

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	Tri-County Electric Cooperative dba Ho
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2017

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION CHOICES
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.		
<i>Patrick Dennis</i> 4/26/18 Signature of Office Manager or Accountant Date		A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA? <input type="radio"/> YES <input type="radio"/> NO
<i>Walt Hryn</i> 4/26/18 Signature of Manager Date		B. Will you authorize CFC to share your data with other cooperatives? <input type="radio"/> YES <input type="radio"/> NO

ITEM	YEAR-TO-DATE			
	LAST YEAR	THIS YEAR	BUDGET	THIS MONTH
	(a)	(b)	(c)	(d)
1. Operating Revenue and Patronage Capital	45,678,224	46,313,427	47,215,677	4,400,846
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	29,383,496	29,084,914	29,857,707	2,769,821
4. Transmission Expense	0	0	0	0
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	1,563,625	1,756,825	1,679,093	195,766
7. Distribution Expense - Maintenance	3,528,445	3,831,112	3,823,796	312,176
8. Consumer Accounts Expense	754,568	646,889	914,168	(76,951)
9. Customer Service and Informational Expense	1,826,432	1,979,850	1,821,136	179,089
10. Sales Expense	82,295	94,901	98,925	8,910
11. Administrative and General Expense	2,381,125	2,685,683	2,495,420	424,777
12. Total Operation & Maintenance Expense (2 thru 11)	39,519,986	40,080,174	40,690,245	3,813,589
13. Depreciation & Amortization Expense	2,905,453	2,980,872	3,000,500	250,439
14. Tax Expense - Property & Gross Receipts	1,088,460	1,106,897	1,125,000	75,647
15. Tax Expense - Other	0	0	0	0
16. Interest on Long-Term Debt	1,893,124	2,033,238	2,022,450	176,003
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	41,987	38,776	20,300	6,847
19. Other Deductions	(59,750)	7,084	7,082	961
20. Total Cost of Electric Service (12 thru 19)	45,389,261	46,247,040	46,865,577	4,323,486
21. Patronage Capital & Operating Margins (1 minus 20)	288,963	66,387	350,100	77,360
22. Non Operating Margins - Interest	91,836	91,713	85,200	7,336
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	198,228	425,047	132,944	425,047
25. Non Operating Margins - Other	46,228	69,407	0	(1,304)
26. Generation & Transmission Capital Credits	1,496,500	1,964,108	2,500,000	1,964,108
27. Other Capital Credits & Patronage Dividends	169,939	174,835	156,000	24,669
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	2,291,694	2,791,498	3,224,244	2,497,216

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	155	199	5. Miles Transmission	0	0
2. Services Retired	241	56	6. Miles Distribution Overhead	2,917	2,917
3. Total Services In Place	27,125	27,268	7. Miles Distribution Underground	453	459
4. Idle Services (Exclude Seasonal)	1,324	1,336	8. Total Miles Energized (5+6+7)	3,369	3,376

**NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
FINANCIAL AND STATISTICAL REPORT**

BORROWER NAME	Tri-County Elec
BORROWER DESIGNATION	M1026
ENDING DATE	12/31/2017

PART E. CHANGES IN UTILITY PLANT

	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1	Distribution Plant Subtotal	93,743,269	3,972,716	795,325	0	96,920,660
2	General Plant Subtotal	4,122,288	133,674	863,084	0	3,392,878
3	Headquarters Plant	3,792,874	36,610	2,732	0	3,826,752
4	Intangibles	433,898	7,102	100,328	0	340,672
5	Transmission Plant Subtotal	0	0	0	0	0
6	Regional Transmission and Market Operation Plant	0	0	0	0	0
7	Production Plant - Steam	0	0	0	0	0
8	Production Plant - Nuclear	0	0	0	0	0
9	Production Plant - Hydro	0	0	0	0	0
10	Production Plant - Other	0	0	0	0	0
11	All Other Utility Plant	0	0	0	0	0
12	SUBTOTAL (1 thru 11)	102,092,330	4,150,101	1,761,469	0	104,480,962
13	Construction Work in Progress	300,072	(45,862)			254,210
14	TOTAL UTILITY PLANT (12+13)	102,392,402	4,104,239	1,761,469	0	104,735,172

CFC NO LONGER REQUIRES SECTIONS "F", "G", AND "N" DATA
Those sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F),
"Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).

PART H. SERVICE INTERRUPTIONS

	ITEM	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	TOTAL (e)
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)	
1.	Present Year	7.80	93.60	3.00	127.80	232.20
2.	Five-Year Average	44.59	362.94	5.37	149.94	562.84

PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS

1.	Number of Full Time Employees	62	4. Payroll - Expensed	3,976,165
2.	Employee - Hours Worked - Regular Time	136,601	5. Payroll - Capitalized	984,733
3.	Employee - Hours Worked - Overtime	6,063	6. Payroll - Other	602,982

PART J. PATRONAGE CAPITAL

	ITEM	THIS YEAR (a)	CUMULATIVE (b)
1.	General Retirement	2,960,000	17,245,281
2.	Special Retirements	203,889	1,876,462
3.	Total Retirements (1+2)	3,163,889	19,121,743
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	2,280,764	
5.	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	57,703	
6.	Total Cash Received (4+5)	2,338,467	

PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1.	Amount Due Over 60 Days:	121,372
2.	Amount Written Off During Year:	(937)

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PART I. KWH PURCHASED AND TOTAL COST

	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	INCLUDED IN TOTAL COST		
								FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)
1	Wolverine Power Cooperative			0 None	284,977,045	23,035,252	8.08	83,346	922,289	Comments
2	Wolverine Power Cooperative			1 Wind	68,725,525	5,555,219	8.08	20,100	222,421	Comments
3	Wolverine Power Cooperative			2 Sun	719,639	58,170	8.08	210	2,329	Comments
4	Wolverine Power Cooperative			4 Wood	5,397,292	436,273	8.08	1,579	17,467	Comments
5				0 None	0	0	0.00	0	0	Comments
6				0 None	0	0	0.00	0	0	Comments
7				0 None	0	0	0.00	0	0	Comments
8				0 None	0	0	0.00	0	0	Comments
9				0 None	0	0	0.00	0	0	Comments
10				0 None	0	0	0.00	0	0	Comments
11				0 None	0	0	0.00	0	0	Comments
12				0 None	0	0	0.00	0	0	Comments
13				0 None	0	0	0.00	0	0	Comments
14				0 None	0	0	0.00	0	0	Comments
15				0 None	0	0	0.00	0	0	Comments
16				0 None	0	0	0.00	0	0	Comments
17				0 None	0	0	0.00	0	0	Comments
18				0 None	0	0	0.00	0	0	Comments
19				0 None	0	0	0.00	0	0	Comments
20				0 None	0	0	0.00	0	0	Comments
21	TOTALS				359,819,501	29,084,914	8.08	105,235	1,164,506	

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	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2017

PART L. KWH PURCHASED AND TOTAL COST (Continued)

COMMENTS	
1	
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PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)

*LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")*

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.	NONE		\$0
2.			\$0
3.			\$0
		TOTAL	\$0

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000).

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1	National Rural Utilities Cooperative Finance Corporation	35,006,405	1,319,171	1,087,645	2,406,816	
2	NCSC	0	0	0	0	
3	Farmer Mac	12,655,372	743,958	483,037	1,226,995	
4		0	0	0	0	
5		0	0	0	0	
6		0	0	0	0	
7		0	0	0	0	
8		0	0	0	0	
9		0	0	0	0	
10	Principal Payments Received from Ultimate Recipients of IRP Loans			0		
11	Principal Payments Received from Ultimate Recipients of REDL Loans			0		
12	TOTAL (Sum of 1 thru 9)	\$47,661,777	\$2,063,129	\$1,570,682	\$3,633,811	

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PART R. POWER REQUIREMENTS DATABASE

CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	22,313	22,362	22,338	
	b. KWH Sold				214,700,252
	c. Revenue				30,931,844
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	392	452	422	
	b. KWH Sold				10,038,678
	c. Revenue				1,656,900
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	2,960	2,968	2,964	
	b. KWH Sold				65,604,610
	c. Revenue				8,444,336
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	3	3	3	
	b. KWH Sold				43,916,715
	c. Revenue				3,356,073
6. Public Street & Highway Lighting	a. No. Consumers Served	36	36	36	
	b. KWH Sold				167,969
	c. Revenue				32,657
7. Other Sales to Public Authority	a. No. Consumers Served	117	115	116	
	b. KWH Sold				5,026,882
	c. Revenue				622,070
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		25,821	25,936	25,879	0
11. TOTAL KWH Sold (lines 1b thru 9b)					339,455,106
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					45,043,880
13. Transmission Revenue					0
14. Other Electric Revenue					1,269,548
15. KWH - Own Use					0
16. TOTAL KWH Purchased					359,819,501
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					29,084,914
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					84,236

None
 Non-coincident
 Coincident

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	BORROWER DESIGNATION	MI026
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PART 5. ENERGY EFFICIENCY PROGRAMS

Line #	Classification	Added This Year			Total To Date		
		Number of Consumers (a)	Amount Invested (b)	ESTIMATED MMBTU Savings (c)	Number of Consumers (d)	Amount Invested (e)	ESTIMATED MMBTU Savings (f)
1.	Residential Sales (excluding seasonal)	77	564,964	7,431	25,302	2,947,486	42,284
2.	Residential Sales - Seasonal	0	0	0	0	0	0
3.	Irrigation Sales	0	0	0	0	0	0
4.	Comm. and Ind. 1000 KVA or Less	35	207,919	3,645	577	1,151,065	24,881
5.	Comm. and Ind. Over 1000 KVA	0	0	0	0	0	0
6.	Public Street and Highway Lighting	0	0	0	0	0	0
7.	Other Sales to Public Authorities	0	0	0	0	0	0
8.	Sales for Resales - RUS Borrowers	0	0	0	0	0	0
9.	Sales for Resales - Other	0	0	0	0	0	0
10.	TOTAL	112	772,883	11,075	25,879	4,098,551	67,165

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		BORROWER DESIGNATION	MI026	
		ENDING DATE	12/31/2017	
(All investments refer to your most recent CFC Loan Agreement)				
7a - PART 1 - INVESTMENTS				
DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)	
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS				
5	See Attached Notes	7,732,125	30,636,732	425,047
6				
7				
8				
Subtotal (Line 5 thru 8)		7,732,125	30,636,732	425,047
3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS				
9				
10				
11				
12				
Subtotal (Line 9 thru 12)		0	0	0
4. OTHER INVESTMENTS				
13				
14				
15				
16				
Subtotal (Line 13 thru 16)		0	0	0
5. SPECIAL FUNDS				
17				
18				
19				
20				
Subtotal (Line 17 thru 20)		0	0	0
6. CASH - GENERAL				
21	Portland Federal Credit Union	699,497	250,000	
22				
23				
24				
Subtotal (Line 21 thru 24)		699,497	250,000	0
7. SPECIAL DEPOSITS				
25				
26				
27				
28				
Subtotal (Line 25 thru 28)		0	0	0
8. TEMPORARY INVESTMENTS				
29	Cash-Money Market Account	200,381	0	
30				
31				
32				
Subtotal (Line 29 thru 32)		200,381	0	0
9. ACCOUNT & NOTES RECEIVABLE - NET				
33	NRUCFC Interest Receivables - CTC's	0	8,195	
34	NRUCFC Interest Receivables - Capital Securities	0	11,250	
35	Other Receivables	262,472	0	
36	Notes Receivable - Water Heaters	104,808	0	
Subtotal (Line 33 thru 36)		367,280	19,445	0
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED				
37				
38				
39				
40				
Subtotal (Line 37 thru 40)		0	0	0
Total		8,999,283	30,906,177	425,047

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(All investments refer to your most recent CFC Loan Agreement)					
7a - PART II. LOAN GUARANTEES					
Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART III. LOANS					
Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)			0	0	0
7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES					
1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)				8,999,283
2	LARGER OF (a) OR (b)				30,554,253
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			15,710,276	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)			30,554,253	

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NOTES		

7a-Part 1-Investments

2. Investments in Associated Organizations

	Description	Included	Excluded	Income
1	CFC Patronage		980,108	
2	Tri-Co Services-50,000 shrs common stock	50,000		
3	Tri-Co Services Subsidiary Equity	7,239,459		425,047
4	NRUCFC Capital Term Certificates		1,847,108	
5	NRUCFC Membership		1,000	
6	Cooperative Response Center-Membership	22,051	12,500	
7	Michigan Electric Coop Assoc, Membership		1,000	
8	National Rural Telecom Coop-Patronage	20,183		
9	Wolverine Power Supply Coop-Patronage		27,746,198	
10	National Information Solutions Coop-Patronage	168,496		
11	Rural Electric Supply Coop-Patronage	68,141	500	
12	Co-Bank-Investment		1,000	
13	Co-Bank Patronage		47,318	
14	Federated Rural Insurance Coop-Stock	6,000		
15	Federated Rural Insurance Coop-Patronage	157,795		
Total		7,732,124.62	30,636,731.80	425,047.49

Part L

Water heater adjustment/note this is for billing credit to our members for purchase of a water heater and participation in our load management program.

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: HomeWorks Tri-County Electric Cooperative
Address of principal place of business: 7973 E Grand River Ave; Portland MI 48875
Utility representative to whom inquires regarding this report may be directed: Name: Patrick Simmer Title: CFO Address: 7973 E Grand River Ave City: Portland State: MI Zip: 48875 Direct Telephone, Include Area Code: 517-647-1287
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: <input type="checkbox"/> were forwarded to the Commission <input checked="" type="checkbox"/> will be forwarded to the Commission on or about April 30, 2018
Annual reports to stockholders: <input checked="" type="checkbox"/> are published <input type="checkbox"/> 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 HomeWorks Tri-County Electric Coop	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.
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.
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.
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.
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.
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.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
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.
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.
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.

Name of Respondent HomeWorks Tri-County Electric Cooperativ	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

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	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	
5	Amortization of (Specify)	
6	Intangible Plant	
7		
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	
11	Net (Increase) Decrease in Inventory	
12	Net (Increase) Decrease in Allowances Inventory	
13	Net (Increase) Decrease in Payables and Accrued Expenses	
14	Net (Increase) Decrease in Other Regulatory Assets	
15	Net (Increase) Decrease in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other:	
19		
20		
21		
22	Net Cash Provided by (Used in) Operating Activities (Total of lines 2 thru 21)	
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	
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:	
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	
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	
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 HomeWorks Tri-County Electric Cooperativ	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)

<p>4. Investing Activities</p> <p>(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.</p> <p>(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.</p>	<p>5. Codes used:</p> <p>(a) Net proceeds or payments.</p> <p>(b) Bonds, debentures and other long-term debt.</p> <p>(c) Include commercial paper.</p> <p>(d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>6. Enter on pages 122-123 clarifications and explanations.</p>
--	--

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)	
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long Term Debt (b)	
62	Preferred Stock	
63	Common Stock	
64	Other:	
65		
66	Net Increase in Short-Term Debt (c)	
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	
71		
72	Payments for Retirement of:	
73	Long Term Debt (b)	
74	Preferred Stock	
75	Common Stock	
76	Other:	
77		
78	Net Decrease in Short-Term Debt (c)	
79		
80	Dividends on Preferred Stock	
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	
87		
88	Cash and Cash Equivalents at Beginning of Year	
89		
90	Cash and Cash Equivalents at End of Year	

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Net margins	\$ 2,791,498	\$ 2,291,691
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	3,152,414	3,127,806
Amortization of retirement security prepayment	143,662	143,662
Gain on disposition of plant, net	(75,120)	(37,511)
Income from subsidiary	(425,047)	(198,228)
Noncash patronage capital allocations	(2,138,943)	(1,666,439)
Deferred gain from insurance proceeds	(3,503)	(3,503)
Post-retirement and pension benefits	162,390	43,126
Changes in assets and liabilities		
Accounts receivable	(204,049)	(290,815)
Refunds payable to customers	(728,359)	748,576
Notes receivable	12,165	5,049
Inventories	56,078	(23,915)
Prepaid expenses	(9,728)	(86,008)
Interest receivable	(22)	23
Deferred debits	3,507	11,537
Accounts payable	(128,916)	172,856
Customer deposits	9,776	4,619
Accrued expenses and taxes	49,178	129,499
Deferred credits	14,915	(186,111)
Net Cash from Operating Activities	2,681,896	4,185,914
Investing Activities		
Additions to, and costs of retirements of, utility plant	(4,538,851)	(4,726,536)
Proceeds from sale of general plant and scrap	112,113	66,092
Cash received from other property and investments	2,377,620	2,225,165
Dividend received from subsidiary	-	200,000
Net Cash used for Investing Activities	(2,049,118)	(2,235,279)
Financing Activities		
Principle payments on long-term debt	(6,446,594)	(3,813,573)
Issuance of long-term debt	8,875,912	1,748,401
Net proceeds (payments) on line of credit	(25,000)	1,025,000
Post-retirement benefits paid	(92,592)	(89,474)
Other equities	174,819	110,969
Patronage capital retired	(3,163,888)	(1,388,635)
Net Cash used for Financing Activities	(677,343)	(2,407,312)

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Net Change in Cash and Cash Equivalents	\$ (44,565)	\$ (456,677)
Cash and Cash Equivalents at Beginning of Year	<u>1,194,443</u>	<u>1,651,120</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,149,878</u>	<u>\$ 1,194,443</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 2,101,905</u>	<u>\$ 2,007,196</u>

Name of Respondent HomeWorks Tri-County 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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NONUTILITY PROPERTY (Account 121)

- | | |
|---|---|
| <p>1. Give a brief description and state the location of nonutility property included in Account 121.</p> <p>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.</p> <p>3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.</p> | <p>4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.</p> <p>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.</p> |
|---|---|

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales Transfers, etc. (c)	Balance at End of Year (d)
1	Vacant Lot at Canadian Lkes	3,300	0	3,300
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
	TOTAL	3,300	0	3,300

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 HomeWorks Tri-County 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 <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (b)		Purchases or Additions During Year (c)
		Original Cost	Book Value	
1	See Attached Schedule			
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Name of Respondent HomeWorks Tri-County 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)

<p>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.</p> <p>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.</p> <p>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</p>	<p>authorization, and case or docket number.</p> <p>5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.</p> <p>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).</p>
--	--

Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (f)		Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
		Original Cost	Book Value			
Part of Page 222 (See Attached)						1
						2
						3
						4
						5
						6
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Name of Respondent HomeWorks Tri-County 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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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	N/A					
2						
3						
4						
5						
6						
7						
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24						
25	TOTAL					

Name of Respondent HomeWorks Tri-County Electric Co	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.
 2. Report all acquisitions of allowances at cost.
 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.
 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).
 5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.</p> |
|--|--|

Line No.	Allowance Inventory-N/A (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 HomeWorks Tri-County Electric Cooper	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
N/A								2-4
								5
								6-8
								9
								10
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								13
								14
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								16-18
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								30-32
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								41-43
								44
								45
								46

Name of Respondent HomeWorks Tri-County 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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LONG-TERM DEBT (Accounts 221, 222, 223 and 224)

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.
2. In column (a), for new issues, give Commission authorization numbers and dates.
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.
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.
5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
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.
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.

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	HomeWorks Tri-County Electric has no advances of long term debt from Associated Companies. Attached is the Part O of the Form 7a which shows the long term balances for HomeWorks Tri-County Electric which are not related to Associated Companies.		
2			
3			
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24			
25	TOTAL		

Name of Respondent	This Report Is:	Date of Report	Year of Report
HomeWorks Tri-County Electric Cooperati	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 04/30/18	12/31/2017

LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt-Discount and Expense, or credited to Account 429, *Amortization of Premium on Debt-Credit*.
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.
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.
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.
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, *Interest on Long-Term Debt*, and Account 430, *Interest on Debt to Associated Companies*.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

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)			
						1
						2
						3
						4
						5
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Name of Respondent HomeWorks Tri-County Electric Cooperat	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 eyar 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	Accounts Payable Tri-Co Services	(25,728)	3,603,715	3,619,807	(41,821)	
2						
3	Line of Credit Tri-Co Services	(1,025,000)	6,595,000	6,570,000	(1,000,000)	15,460
4	Date of Note: 10/23/2017					
5	Maturity: 10/23/2018 - Automatically Renews Each Year					
6	Interest Rate: Variable - Rate on 12/31/17 was 2.35%. At no time shall this interest rate fall below the					
7	Applicable Federal Rate (AFR).					
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9						
10						
11						
12						
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20						
21						
22						
23						
	TOTAL	(1,050,728)	10,198,715	10,189,807	(1,041,821)	15,460

Name of Respondent HomeWorks Tri-County 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.	N/A	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 HomeWorks Tri-County 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 (Continued)

3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2
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.

Utility	Other	Line No.
N/A		1
		2
		3
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		26

Name of Respondent HomeWorks Tri-County 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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GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)

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.
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).
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.)

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					
3	Various Equipment: 16 Items	185,435		9,427.24	
4					
5	2009 GMC Truck	105,796		16,526.00	
6	2004 International	138,722		12,000.00	
7	2007 International	143,562		38,000.00	
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain	573,515		75,953.24	

Name of Respondent HomeWorks Tri-County 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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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					
20	Various Equipment: 2 Items	2,508			833.48
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss	2,508			833.48

Name of Respondent HomeWorks Tri-County Electric Coop	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	Michigan Electric Cooperative	Legal, Advertising,	Various	923	975,382
2	Association	Energy Optimization,		921	
3	201 Townsend Suite 900	Legislative Services,		580	
4	Lansing MI 48933	Training		583	
5				908's	
6					
7	Eide Bailly	Auditors	Contract	923	43,725
8	4310 17th Ave S				
9	PO Box 2545				
10	Fargo ND 58108-2545				
11					
12					
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35					

Name of Respondent HomeWorks Tri-County Electric Coops	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

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

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Tri-Co Services	100%	Office/Facilities Rent	1.20.454.	75,375
2					
3					
4					
5					
6					
7					
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28					
29					
30					
TOTAL					75,375

Name of Respondent HomeWorks Tri-County Electric Coops	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.
				75,375	Cost/Mkt	1
						2
						3
						4
						5
						6
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						30
				75,375		

Name of Respondent HomeWorks Tri-County Electric Coope	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	N/A				
2					
3					
4					
5					
6					
7					
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26					
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29					
30					
TOTAL					

Name of Respondent HomeWorks Tri-County Electric Coop	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.
						1
						2
						3
						4
						5
						6
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Financial Statements
December 31, 2017 and 2016
Tri-County Electric Cooperative, Inc.

Independent Auditor's Report.....	1
Financial Statements	
Balance Sheets	3
Statements of Operations	4
Statements of Members' Equity.....	5
Statements of Cash Flows	6
Notes to Financial Statements.....	8



Independent Auditor's Report

The Board of Directors
Tri-County Electric Cooperative, Inc.
Portland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, members' equity, 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. 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 risks 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.

Basis for Qualified Opinion

As more fully described in Note 6 to the financial statements, the Cooperative reports its investment in Tri-Co Services, Inc., a wholly owned subsidiary, on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of Tri-Co Services, Inc. had been consolidated with those of Tri-County Electric Cooperative, Inc., total assets and total liabilities and equities would be increased by \$142,450 and \$289,411 as of December 31, 2017 and 2016, and revenues and expenses would be increased by \$3,110,875 and \$3,120,178 for the years then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating Tri-Co Services, Inc., as discussed in the above paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County 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 accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Fargo, North Dakota
March 20, 2018

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	<u>2017</u>	<u>2016</u>
Assets		
Electric Plant		
In service	\$ 104,480,962	\$ 102,092,329
Under construction	<u>254,210</u>	<u>300,072</u>
Total electric plant	104,735,172	102,392,401
Less accumulated depreciation	<u>33,418,815</u>	<u>32,428,991</u>
Electric plant - net	<u>71,316,357</u>	<u>69,963,410</u>
Other Property and Investments		
Non utility property	3,300	3,300
Investments in associated organizations	31,079,398	31,318,075
Investment in subsidiary	<u>7,714,506</u>	<u>7,289,459</u>
Total other property and investments	<u>38,797,204</u>	<u>38,610,834</u>
Current Assets		
Cash and cash equivalents	1,149,878	1,194,443
Accounts receivable, less allowance for doubtful accounts of \$172,500 and \$233,800 in 2017 and 2016, respectively	3,541,173	3,366,367
Unbilled revenue	2,813,141	2,783,898
Notes receivable	104,808	116,973
Materials and supplies	664,845	720,923
Prepaid expenses	216,898	207,170
Interest receivable	<u>19,445</u>	<u>19,423</u>
Total current assets	<u>8,510,188</u>	<u>8,409,197</u>
Deferred Debits	<u>1,855,369</u>	<u>2,002,538</u>
	<u>\$ 120,479,118</u>	<u>\$ 118,985,979</u>

See Notes to Financial Statements

Tri-County Electric Cooperative, Inc.
Balance Sheets
December 31, 2017 and 2016

	2017	2016
Equities and Liabilities		
Equities		
Patronage capital	\$ 49,891,987	\$ 50,489,424
Other equities	11,216,519	10,816,653
Total equities	61,108,506	61,306,077
 Long-Term Debt, Less Current Portion	 46,064,073	 43,708,675
 Other Noncurrent Liabilities		
Accrued post-retirement benefits	853,079	785,281
 Current Liabilities		
Line of credit	1,000,000	1,025,000
Current portion of long-term debt	1,597,704	1,523,784
Current portion of post-retirement benefits	92,000	90,000
Accounts payable - purchased power	2,788,062	2,965,316
Accounts payable - other	961,560	913,222
Patronage capital credits payable	286,645	340,782
PSCR overcollection	565,903	1,294,262
Customer deposits	552,907	543,131
Accrued payroll and related items	1,001,676	911,890
Accrued taxes	724,197	705,179
Accrued interest	378,576	394,505
Other accrued liabilities	67,012	56,572
Total current liabilities	10,016,242	10,763,643
 Deferred Credits	 2,437,218	 2,422,303
	\$ 120,479,118	\$ 118,985,979

Tri-County Electric Cooperative, Inc.
 Statements of Operations
 Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues	\$ 46,313,427	\$ 45,678,225
Operating Expenses		
Cost of power	29,084,914	29,383,496
Distribution - operation	1,756,825	1,563,627
Distribution - maintenance	3,831,112	3,528,444
Customer accounts	646,889	754,568
Customer service	2,074,751	1,908,727
Administrative and general	2,685,681	2,381,130
Depreciation and amortization	2,980,872	2,905,453
Interest expense	2,079,097	1,875,361
Taxes - property	1,106,897	1,088,460
	46,247,038	45,389,266
Operating Income Before Capital Credits	66,389	288,959
Generation and Transmission and Other Cooperative Capital Credits	2,138,943	1,666,439
Net Operating Margins	2,205,332	1,955,398
Nonoperating Margins		
Interest income	91,713	91,836
Income from subsidiary	425,047	198,228
Other income, net	69,406	46,229
	586,166	336,293
Net Margins	\$ 2,791,498	\$ 2,291,691

Tri-County Electric Cooperative, Inc.
 Statements of Members' Equity
 Years Ended December 31, 2017 and 2016

	Patronage Capital	Other	Tri-Co Services	Total
Balance, December 31, 2015	\$ 49,584,596	\$ 3,266,225	\$ 7,441,231	\$ 60,292,052
Net margin	2,093,463	-	198,228	2,291,691
Capital credits retired	(1,388,635)	-	-	(1,388,635)
Donated capital credits	-	110,969	-	110,969
Dividends allocated	200,000	-	(200,000)	-
Balance, December 31, 2016	50,489,424	3,377,194	7,439,459	61,306,077
Net margin	2,366,451	-	425,047	2,791,498
Capital credits retired	(3,163,888)	-	-	(3,163,888)
Donated capital credits	-	174,819	-	174,819
Dividends allocated	200,000	-	(200,000)	-
Balance, December 31, 2017	<u>\$ 49,891,987</u>	<u>\$ 3,552,013</u>	<u>\$ 7,664,506</u>	<u>\$ 61,108,506</u>

Tri-County Electric Cooperative, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Net margins	\$ 2,791,498	\$ 2,291,691
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	3,152,414	3,127,806
Amortization of retirement security prepayment	143,662	143,662
Gain on disposition of plant, net	(75,120)	(37,511)
Income from subsidiary	(425,047)	(198,228)
Noncash patronage capital allocations	(2,138,943)	(1,666,439)
Deferred gain from insurance proceeds	(3,503)	(3,503)
Post-retirement and pension benefits	162,390	43,126
Changes in assets and liabilities		
Accounts receivable	(204,049)	(290,815)
Refunds payable to customers	(728,359)	748,576
Notes receivable	12,165	5,049
Inventories	56,078	(23,915)
Prepaid expenses	(9,728)	(86,008)
Interest receivable	(22)	23
Deferred debits	3,507	11,537
Accounts payable	(128,916)	172,856
Customer deposits	9,776	4,619
Accrued expenses and taxes	49,178	129,499
Deferred credits	14,915	(186,111)
Net Cash from Operating Activities	2,681,896	4,185,914
Investing Activities		
Additions to, and costs of retirements of, utility plant	(4,538,851)	(4,726,536)
Proceeds from sale of general plant and scrap	112,113	66,092
Cash received from other property and investments	2,377,620	2,225,165
Dividend received from subsidiary	-	200,000
Net Cash used for Investing Activities	(2,049,118)	(2,235,279)
Financing Activities		
Principle payments on long-term debt	(6,446,594)	(3,813,573)
Issuance of long-term debt	8,875,912	1,748,401
Net proceeds (payments) on line of credit	(25,000)	1,025,000
Post-retirement benefits paid	(92,592)	(89,474)
Other equities	174,819	110,969
Patronage capital retired	(3,163,888)	(1,388,635)
Net Cash used for Financing Activities	(677,343)	(2,407,312)

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Net Change in Cash and Cash Equivalents	\$ (44,565)	\$ (456,677)
Cash and Cash Equivalents at Beginning of Year	<u>1,194,443</u>	<u>1,651,120</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,149,878</u>	<u>\$ 1,194,443</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 2,101,905</u>	<u>\$ 2,007,196</u>

Note 1 - Summary of Significant Accounting Policies

Principal Business Activity

Tri-County Electric Cooperative, Inc. dba HomeWorks (the Cooperative), a Michigan corporation, provides for the electric energy needs of its members, the rural residents of the central Michigan area.

Consolidation Policy and Preparation of Financial Statements

The financial statements of the Cooperative have been prepared on the accrual basis of accounting. The Cooperative reports its investment in its wholly owned subsidiary, Tri-Co Services, Inc., using the equity method. Accounting principles generally accepted in the United States of America require wholly owned subsidiaries to be consolidated. In arriving at the decision not to consolidate its subsidiary, management concluded that since the primary users of the statements are the Board of Directors, management and members, consolidation of the subsidiary's statements would tend to obscure the financial position and activities of the Cooperative.

Regulation

As of April 6, 2010, the Cooperative is self-regulated for rates, billing practices, and accounting standards. All other aspects of electric service continue to be regulated by the Michigan Public Service Commission. The Cooperative's accounting policies and the accompanying financial statements, except as noted above, conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

As a result of the ratemaking process, the Cooperative applies Accounting Standards Codification (ASC) 980, *Regulated Operations*. The application of generally accepted accounting principles by the Cooperative differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Electric Plant and Retirements

Electric plant is stated at cost less contributions in aid of construction. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. When units of property that are specifically identifiable are retired, sold or otherwise disposed of in the ordinary course of business, their book cost less net salvage is recognized as a gain or loss. All other units of property that are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation

Depreciation is computed using the straight-line method based upon the estimated useful lives of the various classes of property.

Cash and Cash Equivalents

Short-term highly liquid investments that are readily converted to known amounts of cash and present insignificant risks of changes in value are considered cash equivalents. Investments in commercial paper are considered cash equivalents and valued at cost which approximates market.

Investments

Investments in associated companies, representing less than a 20% ownership of such companies, are accounted for under the cost method and all other investments are stated at cost, which approximates fair value. Investments in associated companies are carried at cost plus assigned capital credits less any capital paid to the Cooperative. Income from investments in associated companies is recognized when capital credits are assigned.

The Cooperative's investment in its wholly owned subsidiary, Tri-Co Services, Inc., is recorded using the equity method. Under this method, the investment is adjusted for the subsidiary's underlying earnings and losses.

Receivables and Credit Policies

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 21 days from the billing date. Unpaid trade receivables with dates over 30 days old are assessed a late fee of 2% (residential) or 5% (large power and general service) of the unpaid balance or the amount of the bill less tax, whichever is less. Non-interest bearing notes receivable are stated at principal balance and are collateralized by equipment.

Payments on trade and notes receivables are allocated to the earliest unpaid billings. The carrying amounts of trade receivables are reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all trade receivable balances periodically and adjusts the allowance accounts based on current economic conditions and past experience.

Materials and Supplies

Material and supplies are stated at average moving cost.

Deferred Debits

Deferred debits consist primarily of a retirement security prepayment made to ensure proper funding of the Retirement Security Plan which is being amortized over the remaining service life of the employees, generally 15 and 20 years. Deferred debits also include loan conversion fees resulting from the conversion of some long term CFC loans to lower interest rates. Conversion fees are being amortized over the average remaining life of the loans that were converted which was approximately 22 years.

Patronage Capital

The Cooperative operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses are also allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior losses, at the discretion and determination of the board of directors.

Revenue Recognition and Unbilled Revenues

The Cooperative recognizes revenue on members' unbilled accounts based upon estimated usage in the current billing cycle.

Power Costs

Power costs include all power delivered to the Cooperative, regardless of whether the power supplier has billed the Cooperative for power delivered.

Deferred Credits

Deferred credits consist primarily of deferred gains on early extinguishment of debt, deferred gains related to insurance proceeds, customer advances on construction, advance payments made by consumers in connection with electric service, unclaimed capital credit checks and over collection of costs related to the energy optimization program. Deferred gains on early extinguishment of debt are amortized over the remaining term of the original debt. Deferred gains from insurance proceeds are amortized over the useful lives of the assets replaced.

Post-Retirement Benefits

The Cooperative sponsors an unfunded defined benefit post-retirement health plan that covers certain employees who retire after obtaining age 62 and 15 years of service. Spouses of beneficiaries are also included, with coverage continuing to the spouse after the beneficiaries' death. The Cooperative's share of the estimated costs of benefits that will be paid after retirement is being accrued by charges to expense accounts over the employees' active service periods to dates they are fully eligible for benefits.

Business and Credit Risk

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist primarily of temporary cash instruments and trade receivables. The Cooperative provides electrical service on account to its members which are located primarily in the central Michigan area. The Cooperative has established policies for extending the credit based upon factors surrounding the credit risk of specified customers, historical trends and other information. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of customers. Nonetheless, the Cooperative's ability to collect from its members is affected by the economic conditions in which it operates.

The Cooperative maintains its temporary cash investments and cash balances with high credit quality financial institutions. Although such investments and cash balances may exceed the federally insured limit of \$250,000 from time to time, they are, in the opinion of management, subject to minimal risk.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sales Taxes

The Cooperative has customers in a state which imposes a sales tax on certain sales. The Cooperative collects those sales taxes from its customers and remits the entire amount to the state of Michigan. The Cooperative's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Fair Value Measurements

The Cooperative has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Cooperative does not have any assets or liabilities subject to the level 1, 2, or 3 valuation as of December 31, 2017 and 2016 and does not anticipate participating in transactions of this type in the future.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Cooperative is exempt from federal income tax under Section 501(c)(12). The Cooperative is annually required to file a Return of Origination Exempt from Income Tax (Form 990) with the IRS. The Cooperative files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Cooperative evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2017 and 2016, the unrecognized tax benefit accrual was zero. The Cooperative will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to Federal tax examinations by tax authorities for years before 2014 and state examinations for years before 2014.

The Cooperative undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities.

Subsequent Events

The Cooperative has evaluated subsequent events through March 20, 2018, the date which the financial statements were available to be issued.

Note 2 - Electric Plant and Depreciation

Major classes of electric plant at December 31, 2017 and 2016 consist of the following:

	2017	2016
General plant	\$ 7,219,631	\$ 7,915,162
Distribution plant	96,920,659	93,743,269
Intangible plant	340,672	433,898
Electric plant in service	104,480,962	102,092,329
Construction in progress	254,210	300,072
Total electric plant	104,735,172	102,392,401
Less accumulated depreciation and amortization	33,418,815	32,428,991
Electric plant - net	\$ 71,316,357	\$ 69,963,410

Electric plant depreciation rates have been applied on a straight-line basis as follows:

Structures and improvements	1.9 - 20.0%
Office furniture equipment	4.0 - 33.3%
Transportation equipment	10.0 - 20.0%
Power operated equipment	4.0 - 25.0%
Communication equipment	10.0 - 33.3%
Other general plant	4.0 - 10.0%

Depreciation charges at December 31, 2017 and 2016 were as follows:

	2017	2016
Charged to operations		
Classified as depreciation and amortization	\$ 2,984,375	\$ 2,908,956
Classified in other operating expenses	37,255	40,020
	3,021,630	2,948,976
Charged to transportation	130,784	178,830
Total	\$ 3,152,414	\$ 3,127,806

Note 3 - Materials and Supplies

Materials and supplies at December 31, 2017 and 2016, consist of the following:

	2017	2016
Electric materials	\$ 636,273	\$ 692,799
Water heaters	28,572	28,124
	\$ 664,845	\$ 720,923

Note 4 - Investments in Associated Organizations

Investments in associated organizations at December 31, 2017 and 2016 consist of the following:

	2017	2016
Wolverine Power Supply Coop., Inc. - capital credits	\$ 27,746,198	\$ 28,062,854
National Rural Utilities Cooperative Finance Corporation		
Capital term certificates maturing at various times through October 1, 2080, at interest rates between 0% and 5.0%	1,847,108	1,856,239
Patronage capital credits	1,464,092	1,374,982
Other memberships and investments	22,000	24,000
	\$ 31,079,398	\$ 31,318,075

Note 5 - Deferred Debits

	2017	2016
Retirement security prepayment	\$ 1,626,209	\$ 1,769,871
Miscellaneous	8,031	-
Unamortized loan exp - CFC conversion	221,129	232,667
	\$ 1,855,369	\$ 2,002,538

Note 6 - Investment in Subsidiary

The Cooperative reports its investment in its wholly owned subsidiary, Tri-Co Services, Inc., using the equity method. Accounting principles generally accepted in the United States of America require wholly owned subsidiaries to be consolidated. In arriving at the decision not to consolidate its subsidiary, management concluded that since the primary users of the statements are the Board of Directors, management and members, consolidation of the subsidiary's statements would tend to obscure the financial position and activities of the Cooperative. Inclusion of the following condensed financial information of the subsidiary as of and for the years ended December 31, 2017 and 2016 permits users of these statements to be more fully informed.

Financial information related to Tri-Co Services, Inc. at December 31, 2017 and 2016 is as follows:

	2017	2016
Balance Sheet		
Current assets	\$ 4,791,590	\$ 4,358,857
Investments and other assets	4,108,170	4,270,741
	\$ 8,899,760	\$ 8,629,598
Current liabilities	\$ 815,054	\$ 127,625
Long-term liabilities / deferred credits	370,200	1,212,514
Equity	7,714,506	7,289,459
	\$ 8,899,760	\$ 8,629,598
Operations		
Operating revenues	\$ 3,560,917	\$ 3,328,346
Operating expenses	(3,250,100)	(3,135,635)
Other revenue/(expense) - net	114,230	5,517
Net income/(loss)	\$ 425,047	\$ 198,228

As a result of not consolidating Tri-Co Services, Inc., the Cooperative's financial statements are understated as follows at December 31, 2017 and 2016:

	2017	2016
Assets and liabilities	\$ 142,450	\$ 289,411
Revenues and expenses	\$ 3,110,875	\$ 3,120,178

Note 7 - Power Supply Cost Recovery

Up until April 2010 the Cooperative was required by the Michigan Public Service Commission to maintain power supply cost recovery over-collections (PSCR) and refundable customer contributions in restricted accounts to be used only for the purpose for which they are intended. As of April 6, 2010, the Cooperative became self-regulated for rates, billing practices, and accounting standards and is no longer subject to this requirement.

Wolverine Power Supply Cooperative, Inc. and the member-distribution cooperatives including Tri-County Electric Cooperative, Inc. and Subsidiary were required to obtain authority to implement and apply PSCR clauses and monthly factors. Because the Cooperative became self-regulated as noted above, the PSCR clauses and monthly factors were approved by the Board of Directors. Tri-County's average monthly factor for residential customers was (.00127) and .00271 per KWH during 2017 and 2016, respectively.

Due to fluctuations in market conditions, over-collections or under-collections could result between the generation cooperative and distribution cooperative as well as between the distribution cooperative and their member-consumers. Power cost recovery over-collections must be remedied by refunds and power cost recovery under-collection must be remedied by additional collections.

Note 8 - Patronage Capital

Patronage capital balances at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Assignable	\$ 2,366,451	\$ 2,093,463
Assigned to date	66,647,274	64,353,811
Total	69,013,725	66,447,274
Retired to date	(19,121,738)	(15,957,850)
Balance	\$ 49,891,987	\$ 50,489,424

The mortgage provisions restrict the retirement of patronage capital unless, after retirement, the capital of the Cooperative equals at least 20% of the total assets of the Cooperative; provided, however, that retirements can be made if such distributions do not exceed 30% of the preceding year's margins. No distribution can be made if there is unpaid, when due, any installments of principal or interest on the notes or, if after giving effect to any distribution, the total current and accrued assets would be less than the total current and accrued liabilities. During 2017 and 2016, the Cooperative's capital exceeded 20% of total assets.

Note 9 - Other Equities

Other Equities as of December 31, 2017 and 2016 consist of the following:

	2017	2016
Donated capital memberships	\$ 1,707,540	\$ 1,532,721
Retired capital credits - gain	241,262	241,262
Pre 1979 margins	1,603,211	1,603,211
	\$ 3,552,013	\$ 3,377,194

Other equities from Tri-Co Services, Inc. consist of the following:

	2017	2016
Tri-Co Services equity	\$ 7,664,506	\$ 7,239,459
Unallocated Tri-Co Services dividend	-	200,000
	\$ 7,664,506	\$ 7,439,459

Note 10 - Long-Term Debt

Long-term debt at December 31, 2017 and 2016 is as follows:

	2017	2016
National Rural Utilities Cooperative Finance Corporation (CFC) notes bearing interest at 2.95% to 5.66% per annum. The notes are payable in installments and mature at various times through November 2046.	\$ 47,661,777	\$ 45,232,459
Less current maturities	(1,597,704)	(1,523,784)
Total long-term debt	\$ 46,064,073	\$ 43,708,675

Maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2018	\$ 1,597,704
2019	1,655,527
2020	1,726,675
2021	1,801,220
2022	1,879,328
Thereafter	39,001,323
	\$ 47,661,777

The loan agreements with CFC are secured by substantially all assets of the Cooperative and include certain positive and negative covenants with which the Cooperative has complied. Additionally, the Cooperative has available unadvanced loan funds from CFC of \$4,396,369.

The security agreement (mortgage) restricts the Cooperative's debt limit to \$120,000,000.

Note 11 - Lines of Credit

The Cooperative has executed a perpetual, variable rate (2.35% and 2.50% at December 31, 2017 and 2016, respectively) uncommitted line of credit with CFC, providing it with short-term loans in the total amount of \$5,000,000. There were no outstanding balances on the line at December 31, 2017 and 2016. During 2009, the Cooperative executed an additional variable rate (2.75% and 2.61% at December 31, 2017 and 2016, respectively) line of credit with CFC, providing it with short-term loans in the total amount of \$10,000,000 maturing July 2018. There were no outstanding balances on the line at December 31, 2017 and 2016.

During 2013, the Cooperative executed a variable rate (2.75% and 2.13% at December 31, 2017 and 2016, respectively) line of credit with Tri-Co Services, Inc., a subsidiary of the Company (Note 15) providing it with short-term loans in the total amount of \$2,500,000. This line of credit was renewed as a perpetual, variable rate line of credit in 2015, which is due upon demand. During 2017, the cooperative executed a new agreement with Tri-Co Services, Inc. increasing the total to \$3,000,000. The outstanding balance is \$1,000,000 and \$1,025,000 at December 31, 2017 and 2016, respectively.

During 2017, the Cooperative executed a variable rate (2.66% at December 31, 2017) line of credit with CoBank providing it with short-term loans in the total amount of \$7,000,000 maturing August 2018. There were no outstanding balances on the line at December 31, 2017.

Note 12 - Retirement Plan

Pension Plan

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.

Tri-County Electric Cooperative, Inc. contributions to the RS Plan in 2017 and in 2016 represented less than five percent of the total contributions made to the plan by all participating employers. Tri-County Electric Cooperative made contributions to the plan of \$838,000 in 2017 and \$766,400 in 2016. In 2013, the Cooperative made a \$2,344,518 prepayment to the National Rural Electric Cooperative Association for the Retirement Security Plan to enhance the Plan's funded status. With this prepayment, the Cooperative will pay 25% lower premiums than cooperatives in the Retirement Security Plan that did not make a prepayment. The prepayment will be amortized based on the average remaining service life of the respective employee groups, 15 and 20 years. The amortization expense was approximately \$144,000 and \$144,000 for the years ended December 31, 2017 and 2016, respectively.

For 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, 2017 and over 80 percent funded on January 1, 2016 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.

Savings Plan

In addition to the above retirement plan, employees of the Cooperative are eligible to participate in the NRECA 401(k) Pension Plan. In 2017 and 2016, the Cooperative made contributions equal to 4.0% of each employee's base wages. Employees are required to contribute 4.0% of base pay and may voluntarily contribute more if desired. The Cooperative made contributions of \$189,000 and \$176,200 in 2017 and 2016, respectively.

Note 13 - Post-Retirement Benefits other than Pensions

The Cooperative sponsors an unfunded defined benefit post-retirement health plan that covers certain employees who retire after reaching age 62 and 15 years of service. Spouses of beneficiaries are also included, with coverage continuing to the spouse after the beneficiaries' death.

The following table sets forth the change in the post-retirement benefit obligation reconciled with the obligation recognized in the accompanying balance sheet at December 31:

	2017	2016
Change in post-retirement benefit obligation		
Accumulated post-retirement benefit obligation at beginning of year	\$ 875,281	\$ 921,629
Service cost	2,493	1,150
Interest cost	47,254	43,764
Actuarial (gain) loss	112,643	(1,788)
Benefits paid	(92,592)	(89,474)
Accumulated post-retirement benefit obligation at end of year	\$ 945,079	\$ 875,281

The plan is unfunded at December 31, 2017.

Weighted average assumptions as of December 31:

	2017	2016
Discount rate	3.56%	4.04%

For measurement purposes, a 20.0% annual rate of increase in the cost of covered health care benefits was assumed. The health care cost trend rate assumption has a significant effect on the calculated liability. The Plan does cap monthly health insurance premium costs for both individuals and families for employees that retired after a specific date. A one-percentage point change in assumed health care costs would have the following effect:

	1% Point Decrease	1% Point Increase
Effect on total service and interest cost components	\$ 1,127	\$ (1,081)
Effect on post-retirement benefit obligation	\$ 22,549	\$ (21,623)

Note 14 - Deferred Credits

	2017	2016
Customer construction deposits	\$ 303,443	\$ 281,255
Consumer energy prepayments	362,935	301,982
Unamortized gain on reacquired debt	-	4,454
Regulatory liability for fire	94,100	97,603
Energy optimization accrual	328,762	542,170
Unclaimed capital credits	1,327,075	1,172,640
Prepaid community solar garden investment	20,903	22,199
Total deferred credits	\$ 2,437,218	\$ 2,422,303

Note 15 - Related Party Transactions

The Cooperative provides Tri-Co Services, Inc. a wholly owned subsidiary, with personnel, office space, and other administrative support. Amounts reimbursed for these services during 2017 and 2016 totaled \$998,402 and \$966,919, respectively. Amounts due (to) from Tri-Co Services, Inc. amounted to \$(41,821) and \$(25,728) at December 31, 2017 and 2016, respectively.

The Cooperative collects and remits voluntary contributions to the Tri-County Electric People Fund, Inc. (the Fund), a 501 (c)(3) nonprofit organization organized for charitable giving to individuals and organizations in the Cooperative's service area. The Cooperative reimburses the Fund for operating expenses which amounted to \$19,885 and \$17,600 for the years ended December 31, 2017 and 2016, respectively.

During 2015, the Cooperative renewed the line of credit with Tri-Co Services, Inc., making it a perpetual line of credit. The outstanding balance is \$1,000,000 and \$1,025,000 at December 31, 2017 and 2016, respectively.

Note 16 - Commitments

The Cooperative has a commitment to purchase its electric power and energy requirements at wholesale from Wolverine Power Supply Cooperative, Inc. (Wolverine) until December 31, 2041 and Wolverine is obligated to sell to the Cooperative all of the Cooperative's electric power needs. The rates paid by the Cooperative under the contract are subject to review by the seller at such intervals, as it deems appropriate.

Following is a summary of transactions with Wolverine for the years ended December 31, 2017 and 2016:

	2017	2016
Purchase of wholesale power	\$ 29,084,914	\$ 29,383,496
Accounts payable for purchased power at December 31	\$ 2,788,062	\$ 2,965,316
Capital credits allocated during the year	\$ 1,964,108	\$ 1,496,500
Accumulated investment in patronage capital credits	\$ 27,746,198	\$ 28,062,854

Note 17 - Lease Agreements

The Cooperative leases various vehicles and office equipment under various operating lease agreements. Lease expense for years ending December 31, 2017 and 2016 was \$304,467 and \$227,531, respectively. The leases expire from February 2018 to June 2027. The minimum future lease payments for the leases are as follows:

Years Ending December 31,	Amount
2018	\$ 304,382
2019	285,027
2020	245,497
2021	198,503
2022	134,507
Thereafter	399,053
	\$ 1,566,969