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Annual Report 1966

LUFKIN

Lufkin Foundry And Machine Company

LUFKIN, TEXAS

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Lufkin Foundry And Machine Company

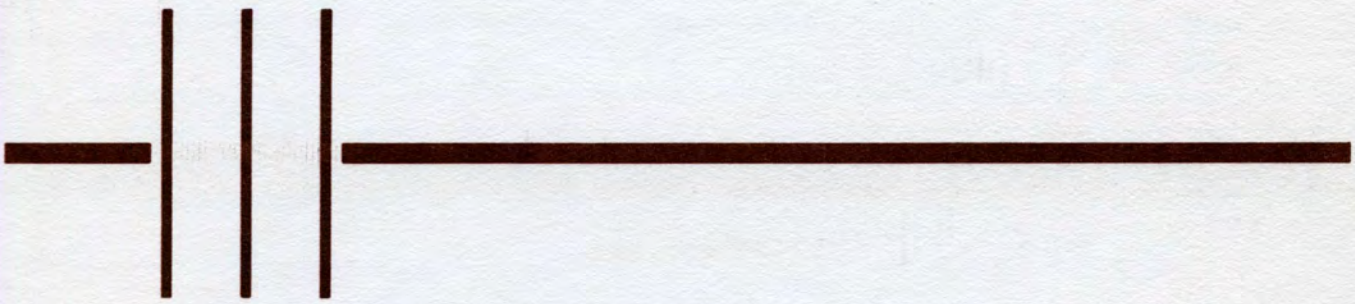
LUFKIN, TEXAS

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DIRECTORS

*S. W. HENDERSON, JR.
*J. H. KURTH, JR.
M. E. KURTH
*L. A. LITTLE
R. L. POLAND
*E. P. TROUT
*W. W. TROUT
*J. L. WIENER
SAMSON WIENER

*Executive Committee



OFFICERS

W. W. TROUT	President
L. A. LITTLE	Executive Vice-President
E. P. TROUT	Executive Vice-President
J. H. KURTH, JR.	Vice-President
C. W. ALEXANDER	Vice-President
R. E. BARR	Vice-President
J. B. HOPPER	Vice-President
R. H. LANG	Vice-President
C. D. RICHARDS	Vice-President
C. J. SCHULLER	Vice-President
W. A. KIRKLAND	Secretary
H. L. DYER	Treasurer

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TO THE STOCKHOLDERS:

Sales of $42,151,959 during the year 1966 established an all-time record for the company, exceeding the previous year by a little more than 2%.

Net earnings for the year were $2,177,486 compared to previous year's earnings of $2,163,085. New stock was issued to key employees in the amount of 3,923 shares, increasing the total number of shares outstanding at year end to 173,923. Earnings were equivalent to $12.52 per share against $12.72 per share the previous year. Our book value increased to $134.15 compared to $127.16, and dividends of $5.45 per share were paid during the year compared to $5.425 in 1965.

The financial condition of the company continues strong with working capital increasing $1,257,170 to a total of $17,421,878. This increase included $470,760 from the sale of new stock. Your company now has a short-term bank indebtedness of $1,833,816, a reduction of $325,184 during the year. There is no long-term indebtedness.

This record was made in spite of a strike that started in late January and lasted twelve weeks. The plant continued to operate, however, at a somewhat reduced rate during this entire period. We can be very proud of our sales, service, office and supervisory personnel, as well as a number of plant people who volunteered to work long hours on production during the strike. In spite of the fact that some of these people had never had any shop experience, and a good many others only a moderate amount, we had some areas in which production records were broken. Most amazing, I think, is that quality of production did not suffer.

During the year, your company purchased approximately 400 acres of land at Homer, about 4-1/2 miles east of Lufkin. Our present plant site inside the city limits is crowded, and there is little room for any further expansion. We have under consideration the moving of our trailer division to the new property.

Part of the present trailer plant buildings were formerly used as a machine shop, and when these buildings are available this will allow the further expansion of other facilities at no construction cost. Our main office is overcrowded, and the present trailer office can be used to advantage to relieve present congestion and avoid the building of an addition to our main office.

Unless there is a substantial disruption in the general economy in 1967, we anticipate that this year will be another period of record sales and earnings.

Walter W. Trout
President

February 24, 1967

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
NET SALES	$42,151,959	$41,280,871
COST OF SALES	32,837,889	32,420,358
Gross income	$ 9,314,070	$ 8,860,513
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	5,423,596	5,215,734
Operating income	$ 3,890,474	$ 3,644,779
OTHER INCOME (DEDUCTIONS):		
Interest income	183,522	283,446
Interest expense	(117,853)	(28,564)
Other income	171,343	163,424
Net income before taxes on income	$ 4,127,486	$ 4,063,085
PROVISION FOR TAXES ON INCOME	1,950,000	1,900,000
NET INCOME	$ 2,177,486	$ 2,163,085
RETAINED EARNINGS, beginning of year	4,617,286	7,626,451
	$ 6,794,772	$ 9,789,536
LESS:		
Cash dividends ($5.45 per share in 1966, $5.43 in 1965)	(934,346)	(922,250)
Transferred to capital stock in connection with four for three stock split	--	(4,250,000)
RETAINED EARNINGS, end of year	$ 5,860,426	$ 4,617,286

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LUFKIN FOUNDRY AND MACHINE

CONSOLIDATED BALANCE SHEET -

ASSETS	1966	1965
CURRENT ASSETS:		
Cash	$ 1,958,321	$ 1,860,313
Temporary investments	90,000	500,000
Accounts receivable, less reserve of $75,000	5,018,044	3,988,061
Installment notes and contracts receivable (including $724,300 in 1966 and $928,486 in 1965 due after one year), less reserve for losses of $125,000 and unearned interest	1,044,382	1,905,252
Inventories, at lower of average cost or market	14,429,381	13,369,731
Total current assets	$22,540,128	$21,623,357
PROPERTY, PLANT, AND EQUIPMENT, at cost	$12,869,505	$11,902,906
Less - Reserve for depreciation	7,178,263	6,612,176
	$ 5,691,242	$ 5,290,730
OTHER ASSETS AND DEFERRED CHARGES	$ 218,066	$ 161,848
	$28,449,436	$27,075,935

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NE COMPANY AND SUBSIDIARIES

ET -- DECEMBER 31, 1966 AND 1965

LIABILITIES	1966	1965
CURRENT LIABILITIES:		
Notes payable to banks	$ 1,833,816	$ 2,159,000
Accounts payable and accrued liabilities	2,036,692	2,034,769
Reserve for income taxes	1,247,742	1,264,880
Total current liabilities	$ 5,118,250	$ 5,458,649
CONTINGENT LIABILITY, notes and conditional sales contracts sold with recourse, $2,000,000 in 1966 and $1,560,000 in 1965		
CAPITAL STOCK AND RETAINED EARNINGS:		
Common stock, par value $100 per share; 175,000 shares authorized; 173,923 shares outstanding in 1966, and 170,000 shares in 1965; 1,077 shares reserved for key employees in 1966	$17,392,300	$17,000,000
Amount received in excess of par value on 3,923 shares of common stock sold in 1966	78,460	--
Retained earnings	5,860,426	4,617,286
	$23,331,186	$21,617,286
	$28,449,436	$27,075,935

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LUFKIN FOUNDRY AND MACHINE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL

FOR THE YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
FUNDS PROVIDED BY:		
Operations -		
Net income	$ 2,177,486	$ 2,163,085
Depreciation, not requiring withdrawal of funds	726,179	698,984
	$ 2,903,665	$ 2,862,069
Sale of capital stock	470,760	--
	$ 3,374,425	$ 2,862,069
DISPOSITION:		
Property, plant, and equipment -- net additions (net of investment tax credit of $49,092 in 1966 and $63,787 in 1965)	$ 1,126,691	$ 1,248,924
Dividends	934,346	922,250
Increase (decrease) in other assets and deferred charges	56,218	(26,654)
	$ 2,117,255	$ 2,144,520
INCREASE IN WORKING CAPITAL	$ 1,257,170	$ 717,549
WORKING CAPITAL, beginning of year	16,164,708	15,447,159
WORKING CAPITAL, end of year	$17,421,878	$16,164,708

OPINION OF INDEPENDENT ACCOUNTANTS

To the Board of Directors,

Lufkin Foundry and Machine Company:

We have examined the consolidated balance sheet of Lufkin Foundry and Machine Company (a Texas corporation) and subsidiaries as of December 31, 1966, and the related consolidated statements of income and retained earnings and source and disposition of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying financial statements present fairly the financial position of Lufkin Foundry and Machine Company and subsidiaries as of December 31, 1966, and the results of their operations and the source and disposition of working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Houston, Texas
February 6, 1967

ARTHUR ANDERSEN & CO.

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BRANCH OFFICES

Machinery Division

Anaco, Venezuela
Ankara, Turkey
Bakersfield, California
Benghazi, Libya
Bogota, Colombia
Brisbane, Australia
Buenos Aires, Argentina
Calgary, Alta., Canada
Casper, Wyoming
Chicago, Illinois
Cleveland, Ohio
Dallas, Texas
Denver, Colorado
Edmonton, Alta., Canada
Estevan, Sask., Canada
Farmington, New Mexico
Great Bend, Kansas
Hobbs, New Mexico
Houston, Texas
Kilgore, Texas
Lafayette, Louisiana
La Paz, Bolivia
London, England
Los Angeles, California
Maracaibo, Venezuela
Mexico City, Mexico
Midland, Texas
Natchez, Mississippi
New York, New York
Odessa, Texas
Oklahoma City, Oklahoma
Pampa, Texas
Paramaribo, Surinam
Pittsburgh, Pennsylvania
Rio De Janeiro, Brazil
San Francisco, California
Shreveport, Louisiana
Sidney, Montana
Talara, Peru
Trinidad, West Indies
Tripoli, Libya
Tulsa, Oklahoma
Wichita Falls, Texas

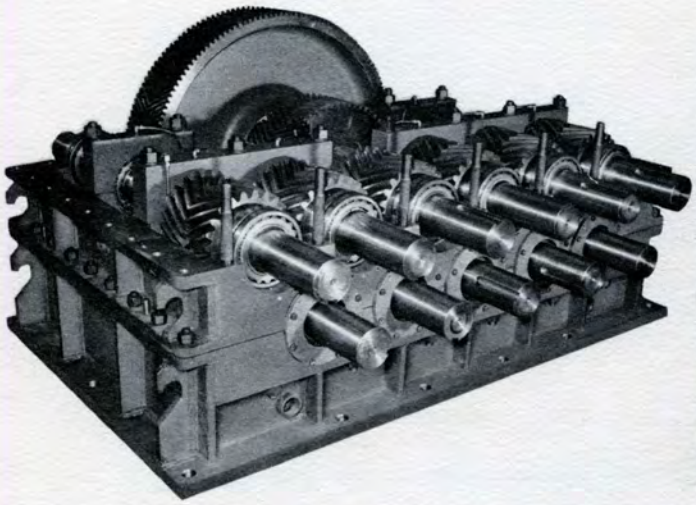
Trailer Division

Atlanta, Georgia
Birmingham, Alabama
Dallas, Texas
Denver, Colorado
Houston, Texas
Jackson, Mississippi
Kansas City, Kansas
Lubbock, Texas
Memphis, Tennessee
Oklahoma City, Oklahoma
San Antonio, Texas
Shreveport, Louisiana

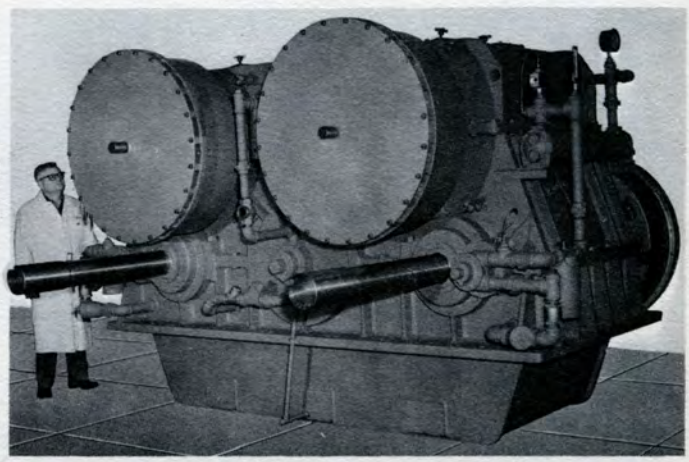
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Two zones produced independently in one well using two separate rod strings and pumps.



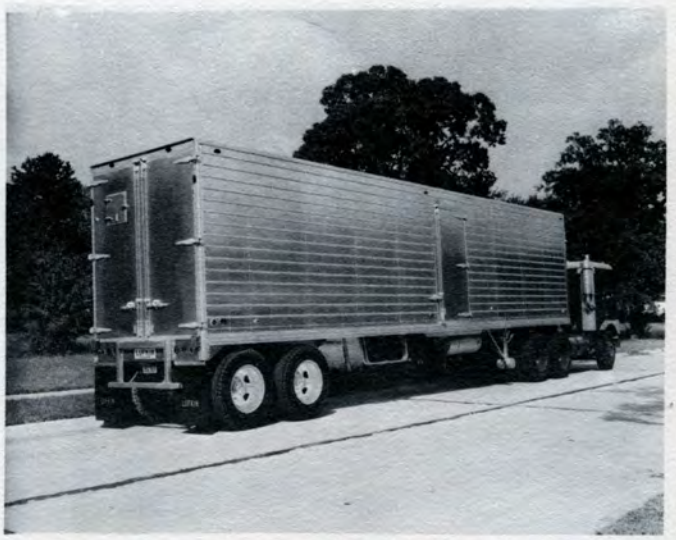
C50–11P Leveller roll drive for steel mill.



RCS8414 Marine propulsion gear driven by two 1700 HP diesels.



A-320D-100-32 Air balanced unit driven by Lufkin H-795 engine.



40 foot aluminum refrigerated van.

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Quality Equipment Since 1902

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