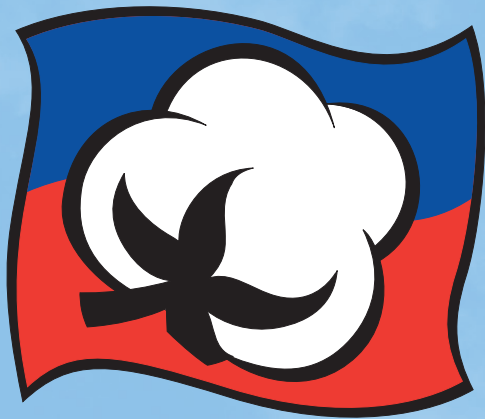




COTTON

ELECTRIC CO-OP



***2016* ANNUAL REPORT**

A Message from Board President **Ronnie Bohot** and CEO **Jennifer Meason**

Rural electrification is a remarkable story of grit and determination. Cotton Electric and cooperatives across the country are one of the 20th century’s greatest social and economic achievements.

Since the day of light in 1939, your Cooperative has grown from powering 150 homes to over 22,114 meters and from 150 miles of line to 5,166 miles of line across eight counties of southwest Oklahoma. In 2016, the cooperative plant was valued at over \$94.8 million with total revenue over \$64.8 million. We’ve made progress in service reliability and outage restoration using high tech and low tech solutions. All play a role as we progress into the future.

We’ve experienced many changes since the cooperative was founded in 1938. But the cooperative business model and 7 cooperative principles that guided our founders continue to hold true today.

Each day we strive to provide you with power that is safe, reliable and affordable. As your cooperative, we believe our purpose is more than just delivering electricity. Our purpose – the reason we exist – goes beyond the meter. Our purpose is to improve the quality of life for you, our members.

Accomplishing this goal requires constant effort and evaluation to ensure we commit resources in the most effective areas. Throughout 2016, the board of trustees and employees focused on projects to improve service quality, reliability and restoration efforts. We also upheld our commitment to community through youth, safety and charitable programs.

Our Mission – Quality of Service

Cotton Electric crews and contractors undertook several projects aimed at improving system reliability and service quality. A pole inspection program, a proactive approach to evaluating the Cooperative’s utility poles for damage and decay, kicked off the year. As part of this program, 7,441 poles were inspected and 687 were replaced. District line crews continued maintenance and line patrol programs throughout the year.

We continued our efforts to address trees under cooperative lines through a strong vegetation management program. The cooperative employs several methods to maintain rights-of-way, including tree removal, trimming and herbicide application. During 2016, your right-of-way crews improved 523 miles of the Cooperative’s system.

When outages occurred, your cooperative staff went to work. At the first of the year, cooperative crews continued repairs from the December 2015 ice storm. The spring brought severe thunderstorms and flooding. Overall, cooperative crews responded to 1,543 outages.



RONNIE BOHOT



JENNIFER MEASON

Our Purpose – Quality of Life

In March, the members of Cotton Electric were recognized for their generosity through the Operation Round Up program and Cotton Electric Charitable Foundation. The co-op received the Business Leadership Award during the Excellence in Leadership Gala in Oklahoma City. The annual Summer Classic golf tournament, which benefits Operation Round Up, drew 24 teams and raised \$10,849. The charitable foundation issued 26 grants totaling \$69,569 in 2016. Since inception, you have generously contributed nearly \$1 million to worthwhile individuals and organizations within the service territory.

Cotton Electric’s youth programs carried forward another year, selecting a high school senior to attend the Youth Leadership Summit, nine eighth-graders to attend Youth Power Energy Camp and four high school juniors to participate in the Rural Electric Youth Tour.

In July, Western Farmers Electric Cooperative, your generation and transmission cooperative, retired capital credits for the first time in its 75-year history. The co-op distributed more than \$2.5 million among all active and inactive members, another example of the cooperative difference.

We saw many of you at the district and annual meetings. Members in Districts 4, 7 and 9 held triennial meetings and Trustees Brian DeMarcus, Steve Robinson and Ronnie Bohot were held over for three-year terms. A total of 586 registered members actively participated in the annual membership meeting in Lawton.

Later in the year, we introduced the Cotton CARES program to employees and members. The new program places an emphasis on Community, Accountability, Respect, Engagement and Safety – to underscore our mission and purpose as your cooperative.

Our Future – Quality of Culture

Driven by our mission and our purpose, the trustees and employees of Cotton Electric Cooperative will continually explore ways to keep your lights burning bright and steady. We will foster our connection with the cooperative membership and support the needs of the communities we serve.

We will move forward with the same grit and determination as those who founded this dynamic cooperative.

Cotton Electric Cooperative BOARD OF TRUSTEES



District 1
SHAN FILES
Secretary/Treasurer



District 2
KEN LAYN
Vice President



District 3
CHARLES SPENCER



District 4
BRIAN DeMARCUS
Asst. Sec./Treas.



District 5
TIM McCARY



District 6
TOMMY JONES



District 7
STEVE ROBINSON

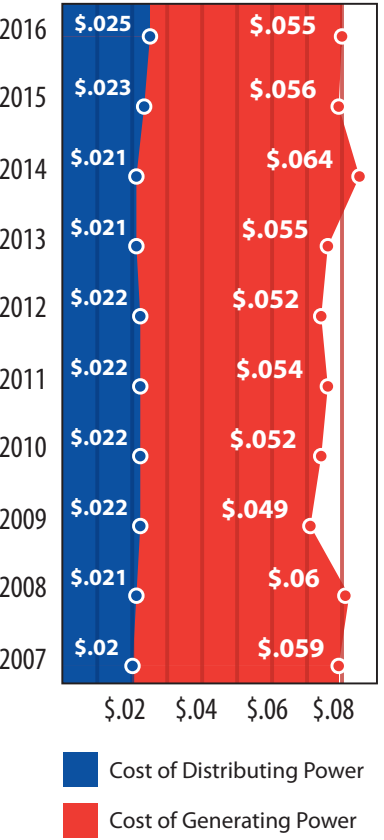


District 8
DEWAYNE HIGH



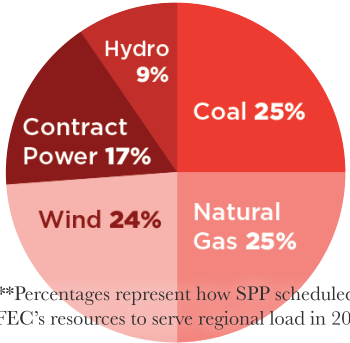
District 9
RONNIE BOHOT
President

TOTAL AVERAGE COST PER kWh PURCHASED:



FUEL MIX

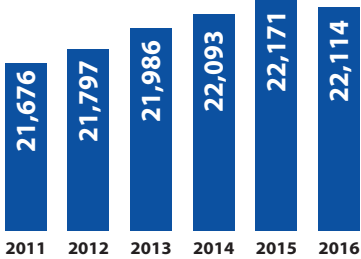
Our power provider’s generation portfolio includes a variety of sources.
Western Farmers Electric Cooperative



**Percentages represent how SPP scheduled WFEC’s resources to serve regional load in 2016.

GROWTH RATE

Average number of meters billed each year.



OPERATING EXPENSES 2016:



ASSETS	2016	2015
Utility Plant		
Electric Plant in Service	130,924,040	125,901,197
Construction Work in Progress	1,462,503	1,465,651
Total Utility Plant, at cost	132,386,543	127,366,848
Less Accumulated Depreciation	(37,494,238)	(36,202,003)
Net Utility Plant	94,892,305	91,164,845
Non-Utility Plant		
Non-Utility Plant	402,794	293,834
Less Accumulated Depreciation	(262,235)	(244,645)
Total Non-Utility Plant	140,559	49,189
Other Property and Investments		
Investment in Associated Organizations	31,894,906	30,629,084
Notes Receivable less current portion	114,189	132,989
Total Other Investments	32,009,095	30,762,073
Current Assets		
Cash & Cash Equivalents	2,823,468	5,361,297
Accounts Receivable less doubtful accounts	1,537,506	2,734,536
Unbilled Revenue	5,402,390	4,401,195
Materials and Supplies	1,581,279	1,621,757
Other Current and Accrued Assets	91,432	85,314
Total Current Assets	11,436,075	14,204,099
Deferred Debits	2,077,105	2,376,717
TOTAL ASSETS	140,555,139	138,556,923
LIABILITIES & MEMBERS' EQUITY		
Equities and Margins		
Memberships	114,990	116,135
Patronage Capital	61,774,575	60,693,447
Accumulated other comprehensive income	(371,358)	(425,281)
Other Equities	8,776,056	7,993,813
Total Equities and Margins	70,294,263	68,378,114
Long-Term Debt		
Long-Term Debt less Current Maturities	53,328,377	53,179,343
Other Non-Current Liabilities	6,837,872	6,664,766
Total Long-Term Liabilities	60,166,249	59,844,109
Current Liabilities		
Current Maturities of Long-Term Debt	2,294,000	3,102,000
Line of Credit	33,985	-
Account Payable	4,735,599	4,675,462
Consumer Deposits	1,094,119	1,079,667
Other Current and Accrued Liabilities	1,445,824	1,108,215
Total Current Liabilities	9,603,527	9,965,344
Deferred Credits	491,100	369,356
TOTAL LIABILITIES AND EQUITY	140,555,139	138,556,923

	2016	2015
Operating Revenues	64,837,300	68,037,001
Operating Expenses		
Cost of Power	42,171,946	45,309,599
Distribution Expense - Operations	3,499,738	3,171,331
Distribution Expense - Maintenance	4,336,193	3,931,554
Consumer Accounts	1,587,284	1,585,879
Customer Service and Information	138,340	144,000
Sales Expense	494,854	548,821
Administrative and General	1,502,473	2,194,635
Depreciation	4,149,337	3,851,072
Taxes	1,206,924	1,317,723
Interest	2,369,182	2,361,477
Cost of Goods Sold	1,701,490	1,008,174
Other Interest and Deductions	47,655	61,762
Total Operating Expenses	63,205,416	65,486,027
Net Operating Margins	1,631,884	2,550,974
Other Income		
Interest Income	211,243	279,020
Other Income (Expense)	(24,258)	(6,285)
Total Other Income	186,985	272,735
W.F.E.C. and Other Capital Credits	2,237,197	3,070,227
Net Margins Before Income Taxes	4,056,066	5,893,936
Provision for Income Taxes	(25,917)	(59,574)
Patronage Capital Beginning of Year	60,693,447	55,768,072
Transfer to Other Equities	(288,353)	(389,186)
Retirement of Capital Credits	(2,660,668)	(519,801)
Patronage Capital End of Year	61,774,575	60,693,447
Comprehensive Income		
Net Margins for the Year	4,030,149	5,834,362
Amortize loss (gain) on APBO	-	(116,153)
Current Gain on APBO	53,922	(1,512,788)
Comprehensive Income	4,084,071	4,205,421

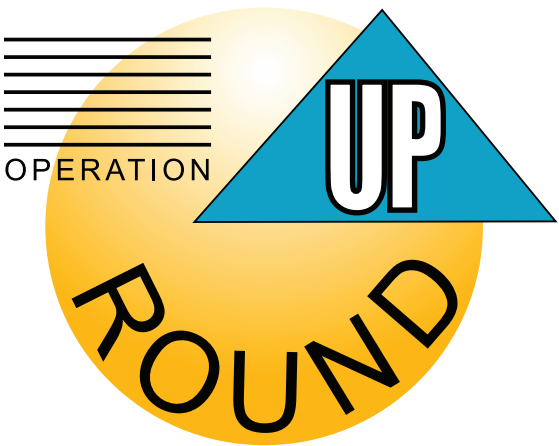
	2012	2013	2014	2015	2016
Total Revenue	\$58,019,624	\$64,444,144	\$73,370,764	\$66,181,939	\$63,037,399
Cost of Purchased Power	39,404,997	45,951,455	54,405,248	45,309,599	42,171,946
Taxes	1,111,167	1,244,611	1,437,019	1,317,723	1,206,924
Operating Expense per Mile	10,929	12,358	14,112	12,382	11,920
Operating Income per Mile	11,574	13,035	14,244	12,843	12,212
Average Farm/Residential Annual Bill	1,598	1,683	1,830	1,722	1,694
Average Farm/Residential KWH Used	15,494	16,148	16,290	15,183	14,995
Average Number of Meters Billed	21,797	21,986	22,093	22,171	22,114
Miles of Line Energized	5,140	5,131	5,151	5,153	5,162
Density per Mile	4.24	4.28	4.29	4.30	4.28
New Services Connected	401	360	361	333	255
Services Retired	216	189	164	197	106

CECF Awards 28 Grants totaling \$79,744.62 through Operation Round Up

2016-17 CECF GRANT RECIPIENTS

Ability First Inc.	\$1,500.00
Bray Seniors Community Food Pantry	\$2,000.00
Christian Helping Hands	\$5,000.00
Devol VFD	\$3,000.00
Velma Community Outreach Center	\$3,000.00
Walters Rotary Club	\$5,000.00
Walters Senior Citizens Center	\$2,000.00
Team CE	\$2,500.00
Bray-Doyle Academic Booster Club	\$5,000.00
Town of Chattanooga	\$1,500.00
Comanche VFD	\$3,945.00
Indiahoma Public School	\$600.00
Alzheimer's Association	\$1,000.00
Elgin Middle School	\$1,500.00
Make-A-Wish Foundation	\$5,000.00
Stephens County Honor Guard	\$2,000.00
United Way of Southwest Oklahoma	\$2,000.00
Velma Police Department	\$4,820.00
Vizavance	\$2,100.00
Waurika Youth, Inc.	\$7,000.00
Cotton County Art Council	\$1,098.62
Center for Creative Living	\$2,500.00
Cameron University Foundation	\$5,000.00
Chisholm Trail Heritage Center	\$500.00
Empire Elementary School	\$4,181.00
Duncan Public Schools	\$500.00
Regional Food Bank	\$2,500.00
Temple Volunteer Fire Department	\$3,000.00

Total Distribution **\$79,744.62**



CECF BOARD OF DIRECTORS



CARLY DOUGLASS
President



CARTER WAID
Vice President



DANNY MARLETT
Sec./Treasurer



JENNIFER MEASON
Board Member



RONNIE BOHOT
Board Member

CECF STATEMENTS OF FINANCIAL POSITION

For the Years Ended **June 30, 2017 and 2016**

BALANCE SHEET

ASSETS	2017	2016
Cash	\$38,850	\$42,405
Accounts Receivable-Related	6,315	6,824
Total Assets	45,165	49,229
LIABILITIES & NET ASSETS		
Accounts Payable	1,296	11,579
Grants Payable	-	2,500
Total Liabilities	1,296	14,079
Unrestricted Funds Balance	43,869	31,150
Total Liabilities and Net Assets	\$45,165	\$49,229

STATEMENT OF ACTIVITIES

REVENUES	2017	2016
Golf Tournament	\$28,545	\$23,155
Consumer Contributions	82,725	83,485
Total Revenues	111,270	106,640
EXPENSES		
Charitable Disbursements	77,245	75,169
Golf Tournament	17,696	15,629
Total Charitable Disbursements	94,941	90,798
Net Operating Income (loss)	16,329	15,842
OTHER INCOME/EXPENSES		
Interest Income	-	-
Other Expenses	(7,611)	(8,767)
Total Other Income/Expenses	(7,611)	(8,767)
Increase (Decrease) in Unrestricted Net Assets	8,718	7,075
Beginning Unrestricted Net Assets	35,150	28,075
End of Year Unrestricted Net Assets	\$43,869	\$35,150



Cotton Electric Cooperative

226 N. Broadway
Walters, OK 73572

Non-Profit Org
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OKLAHOMA CITY, OK
PERMIT NO. 324

ANNUAL MEMBERSHIP MEETING:

Stephens County Fair & Expo Center in Duncan

September 28, 2017

Registration begins at **5:30 p.m.**

Business meeting at **7:00 p.m.**

CORPORATE HEADQUARTERS

Cotton Electric Cooperative

226 N. Broadway
Walters, OK 73572
Phone: 580-875-3351
Website: CottonElectric.com

DUNCAN OFFICE

1101 W. Oak
Duncan, OK 73533
Phone: 580-255-5065

MANAGEMENT

Jennifer Meason
Chief Executive Officer

Jeff Simpson
Vice President

Mike Ottinger
Vice President

Bryce Hooper
Vice President