CENTRAL MINNESOTA MUNICIPAL POWER AGENCY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Central Minnesota Municipal Power Agency
Blue Earth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Central Minnesota Municipal Power Agency (CMMPA), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise CMMPA'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 opinions 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 CMMPA'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 CMMPA'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of CMMPA as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error
As discussed in Note 15 to the financial statements, certain errors resulting in an understatement of amounts previously reported for net position as of December 31, 2014, were discovered by management of CMMPA during the current year. Accordingly, amounts reported for net position have been restated to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, schedule of proportionate share of the net pension liability and schedule of contributions, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CMMPA's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
May 30, 2017

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 city is entitled to have representation on the board of directors and all current officers were elected at the annual meeting in January 2016.

Agency Members. In 2016, 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 2016, 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, statements of revenues, expenses and changes in net position, and statements of cash flows. The notes provide information that is necessary to understand the data in the financial statements.

The statements of net position include 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.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	2016	2015	Change
Deferred Debits	$ 1,987,734	$ 2,849,748	$ (862,014)
Other Current Assets	25,152,206	22,165,293	2,986,913
Other Capital Assets, Net	30,880,778	31,696,835	(816,057)
Total Assets	58,020,718	56,711,876	1,308,842
Deferred Outflow of Resources	615,959	134,657	481,302
Current and Other Liabilities	4,517,499	4,448,059	69,440
Noncurrent Liabilities	36,537,013	37,101,518	(564,505)
Total Liabilities	41,054,512	41,549,577	(495,065)
Deferred Credits	4,985,049	2,865,049	2,120,000
Deferred Inflow of Resources	152,113	53,168	98,945
Net Position:			
Net Investment in Capital Assets	395,365	(290,906)	686,271
Restricted	1,987,734	2,974,833	(987,099)
Unrestricted	10,061,904	9,694,812	367,092
Total Net Position	$ 12,445,003	$ 12,378,739	$ 66,264

TABLE 2
CONDENSED STATEMENT OF NET POSITION

	2015	2014	Change
Construction in Progress	$ -	$ 9,627,389	$ (9,627,389)
Other Capital Assets, Net	31,696,835	21,187,038	10,509,797
Deferred Debits	2,849,748	2,974,678	(124,930)
Other Current Assets	22,165,293	18,719,285	3,446,008
Total Assets	56,711,876	52,508,390	4,203,486
Deferred Outflow of Resources	134,657	-	134,657
Current and Other Liabilities	4,448,059	4,499,145	(51,086)
Noncurrent Liabilities	37,101,518	36,249,415	852,103
Total Liabilities	41,549,577	40,748,560	801,017
Deferred Credits	2,865,049	2,342,126	522,923
Deferred Inflow of Resources	53,168	-	53,168
Net Position:			
Net Investment in Capital Assets	(290,906)	5,292,069	(5,582,975)
Restricted	2,974,833	3,099,763	(124,930)
Unrestricted	9,694,812	1,025,872	8,668,940
Total Net Position	$ 12,378,739	$ 9,417,704	$ 2,961,035

The 2014 amounts in Table 2 were not changed for the restatement described in Note 15 of the financial statements.

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 estimates that its share of the 630 MW coal-fired unit is approximately 14.4 MW. The Agency and ten members of CMMPA 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 CMMPA's participation share in NC2. To finance a portion of development costs associated with its participation in NC2, the Agency received a loan in the amount of $460,000 in 2005 from the Midwest Consortium of Municipal Utilities loan program, which has since been paid off.

- 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 that will be collected beginning in 2013 and extending for the life of 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, MN, Elk River, MN 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.

Net Position. As of year-end 2016, the amount of the Agency's net position was $12,445,003, which is $66,264 or 0.535% higher than the amount of net position for year-end 2015 of $12,378,739. As of year-end 2015, the amount of the Agency's net position was $12,378,739, which is $2,961,035 or 31.4% higher than the amount of net position for year-end 2014 of $9,417,704. The increase was mostly attributable to transmission revenue from the CapX project, and the restatement further described in Note 15.

The Agency's unrestricted assets for the years ending 2016 and 2015 were comprised of cash, 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 2016 and 2015 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 3
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2016	2015	Change
Total Operating Revenues	$ 34,268,635	$ 35,619,598	$ (1,350,963)
Operating Expenses			
Purchased Power and Transmission	31,059,885	31,265,335	(205,450)
General and Administrative	3,206,123	2,284,585	921,538
Depreciation and Amortization	1,813,019	1,694,059	118,960
Total Operating Expenses	36,079,027	35,243,979	835,048
Nonoperating Income	1,876,656	1,441,504	435,152
Change in Net Position	66,264	1,817,123	(1,750,859)
Net Position, Beginning of Year, As Previously Stated	12,378,739	8,561,944	3,816,795
Prior Period Adjustment	-	1,999,672	(1,999,672)
Net Position - Beginning of Year, as Restated	12,378,739	10,561,616	1,817,123
Net Position, End of Year	$ 12,445,003	$ 12,378,739	$ 66,264

TABLE 4
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2015	2014	Change
Total Operating Revenues	$ 35,619,598	$ 32,347,947	$ 3,271,651
Operating Expenses			
Purchased Power and Transmission	31,265,335	31,325,427	(60,092)
General and Administrative	2,284,585	1,570,260	714,325
Depreciation	1,694,059	500,700	1,193,359
Total Operating Expenses	35,243,979	33,396,387	1,847,592
Nonoperating Income	1,441,504	1,494,347	(52,843)
Change in Net Position	1,817,123	445,907	1,371,216
Net Position, Beginning of Year			
As Previously Stated	8,561,944	8,971,797	(409,853)
Prior Period Adjustment	1,999,672	-	1,999,672
Net Position - Beginning of Year, as Restated	10,561,616	8,971,797	1,589,819
Net Position, End of Year	$ 12,378,739	$ 9,417,704	$ 2,961,035

The 2014 amounts in Table 4 were not changed for the restatement described in Note 15 of the financial statements. Also included in net position at 1/1/2015, as previously stated, is $855,760 from the adoption of GASB Statement No. 68 and No. 71 in 2015.

Revenues and Expenses. The Agency's operating revenues from power sales to members and nonmembers totaled $34,268,635 and $35,619,598 at December 31, 2016 and 2015, respectively. Revenues from the Agency's operation decreased $1,350,963 from fiscal year 2016 to 2015. The decrease is primarily attributed to the establishment of a new rate stabilization reserve in 2016 of $1,370,000. Operating expenses for the years ending 2016 and 2015 were $36,079,027 and $35,243,979 respectively. The expenses increased $835,048 or 2.31% from 2016 to 2015 due to increased depreciation and A&G expenses.

As of year-end 2015, the amount of the Agency's net position was $12,378,739, which is $2,961,035 or 31.4% higher than the amount of net position for year-end 2014 of $9,417,704. The increase was mostly attributable to transmission revenue from the CapX project, and the restatement further described in Note 15. Operating expenses for the years ending 2015 and 2014 were $35,243,979 and $33,396,387 respectively. The expenses increased $1,847,597 or 5.24% from 2014 to 2015 due to increased depreciation, amortization and A&G expenses.

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.

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CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	CMMPA Operations	Nebraska City Power	CapX Initiative	Total	Eliminations	Entity-Wide Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 7,510,408	$ -	$ -	$ 7,510,408	$ -	$ 7,510,408
Restricted Cash and Cash Equivalents	1,557,955	534,595	10,412,713	12,505,263	-	12,505,263
Accounts Receivable	4,533,732	-	403,385	4,937,117	-	4,937,117
Due from Other Funds	-	309,316	4,016,653	4,325,969	(4,325,969)	-
Interest Receivable	1,885	-	-	1,885	-	1,885
Prepaid Expenses and Other Current Assets	53,814	-	-	53,814	-	53,814
Total Current Assets	13,657,794	843,911	14,832,751	29,334,456	(4,325,969)	25,008,487
OTHER ASSETS						
Investments - Certificate of Deposit	143,719	-	-	143,719	-	143,719
Total Other Assets	143,719	-	-	143,719	-	143,719
DEFERRED DEBIT	-	281,101	1,706,633	1,987,734	-	1,987,734
CAPITAL ASSETS						
Non-Depreciable:						
Land	15,622	-	-	15,622	-	15,622
Construction in Progress:						
Website	-	-	-	-	-	-
Power Projects	-	-	-	-	-	-
Depreciable, Net	679,223	-	30,185,933	30,865,156	-	30,865,156
Total Capital Assets	694,845	-	30,185,933	30,880,778	-	30,880,778
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	615,959	-	-	615,959	-	615,959
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Accounts Payable	2,275,327	-	15,200	2,290,527	-	2,290,527
Due to Other Funds	4,325,969	-	-	4,325,969	(4,325,969)	-
Accrued Liabilities and Other Payables	1,374,301	-	59,046	1,433,347	-	1,433,347
Interest Payable	-	-	793,625	793,625	-	793,625
Total Current Liabilities	7,975,597	-	867,871	8,843,468	(4,325,969)	4,517,499
LONG-TERM LIABILITIES						
Net Pension Liability	1,477,750	-	-	1,477,750	-	1,477,750
Bonds Payable - Current and Noncurrent	-	-	35,059,263	35,059,263	-	35,059,263
Total Liabilities	9,453,347	-	35,927,134	45,380,481	(4,325,969)	41,054,512
DEFERRED CREDIT	1,370,000	534,595	3,080,454	4,985,049	-	4,985,049
DEFERRED INFLOWS OF RESOURCES						
Pension Related	152,113	-	-	152,113	-	152,113
NET POSITION						
Net Investment in Capital Assets	694,845	-	(299,480)	395,365	-	395,365
Restricted for Participation in Power Projects	-	281,101	1,706,633	1,987,734	-	1,987,734
Unrestricted	3,442,012	309,316	6,310,576	10,061,904	-	10,061,904
Total Net Position	$ 4,136,857	$ 590,417	$ 7,717,729	$ 12,445,003	$ -	$ 12,445,003

See accompanying Notes to Financial Statements.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	CMMPA Operations	Nebraska City Power	CapX Initiative	Total	Eliminations	Entity-Wide Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 4,402,847	$ -	$ -	$ 4,402,847	$ -	$ 4,402,847
Restricted Cash and Cash Equivalents	-	534,595	11,532,444	12,067,039	-	12,067,039
Accounts Receivable	3,482,492	-	1,426,124	4,908,616	-	4,908,616
Due from Other Funds	-	309,315	675,554	984,869	(984,869)	-
Interest Receivable	-	-	1,885	1,885	-	1,885
Prepaid Expenses and Other Current Assets	9,375	-	-	9,375	-	9,375
Total Current Assets	7,894,714	843,910	13,636,007	22,374,631	(984,869)	21,389,762
OTHER ASSETS						
Investment in Utilities Plus Energy Services	775,531	-	-	775,531	-	775,531
Total Other Assets	775,531	-	-	775,531	-	775,531
DEFERRED DEBIT	-	289,795	2,559,953	2,849,748	-	2,849,748
CAPITAL ASSETS						
Non-Depreciable:						
Land	15,622	-	-	15,622	-	15,622
Construction in Progress:						
Website	-	-	-	-	-	-
Power Projects	-	-		-	-	-
Depreciable, Net	673,652	-	31,007,561	31,681,213	-	31,681,213
Total Capital Assets	689,274	-	31,007,561	31,696,835	-	31,696,835
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	134,657	-	-	134,657	-	134,657
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Accounts Payable	2,402,331	-	366,772	2,769,103	-	2,769,103
Due to Other Funds	984,869	-	-	984,869	(984,869)	-
Accrued Liabilities and Other Payables	862,030	-	-	862,030	-	862,030
Interest Payable	-	-	816,926	816,926	-	816,926
Total Current Liabilities	4,249,230	-	1,183,698	5,432,928	(984,869)	4,448,059
LONG-TERM LIABILITIES						
Net Pension Liability	984,679	-	-	984,679	-	984,679
Bonds Payable - Current and Noncurrent	-	-	36,116,839	36,116,839	-	36,116,839
Total Liabilities	5,233,909	-	37,300,537	42,534,446	(984,869)	41,549,577
DEFERRED CREDIT	-	534,595	2,330,454	2,865,049	-	2,865,049
DEFERRED INFLOWS OF RESOURCES						
Pension Related	53,168	-	-	53,168	-	53,168
NET POSITION						
Net Investment in Capital Assets	689,274	-	(980,180)	(290,906)	-	(290,906)
Restricted for Member Rebates	125,085	-	-	125,085	-	125,085
Restricted for Participation in Power Projects	-	289,795	2,559,953	2,849,748	-	2,849,748
Unrestricted	3,392,740	309,315	5,992,757	9,694,812	-	9,694,812
Total Net Position	$ 4,207,099	$ 599,110	$ 7,572,530	$ 12,378,739	$ -	$ 12,378,739

See accompanying Notes to Financial Statements.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2016

	CMMPA Operations	Nebraska City Power	CapX Initiative	Total	Eliminations	Entity-Wide Total
OPERATING REVENUES						
Power Sales	$ 26,324,569	$ 4,346,386	$ -	$ 30,670,955	$ -	$ 30,670,955
Transmission Sales	-	-	3,597,680	3,597,680	-	3,597,680
Total Operating Revenues	26,324,569	4,346,386	3,597,680	34,268,635	-	34,268,635
OPERATING EXPENSES						
Purchased Power	19,363,306	4,346,386	-	23,709,692	-	23,709,692
O&M Assessments	-	-	68,084	68,084	-	68,084
Tariff Distributions	-	-	272,516	272,516	-	272,516
Transmission	7,009,593	-	-	7,009,593	-	7,009,593
General and Administrative	3,206,123	-	-	3,206,123	-	3,206,123
Depreciation	147,085	-	803,923	951,008	-	951,008
Amortization	-	8,693	853,318	862,011	-	862,011
Total Operating Expenses	29,726,107	4,355,079	1,997,841	36,079,027	-	36,079,027
OPERATING INCOME (LOSS)	(3,401,538)	(8,693)	1,599,839	(1,810,392)	-	(1,810,392)
NONOPERATING REVENUES (EXPENSES)						
Investment Income and Other	1,341,051	-	-	1,341,051	-	1,341,051
Membership Dues and Assessments	2,149,723	-	-	2,149,723	-	2,149,723
Member Distribution of Funds	(159,478)	-	-	(159,478)	-	(159,478)
Interest Expense	-	-	(1,454,640)	(1,454,640)	-	(1,454,640)
Total Nonoperating Revenues (Expenses), Net	3,331,296	-	(1,454,640)	1,876,656	-	1,876,656
CHANGES IN NET POSITION	(70,242)	(8,693)	145,199	66,264	-	66,264
Net Position - Beginning of Year	4,207,099	599,110	7,572,530	12,378,739	-	12,378,739
NET POSITION - END OF YEAR	$ 4,136,857	$ 590,417	$ 7,717,729	$ 12,445,003	$ -	$ 12,445,003

See accompanying Notes to Financial Statements.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015

	CMMPA Operations	Nebraska City Power	CapX Initiative	Total	Eliminations	Entity-Wide Total
OPERATING REVENUES						
Power Sales	$ 27,065,603	$ 4,030,954	$ -	$ 31,096,557	$ -	$ 31,096,557
Transmission Sales	-	-	4,523,041	4,523,041	-	4,523,041
Total Operating Revenues	27,065,603	4,030,954	4,523,041	35,619,598	-	35,619,598
OPERATING EXPENSES						
Purchased Power	20,404,156	4,030,954	320,428	24,755,538	-	24,755,538
Transmission	6,509,797	-	-	6,509,797	-	6,509,797
General and Administrative	2,284,585	-	-	2,284,585	-	2,284,585
Depreciation	105,540	-	720,968	826,508	-	826,508
Amortization	-	8,692	858,859	867,551	-	867,551
Total Operating Expenses	29,304,078	4,039,646	1,900,255	35,243,979	-	35,243,979
OPERATING INCOME (LOSS)	(2,238,475)	(8,692)	2,622,786	375,619	-	375,619
NONOPERATING REVENUES (EXPENSES)						
Investment Income and Other	295,350	-	1,886	297,236	-	297,236
Equity in Earnings of UPES	20,963	-	-	20,963	-	20,963
Membership Dues and Assessments	2,500,663	-	-	2,500,663	-	2,500,663
Return of Equity	-	-	-	-	-	-
Interest Expense	-	-	(1,377,358)	(1,377,358)	-	(1,377,358)
Total Nonoperating Revenues (Expenses), Net	2,816,976	-	(1,375,472)	1,441,504	-	1,441,504
CHANGES IN NET POSITION	578,501	(8,692)	1,247,314	1,817,123	-	1,817,123
Net Position - Beginning of Year As Previously Stated	3,436,018	607,802	4,518,124	8,561,944	-	8,561,944
Prior Period Adjustment	192,580	-	1,807,092	1,999,672	-	1,999,672
Net Position - Beginning of Year, As Restated	3,628,598	607,802	6,325,216	10,561,616	-	10,561,616
NET POSITION - END OF YEAR	$ 4,207,099	$ 599,110	$ 7,572,530	$ 12,378,739	$ -	$ 12,378,739

See accompanying Notes to Financial Statements.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	CMMPA Operations	Nebraska City Power	CapX Initiative	Entity-Wide Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 26,643,329	$ 4,346,386	$ 4,329,778	$ 35,319,493
Payments to Suppliers	(27,773,651)	(4,346,386)	(340,600)	(32,460,637)
Payments to Employees	(1,353,827)	-	-	(1,353,827)
Net Cash Provided (Used) by Operating Activities	(2,484,149)	-	3,989,178	1,505,029
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Member Distribution	(159,478)	-	-	(159,478)
Membership Dues and Assessments Received	2,149,723	-	-	2,149,723
Interfund Balances	3,341,098	-	(3,341,099)	(1)
Net Cash Provided (Used) by Noncapital Financing Activities	5,331,343	-	(3,341,099)	1,990,244
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(152,656)	-	17,707	(134,949)
Principal Paid on Long-Term Debt	-	-	(925,000)	(925,000)
Interest Paid on Long-Term Debt	-	-	(1,610,517)	(1,610,517)
Net Cash Provided (Used) by Capital and Related Financing Activities	(152,656)	-	(2,517,810)	(2,670,466)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income Received	1,970,978	-	-	1,970,978
Deferred Project Costs	-	-	750,000	750,000
Net Cash Provided by Investing Activities	1,970,978	-	750,000	2,720,978
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,665,516	-	(1,119,731)	3,545,785
Cash and Cash Equivalents - Beginning of Year	4,402,847	534,595	11,532,444	16,469,886
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,068,363	$ 534,595	$ 10,412,713	$ 20,015,671
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (3,401,538)	$ (8,693)	$ 1,599,839	$ (1,810,392)
Depreciation and Amortization	147,085	8,693	1,657,241	1,813,019
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Accounts Receivable	(1,051,240)	-	1,024,624	(26,616)
Prepaid Expenses and Other Current Assets	(44,439)	-	-	(44,439)
Accounts Payable	(127,004)	-	(292,526)	(419,530)
Pension Adjustments	110,714	-	-	110,714
Accrued Liabilities and Other Payables	1,882,273	-	-	1,882,273
Net Cash Provided (Used) by Operating Activities	$ (2,484,149)	$ -	$ 3,989,178	$ 1,505,029
NONCASH ACTIVITIES				
Amortization of Bond Premium	$ 585,999	$ -	$ 132,571	$ 718,570
Capitalized Interest	-	-	135,567	135,567

See accompanying Notes to Financial Statements.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	CMMPA Operations	Nebraska City Power	CapX Initiative	Entity-Wide Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 26,318,049	$ 4,030,954	$ 4,533,703	$ 34,882,706
Payments to Suppliers	(28,275,290)	(4,030,954)	(320,428)	(32,626,672)
Payments to Employees	(1,138,233)	-	-	(1,138,233)
Net Cash Provided (Used) by Operating Activities	(3,095,474)	-	4,213,275	1,117,801
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Membership Dues and Assessments Received	2,500,663	-	-	2,500,663
Interfund Balances	(793,284)	284,731	508,553	-
Net Cash Provided by Noncapital Financing Activities	1,707,379	284,731	508,553	2,500,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(159,204)	-	(1,690,821)	(1,850,025)
Interest Paid on Long-Term Debt	-	-	(1,376,723)	(1,376,723)
Net Cash Used by Capital and Related Financing Activities	(159,204)	-	(3,067,544)	(3,226,748)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income Received	297,578	-	-	297,578
Deferred Project Costs	-	-	522,923	522,923
Net Cash Provided by Investing Activities	297,578	-	522,923	820,501
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,249,721)	284,731	2,177,207	1,212,217
Cash and Cash Equivalents - Beginning of Year	5,652,568	249,864	9,355,237	15,257,669
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,402,847	$ 534,595	$ 11,532,444	$ 16,469,886
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ (2,238,475)	$ (8,692)	$ 2,622,786	$ 375,619
Depreciation and Amortization	105,540	8,692	1,579,827	1,694,059
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:				
Accounts Receivable	(747,554)	-	(356,110)	(1,103,664)
Prepaid Expenses and Other Current Assets	153,087	-	-	153,087
Accounts Payable	(243,337)	-	366,772	123,435
Pension Adjustments	47,430	-	-	47,430
Accrued Liabilities and Other Payables	(172,165)	-	-	(172,165)
Net Cash Provided (Used) by Operating Activities	$ (3,095,474)	$ -	$ 4,213,275	$ 1,117,801
NONCASH ACTIVITIES				
Equity in Earnings of UPES	$ 20,963	$ -	$ -	$ 20,963
Amortization of Bond Premium	-	-	132,571	132,571
Capitalized Interest	-	-	135,567	135,567

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The Central Minnesota Municipal Power Agency (CMMPA) is a municipal power agency created in 1987 pursuant to Minnesota Statutes, Sections 453.51 to 453.62. CMMPA 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. CMMPA is governed by a 12-member board of commissioners elected by the members.

CMPAS was originally formed from the joint powers of CMMPA and the Midwest Municipal Gas Agency (MMGA). Utilities Plus 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 electric energy or gas.

CMPAS shared a common board of commissioners with CMMPA. The operations of MMGA are minimal. Therefore, CMMPA, MMGA and CMPAS are presented in the "CMMPA operations" columns of the basic financial statements. Hereafter, CMMPA, MMGA and CMPAS are collectively referred to as "CMMPA". In December 2016, the Utilities Plus Energy Services, Inc. company was sold.

Reporting Entity

CMMPA is a special-purpose entity, as specified by governmental accounting standards, and provided wholesale electrical power to member and non-member municipal utilities. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of CMMPA. There are no component units reported.

CMMPA Members

As of December 31, 2016 and 2015, CMMPA had twelve agency members, which were comprised of municipal utilities located in Minnesota that own and operate electric distribution systems. In 2016, CMMPA'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 in the Agency.

Measurement Focus and Basis of Accounting

This financial report has been prepared in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statements

CMMPA reports the following major funds:

CMMPA Operations – This fund accounts for the general operations within the Agency.

Nebraska City Power – This fund accounts for activities relating to the Nebraska City Power project which began operations on May 2010.

CapX Initiative – This fund accounts for activities relating to the CapX Initiative project.

Revenue Recognition

CMMPA recognizes revenues on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Power sales revenue receivables, representing power sales for the period between the last billing date and the end of the period, are accrued in the period sold.

Operating Revenues and Expenses

Operating revenues result from exchange transactions associated with the principal activity of CMMPA, which is the sale of electricity. Operating expenses are defined as expenses directly related to, or incurred in support of, the production and transmission of electricity to the participating members and non-members. Revenues from membership dues and assessments, interest income, regulatory income (FERC related), and other equity transactions are reported as non-operating revenues.

Cash and Cash Equivalents

For purposes of the statements of cash flows, CMMPA considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets are recorded at historical cost and are being depreciated over the estimated useful lives of the respective assets. CMMPA generally records capital assets having an individual cost in excess $2,500.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Depreciation has been provided over the estimated useful lives using the straight-line method. The useful lives of various classes of depreciable fixed assets are:

Buildings and Improvements	5 to 40 Years
All Other Capital Assets	3 to 15 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Construction in progress, Power Projects includes all costs associated with the development of the CapX Initiative project (see Note 4). Included in the construction in progress amount is interest expense capitalized of $-0- and $135,567, for the years ending December 31, 2016 and 2015, respectively. The interest was incurred on the CAPX Revenue Note 2012.

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. 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.

Deferred Outflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. CMMPA will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 11 to the financial statements.

Deferred Inflows of Resources

CMMPA's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an acquisition of net position that applies to a future period. CMMPA will not recognize the related revenue until a future event occurs. CMMPA's deferred inflow of resources relates to pension activity as described in Note 11.

Deferred Debits/Credits

CMMPA applies the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement recognizes the effects of operating in a regulatory environment creating future economic benefits/obligations affecting CMMPA's operations. Accordingly, CMMPA records these future economic benefits/obligations as deferred debits and deferred credits, respectively, which are accounted for as regulatory assets and regulatory liabilities, respectively. CMMPA expects these debits and credits to be recovered through future rates on electrical power.

Personnel Costs

CMMPA records a liability for PTO as the benefits accrue to employees. CMMPA compensates all employees upon termination for unused vacation. The financial statements reflect a liability of $143,301 and $139,205 for unused vacation as of December 31, 2016 and 2015, respectively. Employees earn PTO based on the personnel policies of CMMPA, however, accrued PTO is not paid to employees when they leave employment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets, deferred inflows of resources, and deferred debits, and liabilities, deferred inflows of resources and deferred credits in the financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets, net of unspent debt proceeds.

Net position restricted for member rebates are amounts approved by the board of commissioners that may be returned to members upon the request of the member. Members may also use these amounts to satisfy future project costs or other funding requirements required by CMMPA.

Unrestricted net position have no external restrictions imposed, but may be designated for specific purposes by CMMPA's board of commissioners. There were no designations of unrestricted net position as of December 31, 2016 or 2015.

Intercompany Activity

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The resulting receivables (liabilities) are classified as Due From (To) Other Funds on the statement of net position.

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses made on behalf of another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions are eliminated in the "entity-wide totals" on the statement of net position and statement of revenues, expenses, and changes in net position.

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain 2015 amounts were reclassified to conform to 2016 presentation. The reclassifications did not affect net position or changes in net position.

NOTE 2 DEPOSITS AND INVESTMENTS

A. Deposits

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. CMMPA does not have a policy for managing deposits other than following Minnesota Statutes.

In accordance with Minnesota statutes, CMMPA 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.

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.

CMMPA's bank balance of deposits totaled $8,269,636 as of December 31, 2016 were collateralized up to $7,289,934, whereas Minnesota Statutes required collateral of $8,821,600. CMMPA's deposits as of December 31, 2015 were also not covered by Federal depository insurance or pledged collateral of U.S. Government Securities held by the depositories.

B. Investments

CMMPA 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
- 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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (continued)

- 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.

CMMPA's investments consisted of the following as of December 31:

	2016		
	Maturity	Fair Value	% of Total
Investments			
Central Minnesota Municipal Power Agency:			
Capx Initiative - Wells Fargo Advantage 100% Treasury Money Market Fund	51 days	$ 10,412,713	100.0%
Total		$ 10,412,713	

	Maturity	Fair Value	% of Total
Investments			
Central Minnesota Municipal Power Agency:			
CMMPA Operations - Prime Money Market Fund - Capital	7 days	$ 1,250,500	9.8%
Capx Initiative - Wells Fargo Advantage 100% Treasury Money Market Fund	51 days	11,532,444	90.2%
Total		$ 12,782,944	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. While investments in money market funds are fairly liquid, a major change in interest rates could cause the value of these investments to decline. CMMPA does not have an investment policy that limits maturities of debt securities as a means of managing exposure to fair value.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation 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 CMMPA may hold; however, CMMPA does not have an investment policy that would further limit its investment choices. Both investments are rated AAA by Moody's and AAA by Standard & Poor's.

Concentration of Credit Risk

CMMPA does not place a limit on the amount of the total portfolio that may be invested in any one depository or issuer. The term *issuer* should be understood as referring to the underlying investments themselves rather than the pool sponsor in the case of money market funds.

NOTE 3 COMMITMENTS

Long-Term Contracts

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

NOTE 4 DEVELOPMENT PROJECTS

During 2005, CMMPA acquired rights to the output of future base-load generation projects. As a project-oriented agency, each CMMPA member individually decides in which projects it wishes to participate. CMMPA may 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 CMMPA's interest in each individual project. Each project is financially independent of other projects.

CapX Initiative

CMMPA 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.

NOTE 4 DEVELOPMENT PROJECTS (CONTINUED)

CapX Initiative (Continued)

Great River Energy (GRE) and Northern States Power Company (NSP) are the development managers for the CapX Initiative. CMMPA is obligated to pay for 4.1% of the total cost of the CapX Initiative, which was completed in 2015. CMMPA and nine CMMPA members and six non-members entered into participation agreements pursuant to which such members and non-members will be obligated to pay for their respective pro rata shares of CMMPA's participation share in the CapX Initiative.

NOTE 5 PROJECT IN OPERATION

Nebraska City Power Station No. 2

CMMPA entered into a participation power agreement dated January 15, 2004 with the Omaha Public Power District (OPPD), pursuant to which CMMPA 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. CMMPA estimates that its share of the 663 mw coal-fired units will be approximately 14.4 mw. CMMPA and ten members of CMMPA entered into power sales agreements pursuant to which such members will be entitled to receive and obligated to pay for their respective pro rata shares of CMMPA's participation share in NC2.

NOTE 6 DEFERRED DEBITS

CMMPA has the following deferred debits which are considered regulatory assets at December 31:

	2016	2015
Unamortized Power Participation Costs in NC2	$ 281,101	$ 289,795
Pre-Development Costs for CAPX	1,706,633	2,559,953
Total	$ 1,987,734	$ 2,849,748

In 2012, the Federal Energy Regulatory Commission requested that certain pre-development costs incurred for the CAPX project that were expensed in prior years be capitalized in 2012 and be amortized over a five year period. This resulted in the Pre-Development Costs for CAPX being $1,706,633 and $1,828,773, which is net of $2,559,952 and $1,706,635 in accumulated amortization as of December 31, 2016 and 2015, respectively. Amortization expense totaled $853,318 and $858,859, in the years ended December 31, 2016 and 2015, respectively.

NOTE 7 CAPITAL ASSETS

Capital asset activity was as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Nondepreciable Capital Assets:				
Land	$ 15,622	$ -	$ -	$ 15,622
Construction in Progress:				
Power Projects	-	-	-	-
Website	-	-	-	-
Total Nondepreciable Assets	15,622	-	-	15,622
Depreciable Capital Assets:				
Transmission Lines	32,156,913	-	-	32,156,913
Land Improvements	9,365	-	-	9,365
Buildings	604,754	-	-	604,754
Furniture and Equipment	845,058	134,951	(109,344)	870,665
Vehicles	55,532	-	-	55,532
Total Depreciable Assets	33,671,622	134,951	(109,344)	33,697,229
Accumulated Depreciation	(1,990,409)	(951,008)	109,344	(2,832,073)
Depreciable Capital Assets, Net	31,681,213	(816,057)	-	30,865,156
Total Capital Assets	$ 31,696,835	$ (816,057)	$ -	$ 30,880,778

	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
Nondepreciable Capital Assets:				
Land	$ 15,622	$ -	$ -	$ 15,622
Construction in Progress:				
Power Projects	9,474,271	1,549,711	(11,023,982)	-
Website	153,118	-	(153,118)	-
Total Nondepreciable Assets	9,643,011	1,549,711	(11,177,100)	15,622
Depreciable Capital Assets:				
Transmission Lines	21,132,931	11,023,982	-	32,156,913
Land Improvements	9,365	-	-	9,365
Buildings	604,754	-	-	604,754
Furniture and Equipment	727,384	214,999	(97,325)	845,058
Vehicles	68,928	97,324	(110,720)	55,532
Total Depreciable Assets	22,543,362	11,336,305	(208,045)	33,671,622
Accumulated Depreciation	(1,371,946)	(826,508)	208,045	(1,990,409)
Depreciable Capital Assets, Net	21,171,416	10,509,797	-	31,681,213
Total Capital Assets	$ 30,814,427	$ 12,059,508	$ (11,177,100)	$ 31,696,835

NOTE 8 LONG-TERM DEBT

In 2012, CMMPA issued $32,670,000 CAPX Revenue Note, Series 2012 which bears interest at 5% per annum. The debt service on these bonds is payable solely from and secured solely by a pledge and assignment of and security interest in the bond proceeds; all right, title and interest of CMMPA 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 CMMPA working capital amounts will be paid or provided for from the transmission revenues prior to the application of the remaining transmission revenues to the payment of debt service on the bonds.

As of December 31, 2016 and 2015, respectively, there was $3,861,301 and $4,129,098 of unspent proceeds of the CAPX Revenue Note that were restricted for use on construction activities, debt service and working capital requirements related to CMMPA's share of the CAPX Brookings Project.

The following is a schedule of changes in CMMPA's long-term debt:

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16	Due Within One Year
CAPX Brookings, 2012	$ 32,670,000	$ -	$ (925,000)	$ 31,745,000	$ 1,215,000
Premium on Bonds	3,446,839	-	(132,576)	3,314,263	-

	Balance 12/31/14	Additions	Retirements	Balance 12/31/15	Due Within One Year
CAPX Brookings, 2012	$ 32,670,000	$ -	$ -	$ 32,670,000	$ 925,000
Premium on Bonds	3,579,415	-	(132,576)	3,446,839	-

The following schedule shows the future payments required on the CAPX Revenue Note:

Year	Principal	Interest	Total
2017	$ 1,215,000	$ 1,587,250	$ 2,802,250
2018	1,905,000	1,526,500	3,431,500
2019	1,925,000	1,431,250	3,356,250
2020	1,975,000	1,335,000	3,310,000
2021-2025	5,502,000	5,632,250	11,134,250
2026-2030	5,590,000	4,249,250	9,839,250
2031-2035	5,718,000	2,839,750	8,557,750
2036-2040	5,885,000	1,393,500	7,278,500
2041-2042	2,030,000	143,000	2,173,000
Total Payments	$ 31,745,000	$ 20,137,750	$ 51,882,750

NOTE 9 DEFERRED CREDITS

In 2016 CMMPA has set up a reserve which will be used to provide rate stabilization for CMMPA Operations. As of December 31, 2016 and 2015 there was $1,370,000 and $-0- of deferred credits, respectively.

CMMPA has set up an operating reserve which will be used to fund any future major repairs and replacements and provide rate stabilization for participants relating to the Nebraska City Project. As of December 31, 2016 and 2015, there were $534,595 and $535,595, respectively of deferred credits.

In 2014 CMMPA has set up a reserve which will be used to fund any future costs and provide rate stabilization for participants in the CAPX Brookings Project. As of December 31, 2016 and 2015 there was $3,080,454 and $2,330,454 of deferred credits, respectively.

NOTE 10 INTERFUND BALANCES AND TRANSFERS

Interfund due to/due from are as follows for the year ending December 31:

	2016		
	Due from Other Funds	Due to Other Funds	Purpose
Nebraska City Power	$ 309,316	$ -	Provide short-term funding for projects
CapX Initiative	4,016,653	-	Provide short-term funding for projects
CMMPA Operations	-	4,325,969	Provide short-term funding for projects
	$ 4,325,969	$ 4,325,969	

	2015		
	Due from Other Funds	Due to Other Funds	Purpose
Nebraska City Power	$ 309,315	$ -	Provide short-term funding for projects
CMMPA Operations	-	984,869	Provide short-term funding for projects
CapX Initiative	675,554	-	Provide short-term funding for projects
	$ 984,869	$ 984,869	

See Note 8 for more information on the long-term financing.

NOTE 11 RETIREMENT PLAN

Defined Benefit Pension Plan

Plan Description

CMMPA participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

NOTE 11 RETIREMENT PLAN (CONTINUED)

Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

All full-time and certain part-time employees of the Agency are covered by the General. Employees Retirement Fund (GERF). GERF 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.

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.

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 2016. CMMPA was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. CMMPA contributions to the GERF for the year ended December 31, 2016, were $84,569. The contributions were equal to the required contributions as set by state statute.

NOTE 11 RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Pension Costs

At December 31, 2016, CMMPA reported a liability of $1,477,750 for its proportionate share of the GERF's net pension liability. The Agency net pension liability reflected a reduction due to the state of Minnesota's contribution of $6 million to the fund in 2016. 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 CMMPA totaled $19,261. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CMMPA's proportion of the net pension liability was based on CMMPA contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, CMMPA's proportion was 0.0182%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2015.

For the years ended December 31, 2016 and 2015, CMMPA recognized pension expense of $200,212 and $130,081, respectively, for its proportionate share of the GERF's pension expense. In addition, CMMPA recognized an additional $5,743 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At December 31, 2016, CMMPA reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	2016		2015	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ -	$ 120,045	$ -	$ 49,645
Changes in Actuarial Assumptions	289,345	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	280,483	-	93,215	-
Changes in Proportion	-	32,068	-	3,523
Contributions Paid to PERA Subsequent to the Measurement Date	46,131	-	41,442	-
Total	$ 615,959	$ 152,113	$ 134,657	$ 53,168

NOTE 11 RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Pension Costs (Continued)

$46,131 reported as deferred outflows of resources related to pensions resulting from CMMPA contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended December 31,	CMMPA Pension Expense Amount
2017	$ 115,770
2018	115,770
2019	132,796
2020	53,379

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.50%, Net of Pension Plan Investment Expense

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. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Retirement Fund Plan.

Actuarial assumptions used in the June 30, 2016, 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 2016. The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter, to 1.0% per year for all future years. The assumed investment rate of return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

NOTE 11 RETIREMENT PLANS (CONTINUED)

Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on that assumption, the fiduciary net position of the GERF 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, 2016:

Description	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
CMMPA Proportionate Share of the GERF Net Pension Liability	$ 2,098,843	$ 1,477,750	$ 966,138

NOTE 11 RETIREMENT PLANS (CONTINUED)

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 12 RISK MANAGEMENT

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

CMMPA 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.

CMMPA 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.

CMMPA is self-insured for unemployment compensation.

NOTE 13 ACCRUED DISTRIBUTION

On May 24, 2006, the board of commissioners of CMMPA adopted a policy to make distributions to the Agencies from time to time, based upon a plan of distribution which is formally adopted by a 2/3 majority vote. The Board of commissioners approved a distribution to members of $159,478 and $-0- in 2016 and 2015, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

CMMPA had a 50% ownership interest in Utilities Plus Energy Services, Inc. (UPES) a for-profit entity that services and installs electrical equipment for small utilities and large commercial energy users throughout the United States. CMMPA accounted for its investment in UPES using the equity method of accounting. However CMMPA sold their ownership in UPES in December 2016. Condensed financial information for UPES for the years ended December 31, 2016 and 2015 is summarized as follows:

	2016	2015
Total Assets	$ -	$ 3,220,309
Total Liabilities	-	1,668,105
Total Equity	-	1,552,204
Sales	-	11,200,947
Net Income	-	41,926

NOTE 15 RESTATEMENT

During the year ended December 31, 2016, CMMPA restated the CAPX receivable amounts. These pronouncements require the restatement of the December 31, 2015 & December 31, 2014, net position as shown below.

	CMMPA Operations	Nebraska City Power	CapX Initiative	Entity-Wide Total
2015 Net Position Beginning of Year As Previously Stated	$ 3,436,018	$ 607,802	$ 4,518,124	$ 8,561,944
Change in CapX Receivable	-	-	1,070,013	1,070,013
Change in Deferred Debit	-	-	737,079	737,079
Change in Member Transmission Receivable	192,580	-	-	192,580
Net Position - Beginning of Year as Restated	$ 3,628,598	$ 607,802	$ 6,325,216	$ 10,561,616

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REQUIRED SUPPLEMENTARY INFORMATION

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CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2016

	Meaurement Date	
	June 30, 2016	June 30, 2015
PERA - GERF		
CMMPA's Proportion of the Net Pension Liability (Asset)	0.0182%	0.0190%
CMMPA's Proportionate Share of the Net Pension Liability (Asset)	$ 1,477,750	$ 984,679
CMMPA's Covered-Employee Payroll	$ 1,285,252	$ 1,115,904
CMMPA's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	114.98%	88.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.20%

Additional information will be added as it becomes available.

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

	2016	2015
PERA - GERF		
Contractually Required Contribution	$ 1,477,750	$ 82,263
Contributions in Relation to the Contractually Required Contribution	(1,477,750)	(82,263)
Contribution Deficiency (Excess)	$ -	$ -
CMMPA's Covered-Employee Payroll	$ 1,145,224	$ 1,003,211
Contributions as a Percentage of Covered	129.04%	8.20%

Additional information will be added as it becomes available.

SUPPLEMENTARY INFORMATION

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CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
SUPPLEMENTARY INFORMATION
STATEMENT OF NET POSITION – CAPX INITIATIVE
DECEMBER 31, 2016

	CMMPA Agency	CMMPA Project	Eliminations	2016 Total CapX Initiative
ASSETS				
CURRENT ASSETS				
Restricted Cash and Cash Equivalents	$ -	$ 10,412,713	$ -	$ 10,412,713
Accounts Receivable	403,385	-	-	403,385
Due from Other Funds	4,016,653	-	-	4,016,653
Total Current Assets	4,420,038	10,412,713	-	14,832,751
DEFERRED DEBIT	1,706,633	1,523,365	(1,523,365)	1,706,633
CAPITAL ASSETS				
Depreciable, Net	-	30,185,933	-	30,185,933
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	-	15,200	-	15,200
Accrued Liabilities and Other Payables	-	59,046	-	59,046
Interest Payable	-	793,625	-	793,625
Total Current Liabilities	-	867,871	-	867,871
LONG-TERM LIABILITIES				
Bonds Payable - Current and Noncurrent	-	35,059,263	-	35,059,263
Total Long-Term Liabilities	-	35,059,263	-	35,059,263
Total Liabilities	-	35,927,134	-	35,927,134
DEFERRED CREDIT	-	3,080,454	-	3,080,454
NET POSITION				
Net Investment in Capital Assets	-	(299,480)	-	(299,480)
Restricted for Participation in Power Projects	1,706,633	1,523,365	(1,523,365)	1,706,633
Unrestricted	4,420,038	1,890,538	-	6,310,576
Total Net Position	$ 6,126,671	$ 3,114,423	$ (1,523,365)	$ 7,717,729

CENTRAL MINNESOTA MUNICIPAL POWER AGENCY
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – CAPX INITIATIVE
YEAR ENDED DECEMBER 31, 2016

	CMMPA Agency	CMMPA Project	Eliminations	2016 CapX Initiative
OPERATING REVENUES				
Transmission Sales	$ 2,167,304	$ 2,765,257	$ (1,334,881)	$ 3,597,680
OPERATING EXPENSES				
O&M Assessments	-	68,084	-	68,084
Tariff Distributions	-	272,516	-	272,516
Distribution of Member Owned Assets	1,334,881	-	(1,334,881)	-
Depreciation	-	803,923	-	803,923
Amortization	853,318	761,682	(761,682)	853,318
Total Operating Expenses	2,188,199	1,906,205	(2,096,563)	1,997,841
OPERATING INCOME (LOSS)	(20,895)	859,052	761,682	1,599,839
NONOPERATING REVENUES (EXPENSES)				
Interest Expense	-	(1,454,640)	-	(1,454,640)
(Expenses), Net	-	(1,454,640)	-	(1,454,640)
CHANGES IN NET POSITION	$ (20,895)	$ (595,588)	$ 761,682	$ 145,199