

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, 2018
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, 2019
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
Regulated Energy Division
7109 W. Saginaw Hwy
PO Box 30221
Lansing, MI 48909

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) 4/30/2019	Year of Report 12/31/2018
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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.

Important Changes During the Year for Additional Schedules

1. N/A
2. N/A
3. N/A
4. N/A
5. N/A
6. N/A
7. The Articles of Incorporation were amended in February 2018 to allow us to enter into the Telecommunications Services business
8. N/A
9. N/A
10. N/A
11. N/A
12. N/A

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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)	

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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>
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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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Net margins	\$ 3,317,968	\$ 2,791,498
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	3,227,137	3,152,414
Amortization of retirement security prepayment	143,662	143,662
Gain on disposition of plant, net	(64,421)	(75,120)
Income from subsidiary	(315,194)	(425,047)
Noncash patronage capital allocations	(2,226,269)	(2,138,943)
Deferred gain from insurance proceeds	(3,503)	(3,503)
Post-retirement and pension benefits	20,197	162,390
Changes in assets and liabilities		
Accounts receivable	(184,370)	(204,049)
Refunds payable to customers	342,520	(728,359)
Notes receivable	6,370	12,165
Inventories	(1,460,947)	56,078
Prepaid expenses	(80,910)	(9,728)
Interest receivable	(846)	(22)
Deferred debits	(13,543)	3,507
Accounts payable	921,701	(128,916)
Customer deposits	293	9,776
Accrued expenses and taxes	71,351	49,178
Deferred credits	54,290	14,915
Net Cash from Operating Activities	<u>3,755,486</u>	<u>2,681,896</u>
Investing Activities		
Additions to, and costs of retirements of utility plant	(12,467,789)	(4,538,851)
Proceeds from sale of general plant and scrap	183,805	112,113
Cash received from other property and investments	2,081,379	2,377,620
Dividend received from subsidiary	500,000	-
Net Cash used for Investing Activities	<u>(9,702,605)</u>	<u>(2,049,118)</u>
Financing Activities		
Principle payments on long-term debt	(1,651,635)	(6,446,594)
Issuance of long-term debt	14,396,369	8,875,912
Net proceeds (payments) on line of credit	(1,000,000)	(25,000)
Post-retirement benefits paid	(84,767)	(92,592)
Other equities	161,119	174,819
Patronage capital retired	(3,003,962)	(3,163,888)
Net Cash from (used for) Financing Activities	<u>8,817,124</u>	<u>(677,343)</u>

See Notes to Financial Statements

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Change in Cash and Cash Equivalents	\$ 2,870,005	\$ (44,565)
Cash and Cash Equivalents at Beginning of Year	<u>1,149,878</u>	<u>1,194,443</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,019,883</u>	<u>\$ 1,149,878</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 2,385,415</u>	<u>\$ 2,101,905</u>

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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 Lakes	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)	

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INVESTMENTS (Accounts 123, 124, 136)					
<p>1. Report below the investments in Accounts 123, <i>Investments in Associated Companies</i>, 124, <i>Other Investment</i>, and 136, <i>Temporary Cash Investments</i>.</p> <p>2. Provide a subheading for each account and list thereunder the information called for:</p> <p>(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</p>			<p>in Account 124, <i>Other Investments</i>), state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, <i>Temporary Cash Investments</i>, also may be grouped by classes.</p> <p>(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</p>		
Line No.	Description of Investment	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>		Purchases or Additions During Year	
		(a)	(b)	(c)	(c)
		Original Cost	Book Value		
1	See Attached Schedules				
2					
3					
4					
5					
6					
7					
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30					

2018 Tri County Electric Cooperative
1.1.123. to 1.3.123.22

Account	Description	See Below	Balance @ 12/31/17	Form 7 Line 23		Form 7 Line 25		Form 7 Line 26		Cash Received	Date Cash Rec'd	Balance @ 12/31/2018
				Income/Loss Equity Inv	Investment	G&T Cap Credits	Other Cap Credits	Revenue Acct Chgd	CC Allocation Adjustment			
Investments - Associated Organizations												
1.1.123.	CFC Memberships	C	1,000.00									1,000.00
1.1.123.	MECA Memberships	C	1,000.00									1,000.00
1.1.123.	Co-Bank Membership	C	1,000.00									1,000.00
1.1.123.	CRC Membership (was in 1.3.123.22 in 2014)	C	12,500.00									12,500.00
1.1.123.	RESCO Membership (Was in 1.1.123.4 in 2014)		500.00									500.00
1.1.123.	Federated Stock (Was in 1.1.123.6 in 2015)		6,000.00							2,700.00	03/23/18	3,300.00
1.1.123.	Total Investments - Associated Organizations		22,000.00	0.00	0.00	0.00	0.00	0.00	0.00	2,700.00		19,300.00
1.1.123.10	CFC Patronage	A	980,108.41				141,068.07	1.1.424.		70,534.04	08/30/18	1,050,642.44
1.1.123.11	Tri-Co Services		7,714,506.17	315,196.42						500,000.00	05/21/18	7,529,702.59
1.1.123.22	CFC Subordinate Certificates	A	1,847,108.20							9,590.74	01/23/18	1,837,517.46
1.1.123.24	NRTC Patronage	C	20,183.12					1.1.424.		201.77	07/31/18	19,981.35
1.1.123.30	Wolverine Capital Credits	B	27,746,197.96			2,021,431.00		1.1.423.		1,968,618.97	12/14/18	27,799,009.99
1.1.123.31	NISC - National Information Solutions Cooperativ	C	168,496.03					22,332.66	1.1.424.	7,400.56	02/20/18	183,428.13
1.1.123.40	RESCO Capital Credits	C	68,141.00					7,172.00	1.1.424.	8,418.00	5/1/2018 & 7/31/18	66,895.00
1.1.123.51	Co-Bank Patronage	C	47,317.52						1.1.424.			47,317.52
1.1.123.60	Federated Rural Electric	C	157,795.01					32,727.00	1.1.424.	13,606.00	3/23/18 & 12/27/18	176,916.01
1.1.123.8	CRC Patronage (Was in 1.3.123.22 in 2013)		22,060.78					1,538.00	1.1.424	308.00	09/17/18	23,280.78
Total Investments/Patronage Capital			38,793,904.20	315,196.42	0.00	2,021,431.00	204,837.73			2,581,378.08		38,734,691.27

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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 (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (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 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

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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						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25	TOTAL					

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ALLOWANCES

- | | |
|--|--|
| <p>1. Report below the details called for concerning allowances.</p> <p>2. Report all acquisitions of allowances at cost.</p> <p>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.</p> <p>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).</p> <p>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				

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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)	
N/A								1
								2-4
								5
								6-8
								9
								10
								11
								12
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								14
								15
								16-18
								19
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								21-22
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								30-32
								33
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								40
								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) 04/30/19	Year of Report 12/31/2018
LONG-TERM DEBT (Accounts 221, 222, 223 and 224)			
<p>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.</p> <p>2. In column (a), for new issues, give Commission authorization numbers and dates.</p> <p>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.</p> <p>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.</p> <p>5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.</p> <p>6. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p> <p>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.</p> <p>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.</p>			
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.		
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24			
25	TOTAL		

Name of Respondent HomeWorks Tri-County Electric Cooperati	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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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 amortizaiton debited to Account 428, Amortization of Debt-Discout 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
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Name of Respondent HomeWorks Tri-County Electric Coopera	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/30/19	Year of Report 12/31/2018
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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 year 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	(41,821)	7,031,657	7,009,294	(19,458)	
2	Accounts Payable Fiber	0	1,619,682	1,397,647	222,035	
3						
4	Line of Credit Tri-Co Services	(1,000,000)	6,691,600	5,691,600	0	40,461
5	Date of Note: 10/23/2017					
6	Maturity: 10/23/18 - Automatically Renews					
7	Interest Rate: Variable - Rate on 12/31/18 was 4.06%. At no time shall this interest rate fall below the					
8	Applicable Federal Rate (AFR).					
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10						
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21						
22						
23						
	TOTAL					

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) 04/30/19	Year of Report 12/31/2018
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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) 04/30/19	Year of Report 12/31/2018
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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
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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) 04/30/19	Year of Report 12/31/2018
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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: 14 Items	112,678		46,937.88	
4					
5	Bucket Truck: Leased	107,003		17,932.25	
6	(Gain from insurance proceeds from truck				
7	being totalled in an accident in 2018)				
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain	219,681		64,870	

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) 04/30/19	Year of Report 12/31/2018
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	2,506			391.09
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss	2,506			391

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) 4/30/2019	Year of Report 12/31/2018	
CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES					
<p>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</p>			<p>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.</p> <p>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.</p> <p>3. Designate with an asterisk associated companies.</p>		
Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	Michigan Electric Cooperative	Legal, Advertising,	Various	923	1,031,547
2	Association	Energy Optimization,		921	
3	201 Townsend Suite 900	Legislative Services,		580	
4	Lansing MI 48933	Training		583	
5				908's	
7	Eide Bailly	Auditors	Contract	923	57,575
8	4310 17th Ave S				
9	PO Box 2545				
10	Fargo NND 58108-2545				
11					
12	Daniel K Templin	Legal		923	30,102
13	321 W Main St				
14	Ionia MI 48846				
15					
16	Pulse Broadband LLC	Construction, Consulting,	Various	107.1	1,049,638
17	2121 Cooperative Way Suite 600	Design, Engineering,		923.2	
18	Herndon VA 20171				
19	(This is for the Fiber department of				
20	the cooperative)				
21					
22	Dykema Gossett PLLC	Legal		923	28,331
23	38 Floor, Accounting Dept				
24	400 Renaissance Center				
25	Detroit, MI 48243				
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					

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) 4/30/2019	Year of Report 12/31/2018
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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.	82,512
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TOTAL					

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) 4/30/2019	Year of Report 12/31/2018
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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.
				82,512	Cost/Mkt	1
						2
						3
						4
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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) 4/30/2019	Year of Report 12/31/2018
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SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

1. In column (a) report the name of the associated company. services provided (administrative and general expenses, dividends declared, etc.).
2. In column (b) describe the affiliation (percentage ownership, etc.).
3. In column (c) describe the nature of the goods and
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%	Used Pickup Truck		
2					
3					
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27					
28					
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) 4/30/2019	Year of Report 12/31/2018
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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.
		392	8,000	8,000	Cost/Mkt	1
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			8,000	8,000		

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME <i>Combined</i>	HomeWorks Tri-County Cooperative
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2018

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

CERTIFICATION	BALANCE CHECK RESULTS	AUTHORIZATION	
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.	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <input type="radio"/> 0 <input type="radio"/> 0 <input checked="" type="radio"/> 22 </div> <div> Needs Attention Please Review Matches </div> </div>	AUTHORIZATION NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA? <div style="display: flex; justify-content: center; gap: 20px;"> <input type="radio"/> YES <input type="radio"/> NO </div>	
<i>Patrick Sumner</i> 4/18/19 Signature of Office Manager or Accountant Date			
<i>Mark You</i> 4/18/19 Signature of Manager Date			

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	46,313,427	48,826,334	47,745,230	4,269,426
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	29,084,914	28,768,614	28,059,696	2,270,652
4. Transmission Expense	0	56,094	345,211	13,257
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	1,756,825	1,606,594	1,799,905	132,738
7. Distribution Expense - Maintenance	3,831,112	5,127,321	5,393,286	212,446
8. Consumer Accounts Expense	646,889	853,019	873,778	122,313
9. Customer Service and Informational Expense	1,979,850	2,118,573	2,089,110	208,041
10. Sales Expense	94,901	142,834	155,421	11,719
11. Administrative and General Expense	2,685,683	2,895,698	2,785,956	263,223
12. Total Operation & Maintenance Expense (2 thru 11)	40,080,174	41,568,747	41,502,363	3,234,388
13. Depreciation & Amortization Expense	2,980,872	3,052,168	3,146,930	264,553
14. Tax Expense - Property & Gross Receipts	1,106,897	1,167,265	1,159,200	104,665
15. Tax Expense - Other	0	0	0	0
16. Interest on Long-Term Debt	2,033,238	2,390,920	2,244,058	222,635
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	38,776	41,457	57,350	2,655
19. Other Deductions	7,084	11,537	11,537	961
20. Total Cost of Electric Service (12 thru 19)	46,247,040	48,232,095	48,121,438	3,829,858
21. Patronage Capital & Operating Margins (1 minus 20)	66,387	594,239	(376,208)	439,568
22. Non Operating Margins - Interest	91,713	118,697	85,200	12,610
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	425,047	315,196	100,973	315,196
25. Non Operating Margins - Other	69,407	63,567	30,000	8,760
26. Generation & Transmission Capital Credits	1,964,108	2,021,431	2,500,000	2,021,431
27. Other Capital Credits & Patronage Dividends	174,835	204,838	156,000	22,333
28. Extraordinary Items	0	0	0	0
29. Patronage Capital or Margins (21 thru 28)	2,791,498	3,317,968	2,495,965	2,819,899

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	199	204	5. Miles Transmission	0	0
2. Services Retired	56	57	6. Miles Distribution Overhead	2,917	2,920
3. Total Services In Place	27,268	27,415	7. Miles Distribution Underground	459	466
4. Idle Services (Exclude Seasonal)	1,336	1,398	8. Total Miles Energized (5+6+7)	3,376	3,386

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	HomeWorks Tri-C
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2018

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	96,920,660	4,290,023	780,193	0	100,430,490
2	General Plant Subtotal	3,392,878	5,224,615	225,104	0	8,392,389
3	Headquarters Plant	3,826,752	11,430	2,613	0	3,835,569
4	Intangibles	340,672	19,258	0	0	359,930
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)	104,480,962	9,545,327	1,007,911	0	113,018,378
13	Construction Work in Progress	254,210	2,337,238			2,591,448
14	TOTAL UTILITY PLANT (12+13)	104,735,172	11,882,565	1,007,911	0	115,609,826

CFC NO LONGER REQUIRES SECTIONS "F", "J", AND "M" DATA
Those sections refer to data on "Materials and Supplies" (F), "Energy Efficiency and Conservation Loan Program" (J), and "Annual Meeting and Board Data" (M).

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	33.60	54.00	14.40	201.00	303.00
2.	Five-Year Average	42.07	214.20	6.84	148.98	412.09

PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS

1.	Number of Full Time Employees	61	4.	Payroll - Expensed	4,033,217
2.	Employee - Hours Worked - Regular Time	135,058	5.	Payroll - Capitalized	1,167,013
3.	Employee - Hours Worked - Overtime	7,132	6.	Payroll - Other	990,350

PART J. PATRONAGE CAPITAL

ITEM	THIS YEAR (a)	CUMULATIVE (b)	PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE	
			1. Amount Due Over 60 Days:	2. Amount Written Off During Year:
1. General Retirement	2,827,000	20,072,281	137,143	
2. Special Retirements	176,962	2,053,424		(8,988)
3. Total Retirements (1+2)	3,003,962	22,125,705		
4. Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	1,968,619			
5. Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	70,534			
6. Total Cash Received (4+5)	2,039,153			

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT							BORROWER NAME		HomeWorks Tri-C	
							BORROWER DESIGNATION		MI026	
							ENDING DATE		12/31/2018	
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	305,330,986	23,331,346	7.64	(131,863)	920,551	Comments
2	Wolverine Power Cooperative			1 Wind	65,132,257	4,976,970	7.64	(28,129)	196,369	Comments
3	Wolverine Power Cooperative			2 Sun	4,894,332	373,992	7.64	(2,114)	14,756	Comments
4	Wolverine Power Cooperative			4 Wood	1,129,461	86,306	7.64	(487)	3,405	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				376,487,036	28,768,614	7.64	(162,593)	1,135,081	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	HomeWorks Tri-C
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2018

PART L. KWH PURCHASED AND TOTAL COST (Continued)

COMMENTS	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
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20	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	HomeWorks Tri-C
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2018

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.			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	46,555,808	1,750,575	1,332,727	3,083,302	
2	NCSC	0	0	0	0	
3	Farmer Mac	12,001,456	634,840	318,909	953,749	
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)	\$58,557,264	\$2,385,415	\$1,651,636	\$4,037,051	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	HomeWorks Tri-C
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2018

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	22,371	22,409	22,390	
	b. KWH Sold				225,779,025
	c. Revenue				32,920,127
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	453	454	454	
	b. KWH Sold				8,676,131
	c. Revenue				1,470,099
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	2,974	3,013	2,994	
	b. KWH Sold				69,030,022
	c. Revenue				9,052,698
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	3	3	3	
	b. KWH Sold				46,683,975
	c. Revenue				3,367,123
6. Public Street & Highway Lighting	a. No. Consumers Served	36	36	36	
	b. KWH Sold				170,965
	c. Revenue				32,418
7. Other Sales to Public Authority	a. No. Consumers Served	115	115	115	
	b. KWH Sold				5,133,004
	c. Revenue				658,369
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)		25,952	26,030	25,992	
11. TOTAL KWH Sold (lines 1b thru 9b)					355,473,122
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					47,500,834
13. Transmission Revenue					0
14. Other Electric Revenue					1,325,499
15. KWH - Own Use					0
16. TOTAL KWH Purchased					376,487,036
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					28,824,708
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					93,032
<input type="radio"/> None <input checked="" type="radio"/> Non-coincident <input type="radio"/> Coincident					

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	HomeWorks Tri-C
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2018

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)	82	559,417	7,100	25,384	3,506,903	44,191
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	31	212,291	4,786	608	1,363,356	25,605
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	113	771,708	11,886	25,992	4,870,259	69,796

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME	HomeWorks Tri-C	
		BORROWER DESIGNATION	MI026	
		ENDING DATE	12/31/2018	
(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	Aee Attached Notes	7,688,307	30,750,487	315,196
6				
7				
8				
Subtotal (Line 5 thru 8)		7,688,307	30,750,487	315,196
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	588,537	250,000	
22				
23				
24				
Subtotal (Line 21 thru 24)		588,537	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	31,347		
30	NRUCFC Commercial Paper		3,150,000	
31				
32				
Subtotal (Line 29 thru 32)		31,347	3,150,000	0
9. ACCOUNT & NOTES RECEIVABLE - NET				
33	NRUCFC Interest Receivables-CTC's/Commercial Paper		9,041	
34	NRUCFC Interest Receivables-Capital Securities		11,250	
35	Other Receivables	314,109		
36	Notes Receivables-Water Heaters	98,438		
Subtotal (Line 33 thru 36)		412,547	20,291	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		8,720,738	34,170,778	315,196

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT			BORROWER NAME		HomeWorks Tri-C
			BORROWER DESIGNATION		MI026
			ENDING DATE		12/31/2018
(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)				8,720,738
2	LARGER OF (a) OR (b)				30,791,815
	a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)			17,341,474	
	b. 50 percent of Total Equity (CFC Form 7, Part C, Line 35)			30,791,815	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	BORROWER NAME	HomeWorks Tri-C
	BORROWER DESIGNATION	MI026
	ENDING DATE	12/31/2018
NOTES		

7a-Part 1-Investments

2. Investments in Associated Organizations

	Description	Included	Excluded
1	CFC Patronage		1,050,642
2	Tri-Co Services-50,000 shrs common stock	50,000	
3	Tri-Co Services Subsidiary Equity	7,164,506	
4	NRUCFC Capital Term Certificates		1,837,517
5	NRUCFC Membership		1,000
6	Cooperative Response Center-Membership	23,281	12,500
7	Michigan Electric Coop Assoc, Membership		1,000
8	National Rural Telecom Coop-Patronage	19,981	
9	Wolverine Power Supply Coop-Patronage		27,799,010
10	National Information Solutions Coop-Patronage	183,428	
11	Rural Electric Supply Coop-Patronage	66,895	500
12	Co-Bank-Investment		1,000
13	Co-Bank Patronage		47,318
14	Federated Rural Insurance Coop-Stock	3,300	
15	Federated Rural Insurance Coop-Patronage	176,916	
Total		7,688,307.44	30,750,487.41

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.



Consolidated Financial Statements
December 31, 2018 and 2017

Tri-County Electric Cooperative, Inc. and Subsidiary

Tri-County Electric Cooperative, Inc. and Subsidiary

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December 31, 2018 and 2017

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tri-County Electric Cooperative, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Electric Cooperative, Inc. and Subsidiaries, as of December 31, 2018 and 2017, 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 text.

Fargo, North Dakota
March 20, 2019

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	2018	2017
Assets		
Plant		
In service	\$ 118,097,598	\$ 109,522,463
Under construction	2,591,447	254,210
Total plant	120,689,045	109,776,673
Less accumulated depreciation	38,090,095	36,095,474
Plant - net	82,598,950	73,681,199
Other Assets and Investments		
Non utility property	3,300	3,300
Investments in associated organizations	32,892,295	32,822,726
Total other assets and investments	32,895,595	32,826,026
Current Assets		
Cash and cash equivalents	7,783,511	3,598,128
Accounts receivable, less allowance for doubtful accounts of \$251,700 and \$185,000 in 2018 and 2017, respectively	4,346,064	3,976,915
Unbilled revenue	2,683,068	2,813,141
Interest receivable	21,234	19,626
Notes receivable	98,438	104,808
Inventories	2,521,551	1,071,204
Prepaid expenses	477,787	665,584
Deferred taxes	4,600	3,400
Prepaid income taxes	-	7,151
Total current assets	17,936,253	12,259,957
Deferred Debits	1,725,250	1,855,369
	<u>\$ 135,156,048</u>	<u>\$ 120,622,551</u>

See Notes to Consolidated Financial Statements

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
Equities and Liabilities		
Equities		
Patronage capital	\$ 50,390,799	\$ 49,891,987
Other equities	11,192,832	11,216,519
Total equities	61,583,631	61,108,506
Long-Term Debt, Less Current Portion	58,557,264	46,064,073
Deferred Taxes - Long-Term	387,600	370,200
Accrued Post-Retirement Benefits	795,509	853,079
Current Liabilities		
Current portion of long-term debt	1,849,247	1,597,704
Current portion of post-retirement benefits	85,000	92,000
Accounts payable - purchased power	2,359,528	2,788,062
Accounts payable - general	2,340,692	1,050,475
Patronage capital credits payable	341,962	286,645
PSCR overcollection	908,423	565,903
Customer deposits	561,800	562,107
Accrued taxes	910,261	1,025,965
Accrued income taxes	29,732	-
Accrued payroll and related items	841,947	724,197
Accrued interest	423,065	378,576
Other accrued liabilities	132,218	142,420
Total current liabilities	10,783,875	9,214,054
Deferred Credits	3,048,169	3,012,639
	\$ 135,156,048	\$ 120,622,551

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues	<u>\$ 53,348,894</u>	<u>\$ 49,798,969</u>
Operating Expenses		
Cost of power	28,768,614	29,084,914
Cost of goods sold	2,591,986	1,598,588
Distribution - operation	1,606,593	1,756,825
Distribution - maintenance	5,127,323	3,831,112
Customer accounts	853,019	646,889
Customer service	2,118,571	1,980,850
Sales Expense	142,834	93,901
Administrative and general	4,286,080	3,991,906
Depreciation and amortization	3,325,094	3,250,784
Interest expense	2,401,713	2,063,637
Taxes - property	1,167,265	1,106,897
	<u>52,389,092</u>	<u>49,406,303</u>
Operating Income Before Capital Credits	959,802	392,666
Generation and Transmission and Other Cooperative Capital Credits	<u>2,227,629</u>	<u>2,144,635</u>
Net Operating Margins	<u>3,187,431</u>	<u>2,537,301</u>
Other Income		
Interest income	147,465	103,384
Other income, net	64,351	103,406
	<u>211,816</u>	<u>206,790</u>
Net Margins Before Income Taxes	3,399,247	2,744,091
Income Tax Benefit (Expense)	<u>(81,279)</u>	<u>47,407</u>
Net Margins	<u>\$ 3,317,968</u>	<u>\$ 2,791,498</u>

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidated Statements of Members' Equity
Years Ended December 31, 2018 and 2017

	Patronage Capital	Other	Tri-Co Services, Inc.	Total
Balance, December 31, 2016	\$ 50,489,424	\$ 3,377,194	\$ 7,439,459	\$ 61,306,077
Net margins	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	49,891,987	3,552,013	7,664,506	61,108,506
Net margins	3,002,774	-	315,194	3,317,968
Capital credits retired	(3,003,962)	-	-	(3,003,962)
Donated capital credits	-	161,119	-	161,119
Dividend paid intercompany	500,000	-	(500,000)	-
Balance, December 31, 2018	<u>\$ 50,390,799</u>	<u>\$ 3,713,132</u>	<u>\$ 7,479,700</u>	<u>\$ 61,583,631</u>

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Net margins	\$ 3,317,968	\$ 2,791,498
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	3,500,063	3,422,326
Amortization of retirement security prepayment	143,662	143,662
Gain on disposition of electric plant and assets	(65,204)	(109,120)
Noncash patronage capital allocations	(2,227,629)	(2,144,635)
Deferred income taxes	16,200	(90,200)
Post retirement benefits	20,197	162,390
Deferred gain from insurance proceeds	(3,503)	(3,503)
Changes in assets and liabilities		
Accounts receivable	(239,076)	(288,557)
Refunds payable to customers	342,520	(728,359)
Notes receivable	6,370	12,165
Inventories	(1,450,347)	(86,811)
Prepaid expenses	187,797	(63,395)
Prepaid income taxes	7,151	118,166
Interest receivable	(1,608)	(203)
Deferred debits	(13,543)	3,507
Accounts payable	861,683	(45,228)
Customer deposits	(307)	9,476
Accrued expenses	102,622	(114,488)
Deferred credits	54,290	14,915
Net Cash from Operating Activities	4,559,306	3,003,606
Investing Activities		
Additions to, and costs of retirements of utility plant	(12,467,789)	(4,538,851)
Purchase of equipment	(73,298)	(168,283)
Proceeds from sale of property and plant	191,980	146,113
Cash received from other property and investments	2,158,060	2,444,254
Net Cash used for Investing Activities	(10,191,047)	(2,116,767)

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Financing Activities		
Principal payments on long-term debt	\$ (1,651,635)	\$ (6,446,594)
Proceeds from the issuance of long-term debt	14,396,369	8,875,912
Post-retirement benefits paid	(84,767)	(92,592)
Other equities	161,119	174,819
Patronage capital retired	(3,003,962)	(3,163,888)
Net Cash from (used for) Financing Activities	9,817,124	(652,343)
Net Change in Cash and Cash Equivalents	4,185,383	234,496
Cash and Cash Equivalents at Beginning of Year	3,598,128	3,363,632
Cash and Cash Equivalents at End of Year	\$ 7,783,511	\$ 3,598,128
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 2,385,415	\$ 2,101,905
Income taxes	\$ 44,500	\$ -

Note 1 - Summary of Significant Accounting Policies

Principal Business Activity

Tri-County Electric Cooperative, Inc. and Subsidiary dba HomeWorks (the Cooperative), a Michigan corporation, provides for the electric energy and high speed internet needs of its members, the rural residents of the central Michigan area. Tri-Co Services, Inc. (Tri-Co), a Michigan corporation, is a wholly owned subsidiary of Tri-County Electric Cooperative, Inc. and Subsidiary and provides telecommunication, propane, and other services to rural residents of the central Michigan area.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, Tri-Co Services, Inc. All significant inter-company transactions have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting.

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 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.

Plant and Retirements

Plant is stated at cost less contributions in aid of construction. The cost of additions to plant includes contracted work, direct labor, 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

Certain equity securities with readily determinable fair values are classified as available for sale and are carried at fair value with unrealized gains and losses included in other comprehensive income (loss). Realized gains and losses are computed by the first-in first-out method at the time of disposition and are included as a component of the statement of operations. A decline in the market value of any marketable security below cost that is deemed other than temporary is charged to net realized/unrealized gains on investments, resulting in a new cost basis for the investment security.

Investments in other cooperatives and associated organizations, representing less than 20% ownership 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.

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, 2018 and does not anticipate participating in transactions of this type in the future.

Receivables and Credit Policies

Electric trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 21 days from the billing date. Unpaid electric 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.

Fiber to the home customers are billed in advance on the 12th of the month. If balance is not paid by end of the month, their services are shut off. There is no grace period allowed for customer credit.

Propane trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 10 days from the billing date. Unpaid propane trade receivables with dates over 10 days old are charged an additional \$0.07/gallon. Unpaid propane trade receivables with dates over 30 days old are assessed a late fee of 1.5% of the unpaid balance.

Satellite internet customers pay for their internet service in advance. Payment is due the 28th of each month prior to the month of service. Unpaid accounts are shut off by the 4th business day of the month after payment is due and billed for the remaining balance of their contract.

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.

Inventories

Electric and fiber materials and supplies are stated at average moving cost. Propane is valued at the lower of average unit cost or market using the first-in, first-out (FIFO) method.

Prepays

The Cooperative records prepaid amounts as incurred. The expenses are then amortized according to the period covered by the prepayment, generally a twelve-month period.

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. Also included are the costs of putting together a four year construction work plan, which will be amortized over the four years of the plan.

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.

An electric member who is also a fiber customer is considered a fiber member. Amounts received from the furnishing of fiber to the home services in excess of operating costs and expenses are assigned to fiber members on a patronage basis to the extent they are not needed to offset current or prior fiber losses, at the discretion and determination of the board of directors.

Revenue Recognition and Unbilled Revenues

The Cooperative and subsidiary both recognize 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 related to insurance proceeds, customer advances on construction, advance payments and deferred revenues related to customer prepayments in connection with electric service, fiber service and propane service, unclaimed capital credit checks and over collection of costs related to the energy optimization program. 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 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 and subsidiary to concentrations of credit risk consist primarily of temporary cash instruments and trade receivables. The Cooperative provides electrical service and the subsidiary provides propane and internet on account to its customers and members which are located primarily in the central Michigan area. The Cooperative and subsidiary have 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 and subsidiary's large number of customers. Nonetheless, the Cooperative and subsidiary's ability to collect from its members and customers is affected by the economic conditions in which it operates.

The Cooperative and subsidiary 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.

Income Taxes

Tri-County Electric Cooperative, Inc. and Subsidiary is exempt from federal income tax under Section 501(c)(12). The Cooperative is annually required to file a Return of Organization 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.

Tri-Co Services, Inc. is taxed as a C corporation, accordingly, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to basis of receivables and property and equipment. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established, if necessary, to reduce deferred tax assets to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

The Cooperative and subsidiary 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, 2018 and 2017, the unrecognized tax benefits accrual was zero. The Cooperative and subsidiary will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such penalties and interest are incurred. Under normal circumstances, the Cooperative and subsidiary are no longer subject to Federal and State tax examinations by tax authorities for years before 2015.

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

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

Advertising Costs

Advertising costs are expensed as incurred and totaled \$117,721 and \$74,314 for the years ended December 31, 2018 and 2017, respectively.

Subsequent Events

The Cooperative and subsidiary have evaluated subsequent events through March 20, 2019, the date which the financial statements were available to be issued.

Note 2 - Plant and Depreciation

Major classes of plant at December 31, 2018 and 2017 consist of the following:

	2018	2017
General plant	\$ 15,844,589	\$ 12,261,132
Distribution plant	101,789,955	96,920,659
Intangible plant	463,054	340,672
Consolidated plant in service	118,097,598	109,522,463
Construction in progress	2,591,447	254,210
Total consolidated plant	120,689,045	109,776,673
Less accumulated depreciation and amortization	38,090,095	36,095,474
Consolidated plant - net	\$ 82,598,950	\$ 73,681,199

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

Structures and improvements	1.9 - 20.0%
Office furniture equipment	14.0 - 33.3%
Tanks	3.33 - 10.0%
Meters	5.00%
Solar Equipment	4.00%
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 were as follows at December 31, 2018 and 2017:

	2018	2017
Charged to operations		
Classified as depreciation and amortization	\$ 3,328,597	\$ 3,254,287
Classified in other operating expenses	46,727	37,255
	3,375,324	3,291,542
Charged to transportation	124,739	130,784
Total	\$ 3,500,063	\$ 3,422,326

Tri-County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Note 3 - Inventories

Inventories at December 31, 2018 and 2017 consist of the following:

	2018	2017
Fiber materials	\$ 1,470,060	\$ -
Propane gas	395,759	406,359
Electric materials and DBS equipment	624,973	636,273
Water heaters	30,759	28,572
	\$ 2,521,551	\$ 1,071,204

Note 4 - Deferred Debits

	2018	2017
Retirement security prepayment	\$ 1,482,548	\$ 1,626,209
Miscellaneous	-	8,031
Construction Work Plan	33,110	-
Unamortized loan exp - CFC conversion	209,592	221,129
	\$ 1,725,250	\$ 1,855,369

Note 5 - Investments in Associated Organizations

Investments in associated organizations at December 31, 2018 and 2017 consist of the following:

	2018	2017
Wolverine Power Supply Coop., Inc. - capital credits	\$ 27,799,010	\$ 27,746,198
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%	1,837,518	1,847,108
NRTC Patronage	1,624,632	1,680,878
Other Patronage capital credits	1,609,835	1,523,542
Other memberships and investments	21,300	25,000
	\$ 32,892,295	\$ 32,822,726

Note 6 - Prepaid Propane

The Company uses pre-buy contracts to lock in the prices of propane. The pre-buy contract guarantees a specified price for propane in exchange for a down payment for the specified number of gallons. The Company has pre-buy contracts for 2,118,390 gallons with a prepaid cost of \$179,729 and 744,396 gallons with a prepaid cost of \$448,686 at December 31, 2018 and 2017, respectively. Prepayment on propane contracts can vary widely depending on the market and vendor and range from a \$.05 per gallon to full prepayment on the contract. As of December 31, 2018, and 2017 there are 2,082,390 and 108,202 prepaid propane gallons, respectively, that consist of \$.05 - \$.10 per gallon in down payments. The Company has miscellaneous prepaid expenses of \$297,808 and \$216,898 December 31, 2018 and 2017, respectively.

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 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 (.00249) and (.00127) per KWH during 2018 and 2017, 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. As of December 31, 2018, and 2017 there was an over collection of \$908,423 and \$565,903.

Note 8 - Patronage Capital

Patronage capital balances at December 31, 2018 and 2017 consist of the following:

	2018	2017
Assignable - electric	\$ 3,741,815	\$ 2,366,451
Assignable, (future offset to positive margins) - fiber	(239,041)	-
Assigned to date	69,013,725	66,647,274
Total	72,516,499	69,013,725
Retired to date	(22,125,700)	(19,121,738)
Balance	\$ 50,390,799	\$ 49,891,987

Tri-County Electric Cooperative, Inc. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

The mortgage provisions of the Cooperative 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 2018 and 2017, the Cooperative's capital exceeded 20% of total assets.

Note 9 - Other Equities

Other Equities as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Donated capital memberships	\$ 1,868,659	\$ 1,707,540
Retired capital credits - gain	241,262	241,262
Pre 1979 margins	1,603,211	1,603,211
	\$ 3,713,132	\$ 3,552,013

Other equities from Tri-Co Services, Inc. as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Tri-Co Services, Inc. equity	\$ 7,479,700	\$ 7,664,506

Note 10 - Long-Term Debt

Long-term debt at December 31, 2018 and 2017 is as follows:

	2018	2017
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 2048.	\$ 60,406,511	\$ 47,661,777
Less current maturities	(1,849,247)	(1,597,704)
Total long-term debt	\$ 58,557,264	\$ 46,064,073

Tri-County Electric Cooperative, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2018	\$ 1,849,247
2019	1,929,815
2020	2,014,238
2021	2,102,705
2022	1,990,232
Thereafter	50,520,274
	\$ 60,406,511

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 \$35,000,000.

The security agreement (mortgage) restricts the Cooperative's debt limit to \$130,000,000.

Note 11 - Lines of Credit

The Cooperative has executed a perpetual, variable rate (3.35% and 2.35% at December 31, 2018 and 2017, 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, 2018 and 2017. During 2009, the Cooperative executed an additional variable rate (3.75% and 2.75% at December 31, 2018 and 2017, respectively) line of credit with CFC, providing it with short-term loans in the total amount of \$10,000,000 maturing July 2019. There were no outstanding balances on the line at December 31, 2018 and 2017.

During 2018, the Cooperative executed a variable rate (4.06% at December 31, 2018) line of credit with CoBank allowing for short-term loans up to \$3,000,000 maturing August 2019. There were no outstanding balances on the line at December 31, 2018.

Tri-Co Services has executed a variable rate line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC), providing it with short-term loans in the total amount of \$1,500,000 maturing September 2019. The interest rate as of the year ended December 31, 2018 and 2017 was 3.75% and 2.75%, respectively. There were no outstanding balances on the line at December 31, 2018 and 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 2018 and in 2017 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 \$923,000 in 2018 and \$838,000 in 2017. 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 for the years ended December 31, 2018 and 2017.

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, 2018 and over 80 percent funded on January 1, 2017 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 2018 the Cooperative made contributions equal to 5.0% of each employee's base wages and in 2017 it made contributions of 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 \$259,100 and \$189,000 in 2018 and 2017, 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 retaining 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:

	2018	2017
Change in post-retirement benefit obligation		
Accumulated post-retirement benefit obligation at beginning of year	\$ 945,079	\$ 875,281
Service cost	2,275	2,493
Interest cost	44,025	47,254
Actuarial (gain) loss	(26,103)	112,643
Benefits paid	(84,767)	(92,592)
Accumulated post-retirement benefit obligation at end of year	\$ 880,509	\$ 945,079

The plan is unfunded as of December 31, 2018.

Weighted average assumptions as of December 31:

	2018	2017
Discount rate	4.19%	3.56%

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	\$ (1,032)	\$ 1,077
Effect on post-retirement benefit obligation	\$ (20,653)	\$ 21,535

Note 14 - Income Taxes

Net deferred tax assets and liabilities consist of the following component as of December 31, 2018 and 2017:

	2018	2017
Deferred tax asset		
Allowance for doubtful accounts	\$ 4,600	\$ 3,400
	\$ 387,600	\$ 370,200
Deferred tax liabilities		
Property and equipment	\$ 387,600	\$ 370,200
	\$ 387,600	\$ 370,200

The components giving rise to the net deferred tax assets and liabilities described above have been included in the accompanying balances sheets as of December 31, 2018 and 2017 as follows:

	2018	2017
Current asset	\$ (4,600)	\$ (3,400)
Noncurrent liability	387,600	370,200
	\$ 383,000	\$ 366,800

The provision for income tax (benefits) expenses charged to operations for the years ended December 31, 2018 and 2017 consists of the following:

	2018	2017
Currently payable	\$ 65,079	\$ 42,793
Deferred	16,200	(90,200)
	\$ 81,279	\$ (47,407)

The difference between federal income tax expense and the tax computed based on statutory rates is primarily attributable to permanent differences between deductions taken for book and tax purposes.

The Tax Cuts and Jobs Act of 2017 that was enacted December 22, 2017, affected Tri-Co Services Inc.'s deferred tax assets and liabilities due to the future corporate income tax rate decreasing from 34% to 21%. This change created a deferred tax benefit in 2017. Generally accepted accounting standards require the change to be included in the prior period financial statements and the effect of the changes to be included as a component of the 2017 income tax provision (benefit).

Note 15 - Deferred Credits

	2018	2017
Customer construction deposits	\$ 332,219	\$ 303,443
Consumer prepayments	350,166	362,935
Regulatory liability for fire	90,597	94,100
Unearned revenue	556,661	575,421
Energy optimization accrual	231,582	328,762
Unclaimed capital credits	1,467,337	1,327,075
Prepaid community solar garden investment	19,607	20,903
	\$ 3,048,169	\$ 3,012,639

Note 16 - Related Party Transactions

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 \$16,132 and \$19,885 for the years ended December 31, 2018 and 2017, respectively.

Note 17 - 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.

The following is a summary of transactions with Wolverine for the years ended December 31, 2018 and 2017:

	2018	2017
Purchase of wholesale power	\$ 28,768,614	\$ 29,084,914
Accounts payable for purchased power at December 31	\$ 2,359,528	\$ 2,788,062
Capital credits allocated during the year	\$ 2,021,431	\$ 1,964,108
Accumulated investment in patronage capital credits	\$ 27,799,010	\$ 27,746,198

At December 31, 2018 and 2017 the subsidiary has signed purchase agreements for propane totaling approximately \$1,587,457 and \$72,293, respectively.

Note 18 - Lease Agreements

The Cooperative leases various vehicles and office equipment under various operating lease agreements. Lease expense for years ending December 31, 2018 and 2017 was \$326,152 and \$304,467, respectively. The leases expire from February 2018 to June 2027. The minimum future lease payments for the leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 335,783
2020	304,840
2021	252,846
2022	197,328
2023	136,644
Thereafter	294,045
	<u>\$ 1,521,486</u>



Supplementary Information
December 31, 2018 and 2017

Tri-County Electric Cooperative, Inc. and Subsidiary



Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of Tri-County Electric Cooperative, Inc. and Subsidiaries as of December 31, 2018 and 2017, and our report thereon dated March 20, 2019, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The consolidating information presented on pages 24 through 27 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Eide Bailly LLP
March 20, 2019

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	Tri-County Electric Cooperative	Tri-Co Services	Eliminations	Consolidated Totals	
				2018	2017
Assets					
Electric Plant					
In service	\$ 113,018,381	\$ 5,079,217	\$ -	\$ 118,097,598	\$ 109,522,463
Under construction	2,591,447	-	-	2,591,447	254,210
Total electric plant	115,609,828	5,079,217	-	120,689,045	109,776,673
Less accumulated depreciation	35,168,700	2,921,395	-	38,090,095	36,095,474
Electric plant - net	80,441,128	2,157,822	-	82,598,950	73,681,199
Other Assets and Investments					
Non utility property	3,300	-	-	3,300	3,300
Investments in associated organizations	31,224,288	1,668,007	-	32,892,295	32,822,726
Investment in subsidiary	7,529,700	-	(7,529,700)	-	-
Total other assets and investments	38,757,288	1,668,007	(7,529,700)	32,895,595	32,826,026
Current Assets					
Cash and cash equivalents	4,019,883	3,763,628	-	7,783,511	3,598,128
Accounts receivable, less allowance for doubtful accounts of \$251,700 and \$185,000 in 2018 and 2017, respectively	3,855,616	490,448	-	4,346,064	3,976,915
Intercompany receivable	-	19,458	(19,458)	-	-
Unbilled revenue	2,683,068	-	-	2,683,068	2,813,141
Interest receivable	20,291	943	-	21,234	19,626
Notes receivable	98,438	-	-	98,438	104,808
Inventories	2,125,792	395,759	-	2,521,551	1,071,204
Prepaid expenses	297,808	179,979	-	477,787	665,584
Deferred taxes	-	4,600	-	4,600	3,400
Prepaid income taxes	-	-	-	-	7,151
Total current assets	13,100,896	4,854,815	(19,458)	17,936,253	12,259,957
Deferred Debits	1,725,250	-	-	1,725,250	1,855,369
	<u>\$ 134,024,562</u>	<u>\$ 8,680,644</u>	<u>\$ (7,549,158)</u>	<u>\$ 135,156,048</u>	<u>\$ 120,622,551</u>

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidating Balance Sheet
December 31, 2018
(With Comparative totals for 2017)

	Tri-County Electric Cooperative	Tri-Co Services	Eliminations	Consolidated Totals	
				2018	2017
Equities and Liabilities					
Equities					
Patronage capital	\$ 50,390,799	\$ -	\$ -	\$ 50,390,799	\$ 49,891,987
Other equities	11,192,832	7,529,700	(7,529,700)	11,192,832	11,216,519
Total equities	61,583,631	7,529,700	(7,529,700)	61,583,631	61,108,506
Long-Term Debt, Less Current Portion	58,557,264	-	-	58,557,264	46,064,073
Deferred Taxes - Long-Term	-	387,600	-	387,600	370,200
Accrued Post Retirement Benefits	795,509	-	-	795,509	853,079
Current Liabilities					
Current portion of long-term debt	1,849,247	-	-	1,849,247	1,597,704
Current portion of post-retirement benefits	85,000	-	-	85,000	92,000
Accounts payable - purchased power	2,359,528	-	-	2,359,528	2,788,062
Accounts payable - general	2,292,337	48,355	-	2,340,692	1,050,475
Patronage capital credits payable	341,962	-	-	341,962	286,645
Intercompany payable	19,458	-	(19,458)	-	-
PSCR overcollection	908,423	-	-	908,423	565,903
Customer deposits	553,200	8,600	-	561,800	562,107
Accrued taxes	856,866	53,395	-	910,261	1,025,965
Accrued income taxes	-	29,732	-	29,732	-
Accrued payroll and related items	841,947	-	-	841,947	724,197
Accrued interest	423,065	-	-	423,065	378,576
Other accrued liabilities	65,617	66,601	-	132,218	142,420
Total current liabilities	10,596,650	206,683	(19,458)	10,783,875	9,214,054
Deferred Credits	2,491,508	556,661	-	3,048,169	3,012,639
	<u>\$ 134,024,562</u>	<u>\$ 8,680,644</u>	<u>\$ (7,549,158)</u>	<u>\$ 135,156,048</u>	<u>\$ 120,622,551</u>

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidating Statement of Operations
Years Ended December 31, 2018
(With Comparative totals for 2017)

	Tri-County Electric Cooperative	Tri-Co Services	Eliminations	Consolidated Totals	
				2018	2017
Operating Revenues	\$ 48,826,334	\$ 4,605,072	\$ (82,512)	\$ 53,348,894	\$ 49,798,969
Operating Expenses					
Cost of power	28,768,614	-	-	28,768,614	29,084,914
Cost of goods sold	56,095	2,535,891	-	2,591,986	1,598,588
Distribution - operation	1,606,593	-	-	1,606,593	1,756,825
Distribution - maintenance	5,127,323	-	-	5,127,323	3,831,112
Customer accounts	853,019	-	-	853,019	646,889
Customer service	2,118,571	-	-	2,118,571	1,980,850
Sales Expense	142,834	-	-	142,834	93,901
Administrative and general	2,895,697	1,472,895	(82,512)	4,286,080	3,991,906
Depreciation and amortization	3,052,168	272,926	-	3,325,094	3,250,784
Interest expense	2,443,914	-	(42,201)	2,401,713	2,063,637
Taxes - property	1,167,265	-	-	1,167,265	1,106,897
	<u>48,232,093</u>	<u>4,281,712</u>	<u>(124,713)</u>	<u>52,389,092</u>	<u>49,406,303</u>
Operating Margins Before Capital Credits	<u>594,241</u>	<u>323,360</u>	<u>42,201</u>	<u>959,802</u>	<u>392,666</u>
Generation and Transmission and Other Cooperative Capital Credits	2,226,269	1,360	-	2,227,629	2,144,635
Other Income					
Interest income	118,696	70,970	(42,201)	147,465	103,384
Income from subsidiary	315,194	-	(315,194)	-	-
Other income, net	63,568	783	-	64,351	103,406
	<u>2,723,727</u>	<u>73,113</u>	<u>(357,395)</u>	<u>2,439,445</u>	<u>2,351,425</u>
Net Margins Before Income Taxes	3,317,968	396,473	(315,194)	3,399,247	2,744,091
Income Tax Expense	-	(81,279)	-	(81,279)	47,407
Net Margins	<u>\$ 3,317,968</u>	<u>\$ 315,194</u>	<u>\$ (315,194)</u>	<u>\$ 3,317,968</u>	<u>\$ 2,791,498</u>

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Years Ended December 31, 2018
(With Comparative totals for 2017)

	Tri-County Electric Cooperative	Tri-Co Services	Eliminations	Consolidated Totals	
				2018	2017
Operating Activities					
Net margins	\$ 3,317,968	\$ 315,194	\$ (315,194)	\$ 3,317,968	\$ 2,791,498
Adjustments to reconcile net margins to net cash from operating activities					
Depreciation	3,227,137	272,926	-	3,500,063	3,422,326
Amortization of retirement security prepayment	143,662	-	-	143,662	143,662
Gain on disposition of electric plant and assets	(64,421)	(783)	-	(65,204)	(109,120)
Income from subsidiary	(315,194)	-	315,194	-	-
Noncash patronage capital allocations	(2,226,269)	(1,360)	-	(2,227,629)	(2,144,635)
Deferred income taxes	-	16,200	-	16,200	(90,200)
Post retirement benefits	20,197	-	-	20,197	162,390
Deferred gain on insurance proceeds	(3,503)	-	-	(3,503)	(3,503)
Changes in assets and liabilities					
Accounts receivable	(184,370)	(32,343)	(22,363)	(239,076)	(288,557)
Refunds payable to customers	342,520	-	-	342,520	(728,359)
Notes receivable	6,370	-	-	6,370	12,165
Inventories	(1,460,947)	10,600	-	(1,450,347)	(86,811)
Prepaid expenses	(80,910)	268,707	-	187,797	(63,395)
Prepaid income taxes	-	7,151	-	7,151	118,166
Interest receivable	(846)	(762)	-	(1,608)	(203)
Deferred debits	(13,543)	-	-	(13,543)	3,507
Accounts payable	921,701	(82,381)	22,363	861,683	(45,228)
Customer deposits	293	(600)	-	(307)	9,476
Accrued expenses	71,351	31,271	-	102,622	(114,488)
Deferred credits	54,290	-	-	54,290	14,915
Net Cash from Operating Activities	3,755,486	803,820	-	4,559,306	3,003,606
Investing Activities					
Additions to, retirements of, utility plant	(12,467,789)	-	-	(12,467,789)	(4,538,851)
Purchase of equipment	-	(73,298)	-	(73,298)	(168,283)
Proceeds from sale of property and plant	183,805	8,175	-	191,980	146,113
Cash received from other property and investments	2,081,379	76,681	-	2,158,060	2,444,254
Dividends received from subsidiary	500,000	-	(500,000)	-	-
Proceeds on installment note receivable	-	1,000,000	(1,000,000)	-	-
Net Cash from (used for) Investing Activities	(9,702,605)	1,011,558	(1,500,000)	(10,191,047)	(2,116,767)

Tri-County Electric Cooperative, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Years Ended December 31, 2018
(With Comparative totals for 2017)

	Tri-County Electric Cooperative	Tri-Co Services	Eliminations	Consolidated Totals	
				2018	2017
Financing Activities					
Principal payments on long-term debt	\$ (1,651,635)	\$ -	\$ -	\$ (1,651,635)	\$ (6,446,594)
Net repayment of line of credit	(1,000,000)	-	1,000,000	-	-
Proceeds from issuance of long-term debt	14,396,369	-	-	14,396,369	8,875,912
Shareholder distribution	-	(500,000)	500,000	-	-
Post-retirement benefits paid	(84,767)	-	-	(84,767)	(92,592)
Other equities	161,119	-	-	161,119	174,819
Patronage capital retired	(3,003,962)	-	-	(3,003,962)	(3,163,888)
Net Cash used for Financing Activities	<u>8,817,124</u>	<u>(500,000)</u>	<u>1,500,000</u>	<u>9,817,124</u>	<u>(652,343)</u>
Net Change in Cash and Cash Equivalents	2,870,005	1,315,378	-	4,185,383	234,496
Cash and Cash Equivalents at Beginning of Year	<u>1,149,878</u>	<u>2,448,250</u>	<u>-</u>	<u>3,598,128</u>	<u>3,363,632</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,019,883</u>	<u>\$ 3,763,628</u>	<u>\$ -</u>	<u>\$ 7,783,511</u>	<u>\$ 3,598,128</u>



Financial Statements
December 31, 2018 and 2017
Tri-County Electric Cooperative, Inc.

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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, 2018 and 2017, 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 \$1,131,486 and \$143,433 as of December 31, 2018 and 2017, and revenues and expenses would be increased by \$4,238,278 and \$3,111,858 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, 2018 and 2017, 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 black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
March 20, 2019

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	<u>2018</u>	<u>2017</u>
Assets		
Plant		
In service	\$ 113,018,381	\$ 104,480,962
Under construction	<u>2,591,447</u>	<u>254,210</u>
Total plant	115,609,828	104,735,172
Less accumulated depreciation	<u>35,168,700</u>	<u>33,418,815</u>
Plant - net	<u>80,441,128</u>	<u>71,316,357</u>
Other Property and Investments		
Non utility property	3,300	3,300
Investments in associated organizations	31,224,288	31,079,398
Investment in subsidiary	<u>7,529,700</u>	<u>7,714,506</u>
Total other property and investments	<u>38,757,288</u>	<u>38,797,204</u>
Current Assets		
Cash and cash equivalents	4,019,883	1,149,878
Accounts receivable, less allowance for doubtful accounts of \$234,800 and \$172,500 in 2018 and 2017, respectively	3,855,616	3,541,173
Unbilled revenue	2,683,068	2,813,141
Notes receivable	98,438	104,808
Materials and supplies	2,125,792	664,845
Prepaid expenses	297,808	216,898
Interest receivable	<u>20,291</u>	<u>19,445</u>
Total current assets	<u>13,100,896</u>	<u>8,510,188</u>
Deferred Debits	<u>1,725,250</u>	<u>1,855,369</u>
	<u>\$ 134,024,562</u>	<u>\$ 120,479,118</u>

See Notes to Financial Statements

Tri-County Electric Cooperative, Inc.
Balance Sheets
December 31, 2018 and 2017

	2018	2017
Equities and Liabilities		
Equities		
Patronage capital	\$ 50,390,799	\$ 49,891,987
Other equities	11,192,832	11,216,519
Total equities	61,583,631	61,108,506
Long-Term Debt, Less Current Portion	58,557,264	46,064,073
Other Noncurrent Liabilities		
Accrued post-retirement benefits	795,509	853,079
Current Liabilities		
Line of credit	-	1,000,000
Current portion of long-term debt	1,849,247	1,597,704
Current portion of post-retirement benefits	85,000	92,000
Accounts payable - purchased power	2,359,528	2,788,062
Accounts payable - other	2,311,795	961,560
Patronage capital credits payable	341,962	286,645
PSCR overcollection	908,423	565,903
Customer deposits	553,200	552,907
Accrued payroll and related items	856,866	1,001,676
Accrued taxes	841,947	724,197
Accrued interest	423,065	378,576
Other accrued liabilities	65,617	67,012
Total current liabilities	10,596,650	10,016,242
Deferred Credits	2,491,508	2,437,218
	\$ 134,024,562	\$ 120,479,118

Tri-County Electric Cooperative, Inc.
 Statements of Operations
 Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues	\$ 48,826,334	\$ 46,313,427
Operating Expenses		
Cost of power	28,768,614	29,084,914
Cost of Sales	56,095	-
Distribution - operation	1,606,593	1,756,825
Distribution - maintenance	5,127,323	3,831,112
Customer accounts	853,019	646,889
Customer service	2,118,571	1,980,850
Sales Expense	142,834	93,901
Administrative and general	2,895,697	2,685,681
Depreciation and amortization	3,052,168	2,980,872
Interest expense	2,443,914	2,079,097
Taxes - property	1,167,265	1,106,897
	48,232,093	46,247,038
Operating Income Before Capital Credits	594,241	66,389
Generation and Transmission and Other Cooperative Capital Credits	2,226,269	2,138,943
Net Operating Margins	2,820,510	2,205,332
Nonoperating Margins		
Interest income	118,696	91,713
Income from subsidiary	315,194	425,047
Other income, net	63,568	69,406
	497,458	586,166
Net Margins	\$ 3,317,968	\$ 2,791,498

Tri-County Electric Cooperative, Inc.
 Statements of Members' Equity
 Years Ended December 31, 2018 and 2017

	Patronage Capital	Other	Tri-Co Services	Total
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	49,891,987	3,552,013	7,664,506	61,108,506
Net margin	3,002,774	-	315,194	3,317,968
Capital credits retired	(3,003,962)	-	-	(3,003,962)
Donated capital credits	-	161,119	-	161,119
Dividend paid intercompany	500,000	-	(500,000)	-
Balance, December 31, 2018	<u>\$ 50,390,799</u>	<u>\$ 3,713,132</u>	<u>\$ 7,479,700</u>	<u>\$ 61,583,631</u>

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Net margins	\$ 3,317,968	\$ 2,791,498
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	3,227,137	3,152,414
Amortization of retirement security prepayment	143,662	143,662
Gain on disposition of plant, net	(64,421)	(75,120)
Income from subsidiary	(315,194)	(425,047)
Noncash patronage capital allocations	(2,226,269)	(2,138,943)
Deferred gain from insurance proceeds	(3,503)	(3,503)
Post-retirement and pension benefits	20,197	162,390
Changes in assets and liabilities		
Accounts receivable	(184,370)	(204,049)
Refunds payable to customers	342,520	(728,359)
Notes receivable	6,370	12,165
Inventories	(1,460,947)	56,078
Prepaid expenses	(80,910)	(9,728)
Interest receivable	(846)	(22)
Deferred debits	(13,543)	3,507
Accounts payable	921,701	(128,916)
Customer deposits	293	9,776
Accrued expenses and taxes	71,351	49,178
Deferred credits	54,290	14,915
Net Cash from Operating Activities	3,755,486	2,681,896
Investing Activities		
Additions to, and costs of retirements of utility plant	(12,467,789)	(4,538,851)
Proceeds from sale of general plant and scrap	183,805	112,113
Cash received from other property and investments	2,081,379	2,377,620
Dividend received from subsidiary	500,000	-
Net Cash used for Investing Activities	(9,702,605)	(2,049,118)
Financing Activities		
Principle payments on long-term debt	(1,651,635)	(6,446,594)
Issuance of long-term debt	14,396,369	8,875,912
Net proceeds (payments) on line of credit	(1,000,000)	(25,000)
Post-retirement benefits paid	(84,767)	(92,592)
Other equities	161,119	174,819
Patronage capital retired	(3,003,962)	(3,163,888)
Net Cash from (used for) Financing Activities	8,817,124	(677,343)

Tri-County Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Change in Cash and Cash Equivalents	\$ 2,870,005	\$ (44,565)
Cash and Cash Equivalents at Beginning of Year	<u>1,149,878</u>	<u>1,194,443</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,019,883</u>	<u>\$ 1,149,878</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 2,385,415</u>	<u>\$ 2,101,905</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.

Additional Business Activity

At the beginning of 2018, the Cooperative entered into another like business activity, to provide high speed internet services (fiber to the home) to its electric members, with the goal to build out to all of its members over a five-year period. The fiber business is considered a department within the cooperative.

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.

Plant and Retirements

Plant is stated at cost less contributions in aid of construction. The cost of additions to 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

Electric 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. Fiber to the home customers are billed in advance on the 12th of the month. If balance is not paid by end of the month, their services are shut off. There is no grace period allowed for customer credit.

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. Also included are the costs of putting together a four-year construction work plan, which will be amortized over the four years of the plan.

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.

An electric member who is also a fiber customer is considered a fiber member. Amounts received from the furnishing of fiber to the home services in excess of operating costs and expenses are assigned to fiber members on a patronage basis to the extent they are not needed to offset current or prior fiber 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 related to insurance proceeds, customer advances on construction, advance payments made by consumers in connection with electric or fiber service, unclaimed capital credit checks and over collection of costs related to the energy optimization program. 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, 2018 and 2017 and does not anticipate participating in transactions of this type in the future.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$77,806 and \$20,920 for the years ended December 31, 2018 and 2017, respectively.

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, 2018, and 2017, 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 2015 and state examinations for years before 2015.

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, 2019, the date which the financial statements were available to be issued.

Note 2 - Plant

Major classes of plant at December 31, 2018 and 2017 consist of the following:

	2018	2017
General plant	\$ 12,227,960	\$ 7,219,631
Distribution plant	100,430,491	96,920,659
Intangible plant	359,930	340,672
Plant in service	113,018,381	104,480,962
Construction in progress	2,591,447	254,210
Total plant	115,609,828	104,735,172
Less accumulated depreciation and amortization	35,168,700	33,418,815
Plant - net	\$ 80,441,128	\$ 71,316,357

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

Structures and improvements	1.9 - 20.0%
Office furniture equipment	14.0 - 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, 2018 and 2017 were as follows:

	2018	2017
Charged to operations		
Classified as depreciation and amortization	\$ 3,055,671	\$ 2,984,375
Classified in other operating expenses	46,727	37,255
	3,102,398	3,021,630
Charged to transportation	124,739	130,784
	\$ 3,227,137	\$ 3,152,414
Total	\$ 3,227,137	\$ 3,152,414

Note 3 - Materials and Supplies

Materials and supplies at December 31, 2018 and 2017, consist of the following:

	2018	2017
Fiber materials	\$ 1,470,060	\$ -
Electric materials	624,973	636,273
Water heaters	30,759	28,572
	\$ 2,125,792	\$ 664,845
	\$ 2,125,792	\$ 664,845

Note 4 - Investments in Associated Organizations

Investments in associated organizations at December 31, 2018 and 2017 consist of the following:

	2018	2017
Wolverine Power Supply Coop., Inc. - capital credits	\$ 27,799,010	\$ 27,746,198
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%	1,837,518	1,847,108
Patronage capital credits	1,568,460	1,464,092
Other memberships and investments	19,300	22,000
	\$ 31,224,288	\$ 31,079,398

Note 5 - Deferred Debits

	2018	2017
Retirement security prepayment	\$ 1,482,548	\$ 1,626,209
Miscellaneous	-	8,031
Construction Workplan	33,110	-
Unamortized loan exp - CFC conversion	209,592	221,129
	\$ 1,725,250	\$ 1,855,369

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, 2018 and 2017 permits users of these statements to be more fully informed.

Financial information related to Tri-Co Services, Inc. at December 31, 2018 and 2017 is as follows:

	2018	2017
Balance Sheet		
Current assets	\$ 4,854,815	\$ 4,791,590
Investments and other assets	3,825,829	4,108,170
	\$ 8,680,644	\$ 8,899,760
Current liabilities	\$ 763,344	\$ 815,054
Long-term liabilities / deferred credits	387,600	370,200
Equity	7,529,700	7,714,506
	\$ 8,680,644	\$ 8,899,760
Operations		
Operating revenues	\$ 4,605,072	\$ 3,560,917
Operating expenses	(4,281,712)	(3,250,100)
Other revenue/(expense) - net	(8,166)	114,230
Net income/(loss)	\$ 315,194	\$ 425,047

As a result of not consolidating Tri-Co Services, Inc., the Cooperative's financial statements are understated as follows at December 31, 2018 and 2017:

	2018	2017
Assets and liabilities	\$ 1,131,486	\$ 143,433
Revenues and expenses	\$ 4,238,278	\$ 3,111,858

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. 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 (.00249) and (.00127) per KWH during 2018 and 2017, 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. As of December 31, 2018, and 2017 there was an over collection of \$908,423 and \$565,903.

Note 8 - Patronage Capital

Patronage capital balances at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Assignable - electric	\$ 3,741,815	\$ 2,366,451
Assignable, (future offset to positive margins) - fiber	(239,041)	-
Assigned to date	69,013,725	66,647,274
 Total	 72,516,499	 69,013,725
 Retired to date	 (22,125,700)	 (19,121,738)
 Balance	 \$ 50,390,799	 \$ 49,891,987

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 2018 and 2017, the Cooperative's capital exceeded 20% of total assets.

Note 9 - Other Equities

Other Equities as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Donated capital memberships	\$ 1,868,659	\$ 1,707,540
Retired capital credits - gain	241,262	241,262
Pre 1979 margins	1,603,211	1,603,211
	\$ 3,713,132	\$ 3,552,013

Other equities from Tri-Co Services, Inc. had a balance of \$7,479,700 and \$7,664,506 as of December 31, 2018 and 2017, respectively.

Note 10 - Long-Term Debt

Long-term debt at December 31, 2018 and 2017 is as follows:

	2018	2017
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 2048.	\$ 60,406,511	\$ 47,661,777
Less current maturities	(1,849,247)	(1,597,704)
Total long-term debt	\$ 58,557,264	\$ 46,064,073

Maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2019	\$ 1,849,247
2020	1,929,815
2021	2,014,238
2022	2,102,705
2023	1,990,232
Thereafter	50,520,274
	\$ 60,406,511

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 \$35,000,000.

The security agreement (mortgage) restricts the Cooperative's debt limit to \$130,000,000.

Note 11 - Lines of Credit

The Cooperative has executed a perpetual, variable rate (3.35% and 2.35% at December 31, 2018 and 2017, 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, 2018 and 2017. During 2009, the Cooperative executed an additional variable rate (3.75% and 2.75% at December 31, 2018 and 2017, respectively) line of credit with CFC, providing it with short-term loans in the total amount of \$10,000,000 maturing July 2019. There were no outstanding balances on the line at December 31, 2018 and 2017.

During 2013, the Cooperative executed a variable rate (3.35% and 2.75% at December 31, 2018 and 2017, 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 \$0 and \$1,000,000 at December 31, 2018 and 2017, respectively.

During 2018, the Cooperative executed a variable rate (4.06% at December 31, 2018) line of credit with CoBank allowing for short-term loans up to \$3,000,000 maturing August 2019. There were no outstanding balances on the line at December 31, 2018.

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 2018 and in 2017 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 \$923,000 in 2018 and \$838,000 in 2017. 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 for the years ended December 31, 2018 and 2017.

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, 2018 and over 80 percent funded on January 1, 2017 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 2018 the Cooperative made contributions equal to 5.0% of each employee's base wages and in 2017 it made contributions of 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 \$259,100 and \$189,000 in 2018 and 2017, 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:

	2018	2017
Change in post-retirement benefit obligation		
Accumulated post-retirement benefit obligation at beginning of year	\$ 945,079	\$ 875,281
Service cost	2,275	2,493
Interest cost	44,025	47,254
Actuarial (gain) loss	(26,103)	112,643
Benefits paid	(84,767)	(92,592)
Accumulated post-retirement benefit obligation at end of year	\$ 880,509	\$ 945,079

The plan is unfunded at December 31, 2018.

Weighted average assumptions as of December 31:

	2018	2017
Discount rate	4.19%	3.56%

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	\$ (1,032)	\$ 1,077
Effect on post-retirement benefit obligation	\$ (20,653)	\$ 21,535

Note 14 - Deferred Credits

	2018	2017
Customer construction deposits	\$ 332,219	\$ 303,443
Consumer energy prepayments	333,677	362,935
Customer fiber prepayments	16,489	-
Regulatory liability for fire	90,597	94,100
Energy optimization accrual	231,582	328,762
Unclaimed capital credits	1,467,337	1,327,075
Prepaid community solar garden investment	19,607	20,903
Total deferred credits	\$ 2,491,508	\$ 2,437,218

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 2018 and 2017 totaled \$1,107,950 and \$998,402, respectively. Amounts due (to) from Tri-Co Services, Inc. amounted to \$(19,458) and \$(41,821) at December 31, 2018 and 2017, 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 \$16,132 and \$19,885 for the years ended December 31, 2018 and 2017, 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 \$0 and \$1,000,000 at December 31, 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Purchase of wholesale power	\$ 28,768,614	\$ 29,084,914
Accounts payable for purchased power at December 31	\$ 2,359,528	\$ 2,788,062
Capital credits allocated during the year	\$ 2,021,431	\$ 1,964,108
Accumulated investment in patronage capital credits	\$ 27,799,010	\$ 27,746,198

Note 17 - Lease Agreements

The Cooperative leases various vehicles and office equipment under various operating lease agreements. Lease expense for years ending December 31, 2018 and 2017 was \$326,152 and \$304,467, 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
2019	\$ 335,783
2020	304,840
2021	252,846
2022	197,328
2023	136,644
Thereafter	294,045
	\$ 1,521,486



Supplementary Information
December 31, 2018 and 2017

Tri-County Electric Cooperative, Inc.



Independent Auditor's Report on Supplementary Information

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

We have audited the financial statements of Tri-County Electric Cooperative, Inc. as of and for the year ended December 31, 2018 and 2017, and our report thereon dated March 20, 2019, which expressed a modified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 24 through 26 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
March 20, 2019

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	Electric Department	Fiber Department	Eliminations	Combined Totals	
				2018	2017
Assets					
Plant					
In service	\$ 108,167,800	\$ 4,850,581	\$ -	\$ 113,018,381	\$ 104,480,962
Under construction	556,219	2,035,228	-	2,591,447	254,210
Total plant	108,724,019	6,885,809	-	115,609,828	104,735,172
Less accumulated depreciation	35,146,115	22,585	-	35,168,700	33,418,815
Plant - net	73,577,904	6,863,224	-	80,441,128	71,316,357
Other Assets and Investments					
Non utility property	3,300	-	-	3,300	3,300
Investments in associated organizations	31,224,288	-	-	31,224,288	31,079,398
Investment in subsidiary	7,529,700	-	-	7,529,700	7,714,506
Total other assets and investments	38,757,288	-	-	38,757,288	38,797,204
Current Assets					
Cash and cash equivalents	1,836,092	2,183,791	-	4,019,883	1,149,878
Accounts receivable, less allowance for doubtful accounts of \$234,800 and \$172,500 in 2018 and 2017, respectively	3,831,963	23,653	-	3,855,616	3,541,173
Unbilled revenue	2,683,068	-	-	2,683,068	2,813,141
Interest receivable	19,714	577	-	20,291	19,445
Notes receivable	98,438	-	-	98,438	104,808
Inventories	655,732	1,470,060	-	2,125,792	664,845
Prepaid expenses	237,965	59,843	-	297,808	216,898
Total current assets	9,362,972	3,737,924	-	13,100,896	8,510,188
Deferred Debits	1,725,250	-	-	1,725,250	1,855,369
	<u>\$ 123,423,414</u>	<u>\$ 10,601,148</u>	<u>\$ -</u>	<u>\$ 134,024,562</u>	<u>\$ 120,479,118</u>

Tri-County Electric Cooperative, Inc.
Combining Departmental Balance Sheet
December 31, 2018
(With Comparative totals for 2017)

	Electric Department	Fiber Department	Eliminations	Combined Totals	
				2018	2017
Equities and Liabilities					
Equities					
Patronage capital	\$ 50,629,840	\$ (239,041)	\$ -	\$ 50,390,799	\$ 49,891,987
Other equities	11,192,832	-	-	11,192,832	11,216,519
Total equities	61,822,672	(239,041)	-	61,583,631	61,108,506
Long-Term Debt, Less Current Portion	48,759,919	9,797,345	-	58,557,264	46,064,073
Accrued Post Retirement Benefits	795,509	-	-	795,509	853,079
Current Liabilities					
Line of credit	-	-	-	-	1,000,000
Current portion of long-term debt	1,692,937	156,310	-	1,849,247	1,597,704
Current portion of post-retirement benefits	85,000	-	-	85,000	92,000
Accounts payable - purchased power	2,359,528	-	-	2,359,528	2,788,062
Accounts payable - general	1,700,883	610,912	-	2,311,795	961,560
Patronage capital credits payable	341,962	-	-	341,962	286,645
Intercompany (receivable) / payable	(222,035)	222,035	-	-	-
PSCR overcollection	908,423	-	-	908,423	565,903
Customer deposits	553,200	-	-	553,200	552,907
Accrued payroll and related items	856,866	-	-	856,866	1,001,676
Accrued taxes	841,403	544	-	841,947	724,197
Accrued interest	386,511	36,554	-	423,065	378,576
Other accrued liabilities	65,617	-	-	65,617	67,012
Total current liabilities	9,570,295	1,026,355	-	10,596,650	10,016,242
Deferred Credits	2,475,019	16,489	-	2,491,508	2,437,218
	<u>\$ 123,423,414</u>	<u>\$ 10,601,148</u>	<u>\$ -</u>	<u>\$ 134,024,562</u>	<u>\$ 120,479,118</u>

Tri-County Electric Cooperative, Inc.
Combining Departmental Schedule of Operations
Years Ended December 31, 2018
(With Comparative totals for 2017)

	Electric Department	Fiber Department	Eliminations	Combined Totals	
				2018	2017
Operating Revenues	\$ 48,851,529	\$ 19,566	\$ (44,761)	\$ 48,826,334	\$ 46,313,427
Operating Expenses					
Cost of power	28,768,614	-	-	28,768,614	29,084,914
Cost of goods sold	-	56,095	-	56,095	-
Distribution - operation	1,557,386	49,207	-	1,606,593	1,756,825
Distribution - maintenance	5,120,818	6,505	-	5,127,323	3,831,112
Customer accounts	815,452	37,567	-	853,019	646,889
Customer service	2,089,905	28,666	-	2,118,571	1,980,850
Sales Expense	80,203	62,631	-	142,834	93,901
Administrative and general	2,601,098	339,360	(44,761)	2,895,697	2,685,681
Depreciation and amortization	3,039,143	13,025	-	3,052,168	2,980,872
Interest expense	2,250,429	194,323	(838)	2,443,914	2,079,097
Taxes - property	1,167,265	-	-	1,167,265	1,106,897
	<u>47,490,313</u>	<u>787,379</u>	<u>(45,599)</u>	<u>48,232,093</u>	<u>46,247,038</u>
Operating Margins Before Capital Credits	<u>1,361,216</u>	<u>(767,813)</u>	<u>838</u>	<u>594,241</u>	<u>66,389</u>
Generation and Transmission and Other Cooperative Capital Credits	2,226,269	-	-	2,226,269	2,138,943
Other Income					
Interest income	90,762	28,772	(838)	118,696	91,713
Income from subsidiary	315,194	-	-	315,194	425,047
Other income, net	63,568	-	-	63,568	69,406
	<u>2,695,793</u>	<u>28,772</u>	<u>(838)</u>	<u>2,723,727</u>	<u>2,725,109</u>
Net Margins	<u>\$ 4,057,009</u>	<u>\$ (739,041)</u>	<u>\$ -</u>	<u>\$ 3,317,968</u>	<u>\$ 2,791,498</u>

Tri-County Electric Cooperative, Inc.
 Combining Departmental Schedule of Members' Equity
 Years Ended December 31, 2018
 (With Comparative totals for 2017)

	Electric Department	Fiber Department	Other	Tri-Co Services	Total
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	49,891,987	-	3,552,013	7,664,506	61,108,506
Net margin	3,741,815	(739,041)	-	315,194	3,317,968
Capital credits retired	(3,003,962)	-	-	-	(3,003,962)
Donated capital credits	-	-	161,119	-	161,119
Dividend paid intercompany	-	500,000	-	(500,000)	-
Balance, December 31, 2018	<u>\$ 50,629,840</u>	<u>\$ (239,041)</u>	<u>\$ 3,713,132</u>	<u>\$ 7,479,700</u>	<u>\$ 61,583,631</u>