

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION
MI0020

PERIOD ENDED December, 2016 (Prepared with Audited Data)

BORROWER NAME Alger-Delta Co-Operative Electric Association

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Thomas Harrell

3/16/2017

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	14,064,386	14,226,713	13,994,988	1,285,774
2. Power Production Expense				
3. Cost of Purchased Power	6,547,064	6,481,509	6,611,642	633,733
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	589,823	509,027	568,554	29,477
7. Distribution Expense - Maintenance	1,465,615	1,783,249	1,593,385	164,946
8. Customer Accounts Expense	304,590	331,365	384,077	21,568
9. Customer Service and Informational Expense	8,189	9,275	8,207	451
10. Sales Expense				
11. Administrative and General Expense	1,077,430	1,066,548	1,254,533	82,039
12. Total Operation & Maintenance Expense (2 thru 11)	9,992,711	10,180,973	10,420,398	932,214
13. Depreciation and Amortization Expense	1,434,528	1,532,574	1,533,192	131,606
14. Tax Expense - Property & Gross Receipts	421,081	448,830	432,000	44,552
15. Tax Expense - Other				
16. Interest on Long-Term Debt	1,138,444	1,103,815	1,111,804	87,841
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other				
19. Other Deductions	2,340	(91)	3,600	15
20. Total Cost of Electric Service (12 thru 19)	12,989,104	13,266,101	13,500,994	1,196,228
21. Patronage Capital & Operating Margins (1 minus 20)	1,075,282	960,612	493,994	89,546
22. Non Operating Margins - Interest	169,049	169,566	157,920	14,486
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	87,874	87,354	89,297	18,978
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	142,656	215,385	137,500	91,631
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,474,861	1,432,917	878,711	214,641

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0020

PERIOD ENDED

December, 2016

INSTRUCTIONS - See help in the online application.

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	67	56	5. Miles Transmission		
2. Services Retired	85	95	6. Miles Distribution – Overhead	995.16	997.93
3. Total Services in Place	11,171	11,217	7. Miles Distribution - Underground	299.36	300.12
4. Idle Services (Exclude Seasonals)	552	554	8. Total Miles Energized (5 + 6 + 7)	1,294.52	1,298.05

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	51,497,120	30. Memberships	80,923
2. Construction Work in Progress	718,551	31. Patronage Capital	355,621
3. Total Utility Plant (1 + 2)	52,215,671	32. Operating Margins - Prior Years	12,728,455
4. Accum. Provision for Depreciation and Amort.	16,568,322	33. Operating Margins - Current Year	960,614
5. Net Utility Plant (3 - 4)	35,647,349	34. Non-Operating Margins	472,306
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	18,987
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	14,616,906
8. Invest. in Assoc. Org. - Patronage Capital	320,665	37. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	9,094,888
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	465,981	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	16,471,510
12. Other Investments	1,188,009	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	0	42. Payments – Unapplied	3,100,000
14. Total Other Property & Investments (6 thru 13)	1,974,655	43. Total Long-Term Debt (37 thru 41 - 42)	22,466,398
15. Cash - General Funds	872,865	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	18	45. Accumulated Operating Provisions and Asset Retirement Obligations	0
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	0
18. Temporary Investments	0	47. Notes Payable	0
19. Notes Receivable (Net)	0	48. Accounts Payable	869,599
20. Accounts Receivable - Sales of Energy (Net)	715,809	49. Consumers Deposits	137,415
21. Accounts Receivable - Other (Net)	191,271	50. Current Maturities Long-Term Debt	1,253,566
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	281,675	52. Current Maturities Capital Leases	0
24. Prepayments	98,653	53. Other Current and Accrued Liabilities	675,504
25. Other Current and Accrued Assets	16,800	54. Total Current & Accrued Liabilities (47 thru 53)	2,936,084
26. Total Current and Accrued Assets (15 thru 25)	2,177,091	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	206,792
28. Other Deferred Debits	427,085	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	40,226,180
29. Total Assets and Other Debits (5+14+26 thru 28)	40,226,180		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2016

PART D. NOTES TO FINANCIAL STATEMENTS

Part D: Notes to Financial Statements

Part C Assets and Other Debits, Line 25 - \$16,800

Accrued Interest on Cushion of Credit = \$13,329

Accrued Interest on NRUCFC CTC Certificate = \$3,471

Part C Assets and Other Debits, Line 28 - \$427,085

2014-2017 Construction Work Plan Costs = \$40,774

Cooperative participated in 2013 NRECA R&S Prepayment option. This prepaid expense shall be amortized over a 10 year period which represents the coops average age of its workforce as provided by NRECA form the Cooperatives normal retirement age. = \$386,311

Part C Liabilities and Other Credits, Line 50 - \$1,253,566

NRUCFC = \$142,695

FFB = \$219,050

CoBank = \$891,821

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2016

PART D. NOTES TO FINANCIAL STATEMENTS

Part C Liabilities and Other Credits, Line 53 - \$675,504

Accrued Property Tax = \$279,965

Accrued Sales Tax = \$39,498

MI Low income Tax = \$9,284

Renewable Energy Blocks = \$165

Accrued LTD Interest CFC =\$6,124

Accrued LTD Interest CoBank =\$57,819

State Withholding Payable =\$4,359

Accrued Payroll = \$86,463

Accrued Vacation = \$133,379

Accrued Sick Leave = \$40,347

Aflac Payable = \$51

Accrued cost of CPA = \$17,950

Accrued Federal Unemployment Tax= \$24

Accrued State Unemployment Tax =\$76

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION MI0020</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2016</p>
<p>PART D. NOTES TO FINANCIAL STATEMENTS</p>	
<p>Part C Liabilities and Other Credits, Line 56 - \$206,792</p>	
<p>MI Energy Optimization Program =\$22,491</p>	
<p>Deferred Installation Costs =\$119,373</p>	
<p>Consumer Energy Prepayment =\$64,928</p>	

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p style="text-align: center;">FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION</p> <p style="text-align: center;">MI0020</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED</p> <p style="text-align: center;">December, 2016</p>
<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0020

PERIOD ENDED December, 2016

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	45,240,310	3,687,917	514,347		48,413,880
2. General Plant	1,984,581	299,676	36,885		2,247,372
3. Headquarters Plant	659,173	211,700	35,006		835,867
4. Intangibles	0				0
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant	0				0
7. All Other Utility Plant	0				0
8. Total Utility Plant in Service (1 thru 7)	47,884,064	4,199,293	586,238		51,497,119
9. Construction Work in Progress	2,556,590	(1,838,039)			718,551
10. Total Utility Plant (8 + 9)	50,440,654	2,361,254	586,238		52,215,670

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	299,388	375,376	266	383,126		(10,229)	281,675
2. Other	0						0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	1.540	6.474	0.000	73.626	81.640
2. Five-Year Average	6.978	19.001	1.000	52.237	79.216

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	15	4. Payroll - Expensed	752,878
2. Employee - Hours Worked - Regular Time	32,528	5. Payroll - Capitalized	168,587
3. Employee - Hours Worked - Overtime	3,980	6. Payroll - Other	462,158

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	416,325	1,222,814
	b. Special Retirements	1,277	459,336
	c. Total Retirements (a + b)	417,602	1,682,150
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System		
	c. Total Cash Received (a + b)		

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 12,385	2. Amount Written Off During Year	\$ 11,686
----------------------------	-----------	-----------------------------------	-----------

ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM

1. Anticipated Loan Delinquency %		4. Anticipated Loan Default %	
2. Actual Loan Delinquency %		5. Actual Loan Default %	
3. Total Loan Delinquency Dollars YTD	\$	6. Total Loan Default Dollars YTD	\$

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2016

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
1	Wisconsin Public Power Inc	20858	MI EO	Wind	84,398,524	6,481,509	7.68		
	Total				84,398,524	6,481,509	7.68		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2016
PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0020	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2016	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0020	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2016	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/18/2016	2. Total Number of Members 9,949	3. Number of Members Present at Meeting 298	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 1,167	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 64,147	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2016

PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)				
2	National Rural Utilities Cooperative Finance Corporation	1,174,756	78,920	152,352	231,272
3	CoBank, ACB	15,296,753	703,223	889,817	1,593,040
4	Federal Financing Bank	9,094,888	325,745	192,742	518,487
5	RUS - Economic Development Loans				
6	Payments Unapplied	3,100,000			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	22,466,397	1,107,888	1,234,911	2,342,799

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2016

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	5,275	5,239	
	b. kWh Sold			38,767,562
	c. Revenue			7,303,233
2. Residential Sales - Seasonal	a. No. Consumers Served	4,174	4,174	
	b. kWh Sold			8,779,025
	c. Revenue			2,549,018
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	522	521	
	b. kWh Sold			13,187,651
	c. Revenue			2,086,807
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	1	1	
	b. kWh Sold			15,639,410
	c. Revenue			2,077,225
6. Public Street & Highway Lighting	a. No. Consumers Served	31	31	
	b. kWh Sold			339,364
	c. Revenue			65,261
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		10,003	9,966	
11. Total kWh Sold (lines 1b thru 9b)				76,713,012
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				14,081,544
13. Transmission Revenue				
14. Other Electric Revenue				145,170
15. kWh - Own Use				
16. Total kWh Purchased				84,398,524
17. Total kWh Generated				
18. Cost of Purchases and Generation				6,481,509
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				15,145

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0020

PERIOD ENDED December, 2016

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	1,090	58,197	1,479	2,925	220,009	7,065
2. Residential Sales - Seasonal	857	45,726	1,162	1,405	69,174	2,456
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	12	29,483	577	58	138,846	3,132
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting				14	488	12
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	1,959	133,406	3,218	4,402	428,517	12,665

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0020 PERIOD ENDED December, 2016
--	--

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	CUSHION OF CREDIT			155,680	X
	NRUCFC		443,137	13,895	
	COBANK		148,074		
	NISC	44,663			
	RESCO	134,695			
	NRUCFC MEMBERSHIP		1,000		
	CRC MEMBERSHIP	2,501			
	NISC MEMBERSHIP	2,412			
	CRC	9,164			
	COBANK MEMBERSHIP		1,000		
	Totals	193,435	593,211	169,575	
4	Other Investments				
	ATC COMMON STOCK	1,114,145			
	FEDERATED	73,864			
	Totals	1,188,009			
6	Cash - General				
	CASH	622,865	250,000		
	Totals	622,865	250,000		
9	Accounts and Notes Receivable - NET				
	ACCOUNTS RECEIVABLE OTHER	191,271			
	Totals	191,271			
11	TOTAL INVESTMENTS (1 thru 10)	2,195,580	843,211	169,575	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0020 PERIOD ENDED December, 2016
--	--

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0020 PERIOD ENDED December, 2016
--	--

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	4.20 %
--	--------

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
TOTAL					



Financial Statements
December 31, 2016 and 2015

Alger Delta Cooperative Electric Association

Alger Delta Cooperative Electric Association

Table of Contents

December 31, 2016 and 2015

Independent Auditor's Report.....	1
Financial Statements	
Balance Sheets.....	3
Statements of Operations.....	4
Statements of Members' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	8
Supplementary Information	
Independent Auditor's Report on Supplementary Information	18
Directors, Officers and Manager (Unaudited).....	19
Schedule of Long-Term Debt.....	20
Statistical Profiles (Unaudited).....	21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	23
Independent Auditor's Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements	25



Independent Auditor's Report

The Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Alger Delta Cooperative Electric Association, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alger Delta Cooperative Electric Association as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2017, on our consideration of Alger Delta Cooperative Electric Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alger Delta Cooperative Electric Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
April 26, 2017

(This page left blank intentionally.)

	2016	2015
Assets		
Electric Plant		
In service	\$ 51,497,121	\$ 47,884,066
Under construction	718,551	2,556,590
	<u>52,215,672</u>	<u>50,440,656</u>
Total electric plant	52,215,672	50,440,656
Less accumulated depreciation	16,568,324	15,695,394
	<u>35,647,348</u>	<u>34,745,262</u>
Electric plant - net	35,647,348	34,745,262
Other Assets and Investments		
Investments in associated organizations	786,646	742,416
Other investments	1,188,009	1,102,074
	<u>1,974,655</u>	<u>1,844,490</u>
Total other assets and investments	1,974,655	1,844,490
Current Assets		
Cash and cash equivalents	872,883	979,587
Accounts receivable, less allowance for doubtful accounts and power cost adjustment (2016 - \$775,590; 2015 - \$751,873)	715,563	625,750
Accounts receivable - other	191,517	142,645
Materials and supplies	281,675	299,388
Prepayments	98,653	139,781
Interest receivable	16,800	16,809
	<u>2,177,091</u>	<u>2,203,960</u>
Total current assets	2,177,091	2,203,960
Deferred Debits	427,085	529,670
Total Assets	<u>\$ 40,226,179</u>	<u>\$ 39,323,382</u>

See Notes to Financial Statements

Alger Delta Cooperative Electric Association

Balance Sheets

December 31, 2016 and 2015

	2016	2015
Equities and Liabilities		
Equities		
Memberships	\$ 80,923	\$ 80,923
Patronage capital	14,161,462	13,146,159
Other equities	374,518	266,829
Total equities	14,616,903	13,493,911
Long-Term Liabilities		
Long-term debt, less current maturities	22,466,400	22,744,451
Current Liabilities		
Current maturities of long-term debt	1,253,566	1,210,425
Accounts payable	869,599	884,773
Accrued property taxes	333,371	312,176
Accrued payroll and vacation	260,240	247,007
Customer deposits	137,415	114,675
Accrued interest	63,943	68,000
Other	17,950	17,699
Total current liabilities	2,936,084	2,854,755
Deferred Credits	206,792	230,265
Total equities and liabilities	\$ 40,226,179	\$ 39,323,382

Alger Delta Cooperative Electric Association
 Statements of Operations
 Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Electric sales	\$ 14,081,544	\$ 13,908,391
Other sales	145,170	155,994
	14,226,714	14,064,385
Operating Expenses		
Cost of power	6,481,509	6,547,064
Distribution - operation	509,027	589,824
Distribution - maintenance	1,783,251	1,465,614
Customer accounts	331,365	304,590
Customer service	9,275	8,189
Administrative and general	1,066,460	1,077,426
Depreciation and amortization	1,532,574	1,434,528
Taxes - property	448,830	421,081
Interest on long-term debt	1,103,815	1,138,444
Other	-	2,340
Total operating expenses	13,266,106	12,989,100
Operating Margins Before Capital Credits	960,608	1,075,285
Other Cooperative Capital Credits		
CoBank	166,458	96,566
Resco	11,436	10,417
CFC	7,436	8,044
Other associated companies and investments	30,055	27,629
Total other cooperative capital credits	215,385	142,656
Net Operating Margins	1,175,993	1,217,941
Non-Operating Margins		
Interest and investment income	262,239	246,243
Gain (loss) on disposal of assets	(8,174)	7,700
Other income, net	2,856	2,979
Total non-operating margins	256,921	256,922
Net Margins	\$ 1,432,914	\$ 1,474,863

Alger Delta Cooperative Electric Association
 Statements of Members' Equity
 Years Ended December 31, 2016 and 2015

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Other</u>	<u>Total</u>
Balance, December 31, 2014	\$ 80,923	\$ 12,042,255	\$ 164,930	\$ 12,288,108
Net margins	-	1,474,863	-	1,474,863
Retirement of capital credits	-	(370,959)	-	(370,959)
Unclaimed capital credits	-	-	101,899	101,899
Balance, December 31, 2015	80,923	13,146,159	266,829	13,493,911
Net margins	-	1,432,914	-	1,432,914
Retirement of capital credits	-	(417,611)	-	(417,611)
Unclaimed capital credits	-	-	107,689	107,689
Balance, December 31, 2016	<u>\$ 80,923</u>	<u>\$ 14,161,462</u>	<u>\$ 374,518</u>	<u>\$ 14,616,903</u>

Alger Delta Cooperative Electric Association

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Operating Activities		
Net margins	\$ 1,432,914	\$ 1,474,863
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation and amortization	1,607,406	1,509,360
Gain (loss) on sale of assets	(8,174)	7,700
Noncash patronage capital allocations	(285,339)	(211,460)
Changes in assets and liabilities		
Accounts receivable	(138,685)	62,448
Interest receivable	9	(234)
Prepaid expenses	41,128	660
Deferred debits	102,585	102,584
Accounts payable	(15,174)	66,842
Accrued taxes	21,195	(14,830)
Accrued interest	(4,057)	27,106
Other current liabilities	36,224	7,876
Deferred credits	(23,473)	(2,039)
Net Cash from Operating Activities	2,766,559	3,030,876
Investing Activities		
Construction and retirement costs	(2,146,095)	(4,173,863)
Purchase of general plant assets	(511,377)	(251,687)
Cash received from sale of general plant	-	200
Cash received from investments in associated organizations	155,174	150,992
Proceeds from sale of salvage property	26,349	10,816
Change in materials and supplies	17,713	50,766
Net Cash used for Investing Activities	(2,458,236)	(4,212,776)
Financing Activities		
Principal payments on long-term debt	(1,234,910)	(1,081,300)
Proceeds from issuance of long-term debt	1,000,000	2,000,000
Member construction contributions received	129,805	565,590
Patronage capital retired	(309,922)	(269,060)
Net Cash from (used for) Financing Activities	(415,027)	1,215,230
Net Change in Cash and Cash Equivalents	(106,704)	33,330
Cash and Cash Equivalents at Beginning of Year	979,587	946,257
Cash and Cash Equivalents at End of Year	\$ 872,883	\$ 979,587

Alger Delta Cooperative Electric Association
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 1,107,872</u>	<u>\$ 1,111,338</u>
Supplemental Schedule of Noncash Financing Activities:		
Refinancing of RUS long-term debt through issuance of long-term debt from CoBank	<u>\$ -</u>	<u>\$ 8,739,754</u>
Increase in other equities due to unclaimed capital credits	<u>\$ 107,689</u>	<u>\$ 101,899</u>

Note 1 - Summary of Significant Accounting Policies**General**

Alger Delta Cooperative Electric Association (Alger Delta or the Association), Gladstone, Michigan, a Michigan corporation, provides for the electric energy needs of its member-owners. Alger Delta's service area covers a six county region in the Upper Peninsula of Michigan.

Financial Statement Presentation

The Association is subject to the accounting and reporting rules and regulations of Rural Utility Service (RUS). The Association follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS.

Rates charged to consumers are established by the Board of Directors and are subject to approval by RUS and other regulatory and /or lending agencies.

As a result of the ratemaking process, the Association applies Accounting Standards Codification (ASC) 980, *Regulated Operations*. The application of generally accepted accounting principles by the Association differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Regulation

Under the authority of PA 167 of 2008, the Association is member-regulated for rate changes, billing practices, accounting standards, and terminations and connection of service. All other aspects of electric service continue to be regulated by the Michigan Public Service Commission. The Association's accounting policies and the accompanying financial statements, except as noted above, conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

Electric Plant and Retirements

Property and equipment are carried at cost less contributions in aid of construction. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. When units of general plant property that are specifically identifiable are retired, sold or otherwise disposed of in the ordinary course of business, their book cost less net salvage is recognized as a gain or loss. All other units of property, primarily distribution plant, that are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation

Depreciation for financial reporting purposes is determined by straight-line method based upon the estimated useful lives of the various classes of property.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in other cooperatives and associated organizations and other investments are stated at cost, including undistributed patronage capital allocations. The investments are increased by allocations and decreased by retirements. Management believes the carrying amounts of these investments at December 31, 2016 and 2015, included in investments in associated companies and other investments are not impaired.

Fair Value Measurements

The Association has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Association does not have any assets or liabilities subject to the level 1, 2, or 3 valuation as of December 31, 2016 and 2015 and does not anticipate participating in transactions of this type in the future.

Receivables and Credit Policies

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A trade receivable is considered to be past due if any portion of the receivable is outstanding for more than 30 days.

Materials and Supplies

Materials and supplies are stated at average cost.

Deferred Debits

Deferred debits consist primarily of engineering costs for future work plans and equipment clearing accounts. Engineering costs are amortized over the remaining term of the work plan. Clearing charges are spread to work orders based on equipment use for those work orders. Deferred debits also include a retirement security prepayment made to ensure proper funding of the Retirement Security Plan which is being amortized over a fifteen year period.

Patronage Capital

The Association operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Association from its operations in excess of costs and expenses, to the extent they are not needed to offset current or prior losses, are assigned to patrons on a patronage basis.

Revenue Recognition

Revenue is recorded in the accounting period during which the usage occurs.

Power Costs

Monthly billings from the wholesale power supplier for power costs are reflected in the financials statement to the end of the month.

Deferred Credits

Deferred credits consist primarily of customer advance payments made by consumers in connection with electric services, deferred installation costs on special equipment, and energy optimization grant funds.

Pension Costs

It is the policy of the Association to fund normal pension cost accrued.

Business and Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist primarily of temporary cash instruments and trade receivables. The Association provides electrical service on account to its members whom are located in the Upper Peninsula of Michigan. The Association has established policies for extending the credit based upon factors surrounding the credit risk of specified members, historical trends and other information. Concentrations of credit risk with respect to trade receivables from mining companies comprising approximately 16% and 13% of the balance as of December 31, 2016 and 2015, respectively.

The Association maintains its cash balances in two financial institutions located in the Upper Peninsula of Michigan. Such balances are insured by the Federal Deposit Insurance Corporation up to a maximum of \$250,000. The balances of those deposits may exceed the insurance coverage at various times during the year, therefore, the Association has received a pledge of collateral from the financial institution where the Association maintains its primary depository accounts. The pledged collateral has a par value of approximately \$2.0 million.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Association expenses the costs of advertising as incurred.

Income Taxes

The Association is exempt from income taxes under Section 501(c)(12). The Association is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Association files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Association evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2016 and 2015, the unrecognized tax benefit accrual was zero. The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Sales Taxes

The Association has customers in a state which imposes a sales tax on certain sales. The Association collects those sales taxes from its customers and remits the entire amount to the state of Michigan. The Association's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Subsequent Events

The Association has evaluated subsequent events through April 26, 2017, the date which the financial statements were available to be issued.

Alger Delta Cooperative Electric Association

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Electric Plant

	2016		2015	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Distribution plant	\$ 48,413,881	2.56% - 4.00%	\$ 45,240,311	2.56% - 4.00%
General plant	3,083,240	2% - 33%	2,643,755	2% - 33%
Electric plant in service	51,497,121		47,884,066	
Construction work-in-progress	718,551		2,556,590	
Total electric plant	\$ 52,215,672		\$ 50,440,656	

Note 3 - Accounts Receivable - Electric

	2016	2015
Billed electric accounts receivable	\$ 1,446,722	\$ 1,337,389
Unbilled electric usage	44,431	40,234
Allowance for doubtful accounts	(63,809)	(48,994)
Power cost adjustment allowance	(711,781)	(702,879)
Total	\$ 715,563	\$ 625,750

Alger Delta has set up a power cost adjustment allowance to cover any potential uncollectible accounts and allow the Association to keep rates stable should a large customer member cease or substantially decrease operations. The unbilled electric usage is power that has been delivered to members but not yet billed by the Association.

Note 4 - Investments in Associated Organizations

	2016	2015
National Rural Utilities Cooperative Finance Corporation		
Capital term certificates	\$ 315,210	\$ 318,081
Patronage capital credits	124,209	124,209
National Information Services Cooperative		
Patronage capital credits	44,663	37,635
Rural Electric Supply Cooperative		
Patronage capital credits	134,695	140,837
Memberships	6,912	6,912
Other	160,957	114,742
	\$ 786,646	\$ 742,416

Note 5 - Other Investments

	2016	2015
American Transmission Company, LLC	\$ 1,114,055	\$ 1,036,760
ATC Management, Inc.	90	90
Federated Insurance	73,864	65,224
	\$ 1,188,009	\$ 1,102,074

Note 6 - Deferred Debits

	2016	2015
Deferred Debits		
Retirement security prepayment	\$ 386,311	\$ 448,121
Deferred work plan	40,774	81,549
	\$ 427,085	\$ 529,670

Note 7 - Patronage Capital

	2016	2015
Assignable	\$ 1,432,914	\$ 1,474,863
Assigned to date	13,896,309	12,421,446
Total	15,329,223	13,896,309
Retired to date	1,167,761	750,150
Total	\$ 14,161,462	\$ 13,146,159

Under the provisions of the Mortgage Agreements, until the equities and margins equal or exceed 30 percent of the total assets of the Association, the return to patrons of capital contributed by them is limited generally to 25 percent of the patronage capital or margins received by the Association in the preceding year. The equities and margins of the Association represent 36.34% and 34.32% percent of the total assets at December 31, 2016 and 2015, respectively.

Note 8 - Memberships and Other Equities

	2016	2015
Retired capital credits	\$ 355,531	\$ 248,521
Donated capital	18,987	18,308
Total	\$ 374,518	\$ 266,829

Membership balances were \$80,923 at December 31, 2016 and 2015. Memberships, donated capital and capital gains and losses are considered permanent equity of the Association. The retired unclaimed capital credits will be refunded to members upon notice from the respective member.

Note 9 - Mortgage Notes

Long-term debt consists of the following:

	2016	2015
FFB mortgage notes payable in quarterly installments including interest at 2.28%-4.49% maturing to the year 2045, secured by utility plant assets	\$ 9,313,939	\$ 8,506,681
RUS cushion of credit (prepayment) at 5.0%	(3,100,000)	(3,100,000)
NRUCFC mortgage notes payable in quarterly installments including interest at 3.30%-7.20%, maturing in the year 2034, secured by utility plant assets	1,317,452	1,469,804
CoBank mortgage notes payable in monthly installments including interest at 3.02%-4.33%, maturing in the year 2036, secured by utility plant assets	16,188,575	17,078,391
	23,719,966	23,954,876
Less current maturities	1,253,566	1,210,425
	\$ 22,466,400	\$ 22,744,451

Substantially all assets are pledged as collateral on long-term debt payable to the Rural Utilities Service (RUS) of the United States of America, Federal Financing Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank. Additionally, the Association has \$4,000,000 in loan funds available from FFB. The Association has no unadvanced loan funds from RUS, CoBank or CFC as of December 31, 2016.

Subsequent to year end, the Association approved an advance of \$500,000 on their Federal Financing Bank loan dated March 28, 2017.

It is estimated that the minimum principal requirements for the next five years are as follows:

	FFB	NRUCFC	CoBank	Total
2017	\$ 219,050	\$ 142,695	\$ 891,821	\$ 1,253,566
2018	225,932	131,215	895,472	1,252,619
2019	230,973	121,466	897,164	1,249,603
2020	237,658	110,405	904,644	1,252,707
2021	247,275	110,137	919,879	1,277,291
Thereafter	5,053,051	701,534	11,679,595	17,434,180
	\$ 6,213,939	\$ 1,317,452	\$ 16,188,575	\$ 23,719,966

All loan funds advanced by RUS, FFB, and CFC are deposited in a special trust bank account, the disbursements from which are restricted by the provisions of the loan agreement to purposes approved by RUS, FFB, and CFC.

The security agreement (mortgage) restricts the Association's debt limit to \$50,000,000.

Note 10 - Line of Credit

The Association has executed a perpetual line of credit with CFC, providing the Association with short-term loans in the total amount of \$500,000 on a revolving basis. Interest on unpaid principal is payable monthly at rates established by CFC. Interest rates as of December 31, 2016 and 2015 were 2.50% and 2.90% respectively. There were no outstanding balances on the line at December 31, 2016 and 2015.

The Association has executed a perpetual line of credit with CoBank, providing the Association with short-term loans in the total amount of \$1,000,000 on a revolving basis. Interest on unpaid principal is payable monthly at rates established by CoBank. Interest rates as of December 31, 2016 and 2015 were 2.87% and 2.53% respectively. There were no outstanding balances on the line at December 31, 2016 and 2015.

Note 11 - Benefit Plan**Pension Plan**

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Alger Delta Cooperative Electric Association's contributions to the RS Plan in 2016 and 2015 represented less than five percent of the total contributions made to the plan by all participating employers. The Association made contributions to the plan of \$227,079 and \$180,377 for the years ended December 31, 2016 and 2015, respectively. There have been no significant changes that affect the comparability of 2015 and 2014 contributions. In 2013, the Association made a \$618,098 prepayment to the National Rural Electric Cooperative Association for the Retirement Security Plan to enhance the Plan's funded status. With this prepayment, the Association will pay 25% lower premiums than cooperatives in the Retirement Security Plan that did not make a prepayment. The prepayment will be amortized over 15 years. The amortization expense was \$61,810 for both of the years ended December 31, 2016 and 2015.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2016 and on January 1, 2015, respectively, based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

401(k) Plan

Alger-Delta adopted two NRECA 401(k) plans effective October 1, 2013. The first plan covers all employees hired on or before December 31, 2011. Under the provision of the plan, eligible employees may contribute discretionary amounts up to the 401(k) contribution limits with no employer matching requirements. The plan has ten participating employees contributing with pre-tax dollars.

In addition to the above retirement plan, all employees of the Association hired on or after January 1, 2012 are eligible to participate in the NRECA 401(k) Pension Plan. Under the provisions of this plan, eligible employees may also contribute discretionary amounts up to 401(k) contribution limits.

Note 12 - Deferred Credits

	2016	2015
Energy optimization	\$ 22,491	\$ 77,480
Deferred installation costs of special equipment	119,373	96,888
Customer prepayments	64,928	55,897
Total	\$ 206,792	\$ 230,265

Note 13 - Major Member

The Association derived 10% or more of its revenue from one member totaling \$2,077,225 and \$1,956,515 during the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the Association has accounts receivable totaling \$214,524 and \$172,143 respectively, from this member.

Note 14 - Commitments and Contingencies

Wholesale Power Agreement

Under its wholesale power agreement, the Association is committed to purchase its electric power and energy requirements from Wisconsin Public Power Incorporated (WPPI), until January 25, 2055. The rates paid therefore are subject to review by the seller at such intervals as deemed appropriate.

Concentration of Sources of Labor

At December 31, 2016, the Association has approximately 67% of its employees covered by a collective bargaining agreement. The collective bargaining agreement for employees will expire on November 30, 2018.



Supplementary Information
December 31, 2016 and 2015

Alger Delta Cooperative Electric Association



Independent Auditor's Report on Supplementary Information

The Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

We have audited the financial statements of Alger Delta Cooperative Electric Association as of and for the years ended December 31, 2016 and 2015, and our report thereon dated April 26, 2017 which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 19 through 22 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. With the exception of the listing of directors, officers, and manager, and the statistical profile, the information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The listing of directors, officers, and manager, and the statistical profile have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Fargo, North Dakota
April 26, 2017

Alger Delta Cooperative Electric Association
Directors, Officers and Manager (Unaudited)
December 31, 2016 and 2015

Directors

<u>Name</u>	<u>Address</u>	<u>Principal Business</u>
Karen Alholm	Marquette, Michigan	Retired
David Prestin	Stephenson, Michigan	Business Owner
David Anthony	Bark River, Michigan	Economic Development Manager
Michael Lawless	Grand Marais, Michigan	Business Owner
Paul Sederquist	Daggett, Michigan	Retired
Sue Alexander	Rapid River, Michigan	Retired
Raymond Young	Cooks, Michigan	Retired
Darryl Small	Big Bay, Michigan	Retired
Doug Bovin	Gladstone, Michigan	Retired

Officers and Manager

David Anthony	Chairperson
Paul Sederquist	Vice Chairperson
Darryl Small	Secretary/Treasurer
Tom Harrell	General Manager

Alger Delta Cooperative Electric Association
Schedule of Long-Term Debt
Year Ended December 31, 2016 and 2015

Note	Maturity Date	Interest Rate	Principal Amount	Principal Repayment	Net Obligation	
					2016	2015
RUS						
Cusion of Credit			\$ -	\$ 3,100,000	\$ (3,100,000)	\$ (3,100,000)
Total RUS			-	3,100,000	(3,100,000)	(3,100,000)
FFB						
H0010	2042	4.392	500,000	58,139	441,861	451,163
H0015	2042	4.095	500,000	53,105	446,895	456,210
H0020	2042	4.181	370,000	38,750	331,250	338,058
H0025	2042	4.486	700,000	69,721	630,279	642,602
H0030	2042	3.915	750,000	82,018	667,982	682,318
H0035	2042	3.512	1,000,000	118,744	881,256	901,427
H0040	2042	3.486	2,580,000	174,204	2,405,796	2,461,089
H0045	2042	3.490	600,000	39,762	560,238	573,814
H0050	2048	2.695	1,000,000	14,177	985,823	1,000,000
H0055	2048	2.563	1,000,000	14,540	985,460	1,000,000
H0060	2048	2.284	1,000,000	22,901	977,099	-
Total FFB			10,000,000	686,061	\$9,313,939	8,506,681
CFC						
9005	2017	4.80	495,000	477,272	17,728	51,941
9006	2017	3.30	29,000	27,492	1,508	3,461
9007	2019	6.75	488,000	406,426	81,574	110,568
9008	2021	7.00	366,667	253,583	113,084	132,501
9009	2023	7.20	658,333	390,118	268,215	296,726
9010	2027	3.40	608,333	286,898	321,435	345,148
9011	2034	5.95	675,000	161,092	513,908	529,459
Total CFC			3,320,333	2,002,881	1,317,452	1,469,804
CoBank						
2434606	2027	4.33	2,697,222	1,400,626	1,296,596	1,550,934
2590375	2032	4.22	7,302,681	1,232,822	6,069,859	6,345,965
2693474	2023	3.02	618,607	210,761	407,846	466,258
2932594	2033	3.98	1,047,186	45,325	1,001,861	1,043,769
2932586	2034	4.05	2,502,222	98,854	2,403,368	2,494,773
2932577	2036	4.15	5,190,346	181,301	5,009,045	5,176,692
Total CoBank			19,358,264	3,169,689	16,188,575	17,078,391
Total Long-Term Debt			\$ 32,678,597	\$ 8,958,631	\$ 23,719,966	\$ 23,954,876

Alger Delta Cooperative Electric Association
Statistical Profiles (Unaudited)
December 31, 2016 and 2015

	2015 CFC Key Ratio Trend Analysis			Alger Delta Cooperative Electric Association December 31		
	U. S.	M.I.	Major Current Power Supplier	2016	2015	2014
1. Times Interest Earned Ratio (TIER)	2.48	2.30	2.30	2.30	2.30	2.12
2. Average Times Interest Earned Ratio (TIER)	2.76	2.29	2.29	2.30	2.29	2.20
3. Operating TIER (OTIER)	2.03	1.58	2.03	1.87	2.03	1.83
4. Average OTIER	2.07	1.99	2.06	1.95	1.95	1.95
5. Debt Service Coverage (DSC)	2.02	1.80	1.80	1.74	1.80	1.70
6. Average DSC	2.18	1.84	1.84	1.77	1.84	1.79
7. Operating DSC (ODSC)	1.73	1.50	1.67	1.61	1.70	1.58
8. Average ODSC	1.84	1.64	1.72	1.65	1.73	1.68
9. MDSC	1.82	1.57	1.75	1.72	1.70	1.70
10. Blended interest rate	4.13	4.05	4.85	4.63	4.85	5.02
11. Plant revenue ratio	6.89	6.71	6.71	6.74	6.71	6.34
12. Equity ratio %	44.23	34.32	34.32	36.34	34.32	33.11
13. Debt ratio %	43.71	53.12	57.84	58.97	57.84	59.09
14. General funds/total plant	4.05	1.52	4.13	3.95	4.13	4.23
15. Current ratio	1.24	0.77	0.77	0.74	0.77	0.86
16. Rate of return	5.12	5.58	7.21	8.54	7.21	7.32

Alger Delta Cooperative Electric Association
Statistical Profiles (Unaudited)
December 31, 2016 and 2015

	2015 CFC Key Ratio Trend Analysis			Alger Delta Cooperative Electric Association December 31		
	U. S.	M.I.	Major Current Power Supplier	2016	2015	2014
17. Total customers (average number receiving service)	14,007	33,101	9,949	9,966	9,949	9,948
18. Customers/mile	6.00	7.69	7.69	7.68	7.69	7.76
19. Total margins/customer	\$ 150.99	\$ 117.96	\$ 145.11	\$ 143.78	\$ 148.24	\$ 133.03
20. Customer accounting expense/customer	\$ 60.02	\$ 41.93	\$ 30.62	\$ 33.25	\$ 30.62	\$ 28.88
21. Administrative and general expense/customer	\$ 137.23	\$ 88.47	\$ 108.30	\$107.01	\$108.29	\$105.14
22. Operations and maintenance/\$1,000 plant	\$ 42.23	\$ 42.27	\$ 40.75	\$ 43.90	\$ 40.75	\$ 49.20
25. Revenue/KWH sold (mills)	112.29	131.55	187.77	185.45	187.77	188.31
26. Power cost/KWH sold (mills)	71.48	85.28	87.41	84.49	87.41	87.39
27. Power cost/revenue	62.11	63.28	46.55	45.56	46.55	46.41
28. System loss	5.11%	5.86%	10.77%	9.11%	10.77%	11.06%



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and other Matters based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

The Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Alger Delta Cooperative Electric Association, which comprise the balance sheet as of December 31, 2016, and the related statement of operations, members' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
April 26, 2017



Independent Auditor's Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements

The Board of Directors
Alger Delta Cooperative Electric Association
Gladstone, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alger Delta Cooperative Electric Association which comprise the balance sheet as of December 31, 2016, and the related statements of operations, members' equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2017. In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2017 on our consideration of Alger Delta Cooperative Electric Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Alger Delta Cooperative Electric Association failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding of Alger Delta Cooperative Electric Association's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Alger Delta Cooperative Electric Association's accounting and records to indicate that Alger Delta Cooperative Electric Association did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

During the period of this audit, the Association did not receive any long-term loan fund advances from CFC on loans controlled by the CFC Mortgage and Loan Agreement;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

Detailed Schedule of Deferred Debits and Deferred Credits

	<u>2016</u>	<u>2015</u>
Deferred Debits		
Retirement security prepayment	\$ 386,311	\$ 448,121
Deferred work plan	40,774	81,549
	<u> </u>	<u> </u>
Total	<u>\$ 427,085</u>	<u>\$ 529,670</u>

	<u>2016</u>	<u>2015</u>
Deferred Credits		
Energy optimization	\$ 22,491	\$ 77,480
Deferred installation costs of special equipment	119,373	96,888
Customer prepayments	64,928	55,897
	<u> </u>	<u> </u>
Total	<u>\$ 206,792</u>	<u>\$ 230,265</u>

Detailed Schedule of Equity Investments

	<u>2016</u>	<u>2015</u>
American Transmission Company, LLC		
Member units: 2016 - 58,844; 2015 - 58,080	\$ 1,114,055	\$ 1,036,760
ATC Management, Inc.		
9 Shares class A common, \$0.01 par value	90	90
Federated Insurance		
175 shares preferred class E stock	<u>73,864</u>	<u>65,224</u>
	<u>\$ 1,188,009</u>	<u>\$ 1,102,074</u>

This report is intended solely for the information and use of the board of directors, management, the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Fargo, North Dakota
April 26, 2017