

ANNUAL REPORT
2016
COMMITTED TO YOU

LCEC
LEA COUNTY ELECTRIC COOPERATIVE

NOTICE OF ANNUAL MEETING



DAN HARDIN

TO: All Members of Lea County Electric Cooperative, Inc.

Notice is hereby given that the 2017 Annual Meeting of Members of Lea County Electric Cooperative, Inc. will be held Friday, April 28, 2017, at the hour of 6:00 p.m., MDT, at Pannell Auditorium, 701 West

Avenue K, at the Lovington High School in Lovington, New Mexico. Said meeting is in compliance with the adopted bylaws of the Cooperative and is for the purpose of electing Trustees, passing upon reports for the previous calendar year and for the transaction of such other business as may come before the meeting. Registration of members will be held on Friday, April 28, 2017 at the following locations: at the Cooperative's main office, 1300 West Avenue D, Lovington, New Mexico or at the Tatum district office, 203 South Main, Tatum, New Mexico between 8:00 a.m. and 4:00 p.m., MDT; Plains district office, 507 9th Street, Plains, Texas; or at Pannell Auditorium between 5:00 p.m. and 6:00 p.m. MDT, You are encouraged to register early to avoid delays.

The business session of such meeting will address the following: 1) a report of members present to establish a quorum; 2) a reading of secretary's notice of the meeting and a proof of mailing to members; 3) approval of minutes of the previous Annual Meeting; presentation and consideration of reports from Officers, Trustees, and Committees; and 4) an election by the membership of a Trustees from District One.

Pursuant to Article IV, Section 4 of the Bylaws, a Committee on Nominations, in compliance with the bylaws, was appointed, and met on March 14, 2017, at 5:30 p.m. for the purpose of placing in nomination candidates for the election of two (2) Trustees from District One (1). A list of said nominations for Trustees has been prepared and posted at the office of Lea County Electric Cooperative, Inc., 1300 West Avenue D, Lovington, New Mexico and at each district office.

According to the bylaws, other nominations may be made by petition signed by fifteen or more members acting together, no less than twenty days prior to the date of the annual meeting of members. A list of any nominations by petition will likewise be prepared and posted. Nominations from the floor shall be limited to candidates whose names have been submitted to the Secretary at least twenty days prior to the date of the Annual Meeting. All nominations, including those by the Committee on Nominations, those by petition, and those to be made from the floor will be submitted to and acted upon by the membership at the 2017 Annual Meeting. A statement of the number of Trustees to be elected and the names and addresses of the candidates (the nominations made by the Committee on Nominations, nominations made by petition, if any, and the names of candidates to be nominated from the floor, if any, being listed separately as required in the bylaws) will be mailed to the members with this Notice of the Annual Meeting.

Article III, Section 5 of the Bylaws states in part: Each Person who otherwise qualifies and who wishes to vote shall register the day of the member meeting and shall be entitled to only one vote on each matter submitted to a vote at the Meeting of Members. Voting persons other than members who are natural persons (e.g. church, business, etc.) shall be allowed by the presentation to the Cooperative, prior to or upon registration at each Member Meeting, of satisfactory evidence entitling the person presenting the same to vote. Voting authorization forms are available at the main office of the Cooperative located at 1300 West Avenue D, Lovington; at the district offices in Tatum and Plains; or by calling 575-396-3631.

IN WITNESS WHEREOF, this Notice has been issued by the Secretary-Treasurer of the Lea County Electric Cooperative, Inc. and its corporate seal hereon impressed this 31st day of March 2017.

Dan Hardin, Secretary-Treasurer

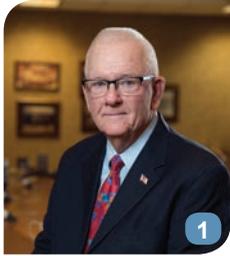
BOARD OF DIRECTORS



JOHN GRAHAM
 President
 Spouse: Jeanine
 Board Member Since 2012
 Representing District 1
 Occupation: Businessman/
 Newspaper Publisher



TRAVIS GLENN
 Spouse: Tonya
 Board Member Since 2016
 Representing District 3
 Occupation: Businessman



ROBERT CAUDLE
 Vice-President
 Spouse: Joyce
 Board Member Since 1984
 Representing District 1
 Occupation: Landman



RANDALL McCORMICK
 Spouse: Sandra
 Board Member Since 2016
 Representing District 5
 Occupation: Businessman



DAN HARDIN
 Secretary-Treasurer
 Spouse: Sandy
 Board Member Since 2004
 Representing District 4
 Occupation: Finance



CJ KINSOLVING
 Spouse: Kaitlin
 Board Member Since 2015
 Representing District 6
 Occupation: Ranching



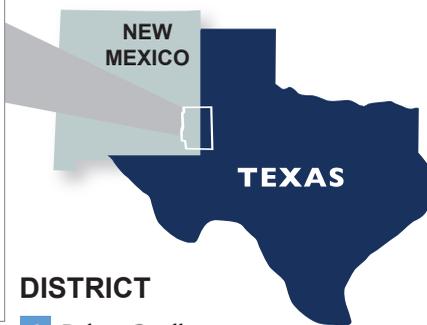
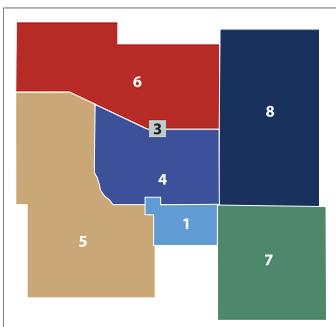
KENNETH WALLACE
 Spouse: Elaine
 Board Member Since 2013
 Representing District 1
 Occupation: Businessman/Oil
 & Gas Services



CHARLES W. GARNER II
 Spouse: Christy
 Board Member Since 2014
 Representing District 7
 Occupation: Farming & Ranching



TERRY DAVIS
 Spouse: Wadonna
 Board Member Since 1984
 Representing District 8
 Occupation: Farming



DISTRICT

- 1 Robert Caudle
- 1 John Graham
- 1 Kenneth Wallace
- 3 Travis Glenn
- 4 Dan Hardin
- 5 Randall McCormick
- 6 CJ Kinsolving
- 7 Charles W. Garner II
- 8 Terry Davis

MESSAGE FROM MANAGEMENT



JOHN GRAHAM



GARY L. HURSE

COMMITTED TO YOU...Lea County Electric Cooperative, Inc. (LCEC) has been committed to serving its membership since its incorporation in 1949. LCEC incorporators built a strong foundation for serving your energy needs. Your Board of Trustees is committed to policies that result in a safe and reliable electric system, competitive rates, and oversight of financial stability for the Membership.

LCEC maintains a diversified power supply portfolio. The Cooperative will purchase capacity and energy from Western Farmers Electric Cooperative (WFEC) beginning June 1, 2017. WFEC is a Generation and Transmission Cooperative that will provide generation resources required to meet LCEC's reduction from XCEL Energy. As a member of the Southwest Power Pool (SPP), we are constantly evaluating and reviewing the cost of transmission delivery to ensure our membership reliable and competitive rates throughout the region. The Cooperative continues to meet the mandated Renewable Portfolio Standard (RPS) required by the state of New Mexico. The requirement is being met by several renewable projects on the LCEC system. The Purchase Power Agreements (PPA) are negotiated at a competitive wholesale price that allows the Cooperative to benefit from renewable energy projects owned by third party developers.

Although we experienced a decrease in energy sales in 2016, LCEC is experiencing growth in oilfield energy sales in the Texas/ New Mexico state line area in the first quarter of 2017. In addition to the diversification of our energy portfolio, LCEC is making necessary upgrades in our transmission, distribution facilities and substations for future growth in our service territory.

The construction of a new operations facility became a priority when the current buildings used for operations (mostly constructed in the 1960's) were found to be economically unrepairable. An architect and building contractor were hired for the planning and construction of the new operations facility with construction beginning in early November 2016. The Operations Center will be occupied by System Operations, Line Operations, Substation Operations, Metering Operation and Safety-Compliance departments all under one (1) roof. The facility will be the location of the Emergency Operations Center which is the core communication center during system outages.

Your Cooperative continues to support community involvement throughout our service territory. Our employees take pride in their involvement in various organizations and events through out the year. Along with community involvement, LCEC continues to award scholarships through the LCEC Education Foundation. Currently, LCEC issues 90 scholarships per semester worth \$1,000 each renewable up to eight semesters for undergraduate studies. These scholarships are funded by unclaimed capital credits that would otherwise be escheated to the state. Since the inception of the Foundation, \$1.4 Million has been invested in scholarships.

For the past 40 years, LCEC has proudly participated in the Government-in-Action Youth Tour to Washington D.C. Trustees have strongly supported this civic learning experience educating area youth about electric cooperatives and America.

LCEC's continued commitment to our motto, "Owned By Those We Serve". Your Board, Management, and Employees appreciate the opportunity to serve you.

John Graham
President
Lea County Electric
Board of Trustees

Gary L. Hurse
Executive Vice President
and General Manager
Lea County Electric

YEAR IN REVIEW



Price substation



Jennifer Garner, Safety Coordinator



Heli Mendoza, Lineman

2016 brought many challenges and accomplishments for the Cooperative. Damaging weather patterns, oilfield growth, renewable projects, expansion of the Cooperatives Master Communication Plan and continued dedication to Safety Programs topped the list.

Due to high wind damage, the Cooperative lost poles resulting in outages that were quickly restored. As an ongoing commitment to the reliability of service, LCEC proactively maintains and upgrades transmission and distribution lines which includes the utility pole inspection and replacement program. In 2016, over 4,000 poles were inspected with minimal percentage requiring maintenance. An additional part of our maintenance schedule is tree trimming that takes place in the spring to keep lines clear.

LCEC is currently in the process of increasing our energy sales for oilfield related infrastructure. The Cooperative has increased oilfield load by 4400 horsepower (hp) and irrigation by 800 hp. Several substations were upgraded throughout the year including Price Substation, Diesel Plant Substation, North 115/69kV Substation, Phillips Substation and Texaco Substation. Price Substation's power transformer, breakers, and relays were upgraded to accommodate added load in the Texas-New Mexico Stateline area. At Texaco and Phillip Substations, we added additional power transformers to accommodate increased load and reliability to Chevron Plant. We are working on future service to Nor-Lea General Hospital's Wellness Center, the Lea County Courthouse, Dry Lands Brewing Company in Lovington and a new development east of Plains, Texas.

The Cooperative will be integrating extra wind energy from Sterling Wind Farm and solar energy from Middle Daisy Solar Project. Both projects are currently in planning and construction phases. Sterling Wind Farm is north of Tatum in the Ranger Lake area and is expected to produce up to 30MW. Middle Daisy Solar Project will be north of Lovington, in the near vicinity of the LCEC Generation Plant, will produce up to 5MW. These projects will assist with the RPS requirements of the State of New Mexico.

LCEC's master communications plan continues to expand our communications network by expediting our operational system communication between the various substations, switches and through our supervisory control and data acquisition (SCADA) system. Additionally, the Cooperative will be transitioning in 2018 to a new billing system software which comes with several on-line customer service features including on-line bill pay, on-line billing history and outage reporting.

Safety programs continue to be an integral part of keeping our employees and membership safe. Monthly employee safety meetings are conducted along with an annual site inspection conducted by Federated Rural Electric Cooperative Association. The Cooperative offers safety demonstrations to the communities and schools served.

The Cooperative looks forward to meeting any future challenges as we continue in our service to the membership.

EXECUTIVE MANAGEMENT



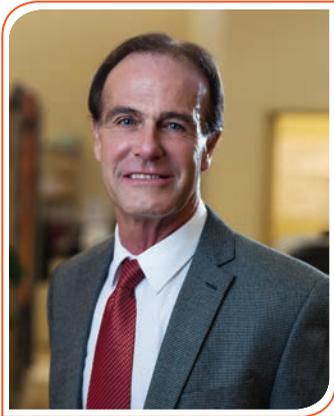
Left to Right
Bobby Kimbro, Assistant Manager/Manager in Training - Alma Griffin, Executive Secretary - Gary L. Hurse, Executive Vice President & General Manager

MANAGEMENT



Left to Right
Rosie Insilan, Manager of Marketing & Member Services - John Benard, Manager of Distribution Engineering & Metering
Janette Faris, Manager of Administrative Service, Safety & Compliance - Tyler Hockenberry, Manager of System Operations & Planning
Mike Faris, Manager of Accounting, Customer Service & Purchasing - ShawnDee Raburn, Manager of Communications/IT

ACCOUNTING, CUSTOMER SERVICE AND PURCHASING



MIKE FARIS
Manager of Accounting,
Customer Service and
Purchasing



ACCOUNTING AND PURCHASING

Back – Left to Right
Cherol Autry,
Kevin Salcido,
Robert Capps, Clay Plant,
Nelly Dominguez

Front – Left to Right
Judy Ragland,
Sheryl Glanton,
Jane Salcido,
Denise McDaniel



CUSTOMER SERVICE

Back – Left to Right
Amanda Lisby,
Nellie Arenivas,
Sarah Maker

Front – Left to Right
Jessica Cortez,
Annette Alvarado,
Rilda Purdue,
Joyce Connolly

MARKETING AND MEMBER SERVICES



ROSIE INSILAN
Manager of Marketing
and Member Services



April Luna

DISTRIBUTION OF ENGINEERING AND METERING



JOHN BENARD
Manager of Distribution
Engineering and Metering



STAKING AND MAPPING

Back – Left to Right
Rick Porras, Floyd Chrisman, Manuel Quiroz, Ray E. Rivera
Front – Left to Right
Britt Kerby, John Cartwright



METERING

Left to Right
Aaron Jenkins, Roy Lizardo, Bernard Butcher
Not pictured: Ruben Aguilar

COMMUNICATIONS/IT



SHAWNDEE RABURN
Manager of
Communications/IT



Left to Right
Justin Munoz, Kyle Coleman, Sean Guthrie

ADMINISTRATIVE SERVICES, SAFETY AND COMPLIANCE



JANETTE FARIS
Manager of
Administrative Services,
Safety and Compliance



Left to Right
Erminia Alvarado, Mari Valencia, Ben Glover, Jennifer Garner, Laura Ontiveros

SYSTEMS OPERATIONS AND PLANNING



TYLER HOCKENBERRY
Manager of System
Operations and Planning



LINE CREW

Left to Right
Adam Marquez, Arthur Pando, Skyler Boroughs, Wade Bounds, Jason Neff, Matt Davis, Omar Pinon, Victor Cabello, Mike Salas, Shilo Sealy, Heli Hernandez, Alfredo Melendez, Manuel Gutierrez, Travis Parker, Cesar Herrera, Armando Garcia, Joe Garcia, Jorge Lozoya, Michael Caudillo, Doug Gruenewald, Daniel Utajara & Stewart Graham.



SUBSTATION CREW

Left to Right
Ed McBride, Greg White, Scott Boldt, Gary Coleman and Juan Contreras



SYSTEM OPERATORS

Left to Right
Louis Vigil, Kenneth Porter, Brad Willis & Kevin Cook
Not pictured: Delton Jones

IN MEMORY



**K.C. "CARROLL"
MARTIN**

K.C. "Carroll" Martin, Lea County Electric Cooperative, Inc. (LCEC) Retired General Manager, loving husband, devoted father and adored grandfather passed away on January 9, 2017.

Martin served LCEC for 43 years. He began his career in 1951 as Assistant General Manager under General Manager, R.B. Moore. Upon Moore's retirement, Martin was named General Manager and served until retiring on June 30, 1995. During his tenure at LCEC, Martin served on many boards and committees that included: Lea County Hospital Board; College of the Southwest Board; National Rural Electric Cooperative Association (NRECA) Management Advisory Committee; NRECA

Accounting and Tax Advisory Committee; Director of New Mexico Rural Electric Cooperative Association (NMRECA); Chairman of the Executive Committee of Cooperative Utilities Finance Corporation (CUFC) and was General Manager of LEACO Rural Telephone Cooperative.

Martin initiated programs that currently continue to benefit members and their dependents. He was a pioneer in research on utility cost of removal accounting procedures and received accolades from the Rural Electric Association (REA) as well as New Mexico and Texas Regulatory Commissions for those efforts. In addition, he commenced LCEC's participation in the Government-in-Action Youth Tour and the creation of the LCEC Education Foundation.

Martin received his B.A. in Business Administration at Texas A & M. He served our country in the Navy branch with the 27th Marines of the 5th Marine Division and was awarded the Silver Star. He married Emma Lou Martin in 1974. Together they had four children and many grandchildren

RETIREE



EARL M. DAVIS

Earl M. Davis Retires after 22 Years of Service

Earl M. Davis of Lovington, New Mexico, retired from Lea County Electric Cooperative Inc. (LCEC) on December 31, 2016, after 22 years of service.

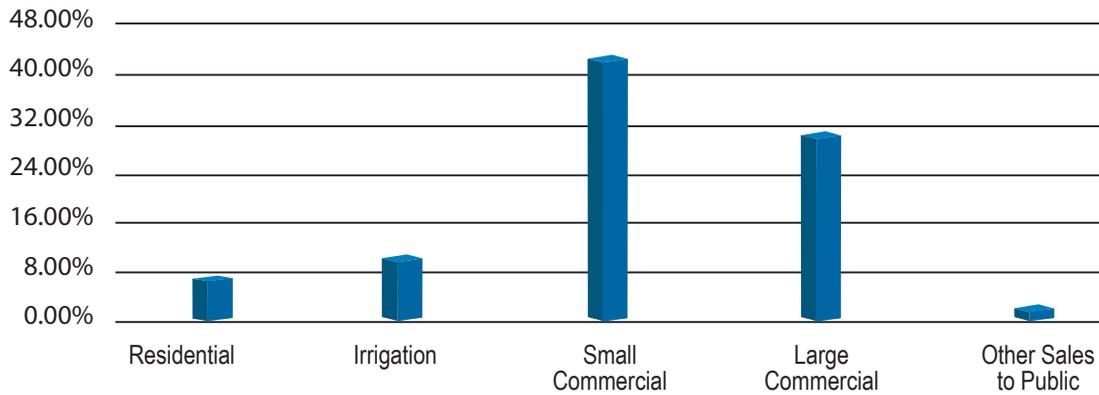
Earl came to LCEC as a New Mexico Journeyman Electrician. He was a Substation Technician at the time of his retirement. During his employment at LCEC, he maintained his certification as a Substation Maintenance Technician.

In March 2009, Earl was nominated for employee of the month by an employee from another department for his great attitude while performing his job, patience while fixing things, and a smile that is not only contagious but brings a feeling of good morale.

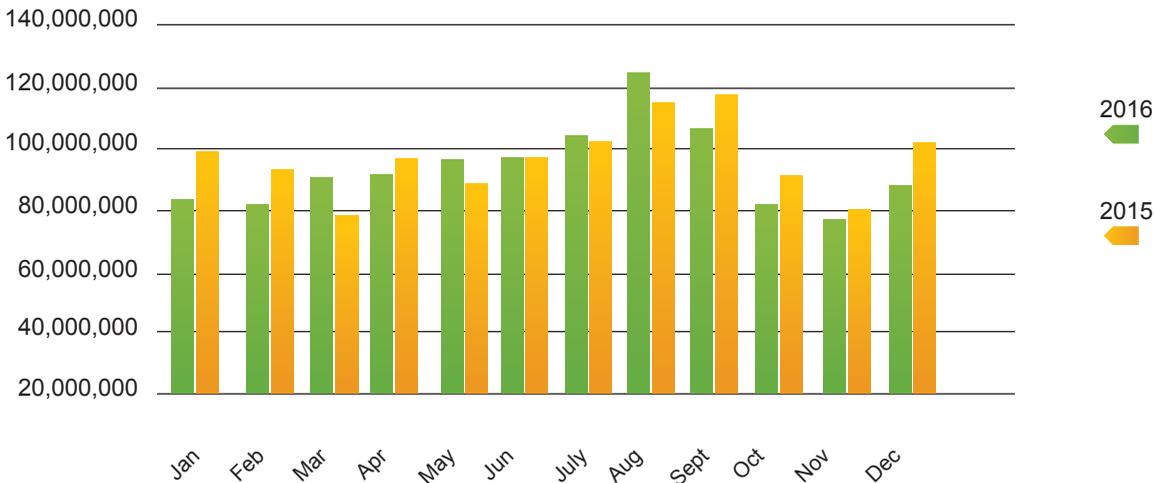
Earl and his wife Sharon of 39 years look forward to many years of retirement with their two (2) sons, Jason and Justin.

GRAPHS AND CHARTS

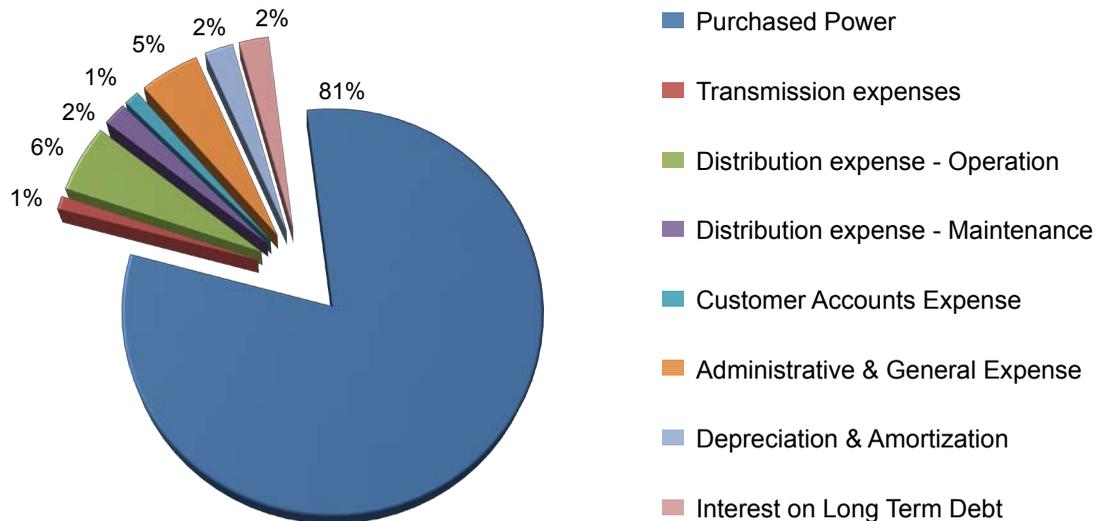
2016 CONSUMER SALES



2016 KWH SALES



2016 Operating Expenses



STATEMENTS OF INCOME

LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND PATRONAGE CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Years Ended December 31,				Increase (Decrease)
	2016		2015		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 8,632,253	10.4	\$ 9,580,993	11.4	\$ (948,740)
Irrigation	10,642,143	12.9	10,762,259	12.9	(120,116)
Commercial and Industrial	54,596,123	66.1	63,823,497	76.4	(9,227,374)
Public Buildings and Other Authorities	1,140,302	1.4	1,237,509	1.5	(97,207)
Accrued Unbilled Revenue	209,132	0.3	(495,683)	(0.6)	704,815
Power Cost Over Collected	6,525,990	7.9	(1,840,144)	(2.2)	8,366,134
Other Operating Revenues	827,726	1.0	474,568	0.6	353,158
Total Operating Revenues	<u>\$ 82,573,669</u>	<u>100.0</u>	<u>\$ 83,542,999</u>	<u>100.0</u>	<u>\$ (969,330)</u>
OPERATING EXPENSES					
Purchased Power	\$ 63,513,101	76.9	\$ 64,776,957	77.5	\$ (1,263,856)
Transmission	791,060	1.0	802,068	1.0	(11,008)
Distribution - Operation	4,232,749	5.1	4,278,255	5.1	(45,506)
Distribution - Maintenance	1,442,205	1.7	1,607,654	1.9	(165,449)
Customer Accounts	940,060	1.1	965,112	1.2	(25,052)
Customer Service and Information	57,589	0.1	51,361	0.1	6,228
Sales	37,081	0.0	42,361	0.1	(5,280)
Administrative and General	3,743,879	4.5	3,216,948	3.9	526,931
Depreciation and Amortization	3,663,246	4.4	3,526,546	4.2	136,700
Cost of Removal	2,043,195	2.5	1,982,431	2.4	60,764
Interest Credit - Cost of Removal					
Restricted Funds Earnings	(956,880)	(1.2)	(919,747)	(1.1)	(37,133)
Taxes	47,724	0.1	47,880	0.1	(156)
Other Interest and Deductions	67,920	0.1	89,372	0.1	(21,452)
Total Operating Expenses	<u>\$ 79,622,929</u>	<u>96.3</u>	<u>\$ 80,467,198</u>	<u>96.5</u>	<u>\$ (844,269)</u>
OPERATING MARGINS - Before					
Fixed Charges	\$ 2,950,740	3.7	\$ 3,075,801	3.5	\$ (125,061)
FIXED CHARGES					
Interest on Long-Term Debt	<u>1,789,677</u>	<u>2.2</u>	<u>1,700,261</u>	<u>2.0</u>	<u>89,416</u>
OPERATING MARGINS - After					
Fixed Charges	\$ 1,161,063	1.5	\$ 1,375,540	1.5	\$ (214,477)
Capital Credits	<u>1,364,700</u>	<u>1.7</u>	<u>1,330,486</u>	<u>1.6</u>	<u>34,214</u>
NET OPERATING MARGINS					
	<u>\$ 2,525,763</u>	<u>3.2</u>	<u>\$ 2,706,026</u>	<u>3.1</u>	<u>\$ (180,263)</u>
NONOPERATING ITEMS					
Interest Income	\$ 790,805	1.0	\$ 650,880	0.8	\$ 139,925
Gain on Sale of Property	1,871	0.0	6,042	0.0	(4,171)
Collection of Western Farmers					
Equity Requirement		0.0	721,537	0.9	(721,537)
	<u>\$ 792,676</u>	<u>1.0</u>	<u>\$ 1,378,459</u>	<u>1.7</u>	<u>\$ (585,783)</u>
NET MARGINS					
	<u>\$ 3,318,439</u>	<u>4.2</u>	<u>\$ 4,084,485</u>	<u>4.8</u>	<u>\$ (766,046)</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Current Year APBO Valuation Adjustment	33,200		(215,300)		
Post-retirement Benefit Amortization	(240,000)		(232,800)		
COMPREHENSIVE INCOME					
	\$ 3,111,639		\$ 3,636,385		
Post-retirement Benefit Adjustment	206,800		448,100		
PATRONAGE CAPITAL - BEGINNING OF YEAR					
	85,683,167		83,199,116		
PATRONAGE CAPITAL RETIRED					
	<u>(1,363,610)</u>		<u>(1,600,434)</u>		
PATRONAGE CAPITAL - END OF YEAR					
	<u>\$ 87,637,996</u>		<u>\$ 85,683,167</u>		

LEA COUNTY ELECTRIC COOPERATIVE, INC.

BALANCE SHEETS DECEMBER 31, 2016 AND 2015

ASSETS

	December 31,	
	2016	2015
UTILITY PLANT AT COST		
Utility Plant in Service	\$ 181,291,161	\$ 174,425,415
Construction Work in Progress	715,521	5,215,243
Contributions in Aid of Construction	<u>(31,509,268)</u>	<u>(30,472,460)</u>
	\$ 150,497,414	\$ 149,168,198
Less: Accumulated Provision for Depreciation	<u>67,034,627</u>	<u>64,253,174</u>
	<u>\$ 83,462,787</u>	<u>\$ 84,915,024</u>
OTHER PROPERTY AND INVESTMENTS		
Non-Utility Property (At cost)	\$ 74,537	\$ 46,482
Investments in Associated Organizations	28,176,451	26,921,382
Other Investments	7,542,453	10,679,430
Special Funds - Restricted	36,188,635	35,215,002
Employee Benefit Funds- Restricted	1,543,872	1,511,958
Postretirement Benefits	<u>1,171,900</u>	<u>966,000</u>
	<u>\$ 74,697,848</u>	<u>\$ 75,340,254</u>
CURRENT ASSETS		
Cash	\$ 1,364,454	\$ 623,389
Temporary Investments- Cash Equivalents	9,197,348	12,607,063
Temporary Investments- Other	5,042,000	2,735,000
Accounts and Notes Receivable (Less allowance for uncollectibles of \$279,167 in 2016 and \$277,579 in 2015)	9,286,873	7,217,304
Accrued Unbilled Revenue	6,363,722	6,154,590
Materials and Supplies	2,261,262	2,384,439
Other Current and Accrued Assets	<u>429,420</u>	<u>978,315</u>
	<u>\$ 37,767,109</u>	<u>\$ 32,700,100</u>
DEFERRED DEBITS	\$ 1,967,773	\$ 3,169,088
TOTAL ASSETS	<u>\$ 197,895,517</u>	<u>\$ 196,124,466</u>

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 35,215	\$ 35,185
Patronage Capital	87,637,996	85,683,167
Accumulated Other Comprehensive Income	455,100	661,900
Other Equities	<u>2,096,696</u>	<u>2,096,696</u>
	<u>\$ 90,225,007</u>	<u>\$ 88,476,948</u>
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 1,371,354	\$ 1,502,575
FFB Notes Less Current Maturities	56,119,164	51,660,316
CFC Mortgage Notes Less Current Maturities	1,965,654	2,310,601
CoBank Mortgage Notes Less Current Maturities	2,600,186	3,209,322
RUS Advance Payments	<u>(10,233,337)</u>	<u>(9,737,269)</u>
	<u>\$ 51,823,021</u>	<u>\$ 48,945,545</u>
COST OF REMOVAL LIABILITY	\$ 37,870,007	\$ 37,200,389
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,756,000	\$ 2,314,000
Accounts Payable - Purchased Power	5,311,552	4,887,941
Accounts Payable - Other	2,209,321	2,098,273
Power Cost - Overcollected		2,703,972
Consumer Deposits	2,704,160	2,771,609
Other Current and Accrued Liabilities	<u>1,655,199</u>	<u>1,613,955</u>
	<u>\$ 14,636,232</u>	<u>\$ 16,389,750</u>
DEFERRED CREDITS	\$ 3,341,250	\$ 5,111,834
TOTAL EQUITIES AND LIABILITIES	<u>\$ 197,895,517</u>	<u>\$ 196,124,466</u>

STATEMENT OF CASH FLOWS

LEA COUNTY ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 3,318,439	\$ 4,084,485
Adjustments To Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	4,081,634	3,893,833
Cost of Removal Accruals - Gross	2,043,195	1,982,431
Post-Retirement Benefit (Expense)	(333,214)	(401,058)
Capital Credits	(1,364,700)	(2,052,023)
Power Cost Recovery	(6,526,002)	1,118,608
Deferred Debits	1,201,315	892,740
Deferred Credits	(1,770,584)	(852,073)
Accounts and Notes Receivable	(2,278,701)	(135,763)
Inventories and Prepaid Expenses	672,072	78,054
Payables and Other Accrued Liabilities	508,455	1,278,163
Net Cash Provided by (Used in) Operating Activities	<u>\$ (448,091)</u>	<u>\$ 9,887,397</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (2,802,814)	\$ (6,714,394)
Cost of Removal Incurred	(1,418,862)	(691,960)
Contributions and Other Additions to Cost of Removal	45,284	75,847
Salvage and Other Credits	173,417	376,912
Other Property and Investments	(62,080)	(3,269,324)
Net Cash Used in Investing Activities	<u>\$ (4,065,055)</u>	<u>\$ (10,222,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS - Scheduled	\$ (125,221)	\$ (121,024)
Payments on Long-Term Debt to RUS - Advance Payments	(496,068)	(472,011)
Payments on Long-Term Debt to FFB	(1,345,389)	(1,147,619)
Payments on Long-Term Debt to CFC	(326,947)	(309,670)
Payments on Long-Term Debt to CoBank	(582,136)	(554,311)
Advance on Long-Term Debt from FFB	6,195,237	10,000,000
Payments on Behalf of Retirees	(111,400)	(112,100)
Retirement of Patronage Capital	(1,363,610)	(1,600,434)
Memberships	30	23
Net Cash Provided by Financing Activities	<u>\$ 1,844,496</u>	<u>\$ 5,682,854</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (2,668,650)	\$ 5,347,332
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>13,230,452</u>	<u>7,883,120</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 10,561,802</u></u>	<u><u>\$ 13,230,452</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 1,791,933	\$ 1,686,296
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

During the year ended December 31, 2016 and 2015, the adjustment for the application of the *Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans* changed the accrued post-retirement benefit by (\$206,800) and (\$448,100) and changed equities by the same amount in 2016 and 2015, respectively.



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**Lea County Electric
Cooperative, Inc.**

"Owned By Those We Serve"

P.O. Drawer 1447
Lovington, New Mexico 88260

YOU'RE INVITED TO THE
ANNUAL MEETING OF THE MEMBERS

**Friday, April 28, 2017
6:00 P.M.**

Pannell Auditorium | 701 West Avenue K, Lovington, NM



ENTERTAINMENT

Provided by
Well Known Farmer/Comedian

JERRY CARROLL



DOOR PRIZES

Door Prizes will be Awarded including Vouchers for Free Electricity, a Dell Computer, High Definition TV, iPad, Apple Watch and the Grand Prize a Used 2008 Chevrolet Silverado Truck!

DISTRICT LOCATIONS TO SERVE YOU



Tatum, NM Office
203 S. Main
575-398-2233



Lovington, NM Office
1300 W. Avenue D
575-396-3631



Plains, TX Office
507 9th Street
806-456-3322

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