contracted to purchase all of the energy at a fixed price, achieved commercial operation. This new wind project has achieved a capacity factor comparable to the two existing sources of wind energy. We sell all of the environmental attributes associated with wind to third parties in the form of renewable energy credits.

Member energy sales in 2015 were lower than 2014 and 2013. In the past few years, Member sales have been impacted by growth in the oil and gas industry and variability in weather which impacts irrigation sales. Irrigation sales represented 21.1% and 27.4% of megawatt-hour sales to Members in 2015 and 2014, respectively, both declines from the 31.4% related to irrigation loads in 2013 when extreme drought conditions existed. For the period of 2011-2015, we have seen five-year annual compounded growth rate in Members' energy sales of (2.7)%. The five-year annual compounded growth rate in peak demand was 0.2% over the same time period. This year's unseasonably wet and cool conditions were the major contributors to the decline in sales and growth rates for the five-year period.

Energy sales to nonmembers were lower in 2015 as compared to 2014 but higher than 2013. The 2015 and 2014 nonmember sales included $0.7 million and $3.9 million, respectively, related to a capacity sale to SPS, which began in June 2013. In 2014 with the start of the SPP Integrated Marketplace, Mustang Station had the opportunity to sell energy when the plant was not needed to serve load. May and June of 2014 were unusually wet months; therefore, Mustang Station was not needed as much to serve load. Consequently, Mustang Station was available to sell and make nonmember margins. In the fall of 2014, Mustang Station entered a planned outage. A series of events and repairs left the Mustang Station combined-cycle facility out of service for all of 2015 contributing to reduced nonmember margins in 2015. The potential for increase in nonmember sales and related margins is expected when we have generation resources available in the ERCOT region (expected for summer of 2016), enabling Golden Spread to access that market. Currently, Golden Spread purchases power to serve its Members in ERCOT from AEP Energy Partners under two partial-requirements contracts.

Net Margins

Net margins for 2015 were $28.3 million as compared to $31.9 million in 2014 and $36.3 million in 2013. The decline in net margins from 2013 to 2015 is due primarily to a decision by the Board to reduce the ESC for 2015 and the FCGS impairment in 2014, outlined below. A comparison of the components of net margins is set forth in the following table:

	Years Ended December 31		
Dollars in thousands	2015	2014	2013
Margins in Member Rates and Other	$ 25,807	$ 35,609	$ 33,253
Nonmember Sales Margins	2,517	7,668	3,032
FCGS Impairment and Other Costs	-	(11,332)	-
Net Margins	$ 28,324	$ 31,945	$ 36,285

Margins included in Member rates are solely a function of the annual Board-approved ESC which establishes the amount of margins to be included in rates each year. The levels of nonmember sales margins fluctuate in relation to the volume of nonmember energy sales and natural gas prices. Nonmember sales margins are primarily attributable to sales in the SPP market. When our resources were not needed to serve Members' loads, we sold power into the SPP market when prices were above our incremental production cost. Nonmember sales margins in 2015 were lower because the combined-cycle facility was in an outage for the full year.

For 2015, 2014 and 2013, other sources of margins include interest earned on cash balances, patronage capital income and a small amount of farm income related to land we own. Interest income is affected in all three years due to variations in interest rates and cash balances.

In October 2008, FCGS, our wholly owned subsidiary, purchased a 2 Bcf natural gas storage facility for future use as a potential generation site. In 2013, the decision was made to suspend development at this site. In 2014, the decision was made to shut down the facility. The plan in 2014 involved continuing to operate through the early part of 2015 and shutting down the facility before the end of 2015. Consequently, in 2014, we recorded a pre-tax impairment loss of $10.7 million on the statement of income which included $10.4 million reduction of other property and $0.3 million loss in charges for other shutdown costs. Furthermore, we recorded another $0.6 million of costs related to the Asset Retirement Obligation. In 2015, an opportunity for sale of the facility developed, and Golden Spread sold its 100% ownership interest in FCGS to an unaffiliated third party, effective September 30, 2015, in lieu of shutting down the facility.

Operating Expenses

Operating expenses are summarized in the table below:

	Years Ended December 31		
Dollars in thousands	2015	2014	2013
Fuel and Purchased Power Energy	$ 176,074	$ 253,684	$ 220,192
Settlement Refund, excluding interest	(39,442)	-	-
Purchased Power Capacity	32,608	42,488	39,818
Transmission	52,690	49,875	43,590
Plant Operations and Management	9,761	9,111	8,772
Plant Maintenance	14,491	10,682	15,775
Administrative and General	27,812	26,885	22,354
Depreciation	33,668	38,089	35,616
Taxes Other than Income Taxes	7,008	5,664	5,358
Other	10,069	9,306	7,380
Total	**$ 324,739**	**$ 445,784**	**$ 398,855**

The changes in fuel and purchased power energy costs are directly related to volume of sales, fuel costs and the volume of energy purchased under third-party power purchase agreements and net settlements in the SPP market. We dispatch for Member load the lowest cost resources available. Our partial requirements (PR) agreement with SPS has a significant coal generation component which can be a less expensive fuel resource. This PR energy can be an economical source depending upon generation mix embedded in PR price, the operating configuration of our combined-cycle plant and natural gas prices. In 2013, we purchased 2,331,237 MWh under this agreement, compared to 1,732,856 MWh purchased in 2014. The drop in natural gas price made PR less economical and purchases in 2015 were 327,261 MWh.

The difference between the average price per MWh sold to Members and the average fuel and purchased power energy cost per MWh increased from $29.71 per MWh in 2013 to $34.15 per MWh in 2015. This difference between the average selling price to Members and the average fuel and purchased power energy cost per MWh represents the recovery of all other expenses of operations and provides for the Members' contribution to net margins. This average selling price is impacted by MWh sales.

Transmission costs increased from 2013 to 2015 and are expected to continue to increase in the future as previously discussed in the Rates section of the Overview.

Plant maintenance expenses vary from year to year based upon the schedule of required planned maintenance and maintenance costs resulting from unplanned outages. We saw a decrease in 2014 plant expenses because planned maintenance included only a minor combustion turbine inspection, while 2013 included a major inspection and an overhaul of the steam turbine. In 2015, there was an unplanned outage at Mustang Station and scheduled maintenance on the Wärtsilä units at AEEC. Planned maintenance is done according to recommended schedules from the OEM (original equipment manufacturer).

Administrative and general costs increased in 2015 and 2014 as compared to 2013 primarily due to an increase in number of employees. At the end of 2015, we had 85 employees which is a 30.8% increase over the 2013 level of 65 employees. Administrative and general costs also increased due to higher property and casualty insurance costs and other costs associated with staff growth.

Depreciation expense decreased in 2015 as compared to 2014 due to no depreciation being recorded for FCGS. This was partially offset by $1.8 million in depreciation recorded for Elk Station Unit 1 that began commercial operation in June 2015. Depreciation expense increased 6.9% in 2014 as compared to 2013, due to an increase in Mustang Station Unit 6 depreciation of $1.5 million to reflect a full year of depreciation (commercial operation began in August 2013).

Taxes other than income taxes, which is comprised of payroll and property taxes, increased in 2015 as compared to 2014. Payroll taxes increased due to the increase in number of employees. Property taxes increased as a result of completion of construction projects, including Elk Station Unit 1 and several transmission and distribution related projects.

Liquidity and Capital Resources

As of December 31, 2015, Golden Spread had available cash, cash equivalents and short-term investments of approximately $131.3 million. We also had lines of credit totaling $270.0 million for liquidity purposes such as the financing of our current construction program, meeting contractual obligations and for other liquidity needs. As of December 31, 2015, $4.5 million was borrowed under these credit lines. There are no restrictions, limitations or pledges of cash or any other assets, other than as separately identified on the financial statements and in the footnotes. In addition to the cash balances maintained at each year end, we also had additional borrowing capability of approximately $207.2 million under the Trust Indenture at December 31, 2015.

LINE OF CREDIT USAGE

	Years Ended December 31		
	2015	2014	2013
Maximum Amount Borrowed on Lines of Credit (in Millions)	$ 55.1	$ 61.6	$ 47.3
Average Interest Rate	1.64%	1.53%	2.03%

Golden Spread and Prudential Investment Management, Inc. (Prudential) executed a two-year shelf financing arrangement on January 9, 2015. Golden Spread and National Rural Utilities Cooperative Finance Corporation (CFC) executed a similar two-year shelf financing arrangement on January 23, 2015. Golden Spread and CoBank executed a similar two-year shelf financing agreement on May 7, 2015. These shelf financing arrangements facilitate an expedited process for Golden Spread to borrow funds and for Prudential, CFC and/or CoBank to loan funds, assuming that each party, independent of the other party, decides to pursue such a transaction. No party has any obligation to borrow or loan funds pursuant to this agreement. These financing arrangements established terms and conditions, maximum financing capacity and a process by which Golden Spread can request rate quotes and Prudential, CFC and/or CoBank can provide rate quotes, if Prudential, CFC and/or CoBank choose to do so. This process related to rate quotes allows each party to make a decision about whether or not to borrow or loan funds. Any notes issued pursuant to these financing arrangements would be secured under Golden Spread's Trust Indenture.

On February 18, 2015, Golden Spread locked in a rate of 3.82% for a $40.0 million 30-year level payment, amortizing loan with Prudential. This loan closed on March 16, 2015. On February 19, 2015, Golden Spread locked in a rate of 3.75% for a $40.0 million 30-year level payment, amortizing loan with CFC. This loan closed on March 18, 2015. On May 15, 2015, Golden Spread locked in a rate of 3.93% for a $20.0 million loan with CoBank. This loan closed on June 10, 2015. For these three transactions, Golden Spread used $110.0 million of its bondable additions. The proceeds were used for general corporate purposes, including, but not limited to, refinancing short-term liquidity.

On July 26, 2013, we closed on a $75.0 million senior secured debt borrowing from CFC. The debt is a 30-year amortizing loan with a 5.00% fixed interest rate with equal principal and interest payments of $1,214,425 payable quarterly over 30 years. The proceeds were used to finance Mustang Station Unit 6 which achieved commercial operation in August 2013.

The following table details our fixed contractual obligations for 2016 through 2020.

CONTRACTUAL OBLIGATIONS AT DECEMBER 31, 2015

Dollars in thousands	Payments Due			
	Total 2016-2020	2016	2017-2018	2019-2020
Principal Payments on Long-Term Debt[1]	$ 141,549	$ 50,552	$ 43,600	$ 47,397
Interest Payments on Long-Term Debt	136,163	29,899	55,230	51,034
Purchased Power Obligations[2] - Demand	35,130	24,780	10,350	-
Purchased Power Obligations[2] - Energy	307,138	125,390	86,694	95,054
Long-Term Service and Parts Agreement	31,883	5,419	12,841	13,623
Wind Ranch Land Lease	3,647	712	1,453	1,482
Operating Leases	593	119	237	237
Total	$ 656,103	$ 236,871	$ 210,405	$ 208,827

[1]*Includes $30 million balloon payment in 2016 on debt issued as part of 2011 private placement*
[2]*Based on estimated energy delivered and forecasted pricing*

Recognizing the need for equity and liquidity to meet our planned construction program, balanced with the Board's desire to make annual patronage and contributed capital refunds, the Board currently employs a patronage capital retirement policy of refunding annually an amount approximating 2% of the prior year-end equity balance. This resulted in a 2013 payment of approximately $7.0 million, a 2014 payment of approximately $7.5 million, a 2015 payment of $8.0 million and a 2016 payment of $8.3 million in patronage and contributed capital distributions to our Members.

We will finance our capital expansion plan by maintaining adequate cash levels and lines of credit to finance construction on an interim basis and then, when interest rates and other terms are advantageous, we will go to the market for long-term financings.

The new resources added and those planned in the future will be used to serve load growth and replace expiring wholesale power contracts. We have a power supply portfolio that includes a mix of owned generation and purchased power that provides energy from a combination of renewable, gas-fired and coal-fired resources to supply our Members with reliable and reasonably priced power. We maintain target financial ratios and objectives that are deemed appropriate to ensure adequate liquidity, equity and debt service coverage ratios to support the additional debt that will be needed to fund any new generation resources.

The target ratios and objectives guide management and the Board of Directors in establishing annual budgets, setting rates (including the annual ESC to be included in rates) and determining the level of patronage and contributed capital retirements to our Members. Our financial policies are designed to maintain capital and liquidity sufficient to provide for the financing of any future projects with an appropriate mix of debt and equity, while maintaining strong financial metrics.

In January 2016, Standard & Poor's Rating Services upgraded our rating from A to A+, with a stable outlook. In December 2015, Moody's Investor Services reaffirmed its general corporate credit rating of A3 (unsecured) with a stable outlook. In June 2015, Fitch Ratings reaffirmed its A rating on our 2005 Series senior secured debt with a stable outlook.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Golden Spread Electric Cooperative, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Golden Spread Electric Cooperative, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, changes in Members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Golden Spread Electric Cooperative, Inc. and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Albuquerque, New Mexico
April 15, 2016

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31 2015	2014
ASSETS		
Utility Plant at Cost		
Electric Plant in Service	$ 889,506,107	$ 770,744,629
Capital Maintenance	31,274,700	31,034,014
Construction Work in Progress	174,251,610	100,974,612
Less: Accumulated Depreciation - Plant and Equipment	189,585,112	163,389,467
Less: Accumulated Amortization - Capital Maintenance	13,377,534	9,206,411
Total Utility Plant	$ 892,069,771	$ 730,157,377
Other Property and Investments - at Cost or Stated Value		
Investments in Associated Organizations	$ 4,775,233	$ 4,488,599
Plant Held for Future Use	40,486,369	115,245,886
Other Property	15,200,788	15,292,894
Total Other Property and Investments	$ 60,462,390	$ 135,027,379
Current Assets		
Cash and Cash Equivalents	$ 106,603,565	$ 135,579,485
Short-Term Investment Securities	24,693,415	-
Accounts Receivable	26,974,666	32,278,938
Prepaid Capital Maintenance	15,522,464	10,888,812
Prepaid Expenses and Other Current Assets	26,425,207	18,788,240
Total Current Assets	$ 200,219,317	$ 197,535,475
Other Assets		
Deferred Charges	$ 4,622,350	$ 6,761,494
Debt Issuance Costs (Net of accumulated amortization of $904,901 in 2015 and $743,752 in 2014)	2,295,530	2,456,680
Deferred Income Tax	–	910,000
Other	3,844,949	3,839,305
Total Other Assets	$ 10,762,829	$ 13,967,479
TOTAL ASSETS	$ 1,163,514,307	$ 1,076,687,710
MEMBERS' EQUITY AND LIABILITIES		
Members' Equity		
Patronage Capital	$ 404,440,228	$ 383,873,276
Contributed Capital	11,797,296	12,040,593
Total Members' Equity	$ 416,237,524	$ 395,913,869
Long-Term Debt		
Mortgage Notes Less Current Maturities	$ 613,448,834	$ 542,366,728
Current Liabilities		
Current Maturities of Long-Term Debt	$ 50,551,586	$ 17,503,599
Notes Payable	4,519,719	51,062,610
Accounts Payable	35,597,145	33,137,889
Other Accrued Expenses	36,554,948	29,674,876
Total Current Liabilities	$ 127,223,398	$ 131,378,974
Deferred Credits		
Asset Retirement Obligation	$ 3,471,933	$ 3,954,199
Other Deferred Credits	3,132,618	3,073,940
Total Deferred Credits	$ 6,604,551	$ 7,028,139
TOTAL MEMBERS' EQUITY AND LIABILITIES	$ 1,163,514,307	$ 1,076,687,710

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31		
	2015	2014	2013
Operating Revenues			
Wholesale Power Sales	**$ 363,568,558**	$ 507,724,508	$ 453,118,250
Other Operating Revenues	**9,604,703**	7,928,281	6,329,752
Total Operating Revenues	**$ 373,173,261**	$ 515,652,789	$ 459,448,002
Operating Expenses			
Purchased Power	**$ 138,472,498**	$ 204,133,601	$ 193,738,959
Fuel Expense	**30,767,002**	92,038,258	66,271,791
Transmission Expense	**52,690,008**	49,875,300	43,589,832
Other Power Supply Expense	**546,162**	458,319	799,819
Plant Operations and Management	**9,761,403**	9,111,248	8,772,208
Plant Maintenance and Maintenance Services	**14,490,639**	10,681,559	15,774,802
Other Operating Expense	**9,523,315**	8,847,267	6,580,219
Administrative and General	**27,811,725**	26,885,369	22,353,953
Depreciation and Amortization	**33,668,395**	38,088,748	35,615,653
Taxes Other than Income Taxes	**7,008,031**	5,663,526	5,358,464
Total Operating Expenses	**$ 324,739,178**	$ 445,783,195	$ 398,855,700
Operating Margins - Before Fixed Charges	**$ 48,434,083**	$ 69,869,594	$ 60,592,302
Fixed Charges			
Short-Term Interest	**$ 317,555**	$ 715,006	$ 704,375
Interest on Long-Term Debt	**28,714,370**	26,096,033	24,533,514
Allowance for Borrowed Funds Used During Construction	**(3,738,294)**	(640,981)	(953,025)
Amortization of Debt Issuance Costs	**161,150**	161,150	161,150
Total Fixed Charges	**$ 25,454,781**	$ 26,331,208	$ 24,446,014
Operating Margins - After Fixed Charges	**$ 22,979,302**	$ 43,538,386	$ 36,146,288
Nonoperating Margins			
Interest and Capital Credit Income	**$ 6,335,676**	$ 771,282	$ 853,094
Asset Impairment	**-**	(10,709,302)	-
Loss on Disposition of Property	**(263,601)**	(935,320)	-
Other Expense	**(727,722)**	(719,645)	(714,848)
Total Nonoperating Margins	**$ 5,344,353**	$ (11,592,985)	$ 138,246
Net Margins	**$ 28,323,655**	$ 31,945,401	$ 36,284,534

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2015, 2014 and 2013

	PATRONAGE CAPITAL	CONTRIBUTED CAPITAL	TOTAL
Balance, December 31, 2012	$ 329,638,209	$ 12,545,725	$ 342,183,934
Net Margins - 2013	$ 36,284,534	$ -	$ 36,284,534
Patronage/Contributed Capital Retirement	(6,743,515)	(256,485)	(7,000,000)
Balance, December 31, 2013	$ 359,179,228	$ 12,289,240	$ 371,468,468
Net Margins - 2014	$ 31,945,401	$ -	$ 31,945,401
Patronage/Contributed Capital Retirement	(7,251,353)	(248,647)	(7,500,000)
Balance, December 31, 2014	$ 383,873,276	$ 12,040,593	$ 395,913,869
Net Margins - 2015	$ 28,323,655	$ -	$ 28,323,655
Patronage/Contributed Capital Retirement	(7,756,703)	(243,297)	(8,000,000)
BALANCE, DECEMBER 31, 2015	$ 404,440,228	$ 11,797,296	$ 416,237,524

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31		
	2015	2014	2013
Cash Flows from Operating Activities			
Net Margins	**$ 28,323,655**	$ 31,945,401	$ 36,284,534
Adjustments to Reconcile Net Margins to			
Net Cash Provided by Operating Activities			
Depreciation and Amortization	**33,829,545**	38,249,898	35,776,803
Loss on Disposition of Property	**91,481**	935,320	-
Asset Impairment	**-**	10,709,302	-
Capital Credits	**(833,245)**	(570,399)	(537,422)
Changes in Assets and Liabilities			
Deferred Charges	**(205,281)**	(13,615,789)	(6,978,971)
Other Assets	**(5,644)**	869,687	(4,152,086)
Deferred Credits	**(732,730)**	1,123,665	865,512
Deferred Income Tax	**910,000**	(910,000)	-
Accounts Receivable	**5,879,622**	1,912,031	(5,441,373)
Prepayments and Other Current Assets	**(12,894,188)**	(5,461,806)	(10,681,665)
Payables and Accrued Expenses	**9,223,963**	16,925,834	(7,146,808)
Net Cash Provided by Operating Activities	**$ 63,587,178**	$ 82,113,144	$ 37,988,524
Cash Flows from Investing Activities			
Additions to Utility Plant	**$ (114,973,604)**	$ (55,211,432)	$ (31,829,258)
Proceeds from Sale of Assets	**197,500**	190,000	-
Additions to Other Property and Plant Held for Future Use	**(3,189,587)**	(51,480,642)	(103,476,987)
Investment in Other and Short-Term Investment Securities	**(49,986,500)**	-	(133,066,000)
Maturity of Other and Short-Term Investment Securities	**25,293,085**	53,810,000	118,966,000
Investments in Associated Organizations	**508,806**	379,313	170,245
Net Cash Used in Investing Activities	**$ (142,150,300)**	$ (52,312,761)	$ (149,236,000)
Cash Flows from Financing Activities			
Retirement of Patronage and Contributed Capital	**$ (8,000,000)**	$ (7,500,000)	$ (7,000,000)
Advance on Long-Term Debt	**100,000,000**	-	75,000,000
Payments on Long-Term Debt	**(18,649,068)**	(16,823,707)	(15,067,260)
Advance on Long-Term Debt - Special Facilities	**22,779,160**	45,256	7,512,115
Borrowings - Notes Payable	**244,523,066**	184,208,059	196,162,784
Repayments -Notes Payable	**(291,065,956)**	(167,451,433)	(191,968,787)
Net Cash Provided by (Used in) Financing Activities	**$ 49,587,202**	$ (7,521,825)	$ 64,638,852
Increase (Decrease) in Cash and Cash Equivalents	**$ (28,975,920)**	$ 22,278,558	$ (46,608,624)
Cash and Cash Equivalents – Beginning of Year	**135,579,485**	113,300,927	159,909,551
Cash and Cash Equivalents – End of Year	**$ 106,603,565**	$ 135,579,485	$ 113,300,927
Supplemental Disclosures			
Interest Paid During the Year	**$ 28,335,122**	$ 26,595,718	$ 23,650,142

Noncash Investing and Financing Transactions:

In 2015, Golden Spread had three significant noncash transactions: transfer of generation equipment from plant held for future use to construction work in progress of $77,504,550; transfer of generation equipment from preliminary survey and investigation to construction work in progress of $1,338,374; and transfer of prepaid capital maintenance to capital maintenance in the amount of $623,570 to account for 2015 maintenance activities.
In 2015, notes payable in the amount of $21,423,313 were refinanced to long-term debt.
In 2014, Golden Spread had four significant noncash transactions: transfer of generation equipment from other property assets to construction work in progress of $36,650,786; transfer of other property assets from preliminary survey and investigation to construction work in progress of $17,229,496; transfer of generation equipment from other property assets to plant held for future use of $115,245,886; and transfer of prepaid capital maintenance to capital maintenance in the amount of $718,884 to account for 2014 maintenance activities.
In 2014, notes payable in the amount of $2,262,814 were refinanced to long-term debt.
In 2013, Golden Spread had one significant noncash transaction: transfer from prepaid capital maintenance to capital maintenance in the amount of $15,626,602 to account for 2013 maintenance activities.
In 2013, notes payable in the amount of $8,073,126 were refinanced to long-term debt.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

1. Organization and Operations

The consolidated balance sheet includes the accounts of Golden Spread Electric Cooperative, Inc. (Golden Spread) and its wholly owned operating subsidiaries, Golden Spread Panhandle Wind Ranch, LLC (GSPWR) and GSEC Properties, LLC (GSEC Properties) (note 3), at December 31, 2015. At December 31, 2014, the consolidated balance sheet also included its wholly owned operating subsidiary Fort Concho Gas Storage (FCGS). On September 30, 2015, Golden Spread closed on the sale of its 100% ownership interest in FCGS to an unaffiliated third party. The consolidated statements of income, statement of changes in Members' equity and cash flows for 2015, 2014 and 2013 include the accounts of Golden Spread and its wholly owned operating subsidiaries, FCGS, GSPWR, and GSEC Properties. Another subsidiary, Mid-Tex Generation and Transmission Electric Cooperative, Inc. (Mid-Tex) has no operations at this time. The consolidated entity is collectively referred to as "Golden Spread." Golden Spread's headquarters are located in Amarillo, Texas.

Golden Spread's Members are 16 rural electric distribution cooperatives that provide service to their retail Member-Consumers in the Panhandle, South Plains and Edwards Plateau regions of Texas, in the Panhandle of Oklahoma, in Southwest Kansas, and a small portion of Southeast Colorado. The Member loads served by Golden Spread are located in the Electric Reliability Council of Texas (ERCOT) and the Southwest Power Pool (SPP) regions.

Golden Spread is subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) for corporate and rate regulation related to its activities in SPP, and is subject to the regulation of the Public Utility Commission of Texas for certain activities in both ERCOT and SPP. FCGS was subject to the rules and regulations of the Texas Railroad Commission. GSPWR is subject to FERC jurisdiction.

Golden Spread is tax-exempt under Internal Revenue Code Section 501(c)(12) as long as 85% of its gross receipts (as defined under the Internal Revenue Code) are derived from sales to Members. For each of the three years ended December 31, 2015, the 85% test was met. Any revenues earned in excess of costs incurred are allocated to Members of Golden Spread and are reflected as patronage capital equity in the accompanying consolidated balance sheets. FCGS and GSPWR are taxable corporations (note 14). GSEC Properties is a single-member LLC and is a disregarded entity for income tax purposes.

2. Summary of Significant Accounting Policies

The accounting records of Golden Spread are maintained in accordance with generally accepted accounting principles (GAAP) and the accounting system prescribed by FERC for electric utilities.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Golden Spread and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

(b) Operating Revenues

Under the Golden Spread tariff for sales to its Members, Golden Spread bills its Members monthly based on budgeted costs and metered usage. In 2015, operating revenues include a regulatory refund (note 17). The tariff provides that there will be a reconciliation of actual costs incurred to the amounts billed. Any over or under recovery of costs is refunded or surcharged in the subsequent year. Unbilled revenues are accrued for amounts that are recoverable under rate tariffs but not yet billed. Amounts billed to Members in excess of or less than recoverable costs under rate tariffs are accrued as an addition or reduction of revenues and as a current asset or current liability to the Members on the consolidated balance sheet. At December 31, 2015, approximately $14,169,000 was over collected from Members and at December 31, 2014, approximately $9,232,000 was over collected from Members.

Golden Spread also has sales of capacity and energy to nonmembers that are billed on a monthly basis and sales of energy to nonmembers through the SPP Integrated Marketplace that are settled weekly.

Other operating revenues consist primarily of special facilities charges billed to Members for use of transmission and distribution assets.

All amounts receivable from Members and nonmembers are considered collectible; therefore, no allowance is recorded.

(c) Utility Plant

Utility plant is stated at original cost. The capitalized cost of additions to utility plant includes the cost of material, contract services and various other indirect charges, such as interest on funds used during construction. Retirements or other dispositions of utility plant are based on historical cost or other valuation methods that are deducted from plant and are charged to accumulated depreciation. If determinable, the gains and losses on the disposition of certain assets have been reflected on the income statement. The cost of repairs and minor renewals is charged to maintenance expense in the period incurred.

Depreciation of utility plant is provided using straight-line depreciation rates over the following estimated useful lives:

Production Plant	15 – 30 years
Transmission and Distribution Plant	6 – 36 years
Gas Interconnections	15 years
General Plant	3 – 5 years

(d) Allowance for Borrowed Funds Used During Construction (AFUDC)

AFUDC represents the cost of interest capitalized during the construction period. In 2015, 2014 and 2013, interest of approximately $3.7 million, $0.6 million and $1.0 million, respectively, was capitalized as part of the costs of Elk Units 1, 2 and 3 in 2015, Elk Unit 1 in 2014 and Mustang Station Unit 6 in 2013, which represented an average interest rate of 3.80%, 1.98% and 2.57%, respectively.

(e) Debt Issuance Costs

Debt issuance costs are amortized using the effective-interest method over the life of the underlying debt.

(f) Cash and Cash Equivalents

For purposes of the consolidated financial statements, Golden Spread considers cash and investments with an original maturity of 90 days or less as cash and cash equivalents.

(g) Investment Securities

Investment securities consist of corporate debt securities. Golden Spread classifies all of its debt securities as held-to-maturity (HTM). HTM debt securities are those debt securities in which Golden Spread has the ability and intent to hold the security until maturity. HTM debt securities are recorded at cost, as there are no associated premiums and discounts to amortize. Other investment securities consist of corporate debt securities with a maturity date over one year. Short-term investment securities consist of corporate debt securities with a maturity date of greater than 90 days and less than one year. A decline in the market value of any HTM security below cost that is deemed to be other than temporary, results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other than temporary, Golden Spread considers all available information relevant to the collectibility of the security, including past events, current conditions and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performances of the investee and the general market condition in the geographic area or industry the investee operates. Golden Spread's HTM investments are invested at National Rural Utilities Cooperative Finance Corporation (CFC).

(h) Inventory

Inventories are stated at cost. Cost is determined using the first-in, first-out method for all inventories, except for the gas inventory at the gas storage facility. The gas inventory was stated at lower of cost or market with cost determined using the weighted average cost basis.

(i) Other Property

At December 31, 2015, other property includes land, water rights and a seven-story office building in which Golden Spread's headquarters are located (note 3). At December 31, 2014, other property included the items listed above plus a gas storage facility with related assets, which was sold in 2015 (note 1).

(j) Regulatory Assets and Liabilities

Golden Spread defers certain expenses that will be recovered through Golden Spread's future rates in accordance with GAAP applicable to rate-regulated enterprises. Regulatory assets are charged as an expense, if and when future recovery in rates of that asset is no longer probable. Golden Spread also defers unearned revenue until future periods for rate-making purposes.

(k) Concentrations of Credit Risk

The Member cooperatives are largely dependent on agricultural industry usage and, to a lesser extent, oil and gas industry usage.

Golden Spread maintains cash balances with various financial institutions insured by the Federal Deposit Insurance Corporation up to $250,000. At times, cash balances may exceed insurance coverage. Golden Spread also maintains cash balances with two cooperative banks whose deposits are not federally insured.

(l) Reclassifications

Certain reclassifications have been made to the 2014 and 2013 financial statement balances to conform to the 2015 presentation.

(m) Use of Estimates in the Preparation of Consolidated Financial Statements

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

(n) Income Taxes

Golden Spread is a cooperative corporation that is tax-exempt under Internal Revenue Code Section 501(c)(12) as long as 85% of its gross receipts (as defined) are derived from sales to Members. For each of the three years ended December 31, 2015, the 85% test was met.

Golden Spread's wholly owned current and former subsidiaries, GSPWR and FCGS, are taxable as C corporations under the Internal Revenue Code (note 14). GSEC Properties is a single-member LLC and is a disregarded entity for income tax purposes.

Golden Spread has adopted the "uncertain tax positions" provisions of GAAP. The primary tax positions of Golden Spread are its filing status as a tax-exempt entity and its need to avoid exceeding a certain percentage of its income from nonmembers to maintain its tax-exempt status. Golden Spread has determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service or other state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities. For the year ended December 31, 2015, Golden Spread paid no income taxes. For the year ended December 31, 2014, Golden Spread paid estimated income tax of $0.91 million related to FCGS, and recorded a deferred tax asset, net of valuation allowance of $0.91 million related to the temporary difference from the impairment of the gas storage facility. For the year ended December 31, 2013, Golden Spread paid no income taxes.

Golden Spread and each of its current or former wholly owned subsidiaries, except GSEC Properties (whose income, as a pass-through entity, was reported on Golden Spread's tax return) file separate income tax returns in the U.S. federal jurisdiction. Golden Spread is no longer subject to income tax examinations by federal taxing authorities for years before 2011.

(o) Fair Value Measurements

Golden Spread utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Golden Spread determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. Assessing the significance of a particular input to the fair value measurement requires judgment considering factors specific to the asset or liability. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Golden Spread has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included with Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

3. Acquisition

On March 20, 2014, GSEC Properties, LLC, a wholly owned subsidiary of Golden Spread, purchased an office building at 905 S. Fillmore Street in Amarillo, Texas. This office building is where Golden Spread's headquarters are located.

4. Asset Impairment

In October 2008, Golden Spread, through its wholly owned subsidiary FCGS, purchased a 2 Bcf natural gas storage facility for future use as a potential generation site. In 2013, a decision was made to suspend development at this site. In 2014, a decision was made to shut down the facility. The plan in 2014 involved continuing to operate through the early part of 2015 and shutting down the facility before the end of 2015. Consequently, in 2014, Golden Spread recorded a pretax impairment loss of $10.7 million on the statement of income, which included $10.4 million reduction of other property and $0.3 million loss in charges for other shutdown costs. In 2015, an opportunity for sale of the facility developed, and Golden Spread sold its 100% ownership interest in FCGS to an unaffiliated third party, effective September 30, 2015, in lieu of shutting down the facility.

5. Utility Plant

The components of utility plant are summarized as follows:

	December 31	
	2015	2014
Plant-in-Service:		
Land	$ 2,826,034	$ 2,826,034
Production Plant	768,653,713	666,853,811
Transmission and Distribution Plant	106,487,703	93,422,682
General Plant	11,538,657	7,642,102
Total Electric Plant-in-Service	$ 889,506,107	$ 770,744,629
Capital Maintenance	31,274,700	31,034,014
Construction Work in Progress	174,251,610	100,974,612
Total Electric Plant	$ 1,095,032,417	$ 902,753,255

At December 31, 2015, construction work in progress (CWIP) consisted primarily of the new generation project (Elk Units 2 and 3 located near Abernathy, Texas), which is expected to commence commercial operation in May or June of 2016 and construction expenditures related to production, transmission and distribution plant. At December 31, 2014, CWIP consisted primarily of a new generation project (Elk Unit 1 located near Abernathy, Texas), which commenced commercial operation in June 2015 and construction expenditures related to production, transmission and distribution plant.

Transmission and distribution plant consists of assets that Golden Spread constructs or acquires for the benefit of individual Members. The debt associated with special facilities is secured by mortgages with CFC on the transmission and distribution plant.

Transmission and distribution plant is excluded from the Trust Indenture (note 11) under which other Golden Spread property is pledged. All operating costs and the related debt service costs of transmission and distribution plant are recovered from the Members that benefit from the facilities.

6. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	December 31	
	2015	2014
Cash	$ 17,144,017	$ 44,362,847
CFC Commercial Paper	11,943,444	1,800,000
CFC Select Notes	77,317,243	86,594,884
CFC Daily Fund Investment	198,861	549,488
Other Investments	-	2,272,266
Total Cash and Cash Equivalents	$ 106,603,565	$ 135,579,485

Cash and cash equivalents are recorded at cost, which approximates fair value. The CFC commercial paper matured in January 2016 and had interest rates ranging from 0.36% to 0.41%. The CFC Select Notes matured by February 25, 2016, and had interest rates ranging from 0.28% to 0.58%. The CFC daily fund investments earn interest at a variable interest rate (0.30% at December 31, 2015).

7. Short-Term Investment Securities

The short-term investment securities at December 31, 2015 and 2014, are:

	December 31	
	2015	2014
Short-Term Investment Securities:		
CFC Select Notes	$ 24,693,415	$ –

The CFC Select Notes had maturity dates from January 4 to March 17, 2016, with interest rates ranging from 0.33% to 0.45% at December 31, 2015. The carrying value of the short-term investment securities approximated fair value.

8. Long-Term Service and Parts Agreement

Golden Spread has a long-term service and parts supply and parts repair agreement (LTSPA) covering certain Mustang Station Units to provide service and labor for major maintenance of generation equipment, certain parts and refurbishment services, other spare parts at discount prices and other factory repair services. The LTSPA has a base fee for each gas turbine, with provisions for index adjustments and operational adjustments. Golden Spread made payments of $5,419,817, $6,008,879 and $5,913,500 in 2015, 2014 and 2013, respectively. The associated maintenance costs under this agreement are accounted for by expensing a portion of the cost related to yearly monitoring and diagnostic services and the remainder of the cost is recorded using the deferral method of accounting and are recorded as capital maintenance in the accompanying consolidated balance sheets when the related maintenance services are performed. The amounts paid in advance, other than the annual expense amount, are recorded in the prepaid maintenance account ($15,522,464 and $10,888,812 at December 31, 2015 and 2014, respectively) until the maintenance services have been performed. Once the maintenance services have been performed, the associated cost is transferred to capital maintenance and amortized over the maintenance interval for the associated type of maintenance.

The term of the LTSPA will expire after the earlier of June 14, 2022, or the completion of the third major inspection (expected to take place during 2020 or 2021) for the applicable gas turbine (based upon current manufacturer's recommendations); however, the spare parts discounts and factory repair services will remain in effect through June 14, 2022.

9. Deferred and Other Charges

Golden Spread is subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, Regulated Operations. Regulatory assets represent probable future revenue to Golden Spread associated with certain costs that will be recovered from Members through the ratemaking process.

Deferred charges consist of the following:

	December 31	
	2015	2014
Regulatory Assets	$ 2,630,363	$ 2,630,363
Generation Projects - Preliminary Survey and Investigation	1,931,056	4,091,782
Other Deferred Charges	60,931	39,349
Total Deferred Charges	$ 4,622,350	$ 6,761,494

Other charges at December 31, 2015, include prepaid pension of $2.5 million (note 15) and supplemental pension of $1.3 million (note 15). Other charges at December 31, 2014, include prepaid pension of $2.9 million (note 15) and supplemental pension of $0.9 million (note 15).

10. Derivative Instruments and Hedging

Golden Spread routinely enters into physical commodity contracts for purchases of natural gas and has capacity sales contracts with its Members. Both types of these contracts qualify for the normal purchase and sales exception under GAAP.

There were no derivative instruments held at December 31, 2015 or 2014.

11. Long-Term Debt

Long-term debt is summarized as follows:

	December 31	
	2015	2014
5.75% Senior Secured Notes, due through 2025	$ 33,770,000	$ 36,378,400
5.00% Senior Secured Note, due through 2043	72,379,357	73,580,325
4.95% Senior Secured Notes, due through 2041	140,291,399	142,904,530
4.35% Senior Secured Notes, due through 2031	215,600,622	224,770,772
3.93% Senior Secured Notes, due through 2045	19,775,104	-
3.82% Senior Secured Notes, due through 2045	39,638,219	-
3.75% Senior Secured Notes, due through 2045	39,634,945	-
2.74% Senior Secured Notes, due in 2016	30,000,000	30,000,000
2.75% – 8.10% Fixed Rate Mortgage Notes, due through 2047	72,279,062	48,893,104
Variable Rate Mortgage Notes, due through 2038	631,712	3,343,196
	$ 664,000,420	$ 559,870,327
Less Current Maturities	50,551,586	17,503,599
	$ 613,448,834	$ 542,366,728

Golden Spread and Prudential Investment Management, Inc. (Prudential) executed a two-year shelf financing arrangement on January 9, 2015. Golden Spread and CFC executed a similar two-year shelf financing arrangement on January 23, 2015. Golden Spread and CoBank executed a similar two-year shelf financing agreement on May 7, 2015. These shelf financing arrangements facilitate an expedited process for Golden Spread to borrow funds and for Prudential, CFC and/or CoBank to loan funds, assuming that each party independent of the other party decides to pursue such a transaction. No party has any obligation to borrow or loan funds pursuant to this agreement. These financing arrangements established terms and conditions, maximum financing capacity and a process by which Golden Spread can request rate quotes and Prudential, CFC and/or CoBank, respectively, can provide rate quotes, if Prudential, CFC and/or CoBank choose to do so. This process related to rate quotes allows each party to make a decision about whether or not to borrow or loan funds. Any notes issued pursuant to these financing arrangements would be secured under Golden Spread's Trust Indenture.

On February 18, 2015, Golden Spread locked in a rate of 3.82% for a $40.0 million 30-year level payment, amortizing loan with Prudential. This loan closed on March 16, 2015. On February 19, 2015, Golden Spread locked in a rate of 3.75% for a $40.0 million 30-year level payment, amortizing loan with CFC. This loan closed on March 18, 2015. On May 15, 2015, Golden Spread locked in a rate of 3.93% for a $20.0 million loan with CoBank. This loan closed on June 10, 2015. For these three transactions, Golden Spread used $110.0 million of its bondable additions. The proceeds were used for general corporate purposes, including, but not limited to, refinancing short-term liquidity.

On July 26, 2013, Golden Spread closed on a $75.0 million senior secured debt borrowing from CFC. The debt is a 30-year amortizing loan with a 5.00% fixed interest rate with equal principal and interest payments of $1,214,425 payable quarterly over 30 years. The proceeds were used to finance Mustang Station Unit 6, which achieved commercial operation in August 2013.

All of the senior secured notes are fully amortizing over the term of the loans except the $30.0 million 2.74% note, which is a five-year balloon note due August 2016.

The other senior secured notes are first mortgage obligations issued by Golden Spread in August 2011 and May 2005, through private placement offerings and in July 2013 with CFC. The senior secured notes are secured under a Trust Indenture, amended and restated as of June 29, 2012, as supplemented (Trust Indenture). Pursuant to the Trust Indenture, Golden Spread has created a first lien on certain tangible and intangible assets in favor of the indenture trustee to secure debt issued under the Trust Indenture on a pro rata basis. Golden Spread's subsidiaries issue notes under a trust indenture substantially identical to the Trust Indenture. These notes constitute "Qualifying Securities" under the Trust Indenture and are assets of Golden Spread. These Qualifying Securities may be "Designated Qualifying Securities" or "Undesignated Qualifying Securities" under the Trust Indenture. In the case of Designated Qualifying Securities, Golden Spread issues debt under the Trust Indenture on the basis of the Designated Qualifying Securities, and the Designated Qualifying Securities have the same terms as the Golden Spread debt. At December 31, 2015, Designated Qualifying Securities of approximately $79.0 million related to GSPWR remained under the Trust Indenture.

Assets held under the Trust Indenture totaled $902.5 million at December 31, 2015, and includes all land, production plant, general plant, plant held for future use and Designated Qualifying Securities of GSPWR, all as reported on the consolidated balance sheets. The Trust Indenture requires Golden Spread to establish and collect rates for the use or the sale of the output, capacity or service of its system that, together with other revenues available to Golden Spread, are reasonably expected to yield a Margins for Interest Ratio of at least 1.10 for each fiscal year. The Trust Indenture also contains restrictions on distributions by Golden Spread to its Members. The supplemental indenture under which the 2005 senior secured notes were issued contains certain covenants. These covenants include the maintenance of (i) patronage capital and contributed capital in an amount of not less than $50.0 million and (ii) a debt service coverage ratio of 1.25. At December 31, 2015 and 2014, Golden Spread had met all requirements of the indenture.

At December 31, 2015, the Cooperative had sufficient assets, including Qualifying Securities under the indenture to issue more than $207.2 million in additional debt.

The variable and fixed rate mortgage notes are due in either monthly or quarterly installments and are secured by Golden Spread's transmission and distribution assets (with a net book value of $71,761,684 and $61,150,807 at December 31, 2015 and 2014, respectively) and the revenues recoverable through the special facilities charges associated with the transmission and distribution assets. These assets are excluded from the Trust Indenture and the variable and fixed rate mortgage notes are not secured under the Trust Indenture. GSEC Properties, LLC assets are also excluded from the Trust Indenture.

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

2016	$ 50,551,586
2017	21,360,179
2018	22,239,492
2019	23,201,197
2020	24,195,795

12. Short-Term Credit Facilities

Borrowings under short-term credit facilities are summarized as follows:

	December 31	
	2015	2014
Borrowings under Lines of Credit at Weighted Average Rates of 1.64% and 1.53%, respectively	$ 4,519,719	$ 51,062,610

In August 2012, Golden Spread obtained $125.0 million unsecured committed line of credit for short-term financing with CFC at a floating rate of interest. The line of credit has a five-year term. This line of credit is also available to provide letters of credit. There were no issued letters of credit at December 31, 2015 or 2014.

In December 2015, Golden Spread renewed its $85.0 million, unsecured committed line of credit from Bank of America that bears interest at LIBOR plus 100 basis points for a two-year term. Borrowings under this line of credit at December 31, 2015 and 2014, were $0 and $22,040,201, respectively.

In December 2013, Golden Spread renewed and increased to $60.0 million, its unsecured committed line of credit from Amarillo National Bank that has interest at LIBOR plus 150 basis points. This line of credit expires June 2016. Borrowings under this line of credit at December 31, 2015 and 2014, were $4,519,719 and $29,022,409, respectively.

13. Asset Retirement Obligation

In August 2001, the FASB issued ASC Subtopic 410-20, *Asset Retirement and Environmental Obligations*. FASB ASC Subtopic 410-20 provides accounting requirements for costs associated with the legal obligations to retire long-lived assets. Under FASB ASC Subtopic 410-20, the asset retirement obligation is recorded at fair value in the period in which it is incurred by increasing the carrying amount of the long-lived asset. In each subsequent period, the liability is accreted and the capitalized costs are depreciated over the useful life of the asset.

GSPWR adopted this statement effective with commercial operation date of the wind turbines, and in 2014, FCGS was able to determine a value related to the asset retirement obligation. GSPWR's and FCGS's asset retirement obligation is associated with the obligation to restore the land leased sites to a "green field" condition, as stated in their respective lease agreements. In 2015, Golden Spread sold FCGS effective September 30, 2015, thus relieving Golden Spread of the asset retirement obligation related to FCGS (note 1). The net asset retirement obligation, which is reported in deferred credits in the accompanying 2015 and 2014 consolidated balance sheets, and the changes in the net liability for the years ended December 31, 2015 and 2014, are as follows:

	December 31	
	2015	2014
Beginning Balance	$ 3,954,200	$ 3,188,500
Liability Settled During the Year	–	–
FCGS	(627,000)	627,000
Accretion Expense	144,733	138,700
Ending Balance	$ 3,471,933	$ 3,954,200

14. Income Taxes

At December 31, 2015 and 2014, GSPWR had a cumulative financial income of $971,000 and $1,684,000, respectively, and a cumulative federal tax loss carryforward of $27,783,000 and $21,003,000, respectively (due partially to a permanent difference related to Treasury Section 1603 50% basis increase, but also to temporary differences due to accelerated tax depreciation). The related deferred tax assets of $9,447,000 and $7,141,000, computed using the corporate statutory rate of 34.0%, have been fully reduced by a valuation allowance for the amount net of other deferred tax liabilities related to accelerated depreciation of $1,738,000 and $0, respectively, based on expected net realizable value.

As of December 31, 2015, FCGS is no longer a subsidiary of Golden Spread. At December 31, 2014, FCGS had a cumulative financial loss carryforward of $14,507,000 and cumulative federal tax income of $2,575,000. The difference between the loss carryforward for financial purposes and cumulative loss carryforward for tax purposes is due to temporary differences from the 2014 financial impairment of the storage facility related to the expected shutdown in 2015. In 2015, instead of shutting down the facility, Golden Spread was able to sell its 100% ownership interest in FCGS to an unaffiliated third party, effective September 30, 2015. At December 31, 2014, the related deferred tax assets computed using the corporate statutory rate of 34.0%, have been reduced by a valuation allowance to an expected net realizable value of $0.91 million.

15. Pension Benefits

Golden Spread provides pension benefits for substantially all of its employees through the National Rural Electric Cooperative Association Retirement and Security Program (RS Plan) and Savings Plan. The RS Plan is a defined-benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. Golden Spread makes contributions to the RS Plan as required by the plan agreement. This multiemployer plan is available to all member cooperatives of NRECA. 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. Golden Spread's contributions to the RS Plan in 2015 and in 2014 represented less than 5% of the total contributions made to the RS Plan by all participating employers. Golden Spread's contributions to the RS Plan in 2015, 2014 and 2013 were $2,236,266, $1,972,651 and $1,335,644, respectively. A significant factor that affected the comparability of total employer contributions was the increase in the number of employees covered by the plan from 2012 through 2015. In 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 more than 80% funded on January 1, 2015 and 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.

At the December 2012 meeting of the Insurance and Financial Services 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 expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. On March 29, 2013, Golden Spread made a prepayment of $3,621,760 to the NRECA RS Plan. Golden Spread is amortizing this amount over 10 years.

The Savings Plan has been established under Code Section 401(k) of the Internal Revenue Code, as a defined-contribution plan. Under the Savings Plan, Golden Spread matches employee contributions up to a maximum of 4.0% of each participating employee's salary. Employer contributions to the plan for the years ended December 31, 2015, 2014 and 2013 were $374,124, $301,158 and $217,551, respectively.

Golden Spread has a deferred compensation plan to provide supplemental retirement benefits for certain highly compensated employees. At December 31, 2015 and 2014, the liability associated with the deferred compensation plan was $1,308,217 and $940,397, respectively. Such amounts are included in deferred credits in the accompanying financial statements.

In addition, under the NRECA-sponsored deferred compensation plan, Golden Spread has been required to make contributions to NRECA to offset the ultimate funding of the liability by Golden Spread. Investments of $1,308,217 and $940,397 are included in other charges in the accompanying consolidated financial statements at December 31, 2015 and 2014, respectively. Upon the retirement of any employees who are participants in the plan, Golden Spread will fully fund any liability to the employee and NRECA will provide Golden Spread with a credit of an equal amount, which will be used to reduce Golden Spread's required future contributions to the defined-benefit pension plan discussed in the first paragraph of this section.

16. Significant Customers

Golden Spread has four Members whose power purchases typically represent at least 10% of Golden Spread's annual power sales to its Members. For each of the three years ended December 31, 2015, sales to South Plains Electric Cooperative, Inc., represented 14% to 15% of sales to Members (13% to 14% of total sales) and sales to Deaf Smith Electric Cooperative, Inc., represented 10% to 12% of sales to Members (9% to 11% of total sales). In the same periods, sales to Lyntegar Electric Cooperative, Inc., represented 10% to 11% of sales to Members (9% to 11% of total sales) and sales to Tri-County Electric Cooperative, Inc., represented 9% to 10% of sales to Members (9% to 10% of total sales).

17. Commitments and Contingencies

Golden Spread is a party to a Replacement Power Sales Agreement (RPSA) with Southwestern Public Service Company (SPS), a wholly owned subsidiary of Xcel Energy. The RPSA has a seven-year term, with Golden Spread purchasing 500 MW from April 20, 2012 to May 31, 2015, 300 MW from June 1, 2015 to May 31, 2017, and 200 MW from June 1, 2017 to April 30, 2019, at which time the agreement terminates. Under the RPSA, each party has certain rights to reduce the fixed contract capacity and associated energy entitlements. In 2015, Golden Spread provided notice to SPS that it would reduce its capacity entitlement as of June 1, 2017, to 0 MW for the remainder of the RPSA term.

Golden Spread serves its Members' loads in ERCOT with power purchased pursuant to two partial-requirements wholesale power agreements with AEP Energy Partners, Inc. (AEPEP) that commenced on January 1, 2014, and expire on May 31, 2016. Golden Spread also executed a one-year contract with AEPEP in June 2013 for the contract term from June 1, 2016 through May 31, 2017. This contract contains similar terms and conditions as the prior agreements but also consolidated the two agreements into one contract.

Golden Spread is obligated under a 20-year power purchase agreement to purchase all the energy produced by a 100.8 MW wind farm located in central Oklahoma, which began commercial operation in December 2012. Golden Spread's obligation requires payment of a fixed rate per megawatt-hour for all energy produced. The rate remains the same through the termination of the contract in 2032.

Golden Spread is obligated under a 20-year power purchase agreement to purchase all the energy produced by a 100.3 MW wind farm located in northwest Oklahoma, which began commercial operation in December 2014. Golden Spread's obligation requires payment of a fixed rate per megawatt-hour for all energy produced through the termination of the contract in 2034.

In August 2015, Golden Spread settled multiple regulatory disputes associated with Golden Spread's wholesale purchased power and transmission rates charged by SPS. This global settlement resolved nine pending cases before the FERC, some originating as early as 2004, including disputes over the peak demand method of allocating production and transmission costs, Golden Spread complaints to lower SPS's authorized return on equity and other rate issues. The global settlement also resolved one pending court of appeals case and numerous rate disputes that would otherwise have been raised to the FERC in formal proceedings. Overall, the settlement provided a direct refund to Golden Spread for the benefit of its Members of $44.86 million, including interest. This refund was paid by SPS in December 2015. Other benefits of the settlement will manifest themselves in the form of certain prospective rate treatments.

In 2012 and 2013, Golden Spread entered into a contract to purchase generation equipment for delivery in 2014. Payments commenced on this obligation in 2012 and continued through 2014. At December 31, 2015 and 2014, approximately $0 million and $1.1 million, respectively, remained payable under this contract.

In March 2015, a Mustang Station unit suffered a failure due to a loss of lubricating oil to the generator. This event impaired both the generator and the medium pressure turbine rotor journals, which placed the unit out of service for the remainder of 2015. For the year ended December 31, 2015, Golden Spread has incurred repair costs to date of $8.6 million and expects to incur further costs in 2016 of approximately $0.5 million to $1.5 million. Golden

Spread has a comprehensive insurance policy and is in the process of filing an insurance claim to recover these costs incurred.

18. Disclosures about Fair Value of Financial Instruments

The fair value for cash and cash equivalents, other investment securities, short-term investment securities, accounts receivable, notes payable and accounts payable approximates fair value given the short period to maturity of these instruments. Long-term variable interest notes reprice frequently at market rates; therefore, the carrying amounts approximate fair value.

Many of Golden Spread's long-term fixed rate obligations included in the accompanying consolidated financial statements are obligations that lack an available market with similar terms, conditions and maturities. Therefore, Golden Spread used Level 2 inputs in determining the fair value of its long-term debt.

The fair value of Golden Spread's CFC fixed rate long-term debt is calculated by computing the net present value of the individual notes using the current CFC market rate and other inputs to assist in determining a discount rate to be used in determining the fair value of the CFC fixed rate long-term debt.

The fair value of the senior secured notes is estimated by computing the net present value for each note, using current market interest rates and credit spreads for debt with similar attributes to assist in determining a market rate to be used in determining the fair value of the senior secured notes.

The following table presents the carrying amounts and estimated fair value of Golden Spread's financial instruments at December 31, 2015 and 2014. The carrying amounts shown in the table are included in the consolidated balance sheets.

	December 31			
	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and Cash Equivalents	$ 106,603,565	$ 106,603,565	$135,579,485	$ 135,579,485
Other Investment Securities	–	–	–	–
Short-Term Investment Securities	24,693,415	24,693,415	–	–
Accounts Receivable	26,974,666	26,974,666	32,278,938	32,278,938
Financial Liabilities:				
Mortgage Notes Including Current Maturities of Long-Term Debt:				
CFC Long-Term Debt	$ 72,910,774	$ 69,506,278	$ 52,236,300	$ 51,764,201
5.75% Senior Secured Notes	33,770,000	38,038,761	36,378,400	41,525,061
5.00% Senior Secured Note	72,379,357	81,776,736	73,580,325	84,936,557
4.95% Senior Secured Notes	140,291,399	157,658,803	142,904,530	163,763,848
4.35% Senior Secured Notes	215,600,622	229,240,051	224,770,772	239,800,972
3.93% Senior Secured Note	19,775,104	19,799,606	–	–
3.82% Senior Secured Notes	39,638,219	39,180,577	–	–
3.75% Senior Secured Note	39,634,945	38,839,601	–	–
2.74% Senior Secured Notes	30,000,000	30,359,409	30,000,000	30,492,122
Total Mortgage Notes	$ 664,000,420	$ 704,399,822	$559,870,327	$ 612,282,761
Notes Payable	$ 4,519,719	$ 4,519,719	$ 51,062,610	$ 51,062,610
Accounts Payable	35,597,145	35,597,145	33,137,889	33,137,889

The carrying amounts shown in the table are included in the consolidated balance sheets under the indicated captions.

The fair value of Golden Spread's CFC fixed rate long-term debt is calculated by computing the present value of the individual notes to the next repricing date using a discount rate that is the current CFC fixed interest rate available for long-term debt. The fair value of the senior secured notes is calculated using the discount rate that represents the estimated rate at which Golden Spread could borrow those funds at December 31, 2015.

The financial debt liabilities in the table above are considered Level 2 due to the availability of observable inputs for the asset or liability, either directly or indirectly, for substantially the full term of the liability. All other financial instruments are considered Level 1.

19. Leases

Golden Spread has several operating leases as outlined in the table below. The lease for the headquarter office space in Amarillo, Texas, is included through March 20, 2014, when Golden Spread purchased the building through its newly organized wholly owned subsidiary, GSEC Properties, LLC (note 3). The lease amounts for 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Warehouse Lease	$ 157,860	$ 203,151	$ 205,282
Headquarter Office Space	-	139,615	479,173
Lubbock Office Space	118,500	118,500	39,500
Wind Ranch Land Lease – Minimum Rent	712,498	712,498	712,498
Wind Ranch – Production Royalty Payments	173,496	202,570	215,869
Total	$ 1,162,354	$ 1,376,334	$1,652,322

In 2007, Golden Spread entered into a warehouse lease with an initial term of one year with nine one-year extensions available. This lease was terminated in October 2015. The lease for the Lubbock office space is from April 1, 2013, through March 31, 2023. The future lease payments are listed below:

	Lubbock Office	Wind Ranch Land Lease
2016	$ 118,500	$ 712,498
2017	118,500	712,498
2018	118,500	740,874
2019	118,500	740,874
2020	118,500	740,874

Golden Spread's subsidiary, GSPWR has 34 wind turbines that were installed on land that has nine separate land leases. Upon commencement of commercial operations in September 2011, and the beginning of the first extended lease term, GSPWR is obligated to pay land lease payments comprising minimum rent payments and production royalty payments of 6.0% of production that exceed the minimum rent payments.

20. Subsequent Events

Golden Spread's management has evaluated subsequent events through April 15, 2016, the date at which the consolidated financial statements were available for issue. No other events have occurred that meet the criteria for disclosure set forth by the FASB ASC.

5-YEAR SUMMARY OF CONDENSED FINANCIAL DATA AND STATISTICAL INFORMATION

	2015	2014	2013	2012	2011
CONDENSED CONSOLIDATED INCOME STATEMENT DATA (000)					
Operating Revenues	**$ 373,173**	$ 515,653	$ 459,448	$ 383,348	$ 456,971
Operating Expenses					
Fuel, Purchased Power and Transmission	**$ 221,929**	$ 346,047	$ 303,600	$ 248,416	$ 331,891
Plant Operations and Maintenance	**24,252**	19,793	24,547	15,005	10,144
Administrative and General	**27,812**	26,885	22,354	19,046	19,476
Depreciation and Amortization	**33,668**	38,089	35,616	26,176	19,787
Taxes Other Than Income Taxes	**7,008**	5,663	5,358	5,448	4,415
Other Operating Expenses	**10,070**	9,306	7,380	6,252	8,998
Total Operating Expenses	**$ 324,739**	$ 445,783	$ 398,855	$ 320,343	$ 394,711
Operating Margins–before Fixed Charges	**$ 48,434**	$ 69,870	$ 60,593	$ 63,005	$ 62,260
Fixed Charges	**25,455**	26,331	24,446	23,016	17,421
Operating Margins–after Fixed Charges	**$ 22,979**	$ 43,539	$ 36,147	$ 39,989	$ 44,839
Nonoperating Margins	**5,345**	(11,594)	138	711	2,198
Net Margins	**$ 28,324**	$ 31,945	$ 36,285	$ 40,700	$ 47,037
CONDENSED CONSOLIDATED BALANCE SHEET DATA (000)					
Utility Plant, net	**$ 892,070**	$ 730,157	$ 652,145	$ 633,977	$ 567,615
Other Property and Investments	**60,462**	135,027	137,914	42,565	72,597
Cash, Cash Equivalents and Short-Term Investment Securities	**131,297**	135,579	167,111	197,320	119,833
Other Current Assets	**68,922**	61,957	59,126	58,629	117,166
Other Assets	**10,763**	13,968	17,888	6,918	6,606
Total Assets	**$ 1,163,514**	$ 1,076,688	$ 1,034,184	$ 939,409	$ 883,817
Total Members' Equity	**$ 416,238**	$ 395,914	$ 371,468	$ 342,184	$ 301,483
Long-Term Debt, excluding current maturities	**$ 613,449**	$ 542,367	$ 557,584	$ 484,603	$ 483,911
Current Liabilities	**127,223**	131,379	99,227	107,716	93,908
Deferred Credits	**6,604**	7,028	5,905	4,906	4,515
Total Liabilities	**$ 747,276**	$ 680,774	$ 662,716	$ 597,225	$ 582,334
Total Members' Equity and Liabilities	**$ 1,163,514**	$ 1,076,688	$ 1,034,184	$ 939,409	$ 883,817
OTHER FINANCIAL AND STATISTICAL DATA					
Energy Sales					
Energy Sales to Members (MWh)	**6,291,738**	6,928,717	7,024,404	6,782,400	7,015,824
Energy Sales to Nonmembers (MWh)	**554,860**	877,076	396,538	263,448	1,004,945
Total Energy Sales (MWh)	**6,846,598**	7,805,793	7,420,942	7,045,848	8,020,769
Member Peak Demand (MW)	**1,472**	1,538	1,501	1,541	1,460
Member System Load Factor (%)	**48.47**	51.43	53.42	50.11	54.86
Energy Generated (MWh) (1)	**1,412,824**	3,008,848	2,460,478	3,239,621	1,706,608
Energy Purchased (MWh) (1)	**5,575,815**	4,981,174	5,113,921	3,991,904	6,485,254
Average Rate to Members ($/MWh)	**$ 61.94**	$ 66.98	$ 61.77	$ 54.70	$ 58.47
Average Natural Gas Price ($/MMBtu)	**$ 2.76**	$ 4.50	$ 3.80	$ 2.76	$ 4.14
Financial Ratios					
Equity/Capitalization (%)	**38**	39	38	39	37
Debt Service Coverage (DSC) Ratio	**1.91**	2.46	2.41	2.46	2.98
Debt/Funds Available for Debt Service	**7.31**	5.62	6.28	5.99	5.79
Days Cash on Hand	**150**	114	157	184	127

(1) Includes ancillary services for Member load

Golden Spread employees mingle at the strategic plan launch event.

The strategic plan describes how the work of all our departments aligns to achieve Golden Spread's objectives.

MISSION

Delivering COST EFFECTIVE, COMPETITIVE and RELIABLE POWER to provide a secure energy future for generations to come by:

- Creating opportunities
- Cultivating cooperation
- Navigating industry risk

VISION

TRUSTED, INNOVATIVE and FLEXIBLE, we deliver competitive energy solutions

VALUES

INTEGRITY: Do the right thing for the right reason

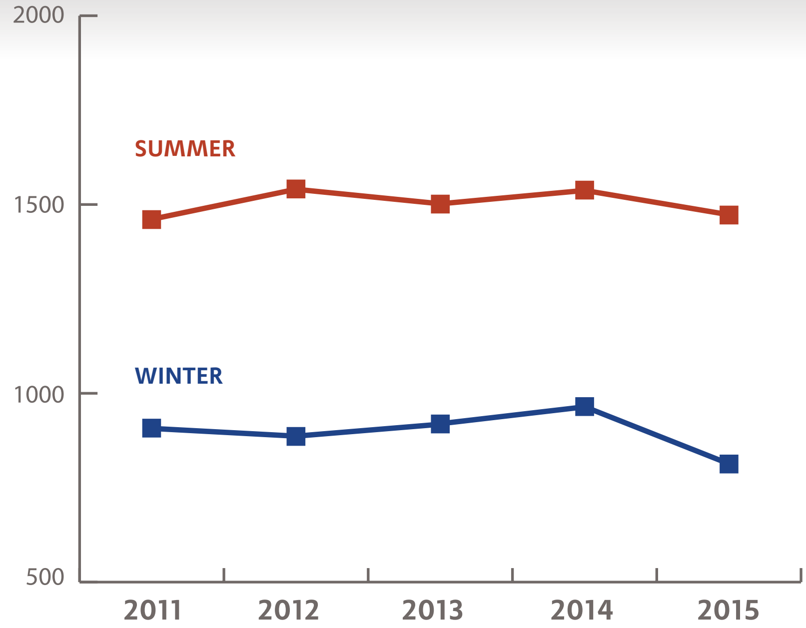
COOPERATION/SERVICE: Collective service that is greater than individual efforts

RESPECT: The Golden Rule

ENERGY AND FINANCIAL CHARTS

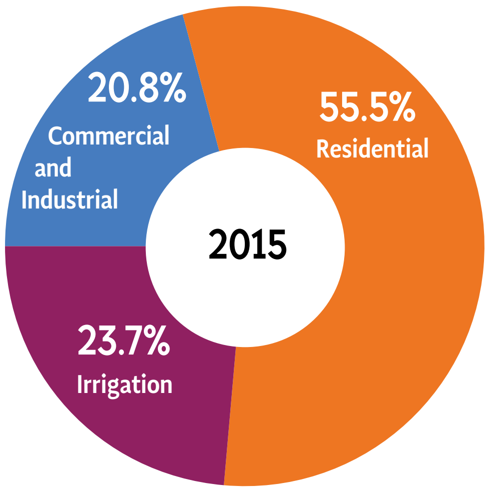
COINCIDENT DEMAND (Megawatts)

Peak loads are affected by weather conditions and general load growth in the Members' service territories. Peak loads increased from 2011 to 2014 due to load growth and drought conditions. In 2015, Members experienced an increase in rainfall, reducing the irrigation load.



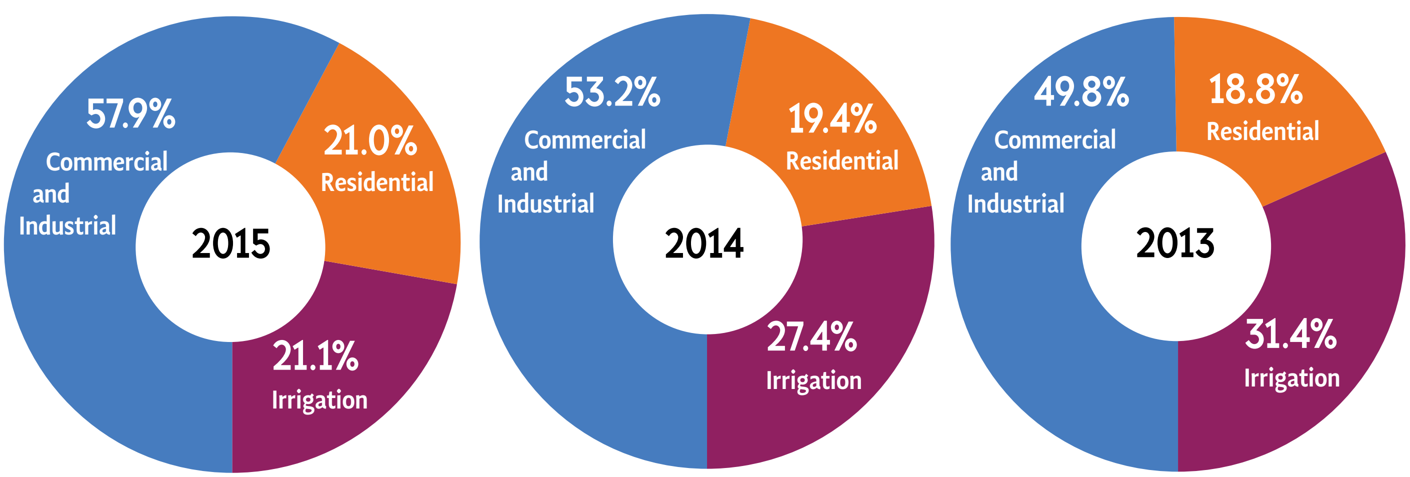
RATE CLASSIFICATION

The composition of Member-Consumers by rate classification remains stable from year to year.



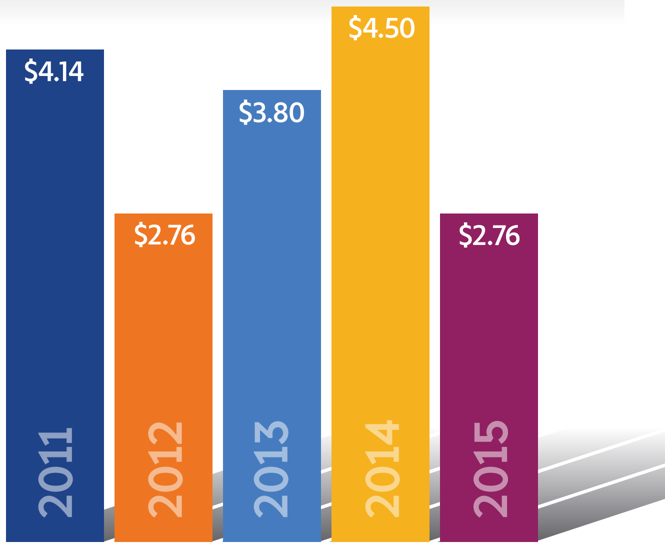
USAGE BY RATE CLASSIFICATION

Weather conditions affect the mix of energy sales by classification – particularly the level of irrigation sales, which generally range from 20% to 30% of total energy sales. Drought conditions existed in 2013, however, 2014 and 2015 experienced above normal rainfall, resulting in lower irrigation sales.



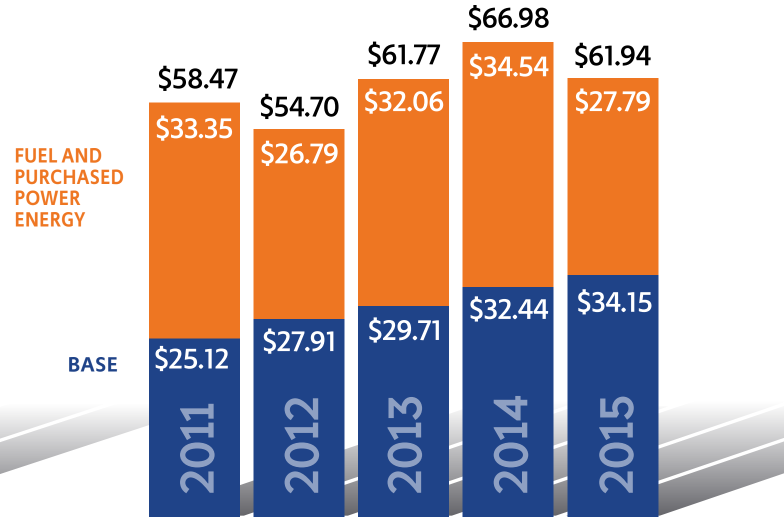
AVERAGE NATURAL GAS PRICE ($/MMBtu)

Natural gas prices have a direct effect on Member rates.

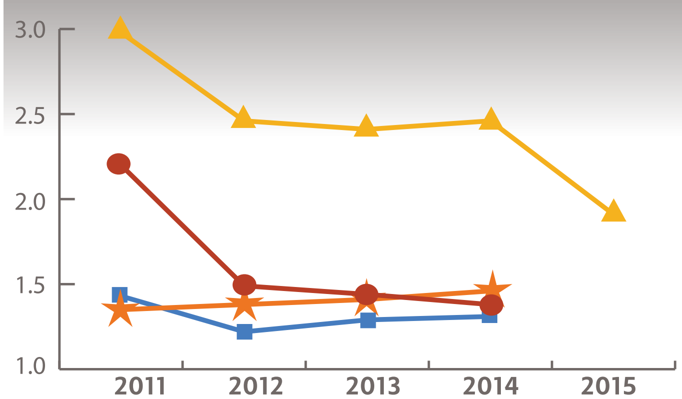


AVERAGE RATE TO MEMBERS ($/MWh)

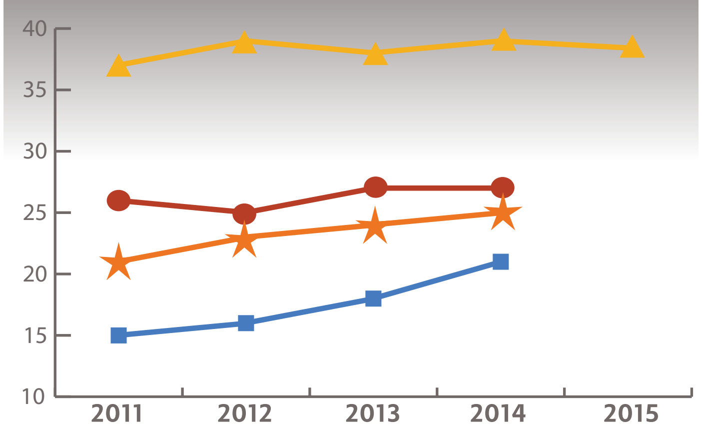
Base rates have ranged from $25.12/MWh to $34.15/MWh over the past five years. Fuel and purchased power energy costs ranged from $26.79/MWh to $34.54/MWh. In 2015, a FERC-approved regulatory settlement, resulting in a refund of $7.13/MWh, is not included in rate.



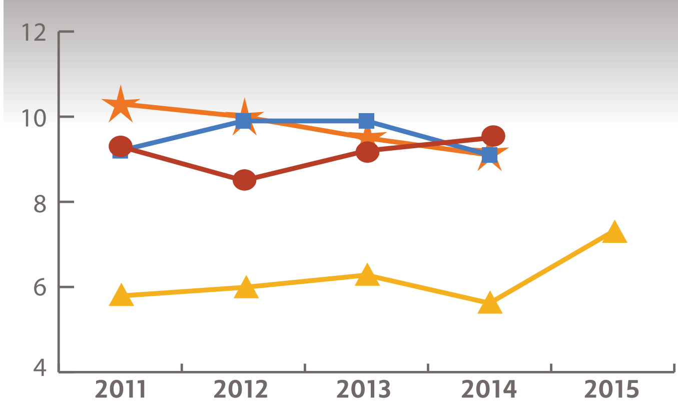
DEBT SERVICE COVERAGE (DSC) RATIO*



EQUITY-TO-CAPITALIZATION (%)*



DEBT-TO-FUNDS AVAILABLE FOR DEBT SERVICE (FADS)*



● G&Ts rated A+ and above*

★ A rated G&Ts*

■ A- rated G&Ts*

▲ Golden Spread (A rated by Fitch Ratings)

Golden Spread has been planning for its capital expansion by accumulating equity and producing margins in excess of the average ratios of other generation and transmission cooperatives.

In June 2015, Fitch Ratings reaffirmed its A rating on Golden Spread's 2005 Series senior secured debt with a stable outlook.

* Data provided by Fitch Ratings' U.S. Public Power Peer Studies. Amounts for 2015 were not available at time of printing.

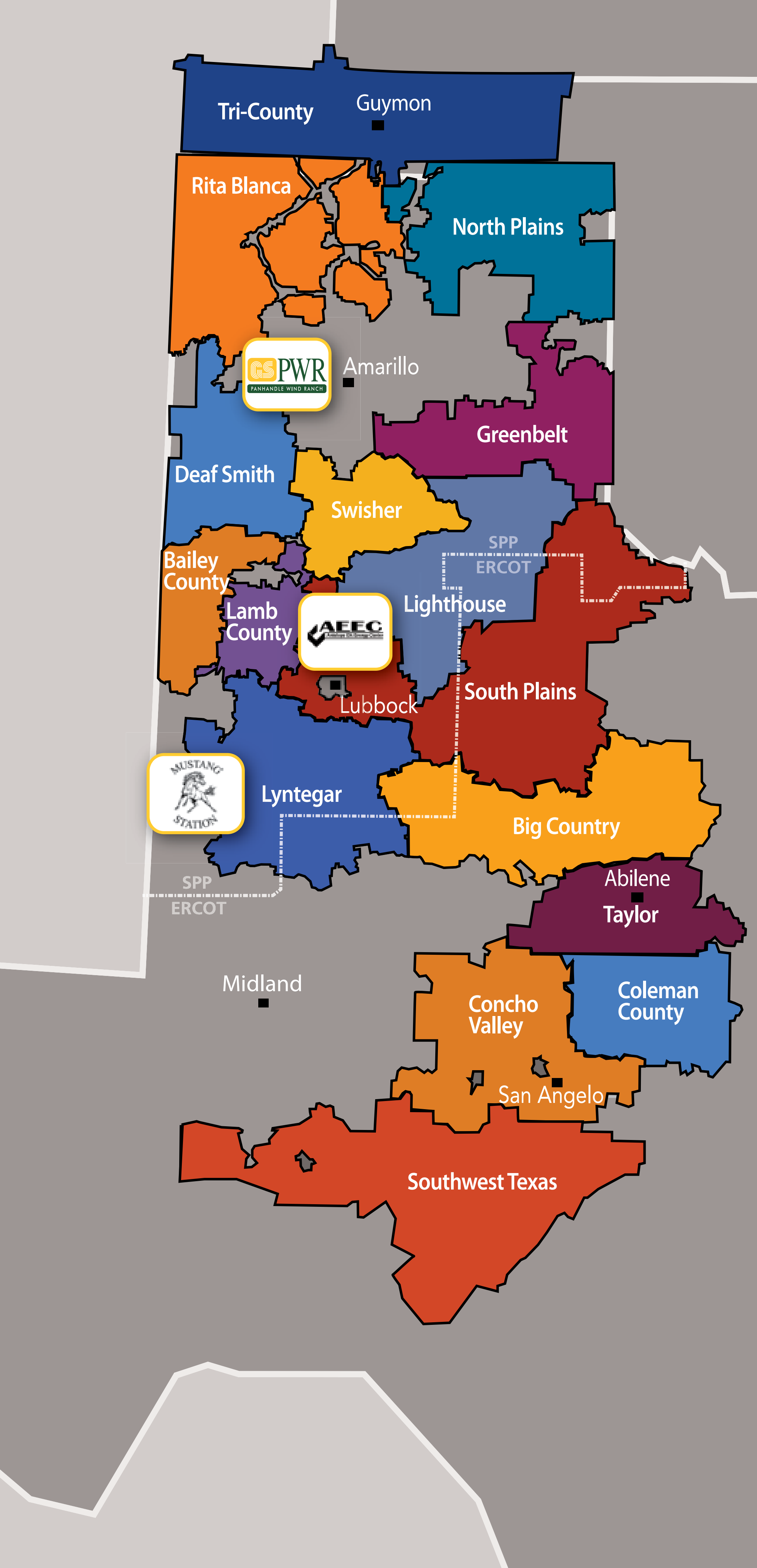
MEMBER COOPERATIVES' INFORMATION

(dollars in thousands)

2015 SUMMARY	BAILEY COUNTY	BIG COUNTRY	COLEMAN COUNTY	CONCHO VALLEY	DEAF SMITH	GREENBELT
Number of Employees	46	64	32	59	52	38
Total Services in Place	9,660	18,402	12,638	17,764	16,403	6,693
Miles of Line	2,886	5,304	3,775	4,300	4,915	2,560
Peak Demand	88,558	45,354	29,775	69,917	183,339	44,393
Sales (MWh)	240,662	247,286	121,285	311,885	558,763	286,137
Net Utility Plant	$ 53,604	$ 57,732	$ 16,477	$ 70,112	$ 41,448	$ 32,177
Assets	$ 95,048	$ 83,017	$ 30,182	$ 96,491	$ 114,672	$ 46,994
Margins Plus Equities	$ 40,799	$ 43,185	$ 17,860	$ 40,616	$ 90,197	$ 18,275
Revenues	$ 27,763	$ 27,107	$ 11,353	$ 31,503	$ 49,580	$ 26,346
Cost of Purchased Power	$ 19,717	$ 15,703	$ 6,913	$ 19,136	$ 37,053	$ 18,518
Interest on Long-Term Debt	$ 1,311	$ 1,488	$ 420	$ 1,575	$ 262	$ 918
Net Margins	$ 339	$ 2,254	$ 966	$ 2,217	$ 4,737	$ 2,117
DSC	1.96	2.11	2.08	1.26	7.91	1.76
Equity Ratio (%)	42.92	52.02	59.18	42.09	78.66	38.89

	LAMB COUNTY	LIGHTHOUSE	LYNTEGAR	NORTH PLAINS	RITA BLANCA	SOUTH PLAINS
Number of Employees	42	38	113	46	33	146
Total Services in Place	13,049	10,718	26,036	7,286	8,593	66,191
Miles of Line	3,224	4,425	7,019	3,786	3,317	9,863
Peak Demand	103,631	94,383	194,435	94,964	104,112	341,466
Sales (MWh)	275,834	184,681	585,135	341,115	438,810	1,551,112
Net Utility Plant	$ 48,589	$ 46,389	$ 137,729	$ 52,458	$ 48,056	$ 215,253
Assets	$ 86,530	$ 84,503	$ 218,214	$ 84,143	$ 79,795	$ 312,651
Margins Plus Equities	$ 45,233	$ 43,533	$ 106,973	$ 49,777	$ 61,832	$ 130,561
Revenues	$ 30,468	$ 25,024	$ 64,284	$ 34,149	$ 39,029	$ 115,579
Cost of Purchased Power	$ 21,650	$ 16,038	$ 35,776	$ 21,573	$ 29,397	$ 88,407
Interest on Long-Term Debt	$ 1,480	$ 1,427	$ 3,508	$ 1,045	$ 429	$ 5,655
Net Margins	$ 4,165	$ 1,473	$ 3,125	$ 5,957	$ 5,869	$ 1,115
DSC	2.44	4.18	1.76	3.32	8.21	0.94
Equity Ratio (%)	52.27	51.52	49.02	59.16	77.49	41.76

	SOUTHWEST TEXAS	SWISHER	TAYLOR	TRI-COUNTY	TOTAL
Number of Employees	49	42	88	108	996
Total Services in Place	13,635	9,653	25,950	23,480	286,151
Miles of Line	5,321	3,684	4,909	5,386	74,674
Peak Demand	30,284	66,165	106,980	165,461	1,763,217
Sales (MWh)	264,030	144,872	324,788	980,620	6,857,015
Net Utility Plant	$ 43,270	$ 29,288	$ 95,193	$ 253,337	$ 1,241,112
Assets	$ 66,009	$ 59,288	$ 134,552	$ 321,910	$ 1,913,999
Margins Plus Equities	$ 44,016	$ 37,882	$ 53,484	$ 78,061	$ 902,284
Revenues	$ 25,837	$ 18,378	$ 40,704	$ 96,671	$ 663,775
Cost of Purchased Power	$ 15,401	$ 12,097	$ 22,212	$ 53,377	$ 432,968
Interest on Long-Term Debt	$ 466	$ 699	$ 3,540	$ 9,954	$ 34,177
Net Margins	$ 2,097	$ 2,573	$ 1,128	$ 5,193	$ 45,325
DSC	3.02	2.82	1.21	2.01	1.92
Equity Ratio (%)	66.68	63.89	39.75	24.25	47.14



GOLDEN SPREAD ELECTRIC COOPERATIVE, INC. OWNED POWER GENERATION FACILITIES

GSPWR – Golden Spread Panhandle Wind Ranch (Units 1-34)

AEEC – Antelope Elk Energy Center
Antelope Station (Units 1-18)
Elk Station (Unit 1)

Mustang Station
Combined Cycle (Units 1-3)
Simple Cycle (Units 4-6)

GOLDEN SPREAD MEMBER SYSTEMS

Bailey County
Big Country
Coleman County
Concho Valley
Deaf Smith
Greenbelt
Lamb County
Lighthouse
Lyntegar
North Plains
Rita Blanca
South Plains
Southwest Texas
Swisher
Taylor
Tri-County

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A Touchstone Energy® Cooperative

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