CENTRAL MINNESOTA MUNICIPAL POWER AGENCY

Blue Earth, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY

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As of and for the Year Ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Central Minnesota Municipal Power Agency
Blue Earth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Central Minnesota Municipal Power Agency, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Central Minnesota Municipal Power Agency's basic 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Central Minnesota Municipal Power Agency'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 Central Minnesota Municipal Power Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Minnesota Municipal Power Agency as of December 31, 2017, and the respective change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
May 1, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate Structure. The Central Minnesota Municipal Power Agency (the "Agency" or "CMMPA") is a municipal power agency created in 1987 pursuant to Minnesota Statutes, Sections 453.51 to 453.62. The Agency was established to serve the mutual needs of its members and has the power and authority to finance and acquire facilities for the generation and transmission of electric energy. The Agency is governed by a twelve-member board of directors. Each member municipality is entitled to have representation on the board of directors and all current officers were elected at the annual meeting in January 2017.

Agency Members. In 2017, there were twelve Agency members, comprised of municipal utilities located in Minnesota that own and operate electric distribution systems. Some systems are governed by statutory utility commissions appointed by the respective city councils. With statutory commissions, the city councils retain the ultimate authority for utility decisions. Some systems are governed by a utility board or commission under a home rule charter or other authorization that gives the board or commission separate or exclusive authority for utility decisions. In 2017, the Agency's members included Blue Earth, Delano, Fairfax, Glencoe, Granite Falls, Janesville, Kasson, Kenyon, Mountain Lake, Sleepy Eye, Springfield, and Windom.

Legal Authority. The enabling statutes permit the Agency to undertake projects for the generation, production, transmission, purchase, sale, exchange, or interchange of electric energy. The Agency has authority to issue bonds to finance projects. Bonds issued by the Agency may be taxable or tax exempt, and constitute an obligation of the Agency secured by a pledge of project revenues.

Related Entity. Central Municipal Power Agency Services ("CMPAS") is a municipal services company that was created in 1998 through the joint powers agreement of CMMPA and Midwest Municipal Gas Agency. CMPAS assists the Agency's members with the purchase and sale of capacity and energy on a short term or other basis, as requested, and arranges for transmission of such purchases and sales. CMMPA and CMPAS currently share management and staffing, and a common board of commissioners.

Overview of Financial Statements. This section provides a basic introduction to the Agency's financial statements, which consist of the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. The notes to the financial statements provide information that is necessary to understand the data in the financial statements.

The statement of net position includes all restricted and unrestricted assets and all liabilities of the Agency, with the difference reported as net position. The statements of revenues, expenses and changes in net position are reported on an accrual accounting basis. All the current year's revenues and expenses are taken into account, regardless of when cash is received or paid. As a result, certain items reported as revenues and expenses in this statement will not be included in current cash flow. The statement of cash flows provides cash flow activities during the current year, cash and cash equivalents as of the beginning of the year and the end of the year, and a reconciliation of net cash.

Project activity undertaken by CMMPA is summarized below:

- The Agency entered into a participation power agreement with the Omaha Public Power District (OPPD), pursuant to which the Agency has acquired rights to receive and obligations to pay for 2.17% of Nebraska City Power Station No. 2 (NC2). OPPD completed construction of NC2 and the power plant went on-line May 1, 2009. The Agency's share of the 630 MW coal-fired unit is approximately 14.4 MW. The Agency and ten members entered into power sales agreements pursuant to which members are entitled to receive and obligated to pay for their respective pro rata shares of CMMPA's participation share in NC2.

- The Agency, in 2011, acquired a 3.6% ownership interest (increased to a 4.1% interest in 2013) in the Capx Brookings Transmission Line, connecting Brookings, SD to the southeastern section of the Minneapolis/St. Paul metropolis. CMMPA is one of five parties owning an interest in the project. The other parties include Great River Energy, Xcel Energy, Missouri River Energy Services, and Otter Tail Power Company. Financing in the form of tax-exempt long-term bonds were issued in June of 2012 to finance CMMPA's portion of the construction of this line. Total bonds issued were $32,670,000, to be paid back from the proceeds of the tariff revenue associated with the project. It is anticipated that the tariff revenue will more than offset the ongoing debt service and operational costs of this project. However, during any period in which tariff revenues do not offset total costs (net of reserve adjustments), the participants are committed to pay for and charge rates supporting any shortfalls. The participants in this project include members Blue Earth, Fairfax, Granite Falls, Janesville, Kenyon, Mountain Lake, Sleepy Eye, Springfield, and Windom. Also, participating in this project are Willmar and Elk River in Minnesota and the cities of Independence, Indianola, Montezuma and Waverly in Iowa. Construction of the project began in May of 2012 and was completed in 2015.

The Agency must comply with Minnesota regulations that require CMMPA, as well as other electric companies, to include renewable resources in their portfolio of power resources. To meet initial renewable energy requirements, the Agency has entered into the following arrangements:

- CMMPA is purchasing 6.25 MW of wind power for a 15-year period beginning in December 2005 from Wolf Wind LLC.
- CMMPA is purchasing 4.25 MW of wind power from Rugby Wind LLC for 15-year period beginning December 15, 2010.
- CMMPA is purchasing 13.1 MW of wind power for a 15-year period ending in February, 2027 from Rugby Wind LLC.

The Agency has contracts with its members to take and pay for the contracted wind power resources.

In 2017, the Agency engaged a new auditor, Baker Tilly Virchow Krause, LLP. Presentation, formatting, and terminology may differ slightly from previous years.

Net Position. As of the year-ended December 31, 2017, the balance of the Agency's net position was $12,520,277, which is $75,274 higher than the amount of net position for year-end 2016 of $12,445,003. Current assets for the years ending 2017 and 2016 were $58,421,389 and $58,020,718 respectively. Assets increased $400,671 primarily attributed to increased A&G recovery offset by depreciation. Total Liabilities for the years ending 2017 and 2016 were $38,693,710 and $41,054,512 respectively. Total Liabilities decreased $2,090,802 from 2017 to 2016 primarily attributed to the 2017 bond payment, decrease in pension liability, and amortization. Deferred Inflow of Resources for the years ending 2017 and 2016 were $7,323,819 and $5,137,162 respectively. Total deferred inflows increased $2,186,657 from 2017 to 2016 primarily attributed to increase in rate stabilization.

The Agency's unrestricted assets for the years ending 2017 and 2016 were comprised of cash and cash equivalents, and accounts receivable associated with sales of electricity to members and non-members as well as certain other member services. The Agency's unrestricted liabilities for the years ended 2017 and 2016 were associated with accounts payable, accrued liabilities, and other payables, also associated with sales of electricity to both members and non-members and other member services.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	2017	2016	Change
Current Assets	$ 20,482,557	$ 19,188,503	$ 1,294,054
Noncurrent Assets	8,035,399	7,951,437	83,962
Capital Assets, Net	29,903,433	30,880,778	(977,345)
Total Assets	58,421,389	58,020,718	400,671
Deferred Outflow of Resources	386,417	615,959	(229,542)
Current Liabilities	5,378,614	4,009,499	1,369,115
Noncurrent Liabilities	33,585,096	37,045,013	(3,459,917)
Total Liabilities	38,963,710	41,054,512	(2,090,802)
Deferred Inflow of Resources	7,323,819	5,137,162	2,186,657
Net Position:			
Net Investment in Capital Assets	1,004,595	449,174	555,421
Restricted	3,717,980	3,572,706	145,274
Unrestricted	7,797,702	8,423,123	(625,421)
Total Net Position	$ 12,520,277	$ 12,445,003	$ 75,274

TABLE 2
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2017	2016	Change
Total Operating Revenue	$ 33,197,400	$ 34,268,635	$ (1,071,235)
Operating Expenses			
Purchased Power, Transmission, and Sch	29,422,837	31,059,885	(1,637,048)
General and Administrative	3,214,251	3,206,123	8,128
Depreciation and Amortization	1,827,364	1,813,019	14,345
Total Operating Expenses	34,464,452	36,079,027	(1,614,575)
Nonoperating Income	1,342,326	1,876,656	(534,330)
Change in Net Position	75,274	66,264	9,010
Net Position, Beginning of Year	12,445,003	12,378,739	66,264
Net Position, End of Year	$ 12,520,277	$ 12,445,003	$ 75,274

Revenues and Expenses. The Agency's operating revenues from power sales to members and nonmembers totaled $33,197,400 and $34,268,635 at December 31, 2017 and 2016, respectively. Revenues from the Agency's operation decreased $1,071,235 from fiscal year 2017 to 2016 primarily attributed to the end of the TOD Energy contract in 2016, and properly recording member capacity sales in 2017, and offset by increased A&G Transmission recovery. Operating expenses for the years ending 2017 and 2016 were $34,464,452 and $36,079,027 respectively. The expenses decreased $1,614,575 from 2017 to 2016 primarily attributed to the end of the TOD Energy contract, and properly recording member capacity in 2017, and offset by an increase in Transmission expense due to load growth and rate increases.

Operations. The Agency operates in the Midwest Independent Transmission System Operator (MISO) service territory and became a MISO market participant for its members during 2005.

Contact Information. This annual report is designed to provide a general overview of CMMPA finances for citizens, customers and others. Questions concerning any of the information contained in this report and requests for additional information should be directed to the Agency by mail at 459 So. Grove, Blue Earth, MN 56013, or by phone at (763) 710-3960.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY

STATEMENT OF NET POSITION
As of December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 6,056,853
Restricted Assets	
Redemption account	4,377,462
Designated funds	4,652,468
Accounts receivable	3,975,878
Interest receivable	37,225
Prepayments and other current assets	52,876
Regulatory assets	1,329,795
Total Current Assets	20,482,557
NONCURRENT ASSETS	
Investments	145,817
Restricted Assets	
Reserve account	2,086,876
Construction account	2,829,747
Collateral deposits	1,707,905
Regulatory assets	1,265,054
Capital assets, net of accumulated depreciation	29,903,433
Total Noncurrent Assets	37,938,832
Total Assets	58,421,389
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	386,417

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 2,564,136
Accrued liabilities	146,228
Current Liabilities Payable from Restricted Assets	
Current portion of revenue bonds	1,905,000
Accrued interest	763,250
Total Current Liabilities	5,378,614
NONCURRENT LIABILITIES	
Revenue bonds	28,625,000
Unamortized debt premium	3,181,693
Customer deposits	508,000
Net pension liability	1,270,403
Total Noncurrent Liabilities	33,585,096
Total Liabilities	38,963,710
DEFERRED INFLOWS OF RESOURCES	
Deferred credits	7,092,922
Pension related	230,897
Total Deferred Inflows of Resources	7,323,819
NET POSITION	
Net investment in capital assets	1,004,595
Restricted for:	
Debt service	3,717,980
Unrestricted	7,797,702
TOTAL NET POSITION	$ 12,520,277

See accompanying notes to financial statements.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017

OPERATING REVENUES	
Power sales	$ 29,247,362
Transmission revenue	3,950,038
Total Operating Revenues	33,197,400
OPERATING EXPENSES	
Purchased power	21,438,426
Scheduling	174,509
Transmission	7,809,902
General and administrative	3,214,251
Depreciation	965,353
Amortization	862,011
Total Operating Expenses	34,464,452
OPERATING LOSS	(1,267,052)
NONOPERATING REVENUES (EXPENSES)	
Investment income and other	245,113
Membership dues and assessments	2,491,143
Interest expense	(1,393,930)
Total Nonoperating Revenues (Expenses)	1,342,326
CHANGE IN NET POSITION	75,274
NET POSITION - Beginning of Year	12,445,003
NET POSITION - END OF YEAR	$ 12,520,277

See accompanying notes to financial statements.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from sales to members and others	$ 35,841,397
Received for future operating expenses	1,300,000
Paid to suppliers for goods and services	(30,901,862)
Paid to employees for services	(1,991,687)
Net Cash Flows from Operating Activities	4,247,848
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital expenditures for utility plant, net with refunds	11,992
Debt retired	(1,215,000)
Interest payments on long-term debt	(1,556,875)
Cash Flows from Capital and Related Financing Activities	(2,759,883)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	207,675
Net Change in Cash and Cash Equivalents	1,695,640
CASH AND CASH EQUIVALENTS – Beginning of Year	20,015,671
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 21,711,311
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Amortization of bond premium	$ 132,576

RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	$ (1,267,052)
Nonoperating income	2,491,143
Noncash items included in operating loss	
Depreciation	965,353
Other operating and amortization expenses	862,011
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable	557,854
Prepayments and other current assets	938
Regulatory assets	(405,741)
Pension related deferrals and liabilities	100,979
Accounts payable	(303,480)
Other accrued liabilities	1,245,843
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 4,247,848

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	$ 6,056,853
Designated funds	4,652,468
Redemption account	4,377,462
Reserve account	2,086,876
Construction account	2,829,747
Collateral deposits	1,707,905
Noncurrent investments	145,817
Total Cash and Investments	21,857,128
Less: Noncash equivalents	(145,817)
CASH AND CASH EQUIVALENTS	$ 21,711,311

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Central Minnesota Municipal Power Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the Agency are described below.

Reporting Entity

The Central Minnesota Municipal Power Agency is a municipal power agency created in 1987 pursuant to Minnesota Statutes, Sections 453.51 to 453.62. The Agency was established to serve the mutual needs of its members and has the power and authority to finance and acquire facilities for the generation and transmission of electric energy. The Agency is governed by a 12-member board of directors appointed by their municipalities.

Central Municipal Power Agency/Services (CMPAS) operates as a municipal utilities service company for its members and non-member municipal utilities whether located in Minnesota or other states. Services include utility management services, monitoring and control services, capacity purchases and sales, metering services and dispatching of electricity.

CMPAS shared a common board of directors with the Central Minnesota Municipal Power Agency. Hereafter, the Central Minnesota Municipal Power Agency and CMPAS are collectively referred to as "the Agency."

As of December 31, 2017, the Agency had twelve agency members, which were comprised of municipal utilities located in Minnesota that own and operate electric distribution systems. In 2017, the Agency's members included Blue Earth, Delano, Fairfax, Glencoe, Granite Falls, Janesville, Kasson, Kenyon, Mountain Lake, Sleepy Eye, Springfield, and Windom. The membership agreements require members to provide a minimum notice of five years before they can effectively terminate their membership with the Agency. As of December 31, 2017, no member had given notice of intent to terminate their membership agreement.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are cash and investments which have original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Market values may have changed significantly after year end.

Restricted Assets

Mandatory segregations of assets required by bond agreements and other external parties are presented as restricted assets. Current liabilities payable from these restricted assets are so classified.

Designated Funds

The Agency has elected to internally designate cash for the purposes of use toward specific projects or rate stabilization. These funds are not legally restricted and could be used for other purposes if the need arose. Use of the funds is at the board's discretion. The Agency has $4,652,468 of designated funds as of December 31, 2017. The balance of designated cash includes $2,000,000 of proceeds from the sale of the Agency's share of Utilities Plus Energy Services, Inc in 2016. In addition, $2,117,873 is set aside for Agency rate stabilization and $534,595 for the NC2 operating fund. Current year activity of the rate stabilization and NC2 operating fund can be found in Note 9.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount billed to members and non-members. Allowance for doubtful accounts is not considered necessary as the Agency has not historically experienced losses in payments for services rendered.

Collateral Deposits

These balances represent cash resources posted as collateral with electric market independent system operators, including the Midwest Independent Systems Operator (MISO) and Southwest Power Pool (SPP).

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense) related to the net pension liability until a future time. Details of the account are included in Note 10.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Capital Assets

Capital assets are generally defined as assets having an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets are depreciated using the straight-line method over the following useful lives:

	Years
Building and improvements	5 - 40
All other capital assets	3 -15
Transmission assets	40

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Regulatory Assets and Deferred Inflows of Resources

The Agency has adopted the provisions for regulatory accounting as outlined in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre - November 30, 1989 FASB and other AICPA Pronouncements*. This statement provides for the deferral of costs and revenues which will be recognized through future rate adjustments. A deferred inflow of resources represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

Accrued Liabilities

The Agency records a liability for paid time off as the benefits payable to employees. The Agency compensates all employees upon termination for unused paid time off. The financial statements reflect a liability of $182,383 for unused paid time off as of December 31, 2017. Employees earn paid time off based on the personnel policies of the Agency.

Customer Deposits

Other payables represent collateral amounts posted to MISO on behalf of non-members. Upon release of the collateral, the deposits will be refunded.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Long-term Obligations

Long-term debt and other obligations are reported as liabilities. Bond premiums are amortized over the life of the bonds using the straight-line method.

REVENUES AND EXPENSES

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from the principal operating activities of the Agency, which consist of charges to members and non-members for sales and services associated with the procurement and delivery of electricity and revenues from transmission services. Operating expenses for the Agency include the cost of power sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency billings are rendered and recorded monthly based on member contract participation and expenses. No accrual for unbilled service is necessary.

INCOME TAXES

The Agency is exempt from federal and state income taxes, as it is a political subdivision of the State of Minnesota.

NET POSITION

GASB No. 34 requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

GASB has approved GASB Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 87, *Leases*. Upon adoption, application of these standards may restate portions of these financial statements.

NOTE 2 – CASH AND INVESTMENTS

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest and noninterest bearing accounts). The difference between the bank balance and carrying amount is due to outstanding checks or deposits in transit.

In the agency's fair value assessment as of December 31, 2017, the investment was measured at net asset value.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the bank deposits may not be returned to it in full.

In accordance with Minnesota statutes, the Agency maintains deposits at depository banks authorized by its board of commissioners.

Minnesota statutes require that all deposits be protected by insurance, surety bond or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds. The Agency's deposits were sufficiently collateralized as of December 31, 2017.

Authorized collateral includes certain U.S. Government Securities, state or local government obligations, and other securities authorized by Minn. Stat. 118.A.03. Minnesota statutes require that securities pledged as collateral be held in safekeeping a financial institution other than that furnishing the collateral.

The Agency may also invest idle funds as authorized by Minnesota statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less

NOTE 2 – CASH AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

> Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories

> Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. Government Securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker- dealers

> Any security which is an obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Minnesota Statutes restrict the types of investments that the Agency may hold. The investment held by the Agency was rated Aaa-mf by Moody’s and AAAm by Standard & Poor’s.

Interest Rate Risk

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

As of December 31, 2017, the Agency’s investments were as follows:

	Weighted Average Maturity	Fair Value
Investments		
Wells Fargo		
100% Treasury Money Market Fund	46 days	$ 10,577,685

The Agency’s investment policy follows investments allowable by Minnesota statutes.

NOTE 3 – COMMITMENTS

LONG-TERM CONTRACTS

The Agency has contracts with various agencies and local government units to purchase or sell energy in the normal course of business operations.

The Agency has entered into numerous electric purchase contracts with amounts totaling approximately 107 Megawatts (MW) for the purpose of fixing the cost on the Agency's electric power purchases. These electric purchase contracts result in the Agency paying fixed costs ranging from $35.00 to $50.00 per MWh. These contracts expire periodically from 2017 through 2033. In addition, the Agency has entered into fixed price contracts for power generated by solar and wind resources where the amount of energy received will depend on weather variables. The solar and wind contracts expire periodically from 2018 through December 2027.

NOTE 4 – PROJECTS IN OPERATION

As a project-oriented agency, each Agency member may individually decide in which projects it wishes to participate. The Agency may also allow non-members to participate in projects. The participants are entitled to receive and are obligated to pay for their respective pro rata shares of the Agency's interest in each individual project. Each project is financially independent of other projects.

CAPX INITIATIVE

The Agency entered into a Transmission Project Memorandum of Understanding dated August 24, 2006, along with five other energy companies to construct power transmission lines in the state of Minnesota, the largest portion of which consists of 220 miles of new power transmission lines between Brookings, South Dakota, and the Twin Cities. The CapX Initiative is one of several transmission projects arising from the CapX 2020 Initiative, the purpose of which is to enhance the reliability of electrical power transmission for customers in Minnesota and the surrounding region.

The Agency and nine members and six non-members entered into participation agreements pursuant to which such members and non-members acquired a 4.1% interest in the CapX initiative, which was completed in 2015. Pursuant to the participation agreements, participants are obligated to pay for and are entitled to receive their respective pro rata shares of the Agency's participation share in the CapX Initiative.

NEBRASKA CITY POWER STATION NO. 2

The Agency entered into a participation power agreement dated January 15, 2004 with the Omaha Public Power District (OPPD), pursuant to which the Agency has acquired rights to receive and obligations to pay for 2.17% of Nebraska City Power Station No. 2 (NC2). OPPD completed construction of NC2 and the project began commercial operation in 2009. The Agency's share of the 663 MW coal-fired units is approximately 14.4 MW. The Agency and ten members of the Agency entered into power sales agreements pursuant to which such members are entitled to receive and obligated to pay for their respective pro rata shares of the Agency's participation share in NC2.

NOTE 5 – REGULATORY ASSETS

The Agency has the following regulatory assets at December 31, 2017:

	Balance 1/1/17	Increase	Decrease	Balance 12/31/17	Current
Power participation costs in NC2	$ 281,101	$ -	$ 8,693	$ 272,408	$ 8,693
Pre-development costs for CapX	1,706,633	-	853,317	853,316	853,316
Transmission under recovery	403,385	1,421,850	356,110	1,469,125	467,786
Totals	$ 2,391,119	$ 1,421,850	$ 1,218,120	$ 2,594,849	$ 1,329,795

In 2012, the Federal Energy Regulatory Commission (FERC) ordered certain pre-development costs incurred for the CapX project that were expensed in prior years to be capitalized and amortized over a five year period beginning in 2014.

The Agency is a Midcontinent Independent System Operator transmission owner and submits an Attachment O on an annual basis to recover its annual transmission revenue requirement based upon a forecast test year. Differences between the Agency's annual transmission revenue requirements based on forecasted amounts and the Agency's actual costs are recovered in future transmission rates up to two years following the end of the test year. Amounts anticipated to be collected within the next year are classified on the statement as current regulatory assets.

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital asset for 2017 follows:

	Balance 1/1/17	Additions	Deletions	Balance 12/31/17
Non depreciable capital assets				
Land	$ 15,622	$ -	$ -	$ 15,622
Depreciable capital assets				
Transmission lines	32,139,208	(122,869)	-	32,016,339
Land improvements	9,365	-	-	9,365
Buildings	604,754	-	-	604,754
Furniture and equipment	888,369	110,879	-	999,248
Vehicles	55,532	-	-	55,532
Total Depreciable Assets	33,697,228	(11,990)		33,685,238
Less: Accumulated depreciation	(2,832,074)	(965,353)	-	(3,797,427)
Depreciable capital assets, net	30,865,154	(977,343)	-	29,887,811
Total Capital Assets	$ 30,880,776	$ (977,343)	$ -	$ 29,903,433

During 2017, the Agency received refunds related to the CapX project as a result of the closeout of construction costs and participant allocations. The refund received is presented as a reduction of previously recorded capitalized costs.

NOTE 7 – LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

REVENUE BONDS

In 2012, the Agency issued $32,670,000 CAPX Revenue Bonds, Series 2012, which bears interest at 5% per annum. The debt service on these bonds is solely payable from and secured solely by a pledge and assignment of and security interest in the transmission project agreements, the transmission asset assignment agreements (but only to the extent related to the CAPX Brookings Project), and upstream project agreements; and certain funds established by the Brookings Transmission Bond Resolution. Under the Brookings Transmission Bond Resolution, operating and maintenance expenses relating to the CAPX Brookings Project and budgeted Agency working capital amounts will be paid for from the transmission revenues prior to the application of the remaining transmission revenues to the payment of debt service on the bonds.

The following schedule shows the future payments required on the CAPX 2012 revenue bonds:

	Principal	Interest	Total
2018	$ 1,905,000	$ 1,478,875	$ 3,383,875
2019	1,925,000	1,383,125	3,308,125
2020	1,975,000	1,285,625	3,260,625
2021	1,095,000	1,208,875	2,303,875
2022	1,095,000	1,154,125	2,249,125
2023 – 2027	5,535,000	4,943,125	10,478,125
2028 – 2032	5,635,000	3,548,375	9,183,375
2033 – 2037	5,785,000	2,121,375	7,906,375
2038 – 2042	5,580,000	663,750	6,243,750
Totals	$ 30,530,000	$ 17,787,250	$ 48,317,250

LONG-TERM OBLIGATIONS SUMMARY

The following is a schedule of changes in the Agency's long-term liabilities:

	Balance 1/1/17	Additions	Retirements	Balance 12/31/17	Due Within One Year
Revenue bonds	$ 31,745,000	$ -	$ 1,215,000	$ 30,530,000	$ 1,905,000
Premium on bonds	3,314,263	-	132,576	3,181,687	-
Net pension liability	1,477,750	-	207,347	1,270,403	-
Totals	$ 36,537,013	$ -	$ 1,554,923	$ 34,982,090	$ 1,905,000

All revenues generated by the CapX project are pledged as security of the revenue bonds until the bonds are defeased. Principal and interest paid for 2017 was $2,771,875. Total gross revenues as defined was $3,998,378. Annual principal and interest payments are expected to require 48% of gross revenues on average.

NOTE 8 – NET POSITION

The Agency's net investment in capital assets is determined as follows at December 31, 2017:

Capital Assets	$ 29,903,433
Less: Capital related debt	30,530,000
Unamortized bond premium	3,181,693
Sub-totals	33,711,693
Add: Bond funded restricted cash	
Construction account	2,829,747
Reserve account	1,983,108
Sub-totals	4,812,855
Total Net Investment in Capital Assets	$ 1,004,595

Restricted Accounts

Certain proceeds of the Agency's debt, as well as certain resources set aside for repayment of Agency debt, are classified as restricted assets on the statement of net position because their use is limited. The following accounts are reported as restricted assets:

Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months. The account is required to be funded with the balance of the next principal and interest payment as the payment becomes due.

Reserve – Amounts in the debt service reserve account are to be applied to make up any deficiencies in the redemption account. The account is required to be funded at the minimum level of $1,983,108.

Construction – Used to report debt proceeds restricted for use in construction of transmission capital assets.

NOTE 8 – NET POSITION (cont.)

The Agency's restricted net position is determined as follows at December 31, 2017:

Redemption account	$ 4,377,462
Reserve account	2,086,876
Construction account	2,829,747
Sub-totals	9,294,085
Less: Bond funded restricted cash	
Construction account	2,829,747
Reserve account	1,983,108
Sub-totals	4,812,855
Less: Accrued interest payable from restricted assets	763,250
Total Restricted Net Position	$ 3,717,980

NOTE 9 – DEFERRED CREDITS

The Agency has the following deferred credits at December 31, 2017:

	Balance 1/1/17	Increase	Decrease	Balance 12/31/17
Rate stabilization fund	$ 1,370,000	$ 807,873	$ -	$ 2,117,873
NC2 operating fund	534,595	-	-	534,595
CapX project fund	3,080,454	1,300,000	-	4,380,454
Totals	$ 4,985,049	$ 2,107,873	$ -	$ 7,092,922

The Agency's board of directors has approved the establishment of a rate stabilization fund. Approvals of deferred revenues occur from time to time as the board evaluates earnings and forecasted costs. During the year ended December 31, 2017, the board approved additions to the rate stabilization fund totaling $807,873.

The Agency's board of directors has approved the establishment of an operating fund for the NC2 project. The board approved a minimum funding level of $400,000 to provide rate stabilization for participants in the NC2 project.

The Agency's board of directors has established the CapX project fund. The purpose of the fund is to ensure the availability of resources to fund future debt service as principal requirements increase later in the term of the bonds. The board approved the addition of $1,300,000 to the fund for the year ended December 31, 2017.

NOTE 10 – RETIREMENT PLAN

DEFINED BENEFIT PENSION PLAN

Plan Description

The Agency participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time employees of the Agency are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service, and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years, and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

NOTE 10 – RETIREMENT PLAN (cont.)

DEFINED BENEFIT PENSION PLAN (cont.)

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The Agency was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The Agency contributions to the General Employees Fund for the year ended December 31, 2017, were $96,003. The contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2017, the Agency reported a liability of $1,270,403 for its proportionate share of the General Employees Fund's net pension liability. The Agency's net pension liability reflected a reduction due to the state of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Agency totaled $15,950. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Agency's proportion was 0.0199%, which was an increase of 0.0017% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Agency recognized pension expense of $199,100 for its proportionate share of the General Employees Plan's pension expense. In addition, the Agency recognized an additional $461 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the General Employees Fund.

At December 31, 2017, the Agency reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 41,869	$ 75,444
Changes in actuarial assumptions	192,897	127,358
Net difference between projected and actual investment earnings	-	8,961
Changes in proportion	100,483	19,134
Contributions paid to PERA subsequent to the measurement date	51,168	-
Totals	$ 386,417	$ 230,897

NOTE 10 – RETIREMENT PLAN (cont.)

DEFINED BENEFIT PENSION PLAN (cont.)

Pension Costs (cont.)

The $51,168 reported as deferred outflows of resources related to pensions resulting from the Agency contributions to subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2018	$ 67,586
2019	85,308
2020	5,384
2021	(53,926)
	$ 104,352

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017. The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

NOTE 10 – RETIREMENT PLAN (cont.)

DEFINED BENEFIT PENSION PLAN (cont.)

Actuarial Assumptions (cont.)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.0%
	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%.The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Agency's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate at December 31, 2017:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The Agency proportionate share of the General Employees Fund net pension liability	$1,970,489	$1,270,403	$697,255

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 11 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error or omissions; or natural disasters.

The Agency has purchased commercial coverage through Insurance Agency of Blue Earth. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Agency has joined together with other municipalities and cities in the League of Minnesota Cities General Property and Casualty Insurance Plan. These are public entity risk pools currently operating as a common risk management and insurance program for member municipalities and cities. The municipality pays annual premiums for these plans. Premiums are used to purchase reinsurance through commercial companies. The administrators of these plans believe assessment to participating utilities and cities for future losses sustained is remote. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The Agency is self-insured for unemployment compensation.

NOTE 12 – SIGNIFICANT CUSTOMERS

The Agency has three significant customers who were responsible for 33% of operating revenues in 2017.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Agency has a contract with a vendor to house its data server. An employee of the Agency is also a partner of the vendor. The Agency paid $77,902 to the vendor during 2017.

The Agency utilized a vendor for IT services who had a familial relationship with an employee in management. The Agency paid $39,626 to the vendor during 2017.

REQUIRED SUPPLEMENTAL INFORMATION

CENTRAL MINNESOTA MUNICPAL POWER AGENCY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2017

Plan Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/15	0.0190%	$ 984,679	$ 1,115,904	88.24%	78.20%
6/30/16	0.0182%	1,477,750	1,285,252	114.98%	68.90%
6/30/17	0.0199%	1,270,403	1,280,043	92.25%	75.90%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended December 31, 2017

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	$ 82,263	$ (82,263)	$ -	$ 1,003,211	8.20%
12/31/16	84,569	(84,569)	-	1,145,224	7.38%
12/31/17	96,003	(96,003)	-	1,347,209	7.13%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2017

Changes of benefit terms: There were no changes of benefit terms for any participating employer in PERA.

Changes of assumptions: The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2044 and 2.5% per year thereafter.

See independent auditors' report and accompanying notes to the required supplementary information.