

Lower Valley Energy, Inc.

balance sheets

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
NON-CURRENT ASSETS		
net utility plant	\$123,064,126	\$126,128,356
other assets and investments	12,732,071	8,976,124
prepaid power, to be amortized after one year	117,119,987	125,378,868
total non-current assets	<u>252,916,184</u>	<u>260,483,348</u>
CURRENT ASSETS		
cash and cash equivalents	70,995	1,399,099
restricted cash and cash equivalents	2,328,811	1,282,644
accounts receivable, net	7,476,432	6,478,210
materials and supplies inventory	1,607,202	1,655,081
other current assets	3,086,640	3,102,702
prepaid power, to be amortized within one year	8,258,881	7,891,736
total current assets	<u>22,828,961</u>	<u>21,809,472</u>
deferred charges	<u>3,367,686</u>	<u>3,564,673</u>
total assets	<u><u>\$279,112,831</u></u>	<u><u>\$285,857,493</u></u>
MEMBERS' EQUITY AND LIABILITIES		
MEMBERS' EQUITY		
patronage capital	\$64,752,380	\$61,016,170
other equities	17,703,985	16,787,445
total members' equity	<u>82,456,365</u>	<u>77,803,615</u>
NON-CURRENT LIABILITIES		
long-term debt, due after one year	173,163,507	183,058,142
total non-current liabilities	<u>173,163,507</u>	<u>183,058,142</u>
CURRENT LIABILITIES		
long-term debt, due within one year	10,894,635	11,616,665
accounts payable	3,462,492	3,077,697
consumer deposits	527,784	601,947
other current and accrued liabilities	3,376,117	3,552,854
total current liabilities	<u>18,261,028</u>	<u>18,849,163</u>
deferred credits	<u>5,231,931</u>	<u>6,146,573</u>
total members' equity and liabilities	<u><u>\$279,112,831</u></u>	<u><u>\$285,857,493</u></u>

Lower Valley Energy, Inc.

statements of revenues and margins

for the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUE		
electric operating revenue	\$46,457,564	\$43,541,931
gas operating revenue	8,281,762	9,082,037
total operating revenues	<u>54,739,325</u>	<u>52,623,969</u>
OPERATING EXPENSES		
cost of purchased power and gas	27,152,742	24,411,746
transmission expense - operation and maintenance	751,490	857,443
distribution expense - operation	3,509,943	3,377,788
distribution expense - maintenance	1,577,195	1,449,541
consumer accounts expense	804,257	840,696
customer service and information	359,595	333,974
administration and general expense	2,497,391	2,582,925
depreciation expense	5,928,653	5,972,836
taxes - property and gross revenue	749,672	691,019
total operating expenses	<u>43,330,938</u>	<u>40,517,968</u>
operating margins before finance charges	<u>11,408,387</u>	<u>12,106,001</u>
FINANCE CHARGES		
interest on long-term debt	5,812,462	6,394,084
other interest expense	9,509	16,153
total finance charges	<u>5,821,971</u>	<u>6,410,237</u>
net operating margins	<u>5,586,416</u>	<u>5,695,764</u>
NON-OPERATING MARGINS		
investment income	238,859	115,818
gain on sale of general plant	62,753	(367,934)
patronage capital credits from other cooperatives	592,401	636,440
other non-operating margins, net	178,947	178,947
total non-operating margins	<u>1,072,960</u>	<u>563,271</u>
net margins	<u>\$6,659,376</u>	<u>\$6,259,035</u>

Your cooperative continues to grow and remain financially strong. Net margins exceeded \$6.6 million and were used for system improvements, repayment of debt principal, and retirement of patronage capital.

A complete copy of our audited financial statements can be obtained from either of our offices.