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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0043

PERIOD ENDED December, 2017 (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

3/28/2018

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	79,402,573	76,565,615	85,004,613	7,127,996
2. Power Production Expense	4,040,849	4,261,321	4,404,832	354,099
3. Cost of Purchased Power	35,139,919	32,060,298	41,135,452	3,313,173
4. Transmission Expense	9,028,438	7,418,390	8,065,097	662,014
5. Regional Market Expense				
6. Distribution Expense - Operation	2,776,011	3,027,814	2,918,110	297,251
7. Distribution Expense - Maintenance	5,385,250	5,474,310	5,167,438	533,582
8. Customer Accounts Expense	2,277,231	2,112,190	2,358,044	45,176
9. Customer Service and Informational Expense	1,362,200	1,346,663	1,420,901	155,775
10. Sales Expense	121,785	122,173	129,719	9,994
11. Administrative and General Expense	4,388,648	4,195,659	4,509,865	405,924
12. Total Operation & Maintenance Expense (2 thru 11)	64,520,331	60,018,818	70,109,458	5,776,988
13. Depreciation and Amortization Expense	6,098,646	6,289,192	6,358,080	527,427
14. Tax Expense - Property & Gross Receipts	2,768,714	2,778,224	3,025,000	17,224
15. Tax Expense - Other	(4,000)	0	1,000	0
16. Interest on Long-Term Debt	4,381,818	4,394,351	4,446,125	377,974
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	111,191	49,863	71,200	1,750
19. Other Deductions	40,759	79,480	36,000	14,179
20. Total Cost of Electric Service (12 thru 19)	77,917,459	73,609,928	84,046,863	6,715,542
21. Patronage Capital & Operating Margins (1 minus 20)	1,485,114	2,955,687	957,750	412,454
22. Non Operating Margins - Interest	188,448	241,117	211,200	13,068
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	(19,754)	(642,218)	15,000	(709,228)
25. Non Operating Margins - Other	909,040	1,024,055	799,275	171,872
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	299,361	412,392	300,000	30,359
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	2,862,209	3,991,033	2,283,225	(81,475)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0043

PERIOD ENDED

December, 2017

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	592	221	5. Miles Transmission		
2. Services Retired	191	343	6. Miles Distribution – Overhead	2,855.29	3,161.34
3. Total Services in Place	44,828	44,706	7. Miles Distribution - Underground	641.70	913.04
4. Idle Services (Exclude Seasonals)	1,686	1,775	8. Total Miles Energized (5 + 6 + 7)	3,496.99	4,074.38

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	194,580,153	30. Memberships	140,420
2. Construction Work in Progress	3,317,475	31. Patronage Capital	29,943,476
3. Total Utility Plant (1 + 2)	197,897,628	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	46,078,045	33. Operating Margins - Current Year	3,368,080
5. Net Utility Plant (3 - 4)	151,819,583	34. Non-Operating Margins	410,314
6. Non-Utility Property (Net)	398,994	35. Other Margins and Equities	1,076,841
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	34,939,131
8. Invest. in Assoc. Org. - Patronage Capital	974,413	37. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	114,620,950
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	12,858,632	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	24,794,083
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	854,520	42. Payments – Unapplied	0
14. Total Other Property & Investments (6 thru 13)	15,086,559	43. Total Long-Term Debt (37 thru 41 - 42)	139,415,033
15. Cash - General Funds	2,688,563	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	84	45. Accumulated Operating Provisions and Asset Retirement Obligations	1,964,915
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	1,964,915
18. Temporary Investments	10	47. Notes Payable	250,000
19. Notes Receivable (Net)	0	48. Accounts Payable	4,885,473
20. Accounts Receivable - Sales of Energy (Net)	7,030,546	49. Consumers Deposits	664,754
21. Accounts Receivable - Other (Net)	831,677	50. Current Maturities Long-Term Debt	4,207,031
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	4,315,599	52. Current Maturities Capital Leases	0
24. Prepayments	305,954	53. Other Current and Accrued Liabilities	4,548,625
25. Other Current and Accrued Assets	1,650,221	54. Total Current & Accrued Liabilities (47 thru 53)	14,555,883
26. Total Current and Accrued Assets (15 thru 25)	16,822,654	55. Regulatory Liabilities	0
27. Regulatory Assets	10,036,793	56. Other Deferred Credits	4,223,526
28. Other Deferred Debits	1,332,899	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	195,098,488
29. Total Assets and Other Debits (5+14+26 thru 28)	195,098,488		

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION MI0043</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2017</p>
<p>PART D. NOTES TO FINANCIAL STATEMENTS</p>	
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<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>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED</p> <p>December, 2017</p>
<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2017

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	140,661,542	3,246,497	578,380		143,329,659
2. General Plant	12,753,932	797,917	534,771		13,017,078
3. Headquarters Plant	5,215,369	93,355			5,308,724
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	20,097,031	5,260,387	24,828		25,332,590
8. Total Utility Plant in Service (1 thru 7)	186,319,977	9,398,156	1,137,979		194,580,154
9. Construction Work in Progress	3,967,821	(650,346)			3,317,475
10. Total Utility Plant (8 + 9)	190,287,798	8,747,810	1,137,979		197,897,629

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	3,457,429	1,280,547	725	764,897	9,206	344,328	4,308,926
2. Other	6,718				45		6,673

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	24.500	663.400	4.600	178.500	871.000
2. Five-Year Average	19.600	325.300	9.100	248.600	602.600

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	107	4. Payroll - Expensed	6,289,079
2. Employee - Hours Worked - Regular Time	223,230	5. Payroll - Capitalized	1,309,326
3. Employee - Hours Worked - Overtime	13,847	6. Payroll - Other	2,343,171

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	0	14,789,935
	b. Special Retirements	67,566	885,753
	c. Total Retirements (a + b)	67,566	15,675,688
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	197,241	
	c. Total Cash Received (a + b)	197,241	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 368,144	2. Amount Written Off During Year	\$ 143,391
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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
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2017

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			391,822,500	28,161,156	7.19		
2	U S Corps of Engineers	800285			147,621,259	1,458,833	.99		
3	Midwest Independent Transmission System Operator, Inc. (IN)	800420				2,440,309	0.00		
	Total				539,443,759	32,060,298	5.94		

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, 2017
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	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2017	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/8/2017	2. Total Number of Members 33,964	3. Number of Members Present at Meeting 34	4. Was Quorum Present? N/A
5. Number of Members Voting by Proxy or Mail 8,948	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 192,928	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
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PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)				
2	National Rural Utilities Cooperative Finance Corporation	3,233,157	104,806	308,557	413,363
3	CoBank, ACB	21,560,926	828,691	1,059,691	1,888,382
4	Federal Financing Bank	114,620,951	3,463,962	2,690,370	6,154,332
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	139,415,034	4,397,459	4,058,618	8,456,077

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, 2017

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	34,412	34,186	
	b. kWh Sold			262,777,295
	c. Revenue			32,531,506
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
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	7,933	8,167	
	b. kWh Sold			162,224,061
	c. Revenue			17,388,038
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	152	151	
	b. kWh Sold			285,451,529
	c. Revenue			24,857,021
6. Public Street & Highway Lighting	a. No. Consumers Served	81	82	
	b. kWh Sold			2,803,407
	c. Revenue			461,603
7. Other Sales to Public Authorities	a. No. Consumers Served	4	4	
	b. kWh Sold			3,287,719
	c. Revenue			123,730
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			4,866,700
	c. Revenue			55,144
10. Total No. of Consumers (lines 1a thru 9a)		42,583	42,591	
11. Total kWh Sold (lines 1b thru 9b)				721,410,711
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				75,417,042
13. Transmission Revenue				0
14. Other Electric Revenue				1,148,573
15. kWh - Own Use				3,118,892
16. Total kWh Purchased				539,443,759
17. Total kWh Generated				214,143,883
18. Cost of Purchases and Generation				43,740,009
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				131,800

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0043

PERIOD ENDED December, 2017

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)	6,233	515,715	8,657	34,249	3,622,931	67,034
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	299	696,149	7,085	1,938	4,506,094	108,342
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	6,532	1,211,864	15,742	36,187	8,129,025	175,376

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, 2017
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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			
	Lighthouse	347,522			
	Totals	398,994			
2	Investments in Associated Organizations				
	NRUCFC		298,566	10,109	
	NISC	202,720		30,359	
	NRTC	358		0	X
	CRC	29,947		4,049	
	RESCO	281,580		50,470	X
	Federated Insurance	451,643		61,157	X
	NRUCFC CTCs		820,539	0	
	ATC	11,029,467		998,361	
	Lighthouse.net	0		(635,084)	
	NRUCFC		1,000	0	
	CoBank		555,983	256,249	
	NRTC-Lighthouse	161,242		0	X
	Totals	12,156,957	1,676,088	775,670	
5	Special Funds				
	457(b) Plans	854,520			
	Totals	854,520			
6	Cash - General				
	First National Bank		30,766		
	MBank		22,371		
	State Savings Bank		15,131		
	CSB-Lighthouse	3,734			
	Working Petty Cash	3,150			
	General Fund-Old Mission Bank	1,446,304	250,000		
	General Fund-Central Savings Bank	667,107	250,000		
	Totals	2,120,295	568,268		
8	Temporary Investments				
	Credit Union Membership	10			
	Totals	10			
9	Accounts and Notes Receivable - NET				
	A/R Other		831,677		
	Totals		831,677		
11	TOTAL INVESTMENTS (1 thru 10)	15,530,776	3,076,033	775,670	

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, 2017

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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 PERIOD ENDED December, 2017
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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]	7.85 %
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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	8,059	2,595	
2	Energy Resources Conservation Loans				
	TOTAL		8,059	2,595	

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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, 2017 (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

3/28/2018

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, 2017

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	214574.0	60.20
Total:				40710.0	214574.0	

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, 2017

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	11	17	22	20,949	100	20,949
Total:	11	17	22	20,949		20,949

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, 2017
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, 2017			
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	214,574	4,714,271
4. Combined Cycle		0	0	0	0
5. Internal Combustion		4	19,400	(8)	612,745
6. Other		0	0	0	0
7. Total in Own Plant (1 thru 6)		5	60,110	214,566	5,327,016
Purchased Power					
8. Total Purchased Power				0	0
Interchanged Power					
9. Received Into System (Gross)				0	0
10. Delivered Out of System (Gross)				0	0
11. Net Interchange (9 - 10)					
Transmission For or By Others - (Wheeling)					
12. Received Into System				0	0
13. Delivered Out of System				0	0
14. Net Energy Wheeled (12 - 13)					
15. Total Energy Available for Sale (7 + 8 + 11 + 14)				214,566	
Distribution of Energy					
16. Total Sales				0	
17. Energy Furnished to Others Without Charge				0	
18. Energy Used by Borrower (Excluding Station Use)				0	
19. Total Energy Accounted For (16 thru 18)				0	
Losses					
20. Energy Losses - MWh (15 - 19)				214,566	
21. Energy Losses - Percentage ((20 / 15) * 100)				100.00 %	

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

BORROWER DESIGNATION MI0043

PLANT Sault Ste. Marie

PERIOD ENDED December, 2017

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	214,811.00	8,760	0	0	0
2.							
3.							
4.							
5.							
6.	Total	40,710	214,811.00	8,760	0	0	0
7.	Station Service (MWh)		237.00	HYDRAULIC DATA			
8.	Net Generation (MWh)		214,574.00	ITEM		(a) MAXIMUM	(b) MINIMUM
9.	Station Service % of Gross		.11	1. Pool Elevation (ft.)		598.60	596.40
10.	Energy for Pumped Storage (MWh)			2. Tail Race Elevation (ft.)		581.70	580.00
11.	Net Generation after Pumped Storage (MWh)		214,574.00	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)	11	5.	Maintenance Plant Payroll (\$)	677,475	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	0	6.	Other Accounts Plant Payroll (\$)	160,608	2.	Plant Factor (%)	60.24%
3.	Total Employee Hours Worked	23,408				3.	Running Plant Capacity Factor (%)	60.24%
4.	Operating Plant Payroll (\$)	750,253	7.	Total Plant Payroll (\$)	1,588,336	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	535	77,809	
2.	Water for Power	536	1,491,251	6.94
3.	Energy for Pumped Storage	536.1		
4.	Hydraulic Expense	537	444,366	2.07
5.	Electric Expense	538	518,270	2.41
6.	Miscellaneous Hydraulic Power Generation Expense	539	244,667	1.14
7.	Rents	540	0	
8.	Operation Expense (1 thru 7)		2,776,363	12.93
9.	Maintenance, Supervision and Engineering	541	11,009	
10.	Maintenance of Structures	542	123,216	
11.	Maintenance of Reservoirs, Dams and Waterways	543	86,045	
12.	Maintenance of Electric Plant	544	616,958	
13.	Maintenance of Miscellaneous Hydraulic Plant	545	124,040	
14.	Maintenance Expense (9 thru 13)		961,268	4.47
15.	Total Production Expense (8 + 14)		3,737,631	17.41
16.	Depreciation	403.3, 411.10	545,407	
17.	Interest	427	431,233	
18.	Total Fixed Cost (16 + 17)		976,640	4.55
19.	Power Cost (15 + 18)		4,714,271	21.97

Remarks (including Unscheduled Outages)

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

BORROWER DESIGNATION
MI0043

PLANT
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PERIOD ENDED
December, 2017

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	1,000						8,760					
2.	2	1,000							8,760				
3.	3	1,000						8,760					
4.	4	3,000	10.75				93	5,323	3,344	0		162	
5.	5	3,000	11.60				101	7,136	994	529		172	
6.	Total	9,000	22.35	0.00	0.00		194	29,979	13,098	529		334	
7.	Average BTU		138,700.22				Station Service (MWh)					378.00	9,281.29
8.	Total BTU (10 ⁶)		3,099.95				Net Generation (MWh)					(44.00)	
9.	Total Del. Cost (\$)						Station Service % of Gross					113.17	(70,453.41)

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	1	5.	Maintenance Plant Payroll (\$)	82,902	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	0	6.	Other Accounts Plant Payroll (\$)	1,067	2.	Plant Factor (%)	0.42%
3.	Total Employee Hours Worked	1,812	7.	Total Plant Payroll (\$)	138,333	3.	Running Plant Capacity Factor (%)	57.39%
4.	Operating Plant Payroll (\$)	54,364				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	25,170		
2.	Fuel, Oil	547.1	49,047		
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	49,047	(1,114.70)	
7.	Generation Expenses	548	71,836		
8.	Miscellaneous Other Power Generation Expenses	549	31,345		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		128,351	(2,917.07)	
11.	Operation Expense (6 + 10)		177,398	(4,031.77)	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	125,235		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		125,235	(2,846.25)	
17.	Total Production Expense (11 + 16)		302,633	(6,878.02)	
18.	Depreciation	403.4, 411.10	22,802		
19.	Interest	427	18,029		
20.	Total Fixed Cost (18 + 19)		40,831	(927.98)	
21.	Power Cost (17 + 20)		343,464	(7,806.00)	

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, 2017

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	0.00						8,760			
2.	2	3,000	0.00						8,760			
3.												
4.												
5.												
6.	Total	6,000	0.00	0.00	0.00		0	0	17,520	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	0.00	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 (\$)	7,362	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	1,082	2.	Plant Factor (%)	
3.	Total Employee Hours Worked	265	7.	Total Plant Payroll (\$)	16,834	3.	Running Plant Capacity Factor (%)	0.00%
4.	Operating Plant Payroll (\$)	8,390				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	8,390		
2.	Fuel, Oil	547.1	0		0.00
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	0	0.00	0.00
7.	Generation Expenses	548	4,345		
8.	Miscellaneous Other Power Generation Expenses	549	19,130		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		31,865	0.00	
11.	Operation Expense (6 + 10)		31,865	0.00	
12.	Maintenance, Supervision and Engineering	551	2,846		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	16,163		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		19,009	0.00	
17.	Total Production Expense (11 + 16)		50,874	0.00	
18.	Depreciation	403.4, 411.10	16,309		
19.	Interest	427	12,895		
20.	Total Fixed Cost (18 + 19)		29,204	0.00	
21.	Power Cost (17 + 20)		80,078	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, 2017

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. (i)	UNSCH. (j)								
1.	2	2,400	6.20				36	6,631	113	1,980	82	
2.												
3.												
4.												
5.												
6.	Total	2,400	6.20	0.00	0.00		36	6,631	113	1,980	82	
7.	Average BTU		138,700.00				Station Service (MWh)			70.40	10,487.07	
8.	Total BTU (10 ⁶)		859.94			859.94	Net Generation (MWh)			11.60		
9.	Total Del. Cost (\$)		0.00	0.00	0.00		Station Service % of Gross			85.85	74,132.76	

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 (\$)	20,164	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	210	2.	Plant Factor (%)	0.39%
3.	Total Employee Hours Worked	243	7.	Total Plant Payroll (\$)	24,543	3.	Running Plant Capacity Factor (%)	94.91%
4.	Operating Plant Payroll (\$)	4,169				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	3,082		
2.	Fuel, Oil	547.1	10,771		12.52
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	10,771	928.53	12.52
7.	Generation Expenses	548	4,830		
8.	Miscellaneous Other Power Generation Expenses	549	7,860		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		15,772	1,359.65	
11.	Operation Expense (6 + 10)		26,543	2,288.18	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	35,973		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		35,973	3,101.12	
17.	Total Production Expense (11 + 16)		62,516	5,389.31	
18.	Depreciation	403.4,411.10	5,417		
19.	Interest	427	4,283		
20.	Total Fixed Cost (18 + 19)		9,700	836.20	
21.	Power Cost (17 + 20)		72,216	6,225.51	

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, 2017

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	9.10				62	6,090	83	2,525	115		
2.													
3.													
4.													
5.													
6.	Total	2,000	9.10	0.00	0.00		62	6,090	83	2,525	115		
7.	Average BTU		138,700.00				Station Service (MWh)					90.40	11,023.32
8.	Total BTU (10 ⁶)		1,262.17			1,262.17	Net Generation (MWh)					24.10	
9.	Total Del. Cost (\$)		0.00	0.00	0.00		Station Service % of Gross					78.95	52,372.20

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 (\$)	18,613	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	1	6.	Other Accounts Plant Payroll (\$)	194	2.	Plant Factor (%)	0.65%
3.	Total Employee Hours Worked	418	7.	Total Plant Payroll (\$)	25,987	3.	Running Plant Capacity Factor (%)	92.34%
4.	Operating Plant Payroll (\$)	7,180				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	5,308		
2.	Fuel, Oil	547.1	18,551		14.69
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	18,551	769.75	14.69
7.	Generation Expenses	548	8,318		
8.	Miscellaneous Other Power Generation Expenses	549	13,539		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		27,165	1,127.17	
11.	Operation Expense (6 + 10)		45,716	1,896.92	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	61,952		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		61,952	2,570.62	
17.	Total Production Expense (11 + 16)		107,668	4,467.55	
18.	Depreciation	403.4, 411.10	5,204		
19.	Interest	427	4,115		
20.	Total Fixed Cost (18 + 19)		9,319	386.68	
21.	Power Cost (17 + 20)		116,987	4,854.23	

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, 2017

INSTRUCTIONS - See help in the online application.

SECTION L. RENEWABLE ENERGY CREDITS

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Renewable Energy Credits	0	0	0	0	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, 2017
Present name of respondent: Cloverland Electric Cooperative
Address of principal place of business: 2916 W. M-28, Dafer, Michigan 49727
Utility representative to whom inquires regarding this report may be directed: Name: Robert Malaski Title: CFO Address: 725 E. Portage Avenue City: Sault Sainte 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 [] will be forwarded to the Commission <u>on or about</u>
Annual reports to stockholders: [NA] are published [] are not published

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Jennifer Brooks) at brooks10@michigan.gov OR forward correspondence to:

**Michigan Public Service Commission
Financial Analysis & Audit Division
Attn: Jennifer Brooks
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) 4/30/2018	Year of Report 12/31/2017
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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: In late 2017, FERC ruled on the case regarding System Support Resource (SSR) cost reimbursement to MISO, relating to the Presque Isle Power Plant in Marquette, Michigan. As a result of the FERC order, Cloverland's total SSR liability is approximately \$6.3 million. MISO will bill this cost to Cloverland in 10 monthly installments beginning in March 2018.

Name of Respondent Cloverland Electric Cooperative	This Report Is: (1) [X] An Original (2) [] A Resubmission	Date of Report (Mo, Da, Yr) 4/30/2018	Year of Report 12/31/2017
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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)	3,991,033
3	Noncash Charges (Credits) to Income:	
4	Depreciation	5,557,804
5	Amortization of Prepaid Pension Assets, ESE Acquisition costs	731,388
6	Intangible Plant	
7		
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	152,324
11	Net (Increase) Decrease in Current Assets Other	182,247
12	Net (Increase) Postretirement Benefits other than Pensions	63,614
13	Net (Increase) Decrease in Payables and Accrued Expenses	387,791
14	Net (Increase) Decrease in Refundable Power Costs	1,528,605
15	Net (Increase) Decrease in Accrued Interest Payable	(15,625)
16	(Less) Allowance for Accrued Liabilities - Other	71,780
17	(Less) Undistributed Earnings from Associated Companies	(998,361)
18	Other: Capital Credits	(412,393)
19	Loss (Gain) on Sales of Fixed Assets	(4,299)
20	(Income) Loss on Investment in Wholly Owned Subsidiary	642,218
21		
22	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 thru 21)	11,878,126
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	(7,644,212)
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	(851,452)
32	Other: Plant Removal	(1,810,893)
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	(10,306,557)
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	114,078
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) 4/30/2018	Year of Report 12/31/2017
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STATEMENT OF CASH FLOWS (Continued)

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. Enter on pages 122-123 clarifications and explanations.
---	--

Line No.	Description (See instructions for Explanation of Codes) (a)	Amount (b)
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)	(10,192,479)
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long Term Debt (b)	6,000,000
62	Preferred Stock	
63	Common Stock	
64	Other:	
65		
66	Net Increase in Short-Term Debt (c)	(4,200,000)
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	1,800,000
71		
72	Payments for Retirement of:	
73	Long Term Debt (b)	(3,983,785)
74	Preferred Stock	
75	Common Stock	
76	Other: Retirement of Patronage Capital Credits	(67,627)
77	Other: Donated Capital	(44,497)
78	Net Decrease in Short-Term Debt (c)	(84,866)
79	Memberships Issued, Net	8,090
80	Decrease (Increase) in Deferred Debits	585,335
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	(1,787,350)
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	(101,703)
87		
88	Cash and Cash Equivalents at Beginning of Year	2,790,360
89		
90	Cash and Cash Equivalents at End of Year	2,688,657

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) 04/30/18	Year of Report 12/31/2017
NONUTILITY PROPERTY (Account 121)				
1. Give a brief description and state the location of nonutility property included in Account 121.		4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.		
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.		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.		
3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.				
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	Land Parcel with Building (LTHSE)		347,522	347,522
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
TOTAL		\$ 51,472	\$ 347,522	\$ 398,994

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) 04/30/18	Year of Report 12/31/2017
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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*.
 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

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.
 (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 (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (b)		Purchases or Additions During Year (c)
		Original Cost	Book Value	
1	Lighthouse.Net	\$ 255,000	\$ 255,000	\$ 517,298
2	NRTC-Lighthouse.net	0	0	161,242
3	NRUCFC	293,511	293,511	10,109
4	NISC	180,493	180,493	30,359
5	RESCO	276,098	276,098	50,470
6	NRTC	566	566	0
7	CRC	26,708	26,708	4,049
8	CoBank	491,921	491,921	256,249
9	Federated Insurance	415,146	415,146	61,157
10	CFC-Capital Term Certificates	820,539	820,539	
11	CFC Membership	1,000	1,000	
12	ATC - Invest in Associated Org.	10,224,421	10,224,421	1,609,373
13	Credit Union	10	10	
14				
15				
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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) 04/30/18	Year of Report 12/31/2017
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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	\$ -	\$ -	\$ (772,298)		1
0	N/A	161,242	161,242	-		2
0	N/A	298,566	298,566	5,054		3
0	N/A	202,720	202,720	8,132		4
0	N/A	281,580	281,580	44,988		5
0	N/A	358	358	208		6
0	N/A	29,947	29,947	810		7
0	N/A	555,983	555,983	192,187		8
0	N/A	451,643	451,643	24,660		9
0	N/A	820,539	820,539			10
0	N/A	1,000	1,000			11
0	N/A	11,029,467	11,029,467	804,327		12
0	N/A	10	10			13
						14
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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	\$ -	\$ 883,203	\$ 883,203	\$ -	
3						
4						
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23						
24						
25	TOTAL		\$ 883,203	\$ 883,203		

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) 04/30/18	Year of Report 12/31/2017
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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) 04/30/18	Year of Report 12/31/2017
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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/transfers 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/transfers 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
								10
								11
								12
								13
								14
								15
								16-18
								19
								20
								21-22
								23
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								26
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								29
								30-32
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								41-43
								44
								45
								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) 04/30/18	Year of Report 12/31/2017
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	\$ 114,620,950	
2	NRUCFC	3,233,158	
3	CoBank	21,560,926	
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25	TOTAL	\$ 139,415,034	

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) 04/30/18	Year of Report 12/31/2017	
LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)						
<p>10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.</p> <p>11. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt-Discout and Expense, or credited to Account 429, <i>Amortization of Premium on Debt-Credit</i>.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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, <i>Interest on Long-Term Debt</i>, and Account 430, <i>Interest on Debt to Associated Companies</i>.</p> <p>16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.</p>						
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		\$ 3,463,962	1
9/10/1998	2/28/2034	Various	Various		104,710	2
7/21/2015	6/30/2041	Various	Various		825,679	3
						4
						5
						6
						7
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					\$ 4,394,351	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) 04/30/18	Year of Report 12/31/2017
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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						
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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) 04/30/18	Year of Report 12/31/2017
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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) 04/30/18	Year of Report 12/31/2017
RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (Continued)			
<p>3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2</p> <p>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.</p>			
Utility	Other	Line No.	
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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) 04/30/18	Year of Report 12/31/2017	
GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)					
<p>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.</p> <p>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).</p> <p>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.)</p>					
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 #178 trade-in-Utility Sales	\$ 89,042	1/30/2017	\$ 7,200	
3	Truck #307 trade-in; O'Connor's Dodge	18,320	3/8/2017	2,000	
4	Truck #132 trade-in; O'Connor's Dodge	14,902	3/8/2017	2,500	
5	Truck #202 trade-in; O'Connor's Dodge	16,294	3/8/2017	2,000	
6	Truck #149 trade-in; O'Connor's Dodge	13,824	3/8/2017	1,000	
7	Truck #129 trade-in; O'Connor's Dodge	21,147	3/8/2017	500	
8	Truck #206 trade-in; O'Connor's Dodge	18,637	3/8/2017	500	
9	Trailer #293 sold; Soo Welding	1,275	5/11/2017	300	
10	Trade-in; 8.5 KW propane generator	??	6/1/2017	1,200	
11	sale of computers for scrap; A&L Iron	??	6/22/2017	62	
12	sale of trailer #698 for scrap; Reid Metals	4,587	10/13/2017	74	
13	trade-in of Polaris 4x4 #764	5,713	11/2/2017	398	
14	trade-in of trucks #133 & #336	40,998	12/12/2017	2,600	
15					
16					
17	Total Gain			\$ 20,334	

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) 04/30/18	Year of Report 12/31/2017
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	Truck 359 trade-in	\$ 120,611	1/31/2017		\$ 2,615
20	item disposed due to age/5000W generator	1,155	1/31/2017		529
21	item disposed due to age/battery charger	1,093	1/31/2017		501
22	item disposed due to age/Genesis scan tool	65,440	1/31/2017		2,998
23	item disposed due to age/Varsity bicycle	131	1/31/2017		60
24	item disposed due to age/elbow puller	657	1/31/2017		301
25	item disposed due to age/Hastings tester	471	1/31/2017		132
26	item disposed due to age/computer equipment	2,300	1/31/2017		251
27	list of obsolete tools disposed	16,684	2/28/2017		6,364
28	list of obsolete IT equipment	1,633	7/1/2017		653
29	list of obsolete equip from Mstq	1,846	10/1/2017		500
30	computer replacements in 2017	19,743	11/1/2017		1,131
31					
32					
33					
34	Total Loss				\$ 16,035

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) 04/30/18	Year of Report 12/31/2017
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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	Belonga Excavating, LLC	Contractor	Contract	107.20/146.66/	48,817
2	115 Elliott St			146.67/184.70/	
3	PO Box 93			184.75/580.94/	
4	St Ignace, MI 49781			582.90/583.63/	
5				593.53/593.90/	
6				594.53/594.99	
7	Bolz Construction & Excavating, Inc.	Contractor	Contract	107.20/146.66/	27,191
8	18674 County Road 455			146.67/163.00/	
9	Newberry, MI 49868			184.60/582.90/	
10				592.66/594.99/	
11			932.67		
12	Cummins Bridgeway LLC	Hydro generator repairs	Contract	107.20	116,850
13	977 N. Center				
14	Gaylord, MI 49736				
15	Dykema Gossett PLLC	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	109,223
16	400 Renaissance Ctr, 35th Floor				
17	Detroit, MI 48243-1668				
18	Harris Group	Accounting/Audit	Hourly, plus out-of-pocket	231.10/923.00	45,008
19	731 S Garfield Ave				
20	Traverse City, MI 49686				
21	Heco, Inc.	Hydro generator repairs	Contract	107.20	56,844
22	3509 S Burdick St				
23	Kalamazoo, MI 49001				
24	Holland & Knight, LLP	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	47,363
25	PO Box 864084				
26	Orlando, FL 32886				
27	Kokosing Industrial, Inc.	Hydro Canal repairs	Contract	107.20/108.80	2,016,745
28	Durocher Marine Division				
29	PO Box 226				
30	Fredericktown, OH 43019				
31	Loomis, Ewert, Parsley, Davis & Gotting	Attorney/Legal consultant	Hourly, plus out-of-pocket	923.63	25,785
32	124 W Allegan St, Suite 700				
33	Lansing, MI 48933-1784				
34	Mackinac Environmental Technology				
35	PO Box 485	Environmental Assessment	Contract	107.20/583.40/	29,976
36	St Ignace, MI 49781			923.00	

37	McCarter & English, LLP	Attorney/Legal consultant	Contract	923.63	42,786
38	Four Gateway Center				
39	100 Mulberry St				
40	Newark, NJ 07102				
41	MWH Americas, Inc.	Contractor	Contract	107.20	29,296
42	8383 Greenway Blvd, Suite 210				
43	Middleton, WI 53562				
44	Novak Engineering, LLC	Engineering consultants	Hourly	107.20	89,104
45	901 Cunningham Rd				
46	Jackson, MI 49201				
47	Charles Palmer	Attorney/Legal consultant	Contract	923.62	51,738
48	545 Ashmun St, Suite #9				
49	Sault Ste. Marie, MI 49783				
50	Palmer Excavating	Contractor	Contract	107.20/146.66/ 146.67/163.00/ 184.30/539.06/ 549.53/582.90/ 921.04	36,010
51	12595 South M-129				
52	Dafer, MI 49724				
53					
54					
55	Power System Engineering, Inc.	Engineering consultants	Contract	923.30	88,082
56	1532 W Broadway				
57	Madison, WI 53713				
58	R M Petrie Builders, LLC	Contractor	Contract	107.59	64,960
59	N9163 Highway 33				
60	PO Box 162				
61	Curtis, MI 49820				
62	Stantec Consulting Services, Inc	Engineering consultants	Contract	107.20	45,670
63	61 Commercial St				
64	Rochester, NY 14614				
65	Survey & Ballot Systems, Inc	Board election survey/ ballots/tabulation/results	Contract	930.58	36,390
66	7653 Anagram Drive				
67	Eden Prairie, MN 55344				
68	Thunder Bay Tree Service, LLC	Contractor	Contract	146.69/592.60/ 593.59	162,185
69	1172 Halley Rd				
70	Alpena, MI 49707				
71	Trees, Inc.	ROW Clearing	Contract	107.20/543.03/ 593.60/593.65/ 593.66/593.99	1,194,326
72	4695 44th St, Suite B-130				
73	Kentwood, MI 49512				
74	Vibra Stram Cleaning Systems, LLC	Cleaning Contractor	Contract	163.00/184.10/ 184.30/539.05 921.04	64,734
75	4336 S Riverside Dr				
76	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) 04/30/18	Year of Report 12/31/2017
SUMMARY OF COSTS BILLED TO 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	Tower Rent	412	\$ 7,800
2			Shared billing services		
3			Insurance		
4			Pole Contract Rental		
5			Labor		
6			Other		
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TOTAL					\$ 7,800

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) 04/30/18	Year of Report 12/31/2017
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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.
421	\$ 1,800			\$ 7,800	Actual Cost	1
				1,800	Actual Cost	2
		143.5	\$ 13,634	13,634	Actual Cost	3
		143.2	568	568	Actual Cost	4
		123.02	8,588	8,588	Actual + Ov'h's	5
		143.5	1,694	1,694	Actual Cost	6
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	\$ 1,800		\$ 24,483	\$ 34,083		

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) 04/30/18	Year of Report 12/31/2017
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SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

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

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	7,150
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TOTAL					\$ 11,877

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) 04/30/18	Year of Report 12/31/2017
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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.
		232.01	\$ 17,078	\$ 17,078	Cost + 10%	1
		184.2	4,067	4,067	Cost per Contract	2
				4,727	Square Footage	3
				7,150	Cost per Contract	4
						5
						6
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			\$ 21,144	\$ 33,021		

**MICHIGAN 43 CHIPPEWA
CLOVERLAND ELECTRIC COOPERATIVE, INC.
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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CLOVERLAND ELECTRIC COOPERATIVE, INC.
BOARD OF DIRECTORS
DECEMBER 31, 2017

Virgil Monroe	Chairman
Ronald Provo	Vice Chairman
Charles Litzner	Secretary/Treasurer
Richard Newland	Director
Peter Legault	Director
William LaLonde	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, 2017 and 2016, 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, 2017 and 2016, 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 31, 2018, 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 3 to the financial statements, the Cooperative sold the investment in its wholly-owned subsidiary, Lighthouse.net.

Traverse City, MI
March 14, 2018

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
ELECTRIC PLANT AND EQUIPMENT:		
In service – at cost	\$ 194,580,153	\$ 188,894,469
Construction work in progress	3,317,475	3,971,821
SUBTOTAL	197,897,628	192,866,290
Less accumulated depreciation	46,078,045	42,688,500
NET ELECTRIC PLANT	151,819,583	150,177,790
 OTHER ASSETS AND INVESTMENTS:		
Investments and memberships	14,687,565	13,622,964
Non-utility property	398,994	51,472
Deferred retirement benefit	1,332,059	1,420,863
Goodwill, net of amortization	-	243,301
TOTAL OTHER ASSETS AND INVESTMENTS	16,418,618	15,338,600
 CURRENT ASSETS:		
Cash and temporary cash investments	2,688,657	2,863,587
Accounts receivable, less allowance for doubtful accounts of \$361,414 and \$609,000 in 2017 and 2016, respectively	9,502,400	9,672,649
Materials and supplies	4,315,599	3,496,914
Prepaid expenses and other current assets	316,838	417,052
TOTAL CURRENT ASSETS	16,823,494	16,450,202
DEFERRED DEBITS	10,036,793	10,667,345
TOTAL ASSETS	\$ 195,098,488	\$ 192,633,937

The accompanying notes are an integral part of these statements.

EQUITIES AND LIABILITIES	<u>2017</u>	<u>2016</u>
EQUITIES:		
Memberships	\$ 140,420	\$ 132,330
Patronage capital	33,883,988	29,318,364
Other equities	914,723	1,420,970
TOTAL EQUITIES	<u>34,939,131</u>	<u>30,871,664</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES:		
Mortgage notes to CoBank	21,560,926	22,656,700
Mortgage notes to Federal Financing Bank	114,620,950	111,535,320
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	3,233,157	3,547,818
Mortgage notes to Central Savings Bank	-	972,207
TOTAL LONG-TERM DEBT	<u>139,415,033</u>	<u>138,712,045</u>
OTHER NON-CURRENT LIABILITIES		
Accrued Postretirement benefits other than pensions and deferred compensation	1,110,395	1,255,633
Deferred compensation	854,520	737,142
Deferred income tax liability	-	16,179
Deferred revenue	-	22,950
TOTAL OTHER NON-CURRENT LIABILITIES	<u>1,964,915</u>	<u>2,031,904</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	4,207,031	4,023,985
Line of credit	250,000	4,450,000
Accounts payable:		
Purchased power	2,961,966	2,606,670
Other	1,923,454	1,951,340
Refundable power costs	3,491,874	1,963,269
Customer deposits and prepayments	664,754	753,773
Accrued interest	973,359	991,457
Accrued vacation and sick pay	1,466,402	1,412,368
Accrued taxes and other current liabilities	2,840,569	2,865,462
TOTAL CURRENT LIABILITIES	<u>18,779,409</u>	<u>21,018,324</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 195,098,488</u>	<u>\$ 192,633,937</u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	% Of Operating Revenue
OPERATING REVENUES	\$ 77,953,172	100.00
OPERATING EXPENSES:		
Cost of power – produced	4,261,321	5.47
Cost of power – purchased	32,060,298	41.13
Cost of goods sold	733,428	0.94
Transmission	7,418,390	9.52
Distribution – operations	3,027,813	3.88
Distribution – maintenance	5,474,310	7.02
Customer accounts	2,129,356	2.73
Customer service and information	1,346,663	1.73
Sales expense	122,173	0.16
Administrative and general	4,670,993	5.99
Depreciation	6,414,443	8.23
Taxes – property	2,787,844	3.58
Taxes – other	7,416	0.01
TOTAL OPERATING EXPENSES	70,454,448	90.38
OPERATING MARGINS BEFORE FIXED CHARGES	7,498,724	9.62
FIXED CHARGES:		
Interest on long-term debt	4,493,046	5.76
Other interest	51,632	0.07
TOTAL FIXED CHARGES	4,544,678	5.83
OPERATING MARGINS AFTER FIXED CHARGES	2,954,045	3.79
CAPITAL CREDITS	425,304	0.55
NET OPERATING MARGINS	3,379,349	4.34
NON-OPERATING MARGINS:		
Interest	241,125	0.31
Other	965,458	1.24
Gain (loss) on disposal of fixed assets	(594,899)	-0.76
TOTAL NON-OPERATING MARGINS	611,684	0.78
NET MARGINS	\$ 3,991,033	5.12

The accompanying notes are an integral part of these statements.

2016	% Of Operating Revenue
\$ 80,849,774	100.00
4,040,849	5.00
35,139,919	43.46
655,590	0.81
9,028,438	11.17
2,776,011	3.43
5,385,250	6.66
2,296,448	2.81
1,362,200	1.68
121,785	0.15
4,975,378	6.15
6,218,449	7.69
2,775,986	3.43
15,071	0.01
<u>74,791,374</u>	<u>92.50</u>
<u>6,058,400</u>	<u>7.49</u>
4,498,960	5.56
110,656	0.14
<u>4,609,616</u>	<u>5.70</u>
1,448,784	1.79
304,779	0.38
<u>1,753,563</u>	<u>2.17</u>
188,450	0.23
921,991	1.14
(1,795)	
<u>1,108,646</u>	<u>1.37</u>
<u>\$ 2,862,209</u>	<u>3.54</u>

**CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENT OF EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Memberships</u>	<u>Patronage capital</u>	<u>Other equities</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
Balance, January 1, 2016	\$ 124,845	\$ 26,880,046	\$ 1,959,580	\$ (517,314)	\$ 28,447,157
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	132,330	29,318,364	1,938,284	(517,314)	30,871,664
Adjustment for SFAS No. 158				91,474	91,474
Memberships issued	8,090				8,090
Other equity transactions			44,497		44,497
Retirement of capital credits		(67,627)			(67,627)
Current year margins		<u>4,633,251</u>	<u>(642,218)</u>		<u>3,991,033</u>
Balance, December 31, 2017	<u>\$ 140,420</u>	<u>\$ 33,883,988</u>	<u>\$ 1,340,563</u>	<u>\$ (425,840)</u>	<u>\$ 34,939,131</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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 78,071,681	\$ 80,184,944
Cash paid to suppliers and employees	(59,379,066)	(74,573,537)
Rent income	51,951	55,714
Interest received	241,125	188,448
Interest paid	(4,560,303)	(3,721,409)
Taxes paid	(2,653,825)	(2,745,378)
	<u>11,771,563</u>	<u>8,108,115</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant	(7,644,212)	(9,629,086)
Plant removal costs	(1,810,893)	(2,143,311)
Proceeds from sale of fixed assets	586,570	1,800
(Increase) decrease in:		
Materials inventory	(851,452)	107,384
Investments in associated organizations	275,320	37,026
	<u>(9,444,667)</u>	<u>(11,626,187)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	6,000,000	7,029,400
Line of credit borrowings (payments)	(4,200,000)	4,450,000
Retirement of patronage capital credits	(67,627)	(443,645)
Donated capital	(44,497)	1,543
Payments on debt	(4,698,261)	(3,277,405)
(Investment in)/use of cushion of credit	(84,866)	(1,556,892)
(Increase) decrease in deferred debits	585,335	(724,028)
Memberships issued, net	8,090	7,485
	<u>(2,501,826)</u>	<u>5,486,458</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(174,930)	1,968,386
CASH AND TEMPORARY CASH INVESTMENTS, beginning	2,863,587	895,201
CASH AND TEMPORARY CASH INVESTMENTS, ending	\$ 2,688,657	\$ 2,863,587

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, 2017 AND 2016
(Continued)

	2017	2016
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margins	\$ 3,991,033	\$ 2,862,209
Adjustments to reconcile net margins to net cash provided by		
Operating activities:		
Depreciation and amortization	6,414,443	6,218,449
Capital credits	(412,393)	(299,361)
Loss (Gain) on the sale of fixed assets	590,600	(28,205)
Income from investment	(1,006,680)	(858,440)
(Increase) decrease in:		
Customer and other accounts receivable	181,020	(834,043)
Current & accrued assets - other	189,018	117,092
Inventory of subsidiary	32,767	(785)
Refundable power costs	1,528,605	1,107,937
Increase (decrease) in:		
Accounts payable	316,639	(1,231,100)
Accrued interest payable	(15,625)	888,207
Current and accrued liabilities – other	(101,478)	214,512
Accrued postretirement benefits other than pensions	63,614	(48,357)
Total adjustments	7,780,530	5,245,906
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,771,563	\$ 8,108,115

SUPPLEMENTAL CASH FLOW INFORMATION (NOTE 12):

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.

Nature of Operations

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.

Electric Plant

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 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. A small number of accounts are billed based on manual meter readings. 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 10.5% of total revenues in 2017.

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.

Regulation

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

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. 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.

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, 2017. Accordingly, no provision for income taxes has been made in the consolidated financial statements. The Cooperative's federal information returns for Calendar year 2014 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.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: ELECTRIC PLANT AND DEPRECIATION RATES AND PROCEDURES

Major classes of electric plant as of December 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Intangible plant	\$ 7,508,661	\$ 7,508,661
Distribution plant	143,329,658	140,661,541
Generation plant	25,332,590	20,097,031
Transmission plant	83,442	83,442
General plant	<u>18,325,802</u>	<u>21,888,865</u>
	194,580,153	188,894,469
Construction work in progress	<u>3,317,475</u>	<u>3,971,821</u>
TOTAL	<u><u>\$ 197,897,628</u></u>	<u><u>\$ 192,866,290</u></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, 2017 and 2016.

General and generation plant depreciation rates have been applied on a straight-line basis and were as follows for the years ended December 31, 2017 and 2016:

	<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 for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Charged to:		
Depreciation on electric plant in service	\$ 5,557,803	\$ 5,487,060
Other depreciation and amortization	<u>731,389</u>	<u>731,389</u>
	6,289,192	6,218,449
Charged to other expenses	78,878	393,638
Capitalized	<u>152,409</u>	<u>247,939</u>
TOTAL DEPRECIATION	<u><u>\$ 6,520,479</u></u>	<u><u>\$ 6,860,026</u></u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS AND MEMBERSHIPS

Investments consisted of the following as of December 31, 2017 and 2016:

	2017	2016
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	298,566	293,511
American Transmission Company, LLC	11,029,467	10,224,421
Federated Rural Electric Ins. Co.	451,643	415,146
CoBank	555,983	491,921
Section 457 plan investments	854,520	737,142
National Rural Telecommunications Cooperative	-	155,419
Other	676,847	484,865
TOTAL	\$ 14,687,565	\$ 13,622,964

The Cooperative holds a .611% ownership interest in American Transmission Company, LLC; a partnership. The investment at December 31, 2017 and 2016 is \$11,029,467 and \$10,224,421, respectively.

During 2017 Cloverland completed the sale of it's wholly owned subsidiary, Lighthouse.Net to an unrelated party.

NOTE 4: OTHER EQUITIES

Other equities consisted of the following for the years ending December 31, 2017 and 2016:

	2017	2016
Pre-1978 non-operating margins	\$ 49,495	\$ 49,495
Sales tax refunds on patronage capital	50,521	50,521
Capital gains	11,254	11,254
Donated capital	606,629	562,128
Non-assignable margins	(262,133)	380,089
Non-refundable capital	884,797	884,797
TOTAL	\$ 1,340,563	\$ 1,938,284

NOTE 5: 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 6: CASH AND CASH EQUIVALENTS

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 details of these amounts are as follows:

	Per Institution
Insured	\$ 587,075
Uninsured	2,777,497
Total deposits at banks	3,364,572
In transit items	(678,698)
	2,685,874
Working funds	3,150
Money market funds and other special funds	(367)
Total Cash	\$ 2,688,657

NOTE 7: PATRONAGE CAPITAL

Patronage capital balances as of December 31, 2017 and 2016 consisted of:

	2017	2016
Amounts assignable	\$ 4,633,251	\$ 2,938,319
Prior Assigned	45,860,940	42,922,621
	50,494,191	45,860,940
Less retirements to date	16,610,203	16,542,574
Balance	\$ 33,883,988	\$ 29,318,364

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. Cloverland's board of directors voted not to retire patronage capital credits in 2017.

The equities and margins of Cloverland represent 17.91% and 16.20% of the total assets at December 31, 2017 and 2016, respectively. The borrower is current on all payments due and is not in default under its loan documents.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: MORTGAGE NOTES

Detail of the long-term debt is as follows:

	2017	2016
Federal Financing Bank notes bearing interest at 1.941% to 3.587% per annum, payable in monthly and quarterly installments through 2047.	\$ 119,067,128	\$ 115,682,666
CoBank notes bearing interest at 2.32% to 3.84% per annum, payable in monthly installments through 2041.	22,656,700	23,716,391
National Rural Utilities Cooperation Finance Corporation notes bearing interest at 4.50% per annum, payable in quarterly installment to the year 2032.	1,309,544	1,372,289
Notes payable to Freddie Mac in quarterly installments of \$137,814, including interest at 2.421% per annum, with final maturity ranging from 2018 to 2034. Secured by substantially all assets.	2,238,274	2,484,085
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
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
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
Vehicle loan-Bank. Monthly installment payments of \$706, including interest at 5.25%, until January 18, 2019. Secured by the vehicle purchased.	-	16,309
Vehicle loan-Bank. Monthly installment payments of \$372, including interest at 6.60%, until October 28, 2021. Secured by the vehicle purchased.	-	18,443
	145,271,646	144,300,746
Less:		
RUS Cushion of credit	1,649,582	1,564,716
Current maturities	4,207,031	4,023,985
TOTAL LONG-TERM DEBT	\$ 139,415,033	\$ 138,712,045

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: MORTGAGE NOTES - continued

Unadvanced loan funds were available to Cloverland on the loan commitments from FFB in the amount of \$19,759,000 for 2017 and \$25,759,000 for 2016.

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

2018	\$ 4,207,031
2019	4,145,672
2020	4,268,052
2021	4,470,652
2022	4,569,793

The loan agreement requires certain financial ratios to be met in the operation and management of its business. The company did meet these ratio requirements for 2017 and 2016.

NOTE 9: LINE OF CREDIT

The Cooperative has available a line of credit with CoBank in the amount of \$20,000,000 for 2017. The Cooperative had an outstanding balance of \$0 for 2017 and \$1,750,000 in 2016. Interest at December 31, 2017 was charged at 3.97%.

The Cooperative has another available a line of credit with CFC in the amount of \$19,500,000 for 2017. The Cooperative had an outstanding balance of \$250,000 for 2017 and \$2,700,000 in 2016. Interest at December 31, 2017 was charged at 2.35%.

NOTE 10: DEFERRED DEBITS AND CREDITS

The balance of the regulatory pension asset was \$8,798,311 at December 31, 2017 and \$9,348,205 at December 31, 2016. 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, 2017 was \$1,238,482 and \$1,313,923 at December 31, 2016.

NOTE 11: 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.

Plan Information – Cloverland's contributions to the RS Plan in 2017 and in 2016 represented less than 5 percent of the total contributions made to the plan by all participating employers. Cloverland made contributions to the plan of \$1,397,157 in 2017 and \$1,405,854 in 2016. There have been no significant changes that affect the comparability of 2017 and 2016 contributions.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: PARTICIPATION IN THE RETIREMENT SECURITY PLAN – continued

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, 2017 and January 1, 2016 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 financial statements. The Cooperative contributed approximately \$557,957 and \$544,197 during 2017 and 2016, respectively. Employees vest immediately in their contributions and in the contributions made by the Cooperative.

NOTE 12: NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing activities for 2017 and 2016 were as follows:

	2017	2016
Patronage capital allocated	\$ 412,393	\$ 299,361
Materials salvaged from inventory	248	239
Capitalized depreciation	152,409	247,939

NOTE 13: 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 13: POST-RETIREMENT BENEFITS OTHER THAN PENSIONS – continued

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

Components of Benefit Cost	2017	2016
Service Cost	\$ -	\$ -
Interest Cost	34,952	44,445
Amortization of prior service cost	-	-
Amortization of transition obligation	-	-
Recognition of net Gain/loss	23,963	25,824
Net periodic post-retirement benefit cost	\$ 58,915	\$ 70,269

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

Change in Benefit Obligation	2017	2016
Benefit obligation at beginning of year	\$ 1,255,633	\$ 1,303,990
Beginning of year actuarial adjustment	-	-
Interest cost	34,952	44,445
Decrease due to change in assumptions	(2,816)	-
Net actuarial loss/(gain) for the prior year	(64,706)	26,001
Benefits paid	(112,668)	(118,803)
Benefit obligation at end of year	\$ 1,110,395	\$ 1,255,633
 Change in Plan Assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Actual return on plan assets	-	-
Employer contributions	112,678	118,103
Benefits paid	(112,678)	(118,103)
Fair value of plan assets at end of year	\$ -	\$ -
Recognized Benefit Obligation	\$ (1,110,395)	\$ (1,255,633)
Amounts Recognized in Accumulated Other Comprehensive Loss	\$ 425,840	\$ 517,314

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: POST-RETIREMENT 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 2017 and 2016, respectively.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 3.25 percent.

Expected benefit payments for 2018 are estimated at \$116,330, \$112,052 for 2019, \$107,336 for 2020, \$102,245 for 2021, \$94,828 for 2022.

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, 2017.

NOTE 14: 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 \$1,491,251 and \$1,514,929 in 2017 and 2016, 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 \$1,458,833 and \$3,668,578 in 2017 and 2016, 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 decreasing the payment to \$1,641,591 was approved in 2017.

NOTE 15: 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 \$18,630 and \$53,202, for the years ended December 31, 2017 and 2016, respectively. At this time, we cannot reasonably estimate future monitoring and remediation expenses.

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: COMMITMENTS AND CONTINGENCIES - continued

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 in 2014 and 2015. 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 2016, 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 October of 2017, the FERC issued an order related to the SSR costs for Presque Isle. FERC agreed in large part with Cloverland's position and found that WEC was over collecting by approximately \$22.6 million and ordered WEC to refund all overcharges to customers. Cloverland's share of the total remaining SSR costs is approximately \$6.3 million dollars. MISO intended to bill Cloverland the \$6.3 million in one billing in December 2017. Cloverland made a filing with FERC to have them review MISO's intent to bill these charges all at once. FERC agreed with Cloverland and determined that the proper billing frequency should be over a ten month period beginning in March 2018. Cloverland has challenged FERC's legal authority to order retroactive surcharges to Cloverland and others for the 2014-2015 period. That case is pending at the DC Circuit Court of Appeals. If successful, that appeal will further reduce Cloverland's share of costs.

NOTE 16: INCOME TAXES

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

	<u>2017</u>	<u>2016</u>
Deferred tax asset arising from:		
Timing difference	\$ -	\$ 11,746
Net Operating loss carryforward	-	55,650
	<u>-</u>	<u>67,396</u>
Deferred tax liability arising from:		
Accumulated depreciation for tax purposes in excess of book	-	(83,575)
Net deferred tax asset (liability)	<u>\$ -</u>	<u>\$ (16,179)</u>

The detail of income tax expense is as follows:

	<u>2017</u>	<u>2016</u>
Current operations	\$ -	\$ 10,337
Deferred taxes	(16,179)	(5,941)
Total income tax benefit (expense)	<u>\$ (16,179)</u>	<u>\$ 4,396</u>

CLOVERLAND ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: 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 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, 2017 and 2016 was \$854,520 and \$737,142, respectively.

NOTE 18: RELATED PARTY TRANSACTIONS

Lighthouse.Net (Lighthouse) is a wholly-owned subsidiary of Cloverland Electric Cooperative, Inc. (Cloverland). Cloverland has furnished personnel and other operation facilities such as bookkeeping and computer services for Lighthouse. During the year Cloverland has charged Lighthouse for these services. There was no inter-company receivable at December 31, 2017 or 2016.

NOTE 19: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2017 presentation.

NOTE 20: LETTERS OF CREDIT

The Cooperative has a letter of credit outstanding to the Midwest Independent Transmission System Operator (MISO) for \$1,000,000 at December 31, 2017. This letter of credit is required in order to mitigate risk of loss in financial operations.

NOTE 21: SUBSEQUENT EVENTS

Cooperative management has evaluated the impact of subsequent events as they relate to the financial statements through March 14, 2018, the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
ASSETS				
ELECTRIC PLANT:				
In service – at cost	\$ 194,580,153	\$	\$	\$ 194,580,153
Construction work in progress	3,317,475			3,317,475
	197,897,628			197,897,628
Less accumulated depreciation	46,078,045			46,078,045
NET ELECTRIC PLANT	151,819,583			151,819,583
OTHER ASSETS AND INVESTMENTS:				
Investments and memberships	14,687,565			14,687,565
Investment in subsidiary				
Non-utility property	398,994			398,994
Deferred retirement benefit	1,332,059			1,332,059
Goodwill				
TOTAL OTHER ASSETS AND INVESTMENTS	16,418,618			16,418,618
CURRENT ASSETS:				
Cash and temporary cash investments	2,688,657			2,688,657
Accounts receivable, less allowance for doubtful accounts of approximately \$275,000	9,502,400			9,502,400
Intercompany				
Materials and supplies	4,315,599			4,315,599
Prepaid expenses and other current assets	316,838			316,838
TOTAL CURRENT ASSETS	16,823,494			16,823,494
DEFERRED DEBITS	10,036,793			10,036,793
TOTAL ASSETS	\$ 195,098,488	\$	\$	\$ 195,098,488

CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017
(continued)

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
EQUITIES:				
Memberships	\$ 140,420	\$	\$	\$ 140,420
Patronage capital	33,883,988			33,883,988
Other equities	914,723			914,723
TOTAL EQUITIES	34,939,131			34,939,131
LONG-TERM DEBT, NET OF CURRENT MATURITIES:				
Mortgage notes to CoBank	21,560,926			21,560,926
Mortgage notes to Federal Financing Bank	114,620,950			114,620,950
Mortgage notes to National Rural Utilities Cooperative Finance Corporation	3,233,157			3,233,157
Mortgage notes to Central Savings Bank				
TOTAL LONG-TERM DEBT	139,415,033			139,415,033
OTHER NON-CURRENT LIABILITIES				
Accrued Postretirement benefits other than pensions and deferred compensation	1,110,395			1,110,395
Deferred compensation	854,520			854,520
Deferred income tax liability				
Deferred revenue				
TOTAL OTHER NON-CURRENT LIABILITIES	1,964,915			1,964,915
CURRENT LIABILITIES:				
Current maturities of long-term debt	4,207,031			4,207,031
Line of credit	250,000			250,000
Accounts payable:				
Purchased power	2,961,966			2,961,966
Other	1,923,454			1,923,454
Intercompany				
Refundable power costs	3,491,874			3,491,874
Customer deposits and prepayments	664,754			664,754
Accrued interest	973,359			973,359
Accrued vacation and sick pay	1,466,402			1,466,402
Accrued taxes and other current liabilities	2,840,569			2,840,569
TOTAL CURRENT LIABILITIES	18,779,409			18,779,409
TOTAL EQUITIES AND LIABILITIES	\$ 195,098,488	\$	\$	\$ 195,098,488

**CLOVERLAND ELECTRIC COOPERATIVE, INC.
CONSOLIDATING STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Cloverland Electric Cooperative	Lighthouse.net	Eliminations	Consolidated Total
OPERATING REVENUES	\$ 76,582,515	\$ 1,370,657	\$	\$ 77,953,172
OPERATING EXPENSES:				
Cost of power-produced	4,261,321			4,261,321
Cost of power—purchased	32,060,298			32,060,298
Cost of goods sold		733,428		733,428
Transmission	7,418,390			7,418,390
Distribution – operations	3,027,813			3,027,813
Distribution – maintenance	5,474,310			5,474,310
Customer accounts	2,112,190	17,166		2,129,356
Customer service and information expense	1,346,663			1,346,663
Sales expense	122,173			122,173
Administrative and general	4,195,659	520,551	(45,217)	4,670,993
Depreciation and amortization	6,289,192	125,251		6,414,443
Taxes – property	2,778,224	9,620		2,787,844
Taxes – other	-	7,416		7,416
TOTAL OPERATING EXPENSES	69,086,233	1,413,432	(45,217)	70,454,448
OPERATING MARGINS BEFORE FIXED CHARGES	7,496,281	(42,775)	45,217	7,498,724
FIXED CHARGES:				
Interest on long-term debt	4,423,631	69,415		4,493,046
Other interest	51,632			51,632
TOTAL FIXED CHARGES	4,475,263	69,415		4,544,678
OPERATING MARGINS AFTER FIXED CHARGES	3,021,018	(112,190)	45,217	2,954,045
CAPITAL CREDITS	412,393	12,911		425,304
NET OPERATING MARGINS	3,433,411	(99,279)	45,217	3,379,349
NON-OPERATING MARGINS:				
Interest Income	241,117	8		241,125
Other	958,723	51,952	(45,217)	965,458
Gain (loss) on disposal of fixed assets		(594,899)		(594,899)
Income from subsidiary	(642,218)		642,218	
TOTAL NON-OPERATING MARGINS	557,622	(542,939)	597,001	611,684
NET MARGINS	\$ 3,991,033	\$ (642,218)	\$ 642,218	\$ 3,991,033



**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.
Dafer, Michigan

We have audited the financial statements of Cloverland Electric Cooperative, Inc. for the year ended December 31, 2017, and have issued our report thereon dated March 14, 2018. 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.

Traverse City, MI
March 14, 2018

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**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.
Dafter, 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, 2017, 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 14, 2018. In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 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, 2015, 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.

Traverse City, MI
March 14, 2018