

Dear Valued Member,

Once again, Ozarks Electric Cooperative continued its commitment to member service in a financially responsible manner. Our operating margins of \$2,281,247 were adequate to meet the requirements of mortgage agreements. Member equity in the system was 45.85 percent at the end of the year. Members were refunded \$1,600,000 in cash to redeem patronage capital credits. The 2016 redemption brings the total capital credits refunded to members to \$42,605,994.

BKD, LLP audited our financial records.

System statistics of interest include: 72,462 average meters served, a net increase of 1,587; more than 6,811 miles of power lines; 1,366,309,365 kilowatt-hours used by members, up 25,879,518 kilowatt-hours from the previous year; a system peak demand of 368,377 kilowatts, recorded in the month of August; and a net plant valuation of \$277,520,666 at year's end.

Additional financial data and operations information is available in this annual report. If you have any questions concerning your electric cooperative, we are happy to answer them.

Sincerely,



David Verucchi, Chairman



Larry Baggett, Secretary



Mitchell Johnson, President/CEO

Official Notice of Annual Meeting

Notice is hereby given that the Annual Membership Meeting of Ozarks Electric Cooperative Corporation will be held on Thursday, April 27, 2017, at the headquarters in Fayetteville, Washington County, Arkansas, beginning at 10 am for the following purposes:

1. To pass on reports for the previous fiscal year;
2. To elect one director for the Cooperative, to serve a term of seven years; and,
3. To transact such other business as may properly come before the meeting.



Larry Baggett, Secretary

Dated at Fayetteville, Arkansas, this seventh day of April, 2017.

Annual Meeting Program

April 27, 2017

Registration: 9:30 am - 10 am
Business Session: 10 am

This will be a business session only.

No attendance prizes will be awarded and there will be no entertainment.

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2016 Annual Report



Connecting with our members.

It is what drives us every day. Whether that's finding ways to improve system reliability, volunteering in our communities, bringing fiber to the home with gigabit internet as well as premium television and telephone services or developing innovative energy efficiency services. We dedicate ourselves to helping improve our members' quality of life and take great pride in looking for the best way to serve our ever-changing communities.

We are driven by our purpose, which we keep in mind with every decision we make: to power communities and empower members to improve the quality of their lives. It is the essence of who we are and what we do.

Through our purpose, we manage and organize our resources into several key areas, which we define as the cornerstones of maintaining a healthy cooperative.

Our Values

Everything starts with our values. As an electric cooperative, it is our responsibility to carefully manage resources and make decisions that best serve our membership. This helps keep us responsible and accountable for the decisions we make and the actions we take, all for the betterment of our cooperative.

Our Values: Safety, Integrity, Innovation, Accountability, Concern for Community

It is through these values, principles and areas of focus that you can be certain we are always looking out for you, our members.

Member Satisfaction

This is the foundation on which our purpose is built. The satisfaction of our members is what propels us to continue innovating and pushing ourselves to be better each and every day.

This starts with providing our members the best possible service. It is why OzarksGo was announced in April. The newest service of faster internet speeds, better connection and crystal clear HDTV is being offered to our members and businesses. Member satisfaction also includes helping make a difference in our communities. In 2016, as part of the Ozarks Cares volunteer program, our employees donated more than 1,000 hours of their time to help better the communities we serve. It is that kind of dedication that makes us different.

Affordability

As a cooperative, we operate under a unique set of principles and guidelines, making decisions that best serve our membership. Our members are our owners and everyone has a stake.

Whether it is annual capital credit allocation or responsible decision-making, our goal is to maintain a high level of financial integrity for our cooperative as a whole. When we achieve this, everyone benefits.

People & Culture

We believe that everything starts with our people and culture. Without an environment that fosters innovation, creativity and growth, we would not be able to offer the reliable service you have come to expect.

Our employees take great pride in what they do. We are your friends and neighbors and we believe in the power of our people.

Safety

In addition to making sure our employees stay safe around electricity, we do everything we can to ensure our members do the same. In 2016 we celebrated five years without a lost time accident. This also extends beyond electrical safety to personal information safety and security.

Employee and member safety – in all forms – remains a top priority for us, which is why we go the extra mile to ensure everyone stays informed and safe.

System Reliability

System reliability is our day-to-day guiding principle. We are always looking for ways to make sure the lights stay on and improve outage-response times. We are proud to have some of the best outage-response times in the industry.

Through our responsible management of resources, we are able to not only quickly restore power in the case of an outage, but also minimize the number of outages on our system.

It is through these values that we challenge ourselves to better serve you, and it is what we are all about: powering communities and empowering members.



All fiber gigabit internet,
premium television, and
telephone services.



Bringing the first utility-scale,
member-owned solar energy
generating facility to Arkansas.



Helping make a difference.



REVENUE AND EXPENSE STATEMENT as of December 31

2016

REVENUES

Electric energy sales	\$127,910,547
Other electric revenue	1,762,184
Total operating revenue	\$129,672,731

EXPENSES

Purchased power	\$78,201,714
Interest on debt to CFC/CoBank	7,236,220
Depreciation / amortization	11,137,139
Operation / maintenance	15,729,422
Consumer accounting / collecting / information	5,195,839
Administrative / general	9,649,490
Other operating deductions	241,660
Total expenses	\$127,391,484

MARGINS

Operating margins	\$2,281,247
Other margins and capital credits	3,277,820
Non-operating revenue	1,351,855
Total margins	\$6,910,922

BALANCE SHEET as of December 31

2016

ASSETS

Cash on hand	\$578,058
Investments	3,697,829
Investments in associated organizations	58,583,786
Accounts receivable	8,770,839
Inventory	471,588
Advance payments on insurance, etc.	5,230,063
Interest and miscellaneous deferred debits	8,118,611

Officers & Directors

David Verucchi

Chairman

Joe Lynn Carson

Vice Chairman

Larry Baggett

Secretary

Billy Joe Bartholomew

Director

Jerry Bolinger

Director

R.L. "Dusty" Richards

Director

Pam Smith

Director

Mitchell Johnson

President/CEO



Net utility plant	277,520,666
Total assets	\$362,971,440
LIABILITIES	
Debt to CFC/CoBank	\$170,414,618
Accounts payable	10,661,993
Other current and accrued liabilities	12,268,487
Deposits and advances	2,432,986
Miscellaneous deferred credits	763,754
Total liabilities	\$196,541,838
MEMBERS' EQUITY	
Membership fees	\$184,992
Total margins	6,910,922
Capital credits	155,552,127
Other equities	3,781,561
Total net worth	166,429,602
Total liabilities and net worth	\$362,971,440

SYSTEM STATISTICS as of December 31

2016

ITEM

Average number of meters billed per month	72,462
Average number of meters per mile of line	10.64
Total miles of power line in operation	6,811
Total kWh bought by cooperative	1,425,064,709
Total cost of power bought by cooperative	\$78,201,714
Average cost per kWh bought by cooperative	54.88 mills
Power (kWh) required for system operation	54,348,675
System peak demand (kW)	368,377
Month of system peak demand	August

