

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION AR0013
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2016

PART D. NOTES TO FINANCIAL STATEMENTS

Deferred Charges and Credits

Deferred charges consisted of the following at December 31, 2016:

Loan conversion fees \$ 1,938,551

Prepaid pension contributions 3,080,294

Work Plan \$ 65,611

Other 50,073

Total \$ 5,134,529

During 2013, the Cooperative refinanced certain loans with NRUCFC. As a result, the Cooperative was required to pay certain early termination fees of approximately \$2,597,000, which were financed with new debt. The conversion fees are being amortized over the life of the new debt. In addition, during 2013, the Cooperative prepaid retirement contributions of approximately \$4,983,000. The prepaid contributions are being amortized over 10 years.

Deferred credits consisted of the following at December 31, 2016:

Consumer advances for construction \$ 12,477

Miscellaneous 12,569

Total \$ 25,046

Related-Party Transactions

The Cooperative, along with other electric distribution cooperatives in Arkansas, is a member (and, therefore, part owner) of AECC (generating and transmission) and Arkansas Electric Cooperatives, Inc. (AECI). The Cooperative purchases power from AECC and purchases substantial goods and services from AECI. The transactions and balances with these entities at December 31, 2016 are:

Power purchases – AECC \$ 70,367,759

Equipment and other purchases – AECI \$ 3,797,356

Accounts payable – AECC \$ 7,157,776

Accounts payable – AECI \$ 191,928

Interest-bearing deposits with AECC \$ 4,991,502

Pension

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The National Rural Electric Association (NRECA) Retirement Security Plan (the NRECA 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 multi-employer 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 multi-employer 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 assets contributed by one employer may be used to provide benefits to employees of other participating employers. The Cooperative's contributions to the NRECA RS Plan in 2016 and 2015 represented less than 5% of the total contributions made to the NRECA RS Plan by all participating employers. The Cooperative made contributions to the NRECA RS Plan of approximately \$1,759,000 in 2016 and \$1,710,000 in 2015. There have been no significant changes that affect the comparability of 2016 and 2015 contributions. In the NRECA RS Plan, a "zone status" determination is not required and, therefore, not determined under the Pension Protection Act of 2006 (PPA). In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employers. In total, the NRECA RS Plan was over 80% funded on January 1, 2016 and 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 NRECA 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 NRECA RS Plan and may change as a result of plan experience.

Post-retirement

The Cooperative has a non-contributory defined benefit post-retirement health care plan covering all employees who meet the eligibility requirements. The Cooperative's funding policy is to make the minimum annual contribution that is required by applicable regulations plus such amounts as the Cooperative may determine to be appropriate from time to time. The Cooperative expects to contribute approximately \$720,400 to the plan in 2017. The Cooperative uses a December 31 measurement date for the plans. Significant balances, costs and assumptions are as follows:

2016

Benefit Obligation \$ (21,257,500)

Fair value of plan assets - -

Funded status at end of year \$(24,257,500)

401(k) Plan

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<p>PART D. NOTES TO FINANCIAL STATEMENTS</p>	
<p>The Cooperative has a 401(k) profit-sharing plan covering substantially all employees. The Cooperative contributes up to a maximum of 4% of the base salary for all employees who made required minimum contributions for the years ended December 31, 2016 and 2015. Contributions to the plan were approximately \$322,000 and \$311,000 for 2016 and 2015, respectively.</p>	

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<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION AR0013

PERIOD ENDED
December, 2016

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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	269,177,377	7,971,522	1,934,461	12,285	275,226,723
2. General Plant	15,206,352	2,653,964	1,737,806	20,337	16,142,847
3. Headquarters Plant	8,505,850	35,014	19,185		8,521,679
4. Intangibles	0				0
5. Transmission Plant	5,444,138	2,501		7,565	5,454,204
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	343,782				343,782
8. Total Utility Plant in Service (1 thru 7)	298,677,499	10,663,001	3,691,452	40,187	305,689,235
9. Construction Work in Progress	4,544,738	3,520,890			8,065,628
10. Total Utility Plant (8 + 9)	303,222,237	14,183,891	3,691,452	40,187	313,754,863

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	1,158,250	2,887,542	55,335	2,896,622		7,557	1,212,062
2. Other	14,666				4,310		10,356

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	24.390	193.140	11.130	0.000	228.660
2. Five-Year Average	22.703	700.787	9.085	17.645	750.220

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	154	4. Payroll - Expensed	6,860,082
2. Employee - Hours Worked - Regular Time	327,752	5. Payroll - Capitalized	2,352,249
3. Employee - Hours Worked - Overtime	16,014	6. Payroll - Other	1,368,232

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	4,850,341	48,472,830
	b. Special Retirements	926,564	11,084,430
	c. Total Retirements (a + b)	5,776,905	59,557,260
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	891,476	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	29,619	
	c. Total Cash Received (a + b)	921,095	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 416,386	2. Amount Written Off During Year	\$ 416,830
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ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM

1. Anticipated Loan Delinquency %	0	4. Anticipated Loan Default %	0
2. Actual Loan Delinquency %	0	5. Actual Loan Default %	0
3. Total Loan Delinquency Dollars YTD	\$ 0	6. Total Loan Default Dollars YTD	\$ 0

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PART K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	kWh PURCHASED (e)	TOTAL COST (f)	AVERAGE COST (Cents/kWh) (g)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
1	Arkansas Electric Coop Corp (AR0034)	807			1,287,567,549	70,349,998	5.46	7,082,701	1,970,422
2	Arkansas Electric Coop Corp (AR0034)	807	Solar	Solar - photovoltaic	98,497	17,761	18.03		
	Total				1,287,666,046	70,367,759	5.46	7,082,701	1,970,422

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PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		
2		

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PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
TOTAL			

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PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 6/17/2016	2. Total Number of Members 44,726	3. Number of Members Present at Meeting 23	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 6,142	6. Total Number of Board Members 10	7. Total Amount of Fees and Expenses for Board Members \$ 630,885	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2014