

**CHOCTAW ELECTRIC COOPERATIVE, INC.**

**BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015**

**ASSETS**

|   | December 31,   |                |
|---|----------------|----------------|
|   | 2016           | 2015           |
| UTILITY PLANT AT COST   |                |                |
| Electric Plant in Service   | \$ 119,154,137 | \$ 114,636,791 |
| Construction Work in Progress   | 1,054,427      | 1,287,800      |
|   | \$ 120,208,564 | \$ 115,924,591 |
| Less: Accumulated Provision for Depreciation  | 33,713,582     | 30,152,960     |
|   | \$ 86,494,982  | \$ 85,771,631  |
| OTHER PROPERTY AND INVESTMENTS AT COST<br>OR STATED VALUE   |                |                |
| Investments in Associated Organizations   | \$ 20,598,727  | \$ 19,510,046  |
| Non-Utility Property - (Net of Accumulated Depreciation)  |                | 31,500         |
| Notes Receivable  | 152,474        | 233,590        |
| Other Investments   | 25,932         | 25,841         |
|   | \$ 20,777,133  | \$ 19,800,977  |
| CURRENT ASSETS  |                |                |
| Cash - General  | \$ 372,169     | \$ 562,130     |
| Temporary Cash Investments  | 1,477,361      | 775,811        |
| Available-for-Sale Investments  | 3,130,485      | 4,175,288      |
| Notes Receivable - Current Portion  | 146,556        | 192,696        |
| Accounts and Notes Receivable (Less Allowance for \$165,158 in 2016<br>and Uncollectibles of \$237,473 in 2015) | 3,083,929      | 3,239,859      |
| Accrued Unbilled Revenue  | 2,149,123      | 1,938,833      |
| Materials and Supplies  | 990,635        | 962,192        |
| Other Current and Accrued Assets  | 53,652         | 42,994         |
|   | \$ 11,403,910  | \$ 11,889,803  |
| TOTAL ASSETS  | \$ 118,676,025 | \$ 117,462,411 |

**EQUITIES AND LIABILITIES**

|   |                |                |
|---|----------------|----------------|
| EQUITIES  |                |                |
| Memberships   | \$ 67,495      | \$ 66,432      |
| Patronage Capital                                   | 48,893,247     | 46,493,743     |
| Other Equities                                      | 2,835,047      | 2,990,398      |
| Other Comprehensive Income                          | 2,901,513      | (1,988,798)    |
|   | \$ 54,697,302  | \$ 47,561,775  |
| LONG-TERM DEBT                                      |                |                |
| RUS Rural Development Notes Less Current Maturities | \$ 57,396      | \$ 79,620      |
| CFC Mortgage Notes Less Current Maturities          | 23,507,502     | 25,728,852     |
| CoBank Mortgage Notes Less Current Maturities       | 31,336,180     | 31,950,139     |
|   | \$ 54,901,078  | \$ 57,758,611  |
| NON-CURRENT LIABILITIES                             |                |                |
| Accumulated Provision for Pensions and Benefits     | \$ 1,403,500   | \$ 5,084,900   |
| CURRENT LIABILITIES                                 |                |                |
| Current Maturities of Long-Term Debt                | \$ 2,857,628   | \$ 2,744,502   |
| Current Portion of APBO                             | 190,200        | 329,700        |
| Accounts Payable - Purchased Power                  | 2,213,658      | 1,950,288      |
| Accounts Payable - Other                            | 534,886        | 464,519        |
| Consumer Deposits                                   | 114,758        | 72,624         |
| Accrued Employee Benefits                           | 329,343        | 437,551        |
| Accrued Interest                                    | 116,467        | 116,722        |
| Overcollected Power Cost                            | 177,626        | 90,431         |
| Other Accrued Expenses                              | 96,900         | 69,970         |
|   | \$ 6,631,466   | \$ 6,276,307   |
| DEFERRED CREDITS                                    | \$ 1,042,679   | \$ 780,818     |
| TOTAL EQUITIES AND LIABILITIES                      | \$ 118,676,025 | \$ 117,462,411 |

**CHOCTAW ELECTRIC COOPERATIVE, INC.**

**STATEMENTS OF INCOME, OTHER COMPREHENSIVE INCOME AND PATRONAGE CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

|  | Years Ended December 31, |              |                      |              | Increase<br>(Decrease) |
|--|--------------------------|--------------|----------------------|--------------|------------------------|
|  | 2016                     |              | 2015                 |              |                        |
|  | Amount                   | %            | Amount               | %            |                        |
| <b>OPERATING REVENUES</b>                          |                          |              |                      |              |                        |
| Residential  | \$ 30,433,575            | 71.1         | \$ 30,902,517        | 70.5         | \$ (468,942)           |
| Commercial and Industrial                          | 11,697,060               | 27.3         | 11,565,085           | 26.4         | 131,975                |
| Public Buildings and Other Authorities             | 216,731                  | 0.5          | 696,911              | 1.6          | (480,180)              |
| Other Electric Revenue                             | 464,766                  | 1.1          | 649,806              | 1.5          | (185,040)              |
| Total Operating Revenues                           | <u>\$ 42,812,132</u>     | <u>100.0</u> | <u>\$ 43,814,319</u> | <u>100.0</u> | <u>\$ (1,002,187)</u>  |
| <b>OPERATING EXPENSES</b>                          |                          |              |                      |              |                        |
| Purchased Power                                    | \$ 25,433,622            | 59.4         | \$ 25,514,936        | 58.2         | \$ (81,314)            |
| Distribution - Operation                           | 1,908,957                | 4.5          | 2,071,839            | 4.7          | (162,882)              |
| Distribution - Maintenance                         | 3,087,311                | 7.2          | 2,030,782            | 4.6          | 1,056,529              |
| Customer Accounts                                  | 1,687,337                | 3.9          | 1,740,014            | 4.0          | (52,677)               |
| Customer Service and Information                   | 907,844                  | 2.1          | 834,989              | 1.9          | 72,855                 |
| Administrative and General                         | 2,380,100                | 5.6          | 2,102,248            | 4.8          | 277,852                |
| Depreciation                                       | 3,935,338                | 9.2          | 3,614,637            | 8.2          | 320,701                |
| Taxes  | 198,167                  | 0.5          | 930,497              | 2.1          | (732,330)              |
| Other Interest                                     | 3,703                    | 0.0          | 24,445               | 0.1          | (20,742)               |
| Other Deductions                                   | 2,902                    | 0.0          | 231                  | 0.0          | 2,671                  |
| Total Operating Expenses                           | <u>\$ 39,545,281</u>     | <u>92.4</u>  | <u>\$ 38,864,618</u> | <u>88.6</u>  | <u>\$ 680,663</u>      |
| <b>OPERATING INCOME - Before<br/>Fixed Charges</b> | <u>\$ 3,266,851</u>      | <u>7.6</u>   | <u>\$ 4,949,701</u>  | <u>11.4</u>  | <u>\$ (1,682,850)</u>  |
| <b>FIXED CHARGES</b>                               |                          |              |                      |              |                        |
| Interest on Long-Term Debt                         | <u>2,376,677</u>         | <u>5.6</u>   | <u>2,416,131</u>     | <u>5.5</u>   | <u>(39,454)</u>        |
| <b>OPERATING INCOME - After<br/>Fixed Charges</b>  | <u>\$ 890,174</u>        | <u>2.0</u>   | <u>\$ 2,533,570</u>  | <u>5.9</u>   | <u>\$ (1,643,396)</u>  |
| G&T Capital Credits                                | \$ 1,256,392             | 2.9          | \$ 1,627,651         | 3.7          | \$ (371,259)           |
| Other Capital Credits                              | 450,697                  | 1.1          | 800,674              | 1.8          | (349,977)              |
| Total Capital Credits                              | <u>\$ 1,707,089</u>      | <u>4.0</u>   | <u>\$ 2,428,325</u>  | <u>5.5</u>   | <u>\$ (721,236)</u>    |
| <b>NET OPERATING INCOME</b>                        | <u>\$ 2,597,263</u>      | <u>6.0</u>   | <u>\$ 4,961,895</u>  | <u>11.4</u>  | <u>\$ (2,364,632)</u>  |
| <b>NON-OPERATING MARGINS</b>                       |                          |              |                      |              |                        |
| Interest Income                                    | \$ 209,675               | 0.5          | \$ 793,589           | 1.8          | \$ (583,914)           |
| Other Non-Operating Income                         | 529,781                  | 1.2          | 279,437              | 0.6          | 250,344                |
|  | <u>\$ 739,456</u>        | <u>1.7</u>   | <u>\$ 1,073,026</u>  | <u>2.4</u>   | <u>\$ (333,570)</u>    |
| <b>NET MARGINS</b>                                 | <u>\$ 3,336,719</u>      | <u>7.7</u>   | <u>\$ 6,034,921</u>  | <u>13.8</u>  | <u>\$ (2,698,202)</u>  |
| <b>OTHER COMPREHENSIVE INCOME</b>                  |                          |              |                      |              |                        |
| Current Year APBO Valuation Adjustment             | 4,402,000                |              | 135,800              |              |                        |
| Post-Retirement Benefit Amortization               | 384,100                  |              | 231,200              |              |                        |
| Unrealized Gain (Loss) on Available-for-Sale       | <u>104,211</u>           |              | <u>(519,043)</u>     |              |                        |
| <b>COMPREHENSIVE INCOME</b>                        | <u>\$ 8,227,030</u>      |              | <u>\$ 5,882,878</u>  |              |                        |
| Other Comprehensive Income                         | (4,890,311)              |              | 152,043              |              |                        |
| <b>PATRONAGE CAPITAL - BEGINNING<br/>OF YEAR</b>   | 46,493,743               |              | 41,579,265           |              |                        |
| Transfers to Other Equities                        | 1,073,026                |              | (1,048,291)          |              |                        |
| Patronage Capital Retired                          | <u>(2,010,241)</u>       |              | <u>(72,152)</u>      |              |                        |
| <b>PATRONAGE CAPITAL - END OF YEAR</b>             | <u>\$ 48,893,247</u>     |              | <u>\$ 46,493,743</u> |              |                        |