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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION
MI0037

PERIOD ENDED December, 2017 (Prepared with Audited Data)

BORROWER NAME
Thumb Electric Cooperative of Michigan

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

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.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Dallas Braun

3-21-18
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	20,162,929	20,861,514	21,552,869	1,947,591
2. Power Production Expense	64,428	71,486	64,113	3,971
3. Cost of Purchased Power	9,871,912	9,905,621	10,312,125	977,458
4. Transmission Expense	236,146	260,627	268,720	10,720
5. Regional Market Expense				
6. Distribution Expense - Operation	535,483	599,148	587,679	53,203
7. Distribution Expense - Maintenance	2,231,870	2,586,428	2,167,307	115,402
8. Customer Accounts Expense	690,699	661,553	770,640	(3,540)
9. Customer Service and Informational Expense	426,702	405,881	463,674	17,722
10. Sales Expense				
11. Administrative and General Expense	927,544	1,018,956	971,977	104,260
12. Total Operation & Maintenance Expense (2 thru 11)	14,984,784	15,509,700	15,606,235	1,279,196
13. Depreciation and Amortization Expense	2,183,367	2,274,063	2,312,260	195,636
14. Tax Expense - Property & Gross Receipts	785,610	830,216	858,960	43,078
15. Tax Expense - Other				
16. Interest on Long-Term Debt	1,510,355	1,486,201	1,527,042	121,735
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	52,266	60,329	48,325	2,934
19. Other Deductions				
20. Total Cost of Electric Service (12 thru 19)	19,516,382	20,160,509	20,352,822	1,642,579
21. Patronage Capital & Operating Margins (1 minus 20)	646,547	701,005	1,200,047	305,012
22. Non Operating Margins - Interest	74,221	58,032	44,400	3,829
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	43,024	159,092	70,355	67,735
25. Non Operating Margins - Other	70,925	42,579	56,220	559
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	122,870	99,416	105,000	9,936
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	957,587	1,060,124	1,476,022	387,071

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

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MI0037

PERIOD ENDED

December, 2017

INSTRUCTIONS - See help in the online application.

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	67	50	5. Miles Transmission	147.81	140.80
2. Services Retired	45	43	6. Miles Distribution - Overhead	1,982.03	1,981.58
3. Total Services in Place	12,756	12,776	7. Miles Distribution - Underground	19.24	19.78
4. Idle Services (Exclude Seasonals)	531	544	8. Total Miles Energized (5 + 6 + 7)	2,149.08	2,142.16

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	93,233,091	30. Memberships	177,771
2. Construction Work in Progress	2,711,206	31. Patronage Capital	21,447,816
3. Total Utility Plant (1 + 2)	95,944,297	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	29,159,155	33. Operating Margins - Current Year	701,005
5. Net Utility Plant (3 - 4)	66,785,142	34. Non-Operating Margins	359,119
6. Non-Utility Property (Net)	102,607	35. Other Margins and Equities	1,999,649
7. Investments in Subsidiary Companies	1,823,117	36. Total Margins & Equities (30 thru 35)	24,685,360
8. Invest. in Assoc. Org. - Patronage Capital	841,518	37. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	28,157,166
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	754,293	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	14,016,130
12. Other Investments	110,202	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	44,283	42. Payments - Unapplied	0
14. Total Other Property & Investments (6 thru 13)	3,676,020	43. Total Long-Term Debt (37 thru 41 - 42)	42,173,296
15. Cash - General Funds	576,719	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	0
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	0
18. Temporary Investments	0	47. Notes Payable	3,533,237
19. Notes Receivable (Net)	0	48. Accounts Payable	1,855,060
20. Accounts Receivable - Sales of Energy (Net)	2,979,469	49. Consumers Deposits	191,827
21. Accounts Receivable - Other (Net)	343,097	50. Current Maturities Long-Term Debt	2,162,844
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	953,542	52. Current Maturities Capital Leases	0
24. Prepayments	552,822	53. Other Current and Accrued Liabilities	1,202,272
25. Other Current and Accrued Assets	50,336	54. Total Current & Accrued Liabilities (47 thru 53)	8,945,240
26. Total Current and Accrued Assets (15 thru 25)	5,455,985	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	113,251
28. Other Deferred Debits	0	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	75,917,147
29. Total Assets and Other Debits (5+14+26 thru 28)	75,917,147		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2017
PART D. NOTES TO FINANCIAL STATEMENTS	

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION MI0037</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2017</p>
<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0037

PERIOD ENDED December, 2017

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	65,188,809	3,672,152	660,052		68,200,909
2. General Plant	4,934,860	191,193	64,440		5,061,613
3. Headquarters Plant	1,286,005	1,772			1,287,777
4. Intangibles	834				834
5. Transmission Plant	10,022,288	311,664	226,864		10,107,088
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	7,896,261	678,610			8,574,871
8. Total Utility Plant in Service (1 thru 7)	89,329,057	4,855,391	951,356		93,233,092
9. Construction Work in Progress	1,852,090	859,116			2,711,206
10. Total Utility Plant (8 + 9)	91,181,147	5,714,507	951,356		95,944,298

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	861,099	736,439	41,372	721,134	115	(4,520)	913,141
2. Other	51,932	37,795			49,536	209	40,400

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE					TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)		
1. Present Year	0.000	800.577	3.806	170.055	974.438	
2. Five-Year Average	0.000	484.214	1.122	182.987	668.323	

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	29	4. Payroll - Expensed	1,559,993
2. Employee - Hours Worked - Regular Time	63,387	5. Payroll - Capitalized	1,028,999
3. Employee - Hours Worked - Overtime	8,367	6. Payroll - Other	645,105

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	550,092	4,846,384
	b. Special Retirements	92,934	4,079,551
	c. Total Retirements (a + b)	643,026	8,925,935
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	29,705	
	c. Total Cash Received (a + b)	29,705	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 94,404	2. Amount Written Off During Year	\$ 51,067
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ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM

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

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2017
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PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
1	CMS Marketing, Serv & Trade Co	3991			180,092,502	9,905,621	5.50		1,333,908
	Total				180,092,502	9,905,621	5.50		1,333,908

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0037	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2017	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0037	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2017	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
	PERIOD ENDED December, 2017

INSTRUCTIONS - See help in the online application.

PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/10/2017	2. Total Number of Members 12,222	3. Number of Members Present at Meeting 284	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 23	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 73,420	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2017

PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	0	441,503	309,642	751,145
2	National Rural Utilities Cooperative Finance Corporation	13,072,346	185,896	629,941	815,837
3	CoBank, ACB	943,783	78,631	490,942	569,573
4	Federal Financing Bank	28,157,165	780,171	663,426	1,443,597
5	RUS - Economic Development Loans				
6	Payments Unapplied				
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	42,173,294	1,486,201	2,093,951	3,580,152

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0037		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2017		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	9,118	9,099	
	b. kWh Sold			121,155,198
	c. Revenue			15,228,852
2. Residential Sales - Seasonal	a. No. Consumers Served	2,083	2,086	
	b. kWh Sold			4,657,291
	c. Revenue			1,292,364
3. Irrigation Sales	a. No. Consumers Served	49	47	
	b. kWh Sold			446,420
	c. Revenue			70,094
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	982	980	
	b. kWh Sold			38,425,451
	c. Revenue			4,042,886
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
6. Public Street & Highway Lighting	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		12,232	12,212	
11. Total kWh Sold (lines 1b thru 9b)				164,684,360
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				20,634,196
13. Transmission Revenue				0
14. Other Electric Revenue				227,318
15. kWh - Own Use				359,792
16. Total kWh Purchased				180,092,502
17. Total kWh Generated				45,488
18. Cost of Purchases and Generation				10,237,734
19. Interchange - kWh - Net				0
20. Peak - Sum All kW Input (Metered) Non-coincident <input type="checkbox"/> Coincident <input checked="" type="checkbox"/>				33,051

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION MI0037

PERIOD ENDED December, 2017

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	1,259	251,617	5,775	7,949	1,599,372	15,039
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	6	41,370	1,595	191	361,957	3,908
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale - RUS Borrowers						
9. Sales for Resale - Other						
10. Total	1,265	292,987	7,370	8,140	1,961,329	18,947

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0037 PERIOD ENDED December, 2017
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	Vacant Lot	12,000			
	Rental Home	90,607			
	Totals	102,607			
2	Investments in Associated Organizations				
	CFC, CoBank Patronage, CTCs		982,408		
	NISC, NRTC, RSC, MECA, Federated	463,403			
	Mbr Cap Sec	150,000			
	TEsC	1,823,117			
	Totals	2,436,520	982,408		
4	Other Investments				
	ERC Loans	110,202			
	Totals	110,202			
5	Special Funds				
	Member Contributions	44,283			
	Totals	44,283			
6	Cash - General				
	General Fund	576,719			
	Totals	576,719			
9	Accounts and Notes Receivable - NET				
	W/H Billing	174,959			
	A/R Other	673,900			
	Bad Debt Reserve	(505,762)			
	Totals	343,097			
11	TOTAL INVESTMENTS (1 thru 10)	3,613,428	982,408		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0037
	PERIOD ENDED December, 2017

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PART Q. SECTION II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0037
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SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	3.77 %
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				

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BORROWER DESIGNATION
MI0037

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY

PERIOD ENDED December, 2017 (Prepared with Audited Data)

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BORROWER NAME
Thumb Electric Cooperative of Michigan

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(check one of the following)

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Dallas Braun

3-21-18
DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY		BORROWER DESIGNATION MI0037			
		PERIOD ENDED December, 2017			
INSTRUCTIONS - See help in the online application.					
SOURCES OF ENERGY <i>(a)</i>		NO. OF PLANTS <i>(b)</i>	CAPACITY (kW) <i>(c)</i>	NET ENERGY RECEIVED BY SYSTEM (MWh) <i>(d)</i>	COST (\$) <i>(e)</i>
Generated in Own Plant <i>(Details on Parts D, E, F IC, F CC, and G)</i>					
1.	Fossil Steam	0	0	0	0
2.	Nuclear	0	0	0	0
3.	Hydro	0	0	0	0
4.	Combined Cycle	0	0	0	0
5.	Internal Combustion	2	21,913	594	138,309
6.	Other				
7.	Total in Own Plant (1 thru 6)	2	21,913	594	138,309
Purchased Power					
8.	Total Purchased Power			0	0
Interchanged Power					
9.	Received Into System (Gross)				
10.	Delivered Out of System (Gross)				
11.	Net Interchange (9 - 10)				
Transmission For or By Others - (Wheeling)					
12.	Received Into System				
13.	Delivered Out of System				
14.	Net Energy Wheeled (12 - 13)				
15.	Total Energy Available for Sale (7 + 8 + 11 + 14)			593	
Distribution of Energy					
16.	Total Sales			0	
17.	Energy Furnished to Others Without Charge				
18.	Energy Used by Borrower <i>(Excluding Station Use)</i>				
19.	Total Energy Accounted For (16 thru 18)			0	
Losses					
20.	Energy Losses - MWh <i>(15 - 19)</i>			593	
21.	Energy Losses - Percentage <i>((20 / 15) * 100)</i>			100.00 %	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION MI0037
	PLANT Caro
	PERIOD ENDED December, 2017

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
								SCHED. (i)	UNSCH. (j)			
1.	1	1,313										
2.	2	1,313										
3.	3	1,313										
4.	4	1,550										
5.	5	2,000										
6.	Total	9,489	0.00	0.00	0.00		0	52,560	0	0	0	
7.	Average BTU										(292.40)	0.00
8.	Total BTU (10 ⁶)					0.00					292.40	
9.	Total Del. Cost (\$)										0.00	0.00

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	1	5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	0.00%
2.	No. Employees Part Time	0	6.	Other Accounts Plant Payroll (\$)	88,262	2.	Plant Factor (%)	
3.	Total Employee Hours Worked	2,280	7.	Total Plant Payroll (\$)	90,194	3.	Running Plant Capacity Factor (%)	0.00%
4.	Operating Plant Payroll (\$)	1,932				4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	817		
2.	Fuel, Oil	547.1	0		0.00
3.	Fuel, Gas	547.2	0		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	0	0.00	0.00
7.	Generation Expenses	548	0		
8.	Miscellaneous Other Power Generation Expenses	549	2,874		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		3,691	12.62	
11.	Operation Expense (6 + 10)		3,691	12.62	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	0		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		0	0.00	
17.	Total Production Expense (11 + 16)		3,691	12.62	
18.	Depreciation	403,4,411.10	65,163		
19.	Interest	427	3,443		
20.	Total Fixed Cost (18 + 19)		68,606	234.63	
21.	Power Cost (17 + 20)		72,297	247.25	

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT

BORROWER DESIGNATION
MI0037

PLANT
Caro

PERIOD ENDED
December, 2017

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i) UNSCH. (j)		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
1.	6	2,000						8,760				
2.												
3.												
4.												
5.												
6.	Total											
7.	Average BTU						Station Service (MWh)					
8.	Total BTU (10 ⁶)						Net Generation (MWh)					
9.	Total Del. Cost (\$)						Station Service % of Gross					

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	S/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546			
2.	Fuel, Oil	547.1			
3.	Fuel, Gas	547.2			
4.	Fuel, Other	547.3			
5.	Energy for Compressed Air	547.4			
6.	Fuel SubTotal (2 thru 5)	547			
7.	Generation Expenses	548			
8.	Miscellaneous Other Power Generation Expenses	549			
9.	Rents	550			
10.	Non-Fuel SubTotal (1 + 7 thru 9)				
11.	Operation Expense (6 + 10)				
12.	Maintenance, Supervision and Engineering	551			
13.	Maintenance of Structures	552			
14.	Maintenance of Generating and Electric Plant	553			
15.	Maintenance of Miscellaneous Other Power Generating Plant	554			
16.	Maintenance Expense (12 thru 15)				
17.	Total Production Expense (11 + 16)				
18.	Depreciation	403.4, 411.10			
19.	Interest	427			
20.	Total Fixed Cost (18 + 19)				
21.	Power Cost (17 + 20)				

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION MI0037
	PLANT Ubyly
	PERIOD ENDED December, 2017

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS						
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i) UNSCH. (j)		GROSS GENER.(MWh) (k)	BTU PER kWh (l)	
1.	1	630	.05				1	8,759				0	
2.	2	736	.05				1	8,759				0	
3.	3	736	.05				1	8,759				0	
4.	4	980	.05				1	8,759				0	
5.	5	1,550	.56				5	8,755				1	
6.	Total	12,424	3.24	8.00	0.00		26	78,814	0	0		33	
7.	Average BTU		139,500.00	17,567.50			Station Service (MWh)				(268.50)		18,119.88
8.	Total BTU (10 ⁶)		451.98	140.54		592.52	Net Generation (MWh)				301.20		
9.	Total Del. Cost (\$)						Station Service % of Gross				(821.10)		1,967.20

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	0.00%
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	0.03%
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	76.79%
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	953		
2.	Fuel, Oil	547.1	5,625		12.44
3.	Fuel, Gas	547.2	56		.39
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	5,681	18.86	9.58
7.	Generation Expenses	548	7,102		
8.	Miscellaneous Other Power Generation Expenses	549	6,832		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		14,887	49.42	
11.	Operation Expense (6 + 10)		20,568	68.28	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	2,204		
14.	Maintenance of Generating and Electric Plant	553	3,372		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	476		
16.	Maintenance Expense (12 thru 15)		6,052	20.09	
17.	Total Production Expense (11 + 16)		26,620	88.37	
18.	Depreciation	403,4,411.10	32,505		
19.	Interest	427	6,887		
20.	Total Fixed Cost (18 + 19)		39,392	130.78	
21.	Power Cost (17 + 20)		66,012	219.16	

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT

BORROWER DESIGNATION
MI0037
PLANT
Ubyly
PERIOD ENDED
December, 2017

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i) UNSCH. (j)		GROSS GENER.(MWh) (k)	BTU PER kWh (l)
1.	6	1,542	.77	8.00			6	8,754			2	
2.	7	2,500	.89				3	8,757			14	
3.	8	2,250	.44				4	8,756			9	
4.	9	1,500	.38				4	8,756			7	
5.												
6.	Total											
7.	Average BTU						Station Service (MWh)					
8.	Total BTU (10 ⁶)						Net Generation (MWh)					
9.	Total Del. Cost (\$)						Station Service % of Gross					

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)	
						5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546			
2.	Fuel, Oil	547.1			
3.	Fuel, Gas	547.2			
4.	Fuel, Other	547.3			
5.	Energy for Compressed Air	547.4			
6.	Fuel SubTotal (2 thru 5)	547			
7.	Generation Expenses	548			
8.	Miscellaneous Other Power Generation Expenses	549			
9.	Rents	550			
10.	Non-Fuel SubTotal (1 + 7 thru 9)				
11.	Operation Expense (6 + 10)				
12.	Maintenance, Supervision and Engineering	551			
13.	Maintenance of Structures	552			
14.	Maintenance of Generating and Electric Plant	553			
15.	Maintenance of Miscellaneous Other Power Generating Plant	554			
16.	Maintenance Expense (12 thru 15)				
17.	Total Production Expense (11 + 16)				
18.	Depreciation	403.4, 411.10			
19.	Interest	427			
20.	Total Fixed Cost (18 + 19)				
21.	Power Cost (17 + 20)				

Remarks (including Unscheduled Outages)

MICHIGAN PUBLIC SERVICE COMMISSION

ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE

This form is authorized by Case No. U-12134, the Code of Conduct. Filing of this form is mandatory pursuant to PA 3 of 1939. Failure to provide this information will put you in violation of this act and the commission shall order such remedies and penalties as necessary.

Report submitted for year ending: December 31, 2017	
Present name of respondent: Thumb Electric Cooperative	
Address of principal place of business: 2231 Main Street, Ubly, MI 48475	
Utility representative to whom inquires regarding this report may be directed:	
Name: Dallas Braun	Title: General Manager
Address: 2231 Main Street	
City: Ubly	State: MI Zip: 48475
Direct Telephone, Include Area Code: 989-658-8571	
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:	
[3/27/2018]	were forwarded to the Commission
[]	will be forwarded to the Commission
on or about	
Annual reports to stockholders:	
[]	are published
[5/1/2018]	are not published will be

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Jennifer Brooks) at
brooks10@michigan.gov OR forward correspondence to:

Michigan Public Service Commission
Financial Analysis & Audit Division
Attn: Jennifer Brooks
7109 W. Saginaw Hwy
PO Box 30221
Lansing, MI 48909

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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STATEMENT OF CASH FLOWS

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be included on pages 122-123. Information about noncash investing and financing activities should be provided on pages 122-123. "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.

2. Under "Other" specify significant amounts and group others.

3. Operating Activities-Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on pages 122-123 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See Instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities: (enter outflows from company as negative #'s)	
2	Net Income (Line 72 (c) on page 117)	
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	
5	Amortization of (Specify)	
6	Intangible Plant	
7		
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	
11	Net (Increase) Decrease in Inventory	
12	Net (Increase) Decrease in Allowances Inventory	
13	Net (Increase) Decrease in Payables and Accrued Expenses	
14	Net (Increase) Decrease in Other Regulatory Assets	
15	Net (Increase) Decrease in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other:	
19		
20		
21		
22	Net Cash Provided by (Used In) Operating Activities (Total of lines 2 thru 21)	
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (Including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance to Other Funds Used During Construction	
31	Other:	
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments In and Advances to Assoc. and Subsidiary Companies	
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments In (and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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STATEMENT OF CASH FLOWS (Continued)

4. Investing Activities
 (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.
 (b) Do 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.

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

6.

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	See Attached	
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	

Thumb Electric Cooperative of Michigan
 Statements of Cash Flows
 Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Cash received from customers	\$ 20,702,739	\$ 19,796,673
Cash paid to suppliers and employees	(14,753,865)	(15,084,747)
Interest received	57,842	74,223
Interest paid	(1,546,530)	(1,562,623)
Taxes paid	(794,049)	(761,015)
	<u>3,666,137</u>	<u>2,462,511</u>
Net Cash from Operating Activities		
Investing Activities		
Construction and acquisition of plant, net	(5,960,161)	(4,638,053)
Receipt of contribution in aid of construction	257,471	331,759
Cost of removal/salvage, net	(525,433)	(251,609)
(Increase) decrease in:		
Materials inventory	(40,510)	61,061
Investments in associated organizations	97,606	97,932
Other investments	246,718	(237,348)
	<u>(5,924,309)</u>	<u>(4,636,258)</u>
Net Cash used for Investing Activities		
Financing Activities		
Proceeds from debt	5,000,000	2,900,000
Payments on debt	(2,092,467)	(1,878,955)
Draws on cushion of credit	(1,485)	1,485
Advances on line of credit	7,200,000	7,254,608
Payments on line of credit	(6,971,372)	(6,101,680)
Patronage capital credits paid	(553,257)	(353,310)
Proceeds from memberships issued	2,610	2,765
Increase in consumer deposits	4,307	2,512
	<u>2,588,336</u>	<u>1,827,425</u>
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	330,164	(346,322)
Cash and Cash Equivalents at Beginning of Year	<u>290,838</u>	<u>637,160</u>
Cash and Cash Equivalents at End of Year	<u>\$ 621,002</u>	<u>\$ 290,838</u>

Thumb Electric Cooperative of Michigan
 Statements of Cash Flows
 Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Net Margins to Net Cash Provided by Operating Activities:		
Net margins	\$ 1,060,128	\$ 957,582
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	2,530,635	2,380,685
Capital credits	(99,416)	(122,869)
Amortization of security retirement prepayment	196,354	179,242
Loss on disposal of electric plant	62,273	64,090
Income from subsidiary	(159,092)	(43,026)
(Increase) decrease in:		
Customer and other accounts receivable	(233,510)	(442,340)
Current and accrued assets - other	(23,232)	42,380
Deferred charges	19,926	5,149
Increase (decrease) in:		
Accounts payable	331,221	(614,560)
Accrued property taxes	36,167	24,595
Accrued payroll and vacation	(57,234)	40,212
Accrued other	1,917	(8,629)
Total adjustments	2,606,009	1,504,929
Net Cash Provided by Operating Activities	\$ 3,666,137	\$ 2,462,511

Name of Respondent.

Thumb Electric

This Report Is:

(1) An Original
 (2) A Resubmission

Date of Report
 (Mo, Da, Yr)

3-21-18

Year of Report

12-31-17

NONUTILITY PROPERTY (Account 121)

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

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 2416 East Dayton Rd Caro, MI 48723	12,000		12,000
2				
3				
4				
5				
6				
9	Rental Home 2434 East Dayton Rd Caro, MI 48723	156,636		156,636
10				
11				
12				
13				
14				
15				
16				
17				
TOTAL		168,636		168,636

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	61,482
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)	4,547
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	66,029

Thumb Electric Cooperative
Attachment to page 221 (M)

Dec 2017

Gen. Ledger a/c 421.00, Non-Operating Revenue

Rental Home	\$7,920
DTE Solar Down payment	\$33,000
Credit Card Program rebate	\$708
Total	\$41,628

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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INVESTMENTS (Accounts 123, 124, 136)

1. Report below the investments in Accounts 123, *Investments in Associated Companies*, 124, *Other Investment*, and 136, *Temporary Cash Investments*. In Account 124, *Other Investments*, state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, *Temporary Cash Investments*, also may be grouped by classes.

2. Provide a subheading for each account and list thereunder the information called for:

(a) Investment in securities - List and describe each security owned, giving name of user, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included

(b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or an open account. Each note should be

Line No.	Description of Investment (a)	Book Cost at Beginning of Year <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (b)		Purchases or Additions During Year (c)
		Original Cost	Book Value	
1	See Attached			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
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26				
27				
28				
29				
30				

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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INVESTMENTS (Accounts 123, 124, 136) (Cont'd)

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.

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.

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

authorization, and case or docket number.

5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.

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).

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 or Loss from Improvement Disposed of (h)	Line No.
		Original Cost	Book Value			
See Attached						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
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						21
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						30

Thumb Electric Cooperative
Attachment to page 222

Dec 2017

Gen. Ledger a/c 123, 124 and 136	Beginning Balance	Additions	Dispositions	Year End Balance	Revenue for Year
CFC	\$893,780	\$13,971	\$6,986	\$900,765	
NISC	\$113,455	\$9,936	\$3,190	\$120,201	
NRTC	\$518		\$62	\$456	
RESCO	\$181,072	\$16,666	\$36,163	\$161,575	
Federated Insurance	\$168,400	\$25,499	\$16,159	\$177,740	
Thumb Energy Services (includes 200 shares @ \$ 1.00 / share)	\$1,593,470	\$229,647		\$1,823,117	
CoBank	\$0			\$0	
ERC Loans	\$92,343	\$30,293	\$22,719	\$99,917	
Coop Elevator	\$128,623 ***	\$9,500	\$27,921	\$110,202	
Commercial Paper	\$3,278	\$256	\$102	\$3,432	
CFC Member Capital Securities	\$0	\$160,000		\$160,000	
	\$150,000			\$150,000	

* \$ 159,092 Thumb Energy Services profit, plus \$ 70,555 equity investment made on 03-22-17, as allowed by MPSC, Case No. U-14778, approved on 08-22-06.

\$0

*** Loans made to members for energy efficiency or dual fuel heating / cooling.

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report Dec. 31, 2017
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NOTES AND ACCOUNTS RECEIVABLE SUMMARY FOR BALANCE SHEET

Show separately by footnote the total amount of notes and accounts receivable from directors, officers, and employees included in Notes Receivable (Account 141) and Other Accounts Receivable (Account 143).

Line No.	Accounts (a)	Balance Beginning of Year (b)	Balance End of Year (c)
1	Notes Receivable (Account 141)		
2	Customer Accounts Receivable (Account 142)		
3	Other Accounts Receivable (Account 143) (Disclose any capital stock subscriptions received)	2,755,794	2,979,469
4	TOTAL	339,207	343,097
5	Less: Accumulated Provision for Uncollectible Accounts-Cr. (Account 144)	505,762	463,279
6	TOTAL, Less Accumulated Provision for Uncollectible Accounts	2,589,239	2,859,287
7			
8			
9			
10			
11			
12			
13			
14			

ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNT-CR. (Account 144)

1. Report below the information called for concerning this accumulated provision.
2. Explain any important adjustments of subaccounts.
3. Entries with respect to officers and employees shall not include items for utility services.

Line No.	Item (a)	Utility Customers (b)	Merchandise Jobbing and Contract Work (c)	Officers and Employees (d)	Other (e)	Total (f)
1	Balance beginning of year	505,440				505,440
2	Prov. for uncollectibles for current year	(20,000)				(20,000)
3	Accounts written off	(51,067)	()	()	()	(51,067)
4	Coll. of accounts written off					
5	Adjustments (explain): <i>payments.....</i>	28,906				28,906
6	Balance end of year	463,279				463,279
7						
8						
9						
10						
11						

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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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						
2						
3						
4						
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22						
23						
24						
25	TOTAL					

N/A

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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ALLOWANCES

1. Report below the details called for concerning allowances.
 2. Report all acquisitions of allowances at cost.
 3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
 4. Report the allowances transactions by the period they are first eligible for use; the current year; allowances in columns (b)-(c), allowances for the three succeeding years in column(d)-(f), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
 5. Report on line 4 the Environmental Protection Agency (EPA) Issued allowances. Report withheld portions on lines 36-40.

Line No.	Allowance Inventory (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	<i>N/A</i>				
13					
14					
15	Total				
16-18	Relinquished During Year: Charges to Acct. 509				
19	Other:				
20					
21-22	Cost of Sales/Transfers:				
23					
24					
25					
26					
27					
28	Total				
29	Balance - End of Year				
30-32	Sales:				
	Net Sales Proceeds (Assoc Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld				
36	Balance - Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance - End of Year				
41-43	Sales:				
	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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ALLOWANCES (Continued)

6. Report on line 5 allowances returned by the EPA. Report on line 39 the EPA's sales of the withheld allowances. Report on lines 43-46 the net sales or auction of the withheld allowances.

7. Report on lines 8-14 the names of vendors/transfers of allowances acquired and identify associated companies (See "associated co." under "Definitions" in Uniform System of Accounts).

8. Report on lines 22-27 the names of purchasers/transfers of allowances disposed of and identify associated companies.

9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.

10. Report on lines 32-35 & 43-46 the net sales proceeds and gains or losses from allowance sales.

20		20		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
								1
								2-4
								5
								6-8
								9
								10
								11
								12
								13
								14
								15
								16-18
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								21-22
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								30-32
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								41-43
								44
								45
								46

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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LONG-TERM DEBT (Accounts 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the Issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate <i>(For new issue, give Commission Authorization numbers and dates)</i>	Principal Amount of Debt Issued	Total Expense, Premium or Discount
	(a)	(b)	(c)
1	See attached		
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		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0037			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2017			
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	0	441,503	309,642	751,145
2	National Rural Utilities Cooperative Finance Corporation	13,072,346	185,896	629,941	815,837
3	CoBank, ACB	943,783	78,631	490,942	569,573
4	Federal Financing Bank	28,157,165	780,171	663,426	1,443,597
5	RUS - Economic Development Loans				
6	Payments Unapplied				
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	42,173,294	1,486,201	2,093,951	3,580,152

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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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 amortization 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)			
				N/A		1
					2	
					3	
					4	
					5	
					6	
					7	
					8	
					9	
					10	
					11	
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					24	
						25

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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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	<i>Line of Credit</i>	<i>3,304,609</i>	<i>8,150,000</i>	<i>8,378,628</i>	<i>3,533,237</i>	<i>60,329</i>
2						
3						
4						
5						
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13						
14						
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16						
17						
18						
19						
20						
21						
22						
23						
	TOTAL					

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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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.		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 <i>N/A</i>	
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 <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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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.
		1
		2
		3
		4
		5
		6
N/A		7
		8
		9
		10
		11
		12
		13
		14
		15
		16
		17
		18
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		24
		25
		26

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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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	Sale of Truck #70.04	\$26,727		\$1500	
3					
4	Sale of Truck #45.89	30,206		0	
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain			1500	

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2) (Continued)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
18	Loss on disposition of property:				
19					
20					
21					
22	N/A				
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss				

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 3-21-18	Year of Report 12-31-17
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CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account

426.4, Expenditures for Certain civic, Political and Related Activities.)

(a) Name and address of person or organization rendering services,

(b) description of services received during year and project or case to which services relate,

(c) basis of charges,

(d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.

3. Designate with an asterisk associated companies.

Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	See Attached				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
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15					
16					
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Dec 2017

Thumb Electric Cooperative
Attachment to page 357

Outside Services & Consulting

	Service	Basis of Charge	G/L A/C	Amount
Jason Bitzer 4431 Seeger St. Cass City, MI 48723	Attorney	Retainer	923.01 923.02	\$10,681 \$6,359
Power Systems Engineering 1532 W. Broadway, Ste 100 Madison, WI 53713	Consulting	Bid	923.02	\$2,941
Business Soil P.O. Box 93 Harbor Beach, MI 48441	Consulting	Bid	923.02	\$7,666
Eide Bailly 4310 17th Avenue South Fargo, ND 58108-2545	Auditing	Bid	923.03	\$22,600
Total				\$50,247

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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SUMMARY OF COSTS BILLED TO 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					
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TOTAL					

See attached

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.
7. In column (j) report the total.
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
						1
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See Attached

Thumb Electric Cooperative
Attachment to sheets 358 & 359

Costs billed to associated companies		Affiliation	Description	A/C No.	Amt. To Operating Income	A/C No.	Amt. To Balance Sheet	Total	Pricing Method
Thumb Energy Services	Subsidiary Payroll & 100% Overhead				\$0	143.02	\$148,927	\$148,927	Cost
Thumb Energy Services	100% Facility Lease				921.00 549.00 549.10		\$0	\$1,500	Contract
Thumb Energy Services	100% Share of heat, lights, supplies & bldg depr				\$4,709		\$0	\$4,888	Cost
Total					\$6,209		\$148,927	\$155,315	

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES

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

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
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TOTAL					

See Attached

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>3-21-18</i>	Year of Report <i>12-31-17</i>
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SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.
7. In column (j) report the total.
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
						1
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See Attached

Dec 2017

Thumb Electric Cooperative
Attachment to sheets 360 & 361

Costs billed from associated companies

Affiliation	Description	Amt. To Operating Income	A/C No.	Amt. To Balance Sheet	Total	Pricing Method
Thumb Energy Services	Subsidiary LP Customer	\$0	232.17	\$1,108,748	\$1,108,748	Cost
100%	Bill Payments					

Subsidiary billing is a separate process and does not impact Thumb Electric general ledger.

Subsidiary bill payments are processed together with parent bill payments. Software sets a liability entry to general ledger a/c 232.17 each day for amount of subsidiary payments.



Financial Statements

December 31, 2017 and 2016

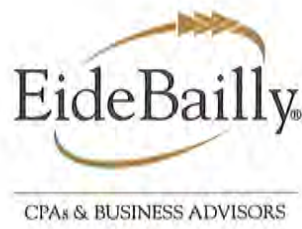
Thumb Electric Cooperative of Michigan

Thumb Electric Cooperative of Michigan
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December 31, 2017 and 2016

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Thumb Electric Cooperative of Michigan
Board of Directors (Unaudited)
December 31, 2017 and 2016

Louis Wenzlaff	President
Donald Wolschleger	Vice President
Beth McDonald	Secretary
Randall Dhyse	Treasurer
Duane Kursinsky	Director
Jonathan Findlay	Director
Carl Cousins	Director
Kim Nunn	Director
Mike Briolat	Director



Independent Auditor's Report

The Board of Directors
Thumb Electric Cooperative of Michigan
Ubyly, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Thumb Electric Cooperative of Michigan, Inc., which comprise the balance sheet as of December 31, 2017 and 2016, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As more fully described in Note 5 to the financial statements, the Cooperative reports its investment in Thumb Energy Services Corporation, 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 Thumb Energy Services Corporation had been consolidated with those of Thumb Electric Cooperative of Michigan, total assets and total liabilities and equities would be decreased by \$260,947 and \$409,759 as of December 31, 2017 and 2016, and revenues and expenses would be increased by \$891,440 and \$845,133 for the years then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating Thumb Energy Services Corporation, as discussed in the above paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Thumb Electric Cooperative of Michigan as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 1 is presented for the purposes of additional analysis and is not a required part of the financial statements. The listing of the board of directors has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
March 12, 2018

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Thumb Electric Cooperative of Michigan

Balance Sheets

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Equities and Liabilities		
Equities		
Memberships	\$ 177,770	\$ 175,160
Patronage capital	22,141,668	22,148,341
Other equities	<u>2,365,926</u>	<u>1,852,382</u>
Total equities	<u>24,685,364</u>	<u>24,175,883</u>
Long-Term Debt, Net of Current Maturities	<u>42,173,295</u>	<u>39,494,649</u>
Current Liabilities		
Current maturities of long-term debt	2,157,041	1,929,640
Note payable - line of credit	3,533,237	3,304,608
Accounts payable		
Purchased power	1,009,194	964,402
Subsidiary	77,080	63,527
Other	765,730	492,854
Accrued property taxes	635,868	599,701
Accrued payroll and vacation	470,422	527,656
Customer deposits	191,827	187,520
Other	<u>104,841</u>	<u>102,924</u>
Total current liabilities	<u>8,945,240</u>	<u>8,172,832</u>
Deferred Credits	<u>113,251</u>	<u>111,728</u>
Total equities and liabilities	<u>\$ 75,917,150</u>	<u>\$ 71,955,092</u>

Thumb Electric Cooperative of Michigan
 Statements of Operations
 Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Electric sales	\$ 20,346,302	\$ 18,930,534
Other sales	515,211	1,232,396
	20,861,513	20,162,930
Operating Expenses		
Cost of power	9,905,622	9,871,912
Generation	29,278	23,341
Transmission	260,628	236,145
Distribution - operations	599,151	535,485
Distribution - maintenance	2,586,427	2,231,870
Customer accounts	677,061	698,729
Customer service	381,770	412,157
Sales	8,602	6,515
Administrative and general	1,061,158	968,634
Depreciation	2,274,061	2,183,368
Taxes - property	830,216	785,610
	18,613,974	17,953,766
Operating Income Before Fixed Charges	2,247,539	2,209,164
Fixed Charges		
Interest on long-term debt	1,486,201	1,510,355
Other interest	60,329	52,266
	1,546,530	1,562,621
Operating Margins After Fixed Charges	701,009	646,543
Capital Credits	99,416	122,869
Net Operating Margins	800,425	769,412
Nonoperating Margins		
Interest	58,032	74,221
Income from subsidiary	159,092	43,026
Other income	42,579	70,923
	259,703	188,170
Net Margins	\$ 1,060,128	\$ 957,582

Thumb Electric Cooperative of Michigan
 Statements of Members' Equity
 Years Ended December 31, 2017 and 2016

	Memberships	Patronage Capital	Other	Total
Balance, December 31, 2015	\$ 172,395	\$ 21,764,988	\$ 1,631,463	\$ 23,568,846
Memberships issued	2,765	-	-	2,765
Other equity transactions	-	5,147	76,607	81,754
Retirement of capital credits	-	(536,350)	101,286	(435,064)
Current year margins	-	914,556	43,026	957,582
Balance, December 31, 2016	175,160	22,148,341	1,852,382	24,175,883
Memberships issued	2,610	-	-	2,610
Other equity transactions	-	(123,600)	235,634	112,034
Retirement of capital credits	-	(784,109)	118,818	(665,291)
Current year margins	-	901,036	159,092	1,060,128
Balance, December 31, 2017	<u>\$ 177,770</u>	<u>\$ 22,141,668</u>	<u>\$ 2,365,926</u>	<u>\$ 24,685,364</u>

Thumb Electric Cooperative of Michigan
 Statements of Cash Flows
 Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Cash received from customers	\$ 20,702,739	\$ 19,796,673
Cash paid to suppliers and employees	(14,753,865)	(15,084,747)
Interest received	57,842	74,223
Interest paid	(1,546,530)	(1,562,623)
Taxes paid	(794,049)	(761,015)
	3,666,137	2,462,511
Net Cash from Operating Activities		
Investing Activities		
Construction and acquisition of plant, net	(5,960,161)	(4,638,053)
Receipt of contribution in aid of construction	257,471	331,759
Cost of removal/salvage, net	(525,433)	(251,609)
(Increase) decrease in:		
Materials inventory	(40,510)	61,061
Investments in associated organizations	97,606	97,932
Other investments	246,718	(237,348)
	(5,924,309)	(4,636,258)
Net Cash used for Investing Activities		
Financing Activities		
Proceeds from debt	5,000,000	2,900,000
Payments on debt	(2,092,467)	(1,878,955)
Draws on cushion of credit	(1,485)	1,485
Advances on line of credit	7,200,000	7,254,608
Payments on line of credit	(6,971,372)	(6,101,680)
Patronage capital credits paid	(553,257)	(353,310)
Proceeds from memberships issued	2,610	2,765
Increase in consumer deposits	4,307	2,512
	2,588,336	1,827,425
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	330,164	(346,322)
Cash and Cash Equivalents at Beginning of Year	290,838	637,160
Cash and Cash Equivalents at End of Year	\$ 621,002	\$ 290,838

Thumb Electric Cooperative of Michigan
 Statements of Cash Flows
 Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Net Margins to Net Cash Provided by Operating Activities:		
Net margins	\$ 1,060,128	\$ 957,582
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation	2,530,635	2,380,685
Capital credits	(99,416)	(122,869)
Amortization of security retirement prepayment	196,354	179,242
Loss on disposal of electric plant	62,273	64,090
Income from subsidiary	(159,092)	(43,026)
(Increase) decrease in:		
Customer and other accounts receivable	(233,510)	(442,340)
Current and accrued assets - other	(23,232)	42,380
Deferred charges	19,926	5,149
Increase (decrease) in:		
Accounts payable	331,221	(614,560)
Accrued property taxes	36,167	24,595
Accrued payroll and vacation	(57,234)	40,212
Accrued other	1,917	(8,629)
Total adjustments	2,606,009	1,504,929
Net Cash Provided by Operating Activities	\$ 3,666,137	\$ 2,462,511

Note 1 - Summary of Significant Accounting Policies**Principal Business Activity**

Thumb Electric Cooperative of Michigan (the Cooperative), a Michigan corporation, provides for the electric energy needs of its members, the rural residents of the counties of Huron, Sanilac and Tuscola in the Thumb area of Michigan.

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, Thumb Energy Services Corporation, 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. See Note 5.

Regulation

On October 30, 1984, the MPSC issued an order authorizing the Cooperative to implement a Times Interest Earned Ratio (TIER) ratemaking mechanism. Under TIER ratemaking, the Cooperative is required to make annual filings to the MPSC indicating whether or not their rates need adjustment.

The MPSC did approve a rate change with the approval of U-17677, dated November 7, 2016 which went into effect in December 2016.

The Cooperative accrues revenues for electric power supply costs, subject to annual reconciliation hearings conducted before the Michigan Public Service Commission (MPSC). The Cooperative records any over-recovery or under-recovery of purchased power costs as a liability or an asset until these costs are refunded or billed to its members.

On November 22, 2016 in case U-18167, the MPSC granted Thumb Electric Cooperative of Michigan to become member regulated beginning on November 26, 2016.

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

Electric Plant

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

Depreciation

Depreciation for financial reporting purposes is determined by straight-line composite rates based on the estimated useful lives of the various classes of property in compliance with applicable RUS guidelines. The overall composite rates for 2017 and 2016 were 2.64% and 2.48%, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of 30 days or less to be temporary cash investments.

Investments

Investments in other cooperatives and associated organizations are recorded at initial cost including allocated equities. The Cooperative's investment in its wholly owned subsidiary, Thumb Energy Services Corporation, is recorded using the equity method. Under this method, the investment is adjusted for the subsidiary's underlying earnings and losses.

Receivables and Credit Policies

Trade receivables are uncollateralized member 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% of the unpaid balance or the amount of the bill less tax, whichever is less. Non-interest bearing notes receivable are stated at principal balance and are collateralized by equipment.

Payments on trade and notes receivables are allocated to the earliest unpaid billings. The carrying amounts of trade receivables are reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all trade receivable balances periodically and adjusts the allowance accounts based on current economic conditions and past experience. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approves all accounts charged off.

Materials and Supplies

Electrical materials and supplies are valued at the lower of market or average cost.

Deferred Debits

Deferred debits consist primarily of engineering costs for future work plans and equipment clearing accounts. Engineering costs are amortized over the remaining term of the work plan. Clearing charges are spread to work orders based on equipment use for those work orders. Deferred debits also include a retirement security prepayment made to ensure proper funding of the Retirement Security Plan which is being amortized over a 7 year period.

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, to the extent they are not needed to offset current or prior losses, may be credited to a general unallocated reserve, at the discretion and determination of the board of directors. The Cooperative, at the discretion of the board of directors, does not allocate margins received from its subsidiary.

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 member advances on construction and advance payments made by members in connection with electric service.

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 whom are located primarily in the counties of Huron, Sanilac and Tuscola in the Thumb area of Michigan. The Cooperative has established policies for extending the credit based upon factors surrounding the credit risk of specified members, historical trends and other information. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of members. 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.

Advertising Costs

Advertising costs of \$34,352 and \$34,667 in 2017 and 2016, respectively, are expensed as incurred.

Sales Taxes and Low Income Assistance

The Cooperative has members in a state which imposes a sales tax and low income fee on certain sales. The Cooperative collects the sales taxes and low income fees from its members 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

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* which provides a framework for measuring fair value under generally accepted accounting principles, became effective to Cooperative as of January 1, 2008. In accordance with the provision of ASC 820-10, the Cooperative has deferred the adoption of ASC 820 for one year for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. Therefore, the Cooperative adopted ASC 820 on January 1, 2009. There was no adjustment to financial assets as a result of the adoption of ASC 820.

ASC 820 defines fair value 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. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

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

Income Taxes

The Cooperative is exempt from federal income tax under Section 501(c)(12) of the United States Internal Revenue Code, therefore no provision for federal income tax is recorded. However, income from unrelated business activities is subject to income tax at normal corporate rates.

The Cooperative has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. The Cooperative had no unrecognized tax benefits as of December 31, 2017 and 2016.

The Cooperative 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 is no longer subject to Federal and State tax examinations by tax authorities for years before 2014.

The Cooperative undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10.

Subsequent Events

The Cooperative has evaluated subsequent events through March 12, 2018, the date which the financial statements were available to be issued.

Note 2 - Short Term Investments – Restricted

On March 20, 1984, the Michigan Public Service Commission issued its opinion and order in Case No. U-7901, directing Michigan's Rural Electric Cooperatives to maintain power supply cost recovery over-collections and refundable contributions in restricted accounts to be used only for the purpose for which they are intended.

In order to accomplish the objectives of the Commission, Rural Utility Service (RUS) accounting and reporting requirements, a non-complex mechanism acceptable to Cooperative Finance Corporation (CFC) and a workable approach acceptable to Thumb Electric Cooperative of Michigan, Thumb, on December 17, 1985, entered into an agreement with CFC to escrow power supply cost recovery over-collections and refundable contributions. A monthly certification is to be included with the monthly Form 7 advising RUS as to amounts included in the special funds representing power supply recovery over-collections and refundable contributions.

Thumb Electric Cooperative of Michigan is to provide CFC a copy of the monthly certification described above which will serve as notice to CFC as to the amount which the fund should not fall below. Under the provisions of the agreement with CFC when the amount of deposits held by CFC falls below the level set forth in the latest available certification furnished CFC, CFC will advise RUS and the Board of Directors if Thumb Electric Cooperative has not remedied the deficiency within three business days of notification by CFC to Thumb Electric Cooperative of Michigan.

The following is a summary of the cash amounts restricted as of December 31, 2017 and 2016:

	2017	2016
Construction advances	\$ 46,537	\$ 36,992
Customer deposits	191,827	187,520
PSCR (receivable) payable	(52,100)	(289,700)
	186,264	(65,188)
Difference in required investment excess (under) invested	(186,264)	364,040
Total funds restricted	\$ -	\$ 298,852

Note 3 - Electric Plant and Equipment

Electric plant in service at December 31, 2017 and 2016 consist of the following:

	2017	2016
Distribution	\$ 68,200,907	\$ 65,188,811
Transmission	10,107,089	10,022,287
Production	8,574,872	7,896,261
General	6,349,392	6,220,863
Intangible	834	834
Total	\$ 93,233,094	\$ 89,329,056

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

	2017	2016
Charged to operations		
Classified as depreciation	\$ 2,274,061	\$ 2,183,368
Classified in other operating expenses	6,276	7,679
	2,280,337	2,191,047
Charged to transportation	250,298	189,638
Total	\$ 2,530,635	\$ 2,380,685

Note 4 - Investments in Associated Organizations

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

	2017	2016
National Rural Utilities Cooperative Finance Corporation:		
Capital term certificates	\$ 599,922	\$ 609,351
Patronage capital credits	279,199	272,213
Member capital securities	150,000	150,000
Membership fee	2,000	2,000
	1,031,121	1,033,564
National Information Solutions Cooperative		
Patronage capital credits	120,201	113,455
Federated Insurance	177,740	168,400
Other	266,748	278,581
Total	\$ 1,595,810	\$ 1,594,000

Note 5 - Investments in Subsidiary

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

Thumb Electric Cooperative of Michigan

Notes to Financial Statements

December 31, 2017 and 2016

Financial information related to Thumb Energy Services Corporation at December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Balance Sheet		
Current assets	\$ 865,714	\$ 845,127
Investments and other assets	1,295,430	1,221,629
	<u>\$ 2,161,144</u>	<u>\$ 2,066,756</u>
Current liabilities	\$ 111,254	\$ 194,382
Long-term liabilities	226,773	278,904
Equity	1,823,117	1,593,470
	<u>\$ 2,161,144</u>	<u>\$ 2,066,756</u>
Operations		
Operating revenues	\$ 1,046,953	\$ 886,749
Operating expenses	(847,756)	(823,884)
Other expenses - net	(40,105)	(19,839)
	<u>\$ 159,092</u>	<u>\$ 43,026</u>

As a result of not consolidating Thumb Energy Services Corporation, the Cooperative's financial statements are understated as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Assets and liabilities	\$ 260,947	\$ 409,759
Revenues and expenses	\$ 891,440	\$ 845,133

Note 6 - Deferred Debits and Credits

Following is a summary of the amounts recorded as deferred debits and credits as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Retirement security prepayment (see Note 11)	\$ 458,620	\$ 654,975
Energy optimization	-	19,925
Total	<u>\$ 458,620</u>	<u>\$ 674,900</u>

Following is a summary of the amounts recorded as deferred credits as of December 31, 2017 and 2016:

	2017	2016
Customer prepayments	\$ 66,714	\$ 74,736
Line extension contributions	44,283	33,009
Underground contributions	2,254	3,983
Total	\$ 113,251	\$ 111,728

Note 7 - Patronage Capital

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

	2017	2016
Assignable margins	\$ 901,036	\$ 914,556
Sales tax refund assignable	36,421	29,232
Assignable to date	30,646,745	29,732,189
	31,584,202	30,675,977
Less:		
Estate payments to date	3,788,631	3,587,236
Called for redemption to date	4,969,167	4,364,125
Discounted capital	684,736	576,275
	9,442,534	8,527,636
Total	\$ 22,141,668	\$ 22,148,341

Under the provisions of the Mortgage Agreements, until the equities and margins equal or exceed thirty percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to twenty-five percent of the patronage capital or margins received by the Cooperative in the next preceding year.

The equities and margins of Thumb represent 32.52% and 33.60% percent of the total assets at December 31, 2017 and 2016.

Note 8 - Other Equities

At December 31, 2017 and 2016, other equities consisted of:

	<u>2017</u>	<u>2016</u>
Non-operating margins	\$ 30,545	\$ 30,545
Retained earnings from subsidiary	870,835	554,349
Capital gains and losses	3,137	3,137
Donated capital	5,876	5,371
Retired capital credits-gain	<u>1,455,533</u>	<u>1,258,980</u>
	<u>\$ 2,365,926</u>	<u>\$ 1,852,382</u>

The Cooperative began discounting the retirement of estate capital credits during 2011. The amount of discount credited to the retired capital credits –gain was approximately \$108,000 and \$94,000 during 2017 and 2016, respectively.

Note 9 - Mortgage Notes

	<u>2017</u>	<u>2016</u>
RUS and FFB mortgage notes payable in equal monthly or quarterly installments including interest at 2.625% - 5.500% maturing to the year 2042, secured by utility plant assets	\$ 28,695,453	\$ 36,327,374
NRUCFC mortgage notes payable in equal quarterly installments including interest at 2.30% - 6.75% maturing to the year 2031, secured by utility plant assets	14,199,334	3,170,424
CoBank mortgage notes payable in equal quarterly installments including interest at 4.22% - 6.49% maturing to the year 2027, secured by utility plant assets	<u>1,435,549</u>	<u>1,926,491</u>
	44,330,336	41,424,289
Less current maturities of long-term debt	<u>2,157,041</u>	<u>1,929,640</u>
Total long-term debt	<u>\$ 42,173,295</u>	<u>\$ 39,494,649</u>

Thumb Electric Cooperative of Michigan

Notes to Financial Statements

December 31, 2017 and 2016

As of December 31, 2017, approximate annual maturities of long-term debt outstanding for the next five years are as follows:

Year Ending December 31,	RUS and FFB	NRUCFC	CoBank	Total
2018	\$ 538,287	\$ 1,126,988	\$ 491,766	\$ 2,157,041
2019	565,710	972,859	494,063	2,032,632
2020	594,530	785,114	297,293	1,676,937
2021	624,818	755,212	22,289	1,402,319
2022	656,650	783,563	23,424	1,463,637
Thereafter	25,715,458	9,775,598	106,714	35,597,770
	<u>\$ 28,695,453</u>	<u>\$ 14,199,334</u>	<u>\$ 1,435,549</u>	<u>\$ 44,330,336</u>

Substantially all assets are pledged as collateral on long-term debt payable to the Rural Utilities Service (RUS) of the United States of America, Federal Financing Bank (FFB) and the National Rural Utilities Cooperative Finance Corporation (CFC). Additionally, the Cooperative has no unadvanced loan funds available from RUS, FFB, CoBank or CFC as of December 31, 2017.

Note 10 - Line of Credit

Line of credit consists of the following:

	2017	2016
NRUCFC line of credit		
Available at December 31	\$ 5,000,000	\$ 5,000,000
Outstanding at December 31	3,133,237	3,104,608
Rate at December 31	2.35%	2.10%
CoBank line of credit		
Available at December 31	\$ 5,000,000	\$ 5,000,000
Outstanding at December 31	400,000	200,000
Rate at December 31	3.67%	2.87%
Northstar Bank line of credit		
Available at December 31	\$ -	\$ 2,000,000
Outstanding at December 31	-	-
Rate at December 31		3.70%

The line of credit agreement requires that when the agreement is for a term of more than twelve months, then within 360 days of the first advance, the cooperative will reduce to zero for a period of at least five consecutive business days amounts outstanding. The Cooperative was in compliance with this requirement for 2017 and 2016.

Note 11 - 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.

Thumb Electric Cooperative of Michigan's contributions to the RS Plan in 2017 and 2016 represented less than five percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of \$500,900 and \$497,953 for the years ended December 31, 2017 and 2016, respectively. In 2013, the Cooperative made a \$1,307,813 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 over 7 years. The amortization expense was \$196,354 in 2017 and \$179,242 in 2016.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2017 and 2016 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Savings Plan

In addition to the above retirement plan, employees of the Cooperative are eligible to participate in the NRECA SelectRe 401(k) Pension Plan. The Cooperative made a contribution equal to 2.75% from November 1, 2013 through January 1, 2014, equal to 6.0% from January 1, 2014 through November 1, 2014, equal to 3.0% from November 1, 2014 to November 1, 2017, and equal to 3.5% starting November 1, 2017. The Cooperative made contributions of \$70,128 and \$71,602 in 2017 and 2016, respectively.

Note 12 - Related Party Transactions

Thumb Energy Services Corporation is wholly owned subsidiary of Thumb Electric Cooperative of Michigan (Thumb). At December 31, 2017 and 2016, Thumb reflected payables in the amount of \$77,080 and \$63,527, respectively. Thumb Electric Cooperative of Michigan has furnished personnel, office space, and other necessary operating facilities such as computer time for Thumb Energy Services' operations. Thumb Energy Services reimbursed Thumb Electric Cooperative \$86,027 and \$70,555 for the years ended December 31, 2017 and 2016, respectively, for these services.

Note 13 - Commitments and Contingencies

The Cooperative has entered into a Market Based Rate Full Requirement Agreement with CMS Energy Resource Management Company (CMS) to purchase its power and energy from CMS from January 1, 2014 through May 31, 2025.

Thumb Electric Cooperative of Michigan, (Guarantor), has agreed to guarantee 100% of line of credit loan and term loan advances obtained by Thumb Energy Services (TEsC) from the National Cooperative Services Corporation (NCSC) in an amount not to exceed \$2,000,000 in total outstanding and at such interest rate or rates as shall be prescribed in the note or notes executed by and on behalf of TEsC and delivered to NCSC, the proceeds of such loan to be used for general corporate purposes. The balance of the guaranteed loans outstanding as of December 31, 2017 was \$58,618.

Concentration of Sources of Labor

At December 31, 2017, the Cooperative has approximately 28% of its employees covered by a collective bargaining agreement. The collective bargaining agreement for employees will expire on November 1, 2021.



To the Board of Directors
Thumb Electric Cooperative of Michigan
Ubyly, Michigan

We have audited the financial statements of Thumb Electric Cooperative of Michigan as of and for the year ended December 31, 2017, and have issued our report thereon dated March 12, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 5, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Thumb Electric Cooperative of Michigan solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Thumb Electric Cooperative of Michigan is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Depreciation Expense – Management's estimate of depreciation expense is based on the estimated useful lives of the Cooperative's fixed assets.
- Allowance for Doubtful Accounts – Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts.
- Unbilled Revenue – Management's estimate of the unbilled revenue are based upon estimated delivered power through December 31, 2017.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. We did not identify any material misstatements to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 12, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Thumb Electric Cooperative of Michigan, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Thumb Electric Cooperative of Michigan's auditors.

Modification of the Auditor's Report

We have made the following modification to our auditor's report.

As more fully described in Note 5 to the financial statements, the Cooperative reports its investment in Thumb Energy Services Corporation, 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 Thumb Energy Services Corporation had been consolidated with those of Thumb Electric Cooperative of Michigan, total assets and total liabilities and equities would be decreased by \$261,947 and \$409,759 as of December 31, 2017 and 2016, and revenues and expenses would be increased by \$889,532 and \$845,133 for the years then ended.

This report is intended solely for the information and use of the Board of Directors, and management of Thumb Electric Cooperative of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



Fargo, North Dakota
March 12, 2018