

# Financial Report

for the years ended December 31, 2018 and 2017

## Consolidated Balance Sheet

| ASSETS   | 2018               | 2017               |
|--|--------------------|--------------------|
| <b>Plant assets</b>                            |                    |                    |
| 1 Utility plant                                | \$ 197,328,239     | \$ 189,090,070     |
| 2 Construction work in progress                | 775,927            | 840,874            |
| 3 <b>Total utility plant</b>                   | <b>198,104,166</b> | <b>189,930,944</b> |
| 4 Less accumulated depreciation                | 73,483,958         | 67,817,767         |
| 5 <b>Net utility plant</b>                     | <b>124,620,208</b> | <b>122,113,177</b> |
| <b>Other property and investments</b>          |                    |                    |
| 6 Investments in associated organizations      | \$ 52,107,608      | \$ 48,483,531      |
| 7 Non-utility property-net                     | 2,589,749          | 3,231,614          |
| 8 Notes receivable                             | 23,732             | 42,435             |
| 9 Other investments                            | 917,718            | 841,463            |
| 10 <b>Total other property and investments</b> | <b>55,638,807</b>  | <b>52,599,043</b>  |
| <b>Current and other assets</b>                |                    |                    |
| 11 Cash and cash equivalents                   | \$ 8,023,596       | \$ 10,485,847      |
| 12 Accounts receivable                         | 6,057,514          | 5,854,162          |
| 13 Other accounts receivable                   | 963,113            | 1,076,809          |
| 14 Accrued unbilled revenue                    | 6,453,268          | 7,068,980          |
| 15 Materials and supplies inventory            | 1,828,753          | 1,919,156          |
| 16 Other current and accrued assets            | 550,902            | 536,472            |
| 17 <b>Total current and other assets</b>       | <b>23,877,146</b>  | <b>26,941,426</b>  |
| 18 <b>Deferred debits</b>                      | <b>2,084,146</b>   | <b>2,575,961</b>   |
| 19 <b>Total assets</b>                         | <b>206,220,307</b> | <b>204,229,607</b> |

| EQUITY                          | 2018              | 2017              |
|---------------------------------|-------------------|-------------------|
| <b>Members' equity</b>          |                   |                   |
| 20 Patronage capital            | \$ 81,166,811     | \$ 76,146,690     |
| 21 Other equities               | 9,124,453         | 7,758,877         |
| 22 <b>Total members' equity</b> | <b>90,291,264</b> | <b>83,905,567</b> |

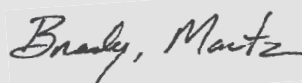
| LIABILITIES                                     | 2018               | 2017               |
|---|--------------------|--------------------|
| <b>Long-term debt</b> (less current maturities) |                    |                    |
| 23 RUS notes                                    | \$ 44,036,675      | \$ 45,184,890      |
| 24 Nat. Rural Utilities Co-op Finance Corp      | 13,429,582         | 14,464,733         |
| 25 CoBank notes                                 | 28,612,901         | 31,156,638         |
| 26 <b>Total long-term debt</b>                  | <b>86,079,158</b>  | <b>90,806,261</b>  |
| <b>Current and other liabilities</b>            |                    |                    |
| 27 Current maturities of long-term debt         | \$ 5,009,826       | \$ 4,883,973       |
| 28 Accounts payable                             | 1,507,498          | 1,836,264          |
| 29 Accounts payable-purchased power             | 8,915,122          | 9,814,228          |
| 30 Consumer deposits                            | 2,006,959          | 1,875,250          |
| 31 Other current and accrued liabilities        | 6,742,398          | 6,524,562          |
| 32 <b>Total current and other liabilities</b>   | <b>24,181,803</b>  | <b>24,934,277</b>  |
| 33 <b>Deferred credits</b>                      | <b>5,668,082</b>   | <b>4,583,502</b>   |
| 34 <b>Total members' equity and liabilities</b> | <b>206,220,307</b> | <b>204,229,607</b> |

## Statement of Operations

|  | 2018                  | 2017                 |
|--|-----------------------|----------------------|
| 51 <b>Operating revenues</b>                             | <b>\$ 106,128,615</b> | <b>\$ 98,030,381</b> |
| 52 <b>Deferred revenues</b>                              | <b>(1,300,000)</b>    | <b>4,450,000</b>     |
| 53 <b>Cost of power</b>                                  | <b>72,355,844</b>     | <b>67,224,978</b>    |
| <b>Local operating expenses</b>                          |                       |                      |
| 54 Distribution (operations and maintenance)             | \$ 7,461,015          | \$ 6,887,700         |
| 55 Member accounts and service                           | 3,736,080             | 3,725,241            |
| 56 Administrative and general                            | 3,840,239             | 3,547,294            |
| 57 <b>Total local operating expenses</b>                 | <b>15,037,334</b>     | <b>14,160,235</b>    |
| <b>Fixed charges</b>                                     |                       |                      |
| 58 Property tax  | \$ 1,930,377          | \$ 1,823,754         |
| 59 Depreciation and amortization                         | 5,999,665             | 5,165,677            |
| 60 Interest on long-term debt                            | 3,624,923             | 3,365,574            |
| 61 <b>Total fixed charges</b>                            | <b>11,554,965</b>     | <b>10,355,005</b>    |
| 62 Extraordinary items                                   | -                     | 7,673,528            |
| 63 <b>Net Operating Margins</b>                          | <b>5,880,472</b>      | <b>3,066,635</b>     |
| 64 Conservation improvement program                      | (557,846)             | (551,089)            |
| 65 Non-operating margins                                 | 630,435               | (737,471)            |
| 66 <b>Net operating and non-operating margins</b>        | <b>5,953,061</b>      | <b>1,778,075</b>     |
| 67 Generation and transmission and other capital credits | 4,052,747             | 2,433,596            |
| 68 <b>Net margins</b>                                    | <b>10,005,808</b>     | <b>4,211,671</b>     |

## Letter to the members of Wright-Hennepin Cooperative Electric Association, Rockford, Minn.

Brady Martz & Associates, P.C., an independent certified public accounting firm, has audited Wright-Hennepin Cooperative Electric Association's financial statements for the year ended December 31, 2018. The auditor has issued his unmodified opinion dated February 18, 2019, on the financial statements. Copies of the audited financial statements are on file at the cooperative's office for inspection.



Brady Martz & Associates, P.C.  
Grand Forks, N.D.