MISSOURI BASIN MUNICIPAL POWER AGENCY
d/b/a MISSOURI RIVER ENERGY SERVICES
AND WESTERN MINNESOTA
MUNICIPAL POWER AGENCY

Sioux Falls, South Dakota

COMBINED
FINANCIAL STATEMENTS

Including Independent Auditors' Report

Years Ended December 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Missouri Basin Municipal Power Agency
d/b/a Missouri River Energy Services and
Western Minnesota Municipal Power Agency
Sioux Falls, South Dakota

Report on the Financial Statements

We have audited the accompanying combined financial statements of Missouri Basin Municipal Power Agency d/b/a Missouri River Energy Services (MRES) and Western Minnesota Municipal Power Agency (WMMPA) as of and for the years ended December 31, 2017 and 2016, and the related notes to the combined financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MRES's and WMMPA's preparation and fair presentation of the combined 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 MRES's and WMMPA'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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of MRES and WMMPA as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the combined financial statements as a whole. The Western Minnesota Municipal Power Agency Statement of Net Position, and Western Minnesota Municipal Power Agency Statement of Revenues, Expenses, and Changes in Net Position schedules included as supplemental information, as identified in the table of contents are presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed schedules included as supplemental information, as identified in the table of contents are fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 28, 2018 on our consideration of MRES's and WMMPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, including those systems applicable to MRES and WMMPA. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MRES's and WMMPA's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
March 28, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
(Unaudited - See Independent Auditors' Report)

The discussion and analysis on the following pages summarize the financial highlights and focus on factors that had a material effect on the financial condition of Missouri River Energy Services (MRES) and Western Minnesota Municipal Power Agency (WMMPA) and the results of operations during 2017 and 2016. This discussion should be read in conjunction with the accompanying financial statements and notes thereto.

The financial portion of this annual report consists of the following:

- Management's Discussion and Analysis, which provide an objective and easily readable analysis of the financial activities of MRES and WMMPA based on currently known facts, decisions, and conditions.

- The Combined Statements of Net Position, which provide a summary of the assets, deferred outflows of resources, liabilities and deferred inflows of resources, as well as further analysis on changes in current and long-term assets and liabilities.

- The Combined Statements of Revenues, Expenses, and Changes in Net Position, which provide the operating results of MRES and WMMPA into various categories of operating revenues and expenses and non-operating revenues and expenses.

- The Combined Statements of Cash Flow, which report the cash provided by and used for operating activities as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

- The Notes to the Combined Financial Statements, which provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Position

Condensed Statement of Net Position as of December 31 (Million $)

	2017	2016	2015	2017 Dollar Change	2016 Dollar Change
Current Assets	$ 248	$ 274	$ 262	$ (26)	$ 12
Non-current Assets:					
Net Capital Assets	577	517	448	60	69
Other Non-current Assets	106	113	183	(7)	(70)
Total Assets	931	904	893	27	11
Deferred Outflows of Resources:					
Unamortized loss on reacquired debt	1	1	1	-	-
Total Assets and Deferred Outflows of Resources	$ 932	$ 905	$ 894	$ 27	$ 11
Current Liabilities	$ 70	$ 71	$ 72	$ (1)	$ (1)
Non-current Liabilities:					
Revenue Bonds, Net of Current Maturities	570	584	599	(14)	(15)
Revenues collected for future costs	38	38	37	-	1
Other non-current liabilities	1	1	1	-	-
Total Liabilities	679	694	709	(15)	(15)
Deferred Inflows of Resources:					
Unearned Revenue	5	10	15	(5)	(5)
Net Position:					
Net Investment in Capital Assets	(17)	(92)	(175)	75	83
Restricted Net Position	129	194	269	(65)	(75)
Unrestricted Net Position	136	99	76	37	23
Total Net Position	248	201	170	47	31
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 932	$ 905	$ 894	$ 27	$ 11
Totals may not foot due to rounding.					

Assets and Deferred Outflows of Resources

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2017, increased by $27 million or three percent compared to December 31, 2016. The largest variance was a $60 million increase in net capital assets, from $517 million to $577 million. Other significant variances included an increase of $33 million in unrestricted cash and investments, from $113 million to $146 million, and a decrease of $68 million in restricted cash and investments, from $218 million to $150 million.

The total assets and deferred outflows of resources of MRES and WMMPA at December 31, 2016, increased by $11 million or one percent compared to December 31, 2015. The largest variance was a $69 million increase in net capital assets, from $448 million to $517 million. Other significant variances included an increase of $9 million in unrestricted cash and investments, from $104 million to $113 million, and a decrease of $75 million in restricted cash and investments, from $293 million to $218 million.

The largest asset of MRES and WMMPA at December 31, 2017, was net capital assets. Net capital assets totaled $577 million or 62 percent of total assets and deferred outflows of resources at December 31, 2017, an increase of $60 million compared to December 31, 2016. The $60 million change in net capital assets during 2017 was due to an increase in Construction Work in Progress (CWIP). The increase in CWIP is largely due to the additional work completed on the Red Rock Hydroelectric Project (RRHP).

Net capital assets totaled $517 million or 57 percent of total assets and deferred outflows of resources at December 31, 2016, an increase of $69 million compared to December 31, 2015. The $69 million change in net capital assets during 2016 included a $5 million increase in net utility plant in-service and a $64 million increase in CWIP. The majority of the increase in CWIP is the additional work completed on the RRHP.

Cash and investments were the second largest assets and deferred outflows of resources for MRES and WMMPA at December 31, 2017. Cash and investments totaled $296 million or 32 percent of total assets and deferred outflows of resources at December 31, 2017, a decrease of $35 million compared to December 31, 2016. The decrease in cash and investments during 2017 is largely due to expenditures for RRHP offset by the change in net position. At December 31, 2017, approximately $150 million of total cash and investments were restricted for debt service, capital projects, and other required purposes. The remaining $146 million of total cash and investments are unrestricted and increased by $33 million compared to December 31, 2016. The $146 million of unrestricted cash and investments represent over nine months of the 2017 operating expenses.

Cash and investments totaled $331 million or 37 percent of total assets and deferred outflows of resources at December 31, 2016, a decrease of $66 million compared to December 31, 2015. The decrease in cash and investments during 2016 is largely due to expenditures for RRHP offset by the change in net position. At December 31, 2016, approximately $218 million of total cash and investments were restricted for debt service, capital projects, and other required purposes, and the remaining $113 million are unrestricted. The $113 million of unrestricted cash and investments represent over seven and one-half months of the 2016 operating expenses.

All other assets and deferred outflows of resources of MRES and WMMPA totaled $59 million at December 31, 2017, $1 million higher than at December 31, 2016.

All other assets and deferred outflows of resources of MRES and WMMPA totaled $58 million at December 31, 2016, approximately $9 million higher than the prior year. Accounts receivable increased by approximately $3 million due to higher long-term power sales and transmission sales for the month of December. The remaining increase is due to higher advances to the Missouri Basin Power Plant.

Liabilities, Deferred Inflows of Resources, and Net Position

The total liabilities, deferred inflows of resources, and net position of MRES and WMMPA at December 31, 2017, increased by $27 million or three percent compared to December 31, 2016. Significant variances included a $47 million increase in net position offset by a $15 million decrease in total revenue bonds and a $5 million decrease in unearned revenue.

The total liabilities, deferred inflows of resources, and net position of MRES and WMMPA at December 31, 2016, increased by $11 million or one percent compared to December 31, 2015. Significant variances included a $31 million increase in net position and a $16 million decrease in total revenue bonds.

The largest liability of MRES and WMMPA is long-term debt including current maturities, which totaled $580 million or 62 percent of total liabilities, deferred inflows of resources, and net position at December 31, 2017. Long-term debt decreased by approximately $14 million during 2017. Long-term debt including current maturities at December 31, 2016, totaled $595 million or 66 percent of total liabilities, deferred inflows of resources, and net position, a decrease of $15 million from the prior year. The decrease in 2017 and 2016 was scheduled principal payments and amortization of debt premium.

Net position totaled $248 million at December 31, 2017, or 27 percent of the total liabilities, deferred inflows of resources, and net position compared to $201 million or 22 percent of total liabilities, deferred inflows of resources, and net position at December 31, 2016. During 2017 and 2016, the net position increased by $47 million and $31 million, respectively, which was the MRES and WMMPA change in net position.

Revenues collected for future costs of $38 million at both December 31, 2017 and 2016, represent four percent of total liabilities, deferred inflows of resources, and net position for both years. Unearned revenues totaled $5 million at December 31, 2017, and $10 million at December 31, 2016, which represents one percent of total liabilities, deferred inflows of resources, and net position for both years. The MRES Board of Directors (Board) approved recognizing the unearned revenue over four years, beginning in 2015 and ending in 2018. Current liabilities, excluding the current portion of long-term debt totaled $60 million (six percent) and $60 million (seven percent) of total liabilities, deferred inflows of resources, and net position at both December 31, 2017 and 2016, respectively.

Debt Activity

WMMPA made scheduled payments of $11 million and $12 million in 2017 and 2016, respectively. WMMPA did not issue any debt in 2017 or 2016.

Debt Ratings

Following are the current underlying ratings for outstanding WMMPA revenue bonds:

FitchRatings (Fitch)	AA- (stable outlook)
Moody's Investors Services (Moody's)	Aa3 (stable outlook)

The WMMPA revenue bonds have maintained a rating of AA- from Fitch since 2003 and a rating of Aa3 from Moody's since 2012.

Results of Operations

Condensed Statement of Revenues, Expenses, and Changes in Net Position (Million $)

	2017	2016	2015	2017 Dollar Change	2016 Dollar Change
Operating Revenues	$ 256	$ 231	$ 204	$ 25	$ 27
Operating Expenses	191	181	160	10	21
Operating Income	65	50	44	15	6
Investment and Other Income	10	10	9	-	1
Interest Expense	(28)	(29)	(29)	1	-
Other Non-operating (Expenses) Income	1	1	(1)	-	2
Amortization of cancelled power supply and transmission projects	-	-	(2)	-	2
Net costs recoverable in (for) future years	(1)	(1)	1	-	(2)
Change in Net Position	47	31	22	16	9
Ending Net Position	$ 248	$ 201	$ 170	$ 47	$ 31
Totals may not foot due to rounding.					

Operating Revenues

Long-term power sales revenue for 2017 was approximately $176 million compared to $162 million and $147 million in 2016 and 2015, respectively. The 2017 long-term power sales revenue was nine percent higher than in 2016, largely due to providing 100 percent of the Marshall, Minnesota, supplemental requirements for a full year in 2017. The 2016 long-term power sales revenue was ten percent higher than in 2015, largely due to providing 100 percent of the Marshall, Minnesota, supplemental requirements effective July 1, 2016. The average rate for long-term power sales was approximately 5.9 cents per kilowatt-hour (kWh) in 2017 compared to 5.8 cents per kWh in 2016 and 2015.

The 2017 short-term power sales revenue of $14 million was $3 million higher than the $11 million in 2016. The increased revenue is due to higher sales in the Southwest Power Pool (SPP). The 2016 short-term power sales revenue of $11 million was significantly higher than the less than $1 million of 2015. The increased revenue and Megawatt hour (MWh) sales in 2016 were due to Laramie River Station (LRS) Unit 1 being down for an extended scheduled maintenance outage in 2015 and MRES not utilizing LRS for member load in the Midcontinent Independent System Operator, Inc. (MISO) effective October 1, 2015. The decision to not request transmission service from SPP for MRES members in MISO eliminated a transmission pancake and saved in excess of $19 million and $13 million in 2017 and 2016, respectively, for the MISO footprint members.

The revenue received for transmission services increased by $7 million (14 percent) in 2017 compared to a $2 million (four percent) increase in 2016. The increased revenue in 2017 was due to the pass through of higher transmission costs paid to others in both SPP and MISO.

Other operating income of $5 million in 2017 is unchanged compared to 2016 and 2015. Other operating income of $5 million includes the amortization of the reparations payment received from the BNSF Railway Company (BNSF) for rail overcharges resulting from a ruling from the Surface Transportation Board (STB). The payment was received in 2009 and has been classified as unearned revenue pending the outcome of BNSF appeals of the STB decision. In early 2015, the owners of LRS and BNSF reached an agreement to settle the outstanding appeals. The terms of the settlement agreement are confidential. The WMMPA Board, in its role as regulator, approved amortizing the reparations payments over a four-year period beginning in 2015 and ending in 2018.

Operating Expenses and Net Operating Income

Fuel expense for 2017 of $18 million was 12 percent lower than in 2016 ($20 million) and 23 percent higher in 2016 compared to 2015 ($17 million). The 2017 generation at LRS was 1.4 million MWh compared to 1.5 million MWh in 2016 and 1.3 million MWh in 2015. The variance in generation between the years is due to planned and unplanned maintenance outages of LRS Unit 1 and increasing or decreasing generation based on market prices. The average fuel cost for LRS was four percent lower in 2017 than in 2016 and two percent higher in 2016 than in 2015. The generation at the natural gas-fired Exira Station was 45,191 MWh, 40,233 MWh, and 20,791 MWh in 2017, 2016, and 2015, respectively. The higher generation at Exira in 2017 and 2016 was primarily due to Exira being in the SPP market for all of 2017 and 2016 compared to three months in 2015.

Purchased power and other power supply operation and maintenance (O&M) expense for 2017 of $106 million was seven percent higher than in 2016 ($99 million) and ten percent higher in 2016 compared to 2015 ($90 million). The increased 2017 purchased power and other power supply O&M expense compared to 2016 was largely due to higher MWh market purchases offset by lower market prices. The higher 2016 purchased power and other power supply O&M expense compared to 2015 was largely due to higher MWh market purchases offset by lower market prices and lower fixed O&M expenses at LRS.

All other operating expenses totaled $67 million in 2017, $61 million in 2016, and $53 million in 2015. The bulk of the increase in other operating expense in 2017 and 2016 compared to 2015 was the increase in transmission O&M expenses due to higher costs of transmission of electricity paid by the members.

Net operating income was $65 million in 2017 compared to $51 million and $44 million in 2016 and 2015, respectively.

Non-operating Revenues and Expenses

For the year ended December 31, 2017, non-operating expenses exceeded non-operating revenues by $18 million, compared to $20 million and $22 million in 2016 and 2015, respectively.

Investment income totaled $3 million in 2017 and 2016 compared to $2 million in 2015. The variance in investment income from the 2015 through 2017 timeframe was a gradual increase in investment yields offset by a declining balance in restricted funds as bond proceeds are expended for capital additions.

Interest expense was $28 million in 2017 and $29 million in both 2016 and 2015. Debt principal requirements exceeded depreciation and amortization expense by $5 million, $6 million, and $5 million in 2017, 2016, and 2015, respectively. The difference between debt principal requirements and depreciation and amortization and the deferral of unrealized gain or loss on investments reflects MRES and WMMPA utilizing the accrual basis of accounting and following the provisions of Government Accounting Standards Board (GASB) No. 62 *Regulated Operations*, which conforms to Accounting Standards Codification No. 980, Accounting for the Effects of Certain Types of Regulation. In general, GASB 62 relates to the deferral of revenues and expenses to or from future periods to the period that revenues are expected to be earned or expenses are expected to be recovered through the rates charged to its members.

This financial report is designed to provide members, investors, and creditors with a general overview of the finances of MRES and WMMPA. Questions concerning any of the information provided in this report or requests for additional financial information, should be addressed to: Missouri River Energy Services, 3724 West Avera Drive, Sioux Falls, SD 57108-5750.

Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Net Position

	December 31	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	2017	2016
Current Assets:		
Cash and cash equivalents (Note 5):		
Restricted	$ 52,047,611	$ 33,770,495
Unrestricted	17,203,475	7,976,545
Total cash and cash equivalents	69,251,086	41,747,040
Short-term investments (Note 5):		
Restricted	68,903,991	153,107,741
Unrestricted	59,507,223	30,229,841
Total short-term investments	128,411,214	183,337,582
Accounts receivable	22,872,721	23,687,367
Advances to Missouri Basin Power Project (MBPP) (Note 6)	5,068,505	3,760,023
Fuel stock	6,800,976	8,257,251
Materials and supplies	4,481,981	4,557,995
Prepayments and other current assets	10,782,416	9,019,323
Total Current Assets	247,668,899	274,366,581
Non-Current Assets:		
Long-term investments (Note 5):		
Restricted	28,814,865	31,270,772
Unrestricted	69,857,633	74,788,285
Total long-term investments	98,672,498	106,059,057
Capital assets (Note 7):		
Utility plant in service	506,542,696	497,965,593
Less-accumulated depreciation	(245,778,930)	(237,799,146)
Net utility plant in service	260,763,766	260,166,447
Construction work in progress	316,432,152	256,336,186
Net capital assets	577,195,918	516,502,633
Advances for mine development (Note 6)	1,687,005	2,060,664
Unamortized debt expense - regulatory asset	3,373,794	3,634,163
Other non-current assets	2,334,284	1,537,881
TOTAL ASSETS	930,932,398	904,160,979
Deferred Outflows of Resources:		
Unamortized loss on reacquired debt	994,287	1,102,904
Total Deferred Outflows of Resources	994,287	1,102,904
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 931,926,685	$ 905,263,883

The accompanying notes to the combined financial statements are an integral part of these statements.

Missouri Basin Municipal Power Agency dba Missouri River Energy Services

Western Minnesota Municipal Power Agency

Combined Statements of Net Position

	December 31	
	2017	2016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:		
Current Liabilities:		
Accounts payable - unrestricted	$ 17,076,899	$ 14,131,320
Accrued taxes	3,503,080	3,591,451
Current liabilities payable from restricted assets:		
Accounts payable - restricted	25,044,385	27,741,686
Current maturities of revenue bonds (Note 8)	10,120,000	11,095,000
Accrued interest	14,044,248	14,310,150
Total Current Liabilities	69,788,612	70,869,607
Non-Current Liabilities:		
Revenue bonds:		
Principal outstanding	530,040,000	540,160,000
Unamortized debt premium	39,788,203	43,810,082
Revenue Bonds, excluding current maturities (Note 8)	569,828,203	583,970,082
Revenues collected for future costs - regulatory liability (Note 9)	37,627,573	38,259,043
Other non-current liabilities (Note 9)	1,335,945	1,327,820
Total Non-Current Liabilities	608,791,721	623,556,945
Total Liabilities	678,580,333	694,426,552
Deferred Inflows of Resources:		
Unearned revenue (Note 12)	4,868,603	9,737,207
Total Deferred Inflows of Resources	4,868,603	9,737,207
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 683,448,936	$ 704,163,759
Net Position:		
Net investment in capital assets	(16,931,119)	(91,776,529)
Restricted:		
Debt service	49,825,143	51,026,742
Capital additions	58,403,570	127,035,448
Other	20,996,036	15,986,129
Total Restricted	129,224,749	194,048,319
Unrestricted	136,184,119	98,828,334
Total Net Position	$ 248,477,749	$ 201,100,124
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 931,926,685	$ 905,263,883

Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31

	2017	2016
Operating Revenues (Notes 3 and 10):		
Long-term power sales	$ 176,396,060	$ 161,683,660
Short-term power sales	13,605,010	10,561,802
Transmission services	60,815,189	53,588,711
Other operating income	5,122,820	4,990,252
Total Operating Revenues	255,939,079	230,824,425
Operating Expenses:		
Fuel	17,765,441	20,198,506
Purchased power and other power supply operation and maintenance	106,085,893	99,341,016
Depreciation and amortization	8,844,026	8,772,257
Transmission operation and maintenance	41,641,686	35,965,492
Customer information and collections	222,353	194,970
Administrative and general	12,322,386	11,823,362
Property taxes	3,837,609	4,245,895
Total Operating Expenses	190,719,394	180,541,498
Operating Income	65,219,685	50,282,927
Non-Operating Revenues (Expenses):		
Investment income	3,349,817	2,729,305
Other income	6,918,381	7,267,710
Other expense	(3,387,281)	(3,298,457)
Interest expense	(28,088,496)	(28,620,301)
Amortization of financing related costs and premium	3,649,034	3,693,993
Unrealized gain (loss) on investments	(914,986)	230,491
Net costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	(5,348,784)	(6,395,305)
Amortization of reserves previously collected	5,065,269	5,065,269
Other costs recoverable in (for) future years	914,986	(230,491)
Total Non-Operating Expenses	(17,842,060)	(19,557,786)
Change in Net Position	47,377,625	30,725,141
Net Position:		
Beginning of year	201,100,124	170,374,983
End of year	$ 248,477,749	$ 201,100,124

The accompanying notes to the combined financial statements are an integral part of these statements.

Missouri Basin Municipal Power Agency dba Missouri River Energy Services
Western Minnesota Municipal Power Agency
Combined Statement of Cash Flow
Years Ended December 31

	2017	2016
Cash Flows From (Used For) Operating Activities:		
Received from members and others	$ 263,672,106	$ 235,809,719
Paid to suppliers for goods and services	(181,954,819)	(176,903,120)
Paid to employees for operating payroll	(9,631,800)	(9,007,575)
Net Cash Flows From Operating Activities	72,085,487	49,899,024
Cash Flows From (Used For) Capital and Related Financing Activities:		
Net additions to utility plant	(68,827,397)	(75,625,429)
Advances for mine development	-	(1,382,399)
Mine development repayments	361,359	341,907
Net advances for solar project	62,239	(1,462,518)
Revenue bond payments	(11,095,000)	(11,795,000)
Interest paid on revenue bonds	(28,354,398)	(28,666,576)
Other	(1,376,208)	(410,642)
Net Cash Flows Used For Capital and Related Financing Activities	(109,229,405)	(119,000,657)
Cash Flows From (Used For) Investing Activities:		
Proceeds from maturity and sale of investment securities	216,041,254	209,498,248
Purchase of investment securities	(154,643,313)	(158,225,417)
Investment income received	3,250,023	2,807,772
Net Cash Flows From (Used For) Investing Activities	64,647,964	54,080,603
Net Change in Cash and Cash Equivalents	27,504,046	(15,021,030)
Cash and Cash Equivalents, Beginning of Year	41,747,040	56,768,070
Cash and Cash Equivalents, End of Year	$ 69,251,086	$ 41,747,040

Reconciliation of Operating Income to Net Cash Flows From Operating Activities:		
Operating income	$ 65,219,685	$ 50,282,927
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	8,844,026	8,772,257
Amortization of proceeds previously received from Surface Transportation Board de	(4,868,604)	(4,868,604)
Write-off of deferred charges	475,962	630,748
Member assessments and miscellaneous income	6,918,381	7,267,710
Other expenses	(3,387,281)	(3,298,457)
Changes in assets and liabilities:		
Accounts receivable	814,646	(1,935,590)
Advances to MBPP	(1,308,482)	(62,041)
Fuel stock	1,456,275	(2,896,354)
Materials and supplies	76,014	(311,855)
Prepayments and other current assets	(1,643,002)	(2,446,652)
Accounts payable and other non-current liabilities	(423,762)	(1,576,398)
Accrued taxes	(88,371)	341,333
Net Cash Flow From Operating Activities	$ 72,085,487	$ 49,899,024
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:		
Restricted - Cash and cash equivalents	$ 52,047,611	$ 33,770,495
Unrestricted - Cash and cash equivalents	17,203,475	7,976,545
Restricted - Short-term investments	68,903,991	153,107,741
Unrestricted - Short-term investments	59,507,223	30,229,841
Restricted - Long-term investments	28,814,865	31,270,772
Unrestricted - Long-term investments	69,857,633	74,788,285
Total Cash and Investments	296,334,798	331,143,679
Less: Noncash Equivalents	(227,083,712)	(289,396,639)
TOTAL CASH AND CASH EQUIVALENTS	$ 69,251,086	$ 41,747,040
Supplemental disclosure of non-cash capital and related financing activites		
Capital asset acquisition included in accounts payable	$ 680,165	$ 663,262

Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services
Western Minnesota Municipal Power Agency Notes to Combined Financial Statements

1. ORGANIZATION

Missouri Basin Municipal Power Agency d.b.a. Missouri River Energy Services (MRES) is a body corporate and politic, organized under the laws of the State of Iowa. Membership consists of 60 municipalities in the states of Iowa, Minnesota, North Dakota, and South Dakota that own and operate utilities for the local distribution of electricity.

Western Minnesota Municipal Power Agency (WMMPA) is a municipal corporation and political subdivision of the State of Minnesota. The WMMPA membership consists of 23 municipalities in the state of Minnesota. All WMMPA members are also members of MRES. WMMPA owns (1) a 16.47 percent undivided interest in the Missouri Basin Power Project (MBPP), a 1,710 Megawatt (MW) coal-fired, generating facility; (2) the Exira Station (Exira), a 140 MW natural gas-fired, generating facility; (3) the Watertown Power Plant (WPP), a 60 MW oil-fired, generating plant; (4) the Worthington Wind Project, four wind turbines with a total capacity of 3.7 MW; (5) the Red Rock Hydroelectric Project (RRHP), a 36.4 MW hydroelectric, generating facility currently under construction; (6) a headquarters building; and (7) varying ownership interests in transmission facilities.

Pursuant to a power supply contract, MRES purchases and WMMPA sells the WMMPA entitlement in its generation and transmission facilities. MRES in turn utilizes the output and capacity of these facilities and other resources to provide power supply and transmission services to members under terms of separate Long-term Power Sale Agreements and Transmission Service Agreements (Notes 3 and 4).

MRES and WMMPA are not rate-regulated by any federal or state authority or subject to federal or state income taxes. MRES performs all requested administrative services on behalf of WMMPA, which has no employees of its own, under an administrative services agreement. As of December 31, 2017, the administrative services agreement was in effect until January 1, 2046. In March 2018, this agreement was extended to January 1, 2057. The agreement may be terminated thereafter by either party upon two years written notice. MRES and WMMPA are two separate entities reported as a combined enterprise. The entities coexist on an equal basis with both entities together providing holistic services to its members. WMMPA owns the assets and provides financing, while MRES operates the assets and provides services. Neither entity is subordinate to the other. Therefore, the financial statements of WMMPA and MRES are combined to provide fair and accurate representation of the entities.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Method

The combined financial statements of MRES and WMMPA follow authoritative sources of United States (U.S.) generally accepted accounting principles (GAAP) under the provisions of Governmental Accounting Standards Board (GASB) 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. MRES and WMMPA comply with all applicable GASB pronouncements, including the application of GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). MRES and WMMPA utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts.

Under GASB 62, MRES and WMMPA defer revenues and expenses for future recognition as they are recovered or returned through the rate-making process.

Net Position is classified into three components:

- *Net investment in capital assets* – This component consists of net capital assets reduced by the outstanding balances of revenue bonds attributable to the acquisition, construction, or improvement of capital assets. Unspent debt proceeds at year-end are classified as restricted and are not included in this component.
- *Restricted* – This component of net position consists of constraints imposed by the WMMPA Power Supply Revenue Bond Resolution (Bond Resolution).
- *Unrestricted* – This component consists of the portion of the net position of MRES and WMMPA that does not meet the definition of "restricted" or "net investments in capital assets."

When both restricted and unrestricted resources are available for use, it is the policy of MRES and WMMPA to use restricted resources first, then unrestricted resources as they are needed.

B. Revenue Recognition

Revenue is accrued through the end of each month.

C. Operating Revenues and Expenses

MRES and WMMPA distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from generating, purchasing, and transmitting electric power and energy. The principal operating revenues of MRES are revenues from members and others for the generation, purchase, and transmission of electric power and energy.

Operating expenses for MRES and WMMPA include the cost of generating, purchasing, and transmitting electric power and energy, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The other non-operating revenues are primarily related to income from providing distribution maintenance services for four of the MRES member communities and one associate, income received from the U.S. Treasury for the Build America Bonds, and revenue from hosting a refined coal project at Laramie River Station (LRS).

D. Utility Plant

Utility plant is stated at cost. MRES and WMMPA capitalize assets with a cost in excess of $1,000 and life of more than one year, with the exception of MBPP assets, which are capitalized in excess of $10,000. If interest during construction is recorded, it is recorded in accordance with GASB 62. Interest during construction is not accrued on transmission assets that FERC has approved, including Construction Work in Progress in rate base or if the MRES and WMMPA Boards of Directors (Boards) have approved collecting interest during construction through current rates. The cost of utility plant retired plus the cost of removal less salvage is charged to accumulated depreciation. Repairs and maintenance of units of property are charged to operations. WMMPA uses the provisions of ASC Section 410 *Asset Retirement and Environmental Obligations,* formerly known as Statement of FASB issued Statement No. 143, "Accounting for Asset Retirement Obligations," which establishes accounting standards for the recognition and measurement of a liability for legal obligations associated with the retirement of long-lived assets. WMMPA accrued $380,637 at December 31, 2017 and 2016, for asset retirement obligations, which are included in other non-current liabilities on the Statements of Net Position.

E. Depreciation

WMMPA and MRES utilize straight-line depreciation for all depreciable assets. The estimated service lives for capital assets are 25 to 52 years for generation plant, 40 to 60 years for transmission plant, 52 years for intangible plant, and five to 50 years for general plant. Depreciation expense, expressed as a percent of depreciable utility plant in service, was 1.8 percent for both 2017 and 2016.

F. Inventories

Fuel stock inventory, materials, and supplies are stated at weighted average cost.

G. Prepayments and Other Assets

Prepayments and other assets include unamortized costs of expenses paid in advance for which the future benefits have yet to be realized. MRES and WMMPA recognize an expense or asset when such benefit is realized. Prepayments and other assets are for (1) collateral for participating energy markets; (2) WMMPA's portion of prepayments and other assets recorded on MBPP financial statements; (3) interest receivable for investments; (4) other prepaid operating costs, such as insurance; and (5) prepayment for a solar project.

H. Investments

Investment securities are stated at market value based on quoted market prices. Gains or losses on the sale of investment securities are recognized using the specific identification method.

I. Restricted Assets

Restricted assets consist of cash and investments required to be maintained or restricted by the Bond Resolution. Current liabilities payable from these restricted assets are also classified as restricted. WMMPA is in compliance with all Bond Resolution funding requirements.

J. Deferred Outflow and Inflow of Resources

MRES and WMMPA follow GASB 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies as deferred outflows of resources or deferred inflows of resources or recognizes outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

K. Amortization

Under GASB 65, *Items Previously Reported as Assets and Liabilities,* bond issuance costs are to be expensed in the period incurred. However, WMMPA unamortized debt-issuance costs and premium are amortized over the term of the bonds for rate-making purposes. A regulatory asset is established under GASB 62 to recognize unamortized bond issuance costs. Additionally, gains and losses resulting from the defeasance or early redemption of bonds are recorded as deferred outflow and amortized over the term of the new debt as allowed through the application of the provisions of GASB 65. WMMPA amortizes these amounts based on the straight-line method, which approximates the effective interest rate method.

L. Compensated Absences

Employees are granted and accrue paid time-off in varying amounts in accordance with the MRES Human Resources Policies. Only compensated absences considered to be vested are accrued in these statements.

M. Revenues Collected for Future Costs

This liability, established pursuant to GASB 62, includes (1) the difference between debt principal collected in rates and depreciation expense; (2) the unamortized balance of funds collected for renewal and replacement of the utility plant and significant unplanned replacement power costs; (3) unrealized gain or loss on investments; and (4) amortization of financing related costs and premium.

N. Statements of Cash Flows

All highly liquid investments with a remaining maturity of three months or less at the date of purchase are considered cash equivalents.

O. Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these combined financial statements in conformity with accounting principles generally accepted in the U.S. Actual results could differ from the estimates. MRES participates in the Midcontinent Independent System Operator, Inc. (MISO) and the Southwest Power Pool (SPP) energy markets. MISO and SPP may true-up revenues and expenses from prior years. MRES accrues revenue and expenses that are known at the time of closing, but since there is such a long window for true-ups, actual results may differ from estimates.

P. Subsequent Events

MRES and WMMPA considered events for recognition or disclosure in the financial statements that occurred subsequent to December 31, 2017, through March 28, 2018, the date the financial statements were available for issuance. Management is not aware of a material subsequent event.

Q. Implementation of New Accounting Principles

In 2016, MRES and WMMPA implemented the provisions of the following accounting principles:

- GASB Statement No. 72, *Fair Value Measurement and Application.* This Statement provides guidance for determining a fair value measurement for financial reporting purposes as well as applying fair value to certain investments and the disclosure related to all fair value measurements.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and unauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The implementation of GASB Statements No. 72 and 76 did not have a significant impact on the financial statements of MRES and WMMPA.

R. Recently Issued Accounting Pronouncements

GASB has approved GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 85, *Omnibus*, Statement No. 86, *Certain Debt Extinguishment Issues*, and Statement No. 87, *Leases*. When they become effective, application of these standards may restate portions of these financial statements.

S. Reclassifications

Certain amounts in the prior year’s financial statements have been reclassified to conform to current year presentation.

3. SALE AGREEMENTS

A. Power Sale Agreements

MRES and WMMPA have Long-term Power Sale Agreements with 60 members (Power Supply Members). Fifty-seven of the members (S-1 Members) have executed S-1 Power Sale Agreements (S-1 Agreements), and three members have executed Non S-1 Power Sales Agreements. The members must take and pay for all electric power and energy made available under these agreements.

The S-1 Agreements were amended and restated in June 2016 for all 57 S-1 Members. The S-1 Agreements for the S-1 Members require MRES to provide and obligate the S-1 Member to purchase, all energy and capacity required by the S-1 Member in excess of the electric power and energy made available to each S-1 Member from the Western Area Power Administration (WAPA). These amended and restated S-1 Agreements were effective January 2, 2017, and expire January 1, 2057. The S-1 Members have an option, exercisable every five years, to cap purchases from MRES at the level of service provided by MRES two years following the exercise of the option. None of the S-1 Members have elected to cap their purchases from MRES. The next option date for capping purchases from MRES is 2027.

MRES provides 100 percent of the demand and energy requirements to one MRES member under a Non S-1 Power Sale Agreement. This Non S-1 Power Sale Agreement was amended and restated in June 2016. The amended and restated agreement is effective January 2, 2017, and expires January 1, 2057. Through December 31, 2017, the sale of power and energy under the other two Non S-1 Agreements were based on a 100 percent load factor, i.e., the same level of power and energy every hour. One of these Non S-1 Power Sale Agreements expires January 1, 2046, and has not been amended. The other agreement was amended in October 2017 and was effective January 1, 2018. This amended agreement requires the member to purchase all of its electric power requirements over and above purchases from WAPA and generation owned by the member. The agreement with this member extends to January 1, 2040.

Sales revenue associated with all Long-term Power Sale Agreements is classified in the accompanying statements as "Long-term power sales." Under terms of the Long-term Power Sale Agreements, MRES is required to establish and maintain rates that will provide sufficient revenues to cover the payments under the Power Supply Contract and all other revenue requirements.

MRES has contracted to collect payments for WAPA power and energy purchased by the S-1 Members and to remit these payments to WAPA. Since MRES is only acting as agent for the S-1 Members, these amounts are not reflected as revenue or expense in the Combined Statements of Revenues, Expenses, and Changes in Net Position. The power and energy purchased by the S-1 Members that MRES was responsible for collecting and remitting to WAPA totaled approximately $52,315,000 and $61,574,000 for the 12 months ended December 31, 2017 and December 31, 2016, respectively. The reduced amounts collected in 2017 reflect a rate reduction from WAPA.

Effective January 2, 2017, the revenue requirements of the Long-term Power Sale Agreements expiring January 1, 2057, include all expenses for transmission of electric power and energy to these members. These expenses totaled $38,310,000 during 2017. Prior to January 2017, the revenue requirements of the Long-term Power Sale Agreements only included the expenses levied by SPP for use of facilities owned by WAPA, WMMPA, and several other utilities. These expenses totaled $11,352,000 during 2016.

In addition to sales under the Long-term Power Sale Agreements, MRES has arrangements to sell wholesale power and energy to other customers, MISO, or SPP on short-term firm and non-firm bases. Revenues associated with these sales are classified in the accompanying statements as "Short-term power sales."

B. Transmission Service Agreements

The Transmission Customers are committed to take and pay for all transmission service made available to them. MRES is required to establish and maintain rates sufficient to meet the revenue requirements of furnishing transmission service under these agreements.

Concurrent with the approval of the amended and restated S-1 and Non S-1 Agreements discussed in Note 4A, all Transmission Service Agreements were terminated effective January 2, 2017. Effective January 2, 2017, transmission services are included in these amended and restated S-1 and Non S-1 Agreements, and all transmission revenues under these agreements are pledged to WMMPA under the Power Supply Contract.

4. SUPPLY CONTRACTS

A. Power Supply Contract

Under the Power Supply Contract, WMMPA is obligated to sell to MRES, and MRES is obligated to buy from WMMPA, on a take-and-pay basis, entitlement in the generation, transmission, and general plant facilities owned by WMMPA and all replacement power and energy required by the Power Supply Members.

As of December 31, 2017, the Power Supply Contract was in effect until January 1, 2046. In March 2018, the Power Supply Contract was extended to January 1, 2057.

B. Purchase Power Agreements

MRES has Purchase Power Agreements (PPA) with various third parties to receive the output of approximately 79 MW of wind generation, 33 MW of nuclear generation, and 1 MW of solar generation. The wind generation PPAs expire at various times between 2024 and 2029, the nuclear generation PPA expires in 2033 and, the solar generation PPA expires in 2041.

5. INVESTMENTS

The investments for MRES and WMMPA are in accordance with the Bond Resolution; the Assignment and Pledge Agreement among MRES, WMMPA, and the Agent Bank; the MRES Investment Policy; the WMMPA Investment Policy (which conforms to the Bond Resolution); and applicable state law. These documents allow investment in securities issued by the U. S. Government, its agencies and instrumentalities, certain state and local government securities, specified corporate obligations, and certain bank instruments.

CUSTODIAL CREDIT RISK

Deposits

Deposit custodial credit risk is the risk that in the event of a financial institution failure, the entity's deposits may not be returned to MRES or WMMPA. Deposits in each bank were insured by the Federal Deposit Insurance Corporation (FDIC) in the aggregate amount of $250,000 for interest-bearing and noninterest-bearing accounts in 2017 and 2016. State law and MRES and WMMPA Investment Policies require collateralization of all deposits above the FDIC limit. At December 31, 2017 and 2016, MRES and WMMPA deposits were entirely insured or collateralized. MRES also holds a collateral account with MISO which totaled $1,752,356 and $1,250,730 at December 31, 2017 and December 31, 2016, respectively. MRES holds a collateral account with SPP which totaled $352,845 and $250,458 at December 31, 2017 and December 31, 2016, respectively.

Investments

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, MRES and WMMPA will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. WMMPA investments are held by Wells Fargo Bank, National Association, as a Trustee for WMMPA. MRES investments are held in the book entry system of the Fifth Third Bank in the name of the MRES custodian, First Premier Bank. MRES is identified as the owner of these investments in the records of First Premier Bank.

MRES and WMMPA funds at December 31, 2017 and 2016, are summarized as follows:

	2017		2016	
	Amortized Cost	**Estimated Market Value**	**Amortized Cost**	**Estimated Market Value**
Cash and Cash Equivalents:	$ 69,251,086	$ 69,251,086	$ 41,747,040	$ 41,747,040
Investment Securities:				
Securities issued by U.S. Government	44,420,559	44,200,149	70,797,721	70,879,708
Securities issued by U.S. Government Agencies and Instrumentalities	173,899,751	172,910,922	193,941,506	193,566,031
Commercial Paper	9,976,651	9,972,641	24,955,565	24,950,900
Total Funds	$ 297,548,047	$ 296,334,798	$ 331,441,832	$ 331,143,679

Investments are stated at estimated market value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Estimated market values are based on quoted market prices. The estimated market value of cash and cash equivalents and investment securities, by contractual maturity, is shown under Fair Value Measurement. Expected maturities will differ from the contractual maturity, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Investment values may have changed significantly after year end.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity that are significant to the fair value of the assets or liabilities.

The tables displayed below present the fair value measurements of MRES and WMMPA assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at year-end. Securities issued by the U.S. Government are classified in Level 1 of the fair value hierarchy and valued using prices quoted in active markets for those securities. Securities issues by U.S. Government Agencies and Instrumentalities were valued on institutional bond quotes and/or evaluations based on various market and industry inputs and are classified in Level 2. Commercial Paper is also classified in Level 2 and was on a curve-based approach using various market and industry inputs. Cash and Cash Equivalents are valued at outstanding balance, and thus, are not included within the fair value hierarchy.

At December 31, 2017, the MRES and WMMPA investments were as follows:

Investment Type	Estimated Market Value	Maturity (Years) Less than One	One through Five	Level of Fair Value Hierarchy
Cash and Cash Equivalents	$ 69,251,086	$ 69,251,086	$ -	
Securities issued by U.S. Government	44,200,149	22,173,784	22,026,365	Level 1
Securities issued by U.S. Government Agencies and Instrumentalities	172,910,922	96,290,502	76,620,420	Level 2
Commercial Paper	9,972,641	9,972,641	-	Level 2
Total	$ 296,334,798	$ 197,688,013	$ 98,646,785	

At December 31, 2016, the MRES and WMMPA investments were as follows:

Investment Type	Estimate Market Value	Maturity (Years) Less than One	One through Five	Level of Fair Value Hierarchy
Cash and Cash Equivalents	$ 41,747,040	$ 41,747,040	$ -	
Securities issued by U.S. Government	70,879,708	53,849,050	17,030,658	Level 1
Securities issued by U.S. Government Agencies and Instrumentalities	193,566,031	104,537,632	89,028,399	Level 2
Commercial Paper	24,950,900	24,950,900	-	Level 2
Total	$ 331,143,679	$ 225,084,622	$ 106,059,057	

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The securities issued by the U.S. Government, its Agencies and Instrumentalities had AA+ ratings from Standard & Poor's (S&P) and/or AAA ratings from Fitch Ratings and/or Aaa ratings from Moody's Investors Service (Moody's). The commercial paper had short term ratings of A-1+ from S&P and P-1 from Moody's. The money market mutual funds had ratings of AAAm from S&P and Aaa-mf ratings from Moody's. The MRES and WMMPA Investment Policies limit investments to certain issuers, types of institutions, and ratings, of which all outstanding investments are in compliance.

CONCENTRATIONS OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer by MRES or WMMPA. Investments held with issuers totaling five percent or more of the total portfolio were concentrated as follows:

Issuer	% of Portfolio at December 31 2017	2016
Federal Home Loan Bank	22%	16%
Federal Home Loan Mortgage Corporation	19%	25%
U.S. Government	15%	21%
Federal National Mortgage Association	9%	9%
Federal Farm Credit Bank	9%	9%
Toyota Commercial Paper	3%	6%

The MRES and WMMPA Investment Policies do not limit the amount of the portfolio that can be invested in securities issued by the U.S. Government or agencies of the U.S. Government. The MRES Investment Policy and state law restrict investments of commercial paper by percentage of portfolio as well as by the amount of a single issuer. Both the MRES and WMMPA Investment Policies address diversification of investments to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of security.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the estimated market value of an investment.

The maximum maturity under the MRES Investment Policy for operating funds is 397 days. All other MRES funds may have longer maturities consistent with liquidity needs. The maximum maturity under the WMMPA Investment Policy for operating funds is 12 months. All other WMMPA funds have varying maturity limits depending on the anticipated need to make payments from the various funds.

6. MISSOURI BASIN POWER PROJECT

A. Utility Plant

WMMPA has a 16.47 percent undivided ownership in MBPP that includes the LRS, which consists of three 570 MW coal-fired, steam, electric-generating units, associated transmission facilities, intangible plant, and the Grayrocks Dam and Reservoir.

B. Coal Supply Contracts

MBPP has an agreement with Western Fuels Association, Inc. (Western Fuels) to purchase sub-bituminous coal for LRS through the year 2034. The price of this coal is fixed at an amount that will produce revenues sufficient, together with all other Western Fuels' revenues, to cover the costs of producing or acquiring and delivering the coal. MBPP is obligated to pay for a minimum amount of coal each year. The average prices of MBPP coal purchases were approximately $18.16 and $18.52 per ton in 2017 and 2016, respectively. MBPP purchased approximately 5.7 million and 7.2 million tons of coal during 2017 and 2016, respectively. Minimum coal purchase requirements over the next five years of the contracts for all MBPP participants are as follows:

Year	Tons
2018	5,800,000
2019	5,850,000
2020	4,700,000
2021	4,700,000
2022	3,700,000

Western Fuels entered into various agreements that provide for development and ownership of the Dry Fork Mine. In connection with the development and acquisition of the Dry Fork Mine, the MBPP participants provided financing to Western Fuels. At December 31, 2017 and 2016, the balance of advances owed to WMMPA approximated $2.1 million and $2.4 million, respectively. These advances are expected to be fully repaid in 2026.

C. Operating Expenses

Costs of MBPP are allocated to WMMPA based on its 16.47 percent undivided ownership interest, except for energy-related costs, which are allocated based on scheduled generation and adjusted for the relative effects of the LRS heat rate and plant efficiency at the time generation is scheduled. Such costs are included in operating expenses in the Combined Statements of Revenues, Expenses, and Changes in Net Position.

D. Advances to MBPP

At December 31, 2017 and 2016, WMMPA advances to the MBPP operating agent, for working capital purposes totaled approximately $5.1 million and $3.8 million, respectively.

7. UTILITY PLANT

Utility plant at December 31, 2017 and 2016, consisted of:

	2017			2016		
	Gross Plant	Accumulated Depreciation	Net Plant	Gross Plant	Accumulated Depreciation	Net Plant
Generation	$308,235,920	$183,000,950	$125,234,970	$303,818,417	$179,097,167	$124,721,250
Transmission	172,080,099	45,301,874	126,778,225	168,441,173	42,018,358	126,422,815
General	16,952,926	9,513,155	7,439,771	16,432,252	8,813,408	7,618,844
Intangible	9,273,751	7,962,951	1,310,800	9,273,751	7,870,213	1,403,538
Utility Plant in Service	506,542,696	245,778,930	260,763,766	497,965,593	237,799,146	260,166,447
Construction Work in Progress	316,432,152	-	316,432,152	256,336,186	-	256,336,186
Total Utility Plant	$822,974,848	$245,778,930	$577,195,918	$754,301,779	$237,799,146	$516,502,633

Utility plant activity for the years ended December 31, 2017 and 2016, was:

	January 1, 2017	Additions	Retirements	Transfers	December 31, 2017
Non-depreciable Utility Plant:					
Land	$ 2,387,140	$ -	$ -	$ -	$ 2,387,140
Construction Work in Progress	256,336,186	68,705,031	-	(8,609,065)	316,432,152
Total Non-depreciable Utility Plant	258,723,326	68,705,031	-	(8,609,065)	318,819,292
Depreciable Utility Plant:					
Depreciable Utility Plant in Service	495,578,453	798,672	(830,634)	8,609,065	504,155,556
Accumulated Depreciation	(237,799,146)	(8,844,026)	864,242	-	(245,778,930)
Net Depreciable Utility Plant in Service	257,779,307	(8,045,354)	33,608	8,609,065	258,376,626
Net Utility Plant	$ 516,502,633	$ 60,659,677	$ 33,608	$ -	$ 577,195,918

	January 1, 2016	Additions	Retirements	Transfers	December 31, 2016
Non-depreciable Utility Plant:					
Land	$ 2,387,140	$ -	$ -	$ -	$ 2,387,140
Construction Work in Progress	192,405,745	73,875,864	-	(9,945,423)	256,336,186
Total Non-depreciable Utility Plant	194,792,885	73,875,864	-	(9,945,423)	258,723,326
Depreciable Utility Plant:					
Depreciable Utility Plant in Service	489,118,027	3,008,416	(6,493,413)	9,945,423	495,578,453
Accumulated Depreciation	(235,823,076)	(8,772,257)	6,796,187	-	(237,799,146)
Net Depreciable Utility Plant in Service	253,294,951	(5,763,841)	302,774	9,945,423	257,779,307
Net Utility Plant	$ 448,087,836	$ 68,112,023	$ 302,774	$ -	$ 516,502,633

8. FINANCING

Power Supply Revenue Bonds

The Power Supply Revenue Bonds (Revenue Bonds) were issued to finance the ownership interest of WMMPA in generation, transmission, and general plant facilities. Revenue Bond activity for the years ended December 31, 2017 and 2016, was as follows:

	January 1, 2017	Payments or Amortization	December 31, 2017	Amount Due within One Year
Revenue Bonds	$ 551,255,000	($11,095,000)	$ 540,160,000	$ 10,120,000
Unamortized Debt Premium	43,810,082	(4,021,879)	39,788,203	-
Revenue Bonds, Net of Unamortized Premium	$ 595,065,082	($15,116,879)	$ 579,948,203	$ 10,120,000

	January 1, 2016	Payments or Amortization	December 31, 2016	Amount Due within One Year
Revenue Bonds	$ 563,050,000	($11,795,000)	$ 551,255,000	$ 11,095,000
Unamortized Debt Premium	47,965,729	(4,155,647)	43,810,082	-
Revenue Bonds, Net of Unamortized Premium	$611,015,729	($15,950,647)	$ 595,065,082	$ 11,095,000

The original issue amount and the outstanding amount of the Revenue Bonds, net of unamortized debt discount and premium, at December 31, 2017 and 2016, are as follows:

	Original Issue Amount	**Amount Outstanding** 2017	2016
2006 Series A Bonds: Serial Bonds: 3.85%-5.00% due 2016 and 2017	12,890,000	-	6,595,000
2010 Series A Bonds: Serial Bonds: 3.00%-5.00% due 2017 and 2018	9,215,000	4,715,000	9,215,000
2010 Series C Bonds: Term Bonds (Build America Bonds): 6.77% with annual sinking fund requirements beginning in 2031, due 2046	99,915,000	99,915,000	99,915,000
2012 Series A Bonds: Serial Bonds: 3.00%-5.00% due 2024 through 2030	49,440,000	49,440,000	49,440,000
2014 Series A Bonds: Serial Bonds: 3.00%-5.00% due 2018 through 2046	351,255,000	351,255,000	351,255,000
2015 Series A Bonds: Serial Bonds: 5% due 2031 through 2036	34,835,000	34,835,000	34,835,000
Principal Outstanding		540,160,000	551,255,000
Unamortized debt premium		39,788,203	43,810,082
Revenue Bonds, including unamortized debt premium		579,948,203	595,065,082
Less current maturities		10,120,000	11,095,000
Revenue Bonds, including unamortized debt premium and excluding current maturities		$ 569,828,203	$ 583,970,082

Future Debt service payments for the outstanding Revenue Bonds are as follows:

Year Ending December 31	Principal	Interest	Total	Payments expected to be received from U.S. Treasury
2018	10,120,000	27,893,446	38,013,446	2,204,129
2019	9,850,000	27,501,396	37,351,396	2,204,129
2020	10,240,000	27,048,396	37,288,396	2,204,129
2021	10,755,000	26,523,521	37,278,521	2,204,129
2022	11,290,000	25,972,396	37,262,396	2,204,129
2023-2027	44,535,000	122,137,955	166,672,955	11,020,647
2028-2032	73,440,000	110,073,751	183,513,751	10,998,863
2033-2037	104,550,000	87,066,301	191,616,301	10,677,062
2038-2042	133,600,000	55,841,108	189,441,108	7,391,494
2043-2047	131,780,000	15,157,740	146,937,740	1,980,717
Totals	$ 540,160,000	$ 525,216,010	$1,065,376,010	$ 53,089,428

The 2010 Series A Bonds are not subject to redemption prior to their scheduled maturities. The 2012 Series A, 2014 Series A, and 2015 Series A Bonds are subject to redemption at par beginning in 2023, 2024, and 2026, respectively, at the option of WMMPA. The 2010 Series C Bonds are subject to redemption prior to their stated maturity at the option of WMMPA, in whole or in part, on any date. The redemption price for the 2010 Series C Bonds is the greater of 100 percent of the principal or the sum of present value of the remaining scheduled payments of principal and interest to the maturity date of the 2010 Series C Bonds. The outstanding bonds are secured by a pledge and assignment of and security interest in (1) the proceeds of the Revenue Bonds; (2) all funds established under the Bond Resolution; (3) all revenues received by MRES under the Power Sale Agreements; and (4) all revenues received from regional transmission organizations, expect for revenues received by MRES for member-owned transmission assets. Principal and interest for the current year and total revenue pledged were approximately $39,449,000 and $258,408,000, respectively.

WMMPA did not issue any debt during 2017 and 2016. WMMPA has irrevocably escrowed funds to make the remaining principal and interest payments on previously issued Revenue Bonds (Escrowed Bonds). There were no Escrowed Bonds outstanding at December 31, 2017. Escrowed Bonds outstanding and considered defeased totaled $36,955,000 at December 31, 2016.

9. NON-CURRENT LIABILITIES

Non-current liability activity for the years ended December 31, 2017 and 2016, was as follows:

	January 1, 2017	Additions	Reductions	December 31, 2017
Revenues collected for future costs – regulatory liability	$ 38,259,043	$12,950,761	($13,582,231)	$ 37,627,573
Other non-current liabilities	1,327,820	8,125	-	1,335,945
Total non-current liabilities	$ 39,586,863	$12,958,886	($13,582,231)	$ 38,963,518

	January 1, 2016	Additions	Reductions	December 31, 2016
Revenues collected for future costs – regulatory liability	$ 36,698,518	$15,019,483	($13,458,958)	$ 38,259,043
Other non-current liabilities	897,644	430,176	-	1,327,820
Total non-current liabilities	$ 37,596,162	$15,449,659	($13,458,958)	$ 39,586,863

10. RATE MATTERS

As part of a plan to stabilize the cost of electrical energy to its members, the MRES Board has a policy to approve rates under the Long-term Power Sale Agreements that may include the use of the prior year's Net Position to fund a portion of subsequent years' operating expenses. Funds accumulated from prior years were not utilized in establishing the rates for either 2017 or 2016.

11. RETIREMENT PLAN

MRES has a defined contribution retirement plan covering substantially all of its employees that have more than one year of service. Employees vest at the rate of 20 percent per year with full vesting after six years of service. MRES contributes ten percent of payroll after one year of service, respectively, to the plan. Employer contributions totaled approximately $922,000 and $878,000 for 2017 and 2016, respectively. Covered payroll was 94 and 95 percent of total payroll for 2017 and 2016, respectively. Upon an employee's date of hire, the employees may contribute, on a voluntary basis, up to the maximum allowed by law. Employee contributions to the plan totaled approximately $995,000 and $888,000 in 2017 and 2016, respectively, or approximately ten percent of covered payroll for 2017 and nine percent of covered payroll for 2016. MRES acts as plan administrator, and all plan changes are approved by the MRES Board.

12. CONTINGENCIES, COMMITMENTS, AND LITIGATION GENERAL

MRES and WMMPA are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees and others; and health care of MRES employees. MRES and WMMPA carry commercial insurance, subject to certain limits and deductibles, to reduce the financial impact if claims for these risks are asserted or judgments awarded. No claims have been filed or judgments awarded during the years ended December 31, 2017 and 2016. The coverages and deductibles in effect were substantially the same for both 2017 and 2016. MRES and WMMPA are unaware of any claims pending at December 31, 2017.

MRES and WMMPA are subject to continually changing federal, state, and regional environmental, health, and safety standards, laws, and regulations. These changes may arise from continuing legislative, regulatory, and judicial action taken in response to public safety and environmental concerns. Compliance with such regulations could result in increased operating costs and reduced operation levels. An inability to comply with certain regulations could result in the complete shutdown of generating units and transmission facilities. At December 31, 2017, MRES and WMMPA believe they are in material compliance with all environmental, health, and safety regulations.

MRES has intervened in several dockets at FERC. The outcome of these dockets is currently indeterminable. If the MRES position is accepted by FERC in these dockets, there could be a significant refund to MRES. If the MRES position is not accepted by FERC, the impact on the financial statements is expected to be immaterial.

CONTRACT COMMITMENTS

WMMPA has entered into various contracts for the development of the RRHP and the construction of various transmission projects. As of December 31, 2017, the remaining obligation on these contract commitments totaled approximately $87 million.

LRS RAIL TRANSPORTATION COSTS

In October 2004, Western Fuels and Basin Electric Power Cooperative (BEPC), on behalf of the MBPP owners, filed a complaint with the Surface Transportation Board (STB) alleging that the BNSF Railway Company (BNSF) rates were unreasonably high for transporting coal from the Powder River Basin to LRS and asked the STB to set reasonable rates.

In February 2009, the STB ordered BNSF to immediately reduce rates and refund nearly $120 million for excessive rates paid between 2004 and 2009. A series of appeals followed, and the case was repeatedly returned to the STB. On May 13, 2015, BEPC, Western Fuels, and BNSF signed a final settlement agreement. Details of the settlement are confidential, because railroad rates are now competitive and proprietary. Each of the MBPP participants held its share of the refund money that was awarded by the STB's 2009 decision, pending a final outcome of appeals. The WMMPA share of the initial award was about $19 million. WMMPA recorded its portion of the settlement obligation in December 2014. The unamortized amount WMMPA originally received from BNSF for overcharges, net of its obligation under the settlement, is currently reflected as unearned income. The balance is being amortized to income over a four-year period beginning in 2015 and ending in 2018.

CLEAN AIR ACT

Acid Rain: The 1990 Amendments to the Clean Air Act (CAA) require, among other things, significant reductions in the emission of sulfur dioxide and oxides of nitrogen as well as mercury and other hazardous air pollutants from fossil-fueled, electric-generating units. The CAA requires that sulfur dioxide emissions be reduced in two phases over a ten-year period. The MBPP facilities or WPP were not affected by Phase I. MBPP and Exira are Phase II plants. WPP and member-owned generating units under contract with MRES are not subject to Phase II. MBPP is in full compliance with the requirements of Phase II Acid Rain and Title V Operating Permit sulfur dioxide emissions limits of the Act. MRES and WMMPA hold or will hold sufficient allowances to allow MBPP to operate at its historical annual capacity factors. In addition, MRES and WMMPA hold or will hold sufficient allowances to allow for the continued operation of Exira. In the event that the actual generation exceeds projections, it may be necessary to reduce sulfur dioxide emissions or acquire additional allowances.

MBPP and Exira are also in compliance with the nitrogen oxide emissions limitations imposed under the CAA. Other non-nitrogen oxide related compliance costs under the CAA are believed to be insignificant and are not expected to impact future energy production capabilities of MBPP, Exira, or WPP.

Regional Haze: The CAA, under its Regional Haze provisions, also requires facilities that commenced construction between 1962 and 1977, which includes LRS, to identify and apply Best Available Retrofit Technology (BART) to control sulfur dioxide and mono-nitrogen oxides (NO_x) if their emission rates for those pollutants exceed a certain designated level. LRS has installed over-fire air technology and low-NO_x burners for all three units to address the BART requirements.

On January 23, 2014, the U. S. Environmental Protection Agency (EPA) disapproved that portion of the Wyoming State Implementation Plan (SIP) for NO_x removal and issued a final rule imposing a Federal Implementation Plan (FIP) with more stringent emission limits, which impacts LRS. Under the FIP, the MBPP participants are required to install Selective Catalytic Reduction (SCR) equipment on LRS units 1, 2, and 3 by March 2019. BEPC, as Operating Agent on behalf of the MBPP participants, appealed this decision to the 10th Circuit Court of Appeals. The State of Wyoming, PacifiCorp, and Powder River Basin Resource Council also appealed the FIP. *See State of Wyoming v. United States Environmental Protection Agency*, No. 14-9529; *Powder River Basin Resource Council v. EPA,* No. 14-9530; *Basin Electric Power Cooperative v. EPA,* No. 14-9533; and *PacifiCorp v. EPA,* No. 14-9534. On September 9, 2014, the 10th Circuit Court of Appeals granted a stay of enforcement pending appeal, extending the deadline for compliance for the duration of the stay for LRS and other units that are the subjects of the appeal. The appeal is ongoing.

BEPC, as Operating Agent for MBPP, the State of Wyoming, and the EPA negotiated a settlement agreement, published in the *Federal Register* on December 30, 2016, and signed by the Administrator on April 24, 2017. In the settlement, MBPP agreed to install SCR equipment on Unit 1 by July 1, 2019, and selective non-catalytic reduction equipment on Unit 2 and Unit 3 by December 31, 2018. The estimated cost of the settlement to WMMPA is approximately $42 million. As part of the settlement, the State of Wyoming must revise its State Implementation Plan, and the EPA must then revise its FIP as it relates to LRS. Assuming those rulemakings and the other actions required under the settlement are completed, then EPA, BEPC, and Wyoming will file a motion to dismiss the appeal. The EPA is expected to issue a revised FIP in the summer of 2018. Until that time, the EPA or MBPP could back out for numerous reasons, in which case the litigation in the 10th Circuit Court of Appeals would resume.

BEPC, Wyoming, and the EPA notified the 10th Circuit Court of Appeals of the settlement agreement, and this litigation is on hold until further notice. In addition, on May 17, 2017, the court granted a joint motion filed by Wyoming, PacifiCorp, and BEPC to put the consolidated litigation in abeyance pending final action by the EPA on the settlement agreement.

CAA 111(d) "The Clean Power Plan": In October 2015, the EPA published final carbon dioxide (CO_2) performance standards for existing sources under Section 111(d) of the CAA (the CPP). The CPP would require the State of Wyoming (the State) to create and implement an SIP to reduce CO_2 emissions from fossil fuel plants by 33 percent when the initial compliance reductions begin in 2022. If the CPP were fully implemented in 2030, Wyoming would have been required to achieve a 44 percent reduction in CO_2 emissions from existing fossil fuel power plants in the State. Twenty-seven states and a number of utilities and trade organizations filed Petitions for Review with the Court of Appeals for the D.C. Circuit challenging the EPA's legal authority to issue the CPP Rule and other specific issues regarding the CPP Rule. The CPP was stayed during the appeals by the United States Supreme Court, on February 9, 2016.

On September 27, 2016, the D.C. Circuit Court of Appeals heard oral arguments in the case. In April 2017, the Court of Appeals agreed to pause the litigation on the CPP for 60 days. The court has continued to grant 60-day abeyances until EPA takes final action on its review of the CPP. Although the outcome of this litigation is unknown, it is clear that President Trump and EPA Administrator Pruitt do not intend for the CPP to continue in its current form.

In March 2017, President Trump issued an Executive Order entitled, "Promoting Energy Independence and Economic Growth." This Executive Order began the administrative process to review, revise, or repeal the CPP. On October 16, 2017, the EPA published a proposed rule to repeal the CPP, and the EPA is accepting comments on the repeal until April 26, 2018. In a separate but related action, the EPA issued an Advance Notice of Proposed Rulemaking in December 2017 to solicit public input on a rule to replace the CPP. The public comment period for input on specific topics for the EPA to consider in developing a proposed replacement rule closed in January 2018. The extent to which the proposal will ultimately repeal or replace the CPP remains unclear.

Despite the assumption that the CPP will be repealed, carbon regulation is still required by the U.S. Supreme Court decision in *Massachusetts v. EPA*. The ultimate nature of CO_2 regulation for the power industry is unknown, and this issue is likely to remain unsettled for a number of years. Thus, it is not possible to predict the estimated financial or operational impact of any future regulations. It is clear that utilities will continue to face significant regulatory uncertainty in this area and could be subject to CO_2 regulations imposed by states seeking to enact their own CO_2 reduction plans.

Other EPA rules: In addition, the EPA is in the process of amending other rules and regulations under the CAA in several respects. EPA is evaluating and has considered or is considering proposing regulations or amendments relating to particulate matter, nitrogen dioxide, ozone, and other hazardous air pollutants. The EPA has issued area designations for the 2015 ozone standards. Audubon County, Iowa (where Exira is located) and Platte County, Wyoming (where LRS is located) are included in the list of areas designated by the EPA as attainment/unclassifiable. In addition, the EPA has issued the first of two proposed rules that would amend the regulations for disposal of coal ash from electric utilities. LRS is in the process of complying with the 2015 coal ash rule and will continue to address new CAA regulatory requirements that may be imposed on LRS. BEPC, as operating agent for LRS, is actively monitoring and evaluating each of these various proposals to assess whether and, if so, how they will impact operations at LRS. MRES is also actively monitoring and evaluating pending proposals to assess whether and, if so, how they will impact operations at LRS or any other WMMPA generating resources. The impacts of the various EPA proposals are indeterminable at the current time. If any of these EPA proposals become final, the impact of the new regulatory requirements will be determined, and measures will be taken to comply with applicable requirements.

EPA Section 114(a) Request: BEPC, as Operating Agent of MBPP, received a Section 114(a) letter in September 2011, from the EPA requesting information about certain capital additions at LRS. BEPC has provided all information requested. BEPC and EPA have conducted confidential discussions and have signed a tolling agreement extending the statute of limitations to March 31, 2018, for the investigation regarding specific work performed on the Unit 3 superheater in 2011. The outcome of this Section 114(a) request is indeterminable at the current time.

SUPPLEMENTAL INFORMATION

Western Minnesota Municipal Power Agency
Statements of Net Position

	December 31	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	2017	2016
Current Assets:		
Cash and cash equivalents:		
Restricted	$ 34,824,581	$ 22,286,207
Unrestricted	10,778,007	431,844
Total cash and cash equivalents	45,602,588	22,718,051
Short-term investments:		
Restricted	68,800,444	147,394,283
Unrestricted	8,973,568	10,699,243
Total short-term investments	77,774,012	158,093,526
Accounts receivable	-	1,298,354
Advances to MBPP	5,068,505	3,760,023
Fuel stock	6,800,976	8,257,251
Materials and supplies	4,481,981	4,557,995
Interest receivable	336,617	355,988
Prepayments and other current assets	7,795,091	6,759,713
Total Current Assets	147,859,770	205,800,901
Non-Current Assets:		
Long-term investments:		
Restricted	28,814,865	31,270,772
Unrestricted	15,890,867	14,260,156
Total long-term investments	44,705,732	45,530,928
Capital Assets:		
Utility plant in service	501,146,419	492,986,526
Less-accumulated depreciation	(241,531,969)	(233,857,014)
Net utility plant in service	259,614,450	259,129,512
Construction work in progress	316,432,152	256,336,186
Net Capital Assets	576,046,602	515,465,698
Advances for mine development	1,687,005	2,060,664
Unamortized debt expense - regulatory asset	3,373,794	3,634,163
Other non-current assets	995,769	103,598
TOTAL ASSETS	774,668,672	772,595,952
Deferred Outflows of Resources:		
Unamortized loss on reacquired debt	994,287	1,102,904
Total Deferred Outflows of Resources	994,287	1,102,904
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 775,662,959	$ 773,698,856

Western Minnesota Municipal Power Agency

Statements of Net Position

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:	December 31	
Current Liabilities:	2017	2016
Accounts payable - unrestricted	24,043,490	8,688,594
Accrued taxes	3,503,080	3,591,451
Current liabilities payable from restricted assets:		
Accounts payable - restricted	18,855,908	21,615,856
Current maturities of revenue bonds	10,120,000	11,095,000
Accrued interest	14,044,248	14,310,150
Total Current Liabilities	70,566,726	59,301,051
Non-Current Liabilities:		
Revenue bonds:		
Principal outstanding	530,040,000	540,160,000
Unamortized debt premium	39,788,203	43,810,082
Revenue bonds, excluding current maturities	569,828,203	583,970,082
Revenues collected for future costs - regulatory liability	38,227,327	38,452,289
Other non-current liabilities	380,637	380,637
Advances from MRES	39,139,854	39,139,854
Total Non-Current Liabilities	647,576,021	661,942,862
TOTAL LIABILITIES	718,142,747	721,243,913
Deferred Inflows of Resources:		
Unearned revenue	4,868,603	9,737,207
Total Deferred Inflows of Resources	4,868,603	9,737,207
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 723,011,350	$ 730,981,120
Net Position:		
Net investment in capital assets	(18,080,435)	(92,813,464)
Restricted:		
Debt service	49,825,143	51,026,742
Capital additions	58,403,570	127,035,448
Other	9,857,936	4,914,213
Total Restricted	118,086,649	182,976,403
Unrestricted	(47,354,605)	(47,445,203)
Total Net Position	52,651,609	42,717,736
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 775,662,959	$ 773,698,856

Western Minnesota Municipal Power Agency

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31

	2017	2016
Operating Revenues:		
Revenues billed MRES	$ 83,387,113	$ 89,458,245
Other operating income	4,997,573	4,877,970
Total Operating Revenues	88,384,686	94,336,215
Operating Expenses:		
Fuel	17,765,441	20,198,506
Purchased power	-	-
Purchased power and other power supply operation and maintenance	23,736,253	25,817,257
Depreciation and amortization	8,420,250	8,393,688
Transmission operation and maintenance	2,737,423	2,351,066
Administrative and general	3,135,377	3,250,591
Property taxes	3,837,609	4,245,895
Total Operating Expenses	59,632,353	64,257,003
Operating Income	28,752,333	30,079,212
Non-Operating Revenues (Expenses):		
Investment income	2,201,743	2,075,577
Other income	3,804,433	4,169,950
Other expense	(101,659)	(134,522)
Interest expense	(28,088,496)	(28,620,301)
Amortization of financing related costs and premium	3,649,034	3,693,993
Unrealized gain (loss) on investments	(508,478)	123,175
Net costs recoverable in (for) future years:		
Principal in excess of depreciation and amortization	(5,348,784)	(6,395,305)
Amortization of reserves previously collected	5,065,269	5,065,269
Other costs recoverable in (for) future years	508,478	(123,175)
Total Non-Operating Expenses	(18,818,460)	(20,145,339)
Change in Net Position	9,933,873	9,933,873
Net Position:		
Beginning of year	42,717,736	32,783,863
End of year	$ 52,651,609	$ 42,717,736