

## Board Treasurer’s Report

**S**outhwestern Electric Cooperative’s strong financial performance has continued through 2016, and the co-op recorded a total of \$1.5 million in margins. Accordingly, Southwestern Electric was in compliance with all provisions of the loan agreements with CoBank, who is the sole lender for all of the co-op’s long-term debt.

In order to minimize the need for future rate increases, an additional \$3 million in margins was deferred to future years under the Margin Stabilization Plan. As of Dec. 31, 2016, Southwestern has deferred a total of \$8.9 million for margin stabilization. Excluding unforeseen developments or weather anomalies, Southwestern’s long range outlook does not project any rate increases through the year 2025.

For additional information, please see the financial statements on the pages to follow.

Respectfully Submitted,



Sandy Nevinger  
Board Treasurer

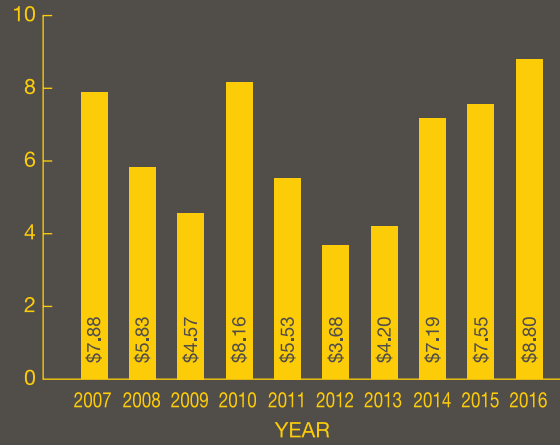
### Where did the cooperative’s revenue go in 2016?

Power Production .....	\$826,372.....	1.5%	
Purchased Power .....	\$31,181,882.....	56.2%	
Operations & Maintenance .....	\$4,908,795.....	8.9%	
Customer Accounts & Sales Expenses .....	\$2,001,717.....	3.6%	
Administrative & General Expenses .....	\$6,220,481.....	11.2%	
Depreciation & Amortization.....	\$4,775,424.....	8.6%	
Taxes, Interest, & Other Deductions.....	\$4,043,237.....	7.3%	
Operating & Non-Operating Margins.....	\$1,498,696.....	2.7%	
<b>Total:</b> .....	<b>\$55,456,604.....</b>	<b>100%</b>	

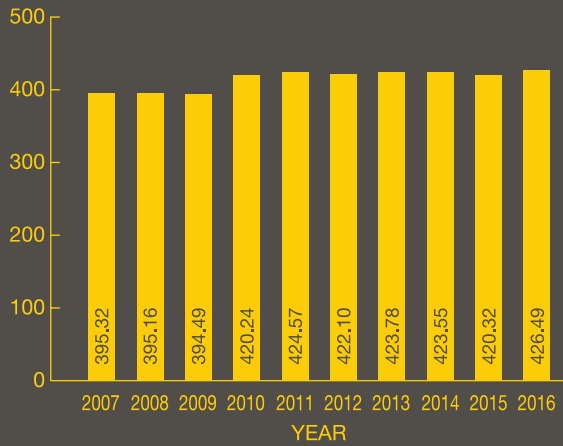
**Margins**  
in millions of dollars



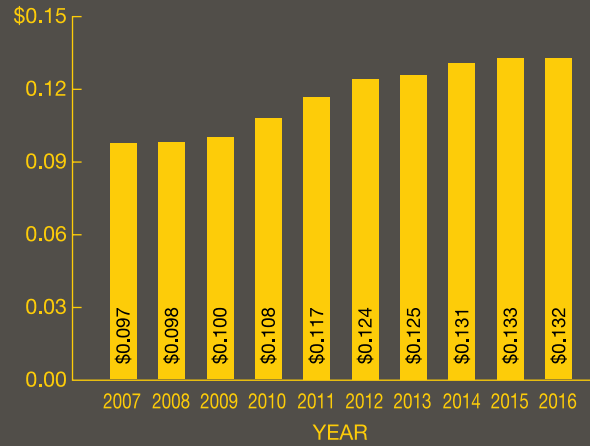
**Capital Investment**  
in millions of dollars



**Total Electricity Sold to Members**  
in millions of kWh



**Rate per kWh to Residential Members**  
in dollars (includes infrastructure and operations charge)



# REPORTS & FINANCIAL INFORMATION

## Southwestern Electric Cooperative Financial Information

<b>Statement of Operations</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUES</b>			
Electric	\$54,260,874	\$53,561,817	\$51,966,905
Other	<u>401,527</u>	<u>380,441</u>	<u>396,927</u>
Total Operating Revenues	54,662,401	53,942,258	52,363,832
<b>OPERATING EXPENSES</b>			
Cost of Purchased Power	31,181,882	30,202,140	28,188,497
Power Production Expense - Operations	308,634	171,663	360,926
Power Production Expense - Maintenance	517,738	511,406	329,319
Transmission Expense - Maintenance	8,346	-	73,076
Distribution Expense - Operations	1,026,926	1,015,649	1,084,038
Distribution Expense - Maintenance	3,873,523	4,020,166	4,615,861
Consumer Account Expense	1,244,806	1,265,257	1,321,570
Consumer Service and Informational Expense	184,657	190,416	224,232
Sales Expense	572,254	578,915	793,186
Administrative and General Expense	6,220,481	6,065,388	4,626,816
Depreciation	4,775,424	4,454,515	4,369,908
Taxes	208,565	195,160	467,238
Other Interest	72,487	109,603	210,536
Other Deductions	<u>44,983</u>	<u>34,877</u>	<u>18,731</u>
Total Operating Expenses	<u>50,240,706</u>	<u>48,815,155</u>	<u>46,683,934</u>
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	4,421,695	5,127,103	5,679,898
<b>INTEREST ON LONG-TERM DEBT</b>	<u>3,717,202</u>	<u>3,507,398</u>	<u>3,082,150</u>
<b>NET OPERATING MARGINS</b>	704,493	1,619,705	2,597,748
<b>NONOPERATING MARGINS</b>			
Interest Income	63,231	66,856	67,606
Patronage Capital Credits	704,971	345,746	226,203
Other Nonoperating Margins	<u>26,001</u>	<u>21,495</u>	<u>48,384</u>
Total Nonoperating Margins	<u>794,203</u>	<u>434,097</u>	<u>342,193</u>
<b>NET MARGINS</b>	<u>\$1,498,696</u>	<u>\$2,053,802</u>	<u>\$2,939,941</u>

**Balance Sheet** (As of December 31, 2016)

**ASSETS**

**Utility Plant**

Electric Plant in Service	\$172,151,080
Construction Work in Progress	<u>9,014,461</u>
Total	181,165,541
Less: Accumulated Provision for Depreciation	<u>(53,597,111)</u>
Net Utility Plant	127,568,430

**Other Assets And Investments**

Investments in Associated Organizations	3,021,773
Notes Receivable	107,609
Other Special Funds	<u>279,028</u>
Total Other Assets and Investments	3,408,410

**Current Assets**

Cash and Cash Equivalents	3,476,587
Accounts Receivable, Net	5,535,653
Materials and Supplies Inventory	1,334,774
Prepayments	517,202
Interest Receivable	<u>14,163</u>
Total Current Assets	10,878,379

**Deferred Charges**

	<u>13,389,571</u>
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Total Assets

\$155,244,790

**EQUITIES & LIABILITIES**

**Equities**

Patronage Capital	\$40,870,160
Other Equities	<u>2,689,987</u>
Total Equities	43,560,147

**Long-Term Debt, Net of Current Maturities**

83,862,504

**Accumulated Miscellaneous**

**Operating Provisions** 9,483,944

**Accumulated Provision for**

**Pension And Benefits** 279,028

**Current Liabilities**

Current Maturities of Long-Term Debt	4,055,770
Accounts Payable	2,953,568
Consumer Deposits	760,802
Other Current and Accrued Liabilities	<u>860,339</u>
Total Current Liabilities	8,630,479

**Deferred Credits**

9,428,688

Total Equities and Liabilities

\$155,244,790