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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0043

PERIOD ENDED December, 2016 (Prepared with Audited Data)

BORROWER NAME

Cloverland Electric Co-operative

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.

Daniel Dasho

3/24/2017

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	78,518,997	79,402,573	82,834,312	7,128,197
2. Power Production Expense	3,613,062	4,040,849	4,267,441	371,568
3. Cost of Purchased Power	37,527,931	35,139,919	39,424,500	2,825,764
4. Transmission Expense	8,546,340	9,028,438	8,506,300	704,292
5. Regional Market Expense				
6. Distribution Expense - Operation	3,012,792	2,776,011	3,094,753	13,664
7. Distribution Expense - Maintenance	4,658,115	5,385,250	4,862,180	580,759
8. Customer Accounts Expense	1,673,858	2,277,231	2,449,116	175,175
9. Customer Service and Informational Expense	1,246,266	1,362,200	1,397,550	123,052
10. Sales Expense	120,155	121,785	123,628	8,594
11. Administrative and General Expense	4,901,513	4,388,648	4,250,179	700,701
12. Total Operation & Maintenance Expense (2 thru 11)	65,300,032	64,520,331	68,375,647	5,503,569
13. Depreciation and Amortization Expense	5,706,677	6,098,646	6,010,689	519,543
14. Tax Expense - Property & Gross Receipts	2,802,965	2,768,714	2,995,000	45,301
15. Tax Expense - Other	1,982	(4,000)	4,000	(3)
16. Interest on Long-Term Debt	4,128,848	4,381,818	4,366,592	400,079
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	151,969	111,191	63,400	27,074
19. Other Deductions	21,015	40,759	35,000	2,645
20. Total Cost of Electric Service (12 thru 19)	78,113,488	77,917,459	81,850,328	6,498,208
21. Patronage Capital & Operating Margins (1 minus 20)	405,509	1,485,114	983,984	629,989
22. Non Operating Margins - Interest	92,074	188,448	220,300	13,638
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	(18,394)	(19,754)	8,300	(16,508)
25. Non Operating Margins - Other	733,330	909,040	974,260	130,341
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	253,687	299,361	175,000	27,108
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,466,206	2,862,209	2,361,844	784,568

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0043

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	172	592	5. Miles Transmission		
2. Services Retired	135	191	6. Miles Distribution – Overhead	2,856.79	2,855.29
3. Total Services in Place	44,427	44,828	7. Miles Distribution - Underground	635.94	641.70
4. Idle Services (Exclude Seasonals)	2,037	1,686	8. Total Miles Energized (5 + 6 + 7)	3,492.73	3,496.99

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	186,319,977	30. Memberships	132,330
2. Construction Work in Progress	3,967,821	31. Patronage Capital	26,506,682
3. Total Utility Plant (1 + 2)	190,287,798	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	41,489,419	33. Operating Margins - Current Year	1,784,474
5. Net Utility Plant (3 - 4)	148,798,379	34. Non-Operating Margins	1,507,314
6. Non-Utility Property (Net)	51,472	35. Other Margins and Equities	940,864
7. Investments in Subsidiary Companies	635,084	36. Total Margins & Equities (30 thru 35)	30,871,664
8. Invest. in Assoc. Org. - Patronage Capital	777,377	37. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	111,535,321
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	11,953,027	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	26,204,517
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	737,142	42. Payments – Unapplied	0
14. Total Other Property & Investments (6 thru 13)	14,154,102	43. Total Long-Term Debt (37 thru 41 - 42)	137,739,838
15. Cash - General Funds	2,790,350	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	1,992,776
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	1,992,776
18. Temporary Investments	10	47. Notes Payable	4,450,000
19. Notes Receivable (Net)	0	48. Accounts Payable	4,497,628
20. Accounts Receivable - Sales of Energy (Net)	4,493,034	49. Consumers Deposits	656,743
21. Accounts Receivable - Other (Net)	928,838	50. Current Maturities Long-Term Debt	3,950,877
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	3,464,147	52. Current Maturities Capital Leases	0
24. Prepayments	399,397	53. Other Current and Accrued Liabilities	4,429,648
25. Other Current and Accrued Assets	2,279,626	54. Total Current & Accrued Liabilities (47 thru 53)	17,984,896
26. Total Current and Accrued Assets (15 thru 25)	14,355,402	55. Regulatory Liabilities	0
27. Regulatory Assets	10,662,129	56. Other Deferred Credits	802,541
28. Other Deferred Debits	1,421,703	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	189,391,715
29. Total Assets and Other Debits (5+14+26 thru 28)	189,391,715		

<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;">MI0043</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. NOTES TO FINANCIAL STATEMENTS</p>	

<p>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION</p> <p>MI0043</p>
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<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

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	131,065,167	11,122,429	1,526,054		140,661,542
2. General Plant	12,348,226	683,586	277,880		12,753,932
3. Headquarters Plant	4,896,652	318,717			5,215,369
4. Intangibles	7,508,661				7,508,661
5. Transmission Plant	83,442				83,442
6. Regional Transmission and Market Operation Plant	0				0
7. All Other Utility Plant	19,863,438	282,505	48,912		20,097,031
8. Total Utility Plant in Service (1 thru 7)	175,765,586	12,407,237	1,852,846		186,319,977
9. Construction Work in Progress	5,709,057	(1,741,236)			3,967,821
10. Total Utility Plant (8 + 9)	181,474,643	10,666,001	1,852,846		190,287,798

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	3,564,699	1,506,762	1,601	1,653,462	227	38,056	3,457,429
2. Other	6,832	0	0	0	114	0	6,718

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	18,100	83.600	15,000	324,200	440,900
2. Five-Year Average	19.600	224,200	10,000	279,000	532,800

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	105	4. Payroll - Expensed	6,017,302
2. Employee - Hours Worked - Regular Time	225,662	5. Payroll - Capitalized	1,398,285
3. Employee - Hours Worked - Overtime	12,576	6. Payroll - Other	2,421,135

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	481,143	14,789,935
	b. Special Retirements	18,856	818,186
	c. Total Retirements (a + b)	499,999	15,608,121
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	115,182	
	c. Total Cash Received (a + b)	115,182	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 336,185	2. Amount Written Off During Year	\$ 146,219
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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 MI0043
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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 Electric Power Co	20847			380,594,600	27,519,719	7.23		
2	U S Corps of Engineers	800285			145,707,407	3,668,578	2.52		
3	Midwest Independent Transmission System Operator, Inc. (IN)	800420				3,951,622	0.00		
	Total				526,302,007	35,139,919	6.68		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0043
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PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		
2		
3		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0043	
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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 MI0043	
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PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/9/2016	2. Total Number of Members 34,090	3. Number of Members Present at Meeting 51	4. Was Quorum Present? N/A
5. Number of Members Voting by Proxy or Mail 4,139	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 263,371	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 MI0043
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)	0			
2	National Rural Utilities Cooperative Finance Corporation	3,547,817	100,833	334,543	435,376
3	CoBank, ACB	22,656,700	862,996	1,027,677	1,890,673
4	Federal Financing Bank	111,535,321	3,411,359	2,447,041	5,858,400
5	RUS - Economic Development Loans				
6	Payments Unapplied				
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	137,739,838	4,375,188	3,809,261	8,184,449

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0043
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	27,962	27,960	
	b. kWh Sold			246,435,135
	c. Revenue			29,910,174
2. Residential Sales - Seasonal	a. No. Consumers Served	6,337	6,384	
	b. kWh Sold			15,539,303
	c. Revenue			2,930,278
3. Irrigation Sales	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	8,239	8,115	
	b. kWh Sold			177,858,617
	c. Revenue			20,752,831
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	98	99	
	b. kWh Sold			253,549,459
	c. Revenue			23,869,494
6. Public Street & Highway Lighting	a. No. Consumers Served	85	84	
	b. kWh Sold			2,991,748
	c. Revenue			511,007
7. Other Sales to Public Authorities	a. No. Consumers Served	4	4	
	b. kWh Sold			3,745,514
	c. Revenue			123,153
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
9. Sales for Resale - Other	a. No. Consumers Served	1	1	
	b. kWh Sold			4,821,300
	c. Revenue			136,125
10. Total No. of Consumers (lines 1a thru 9a)		42,726	42,647	
11. Total kWh Sold (lines 1b thru 9b)				704,941,076
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				78,233,062
13. Transmission Revenue				0
14. Other Electric Revenue				1,169,511
15. kWh - Own Use				3,087,204
16. Total kWh Purchased				526,302,007
17. Total kWh Generated				214,793,658
18. Cost of Purchases and Generation				48,209,206
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				129,200

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

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)	6,133	511,617	12,928	27,960	22,122,085	58,377
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	437	710,645	17,480	1,639	29,676,578	101,256
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	6,570	1,222,262	30,408	29,599	51,798,663	159,633

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 MI0043 PERIOD ENDED December, 2016
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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)
1	Non-Utility Property (NET)				
	ESE Acquisition	51,472			
	Totals	51,472			
2	Investments in Associated Organizations				
	NRUCFC		293,511	6,066	
	NISC	180,493		27,108	
	NRTC	566			X
	CRC	26,708		2,531	
	RESCO	276,098		23,204	X
	Federated Insurance	415,146		90,920	X
	NRUCFC CTCs		820,539		
	ATC	10,224,421		853,756	
	Lighthouse.net	635,084		(19,754)	
	NRUCFC		1,000		
	CoBANK		491,921	149,532	
	Totals	11,758,516	1,606,971	1,133,363	
5	Special Funds				
	457(b) Plans	737,142			
	Totals	737,142			
6	Cash - General				
	First National Bank		35,666		
	MBank		21,296		
	State Savings Bank		8,055		
	Working Petty Cash	3,150			
	General Fund Account-Old Mission Bank	1,544,298	250,000		
	General Fund Account-Central Savings	677,885	250,000		
	Totals	2,225,333	565,017		
8	Temporary Investments				
	Credit Union Membership	10			
	Totals	10			
9	Accounts and Notes Receivable - NET				
	A/R Other		928,838		
	Totals		928,838		
11	TOTAL INVESTMENTS (1 thru 10)	14,772,473	3,100,826	1,133,363	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0043
	PERIOD ENDED December, 2016

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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 MI0043
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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]	7.76 %
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors	11/30/2018	11,058	6,791	
2	Energy Resources Conservation Loans				
	TOTAL		11,058	6,791	

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2016 (Prepared with Audited Data)

BORROWER NAME Cloverland Electric Co-operative

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(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 A Section C of this report.

Daniel Dasho

3/24/2017

DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2016

PART C RE - RENEWABLE GENERATING PLANT SUMMARY

Plant Name (a)	Prime Mover (b)	Primary Renewable Fuel Type (c)	Renewable Fuel (%) (d)	Capacity (kW) (e)	Net Generation (MWh) (f)	Capacity Factor (%) (g)
Hydro	Hydro	Hydro	100.00	40710.0	213794.2	60.00
Total:				40710.0	213794.2	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2016

PART C RE - RENEWABLE GENERATING PLANT SUMMARY

Plant Name (a)	Number of Employees (h)	Total O&M Cost (mils/Net kWh) (i)	Power Cost (mils/Net kWh) (j)	Total Investment (\$1,000) (k)	Percentage Ownership (%) (l)	RUS Funding (\$1,000) (m)
Hydro	10	17	21	15,993	100	15,993
Total:	10	17	21	15,993		15,993

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY		BORROWER DESIGNATION MI0043
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2016
PART C RE - RENEWABLE GENERATING PLANT SUMMARY		
Plant Name	Comments	
Hydro		

reUNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0043		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY		PERIOD ENDED December, 2016		
INSTRUCTIONS - See help in the online application.				
SOURCES OF ENERGY (a)	NO. OF PLANTS (b)	CAPACITY (kW) (c)	NET ENERGY RECIEVED BY SYSTEM (MWh) (d)	COST (\$) (e)
Generated in Own Plant (Details on Parts D, E, F IC, F CC, and G)				
1. Fossil Steam	0	0	0	0
2. Nuclear	0	0	0	0
3. Hydro	1	40,710	213,794	4,538,300
4. Combined Cycle	0	0	0	0
5. Internal Combustion	4	19,400	203	561,244
6. Other				
7. Total in Own Plant (1 thru 6)	5	60,110	213,997	5,099,544
Purchased Power				
8. Total Purchased Power			0	0
Interchanged Power				
9. Received Into System (Gross)				
10. Delivered Out of System (Gross)				
11. Net Interchange (9 - 10)				
Transmission For or By Others - (Wheeling)				
12. Received Into System				
13. Delivered Out of System				
14. Net Energy Wheeled (12 - 13)				
15. Total Energy Available for Sale (7 + 8 + 11 + 14)			213,997	
Distribution of Energy				
16. Total Sales			0	
17. Energy Furnished to Others Without Charge				
18. Energy Used by Borrower (Excluding Station Use)				
19. Total Energy Accounted For (16 thru 18)			0	
Losses				
20. Energy Losses - MWh (15 - 19)			213,997	
21. Energy Losses - Percentage ((20 / 15) * 100)			100.00 %	

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT**

BORROWER DESIGNATION

PLANT

PERIOD ENDED

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION					OPERATING HOURS			
			COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	UNSCH. (k)
1.											
2.											
3.											
4.											
5.											
6.	Total										
7.	Average BTU										
8.	Total BTU (10 ⁶)										
9.	Total Del. Cost (\$)										

SECTION A. BOILERS/TURBINES (Continued)

SECTION B. LABOR REPORT

SEC. C. FACTORS & MAX. DEMAND

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.					1.	No. Employees Full-Time (Include Superintendent)		1.	Load Factor (%)	
2.					2.	No. Employees Part-Time		2.	Plant Factor (%)	
3.					3.	Total Employee Hours Worked		3.	Running Plant Capacity Factor (%)	
4.					4.	Operating Plant Payroll (\$)		4.	15 Minute Gross Max. Demand (kW)	
5.					5.	Maintenance Plant Payroll (\$)		5.	Indicated Gross Max. Demand (kW)	
6.	Total				6.	Other Accts. Plant Payroll (\$)				
7.	Station Service (MWh)				7.	Total Plant Payroll (\$)				
8.	Net Generation (MWh)									
9.	Station Service (%)									

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	500			
2.	Fuel, Coal	501.1			
3.	Fuel, Oil	501.2			
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	Fuel SubTotal (2 thru 5)	501			
7.	Steam Expenses	502			
8.	Electric Expenses	505			
9.	Miscellaneous Steam Power Expenses	506			
10.	Allowances	509			
11.	Rents	507			
12.	Non-Fuel SubTotal (1 + 7 thru 11)				
13.	Operation Expense (6 + 12)				
14.	Maintenance, Supervision and Engineering	510			
15.	Maintenance of Structures	511			
16.	Maintenance of Boiler Plant	512			
17.	Maintenance of Electric Plant	513			
18.	Maintenance of Miscellaneous Plant	514			
19.	Maintenance Expense (14 thru 18)				
20.	Total Production Expense (13 + 19)				
21.	Depreciation	403.1, 411.10			
22.	Interest	427			
23.	Total Fixed Cost (21 + 22)				
24.	Power Cost (20 + 23)				

Remarks

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART E - HYDRO PLANT**

BORROWER DESIGNATION MI0043

PLANT Sault Ste. Marie

PERIOD ENDED December, 2016

INSTRUCTIONS - See help in the online application.

SECTION A. HYDRO GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	GROSS GENERATION (MWh) (c)	OPERATING HOURS			
				IN SERVICE (d)	ON STANDBY (e)	OUT OF SERVICE	
						SCHEDULED (f)	UNSCHEDULED (g)
1.	10	40,710	214,023.60	8,784	0	0	0
2.							
3.							
4.							
5.							
6.	Total	40,710	214,023.60	8,784	0	0	0
7.	Station Service (MWh)		229.40	HYDRAULIC DATA			
8.	Net Generation (MWh)		213,794.20	ITEM		(a) MAXIMUM	(b) MINIMUM
9.	Station Service % of Gross		.10	1. Pool Elevation (ft.)		598.60	595.70
10.	Energy for Pumped Storage (MWh)			2. Tail Race Elevation (ft.)		581.30	579.40
11.	Net Generation after Pumped Storage (MWh)		213,794.20	Water Spilled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full-Time (Include Superintendent)	10	5.	Maintenance Plant Payroll (\$)	630,750	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	0	6.	Other Accounts Plant Payroll (\$)	131,728	2.	Plant Factor (%)	59.85%
3.	Total Employee Hours Worked	20,248				4.	15 Min. Gross Max. Demand (kW)	
			7.	Total Plant Payroll (\$)	1,402,554	5.	Indicated Gross Max. Demand (kW)	
4.	Operating Plant Payroll (\$)	640,076						

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)
1.	Operation, Supervision and Engineering	535	78,206	
2.	Water for Power	536	1,514,929	7.09
3.	Energy for Pumped Storage	536.1		
4.	Hydraulic Expense	537	410,498	1.92
5.	Electric Expense	538	444,414	2.08
6.	Miscellaneous Hydraulic Power Generation Expense	539	202,069	.95
7.	Rents	540		
8.	Operation Expense (1 thru 7)		2,650,116	12.40
9.	Maintenance, Supervision and Engineering	541	11,917	
10.	Maintenance of Structures	542	86,706	
11.	Maintenance of Reservoirs, Dams and Waterways	543	143,222	
12.	Maintenance of Electric Plant	544	519,834	
13.	Maintenance of Miscellaneous Hydraulic Plant	545	144,515	
14.	Maintenance Expense (9 thru 13)		906,194	4.24
15.	Total Production Expense (8 + 14)		3,556,310	16.63
16.	Depreciation	403.3, 411.10	540,625	
17.	Interest	427	441,365	
18.	Total Fixed Cost (16 + 17)		981,990	4.59
19.	Power Cost (15 + 18)		4,538,300	21.23

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION
MI0043

PLANT
Dafter

PERIOD ENDED
December, 2016

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i)	UNSCH. (j)	GROSS GENER.(MWh) (k)	BTU PER kWh (l)
1.	1	1,000						8,784	0			
2.	2	1,000						0	8,784			
3.	3	1,000						8,784	0			
4.	4	3,000	11.35				105	5,908	2,771		178	
5.	5	3,000	12.85				115	5,326	3,343		202	
6.	Total	9,000	24.20	0.00	0.00		220	28,802	14,898	0	380	
7.	Average BTU		138,700.00								379.40	8,837.65
8.	Total BTU (10 ⁶)		3,356.54			3,356.54					.40	
9.	Total Del. Cost (\$)		56,904.35								99.89	8,391,350.00
												Station Service (MWh)
												Net Generation (MWh)
												Station Service % of Gross

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	0	5.	Maintenance Plant Payroll (\$)	107,141	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	2	6.	Other Accounts Plant Payroll (\$)	0	2.	Plant Factor (%)	0.48%
3.	Total Employee Hours Worked	2,307	7.	Total Plant Payroll (\$)	175,051	3.	Running Plant Capacity Factor (%)	57.55%
4.	Operating Plant Payroll (\$)	67,910				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	24,743		
2.	Fuel, Oil	547.1	56,904		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	56,904	142,260.00	
7.	Generation Expenses	548	64,637		
8.	Miscellaneous Other Power Generation Expenses	549	26,107		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		115,487	288,717.50	
11.	Operation Expense (6 + 10)		172,391	430,977.50	
12.	Maintenance, Supervision and Engineering	551	2,551		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	148,036		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		150,587	376,467.50	
17.	Total Production Expense (11 + 16)		322,978	807,445.00	
18.	Depreciation	403.4, 411.10	23,494		
19.	Interest	427	19,181		
20.	Total Fixed Cost (18 + 19)		42,675	106,687.50	
21.	Power Cost (17 + 20)		365,653	914,132.50	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION
MI0043

PLANT
Detour

PERIOD ENDED
December, 2016

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED.		UNSCH.							
			(i)		(j)							
1.	1	3,000							8,784		0	
2.	2	3,000							8,784		0	
3.												
4.												
5.												
6.	Total	6,000	0.00	0.00	0.00		0	0	17,568	0	0	
7.	Average BTU		0.00				Station Service (MWh)			0.00	0.00	
8.	Total BTU (10 ⁶)		0.00			0.00	Net Generation (MWh)			0.00		
9.	Total Del. Cost (\$)		0.00				Station Service % of Gross			0.00	0.00	

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	0	5.	Maintenance Plant Payroll (\$)	4,374	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	998	2.	Plant Factor (%)	0.00%
3.	Total Employee Hours Worked	189	7.	Total Plant Payroll (\$)	15,447	3.	Running Plant Capacity Factor (%)	0.00%
4.	Operating Plant Payroll (\$)	10,075				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	8,328		
2.	Fuel, Oil	547.1	0		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	0	0.00	
7.	Generation Expenses	548	3,223		
8.	Miscellaneous Other Power Generation Expenses	549	15,875		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		27,426	0.00	
11.	Operation Expense (6 + 10)		27,426	0.00	
12.	Maintenance, Supervision and Engineering	551	3,561		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	1,260		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		4,821	0.00	
17.	Total Production Expense (11 + 16)		32,247	0.00	
18.	Depreciation	403.4, 411.10	8,460		
19.	Interest	427	6,906		
20.	Total Fixed Cost (18 + 19)		15,366	0.00	
21.	Power Cost (17 + 20)		47,613	0.00	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION
MI0043

PLANT
Manistique

PERIOD ENDED
December, 2016

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED.		UNSCH.							
			(i)	(j)								
1.	2	2,400	16.34				93	8,555	22	114	213	
2.												
3.												
4.												
5.												
6.	Total	2,400	16.34	0.00	0.00		93	8,555	22	114	213	
7.	Average BTU		138,700.12				Station Service (MWh)				94.00	10,665.22
8.	Total BTU (10 ⁶)		2,266.36			2,266.36	Net Generation (MWh)				118.50	
9.	Total Del. Cost (\$)		31,079.40				Station Service % of Gross				44.24	19,125.40

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	0	5.	Maintenance Plant Payroll (\$)	3,726	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	1,187	2.	Plant Factor (%)	1.01%
3.	Total Employee Hours Worked	147	7.	Total Plant Payroll (\$)	12,597	3.	Running Plant Capacity Factor (%)	95.21%
4.	Operating Plant Payroll (\$)	7,684				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	4,103		
2.	Fuel, Oil	547.1	31,079		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	31,079	262.27	
7.	Generation Expenses	548	6,811		
8.	Miscellaneous Other Power Generation Expenses	549	12,010		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		22,924	193.45	
11.	Operation Expense (6 + 10)		54,003	455.72	
12.	Maintenance, Supervision and Engineering	551	285		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	11,407		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		11,692	98.67	
17.	Total Production Expense (11 + 16)		65,695	554.39	
18.	Depreciation	403.4, 411.10	5,277		
19.	Interest	427	4,267		
20.	Total Fixed Cost (18 + 19)		9,544	80.54	
21.	Power Cost (17 + 20)		75,239	634.93	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT**

BORROWER DESIGNATION
MI0043

PLANT
Manistique

PERIOD ENDED
December, 2016

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			SCHED.		UNSCH.							
			(i)	(j)								
1.	1	2,000	14.27				98	8,478	127	81	178	
2.												
3.												
4.												
5.												
6.	Total	2,000	14.27	0.00	0.00		98	8,478	127	81	178	
7.	Average BTU		138,700.07				Station Service (MWh)				94.00	11,138.15
8.	Total BTU (10 ⁶)		1,979.25			1,979.25	Net Generation (MWh)				83.70	
9.	Total Del. Cost (\$)		27,140.02				Station Service % of Gross				52.90	23,646.95

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	0	5.	Maintenance Plant Payroll (\$)	3,439	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	1,096	2.	Plant Factor (%)	1.01%
3.	Total Employee Hours Worked	155	7.	Total Plant Payroll (\$)	12,632	3.	Running Plant Capacity Factor (%)	90.66%
4.	Operating Plant Payroll (\$)	8,097				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	4,324		
2.	Fuel, Oil	547.1	27,140		13.71
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	27,140	324.25	13.71
7.	Generation Expenses	548	7,177		
8.	Miscellaneous Other Power Generation Expenses	549	12,656		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		24,157	288.61	
11.	Operation Expense (6 + 10)		51,297	612.86	
12.	Maintenance, Supervision and Engineering	551	300		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	12,020		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		12,320	147.19	
17.	Total Production Expense (11 + 16)		63,617	760.05	
18.	Depreciation	403.4, 411.10	5,022		
19.	Interest	427	4,100		
20.	Total Fixed Cost (18 + 19)		9,122	108.98	
21.	Power Cost (17 + 20)		72,739	869.04	

Remarks (including Unscheduled Outages)

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F CC - COMBINED CYCLE PLANT**

BORROWER DESIGNATION

PLANT

PERIOD ENDED

INSTRUCTIONS - See help in the online application.

SECTION A. COMBINED CYCLE GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 CF) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER. (MWh) (k)	BTU PER kWh (l)
								SCHED. (i)	UNSC. (j)			
1.												
2.												
3.												
4.												
5.												
6.	Total											
7.	Average BTU							Station Service (MWh)				
8.	Total BTU (10 ⁶)							Net Generation (MWh)				
9.	Total Del. Cost (\$)							Station Service % Of Gross				

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include. Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	500			
2.	Fuel, Oil	547.1			
3.	Fuel, Gas	547.2			
4.	Fuel, Other	547.3			
5.	Energy for Compressed Air	547.4			
6.	Fuel SubTotal (2 thru 5)	547			
7.	Generation Expenses	548			
8.	Miscellaneous Other Power Generation Expenses	549			
9.	Rents	507			
10.	Steam Expenses	502			
11.	Electric Expenses	505			
12.	Miscellaneous Steam Power Expenses	506			
13.	Allowances	509			
14.	Non-Fuel SubTotal (1 + 7 thru 13)				
15.	Operating Expense (6 + 14)				
16.	Maintenance, Supervision and Engineering	551, 510			
17.	Maintenance of Structures	552, 511			
18.	Maintenance of Generating and Electric Plant	553, 513			
19.	Maintenance of Miscellaneous Other Power Generating Plant	554, 514			
20.	Maintenance Expense (16 thru 19)				
21.	Total Production Expense (15 + 20)				
22.	Depreciation	403.4, 403.1, 411.10			
23.	Interest	427			
24.	Total Fixed Cost (22 + 23)				
25.	Power Cost (21 + 24)				

Remarks

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART G - NUCLEAR PLANT**

BORROWER DESIGNATION

PLANT

PERIOD ENDED

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS AND GENERATING UNITS

NO.	UNIT NO. (a)	TIMES STARTED (b)	SIZE (kW) (c)	GROSS GENERATION (MWh) (d)	OPERATING HOURS			
					IN SERVICE (e)	ON STANDBY (f)	OUT OF SERVICE	
							SCHEDULED (g)	UNSCHEDULED (h)
1.								
2.								
3.								
4.								
5.								
6.	Total							
7.	Station Service (MWh)							
8.	Net Generation (MWh)							
9.	Station Service % Of Gross							

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include. Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET kWh (b)
1.	Operation, Supervision and Engineering	517		
2.	Fuel	518.1		
3.	Less Fuel Acquisition Adjustment	518.2		
4.	Net Fuel Expense (2 - 3)			
5.	Coolants and Water	519		
6.	Steam Expenses	520		
7.	Steam From Other Sources	521		
8.	Electric Expenses	523		
9.	Miscellaneous Nuclear Power Expense	524		
10.	Rents	525		
11.	Operation Expense (1 + 4 thru 10)			
12.	Maintenance, Supervision and Engineering	528		
13.	Maintenance of Structures	529		
14.	Maintenance of Reactor Plant Equipment	530		
15.	Maintenance of Electric Plant	531		
16.	Maintenance of Miscellaneous Nuclear Plant	532		
17.	Maintenance Expense (12 thru 16)			
18.	Reactor Credits			
19.	Total Production Expense (11 + 17 - 18)			
20.	Depreciation	403.2, 411.10		
21.	Interest	427		
22.	Total Fixed Cost (20 + 21)			
23.	Less Plant Acquisition Adjustment	406		
24.	Power Cost (19 + 22 - 23)			

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART H - ANNUAL SUPPLEMENT**

BORROWER DESIGNATION

MI0043

PERIOD ENDED

December, 2016

INSTRUCTIONS - See help in the online application.

SECTION L. RENEWABLE ENERGY CREDITS

ITEM	BALANCE BEGINNING OF YEAR <i>(a)</i>	ADDITIONS <i>(b)</i>	RETIREMENTS <i>(c)</i>	ADJUSTMENTS AND TRANSFER <i>(d)</i>	BALANCE END OF YEAR <i>(e)</i>
1. Renewable Energy Credits	963,762	0		(963,762)	0

RUS Financial and Operating Report Electric Power Supply – Part H - Annual Supplement

Revision Date 2013

MICHIGAN PUBLIC SERVICE COMMISSION

ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE

This form is authorized by Case No. [U-12134](#), the Code of Conduct. Filing of this form is mandatory pursuant to [PA 3 of 1939](#). Failure to provide this information will put you in [violation of this act](#) and the commission shall order such remedies and penalties as necessary.

Report submitted for year ending: December 31, 2016
Present name of respondent: Cloverland Electric Cooperative
Address of principal place of business: 2916 W. M-28, Dafter, Michigan 49724
Utility representative to whom inquires regarding this report may be directed: Name: Robert Malaski Title: CFO Address: 725 E. Portage Avenue City: Sault Ste Marie State: MI Zip: 49783 Direct Telephone, Include Area Code: 906-632-5172
If the utility name has been changed during the past year: Prior Name: _____ Date of Change: _____
Two copies of the published annual report to stockholders: [NA] were forwarded to the Commission [NA] will be forwarded to the Commission on or about _____
Annual reports to stockholders: [NA] are published [NA] are not published

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Heather Cantin) at (517) 284-8266 or cantinh@michigan.gov OR forward correspondence to:

Michigan Public Service Commission
Financial Analysis & Audit Division
Attn: Heather Cantin
7109 W. Saginaw Hwy
PO Box 30221
Lansing, MI 48909

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/30/2016	Year of Report 12/31/2016
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IMPORTANT CHANGES DURING THE YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none", "not acceptable" or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact. **None**
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization. **None**
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission. **None**
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents and other conditions. State name of Commission authorizing lease and give reference to such authorization. **None**
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc. **None**
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee. **None**
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments. **None**
8. State the estimated annual effect and nature of any important wage scale changes during the year. **None**
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year. **See answer below.**
10. Describe briefly and materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest. **None**
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instruction 1 to 11 above, such notes may be attached to this page. **None**

Answer to #9: Cloverland has a case pending at FERC that will make a final determination on the total liability and allocation of System Support Resource (SSR) cost reimbursement to MISO, relating to the Presque Isle Power Plant in Marquette, Michigan. There is currently no estimated timeframe on when the case will be heard.

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/30/2017	Year of Report 12/31/2016
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STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be included on pages 122-123. Information about noncash investing and financing activities should be provided on pages 122-123. "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.

2. Under "Other" specify significant amounts and group others.

3. Operating Activities-Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on pages 122-123 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities: (enter outflows from company as negative #s)	
2	Net Income (Line 72 (c) on page 117	2,862,209
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	6,098,646
5	Amortization of (Specify)	
6	Intangible Plant	
7		
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	(828,811)
11	Net (Increase) Decrease in Current Assets Other	117,729
12	Net (Increase) Postretirement Benefits other than Pensions	(48,357)
13	Net (Increase) Decrease in Payables and Accrued Expenses	(1,248,647)
14	Net (Increase) Decrease in Refundable Power Costs	1,107,937
15	Net (Increase) Decrease in Accrued Interest Payable	888,207
16	(Less) Allowance for Accrued Liabilities - Other	225,757
17	(Less) Undistributed Earnings from Subsidiary Companies	(853,756)
18	Other: Capital Credits	(299,361)
19	Loss (Gain) on Sales of Fixed Assets	(30,000)
20	(Income) Loss on Investment in Wholly Owned Subsidiary	19,754
21		
22	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 thru 21)	8,011,307
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(9,571,615)
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance to Other Funds Used During Construction	
31	Other: (Increase) Decrease in Materials Inventory	107,384
32	Other: Plant Removal	(2,143,311)
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(11,607,542)
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	35,620
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in (and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/30/2017	Year of Report 12/31/2016
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STATEMENT OF CASH FLOWS (Continued)

Line No.	Description (See instructions for Explanation of Codes) (a)	Amount (b)
4.	Investing Activities (a) Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of asset acquired with liabilities assumed on pages 122-123. (b) Don not include on this statement the dollar amount of leases capitalized per USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on pages 122-123.	
5.	Codes used: (a) Net proceeds or payments. (b) Bonds, debentures and other long-term debt. (c) Include commercial paper. (d) Identify separately such items as investments, fixed assets, intangibles, etc. 6. Enter on pages 122-123 clarifications and explanations.	
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other:	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 34 thru 55)	(11,571,922)
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long Term Debt (b)	7,000,000
62	Preferred Stock	
63	Common Stock	
64	Other:	
65		
66	Net Increase in Short-Term Debt (c)	4,450,000
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	11,450,000
71		
72	Payments for Retirement of:	
73	Long Term Debt (b)	(3,205,630)
74	Preferred Stock	
75	Common Stock	
76	Other: Retirement of Patronage Capital Credits	(443,645)
77	Other: Donated Capital	1,543
78	Net Decrease in Short-Term Debt (c)	(1,556,892)
79	Memberships Issued, Net	7,485
80	Decrease (Increase) in Deferred Debits	(724,028)
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	5,528,833
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	1,968,218
87		
88	Cash and Cash Equivalents at Beginning of Year	822,142
89		
90	Cash and Cash Equivalents at End of Year	2,790,360

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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NONUTILITY PROPERTY (Account 121)

- | | |
|---|---|
| <p>1. Give a brief description and state the location of nonutility property included in Account 121.</p> <p>2. Designate with a double asterisk any property which is leased to another company. State name of lessee and whether lessee is an associated company.</p> <p>3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.</p> | <p>4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.</p> <p>5. Minor items (5% of the Balance at the End of the Year for Account 121 or \$100,000, whichever is less) may be grouped by (1) previously devoted to public service, or (2) other nonutility property.</p> |
|---|---|

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales Transfers, etc. (c)	Balance at End of Year (d)
1	138 kv Right-of-Way (Pper 1976 FPC Audit)	\$ 7,159		\$ 7,159
2	10 Small Land Parcels	3,656		3,656
3	Land Parcel-St. Ignace	1,653		1,653
4	Easement-Sault Division	1,400		1,400
5	Minor Land Parcels	268		268
6	Dafter Land Parcels	37,336		37,336
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
	TOTAL	\$ 51,472		\$ 51,472

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)

Report below the information called for concerning depreciation and amortization of nonutility property.

Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	
5	Other Accounts (Specify):	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	
8	Net Charges for Plant Retired:	
9	Book Cost of Plant Retired	
10	Cost of Removal	
11	Salvage (Credit)	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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INVESTMENTS (Accounts 123, 124, 136)

1. Report below the investments in Accounts 123, *Investments in Associated Companies*, 124, *Other Investment*, and 136, *Temporary Cash Investments*. in Account 124, *Other Investments*, state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, *Temporary Cash Investments*, also may be grouped by classes.

2. Provide a subheading for each account and list thereunder the information called for:

(a) Investment in securities - List and describe each security owned, giving name of user, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included

(b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or an open account. Each note should be

Line No.	Description of Investment (a)	Book Cost at Beginning of Year <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (b)		Purchases or Additions During Year (c)
		Original Cost	Book Value	
1	Lighthouse.Net	255,000	255,000	
2	NRUCFC	290,479	290,479	6,065
3	NISC	159,689	159,689	27,108
4	RESCO	285,452	285,452	23,204
5	NRTC	597	597	
6	CRC	24,683	24,683	2,531
7	CoBank	454,538	454,538	149,532
8	Federated Insurance	347,978	347,978	90,920
9	CFC-Capital Term Certificates	820,539	820,539	
10	CFC Membership	1,000	1,000	
11	ATC - Invest in Associated Org.	9,512,329	9,512,329	1,281,465
12	Credit Union	10	10	
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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INVESTMENTS (Accounts 123, 124, 136) (Cont'd)

listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.
 3. For any securities, notes or accounts that were pledged designate with an asterisk such securities, notes, or accounts and in a footnote state the name of pledgee and purpose of the pledge.
 4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of

authorization, and case or docket number.
 5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.
 6. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (g).

Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (f)		Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
		Original Cost	Book Value			
0	N/A	255,000	255,000			1
0	N/A	293,511	293,511	3,033		2
0	N/A	180,493	180,493	6,304		3
0	N/A	276,098	276,098	32,558		4
0	N/A	566	566	31		5
0	N/A	26,708	26,708	506		6
0	N/A	491,921	491,921	112,149		7
0	N/A	415,146	415,146	23,752		8
0	N/A	820,539	820,539			9
0	N/A	1,000	1,000			10
0	N/A	10,224,421	10,224,421	569,373		11
0	N/A	10	10			12
						13
						14
						15
						16
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						30

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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RECEIVABLES FROM ASSOCIATED COMPANIES (Accounts 145, 146)

- | | |
|---|--|
| <p>1. Report particulars of notes and accounts receivable from associated companies* at end of year.</p> <p>2. Provide separate headings and totals for Accounts 145, Notes Receivable from Associated Companies, and 146, Accounts Receivable from Associated Companies, in addition to a total for the combined accounts.</p> <p>3. For notes receivable, list each note separately and state purpose for which received. Show also in column (a) date of note, date of maturity and interest rate.</p> | <p>4. If any note was received in satisfaction of an open account, state the period covered by such open account.</p> <p>5. Include in column (f) interest recorded as income during the year including interest on accounts and notes held any time during the year.</p> <p>6. Give particulars of any notes pledged or discounted, also of any collateral held as guarantee of payment of any note or account.</p> |
|---|--|

* NOTE: "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the account company. This includes related parties.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	Account 146					
2	American Transmission	\$ -	\$ 1,068,916	\$ 1,068,916	\$ -	\$ -
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25	TOTAL	\$ -	\$ 1,068,916	\$ 1,068,916	\$ -	\$ -

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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ALLOWANCES

- | | |
|--|--|
| <p>1. Report below the details called for concerning allowances.</p> <p>2. Report all acquisitions of allowances at cost.</p> <p>3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.</p> <p>4. Report the allowances transactions by the period they are first</p> | <p>eligible for use; the current year;s allowances in columns (b)-(c), allowances for the three succeeding years in column(d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).</p> <p>5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.</p> |
|--|--|

Line No.	Allowance Inventory (a)	Current Year		20__	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance - Beginning of Year				
2-4	Acquired During Year: Issued (Less Withheld Allow.)				
5	Returned by EPA				
6-8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16-18	Relinquished During Year: Charges to Acct. 509				
19	Other:				
20					
21-22	Cost of Sales/Transfers:				
23					
24					
25					
26					
27					
28	Total				
29	Balance - End of Year				
30-32	Sales:				
	Net Sales Proceeds (Assoc Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld				
36	Balance - Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance - End of Year				
41-43	Sales:				
	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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ALLOWANCES (Continued)

6. Report on line 5 allowances returned by the EPA. Report on line 39 the EPA's sales of the withheld allowances. Report on lines 43-46 the net sales or auction of the withheld allowances.

7. Report on lines 8-14 the names of vendors/transfersors of allowances acquired and identify associated companies (See "associated co." under "Definitions" in Uniform System of Accounts).

8. Report on lines 22-27 the names of purchasers/transfersors of allowances disposed of and identify associated companies.

9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.

10. Report on lines 32-35 & 43-46 the net sales proceeds and gains or losses from allowance sales.

20__		20__		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
								1
								2-4
								5
								6-8
								9
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								30-32
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								41-43
								44
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								46

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
LONG-TERM DEBT (Accounts 221, 222, 223 and 224)			
<p>1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.</p> <p>2. In column (a), for new issues, give Commission authorization numbers and dates.</p> <p>3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.</p> <p>4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.</p> <p>5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.</p> <p>6. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p> <p>8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.</p> <p>9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.</p>			
Line No.	Class and Series of Obligation, Coupon Rate <i>(For new issue, give Commission Authorization numbers and dates)</i> (a)	Principal Amount of Debt Issued (b)	Total Expense, Premium or Discount (c)
1	FFB	\$ 111,535,321	
2	NRUCFC	3,547,817	
3	CoBank	22,656,700	
4			
5			
6			
7			
8			
9			
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16			
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21			
22			
23			
24			
25	TOTAL	\$ 137,739,838	\$ -

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt-Discount and Expense, or credited to Account 429, Amortization of Premium on Debt-Credit.
12. In a footnote, give explanatory particulars (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, Interest on Long-Term Debt, and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
		Date From (f)	Date To (g)			
9/20/2011	12/31/2047	Various	Various		\$ 3,420,670	1
8/10/2007	2/28/2034	Various	Various		98,152	2
7/21/2015	6/30/2041	Various	Various		862,996	3
						4
						5
						6
						7
						8
						9
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						24
				\$ -	\$ 4,381,818	25

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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PAYABLES TO ASSOCIATED COMPANIES* (Accounts 233, 234)

1. Report particulars of notes and accounts payable to associated companies at end of year.
2. Provide separate totals for Accounts 233, Notes Payable to Associated Companies, and 234, Accounts Payable to Associated Companies, in addition to total for the combined accounts.
3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.
4. Include in column (f) the amount of any interest expense during the year on notes or accounts that were paid before the end of the year.
5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.

***See definition on page 226B**

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1						
2						
3						
4						
5						
6						
7						
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9						
10						
11						
12						
13						
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20						
21						
22						
23						
	TOTAL					

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.		TOTAL AMOUNT
1	Utility net operating income (page 114 line 20)	
2	Allocations: Allowance for funds used during construction	
3	Interest expense	
4	Other (specify)	
5	Net income for the year (page 117 line 68)	
6	Allocation of Net income for the year	
7	Add: Federal income tax expenses	
8		
9	Total pre-tax income	
10		
11	Add: Taxable income not reported on books:	
12		
13		
14		
15	Add: Deductions recorded on books not deducted from return	
16		
17		
18		
19	Subtract: Income recorded on books not included in return:	
20		
21		
22		
23	Subtract: Deductions on return not charged against book income:	
24		
25		
26	Federal taxable income for the year	

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (Continued)

3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2
4. A substitute page, designed to meet a particular need of a company, may be used as long as data is consistent and meets the requirements of the above instructions.

Utility	Other	Line No.
		1
		2
		3
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		11
		12
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		25
		26

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)

1. Give a brief description of property creating the gain or loss. Include name of party acquiring the property (when acquired by another utility or associated company) and the date transaction was completed. Identify property by type: Leased, Held for Future Use, or Nonutility.
2. Individual gains or losses relating to property with an original cost of less than \$100,000 may be grouped with the number of such transactions disclosed in column (a).
3. Give the date of Commission approval of journal entries in column (b), when approval is required. Where approval is required but has not been received, give explanation following the item in column (a). (See account 102, Utility Plant Purchased or Sold.)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
1	Gain on disposition of property:				
2	Truck #106 trade-in	13,800		\$ 2,233	
3	Truck #122 trade-in	20,102		2,233	
4	Truck #194 trade-in	31,414		2,234	
5	Truck #139 trade-in	15,824		2,650	
6	Truck #201 trade-in	15,824		2,650	
7	Tractor #35 trade-in	13,622		6,000	
8	Bucket truck #528 trade-in	90,293		12,000	
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain			\$ 30,000	

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2) (Continued)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
18	Loss on disposition of property:				
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss				

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account

426.4, Expenditures for Certain civic, Political and Related Activities.)
(a) Name and address of person or organization rendering services,
(b) description of services received during year and project or case to which services relate,
(c) basis of charges,
(d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.

3. Designate with an asterisk associated companies.

Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	Bacco Construction Company	Contractor	Contract	107.20	\$ 102,050
2	PO Box 458				
3	Iron Mountain, MI 49801				
4	Belonga Plumbing & Heating Inc	Contractor	Contract	107.20/184.70/	239,623
5	PO Box 95			582.90/583.63/	
6	St. Ignace, MI 49781			583.90/594.90	
7	Bolz Construction & Excavating, Inc.	Contractor	Contract	107.20/163.00/	45,104
8	18674 County Road 455			184.60/582.90/	
9	Newberry, MI 49868			593.53/593.90/	
10				594.99/932.67	
11	Bunker, Clark, Winnell & Nuorala PC	Accounting professional services/Board election results	Hourly, plus out-of-pocket	930.58	28,114
12	2301 Mitchell Park Dr.				
13	Petoskey, MI 49770				
14	Coleman Engineering Company	Engineering consultants	Contract	923.30	25,482
15	635 Circle Dr.				
16	Iron Mountain, MI 49801				
17	Cummins Bridgeway LLC	Hydro generator repairs	Contract	542.04/544.03	126,899
18	977 N. Center				
19	Gaylord, MI 49735				
20	Dykema Gossett PLLC	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	94,059
21	400 Renaissance Ctr, 35th Floor				
22	Detroit, MI 48243-1668				
23	GRP Engineering, Inc.	Engineering consultants	Hourly	107.20	85,987
24	PO Box 162				
25	Petoskey, MI 49770				
26	Harris Group	Accounting/audit	Hourly, plus out-of-pocket	231.10	47,650
27	731 S. Garfield Ave.				
28	Traverse City, MI 49686				
29	Holland & Knight, LLP	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	170,974
30	PO Box 864084				
31	Orlando, FL 32886				
32	Hydaker-Wheatlake Company	Distribution System Contractor	Contract	107.20	1,193,095
33	135 Reliable Parkway				
34	Chicago, IL 60686				
35	Kent Power, Inc.	Contractor	Contract	107.20	938,947
36	PO Box 327				
37	Kent City, MI 49330				
38	Kokosing Industrial, Inc.	Hydro Canal repairs	Contract	107.20	3,296,056
39	Durocher Marine Division				

40	PO Box 226				
41	Fredericktown, OH 43019				
42	Mackinac Environmental Technology	Environmental Assessment	Contract	107.20/107.48/ 539.03/549.94/ 580.90/923.00	53,202
43	PO Box 485				
44	St. Ignace, MI 49781				
45	McKinney & Associates	Lobbying/Legislative consulting	Contract	923.00	36,000
46	216 N. Chestnut St.				
47	Lansing, MI 48933-1061				
48	MWH Americas, Inc.	Contractor	Contract	107.20	144,932
49	8383 Greenway Blvd, Suite 210				
50	Middleton, WI 53562				
51	Nomad Construction, Inc.	Contractor	Contract	107.20	112,416
52	4089 S. Nicolet Rd.				
53	Sault Ste. Marie, MI 49783				
54	Novak Engineering, LLC	Engineering consultants	Hourly	107.20	83,870
55	901 Cunningham Rd.				
56	Jackson, MI 49201				
57	Charles Palmer	Attorney/Legal consultant	Contract	923.62	66,164
58	545 Ashmun St, Suite #9				
59	Sault Ste. Marie, MI 49783				
60	The Prime Group	Utility Rate/Regulatory consultants	Hourly, plus out-of-pocket	923.00	26,647
61	PO Box 837				
62	Crestwood, KY 40014-0837				
63	William E. Rutter	Archeologic consultant	Hourly, plus out-of-pocket	107.20	27,405
64	4483 Meridian Rd.				
65	Williamston, MI 48895				
66	Superior Marine & Environmental Services	Contractor	Contract	543.02	60,375
67	3779 S. Riverside Dr.				
68	Sault Ste. Marie, MI 49783				
69	Thunder Bay Tree Service, LLC	Contractor	Contract	537.02/592.60/ 593.59	112,099
70	1172 Halley Rd.				
71	Alpena, MI 49707				
72	Trees, Inc.	ROW Clearing	Contract	107.20/107.48/ 184.30/593.60/ 593.65/593.66	1,224,068
73	1700 Solutions Center				
74	Chicago, IL 60677-1007				
75	Vibra Steam Cleaning Systems, LLC	Cleaning Contractor	Contract	163.00/184.30/ 539.05/921.04	55,122
76	4336 S. Riverside Dr.				
77	Sault Ste. Marie, MI 49783				

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES

1. In column (a) report the name of the associated company.
 2. In column (b) describe the affiliation (percentage ownership, etc.).
 3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).
 4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Lighthouse.Net	100% Owned Subsidiary	Tower Rent	412	\$ 7,800
2			Shared billing services		
3			Insurance & Legal		
4			Pole Contract Rental		
5			Labor		
6			Other		
7					
8					
9					
10					
11					
12					
13					
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30					
TOTAL					\$ 7,800.00

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
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SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.
7. In column (j) report the total.
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
				\$ 7,800	Actual Cost	1
421	\$ 1,800			1,800	Actual Cost	2
		143.5	\$ 12,981	12,981	Actual Cost	3
		143.2	3,374	3,374	Actual Cost	4
		123.02	10,417	10,417	Actual + Ovh's	5
		143.5	287	287	Actual Cost	6
						7
						8
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						30
	\$ 1,800		\$ 27,059	\$ 36,659		

Name of Respondent Cloverland Electric Cooperative		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016
SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES					
1. In column (a) report the name of the associated company.			services provided (administrative and general expenses, dividends declared, etc.).		
2. In column (b) describe the affiliation (percentage ownership, etc.).			4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.		
3. In column (c) describe the nature of the goods and					
Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Lighthouse.net	100% Owned Subsidiary	Pass through billing		
2			Internet Service		\$ -
3			Rent	903.61	4,727
4			Paystation Labor	903.61	6,325
5			Other	930.02	240
6					
7					
8					
9					
10					
11					
12					
13					
14					
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16					
17					
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19					
20					
21					
22					
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24					
25					
26					
27					
28					
29					
30					
TOTAL					\$ 11,292.00

Name of Respondent Cloverland Electric Cooperative		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/30/17	Year of Report 12/31/2016	
SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)						
5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.				6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.		
				7. In column (j) report the total.		
				8. In column (k) indicate the pricing method (cost, per contract terms, etc.)		
Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
		232.01	\$ 22,310	\$ 22,310	Cost + 10%	1
		184.2	4,391	4,391	Cost per Contract	2
				4,727	Square Footage	3
				6,325	Cost per Contract	4
				240	Actual Cost	5
						6
						7
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	\$ -		\$ 26,701	\$ 37,993		

**MICHIGAN 43 CHIPPEWA
CLOVERLAND ELECTRIC COOPERATIVE, INC.
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**CLOVERLAND ELECTRIC COOPERATIVE, INC.
BOARD OF DIRECTORS
DECEMBER 31, 2016**

Virgil Monroe	Chairman
Charles Litzner	Vice Chairman
Gerald Nettleton	Secretary/Treasurer
Richard Newland	Director
Ronald Provo	Director
Peter Legault	Director
Jason St. Onge	Director
Carmine Bonacci	Director
John Sawruk	Director

President and CEO

Daniel Dasho



Independent Auditor's Report

The Board of Directors
Cloverland Electric Cooperative, Inc.
Dafer, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Cloverland Electric Cooperative, Inc. and subsidiary which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of revenue, equities, 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 risk 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cloverland Electric Cooperative, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2016, on our consideration of Cloverland Electric Cooperative, Inc.'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the Cooperative has restated its 2015 financial statements to change its accounting for 457(b) retirement plan investments and related deferred compensation liabilities, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Harris Group, CPA's

Traverse City, MI
March 21, 2017

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
ELECTRIC PLANT AND EQUIPMENT:		
In service – at cost	\$ 188,894,469	\$ 177,835,081
Construction work in progress	3,971,821	6,212,438
SUBTOTAL	192,866,290	184,047,519
Less accumulated depreciation	42,688,500	39,696,162
NET ELECTRIC PLANT	150,177,790	144,351,357
 OTHER ASSETS AND INVESTMENTS:		
Investments and memberships	13,622,964	12,687,334
Non-utility property	51,472	51,472
Deferred retirement benefit	1,420,863	1,509,667
Goodwill, net of amortization	243,301	243,301
TOTAL OTHER ASSETS AND INVESTMENTS	15,338,600	14,491,774
 CURRENT ASSETS:		
Cash and temporary cash investments	2,863,587	895,201
Accounts receivable, less allowance for doubtful accounts of \$361,414 and \$609,000 in 2016 and 2015, respectively	9,672,649	8,849,377
Materials and supplies	3,496,914	3,603,513
Prepaid expenses and other current assets	417,052	445,340
TOTAL CURRENT ASSETS	16,450,202	13,793,431
DEFERRED DEBITS	10,667,345	9,908,099
TOTAL ASSETS	\$ 192,633,937	\$ 182,544,661

EQUITIES AND LIABILITIES	<u>2016</u>	<u>2015</u>
EQUITIES:		
Memberships	\$ 132,330	\$ 124,845
Patronage capital	29,318,364	26,880,046
Other equities	<u>1,420,970</u>	<u>1,442,266</u>
TOTAL EQUITIES	<u>30,871,664</u>	<u>28,447,157</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES:		
Mortgage notes to CoBank	22,656,700	23,716,391
Mortgage notes to Federal Financing Bank	111,535,320	108,204,725
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	3,547,818	3,856,375
Mortgage notes to Cental Savings Bank	<u>972,207</u>	<u>937,435</u>
TOTAL LONG-TERM DEBT	<u>138,712,045</u>	<u>136,714,926</u>
OTHER NON-CURRENT LIABILITIES		
Accrued Postretirement benefits other than pensions and deferred compensation	1,255,633	1,303,990
Deferred compensation	737,142	637,904
Deferred income tax liability	16,179	20,575
Deferred revenue	<u>22,950</u>	<u>24,300</u>
TOTAL OTHER NON-CURRENT LIABILITIES	<u>2,031,904</u>	<u>1,986,769</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	4,023,985	3,746,001
Line of credit	4,450,000	80,000
Accounts payable:		
Purchased power	2,606,670	2,975,673
Other	1,951,340	2,824,208
Refundable power costs	1,963,269	855,332
Customer deposits and prepayments	753,773	619,703
Accrued interest	991,457	104,491
Accrued vacation and sick pay	1,412,368	1,395,142
Accrued taxes and other current liabilities	<u>2,865,462</u>	<u>2,795,259</u>
TOTAL CURRENT LIABILITIES	<u>21,018,324</u>	<u>15,395,809</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 192,633,937</u>	<u>\$ 182,544,661</u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>% Of Operating Revenue</u>
OPERATING REVENUES	\$ 80,849,774	100.00
OPERATING EXPENSES:		
Cost of power – produced	4,040,849	5.00
Cost of power – purchased	35,139,919	43.46
Cost of goods sold	655,590	0.81
Transmission	9,028,438	11.17
Distribution – operations	2,776,011	3.43
Distribution – maintenance	5,385,250	6.66
Customer accounts	2,296,448	2.81
Customer service and information	1,362,200	1.68
Sales expense	121,785	0.15
Administrative and general	4,975,378	6.15
Depreciation	6,218,449	7.69
Taxes – property	2,775,986	3.43
Taxes – other	15,071	0.01
TOTAL OPERATING EXPENSES	<u>74,791,374</u>	<u>92.50</u>
OPERATING MARGINS BEFORE FIXED CHARGES	<u>6,058,400</u>	<u>7.49</u>
FIXED CHARGES:		
Interest on long-term debt	4,498,960	5.56
Other interest	110,656	0.14
TOTAL FIXED CHARGES	<u>4,609,616</u>	<u>5.70</u>
OPERATING MARGINS AFTER FIXED CHARGES	1,448,784	1.79
CAPITAL CREDITS	<u>304,779</u>	<u>0.38</u>
NET OPERATING MARGINS	<u>1,753,563</u>	<u>2.17</u>
NON-OPERATING MARGINS:		
Interest	188,450	0.23
Other	921,991	1.14
Gain (loss) on disposal of fixed assets	(1,795)	
TOTAL NON-OPERATING MARGINS	<u>1,108,646</u>	<u>1.37</u>
NET MARGINS	<u>\$ 2,862,209</u>	<u>3.54</u>

The accompanying notes are an integral part of these statements.

<u>2015</u>	<u>% Of Operating Revenue</u>
\$ 80,010,733	100.00
3,613,062	54.52
37,527,931	46.90
685,203	0.86
8,546,340	10.68
3,012,792	3.77
4,658,114	5.82
1,673,858	2.09
1,246,266	1.56
120,155	0.15
5,528,877	6.91
5,814,015	7.27
2,810,257	3.51
26,250	0.03
<u>75,263,120</u>	<u>94.10</u>
<u>4,747,613</u>	<u>5.93</u>
4,256,971	5.32
145,288	0.18
<u>4,402,259</u>	<u>5.50</u>
345,354	0.43
<u>271,017</u>	<u>0.34</u>
<u>616,371</u>	<u>0.77</u>
92,079	0.12
<u>757,756</u>	<u>0.95</u>
<u>849,835</u>	<u>1.06</u>
<u>\$ 1,466,206</u>	<u>1.83</u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENT OF EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Memberships</u>	<u>Patronage capital</u>	<u>Other equities</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance, January 1, 2015	\$ 117,060	\$ 25,199,984	\$ 2,114,121	\$ (387,215)	\$ 27,043,950
Adjustment for SFAS No. 158				(130,099)	(130,099)
Memberships issued	7,785				7,785
Other equity transactions		240,368	(136,147)		104,221
Retirement of capital credits		(44,906)			(44,906)
Current year margins		<u>1,484,600</u>	<u>(18,394)</u>		<u>1,466,206</u>
Balance, December 31, 2015	124,845	26,880,046	1,959,580	(517,314)	28,447,157
Adjustment for SFAS No. 158					
Memberships issued	7,485				7,485
Other equity transactions		56,354	(1,542)		54,812
Retirement of capital credits		(499,999)			(499,999)
Current year margins		<u>2,881,963</u>	<u>(19,754)</u>		<u>2,862,209</u>
Balance, December 31, 2016	<u>\$ 132,330</u>	<u>\$ 29,318,364</u>	<u>\$ 1,938,284</u>	<u>\$ (517,314)</u>	<u>\$ 30,871,664</u>

The accompanying notes are an integral part of these statements.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 80,184,944	\$ 80,946,820
Cash paid to suppliers and employees	(74,573,537)	(67,424,104)
Rent income	55,714	61,183
Interest received	188,448	92,079
Interest paid	(3,721,409)	(4,325,674)
Taxes paid	(2,745,378)	(2,726,927)
	<u>8,108,115</u>	<u>6,623,377</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant	(9,629,086)	(11,256,182)
Plant removal costs	(2,143,311)	(2,040,924)
Proceeds from sale of fixed assets	1,800	-
(Increase) decrease in:		
Materials inventory	107,384	(223,736)
Investments in associated organizations	37,026	254,839
	<u>(11,626,187)</u>	<u>(13,266,003)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	7,029,400	14,018,420
Line of credit borrowings (payments)	4,450,000	(5,460,000)
Retirement of patronage capital credits	(443,645)	(44,906)
Donated capital	1,543	104,221
Payments on debt	(3,277,405)	(3,814,459)
(Investment in)/use of cushion of credit	(1,556,892)	31,936
(Increase) decrease in deferred debits	(724,028)	550,272
Memberships issued, net	7,485	7,785
	<u>5,486,458</u>	<u>5,393,269</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,968,386	(1,249,357)
CASH AND TEMPORARY CASH INVESTMENTS, beginning	895,201	2,144,558
CASH AND TEMPORARY CASH INVESTMENTS, ending	\$ 2,863,587	\$ 895,201

The accompanying notes are an integral part of these statements.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

	2016	2015
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margins	\$ 2,862,209	\$ 1,466,206
Adjustments to reconcile net margins to net cash provided by		
Operating activities:		
Depreciation and amortization	6,218,449	5,814,015
Capital credits	(299,361)	(271,017)
Loss (Gain) on the sale of fixed assets	(28,205)	2,420
Income from investment	(858,440)	(466,278)
(Increase) decrease in:		
Customer and other accounts receivable	(834,043)	833,249
Current & accrued assets - other	117,092	(879)
Inventory of subsidiary	(785)	1,226
Refundable power costs	1,107,937	(1,215,041)
Increase (decrease) in:		
Accounts payable	(1,231,100)	740,197
Accrued interest payable	888,207	76,585
Current and accrued liabilities – other	214,512	(386,154)
Accrued postretirement benefits other than pensions	(48,357)	28,848
Total adjustments	5,245,906	5,157,171
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 8,108,115	\$ 6,623,377

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 15):

The accompanying notes are an integral part of these statements.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by Cloverland Electric Cooperative, Inc. which have a significant effect on the financial statements.

Organization

Cloverland Electric Cooperative is a member-owned, not-for-profit corporation whose purpose is to provide electric service to its members. As a cooperative, all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Principles of Consolidation

The consolidated financial statements for 2016 combine the financial results of Cloverland Electric Cooperative, Inc and its wholly owned subsidiary, subsidiary Lighthouse.Net as required by APB Opinion No. 18, Cloverland Electric Cooperative, Inc. has accounted for the investment using the equity method. All significant inter-company transactions and accounts have been eliminated. In accordance with RUS guidelines, the activity of the subsidiary is not assignable to members of the Cooperative, the result is to include the net activities of the subsidiary in Other Equities

Electric Plant and Equipment

Additions, with a life expectancy of more than one year, are recorded at cost less contributions in aid of construction received from customers. As items are retired or otherwise disposed of, the asset account is credited for the cost and the accumulated depreciation account is charged. The cost of removal less salvage is also charged to the accumulated depreciation account.

Revenue

Cloverland records revenue monthly, as billed, on the basis of automated and manual meter readings. Automated readings can be taken at any time, and the actual receivable due at the end of the period can be booked with certainty. Manual readings are taken throughout the month, and an estimate of unbilled revenue relative to power consumed from the meter is made and added to the current period's revenue. Cloverland's accounts receivable balance, found on their balance sheet, includes amount for revenues accrued but not billed as of year-end.

Cloverland continually reviews its customer's creditworthiness and requests deposits and refunds based on that review, Cloverland's three largest customers accounted for approximately 11% of total revenues in 2016.

Concentration of Credit Risk

Cloverland maintains allowances for potential credit losses and, historically, such losses have been within management's estimates.

Investments

The carrying values of investments in associated organizations are stated at cost, adjusted for capital credits earned or retired. Investments related directly to deferred compensation obligations are carried at market value and changes in market value are recorded as changes in the related liability.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Regulation

In 2015, Cloverland elected to become self-regulated under PA 167 of 2010. Accounting and rate matters will become subject to the Board of Directors and membership approval beginning January, 2016.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less. Certificates of deposit and commercial paper with maturities between 90 days and one year are classified as short-term investments and stated at cost, which approximates market value. Certificates of deposit and commercial paper with maturities beyond one year are classified as other investments and stated at cost, which approximates market value.

Accounts receivable

Accounts receivable consist primarily of amounts due from members for electric service. An allowance for doubtful accounts has been estimated based on collection history. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approve all accounts charged off.

Materials and Supplies

Electrical materials and supplies are valued at the lower of market value or average unit cost. Merchandise held for resale is valued on the first-in, first-out basis.

Advertising

The cost of advertising is expensed as incurred.

Retirement Plan

Cloverland has a retirement plan and a savings plan for substantially all employees. Under the terms of the savings plan, Cloverland is required to contribute 8 percent of the employee's base annual earnings to the plan for non-union employees. As of October 22, 2010, Union employees receive an employer match based on the amount of the employees' contribution.

Contributions in Aid of Construction

Contributions in aid of construction are received from customers on electrical installations and re-applied against the construction costs.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Cooperative is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part that the Cooperative derive at least 85 percent of its annual gross income from members to retain the exemption. The Cooperative expects to meet the requirements for the tax year ended December 31, 2016. Accordingly, no provision for income taxes has been made in the consolidated financial statements. The Cooperative's federal information returns for Calendar year 2011 and after are subject to examination by the Internal Revenue Service. The Cooperative's subsidiary, Lighthouse.Net is subject to Federal income tax and the Michigan Corporate Income Tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and federal income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Deferred income taxes arise from temporary basis differences related to inventory and property and equipment. Valuation allowances are established when necessary to reduce deferred tax assets to the amount to be realized, if necessary. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities.

Uncertain Tax Positions

The financial and Accounting Standards Board (FASB) issued ASC Topic 740, Accounting for Uncertainty in Income Taxes, which seeks to reduce the significant diversity in practice associated with financial statement recognition and measurement in accounting for income taxes and prescribes the recognition threshold and measurement attribute for disclosures of tax positions previously taken or expected to be taken on an income tax return. The Company adopted the provisions of ASC Topic 740 effective November 1, 2009, and, accordingly analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company has also elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect any charges for such, the extent they arise, as a component of its administrative and general expenses. The adoption of ASC Topic 740 has had no significant impact on the Company's financial statements.

NOTE 2: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2016 presentation.

NOTE 3: ASSETS PLEDGED

Substantially all assets are pledged as collateral on long-term debt payable to CoBank, Federal Financing Bank and the National Rural Utilities Cooperative Finance Corporation (CFC)

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: ELECTRIC PLANT AND DEPRECIATION RATES AND PROCEDURES

Major classes of electric plant as of December 31, 2016 and 2015 consisted of:

	<u>2016</u>	<u>2015</u>
Intangible plant	\$ 7,508,661	\$ 7,508,661
Distribution plant	140,661,541	131,065,167
Generation plant	20,097,031	19,863,438
Transmission plant	83,442	83,442
General plant and equipment	<u>21,888,865</u>	<u>19,314,373</u>
	188,894,469	177,835,081
Construction work in progress	<u>3,971,821</u>	<u>6,212,438</u>
TOTAL	<u>\$ 192,866,290</u>	<u>\$ 184,047,519</u>

Provision has been made for depreciation of the distribution plant, generation plant and transmission plant at straight-line composite rates of 2.8, 3.0 and 2.7 percent per annum for the years ended December 31, 2016 and 2015.

	<u>Life Range in Years</u>
Structures and improvements	5 – 50
Office furniture	3 – 20
Transportation equipment	5 – 14
Power operated equipment	3 – 15
Other general plant	3 – 15
Communications equipment	5 – 10
Other generation plant	10 – 33

Depreciation charges on electric plant in service were charged as follows for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Charged to:		
Depreciation and amortization expense	\$ 5,487,060	\$ 5,124,213
Other expenses	<u>731,389</u>	<u>689,802</u>
	6,218,449	5,814,015
Total Expensed	393,638	406,770
Capitalized	<u>247,939</u>	<u>257,049</u>
TOTAL DEPRECIATION	<u>\$ 6,860,026</u>	<u>\$ 6,477,834</u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments consisted of the following as of December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
National Rural Utilities Cooperative Finance Corporation:		
Capital term and zero term certificates maturing through 2080, interest rates between 0% and 5%	\$ 772,539	\$ 772,539
Long-term certificates maturing through 2030 at an interest rate of 3%	48,000	48,000
Patronage capital credits	293,511	290,479
American Transmission Company, LLC	10,224,421	9,512,329
Federated Rural Electric Ins. Co.	415,146	347,978
CoBank	491,921	454,538
National Rural Telecommunications Cooperative	155,419	152,141
Section 457 plan investments	737,142	637,904
Other	<u>484,865</u>	<u>471,426</u>
 TOTAL	 <u>\$ 13,622,964</u>	 <u>\$ 12,687,334</u>

The Cooperative holds a .611% ownership interest in American Transmission Company, LLC; a partnership. The investment at December 31, 2016 and 2015 is \$10,224,421 and \$9,512,329, respectively.

NOTE 6: GOODWILL

The carrying amount of Goodwill for the years ended December 31, 2016 and 2015 was \$243,301. The requirements of Statement of Financial Accounting standards No. 142, "Goodwill and Other Intangible Assets," requires that Goodwill be valued at its fair market value and adjusted annually for any impairment losses. Management has determined that there has been no impairment in the carrying value of the Goodwill.

NOTE 7: CASH AND INVESTMENTS

Statements of Financial Accounting Standards (SFAS) No. 105 require disclosure of significant concentrations of credit risk arising from cash deposits in excess of federally insured limits. The detail of these amounts are as follows:

	<u>Per Institution</u>
Insured	\$ 619,201
Uninsured	<u>3,926,363</u>
 Total deposits at banks	 4,545,564
In transit items	<u>(1,721,509)</u>
	2,824,055
Undeposited funds	36,576
Working funds	3,350
Money market funds and special construction	<u>(394)</u>
 Total Cash	 <u>\$ 2,863,587</u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: PATRONAGE CAPITAL

Patronage capital balances as of December 31, 2016 and 2015 consisted of:

	2016	2015
Assignable	\$ 2,938,319	\$ 1,724,968
Assigned	42,922,621	41,197,653
	45,860,940	42,922,621
Less retirements to date	16,542,574	16,042,575
Balance	\$ 29,318,364	\$ 26,880,046

In accordance with 7 CFR 1717.617, published in the Federal Register on December 29, 1995, RUS approval is already given for distribution borrowers declaring or paying patronage capital retirements if the following requirements are met: after the distribution, the borrower's equity is equal to/or greater than 30 percent of its total assets; the borrower is current on all payments due on all notes secured under the mortgage; the borrower is not in default under its loan documents; and after distribution, the borrower's current and accrued assets will not be less than its current and accrued liabilities. Additionally, approval from CFC is not necessary, if the cooperatives equity position immediately following the refund is greater than the 20 percent minimum mentioned in the CFC Mortgage. The Cooperative was not in compliance with this requirement in 2015, and CFC and CoBank agreed to RUS' approval of the capital credit retirement.

The equities and margins of Cloverland represent 16.02% and 15.63% of the total assets at December 31, 2016 and 2015, respectively. The borrower is current on all payments due and is not in default under its loan documents.

NOTE 9: OTHER EQUITIES

Other equities consisted of the following for the years ending December 31, 2016 and 2015:

	2016	2015
Pre-1978 non-operating margins	\$ 49,495	\$ 17,198
Sales tax refunds on patronage capital	50,521	58,277
Capital gains	11,254	11,254
Donated capital	562,128	555,914
Non-assignable margins	380,089	432,140
Non-refundable capital	884,797	884,797
TOTAL	\$ 1,938,284	\$ 1,959,580

NOTE 10: MORTGAGE NOTES

Long-term debt is composed of 1.941% to 7.0% mortgage notes payable to the Federal Financing Bank, the Rural Utilities Service (RUS) of the United States of America, CoBank, and Freddie Mac. The RUS notes are for 35 year periods each, with principal and interest installments due either quarterly or monthly. The notes are scheduled to be fully repaid at various times from 2018 through 2046.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: MORTGAGE NOTES - continued

Detail of the long-term debt is as follows:

	2016	2015
Federal Financing Bank notes bearing interest at 1.941% to 3.587% per annum, payable in monthly and quarterly installments through 2047.	\$ 115,081,896	\$ 110,528,937
CoBank notes bearing interest at 2.32% to 3.84% per annum, payable in monthly installments through 2041.	23,716,391	24,741,207
National Rural Utilities Cooperation Finance Corporation notes bearing interest at 4.50% per annum, payable in quarterly installment to the year 2032.	1,372,289	1,464,164
Notes payable to Freddie Mac in quarterly installments of \$137,814, including interest at 1.677% per annum, with final maturity ranging from 2018 to 2034. Secured by substantially all assets.	2,484,085	2,726,756
Note payable-Bank. Monthly installment payments of \$1,047, including interest at 6.60%, with a final payment of \$1,048 due on December 24, 2021. Secured by land and building.	206,664	134,631
Note payable-Bank. Monthly installment payments of \$1,790, including interest at 7.0%, until May 18, 2018. Secured by cable television equipment.	386,768	406,390
Note payable-Bank. Monthly installment payments of \$4,669, including interest at 7.0%, until November 1, 2027. Secured by the cable television equipment.	417,131	442,959
Vehicle loan-Bank. Monthly installment payments of \$706, including interest at 5.25%, until January 18, 2019. Secured by the vehicle purchased.	16,309	23,710
Vehicle loan-Bank. Monthly installment payments of \$372, including interest at 6.60%, until October 28, 2021. Secured by the vehicle purchased.	18,443	-
	144,300,746	140,468,754
Less:		
RUS Cushion of credit	1,564,716	7,827
Current maturities	4,023,985	3,746,001
TOTAL LONG-TERM DEBT	\$ 138,712,045	\$ 136,714,926

Unadvanced loan funds were available to Cloverland on the loan commitments from FFB in the amount of \$25,759,000 for 2016 and \$32,759,000 for 2015. Unadvanced loan funds were available to Cloverland on the loan commitments from CFC in the amount of \$-0- for 2016 and 2015, respectively.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: MORTGAGE NOTES - continued

Maturities of long-term debt for each of the next five years are as follows:

	<u>Total</u>
2017	\$ 4,023,985
2018	4,497,379
2019	4,197,640
2020	4,323,349
2021	4,387,824

The loan agreement requires certain financial ratios to be met in the operation and management of its business. The company did meet these ratios for 2016.

NOTE 11: LINE OF CREDIT

The Cooperative has available a line of credit with CoBank in the amount of \$20,000,000 for 2016. The Cooperative had an outstanding balance of \$1,750,000 for 2016 and \$0 in 2015. Interest at December 31, 2016 was charged at 3.47%.

The Cooperative has another available a line of credit with CFC in the amount of \$19,500,000 for 2016. The Cooperative had an outstanding balance of \$2,700,000 for 2016 and \$0 in 2015. Interest at December 31, 2016 was charged at 2.50%.

The Company's subsidiary (Lighthouse.Net) has a \$10,000 line-of-credit with a bank. Interest on outstanding borrowings is payable monthly and computed at 6.5%. The line-of-credit matures April 30, 2017. Lighthouse.Net had an outstanding balance of \$0 for the year ended December 31, 2016. Line is secured by all assets of the company.

NOTE 12: DEFERRED DEBITS AND CREDITS

The balance of the regulatory pension asset was \$9,348,205 at December 31, 2016 and \$9,898,099 December 31, 2015. The Cooperative has concluded that substantially all of the unrecognized costs resulting from the recognition of the funded status of the pension and OPEB plans qualify as a regulatory asset.

As a result of a plan amendment, Cloverland will pay NRECA Retirement Security Plan a sum of \$1,357,935, for past service credit, which is to be amortized over 18 years. The balance at December 31, 2016 was \$1,313,923.

Lighthouse.Net has deferred startup costs related to Mackinac Island Cable Company, and loan fees, which are being amortized. The net amount of these deferred costs was \$5,217 at December 31, 2016 and \$9,999 at December 31, 2015.

NOTE 13: PARTICIPATION IN THE RETIREMENT SECURITY PLAN

Narrative Description - 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.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: PARTICIPATION IN THE RETIREMENT SECURITY PLAN - continued

Plan Information – Cloverland’s contributions to the RS Plan in 2016 and in 2015 represented less than 5 percent of the total contributions made to the plan by all participating employers. Cloverland made contributions to the plan of \$1,405,854 in 2016 and \$1,148,164 in 2015. Contributions to the savings program, which are based on a percentage of the employee’s compensation, were \$544,197 and \$559,265 in 2016 and 2015, respectively. There have been no significant changes that affect the comparability of 2016 and 2015 contributions.

RS Plan Prepayment Option - At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative’s share, as of January 1, 2013, of future contributions required to fund the RS Plan’s unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative’s annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period. For the RS Plan the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80 percent funded at January 1, 2016 and January 1, 2015 based on the Pension Protection Act (PPA) funding target and 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.

Retirement Savings Plan for Employees- The Cooperative offers selective retirement savings plans to employees. The plans are offered to employees, pursuant to Section 401(k) of the Internal Revenue Code. The Cooperative and employees make contributions to the employees’ accounts. The Cooperative’s contributions are equal to the amounts reflected as an expense in the consolidated financial statements. The Cooperative contributed approximately \$551,808 and \$567,166 during 2016 and 2015, respectively. Employees vest immediately in their contributions and in the contributions made by the Cooperative.

NOTE 14: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The plan sponsored by the cooperative is an unfunded defined benefit post-retirement plan that covers all employees who were hired before October 1, 1995, and who retire after the attainment of age 60 and completion of 15 years of service. Spouses of pensioners are included, with coverage continuing to the spouse after the pensioner’s death. Employees of the cooperative as of October 1, 1995 had the option to participate in the defined benefit post-retirement health insurance plan or have a Rabbi trust established in their name (see below).

The Actuarial calculated amount of liability has been recounted as expense in prior years.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - continued

The plan's net periodic postretirement benefit cost include the following components:

Components of Benefit Cost	2016	2015
Service Cost	\$ -	\$ -
Interest Cost	44,445	47,132
Amortization of prior service cost	-	74,053
Amortization of transition obligation	-	-
Recognition of net Gain/loss	25,824	26,142
Net periodic post-retirement benefit cost	\$ 70,269	\$ 147,327

The following table sets forth the plan funded status and amounts reported on the Cooperative's balance sheets:

Change in Benefit Obligation	2016	2015
Benefit obligation at beginning of year	\$ 1,303,990	\$ 1,145,043
Beginning of year actuarial adjustment	-	-
Interest cost	44,445	47,132
Unrecognized prior service cost	-	-
Net actuarial loss/(gain) for the prior year	26,001	226,324
Benefits paid	(118,803)	(114,509)
Benefit obligation at end of year	\$ 1,255,633	\$ 1,303,990
 Change in Plan Assets		
Fair value of plan assets at beginning of year		
Actual return on plan assets		
Employer contributions	\$ 118,103	\$ 118,102
Benefits paid	(118,103)	(118,102)
Fair value of plan assets at end of year	\$ -	\$ -
Recognized Benefit Obligation	\$ (1,255,633)	\$ (1,303,990)
Amounts Recognized in Accumulated Other Comprehensive Loss – Beginning	\$ 517,314	\$ 387,215
Amounts Recognized in Accumulated Other Comprehensive Loss	\$ 517,314	\$ 517,314

**CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 14: POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - continued

For measurement purposes a 5.0% and 5.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2016 and 2015, respectively.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 3.75 percent.

Benefits are expected to be paid out as follows:

2017	112,939
2018	109,306
2019	106,958
2020	104,242
2021	102,157

A Rabbi Trust was established for the employees who were hired before October 1, 1995 and who elected not to be covered by the Cooperatives post-retirement health insurance. Some employees elected the total buyout under this option. The buyout costs were expensed when paid. The Rabbi Trust was fully funded at December 31, 2016.

NOTE 15: LEASES AND POWER PURCHASE AGREEMENTS

The Cooperative's primary source of generation is its 30-megawatt hydroelectric-generating plant located on the St. Marys River in Sault Ste. Marie, Michigan. The water for this facility is leased under a contract with the United States Corps of Engineers with tenure to December 31, 2075. However, the Secretary of the Army has the right to terminate the contract subsequent to December 2050 by providing at least a five-year termination notice. No such notice can be given prior to December 31, 2045. The Cooperative pays for all water taken from the St. Marys River at predetermined rates with a minimum annual payment of \$200,000. Rentals under this contract were \$1,514,929 and \$1,306,071 in 2016 and 2015, respectively. The total flow of water taken out of Lake Superior, which in effect is the flow of water in the St. Marys River, is under the direction and control of the International Joint Commission, created by the Boundary Water Treaty of 1909 between the United States and Great Britain, now represented by Canada.

Hydroelectric generation is also purchased by Cloverland under contract from the United States Corps of Engineers' hydroelectric-generating plant located within the Soo Locks complex on the St. Marys River in Sault Ste. Marie, Michigan. This 17-megawatt contract has tenure to November 1, 2040, and cannot be terminated by the United States Government prior to November 1, 2030. Payments under the contract were \$3,668,578 and \$2,602,765 in 2016 and 2015, respectively, with modifications to such payments for power outages and the cost of designated repairs in excess of the federal share of such costs. Annual payments are subject to re-negotiation every five years, and the re-negotiation increasing the payment to \$4,106,400 was approved in 2015.

NOTE 16: NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing activities for 2016 and 2015 were as follows:

	2016	2015
Patronage capital allocated	\$ 299,361	\$ 253,687
Materials salvaged from inventory	239	53,903
Capitalized depreciation	247,939	257,409

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: COMMITMENTS AND CONTINGENCIES

St. Ignace division Remediation Project - A decommissioned diesel-generating site located at the St. Ignace Division's service center is currently being remediated for diesel fuel. The Michigan Department of Natural Resources and Environment (DNRE) is working with the Cooperative at the site. The cost of monitoring and remediation was \$53,202 and \$55,262, for the years ended December 31, 2016 and 2015, respectively. At this time, we cannot reasonably estimate future monitoring and remediation expenses.

SSR Costs related to Presque Isle Power Plant - In 2014 Wisconsin Energy (WEC) announced the closure of its Presque Isle Power Plant (PIPP) in Marquette, Michigan, after their largest customer load, the Tilden and Empire mines, chose an alternate electric supplier as allowed by a 2008 amendment to Public Act 295 in Michigan. The Mid Continent Independent System Operator (MISO) however, required that WEC keep the plant operational to support load and voltage requirements in the Upper Peninsula. By virtue of MISO's decision, WEC was able to then get System Support Resource (SSR) cost reimbursement from MISO for the costs associated with keeping the plant running. The SSR costs were estimated at \$116 million over a 14 month period. The Federal Energy Regulatory Commission (FERC) ordered in December that almost all of the SSR costs be paid by utilities/customers in the Upper Peninsula rather than share those costs with Wisconsin. As a result, Cloverland Electric would have been responsible for approximately \$26 million of those costs even though they did not get any direct benefit from the PIPP. In February of 2015, the FERC agreed with Cloverland's position that SSR costs should be paid primarily by those who benefit from the PIPP. The \$26 million that was potentially going to be charged to Cloverland annually were to be reallocated.

In February of 2015, the mines were no longer being provided power from an alternative supplier and returned to their original provider, Wisconsin Electric. As a result, the amount of the total SSR liability will be decreased considerably and will only be for the period of February 2014 through January 2015. Cloverland estimates their potential liability to be \$8-10 million dollars. FERC is expected to make the final determination of the total liability and the appropriate allocation of those costs in late 2017 or early 2018. Requests for re-hearings and the proceedings of a separate Federal Court case may impact the timing and estimated liability related to the contingency.

NOTE 18: DEFERRED COMPENSATION

Cloverland has executive compensation plans for certain highly compensated employees and directors. The plans are designed in accordance with Section 457(b) of the Internal Revenue Code. The plan for highly compensated employees became effective in August, 2009, and the plan for directors became effective in May, 2000. The plans are unfunded and the Cooperative maintains ownership of the related investments until benefits are distributed. Investment selections are made by the individual plan participants. Changes in value of the plan investments are recognized as an adjustment to deferred compensation liability. The amount of deferred compensation related to the plans at December 31, 2016 and 2015 was \$737,142 and \$637,904, respectively.

NOTE 19: LETTERS OF CREDIT

The Cooperative has a letter of credit outstanding to the Midwest Independent Transmission System Operator (MISO) for \$2,500,000 at December 31, 2016. This letter of credit is required in order to mitigate risk of loss in financial operations.

**CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 20: INCOME TAXES

The detail of the deferred tax liability of Lighthouse.Net is as follows:

	2016	2015
Deferred tax asset arising from:		
Timing difference	\$ 11,746	\$ 14,350
Net Operating loss carryforward	55,650	45,300
	67,396	59,650
Deferred tax liability arising from:		
Accumulated depreciation for tax purposes in excess of book	(83,575)	(80,225)
Net deferred tax asset (liability)	\$ (16,179)	\$ (20,575)

The detail of income tax expense is as follows:

	2016	2015
Current operations	\$ 10,337	\$ 1,933
Deferred taxes	(5,941)	2,717
Total income tax benefit (expense)	\$ 4,396	\$ 4,710

Net operating losses are comprised of the following amounts.

Year of loss	Taxable Loss	NOL Used	Expiration of NOL
2010	\$ 28,964	\$ -	2030
2011	12,257	-	2031
2012	54,897	-	2032
2013	64,607	-	2033
2014	12,793	-	2034
2015	7,729	-	2035
2016	41,347	-	2036

NOTE 21: PRIOR PERIOD ADJUSTMENT

In prior periods, Cloverland did not report the investments or deferred compensation liability related to the Cooperative's 457(b) plans for highly compensated employees and directors. During 2016 management determined these amounts should be recorded to reflect the Cooperative's ownership of these assets and the related liabilities. The balance of the investment and deferred compensation liability related to the plans at December 31, 2015 was \$637,904. As the investments are related to deferred compensation obligations, they are not considered available-for-sale and changes in market value are recorded as changes in the related liability, therefore net margin is not impacted.

NOTE 22: SUBSEQUENT EVENTS

Cloverland Electric Cooperative, Inc. and subsidiary management has evaluated the impact of subsequent events as they relate to the financial statements through March 21, 2017, the date of issuance of the financial statements.

ADDITIONAL INFORMATION

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2016

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
ASSETS				
ELECTRIC PLANT:				
In service – at cost	\$ 186,319,977	\$ 2,574,492	\$	\$ 188,894,469
Construction work in progress	3,967,821	4,000		3,971,821
	190,287,798	2,578,492		192,866,290
Less accumulated depreciation	41,489,419	1,199,081		42,688,500
NET ELECTRIC PLANT	148,798,379	1,379,411		150,177,790
OTHER ASSETS AND INVESTMENTS:				
Investments and memberships	13,467,545	155,419		13,622,964
Investment in subsidiary	635,084		(635,084)	
Non-utility property	51,472			51,472
Deferred retirement benefit	1,420,863			1,420,863
Goodwill		243,301		243,301
TOTAL OTHER ASSETS AND INVESTMENTS	15,574,964	398,720	(635,084)	15,338,600
CURRENT ASSETS:				
Cash and temporary cash investments	2,790,360	73,227		2,863,587
Accounts receivable, less allowance for doubtful accounts of approximately \$361,414	9,643,953	28,696		9,672,649
Intercompany	10,771		(10,771)	
Materials and supplies	3,464,147	32,767		3,496,914
Prepaid expenses and other current assets	410,281	6,771		417,052
TOTAL CURRENT ASSETS	16,319,512	141,461	(10,771)	16,450,202
DEFERRED DEBITS	10,662,128	5,217		10,667,345
TOTAL ASSETS	\$ 191,354,983	\$ 1,924,809	\$ (645,855)	\$ 192,633,937

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2016
(continued)

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
EQUITIES:				
Memberships	\$ 132,330	\$	\$	\$ 132,330
Patronage capital	29,318,364			29,318,364
Other equities	1,420,970	635,084	(635,084)	1,420,970
TOTAL EQUITIES	30,871,664	635,084	(635,084)	30,871,664
LONG-TERM DEBT, NET OF CURRENT MATURITIES:				
Mortgage notes to CoBank	22,656,700			22,656,700
Mortgage notes to Federal Financing Bank	111,535,320			111,535,320
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	3,547,818			3,547,818
Mortgage notes to Central Savings Bank		972,207		972,207
TOTAL LONG-TERM DEBT	137,739,838	972,207		138,712,045
OTHER NON-CURRENT LIABILITIES				
Accrued Postretirement benefits other than pensions and deferred compensation	1,255,633			1,255,633
Deferred compensation	737,142			737,142
Deferred income tax liability		16,179		16,179
Deferred revenue		22,950		22,950
TOTAL OTHER NON-CURRENT LIABILITIES	1,992,775	39,129		2,031,904
CURRENT LIABILITIES:				
Current maturities of long-term debt	3,950,877	73,108		4,023,985
Line of credit	4,450,000			4,450,000
Accounts payable:				
Purchased power	2,606,670			2,606,670
Other	1,890,959	60,381		1,951,340
Intercompany		10,771	(10,771)	
Refundable power costs	1,963,269			1,963,269
Customer deposits and prepayments	656,743	97,030		753,773
Accrued interest	988,984	2,473		991,457
Accrued vacation and sick pay	1,412,368			1,412,368
Accrued taxes and other current liabilities	2,830,836	34,626		2,865,462
TOTAL CURRENT LIABILITIES	20,750,706	278,389	(10,771)	21,018,324
TOTAL EQUITIES AND LIABILITIES	\$ 191,354,983	\$ 1,924,809	\$ (645,855)	\$ 192,633,937

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATING STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
OPERATING REVENUES	\$ 79,435,273	\$ 1,414,501	\$	\$ 80,849,774
OPERATING EXPENSES:				
Cost of power-produced	4,040,849			4,040,849
Cost of power—purchased	35,139,919			35,139,919
Cost of goods sold		655,590		655,590
Transmission	9,028,438			9,028,438
Distribution – operations	2,776,011			2,776,011
Distribution – maintenance	5,385,250			5,385,250
Customer accounts	2,277,231	19,217		2,296,448
Customer service and information expense	1,362,200			1,362,200
Sales expense	121,785			121,785
Administrative and general	4,388,648	598,660	(11,930)	4,975,378
Depreciation and amortization	6,098,646	119,803		6,218,449
Taxes – property	2,768,714	7,272		2,775,986
Taxes – other	(4,000)	19,071		15,071
TOTAL OPERATING EXPENSES	73,383,691	1,419,613	(11,930)	74,791,374
OPERATING MARGINS BEFORE FIXED CHARGES	6,051,582	(5,112)	11,930	6,058,400
FIXED CHARGES:				
Interest on long-term debt	4,424,979	73,981		4,498,960
Other interest	110,656			110,656
TOTAL FIXED CHARGES	4,535,635	73,981		4,609,616
OPERATING MARGINS AFTER FIXED CHARGES	1,515,947	(79,093)	11,930	1,448,784
CAPITAL CREDITS	299,361	5,418		304,779
NET OPERATING MARGINS	1,815,308	(73,675)	11,930	1,753,563
NON-OPERATING MARGINS:				
Interest Income	188,448	2		188,450
Other	878,207	55,714	(11,930)	921,991
Gain (loss) on disposal of fixed assets		(1,795)		(1,795)
Income from subsidiary	(19,754)		19,754	
TOTAL NON-OPERATING MARGINS	1,046,901	53,921	7,824	1,108,646
NET MARGINS	\$ 2,862,209	\$ (19,754)	\$ 19,754	\$ 2,862,209



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Cloverland Electric Cooperative, Inc.
Dafter, Michigan

We have audited the financial statements of Cloverland Electric Cooperative, Inc. for the year ended December 31, 2016, and have issued our report thereon dated March 21, 2017. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cloverland Electric Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cloverland Electric Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cloverland Electric Cooperative's internal control over financial reporting.

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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Cloverland Electric Cooperative'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 would 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders, entities and is not intended to be and should not be used by anyone other than these specific parties.

Harris Group, CPA's

Traverse City, MI
March 21, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF
CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS
FOR ELECTRIC BORROWERS**

To the Board of Directors
Cloverland Electric Cooperative, Inc.
Dafer, 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 Cloverland Electric Cooperative, which comprise the balance sheet as of December 31, 2016, and related statements of revenue and patronage capital, changes in cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2017. In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017 on our consideration of Cloverland Electric Cooperative'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 Cloverland Electric Cooperative 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, 2016, 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 Cloverland Electric Cooperative's noncompliance with the above-referenced items, 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 Cloverland Electric Cooperative's accounting and records to indicate they 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 and 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;

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.

This report is intended solely for the information and use of the board of directors, management, and the RUS 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.

A handwritten signature in blue ink that reads "Horvath Group, CPAs". The signature is written in a cursive, flowing style.

Traverse City, MI
March 21, 2017