

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
FRIENDSHIP, WISCONSIN  
CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY  
FRIENDSHIP, WISCONSIN**

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## Report of Independent Certified Public Accountants

Board of Directors  
Adams-Columbia Electric Cooperative and Subsidiary  
Friendship, Wisconsin

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Adams-Columbia Electric Cooperative and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the consolidated 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 Cooperative'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 consolidated financial statements

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

## Report of Independent Certified Public Accountants (Continued)

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adams-Columbia Electric Cooperative and Subsidiary as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 7 to the consolidated financial statements, management has implemented the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Our opinion is not modified with respect to that matter.

### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Schedule of Balance Sheets – Intermediary Relending Program and the Schedule of Income and Fund Balance – Intermediary Relending Program on pages 25 - 28 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

*Bauman Associates, Ltd.*

CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire, Wisconsin  
March 10, 2017

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
December 31, 2016 and 2015**

	2016	2015
ASSETS		
PLANT:		
In service	\$ 208,115,784	\$ 201,673,418
Construction work in progress	2,890,394	3,795,773
Total plant	211,006,178	205,469,191
Less - Accumulated provision for depreciation	64,002,449	60,402,979
Net plant	147,003,729	145,066,212
INVESTMENTS AND OTHER ASSETS:		
Nonutility plant	37,445	37,445
Investments in associated organizations	21,297,264	20,329,856
Deferred compensation - Investments held in trust	516,300	448,815
Notes receivable - Net of current portion	739,462	658,935
Total investments and other assets	22,590,471	21,475,051
CURRENT ASSETS:		
Cash - General	1,988,964	1,230,379
Cash - Special deposits	30,541	83,246
Temporary cash investments	-	1,646,493
Notes receivable - Current portion	118,716	84,018
Accounts receivable (less accumulated provision for uncollectible accounts of \$363,158 in 2016 and \$326,938 in 2015)	7,333,161	6,414,966
Materials and supplies	798,730	909,951
Other current assets	158,496	144,019
Total current assets	10,428,608	10,513,072
DEFERRED DEBITS	2,323,798	2,577,714
TOTAL ASSETS	\$ 182,346,606	\$ 179,632,049

The accompanying notes are an integral part of these consolidated statements.

EQUITIES AND LIABILITIES		<u>2016</u>	<u>2015</u>
<b>EQUITIES:</b>			
Memberships	\$	159,950	\$ 160,320
Patronage capital		64,117,896	61,990,809
Other equities		<u>14,443,145</u>	<u>13,921,350</u>
Total equities		<u>78,720,991</u>	<u>76,072,479</u>
LONG-TERM LIABILITIES		<u>89,396,268</u>	<u>90,038,121</u>
DEFERRED COMPENSATION		<u>516,300</u>	<u>448,815</u>
<b>CURRENT LIABILITIES:</b>			
Current maturities of long-term liabilities		3,631,000	3,574,000
Accounts payable		3,443,057	2,955,458
Customer deposits		1,863,876	1,826,336
Other current liabilities		<u>2,891,587</u>	<u>2,967,451</u>
Total current liabilities		<u>11,829,520</u>	<u>11,323,245</u>
DEFERRED CREDITS		<u>1,883,527</u>	<u>1,749,389</u>
TOTAL EQUITIES AND LIABILITIES	\$	<u><u>182,346,606</u></u>	\$ <u><u>179,632,049</u></u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES	\$ <u>65,948,848</u>	\$ <u>64,118,284</u>
OPERATING EXPENSES:		
Cost of power	35,544,288	35,389,573
Distribution - Operations	2,787,728	2,345,380
Distribution - Maintenance	4,848,788	5,166,719
Consumer accounts	1,983,395	1,889,500
Customer service and informational	978,621	899,831
Sales	211,638	197,847
Administrative and general	3,036,219	2,868,197
Depreciation	7,218,520	6,974,090
Taxes	969,851	918,769
Other deductions	<u>73,444</u>	<u>62,458</u>
Total operating expenses	<u>57,652,492</u>	<u>56,712,364</u>
OPERATING MARGINS BEFORE FIXED CHARGES	8,296,356	7,405,920
FIXED CHARGES:		
Interest on long-term liabilities	<u>4,177,518</u>	<u>4,357,983</u>
OPERATING MARGINS AFTER FIXED CHARGES	4,118,838	3,047,937
PATRONAGE CAPITAL ALLOCATIONS	<u>562,728</u>	<u>597,671</u>
NET OPERATING MARGINS	<u>4,681,566</u>	<u>3,645,608</u>
NON-OPERATING MARGINS:		
Interest and dividend income	301,141	307,492
Other non-operating margins	<u>604,090</u>	<u>218,631</u>
Total non-operating margins	<u>905,231</u>	<u>526,123</u>
NET MARGINS FOR PERIOD	<u>\$ <u>5,586,797</u></u>	<u>\$ <u>4,171,731</u></u>

The accompanying notes are an integral part of these consolidated statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF EQUITIES  
Years ended December 31, 2016 and 2015**

	<u>Memberships</u>	<u>Other Equities</u>				<u>Total</u>
		<u>Assigned</u>	<u>Patronage Capital Assignable</u>	<u>Nonoperating Margins</u>	<u>Donated Capital</u>	
Balance at December 31, 2014	\$ 159,565	\$ 56,095,756	\$ 6,063,938	\$ 10,649,544	\$ 2,257,951	\$ 75,300,356
Assignment of 2014 operating margins and retention of 2014 nonoperating margins	-	5,282,207	(6,063,938)	781,731	-	-
Retirements of equities	-	(3,558,885)	-	-	-	(3,558,885)
Net other equity changes 12-31-15	-	-	-	-	158,522	158,522
Net change in memberships 12-31-15	755	-	-	-	-	755
Net margins - year ended 12-31-15	-	-	4,171,731	-	-	4,171,731
Balance at December 31, 2015	160,320	57,819,078	4,171,731	11,431,275	2,416,473	76,072,479
Assignment of 2015 operating margins and retention of 2015 nonoperating margins	-	3,782,863	(4,171,731)	388,868	-	-
Retirements of equities	-	(3,070,842)	-	-	-	(3,070,842)
Net other equity changes 12-31-16	-	-	-	-	132,927	132,927
Net change in memberships 12-31-16	(370)	-	-	-	-	(370)
Net margins - year ended 12-31-16	-	-	5,586,797	-	-	5,586,797
Balance at December 31, 2016	\$ 159,950	\$ 58,531,099	\$ 5,586,797	\$ 11,820,143	\$ 2,549,400	\$ 78,720,991

The accompanying notes are an integral part of these consolidated statements.



**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net margins	\$ <u>5,586,797</u>	\$ <u>4,171,731</u>
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation:		
Operating expense	7,218,520	6,974,091
Nonoperating expense	796	428
Clearing	571,718	564,474
Patronage capital allocations	(562,728)	(597,671)
Loss (gain) on disposition of property	(21,293)	-
Equity allocations from LLC investments	(861,447)	(718,534)
Provisions for bad debts	36,000	84,000
Write-offs net of recoveries	219	(45,452)
Write-offs of note receivable	84,018	246,526
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(954,415)	598,311
Decrease (increase) in resale and other inventory	12,287	73,408
Decrease (increase) in other current assets and deferred debits	255,806	409,507
Increase (decrease) in accounts payable	487,599	(210,314)
Increase (decrease) in other current liabilities	(66,604)	452,222
Total adjustments	<u>6,200,476</u>	<u>7,830,996</u>
Net cash provided by operating activities	<u>11,787,273</u>	<u>12,002,727</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investments	953,200	1,405,799
Purchase of investments	(695,677)	(654,747)
Extensions and replacements of plant	(8,883,762)	(10,301,566)
Plant removal costs	(777,728)	(700,596)
Proceeds on salvaged plant	<u>63,673</u>	<u>12,065</u>
Net cash used in investing activities	<u>(9,340,294)</u>	<u>(10,239,045)</u>

The accompanying notes are an integral part of these consolidated statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended December 31, 2016 and 2015**

	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net payments (refunds) of memberships	\$ (370)	\$ 755
Retirement of patronage capital	(2,786,004)	(3,344,216)
Principal payments on long-term liabilities	(3,601,218)	(3,397,185)
Proceeds from long-term liabilities	3,000,000	6,542,882
Net cash used in financing activities	(3,387,592)	(197,764)
Net change in cash and cash equivalents	(940,613)	1,565,918
Cash and cash equivalents at beginning	2,960,118	1,394,200
Cash and cash equivalents at end	\$ 2,019,505	\$ 2,960,118
 Supplemental disclosure of cash flow information:		
Interest paid	\$ 4,246,722	\$ 4,432,004
 Supplemental information on non-cash investing and financing activities:		
 The Cooperative records patronage capital allocations from associated organizations, as revenue and as an increase in investments in associated organizations. The amounts recorded were as follows:		
Patronage capital allocations	\$ 562,728	\$ 597,671
 The Cooperative records allocations of investee company earnings as revenue and as an increase in investments. The amounts were:		
Net credits to investment income - equity in the partnership income of LLC investments	\$ 861,447	\$ 718,534

The accompanying notes are an integral part of these consolidated statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Adams-Columbia Electric Cooperative (“the Cooperative”) was incorporated December 12, 1938. The Cooperative is a corporation operating as a not-for-profit rural electric distribution cooperative headquartered in Friendship, Wisconsin. The primary purpose of the Cooperative is to provide electricity to its members through wholesale power purchases and subsequent distribution. The Cooperative’s primary service area is located in the central Wisconsin counties of Adams, Marquette, Columbia, and Waushara Counties and portions of Dodge, Green Lake, Wood, Sauk, Jefferson, Dane, Waupaca, and Portage Counties. Net operating margins are allocated to members on the books of the Cooperative on a patronage basis in the form of capital credits. The Cooperative presently retires capital credits on a percentage of total year margins.

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Development Utilities Program Service (RDUP).

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiary, ACEC, LLC. All significant intercompany balances and transactions have been eliminated.

ACEC, LLC was created to operate vehicles used by the Cooperative for delivery and installation of appliances, installation of electrical service, and customer repairs and maintenance.

**Use of Estimates**

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the Consolidated Statements of Cash Flows, the Cooperative considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Plant, Maintenance and Depreciation**

Plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Depreciation of distribution plant is provided through the use of composite straight-line rates as set forth in Note 3. General plant is depreciated on a straight-line basis.

Non-utility property, which is all attributable to the subsidiary, is recorded at cost and depreciated over the estimated useful lives on a straight-line basis.

**Long-Lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or their fair value less cost to sell.

**Asset Retirement Obligation**

GAAP requires entities to record the fair value of a liability for legal obligations associated with an asset retirement in the period in which the obligations are incurred. When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accrued to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. The Cooperative has determined it does not have a material legal obligation to remove the long-lived assets as described by current GAAP, and accordingly has not recognized any asset retirement obligation costs in its financial statements for the years ended December 31, 2016 and 2015.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 1**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Investments are generally in other cooperatives and are recorded at their original cost, including undistributed patronage capital allocations. These investments are not transferable. No cash is received until such time as they are redeemed at the discretion of the issuing cooperative. Capital credits and patronage refunds are recorded as a reduction in the investment in the year in which they are received.

The Cooperative's investment of 16.67% in Mid-Wisconsin DBS, LLC is accounted for under the equity method because the Cooperative exercises significant influence over its operating and financial activities. Accordingly, the investment in Mid-Wisconsin DBS, LLC is carried at cost and adjusted for the company's proportionate share of earnings or losses. This is considered a related party.

The Cooperative's investment of 0.62% in American Transmission Company, LLC is accounted for under the equity method because the LLC maintains a specific ownership account for the Cooperative and this method is a better approximation of the Cooperative's economic interests in this LLC. Accordingly, the investment in American Transmission Company, LLC is carried at cost and adjusted for the company's proportionate share of earnings and losses. This is considered a related party.

**Accounts Receivable**

Accounts receivable are uncollateralized customer obligations, which generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount plus accrued interest. Unpaid accounts over thirty days old bear interest at 1% per month. Notes receivable are stated at principal and are collateralized.

Account balances with invoices over sixty days old are considered delinquent. Interest continues to accrue on delinquent accounts until the age of an invoice exceeds one year, at which time the account is placed on nonaccrual status. A note receivable is considered delinquent when the debtor fails to make two or more consecutive payments. Payments of accounts receivable are applied to the specific invoices on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices. Payments of notes receivable are allocated first to unpaid interest with the remainder to the outstanding principal balance.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable (Continued)**

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual notes receivable and accounts receivable balances based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses. Changes in the valuation allowance have not been material to the financial statements.

**Inventories**

Materials and supplies and resale merchandise are valued at the lower of average cost or market. Materials and supplies inventory consists of line materials, and the resale merchandise consists of water heaters, appliance parts, and security equipment.

**Income Taxes**

The Cooperative is exempt from income taxes under Section 501 (c) (12) of the Internal Revenue Code as long as more than 85 percent of revenue is received from its members. Deferred taxes are provided for timing differences between financial accounting and income tax reporting as well as the estimated future benefit of net operating losses relative to unrelated business taxable income.

The Organization will recognize any accrued interest and penalties related to unrecognized benefits in income tax, if incurred.

**Concentrations of Credit Risk**

Financial instruments that potentially subject the Cooperative to concentrations of credit risk consist principally of cash equivalents, accounts receivable and notes receivable.

The Cooperative maintains cash and investment balances at financial institutions, which at times, may exceed federally insured limits. The Cooperative has not experienced any losses from these accounts. The Cooperative believes it is not exposed to any significant risk on such balances.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Concentrations of Credit Risk (Continued)**

The Cooperative grants unsecured credit for service and also issues loans for energy conservation projects to its members, all of who are located in the service area. The collectability of accounts and loans receivable is dependent upon the economy of the service area, which is primarily agricultural. The members are located in the rural areas of Adams, Marquette, Columbia, and Waushara Counties and portions of Dodge, Green Lake, Wood, Sauk, Jefferson, Dane, Waupaca, and Portage Counties.

**Public Utility Regulation**

The Cooperative is subject to regulation for rates and other matters by the Board of Directors and follows accounting policies prescribed by the Board. The Cooperative prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which includes the provisions of Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 980 Regulated Operations (FASB ASC 980). FASB ASC 980 requires cost-based, rate regulated enterprises, such as the Cooperative, to reflect the impact of regulatory decisions in their financial statements. The balance sheets include regulatory assets and liabilities as appropriate, primarily related to deferred revenues based on anticipated cost increases. The Cooperative has no regulatory assets as of December 31, 2016 and 2015. The Cooperative believes, based on current regulatory circumstances, that its use of regulatory accounting is appropriate and in accordance with the provisions of FASB ASC 980.

**Revenue Recognition**

Operating revenues are recognized on the basis of monthly billings based on actual meter readings as of the end of each cycle, which occur throughout each month. The Cooperative utilizes cycle billing and accruals for unbilled revenue are made at the end of each month.

**Purchased Power**

The Cooperative purchases power for resale from Alliant Energy Corporate Services, Inc. under terms of a contract effective through February 14, 2022.

**Advertising Costs**

The Cooperative's advertising costs are expensed as they are incurred.

**Subsequent Events**

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition or disclosure through March 10, 2017, the date the financial statements were available to be issued.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Compensation**

The Cooperative has deferred compensation agreements with a retired CEO and elective deferrals of Directors of the Board. The funds are segregated in a separate investment account, the purpose of which is to provide the funding for the deferred compensation in the future. These funds plus investment income earned on them are to be paid out over a fifteen year period following retirement.

**Note 2 ASSETS PLEDGED**

All assets are pledged as security for the long-term liabilities to National Rural Utilities Cooperative Finance Corporation (NRUCFC).

**Note 3 PLANT AND DEPRECIATION PROCEDURES**

Listed below are the major classes of plant as of December 31, 2016 and 2015:

	2016	2015
Organization	\$ 64	\$ 64
Distribution plant	192,758,083	186,801,971
General plant	15,357,637	14,871,383
Plant in service	208,115,784	201,673,418
Construction work in progress	2,890,394	3,795,773
 Total plant, at cost	 \$ 211,006,178	 \$ 205,469,191

Depreciation rates for individual distribution plant accounts are as follows:

Underground conductor	3.50%
Other distribution plant	2.88%
Automated meter reading (AMR) devices	5% - 6.67%

General plant depreciation rates have been applied on a straight-line basis and are as follows:

Structures and improvements	2 - 10%
Transportation equipment	9 - 16%
Office furniture and equipment	6 - 25%
Power operated equipment	7 - 16%
Communications equipment	6 - 16%
Other general plant	5 - 16%



**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 4 INVESTMENTS**

The Cooperative is also associated with NRUCFC. The repayment terms of the capital term certificates (CTC's) are such that the first return of investment will be received in 2070. The CTC's earn interest at 5%. The loan term certificates (LTC's) bear interest at 3% and mature starting in 2020. The zero term certificates (ZTC's) are non-interest bearing and mature starting in 2016. CFC member capital securities bear interest at 5.0% as of December 31, 2016, are callable on December 30, 2023 and mature on December 30, 2043.

A summary of investments at December 31, 2016 and 2015 consisted of the following:

	2016	2015
<b><u>Investments in associated organizations:</u></b>		
NRUCFC	\$ 2,540,634	\$ 2,375,242
Investments in other associated organizations	2,799,348	2,782,395
Investment in Mid-Wisconsin DBS, LLC (related party)	517,419	542,446
Investment in ATC, LLC (related party)	10,512,337	9,681,279
Investments in Securities to be held-to-maturity:		
Investment in CFC member capital securities - 5.0%	2,500,000	2,500,000
Investment in NRUCFC - CTC - 5%	1,049,278	1,049,278
Investment in NRUCFC - LTC - 3%	261,350	261,350
Investment in NRUCFC - ZTC	1,116,898	1,137,866
Investments in associated organizations	\$ 21,297,264	\$ 20,329,856
<b><u>Other investments:</u></b>		
Deferred compensation	\$ 516,300	\$ 448,815
<b><u>Notes receivable:</u></b>		
3% note to 4 Ever Green Lawn Professionals, Inc.. Monthly payments of \$1,850 due by the 1st of each month from 7/1/2013 to maturity on 6/1/2017, at which time a balloon payment of \$44,676 will be due. Secured by vehicles and equipment used in this business and personal guarantees of the shareholders.	\$ 53,206	\$ 73,502

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 4 INVESTMENTS (Continued)**

<u>Notes receivable (continued):</u>	2016	2015
3% note to Ship-Rec Logistics, Inc. Monthly payments of \$1,352 due by the 1st of each month from 5/1/2016 to maturity on 11/1/2020 at which time a balloon payment totaling \$84,106 is due. Secure by a mortgage on property, liens on on all equipment and personal guarantees.	133,659	140,000
3% note to Ship-Rec Logistics, Inc. Monthly payments of \$2,410 due by the 1st of each month from 1/1/2016 to maturity on 12/1/2018 at which time a balloon payment totaling \$185,648 is due. Secure by a mortgage on property, liens on on all equipment and personal guarantees.	228,832	250,000
4% note to Uninterruptible Power Products, Inc. Monthly payments of \$400 due by the 1st of each month from 12/1/09 to maturity on 11/1/12 at which time a balloon payment of \$65,445 was due. The note was extended until 10/15/2017. Secured by a mortgage on the property to be purchased with these loan funds.	55,313	57,845
4% note to Eco Hub, LLC. Secured by a second mortgage on specific parcels of land and the personal guarantee of the member.	25,253	25,253
3% note to The Swan Barn Door LLC. payments of \$1,450 due by the 1st of each month from 7/1/16 to maturity on 7/1/2021 at which time a balloon payment of \$83,748 is due.	145,287	-

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 4 INVESTMENTS (Continued)**

**Notes receivable (continued):**

	2016	2015
3% note to Custom Floor Finishing of Wisconsin, LLC. Monthly payments of \$2,695 due by the 1st of each month from 2/1/2016 to maturity on 11/1/2021 at which time a final payment of \$2,547 is due. Secured by a lien on the wood finishing equipment and liens on other equipment and personal guarantees of the member.	121,752	150,000
4% note to Uninterruptible Power Products, Inc. Monthly payments of \$1,000 due by the 1st of each month from 12/1/09 to maturity on 11/1/12 at which time a balloon payment of \$131,909 was due. The note was extended until 10/15/2017. Secured by a mortgage on the property to be purchased with these loan funds.	100,962	108,753
3% note to Dependable Concrete Construction LLC. payments of \$1,000 due by the 1st of each month from 3/1/16 to maturity on 2/1/2021 at which time a balloon payment of \$67,101.65 is due.	72,064	-
	936,328	805,353
Less - Allowance for doubtful notes receivable	78,150	62,400
Net notes receivable - Intermediary relending and economic development loan programs	858,178	742,953
Less - Current portion of notes receivable	118,716	84,018
Noncurrent portion of notes receivable	\$ 739,462	\$ 658,935

**Note 5 MATERIALS AND SUPPLIES**

At December 31, 2016 and 2015, materials and supplies were classified into the following categories:

	2016	2015
Electric line materials	\$ 758,827	\$ 857,761
Resale and other	39,903	52,190
Total	\$ 798,730	\$ 909,951

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 6 DEFERRED DEBITS**

At December 31, 2016 and 2015, deferred debits consisted of:

	2016	2015
NRECA RS plan prepayment	\$ 2,177,926	\$ 2,540,914
Miscellaneous	145,872	36,800
Total	\$ 2,323,798	\$ 2,577,714

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 Retirement Security (RS) Plan (a defined benefit multiemployer pension plan) to make a prepayment and reduce future required contributions. The prepayment amount is the 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 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 that expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15 year period. On April 30, 2013 the Cooperative made a prepayment of \$3,629,877 to the NRECA RS Plan. The Cooperative is amortizing this amount over ten years.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 7 LONG-TERM LIABILITIES**

Long-term liabilities consist of the following:

	2016	2015
Notes payable to NRUCFC: principal and interest of approximately \$7,112,000 due during the next twelve months; individual notes will be repaid from December 2017 through October 2045; secured by all assets. Various fixed rate loans ranging from 2.95% to 6.35%; notes are repriced at various dates and subject to volume and equity level discounts	\$ 79,543,802	\$ 79,849,834
\$15 million fixed rate revenue bonds, Series 2010A Serial bonds totaling \$1,565,000 bearing interest at a rate of 2%-3.5% with maturities of specified principal beginning 12/1/2011 and maturing each year until a final principal amount on 12/1/2016. The remainder of the issue consists of term bonds totaling \$13,435,000 and bear interest in a range from 4% to 5.5% and principal maturities in 10 year increments beginning 2/1/2020 and ending on 12/1/2040 with a final principal maturity of \$7,755,000 on 12/1/2040. The bonds are unconditionally guaranteed by NRUCFC and were used to fund approved plant acquisition, construction, renovation and issuance costs. Principal and interest totaling \$999,288 due in 2017.	13,435,000	13,715,000
Less - Unamortized debt issuance costs	398,960	415,327
Less - Bond issuance premium	172,473	179,684
	12,863,567	13,119,989
1% note payable to the USDA dated 6/26/1995; principal and interest payments due annually. Secured by the portfolio of investments derived from the loan proceeds of notes receivable Principal and interest totaling \$24,678 due in 2017.	205,524	227,923
1% note payable to the USDA dated 12/10/14; \$ 1 million available to be drawn, first drawn down in 2015. 30 year note with interest only for the first 3 years, and then 27 annual payments of principal and interest. Secured by the revolving fund including the portfolio of investments derived from the loan proceeds of notes receivable. Interest totaling \$4,144 due in 2017.	414,375	414,375
	619,899.00	642,298
	93,027,268	93,612,121
Less - Current maturities	3,631,000	3,574,000
	\$ 89,396,268	\$ 90,038,121

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 7      LONG-TERM LIABILITIES (Continued)**

In 2016, the Cooperative retroactively adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Long-term liabilities as of December 31, 2015 were previously reported on the balance sheet as \$90,453,448 with the associated \$415,327 unamortized debt issuance costs included in deferred debits (other assets). Amortization of the debt issuance costs is reported as interest expense on the consolidated statements of operations.

Unamortized debt issuance and premium costs are amortized over the term of the underlying debt.

Aggregate maturities on long-term liabilities for the five years following December 31, 2016 are as follows:

2017	\$ 3,631,000
2018	\$ 3,791,000
2019	\$ 3,911,000
2020	\$ 3,852,000
2021	\$ 4,004,000

**Note 8      LINE OF CREDIT**

The Cooperative has available lines of credit with NRUCFC which totaled \$10,000,000 as of December 31, 2016 and 2015. Amounts borrowed under these agreements totaled \$-0- and \$-0- as of December 31, 2016 and 2015, respectively. Interest is payable quarterly at a variable rate. The interest rate as of December 31, 2016 on \$3,000,000 was 2.5% and on the other \$7,000,000 the rate was 2.10%. The rate as of 2015 on \$10,000,000 was 2.90%. The line of credit is secured by substantially all assets of the Cooperative and is in effect until 2049.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 9 DEFERRED CREDITS**

Deferred credits consist of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Prepaid footage fees which are to be held for a three-year period to be refunded or applied to contributions in aid of construction	\$ 311,163	\$ 252,207
Deferred sick leave and vacation	426,004	401,795
Deferred health reimbursement accounts	195,264	184,987
Capital credit checks outstanding	734,473	582,562
Estimated cost of installing special equipment	144,470	192,919
Transformer disposal liability	24,965	55,436
Other	47,188	79,483
Total	<u>\$ 1,883,527</u>	<u>\$ 1,749,389</u>

**Note 10 PATRONAGE CAPITAL**

The loan agreement with NRUCFC requires that until the equities and margins equal or exceed twenty percent of the total assets of the Cooperative, the return to patrons of contributed capital is generally limited to thirty percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The patronage capital and other equities of the Cooperative represent 43.17% and 42.35% of the total assets at December 31, 2016 and 2015, respectively.

The Cooperative presently retires capital credits on a percentage of total year margins. Capital credit retirements to estates that are made prior to the general retirement are done so on a discounted basis, with the excess retained by the Cooperative as a gain on retirement of capital credits (shown in the other equities section as donated capital and a discount rate of 7% for 2016 and 2015). All retirements are based on the discretion and approval of the Board of Directors.

**Note 11 OTHER EQUITIES**

At December 31, 2016 and 2015, other equities consisted of:

	<u>2016</u>	<u>2015</u>
Donated capital	\$ 2,549,400	\$ 2,416,473
Capital losses	(3,167)	(3,167)
Nonoperating margins	11,820,143	11,431,275
Other margins	76,769	76,769
	<u>\$ 14,443,145</u>	<u>\$ 13,921,350</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 12 EMPLOYEE BENEFITS**

**Retirement Plans**

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is defined benefit pension plan qualified under Section 401 and tax-exempt under 501(a) of the Internal Revenue Code. It is considered 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.

The Cooperative's contributions to the RS Plan for 2016 and 2015 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of \$902,863 in 2016 and \$843,835 in 2015. There have been no significant changes that affect the comparability of 2016 and 2015 contributions. The Cooperative is required to make contributions for those employees covered by the collective bargaining agreement through December 31, 2017.

In the RS Plan a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2016 and at January 1, 2015 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

In addition to the above retirement plan, employees of the Cooperative and its subsidiary are eligible for a 401(k) savings plan, a defined contribution plan. The Cooperative makes a contribution equal to 3% of each eligible employee's wages into this plan. To be eligible, the employees must complete one year of full-time service and also contribute 3% to the plan. The cost of this plan was \$206,147 and \$195,155 in 2016 and 2015, respectively.



**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 12 EMPLOYEE BENEFITS (Continued)**

**Health and Welfare Benefits**

The Cooperative participates in a Multiple Employer Welfare Association (MEWA). The MEWA provides health insurance benefits to employees of the Cooperative and other employer/member Cooperative's. The MEWA maintains stop-loss insurance coverage whereby if individual claims of those insured exceed \$125,000 annually; these excess amounts are covered by the stop-loss policy. Employee health benefits up to \$125,000 annually are the responsibility of the MEWA and the employer/member Cooperatives. On an annual basis, the plan administrator determines monthly contribution amounts based on funding requirements and plan experience. Costs to the Cooperative totaled \$1,317,447 and \$1,199,788 for 2016 and 2015, respectively, based on monthly contribution amounts.

**Note 13 COMMITMENTS**

Under an agreement dated February 15, 2012, the Cooperative is committed to purchase its electric power requirements from Alliant Energy Corporate Services, Inc. as agent for Wisconsin Power and Light Company at rates established under the Federal Energy Regulatory Commission for a period of 10 years through February 14, 2022. The rate paid for such purchases is subject to periodic review.

**Note 14 LITIGATION**

There currently is no pending litigation, claims or assessments against the Cooperative and Subsidiary at December 31, 2016.

**Note 15 CONTINGENCIES**

The Cooperative has been identified as a potentially responsible party (PRP) at Ward Transformer in North Carolina. Ward Transformer had been improperly disposing of contaminated oil from transformers and received a substation transformer for demolition from the Cooperative in 1987. The liability for the cooperative's estimated share of the clean-up is included in deferred credits for \$24,965 and \$55,436 in 2016 and 2015, respectively. No contingent liability associated with additional remediation costs has been provided in the financial statements.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 16 CASH AND CASH EQUIVALENTS**

At December 31, 2016 and 2015, cash and cash equivalents as defined in Note 1 consisted of:

	<u>2016</u>	<u>2015</u>
Cash - General	\$ 1,988,964	\$ 1,230,379
Cash - Special deposits	30,541	83,246
Temporary cash investments	-	1,646,493
	<u>\$ 2,019,505</u>	<u>\$ 2,960,118</u>

**Note 17 INCOME TAXES**

Deferred income taxes relate to timing differences between financial accounting and income taxes relative to bad debts expense and future net operating losses available to the Cooperative. The Cooperative has net operating losses totaling approximately \$2,310,000 available for offset of taxable income in future years related to the Cooperative's federal 990-T and state 4T filings. These net operating loss carry forwards begin to expire in 2024.

Deferred tax assets and deferred tax liabilities based upon these timing differences and carry forwards are as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Federal deferred tax assets	\$ 347,000	\$ 319,200	\$ 294,400
State deferred tax assets	182,700	168,100	155,000
Federal deferred tax liabilities	-	-	-
State deferred tax liabilities	-	-	-
	<u>529,700</u>	<u>487,300</u>	<u>449,400</u>
Valuation allowance	529,700	487,300	449,400
Net recognized deferred liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The current and deferred provision for or (benefit from) income taxes was \$-0- for the years ended December 31, 2016 and 2015, respectively.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

**Note 18 RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2016 and 2015, the Cooperative engaged in transactions with the following related parties as follows:

	<u>2016</u>	<u>2015</u>
American Transmission Company, LLC:		
Sales	\$ 134,900	\$ 45,407
Purchases	4,669,244	4,426,945
Accounts receivable	42,753	12,336
Distributions	463,489	518,625
Accounts payable	-	358,624
MidWisconsin DBS, LLC:		
Distributions	\$ 24,000	\$ 21,667
Badger Unified Cooperative Services, Inc.:		
Purchases	\$ 925,568	\$ 1,083,006
Accounts payable	14,038	11,327
Distributions	7,689	12,785
NISC:		
Purchases	\$ 303,492	\$ -
Accounts payable	24,808	-
Board of Directors:		
Sales	\$ 118,404	\$ 129,325
Accounts and notes receivable	12,847	937
Purchases	1,714	2,247
Accounts payable	-	3,288

**Note 19 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Cooperative has a number of financial instruments, none of which are held for trading purposes. The Cooperative estimates that the fair value of all financial instruments at December 31, 2016 and 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Cooperative using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Cooperative could realize in a current market exchange.

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
SCHEDULE OF BALANCE SHEETS - INTERMEDIARY RELENDING PROGRAM (D01)  
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash - General	\$ 518,077	\$ 507,525
Current portion of note receivable	28,821	28,091
Interest receivable	479	372
Total current assets	<u>547,377</u>	<u>535,988</u>
<b>INVESTMENTS:</b>		
Notes receivable	179,421	207,508
Less - Reserve for doubtful accounts	(45,000)	(45,000)
Less - Current portion above	<u>(28,821)</u>	<u>(28,091)</u>
Total investments	<u>105,600</u>	<u>134,417</u>
<b>TOTAL ASSETS</b>	<u>\$ 652,977</u>	<u>\$ 670,405</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 22,623	\$ 22,399
Accrued interest	1,132	1,174
Total current liabilities	<u>23,755</u>	<u>23,573</u>
<b>LONG-TERM LIABILITIES:</b>		
Note payable - USDA	205,524	227,923
Less - Current maturities above	<u>(22,623)</u>	<u>(22,399)</u>
Total long-term liabilities	<u>182,901</u>	<u>205,524</u>
Total liabilities	<u>206,656</u>	<u>229,097</u>
<b>FUND BALANCE:</b>		
Principal	150,000	150,000
Income	<u>296,321</u>	<u>291,308</u>
Total fund balance	<u>446,321</u>	<u>441,308</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 652,977</u>	<u>\$ 670,405</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
SCHEDULE OF INCOME AND FUND BALANCE -  
INTERMEDIARY RELENDING PROGRAM (D01)  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
INTEREST AND PROGRAM INCOME	\$ 7,249	\$ 13,941
OPERATING EXPENSES:		
Interest and related fees expense	<u>2,236</u>	<u>2,477</u>
CHANGE IN FUND BALANCE	5,013	11,464
FUND BALANCE, BEGINNING OF YEAR	<u>441,308</u>	<u>429,844</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 446,321</u></u>	<u><u>\$ 441,308</u></u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
SCHEDULE OF BALANCE SHEETS - INTERMEDIARY RELENDING PROGRAM (D04)  
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash - General	\$ 125,752	\$ 295,849
Current portion of note receivable	64,808	32,212
Interest receivable	769	702
Total current assets	<u>191,329</u>	<u>328,763</u>
<b>INVESTMENTS:</b>		
Notes receivable	472,762	290,000
Less - Reserve for doubtful accounts	(33,150)	(17,400)
Less - Current portion above	(64,808)	(32,212)
Total investments	<u>374,804</u>	<u>240,388</u>
<b>TOTAL ASSETS</b>	<u>\$ 566,133</u>	<u>\$ 569,151</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ -	\$ -
Loan payments to be transferred from Cooperative	1,353	-
Accrued interest	238	128
Total current liabilities	<u>1,591</u>	<u>128</u>
<b>LONG-TERM LIABILITIES:</b>		
Note payable - USDA	414,375	414,375
Less - Current maturities above	-	-
Total long-term liabilities	<u>414,375</u>	<u>414,375</u>
Total liabilities	<u>415,966</u>	<u>414,503</u>
<b>FUND BALANCE (DEFICIT):</b>		
Principal	171,875	171,875
Income (deficit)	(21,708)	(17,227)
Total fund balance	<u>150,167</u>	<u>154,648</u>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<u>\$ 566,133</u>	<u>\$ 569,151</u>

**ADAMS-COLUMBIA ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
SCHEDULE OF INCOME AND FUND BALANCE -  
INTERMEDIARY RELENDING PROGRAM (D04)  
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
INTEREST AND PROGRAM INCOME	\$ 15,412	\$ 804
OPERATING EXPENSES:		
Interest and related fees expense	<u>4,143</u>	<u>631</u>
OPERATING INCOME	11,269	173
NONOPERATING EXPENSES:		
Provision for allowance for doubtful notes	<u>15,750</u>	<u>17,400</u>
CHANGE IN FUND BALANCE	(4,481)	(17,227)
FUND BALANCE, BEGINNING OF YEAR	<u>154,648</u>	<u>-</u>
COOPERATIVE MATCH CONTRIBUTIONS	<u>-</u>	<u>171,875</u>
FUND BALANCE, END OF YEAR	<u>\$ 150,167</u>	<u>\$ 154,648</u>