

Attachment Q

2013 Balance Sheets, Income Statements, and
Statements of Changes in Financial Position For SMEC
Member Cooperatives

BENCO Electric Cooperative

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			MN0108		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2013		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	162	283	5. Miles Transmission		
2. Services Retired	12	12	6. Miles Distribution - Overhead	2,571.69	2,562.46
3. Total Services in Place	14,645	14,918	7. Miles Distribution - Underground	655.81	668.85
4. Idle Services (Exclude Seasonals)	763	806	8. Total Miles Energized (5 + 6 + 7)	3,227.50	3,231.31
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	75,090,075		30. Memberships	61,800	
2. Construction Work in Progress	1,401,130		31. Patronage Capital	24,850,805	
3. Total Utility Plant (1 + 2)	76,491,205		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	30,673,114		33. Operating Margins - Current Year	1,088,787	
5. Net Utility Plant (3 - 4)	45,818,091		34. Non-Operating Margins	1,584,264	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	1,265,801	
7. Investments in Subsidiary Companies	0		36. Total Margins & Equities (30 thru 35)	28,851,457	
8. Invest. in Assoc. Org. - Patronage Capital	12,809,456		37. Long-Term Debt - RUS (Net)	25,007,360	
9. Invest. in Assoc. Org. - Other - General Funds	674,715		38. Long-Term Debt - FFB - RUS Guaranteed	0	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	737,061		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	632,809		40. Long-Term Debt Other (Net)	10,249,494	
12. Other Investments	159,125		41. Long-Term Debt - RUS - Econ. Devel. (Net)	0	
13. Special Funds	552,650		42. Payments - Unapplied	1,165,605	
14. Total Other Property & Investments (6 thru 13)	15,565,816		43. Total Long-Term Debt (37 thru 41 - 42)	34,091,249	
15. Cash - General Funds	808,691		44. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	0		45. Accumulated Operating Provisions and Asset Retirement Obligations	1,998,732	
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44 + 45)	1,998,732	
18. Temporary Investments	3,455,731		47. Notes Payable	0	
19. Notes Receivable (Net)	236,464		48. Accounts Payable	4,030,514	
20. Accounts Receivable - Sales of Energy (Net)	2,849,916		49. Consumers Deposits	3,329	
21. Accounts Receivable - Other (Net)	233,976		50. Current Maturities Long-Term Debt	1,266,000	
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development	0	
23. Materials and Supplies - Electric & Other	736,169		52. Current Maturities Capital Leases	0	
24. Prepayments	68,739		53. Other Current and Accrued Liabilities	847,599	
25. Other Current and Accrued Assets	13,525		54. Total Current & Accrued Liabilities (47 thru 53)	6,147,442	
26. Total Current and Accrued Assets (15 thru 25)	8,403,211		55. Regulatory Liabilities	0	
27. Regulatory Assets	0		56. Other Deferred Credits	33,518	
28. Other Deferred Debits	1,335,280		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	71,122,398	
29. Total Assets and Other Debits (5+14+26 thru 28)	71,122,398				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0108
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0108
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0108
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013

PART E. CHANGES IN UTILITY PLANT					
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	63,621,706	6,978,607	2,764,149		67,836,164
2. General Plant	5,544,763	1,032,819	1,495,375		5,082,207
3. Headquarters Plant	1,993,920	189,270	20,313		2,162,877
4. Intangibles	8,827				8,827
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	38,725			(38,725)	0
8. Total Utility Plant in Service (1 thru 7)	71,207,941	8,200,696	4,279,837	(38,725)	75,090,075
9. Construction Work in Progress	2,564,074	(1,162,944)			1,401,130
10. Total Utility Plant (8 + 9)	73,772,015	7,037,752	4,279,837	(38,725)	76,491,205

PART F. MATERIALS AND SUPPLIES							
ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	936,035	1,205,737	55,079	1,389,679	80,419	(5,766)	720,987
2. Other	30,916	164,521			180,255		15,182

PART G. SERVICE INTERRUPTIONS						
ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE					TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)		
1. Present Year	0.000	6.540	.780	49.740	57.060	
2. Five-Year Average	23.580	69.720	1.140	77.400	171.840	

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS			
1. Number of Full Time Employees	32	4. Payroll - Expensed	1,512,678
2. Employee - Hours Worked - Regular Time	58,720	5. Payroll - Capitalized	397,929
3. Employee - Hours Worked - Overtime	3,325	6. Payroll - Other	591,205

PART I. PATRONAGE CAPITAL			
ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	893,953	13,884,536
	b. Special Retirements	115,450	4,528,547
	c. Total Retirements (a + b)	1,009,403	18,413,083
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	19,922	
	c. Total Cash Received (a + b)	19,922	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE			
1. Amount Due Over 60 Days	\$ 14,582	2. Amount Written Off During Year	\$ 54,060

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0108
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2013

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Great River Energy (MN0110)	7570			285,255,458	21,551,402	7.56		
2	*Miscellaneous	700000			294,353	28,737	9.76		
	Total				285,549,811	21,580,139	7.56		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0108
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2013
PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		
2		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0108	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
TOTAL			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0108	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 4/6/2013	2. Total Number of Members 12,360	3. Number of Members Present at Meeting 1,730	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 203,779	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MN0108		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2013		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	25,007,360	975,177	602,740	1,577,917
2	National Rural Utilities Cooperative Finance Corporation	8,184,907	333,521	531,330	864,851
3	CoBank, ACB				
4	Federal Financing Bank				
5	RUS - Economic Development Loans				
6	Payments Unapplied	1,165,605			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
10	NCSC	2,064,587	89,608	194,917	284,525
	TOTAL	34,091,249	1,398,306	1,328,987	2,727,293

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0108		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2013		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	13,147	13,033	
	b. kWh Sold			185,479,498
	c. Revenue			23,482,859
2. Residential Sales - Seasonal	a. No. Consumers Served	395	396	
	b. kWh Sold			1,025,738
	c. Revenue			187,840
3. Irrigation Sales	a. No. Consumers Served	11	11	
	b. kWh Sold			173,871
	c. Revenue			25,647
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	596	599	
	b. kWh Sold			83,371,899
	c. Revenue			8,697,786
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
6. Public Street & Highway Lighting	a. No. Consumers Served	20	18	
	b. kWh Sold			547,082
	c. Revenue			220,262
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10.	Total No. of Consumers (lines 1a thru 9a)	14,169	14,057	
11.	Total kWh Sold (lines 1b thru 9b)			270,598,088
12.	Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)			32,614,394
13.	Transmission Revenue			
14.	Other Electric Revenue			155,333
15.	kWh - Own Use			662,220
16.	Total kWh Purchased			285,549,811
17.	Total kWh Generated			
18.	Cost of Purchases and Generation			21,580,139
19.	Interchange - kWh - Net			
20.	Peak - Sum All kW Input (Metered) Non-coincident <input type="checkbox"/> Coincident <input checked="" type="checkbox"/>			51,231

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0108
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers <i>(a)</i>	Amount Invested <i>(b)</i>	Estimated MMBTU Savings <i>(c)</i>	No. of Consumers <i>(d)</i>	Amount Invested <i>(e)</i>	Estimated MMBTU Savings <i>(f)</i>
1. Residential Sales (excluding seasonal)	4,238	101,861	2,605	13,147	1,693,848	13,453
2. Residential Sales - Seasonal				395		
3. Irrigation Sales				11		
4. Comm. and Ind. 1000 KVA or Less	30	188,275	16,882	596	682,450	24,300
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting				20		
7. Other Sales to Public Authorities						
8. Sales for Resale - RUS Borrowers						
9. Sales for Resale - Other						
10. Total	4,268	290,136	19,487	14,169	2,376,298	37,753

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MN0108
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

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

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	Enpower	0			
	Totals	0			
2	Investments in Associated Organizations				
	NRUCFC Patronage Capital		184,152		
	Great River Energy Patronage Capital		12,212,886		
	Great River Energy Patronage Capital				
	Federated Rural Electric Insurance	120,902			
	Rural Electric Supply-RESCO	86,176			
	Crystal Cooperative	77			
	North Central Data Cooperative	10			
	Cooperative Television of So. Minn	204,617			
	Renville Cooperative	198			
	Watanwan Farmers Cooperative	299			
	MN Rural Electric Association	5			
	Rural Electric Supply Membership	100			
	National Rural Electric Coop Assoc.	10			
	Rural Electric Supply Common Stock	5,000			
	Rural Electric Supply Preferred Stock	200			
	Cooperative TV of So. Minn Mbrship	100			
	Touchstone Energy	139			
	Federated Insurance Stock	45,000			
	Great River Energy Membership	100			
	NRUCFC Capital Term Certificates		737,061		
	NRUCFC Membership		1,000		
	Federated Rural Electric Insurance	1,915			
	Rural Electric Supply	93			
	CFC Capital Securities		600,000		
	MN Rural Electric Trust	21,190			
	Totals	486,131	13,735,099		
3	Investments in Economic Development Projects				
	BENCO Elec-No Mankato Jnt Venture	632,809			
	Totals	632,809			
4	Other Investments				
	No. MankatoCorp Stock Certificate	150			
	Perm Life Carve Out	158,975			
	Totals	159,125			
5	Special Funds				
	Special Funds-Deferred Compensation	552,650			
	Totals	552,650			
6	Cash - General				
	General Funds	506,697			
	Working Funds	400			
	Economic Development Funds	292,520			
	Frost State Bank	8,648			
	Capital Credit Fund	427			
	Totals	808,692			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MN0108 PERIOD ENDED December, 2013
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)				
8	Temporary Investments			
	GRE Membership Investment Program	3,455,731		
	Totals	3,455,731		
9	Accounts and Notes Receivable - NET			
	Various Accounts Receivable			
	Notes Receivable-Econ Development			
	Various Accounts Receivable	233,976		
	Notes Receivable-Econ Development	236,464		X
	Totals	470,440		
11	TOTAL INVESTMENTS (1 thru 10)	6,565,578	13,735,099	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MN0108
	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	CTV	2/28/2013	3,000,000	0	
2	Heartland Securities	6/6/2014	27,000	0	
	TOTAL		3,027,000	0	
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MN0108
	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	8.58 %
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors	1/31/2017	4,721	2,707	
2	Energy Resources Conservation Loans				
	TOTAL		4,721	2,707	

Brown County Rural Electrical Association

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0035
	PERIOD ENDED December, 2013 (Prepared with Audited Data)
	BORROWER NAME Brown County Rural Electrical Association

INSTRUCTIONS - See help in the online application.

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

CERTIFICATION

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

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

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

(check one of the following)

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

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

Wade Hensel

3/6/2014
DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	12,743,014	13,539,157	13,432,142	1,078,157
2. Power Production Expense				
3. Cost of Purchased Power	8,547,833	9,050,781	8,865,747	688,083
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	392,447	314,550	398,440	45,096
7. Distribution Expense - Maintenance	638,504	631,523	638,520	39,753
8. Customer Accounts Expense	177,388	166,131	186,680	12,499
9. Customer Service and Informational Expense	142,403	173,504	152,600	21,021
10. Sales Expense				
11. Administrative and General Expense	1,049,774	1,061,358	1,068,516	44,461
12. Total Operation & Maintenance Expense (2 thru 11)	10,948,349	11,397,847	11,310,503	850,913
13. Depreciation and Amortization Expense	876,275	1,020,561	924,510	184,151
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	4,696	1,775		325
16. Interest on Long-Term Debt	594,237	642,245	611,330	54,629
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	1,211	(1,194)		16
19. Other Deductions	3,945	2,995	9,300	350
20. Total Cost of Electric Service (12 thru 19)	12,428,713	13,064,229	12,855,643	1,090,384
21. Patronage Capital & Operating Margins (1 minus 20)	314,301	474,928	576,499	(12,227)
22. Non Operating Margins - Interest	96,138	88,688	103,800	6,235
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	21,855	20,301	20,000	
25. Non Operating Margins - Other	(4,510)	1,939	2,500	(184)
26. Generation and Transmission Capital Credits	441,342	451,980	320,000	451,980
27. Other Capital Credits and Patronage Dividends	37,052	46,955	38,500	210
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	906,178	1,084,791	1,061,299	446,014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MN0035
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2013
INSTRUCTIONS - See help in the online application.	

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	20	24	5. Miles Transmission		
2. Services Retired	2	3	6. Miles Distribution - Overhead	900.00	883.00
3. Total Services in Place	4,032	4,053	7. Miles Distribution - Underground	557.00	579.00
4. Idle Services (Exclude Seasonals)	143	148	8. Total Miles Energized (5 + 6 + 7)	1,457.00	1,462.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	31,376,165	30. Memberships	17,225
2. Construction Work in Progress	108,845	31. Patronage Capital	11,493,415
3. Total Utility Plant (1 + 2)	31,485,010	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	9,948,524	33. Operating Margins - Current Year	1,084,791
5. Net Utility Plant (3 - 4)	21,536,486	34. Non-Operating Margins	577,630
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	(115,273)
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	13,057,788
8. Invest. in Assoc. Org. - Patronage Capital	4,813,389	37. Long-Term Debt - RUS (Net)	4,374,708
9. Invest. in Assoc. Org. - Other - General Funds	250,000	38. Long-Term Debt - FFB - RUS Guaranteed	8,115,942
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	377,772	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	308,333	40. Long-Term Debt Other (Net)	4,203,801
12. Other Investments	809,116	41. Long-Term Debt - RUS - Econ. Devel. (Net)	233,185
13. Special Funds	0	42. Payments - Unapplied	592,559
14. Total Other Property & Investments (6 thru 13)	6,558,610	43. Total Long-Term Debt (37 thru 41 - 42)	16,335,077
15. Cash - General Funds	821,736	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	502,078
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	502,078
18. Temporary Investments	838,087	47. Notes Payable	0
19. Notes Receivable (Net)	0	48. Accounts Payable	734,623
20. Accounts Receivable - Sales of Energy (Net)	723,188	49. Consumers Deposits	49,518
21. Accounts Receivable - Other (Net)	76,999	50. Current Maturities Long-Term Debt	679,000
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	82,000
23. Materials and Supplies - Electric & Other	584,766	52. Current Maturities Capital Leases	0
24. Prepayments	3,285	53. Other Current and Accrued Liabilities	347,897
25. Other Current and Accrued Assets	5,657	54. Total Current & Accrued Liabilities (47 thru 53)	1,893,038
26. Total Current and Accrued Assets (15 thru 25)	3,053,718	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	25,462
28. Other Deferred Debits	664,629	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	31,813,443
29. Total Assets and Other Debits (5+14+26 thru 28)	31,813,443		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0035
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0035
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0035
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013

PART E. CHANGES IN UTILITY PLANT					
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	25,816,350	1,995,898	215,856	(516,099)	27,080,293
2. General Plant	3,344,537	471,812	353,078		3,463,271
3. Headquarters Plant	832,601				832,601
4. Intangibles	0				0
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	0				0
8. Total Utility Plant in Service (1 thru 7)	29,993,488	2,467,710	568,934	(516,099)	31,376,165
9. Construction Work in Progress	434,488	(325,643)			108,845
10. Total Utility Plant (8 + 9)	30,427,976	2,142,067	568,934	(516,099)	31,485,010

PART F. MATERIALS AND SUPPLIES							
ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	881,389	418,707	17,801	653,919	93,490	14,145	584,633
2. Other	9,836	12,362			6,757	(15,308)	133

PART G. SERVICE INTERRUPTIONS						
ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE					TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)		
1. Present Year	21.000	30.000		26.000	77.000	
2. Five-Year Average	10.000	11.000	1.000	18.000	40.000	

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS			
1. Number of Full Time Employees	16	4. Payroll - Expensed	608,663
2. Employee - Hours Worked - Regular Time	34,619	5. Payroll - Capitalized	300,877
3. Employee - Hours Worked - Overtime	839	6. Payroll - Other	210,719

PART I. PATRONAGE CAPITAL			
ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	492,955	10,947,395
	b. Special Retirements	86,944	1,952,763
	c. Total Retirements (a + b)	579,899	12,900,158
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	7,157	
	c. Total Cash Received (a + b)	7,157	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE			
1. Amount Due Over 60 Days	\$	911	2. Amount Written Off During Year
			\$ 327

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE					BORROWER DESIGNATION				
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION					MN0035				
INSTRUCTIONS - See help in the online application					PERIOD ENDED December, 2013				
PART K. kWh PURCHASED AND TOTAL COST									
No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Great River Energy (MN0110)	7570			117,405,980	7,656,108	6.52		1,441,813
2	Western Area Power Admin	27000			29,551,999	1,388,692	4.70		
3	*Residential Renewable Supplier	700200			64,414	5,981	9.29		
	Total				147,022,393	9,050,781	6.16		1,441,813

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0035
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2013
PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		
2		
3		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0035	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0035	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 3/23/2013	2. Total Number of Members 3,424	3. Number of Members Present at Meeting 269	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 230,296	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0035			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013			
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	4,374,708	177,530	111,860	289,390
2	National Rural Utilities Cooperative Finance Corporation	3,225,563	150,799	215,236	366,035
3	CoBank, ACB				
4	Federal Financing Bank	8,115,942	269,562	179,139	448,701
5	RUS - Economic Development Loans	233,185	0	82,222	82,222
6	Payments Unapplied	592,559			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans			82,222	
9	Principal Payments Received from Ultimate Recipients of EE Loans				
10	NCSC	978,238	44,242	83,981	128,223
	TOTAL	16,335,077	642,133	672,438	1,314,571

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0035		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2013		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	3,280	3,279	
	b. kWh Sold			64,714,454
	c. Revenue			6,965,208
2. Residential Sales - Seasonal	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
3. Irrigation Sales	a. No. Consumers Served	28	27	
	b. kWh Sold			744,280
	c. Revenue			91,361
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	564	562	
	b. kWh Sold			31,082,849
	c. Revenue			3,095,848
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	5	5	
	b. kWh Sold			44,689,328
	c. Revenue			3,321,724
6. Public Street & Highway Lighting	a. No. Consumers Served	30	29	
	b. kWh Sold			286,694
	c. Revenue			34,431
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		3,907	3,902	
11. Total kWh Sold (lines 1b thru 9b)				141,517,605
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				13,508,572
13. Transmission Revenue				
14. Other Electric Revenue				30,585
15. kWh - Own Use				318,000
16. Total kWh Purchased				147,022,393
17. Total kWh Generated				
18. Cost of Purchases and Generation				9,050,781
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident ___ Coincident <u>X</u>				24,803

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION MN0035			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			PERIOD ENDED December, 2013			
INSTRUCTIONS - See help in the online application.						
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	254	172,113	553	704	479,426	3,292
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less				5	3,052	44
5. Comm. and Ind. Over 1000 KVA				1	1,874	58
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	254	172,113	553	710	484,352	3,394

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MN0035
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

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

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	Patronage Capital - Cooperative Power Assn.		1,142,099		
	Patronage Capital - NRUCFC		96,021		
	Patronage Capital - Great River Energy		3,575,269		
	Capital Term Certificates		375,772		
	Membership - NRUCFC		1,000		
	Membership - NRTC	1,000			
	NRUCFC Member Capital Securities		250,000		
	Totals	1,000	5,440,161		
3	Investments in Economic Development Projects				
	Heartland Corn Products		308,333		X
	Totals		308,333		
4	Other Investments				
	Federated Rural Electric Insurance	35,069			
	Patronage Capital - Cooperative Television Assn.	424,186			
	Patronage Capital - United Farmers Coop	1,050			
	Patronage Capital - River Region Coop	4,554			
	MN Rural Electric Trust Equity	8,509			
	Patronage Capital - RESCO	141,526			
	Membership - Cooperative Response Center	2,974			
	Stock Certificate - Great River Energy	100			
	Equity - Touchstone Energy	55			
	Deferred Compensation - Les Schrupp	167,851			
	Memberships - Misc.	300			
	Investment in Alliant Acquisition	22,942			
	Totals	809,116			
6	Cash - General				
	First Security Bank - General Account		818,185		
	First Security Bank - Patronage Account		(13,114)		
	Petty Cash	100			
	Change Fund	100			
	First Security Bank - Section 125 Fund	5,130			
	First Security Bank - HRA Fund		11,335		
	Totals	5,330	816,406		
8	Temporary Investments				
	Money Market Certificates & CDs		10,043		
	Money Market Fund - Great River Energy	73,249			
	Commercial Paper - NRUCFC		754,795		
	Totals	73,249	764,838		
9	Accounts and Notes Receivable - NET				
	Accounts Receivable	76,999			
	Totals	76,999			
11	TOTAL INVESTMENTS (1 thru 10)	965,694	7,329,738		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MN0035
	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q, SECTION II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Heartland Corn Products	11/1/2017	740,000	308,333	X
	TOTAL		740,000	308,333	
	TOTAL (Included Loan Guarantees Only)		185,000	77,083	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0035			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2013			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					3.31 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				

Federated Rural Electric Association

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0037
	PERIOD ENDED December, 2013
	BORROWER NAME Federated Rural Electric Association

INSTRUCTIONS - See help in the online application.

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

CERTIFICATION

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

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

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

(check one of the following)

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

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

Richard Burud

2/25/2014

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	25,651,842	23,186,078	21,612,470	2,187,700
2. Power Production Expense	86,915	73,482	87,000	6,119
3. Cost of Purchased Power	19,160,970	16,741,053	15,493,499	1,636,162
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	731,180	789,196	760,903	76,143
7. Distribution Expense - Maintenance	638,087	595,183	588,008	61,537
8. Customer Accounts Expense	196,592	205,378	188,229	13,648
9. Customer Service and Informational Expense	428,002	447,835	456,171	44,926
10. Sales Expense				
11. Administrative and General Expense	770,225	802,235	829,782	69,949
12. Total Operation & Maintenance Expense (2 thru 11)	22,011,971	19,654,362	18,403,592	1,908,484
13. Depreciation and Amortization Expense	1,278,108	1,316,186	1,355,777	110,984
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other				
16. Interest on Long-Term Debt	857,116	816,869	841,705	66,887
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	53	105	200	9
19. Other Deductions	199,838	57,489	200	0
20. Total Cost of Electric Service (12 thru 19)	24,347,086	21,845,011	20,601,474	2,086,364
21. Patronage Capital & Operating Margins (1 minus 20)	1,304,756	1,341,067	1,010,996	101,336
22. Non Operating Margins - Interest	517,310	503,350	569,189	39,503
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	94,896	(131,724)	118,000	(21,875)
25. Non Operating Margins - Other	(1,641)	18,604	3,677	2,688
26. Generation and Transmission Capital Credits	933,145	766,668	925,000	694,056
27. Other Capital Credits and Patronage Dividends	61,620	56,614	55,000	0
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	2,910,086	2,554,579	2,681,862	815,708

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	25	28	5. Miles Transmission	0.00	
2. Services Retired	41	26	6. Miles Distribution - Overhead	1,575.50	1,590.00
3. Total Services in Place	5,351	5,353	7. Miles Distribution - Underground	677.20	679.50
4. Idle Services (Exclude Seasonals)	257	280	8. Total Miles Energized (5 + 6 + 7)	2,252.70	2,269.50

PART C. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	42,880,642	30. Memberships	11,838
2. Construction Work in Progress	822,040	31. Patronage Capital	22,216,037
3. Total Utility Plant (1 + 2)	43,702,682	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	13,808,565	33. Operating Margins - Current Year	2,611,084
5. Net Utility Plant (3 - 4)	29,894,117	34. Non-Operating Margins	(56,506)
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	3,712,146
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	28,494,599
8. Invest. in Assoc. Org. - Patronage Capital	9,064,788	37. Long-Term Debt - RUS (Net)	5,295,276
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	13,319,910
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	648,940	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	601,750	40. Long-Term Debt Other (Net)	5,687,192
12. Other Investments	1,031,132	41. Long-Term Debt - RUS - Econ. Devel. (Net)	579,166
13. Special Funds	75,007	42. Payments - Unapplied	8,096,157
14. Total Other Property & Investments (6 thru 13)	11,421,617	43. Total Long-Term Debt (37 thru 41 - 42)	16,785,387
15. Cash - General Funds	274,282	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	10	45. Accumulated Operating Provisions and Asset Retirement Obligations	151,380
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	151,380
18. Temporary Investments	5,684,676	47. Notes Payable	0
19. Notes Receivable (Net)	0	48. Accounts Payable	2,849,116
20. Accounts Receivable - Sales of Energy (Net)	1,912,288	49. Consumers Deposits	49,950
21. Accounts Receivable - Other (Net)	200,329	50. Current Maturities Long-Term Debt	1,219,525
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	688,053	52. Current Maturities Capital Leases	0
24. Prepayments	160,754	53. Other Current and Accrued Liabilities	728,971
25. Other Current and Accrued Assets	77,797	54. Total Current & Accrued Liabilities (47 thru 53)	4,847,562
26. Total Current and Accrued Assets (15 thru 25)	8,998,189	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	88,694
28. Other Deferred Debits	53,699	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	50,367,622
29. Total Assets and Other Debits (5+14+26 thru 28)	50,367,622		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013

PART E. CHANGES IN UTILITY PLANT					
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	34,877,924	2,242,913	1,203,985		35,916,852
2. General Plant	2,455,096	263,591			2,718,687
3. Headquarters Plant	1,223,088	37,544	128,544		1,132,088
4. Intangibles	4,485				4,485
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	3,108,530				3,108,530
8. Total Utility Plant in Service (1 thru 7)	41,669,123	2,544,048	1,332,529		42,880,642
9. Construction Work in Progress	971,785	(149,745)			822,040
10. Total Utility Plant (8 + 9)	42,640,908	2,394,303	1,332,529		43,702,682

PART F. MATERIALS AND SUPPLIES							
ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	409,198	860,670	27,167	695,902	15,208	(139)	585,786
2. Other	83,153	187,401		2,283	166,004		102,267

PART G. SERVICE INTERRUPTIONS						
ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE					TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)		
1. Present Year	4.000	1,248.000	12.000	58.000	1,322.000	
2. Five-Year Average	29.000	253.000	5.000	75.000	362.000	

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS			
1. Number of Full Time Employees	24	4. Payroll - Expensed	878,026
2. Employee - Hours Worked - Regular Time	51,715	5. Payroll - Capitalized	492,862
3. Employee - Hours Worked - Overtime	2,295	6. Payroll - Other	479,180

PART I. PATRONAGE CAPITAL			
ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	526,489	12,171,560
	b. Special Retirements	69,601	2,249,729
	c. Total Retirements (a + b)	596,090	14,421,289
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	29,436	
	c. Total Cash Received (a + b)	29,436	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE			
1. Amount Due Over 60 Days	\$ 70,671	2. Amount Written Off During Year	\$ 5,377

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0037
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2013

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Great River Energy (MN0110)	7570			163,493,409	10,256,950	6.27		
2	Western Area Power Admin	27000			49,226,927	2,154,207	4.38		
3	L & O Power Cooperative (IA0086)	10574			64,187,195	4,329,896	6.75		
	Total				276,907,531	16,741,053	6.05		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0037
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2013
PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		
2		
3		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
TOTAL			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0037	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 11/23/2013	2. Total Number of Members 3,946	3. Number of Members Present at Meeting 305	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$ 134,145	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MN0037		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2013		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	5,295,276	167,577	161,900	329,477
2	National Rural Utilities Cooperative Finance Corporation	2,503,045	76,037	217,590	293,627
3	CoBank, ACB	3,184,147	131,164	244,741	375,905
4	Federal Financing Bank	13,319,910	436,103	346,450	782,553
5	RUS - Economic Development Loans	579,166	0	880,250	880,250
6	Payments Unapplied	8,096,157			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	16,785,387	810,881	1,850,931	2,661,812

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0037		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2013		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	4,128	4,199	
	b. kWh Sold			79,174,171
	c. Revenue			7,620,233
2. Residential Sales - Seasonal	a. No. Consumers Served	255	265	
	b. kWh Sold			706,905
	c. Revenue			103,758
3. Irrigation Sales	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	677	591	
	b. kWh Sold			54,996,963
	c. Revenue			4,913,103
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	4	1	
	b. kWh Sold			125,183,364
	c. Revenue			9,404,921
6. Public Street & Highway Lighting	a. No. Consumers Served	4	4	
	b. kWh Sold			84,300
	c. Revenue			12,655
7. Other Sales to Public Authorities	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
9. Sales for Resale - Other	a. No. Consumers Served	5	5	
	b. kWh Sold			9,330,000
	c. Revenue			788,989
10. Total No. of Consumers (lines 1a thru 9a)		5,073	5,065	
11. Total kWh Sold (lines 1b thru 9b)				269,475,703
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				22,843,659
13. Transmission Revenue				0
14. Other Electric Revenue				342,422
15. kWh - Own Use				599,021
16. Total kWh Purchased				276,907,531
17. Total kWh Generated				7,105,064
18. Cost of Purchases and Generation				16,814,535
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				53,128

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MN0037 PERIOD ENDED December, 2013			
INSTRUCTIONS - See help in the online application.						
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	532	33,233	2,052	4,128	277,363	41,331
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	15	22,595	1,541	124	333,517	241,664
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	547	55,828	3,593	4,252	610,880	282,995

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0037			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2013			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	GRE (G&T) Patronage Capital		6,561,136		
	L&O (G&T) Patronage Capital		1,960,116		
	CFC Patronage Capital		86,252		
	Cooperative TV Patronage Capital	147,038			
	Co-Bank Patronage Capital	30,967			
	NRTC Patronage Capital	114,667			
	RESCO Patronage Capital	106,524			
	Federated Rural Electric Insurance Exchange	58,025			
	Touchstone Energy	63			
	CFC Capital Term Certificates		546,730		
	CFC Membership		1,000		
	Co-Bank Membership		1,000		
	CFC Capital Term Certificate		100,000		
	NRECA Membership	10			
	Cooperataive TV Membership	100			
	Great River Energy Membership		100		
	Totals	457,394	9,256,334		
3	Investments in Economic Development Projects				
	Cenex-Harvest States			338	X
	C&B Manufacturing		141,666	1,875	X
	Heron Lake BioEnergy		281,250	2,563	X
	Tenhassen Township		16,245	735	X
	City of Ceylon		106,880	1,542	X
	Tenhassen Township		60,747	1,090	X
	Grant Interest		(5,038)		X
	Totals		601,750	8,143	
4	Other Investments				
	Minnesota Soybean Association	7,108			
	Heron Lake BioEnergy	5,000			
	MREA	8,571			
	MN Soybean Association	250			
	ERC Loans	33,814		3,808	X
	Carr's Tree Service	768,695		6,615	X
	Karian-Peterson Construction	135,000		26,783	X
	Manager's Life Insurance	72,694			
	Totals	1,031,132		37,206	
5	Special Funds				
	Capital Credit Checking		74,997		
	Payroll Checking	10			
	Totals	10	74,997		
6	Cash - General				
	Bank Midwest General Checking		100,000		
	Bank Midwest General Checking	157,341			
	Welcome State Bank - Bill Pay Station		7,622		
	Working Funds - Petty Cash	405			
	United Prairie Checking - 125 Plan		8,914		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0037		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2013		
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.				
PART Q, SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)				
	Totals	157,746	116,536	
7	Special Deposits			
	Totals			
8	Temporary Investments			
	CFC Daily Fund		51,109	
	GRE Mid-Term Note Investment	500,000		
	GRE Member Investment Program	3,824,303		
	Basin Electric Member Investment Program	1,300,000		
	United Prairie - Money Market Savings		9,264	
	Totals	5,624,303	60,373	
9	Accounts and Notes Receivable - NET			
	Customer Accounts Receivable	29,674		
	Other Accounts Receivable	171,077		
	Allowance for Uncollectible Accounts	(2,313)		
	CFC Capital Certificate Accrued Interest	1,890		
	Totals	200,328		
11	TOTAL INVESTMENTS (1 thru 10)	7,470,913	10,109,990	45,349

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MN0037
	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES

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

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		BORROWER DESIGNATION MN0037			
		PERIOD ENDED December, 2013			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					17.10 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans	12/31/2015	82,607	33,814	X
3	C&B Manufacturing, dba Hitch-Doc	9/1/2016	450,000	141,666	X
4	Heron Lake BioEnergy	10/1/2017	600,000	281,250	X
5	City of Ceylon	9/1/2019	110,000	44,000	X
6	City of Ceylon	7/20/2020	104,800	62,880	X
7	Tenhassen Township	8/4/2019	134,000	76,991	X
	TOTAL		1,481,407	640,601	

Freeborn Mower



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Freeborn-Mower Cooperative Services
Albert Lea, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Freeborn-Mower Cooperative Services as of December 31, 2013 and 2012, and the related consolidated statements of operations, patronage capital and other equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 Cooperative'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 Cooperative'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.

Board of Directors
Freeborn-Mower Cooperative Services

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Freeborn-Mower Cooperative Services as of December 31, 2013 and 2012, and the results of its operations and changes in its patronage capital and other equities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2014 on our consideration of Freeborn-Mower Cooperative Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Freeborn-Mower Cooperative Services' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
March 19, 2014

**FREEBORN-MOWER COOPERATIVE SERVICES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012**

ASSETS	2013	2012
UTILITY PLANT		
Electric Plant in Service	\$ 40,297,288	\$ 39,141,587
Construction Work in Progress	570,005	446,248
Total	40,867,293	39,587,835
Less Accumulated Provision for Depreciation	(8,752,965)	(8,814,482)
Net Utility Plant	32,114,328	30,773,353
OTHER ASSETS AND INVESTMENTS		
Non-Utility Property	-	272,701
Investments in Associated Organizations	8,591,949	7,932,902
Other Investments	4,253,709	3,119,895
Total Other Assets and Investments	12,845,658	11,325,498
CURRENT ASSETS		
Cash and Cash Equivalents	3,570,155	2,473,140
Accounts Receivable, Net	2,129,504	2,135,540
Materials and Supplies	284,239	280,427
Other Current and Accrued Assets	55,442	91,015
Total Current Assets	6,039,340	4,980,122
DEFERRED DEBITS		
	666,294	74,165
Total Assets	\$ 51,665,620	\$ 47,153,138
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$ 21,186,109	\$ 20,520,491
Other Equities	4,640,064	4,462,231
Total Equities	25,826,173	24,982,722
LONG-TERM DEBT, Net of Current Maturities	21,482,559	18,827,929
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	820,000	630,000
Accounts Payable	1,455,822	1,462,797
Other Current and Accrued Liabilities	780,358	734,860
Total Current Liabilities	3,056,180	2,827,657
DEFERRED CREDITS		
	1,300,708	514,830
Total Equities and Liabilities	\$ 51,665,620	\$ 47,153,138

See accompanying Notes to Consolidated Financial Statements.

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**FREEBORN-MOWER COOPERATIVE SERVICES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES	\$ 21,858,831	\$ 20,179,173
OPERATING EXPENSES		
Cost of Power	14,968,661	14,471,901
Distribution Expense, Operations	890,316	827,767
Distribution Expense, Maintenance	737,087	797,828
Consumers Account Expense	324,963	286,218
Sales Expense	298,526	227,227
Administrative and General Expense	1,269,915	1,162,293
Depreciation Expense	1,652,810	1,122,816
Other Deductions	13,386	15,021
Total Operating Expense	<u>20,155,664</u>	<u>18,911,071</u>
OPERATING MARGINS BEFORE FIXED CHARGES	1,703,167	1,268,102
INTEREST ON LONG-TERM DEBT	<u>813,798</u>	<u>776,623</u>
OPERATING MARGINS AFTER FIXED CHARGES	889,369	491,479
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	<u>809,826</u>	<u>760,918</u>
NET OPERATING MARGINS	1,699,195	1,252,397
NON-OPERATING MARGINS		
Interest Income	255,134	210,955
Gain (Loss) on Sale of Available for Sale Investments	196,717	(51,568)
Loss on Sale of Assets	(51,974)	(3,806)
Other Non-Operating Margins (Loss)	(12,145)	36,895
Total Non-Operating Margins	<u>387,732</u>	<u>192,476</u>
NET MARGINS	2,086,927	1,444,873
OTHER COMPREHENSIVE MARGINS		
Available for Sale Securities:		
Unrealized Holding Gain Arising During the Period	170,776	142,901
Reclassification for (Gains) Losses Included in Net Margins During the Period	<u>(196,717)</u>	<u>51,568</u>
Other Comprehensive Margins	<u>(25,941)</u>	<u>194,469</u>
COMPREHENSIVE MARGINS	<u>\$ 2,060,986</u>	<u>\$ 1,639,342</u>

See accompanying Notes to Consolidated Financial Statements.

**FREEBORN-MOWER COOPERATIVE SERVICES
CONSOLIDATED STATEMENTS OF PATRONAGE CAPITAL AND OTHER EQUITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Patronage Capital	Retained Capital	Other Non-Operating Margins
Balance, December 31, 2011	\$ 19,999,709	\$ 2,616,754	\$ 1,282,638
Comprehensive Margins	1,444,873	-	-
Retained Margins	(242,186)	60,713	149,420
Retirement of Capital Credits	(681,905)	26,145	-
Balance, December 31, 2012	20,520,491	2,703,612	1,432,058
Comprehensive Margins	2,086,927	-	-
Retained Margins	(182,993)	(35,014)	210,955
Retirement of Capital Credits	(1,238,316)	20,781	-
Balance, December 31, 2013	<u>\$ 21,186,109</u>	<u>\$ 2,689,379</u>	<u>\$ 1,643,013</u>

See accompanying Notes to Consolidated Financial Statements.

Equities				
Other Margins	Capital Gains and Losses	Accumulated Other Comprehensive Margins	Total Other Equities	Total
\$ 225,001	\$ 5,352	\$ (130,314)	\$ 3,999,431	\$ 23,999,140
-	-	194,469	194,469	1,639,342
32,053	-	-	242,186	-
-	-	-	26,145	(655,760)
257,054	5,352	64,155	4,462,231	24,982,722
-	-	(25,941)	(25,941)	2,060,986
7,052	-	-	182,993	-
-	-	-	20,781	(1,217,535)
<u>\$ 264,106</u>	<u>\$ 5,352</u>	<u>\$ 38,214</u>	<u>\$ 4,640,064</u>	<u>\$ 25,826,173</u>

Minnesota Valley Electric Cooperative

**MINNESOTA VALLEY ELECTRIC COOPERATIVE
JORDAN, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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MINNESOTA VALLEY ELECTRIC COOPERATIVE
OFFICERS AND DIRECTORS
AS OF DECEMBER 31, 2013

Roger W. Geckler	General Manager
Michelle Morrison	President
Deborah Erickson	Vice-President
Brent Lawrence	Secretary/Treasurer
Frances Barten	Director
James D. Connelly	Director
Gary Haberman	Director
Robert Hauer	Director
William Heinlein	Director
Thomas Wolf	Director



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Valley Electric Cooperative
Jordan, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Minnesota Valley Electric Cooperative, which comprise of the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in patrons' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Valley Electric Cooperative as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014 on our consideration of Minnesota Valley Electric Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Valley Electric Cooperative's internal control over financial reporting.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 18, 2014

MINNESOTA VALLEY ELECTRIC COOPERATIVE
BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
UTILITY PLANT (Note 2)		
Electric Plant in Service	\$ 126,408,332	\$ 123,837,434
Construction Work-in-Progress	<u>736,096</u>	<u>249,016</u>
Total	127,144,428	124,086,450
Less Accumulated Depreciation	<u>(30,352,793)</u>	<u>(28,540,670)</u>
Net Utility Plant	<u>96,791,635</u>	<u>95,545,780</u>
INVESTMENTS (Note 3)		
Investments in Associated Organizations	30,013,490	27,802,864
Other Investments	<u>786,526</u>	<u>879,462</u>
Total Investments	<u>30,800,016</u>	<u>28,682,326</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 4)	6,271,835	8,936,336
Accounts Receivable, Less Allowance for Uncollectible		
Accounts of \$22,788 and \$23,422, Respectively	6,229,400	4,960,552
Materials and Supplies	1,870,984	1,451,522
Other Current and Accrued Assets	<u>4,186,603</u>	<u>3,645,522</u>
Total Current Assets	<u>18,558,822</u>	<u>18,993,932</u>
OTHER ASSETS	<u>53,792</u>	<u>68,524</u>
TOTAL ASSETS	<u>\$ 146,204,265</u>	<u>\$ 143,290,562</u>
PATRONS' EQUITY AND LIABILITIES		
PATRONS' EQUITY		
Patronage Capital (Note 5)	\$ 57,589,172	\$ 54,809,121
Other (Note 6)	<u>750,711</u>	<u>688,692</u>
Total Patrons' Equity	<u>58,339,883</u>	<u>55,497,813</u>
LONG-TERM DEBT, Less Current Maturities (Note 7)	<u>66,113,818</u>	<u>67,333,374</u>
CURRENT LIABILITIES:		
Current Maturities of Long-Term Debt	3,248,610	2,404,918
Accounts Payable	8,213,185	7,459,049
Accounts Payable - Related Party	361,390	334,888
Consumer Deposits	930,219	887,103
Other Current Accrued Liabilities	<u>3,518,659</u>	<u>3,355,702</u>
Total Current Liabilities	<u>16,272,063</u>	<u>14,441,660</u>
OTHER LIABILITIES (Notes 8 and 10)		
Regulatory Liabilities	4,645,617	5,132,600
Other Deferred Credits	<u>832,884</u>	<u>885,115</u>
Total Other Liabilities	<u>5,478,501</u>	<u>6,017,715</u>
TOTAL PATRON'S EQUITY AND LIABILITIES	<u>\$ 146,204,265</u>	<u>\$ 143,290,562</u>

See Notes to Financial Statements

MINNESOTA VALLEY ELECTRIC COOPERATIVE
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES	\$ 73,185,798	\$ 68,470,596
OPERATING EXPENSES		
Cost of Power	53,298,313	48,887,433
Distribution Expense - Operations	2,629,891	2,488,023
Distribution Expense - Maintenance	2,769,882	2,892,550
Consumer Accounts - Labeling	1,967,362	1,945,794
General and Administrative	3,893,151	3,605,887
Depreciation and Amortization	3,600,639	3,421,996
State and Local Taxes	1,338,802	1,448,154
Other Deductions (Additions)	(16,174)	(4,834)
Total Operating Expenses	<u>69,481,866</u>	<u>64,685,003</u>
OPERATING MARGINS BEFORE INTEREST EXPENSE	3,703,932	3,785,593
Interest Expense	<u>2,839,991</u>	<u>2,865,134</u>
OPERATING MARGINS AFTER INTEREST EXPENSE	863,941	920,459
G&T AND OTHER CAPITAL CREDITS	<u>2,472,408</u>	<u>2,949,430</u>
NET OPERATING MARGINS	<u>3,336,349</u>	<u>3,869,889</u>
NON-OPERATING MARGINS		
Gain from Equity Investments	71,868	119,406
Interest Income	355,774	234,453
Other Expenses	(160,393)	(135,502)
Total Non-Operating Margins	<u>267,249</u>	<u>218,357</u>
NET MARGINS	<u>\$ 3,603,598</u>	<u>\$ 4,088,246</u>

See Notes to Financial Statements

MINNESOTA VALLEY ELECTRIC COOPERATIVE
STATEMENTS OF CHANGES IN PATRONS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Patronage Capital</u>	<u>Other Equities</u>	<u>Total</u>
BALANCE, JANUARY 1, 2012	\$ 51,674,800	\$ 630,289	\$ 52,305,089
Net Margins	4,088,246	-	4,088,246
Capital Credits Retired	(953,925)	-	(953,925)
Gain from Capital Credits Retired	<u>-</u>	<u>58,403</u>	<u>58,403</u>
BALANCE, DECEMBER 31, 2012	54,809,121	688,692	55,497,813
Net Margins	3,603,598	-	3,603,598
Capital Credits Retired	(823,547)	-	(823,547)
Gain from Capital Credits Retired	<u>-</u>	<u>62,019</u>	<u>62,019</u>
BALANCE, DECEMBER 31, 2013	<u>\$ 57,589,172</u>	<u>\$ 750,711</u>	<u>\$ 58,339,883</u>

See Notes to Financial Statements

MINNESOTA VALLEY ELECTRIC COOPERATIVE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 3,603,598	\$ 4,088,246
Adjustments to Reconcile Net Margins to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	3,600,639	3,421,996
Loss on Disposal of Assets	5,512	15,340
Gain on Equity Investments	(71,868)	(119,406)
Allocation of Generation and Transmission and Other Capital Credits	(2,472,407)	(2,949,430)
(Increase) Decrease in Cash Surrender Value of Life Insurance	(19,439)	(15,797)
Effects on Operating Cash Flows Due to Changes in		
Accounts Receivable	(1,268,848)	404,621
Deferred Expenses	14,732	(15,671)
Other Current and Accrued Assets	(541,081)	(82,697)
Accounts Payable	780,638	248,838
Other Accrued Liabilities	206,073	(187,785)
Deferred Revenue and Other Deferred Credits	(539,214)	(7,899)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,298,335</u>	<u>4,800,356</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Utility Plant	(4,852,006)	(4,154,568)
(Increase) Decrease in Materials and Supplies	(419,462)	(283,826)
Return of Investment	17,788	13,496
Distributions Received from Equity Investments	237,500	87,500
Cash Received from Patronage, Equity and Other Investments	78,360	57,554
Issuance of ERC Loans	(93,876)	(115,516)
Payments Received on ERC Loans	206,252	213,835
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(4,825,444)</u>	<u>(4,181,525)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	10,616,000
Repayment of Long-Term Debt	(2,429,419)	(2,766,896)
Advance Payments Applied to Principal and Interest	2,053,555	2,237,202
Advance Payments Applied on Long-Term Debt (Cushion of Credit)	-	(7,410,000)
Patronage Capital Payments	(761,528)	(895,522)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,137,392)</u>	<u>1,780,784</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(2,664,501)</u>	<u>2,399,615</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,936,336</u>	<u>6,536,721</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,271,835</u>	<u>\$ 8,936,336</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash Payments for Interest	\$ 2,802,271	\$ 3,169,788

See Notes to Financial Statements

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Minnesota Valley Electric Cooperative (the Cooperative) is a customer-owned organization engaged principally in the distribution and sale of electric energy to approximately 36,000 customer accounts southwest of the Twin Cities metropolitan area. The governing body of the Cooperative consists of a 9-member Board of Directors elected by the members of the Cooperative to serve a three-year term.

Principles of Accounting

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS. The accounting policies conform to accounting principles generally accepted in the United States of America, ("GAAP"), as applied to regulated electric utilities.

The Board of Directors establishes rates charged to customers.

Cash and Cash Equivalents

The Cooperative considers cash, short-term investments with maturities of three months or less and commercial paper to be cash equivalents.

Investment in Associated Organizations

The Cooperative uses the equity method of accounting for investments in which the Cooperative has determined it has significant influence, generally ownership between 5% and 50%. The Cooperative uses the equity method for its investment in Heartland Services, Inc., LLC (Heartland); Federated Acquisitions, LLC (FEDAC); and Karian Peterson Power Line Contracting, LLC (Karian Peterson). All other investments are recorded at cost.

The fair value of cost-method investments is not estimated as there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value.

Materials and Supplies

Inventories are valued at the lower of average cost or market.

Patronage Capital

Margins realized are assigned to patrons on a patronage basis to the extent they are not needed to offset current or prior deficits. Patronage capital is retired at the discretion of the Board of Directors, and follows the equity management policy as adopted by the Board of Directors.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

Revenue Recognition

Customers are billed monthly in four cycles for energy consumed. Accordingly, at year-end, there is some amount of energy consumed for which customers have not been billed. An estimate of revenues relating to energy consumed but not billed at December 31 has been recorded.

Income Taxes

The Cooperative is exempt from federal and state income taxes under Section 501(c) (12) of the Internal Revenue Code. The Company's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Business and Credit Risk

The Cooperative maintains non-interest bearing cash on deposit at a financial institution. At December 31, 2013 the amounts on deposit were insured for up to \$250,000 of FDIC coverage. The Cooperative had \$27,886 of deposits in excess of FDIC coverage at year-end.

The Cooperative does not require collateral on its normal accounts receivable except for the customer deposits on hand; it can, however, withhold patronage capital or other payments to customers with unpaid utility bills. Disconnected consumers are not allowed to be reconnected until past due bills are paid.

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.

Advertising Costs

Advertising costs are expensed as incurred.

Sales Tax

Sales taxes collected from customers and remitted to taxing authorities are excluded from revenues and cost of sales, respectively.

Trade Receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Disclosure about Fair Value of Financial Instruments

The Cooperative accounts for Fair Value Measurements in accordance with GAAP. This principle applies to all assets and liabilities that are being measured and reported on a fair value basis. It defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

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

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value:

The Cooperative's financial instruments consist of cash and cash equivalents, short-term trade receivables, short-term accounts and notes payable and long-term debt. The carrying value of cash and cash equivalents, short-term trade receivables, and short-term accounts and notes payable approximates fair value due to the short-term maturity of those instruments. It is not practicable to value the investments in associated organizations included in the balance sheet. The maturity of such investments is not determinable. Therefore, a valuation model for the purposes of estimating fair value has not been developed, and the cost of obtaining an independent valuation appears excessive. The fair value of the Cooperative's long-term debt was estimated based upon borrowing rates currently available to the Cooperative for bank loans with similar terms and average maturities. The estimated fair value of the Cooperative's long-term debt was \$66,000,000 and \$74,000,000 as of December 31, 2013 and 2012, respectively.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

NOTE 2 UTILITY PLANT AND DEPRECIATION

Listed below are the major classes of the electric plant as of December 31:

	<u>2013</u>	<u>2012</u>
Intangible Plant	\$ 172,557	\$ 180,297
Distribution Plant	113,379,125	111,106,183
General Plant	<u>12,856,649</u>	<u>12,550,954</u>
Total Plant in Service	126,408,331	123,837,434
Construction Work-in-Progress	<u>736,097</u>	<u>249,016</u>
Total	127,144,428	124,086,450
Less Accumulated Depreciation	<u>(30,352,793)</u>	<u>(28,540,670)</u>
	<u>\$ 96,791,635</u>	<u>\$ 95,545,780</u>

Substantially all assets are pledged as security for the long-term debt payable to RUS and National Rural Utilities Cooperative Finance Corporation (NRUCFC).

Utility Plant

Utility plant is stated at cost, which includes labor, materials, contracted services, and applicable overhead. Expenditures for maintenance and repairs that do not extend the life of the applicable assets are charged to expense as incurred.

Distribution plant is depreciated using composite straight-line methods. Upon the sale or retirement of distribution plant assets, the original cost is removed from the accounts and charged together with any cost of removal and salvage to accumulated depreciation. General plant is depreciated using straight-line methods on a unit basis. When general plant is sold or retired, the original cost and accumulated provision for depreciation are removed from the accounts and any corresponding cost of removal or salvage is netted to gain or loss on property disposal. Intangible plant is amortized using straight-line methods on an item basis.

Recoverability of Long-Lived Assets

The Cooperative reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. The Cooperative determines potential impairment by comparing the carrying value of the assets with net cash flows expected to be provided by operating activities of the business or related products. Should the sum of the expected future net cash flows be less than the carrying values, the Cooperative would determine whether an impairment loss should be recognized. An impairment loss would be quantified by comparing the amount by which the carrying value exceeds the fair value of the asset where the fair value would be based on the discounted cash flows expected to be generated by the asset.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

Depreciation rates are as follows:

	<u>Depreciation Rates</u>
Intangible plant	N/A
Distribution plant	2.3% - 6.7%
General plant	2.0% - 33.0%

NOTE 3 INVESTMENTS

A summary of investments in associated organizations at December 31 is as follows:

	<u>2013</u>	<u>2012</u>
Patronage capital credits:		
GRE/CPA	\$ 22,430,741	\$ 20,748,072
Basin	2,691,223	2,087,114
NRUCFC	437,124	392,324
Federated Rural Electrification		
Insurance Cooperative	139,360	130,342
Rural Electric Supply Cooperative	272,138	242,904
Belle Plaine Cooperative Farm Service	3,339	3,518
NISC/CADP	109,524	84,499
Touchstone	219	219
CRC	222	875
NRTC	3,591	3,591
CoBank	77,961	77,937
	<u>26,165,442</u>	<u>23,771,395</u>
Capital term certificates of NRUCFC:		
Loan term certificates	92,900	92,900
Capital term certificates	595,989	595,989
Zero term certificates	124,622	142,411
	<u>813,511</u>	<u>831,300</u>
Memberships and other	49,189	49,189
CFC Member Capital Certificate	1,500,000	1,500,000
Investment in Heartland Services	175,771	176,658
Investment in FEDAC	874,695	1,035,194
Investment in Karian Peterson	434,882	439,128
	<u>3,034,537</u>	<u>3,200,169</u>
Total	<u>\$ 30,013,490</u>	<u>\$ 27,802,864</u>

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

Wholesale Power

Great River Energy (GRE) is a generation and transmission cooperative headquartered in Elk River, Minnesota supplying power to 28 distribution cooperatives in Minnesota and Wisconsin. GRE was formed through the merger of Cooperative Power Association (CPA) and United Power Association in 1998. The Cooperative was formerly a member of CPA. Members in GRE share margins realized on the Cooperative principle, based on power purchased. GRE reported a net gain in 2013 and 2012. The Cooperative recorded its proportional share of the gain of \$1,682,669 and \$2,392,598 for the years ended December 31, 2013 and 2012, respectively. The Cooperative's purchases from GRE were \$39,688,111 and \$37,477,484 during 2013 and 2012, respectively. Accounts payable to GRE were \$6,035,222 and \$5,708,612 at December 31, 2013 and 2012, respectively.

In 2006, the Cooperative fixed its purchases with Great River Energy (GRE) as allowed in the Purchase Power Contract with GRE. In view of this, the Cooperative began purchasing all energy above the fixed quantities from Basin Electric Cooperative, a generation and transmission cooperative headquartered in Bismarck, North Dakota. Basin Electric supplies power to 137 member systems. Basin reported a net gain in 2013 and 2012. The Cooperative recorded its proportional share of the gain of \$604,109 and \$425,486 for the years ended December 31, 2013 and 2012, respectively. The Cooperative's purchases from Basin were \$12,331,328 and \$10,789,386 during 2013 and 2012, respectively. Accounts payable to Basin were \$1,513,317 and \$979,947 at December 31, 2013 and 2012, respectively.

Capital Term Certificates of the National Rural Utilities Cooperative Finance Corporation

The Cooperative invests in capital term certificates, loan term certificates, and zero term certificates of NRUCFC. The capital term certificates will bear interest at a rate of 5% per annum and mature at various dates from 2070 through 2080, and the loan term certificates bear interest at 0%-3% per annum and mature in 2014 through 2038.

Member Capital Securities of the National Rural Utilities Cooperative Finance Corporation

In 2009, the Cooperative invested \$1,500,000 in member capital securities of NRUCFC. The member capital securities will mature April 8, 2044. The interest rate of 7.5% was guaranteed through April 8, 2014. The Cooperative has been notified the interest rate will change to 5% at that effective date.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

Investments in LLC's

	<u>Heartland</u>	<u>FEDAC/ Carr Tree</u>	<u>Karian Peterson</u>	<u>Total</u>
INVESTMENTS AS OF DECEMBER 31, 2011	\$ 190,194	\$ 976,262	\$ 452,618	\$ 1,619,074
Undistributed Earnings for 2012	(13,536)	146,432	(13,490)	119,406
Distributions Received in 2012	-	(87,500)	-	(87,500)
INVESTMENTS AS OF DECEMBER 31, 2012	<u>\$ 176,658</u>	<u>\$ 1,035,194</u>	<u>\$ 439,128</u>	<u>\$ 1,650,980</u>
Undistributed Earnings (Losses) for 2013	\$ (887)	\$ 77,001	\$ (4,246)	\$ 71,868
Distributions Received in 2013	-	(237,500)	-	(237,500)
INVESTMENTS AS OF DECEMBER 31, 2013	<u>\$ 175,771</u>	<u>\$ 874,695</u>	<u>\$ 434,882</u>	<u>\$ 1,485,348</u>

Heartland Services Inc. LLC

In 1998, the Cooperative invested \$165,433 in cash along with one other cooperative to form Heartland Services. Heartland Services is a partnership that provides safety, engineering, power supply and other services to its owners and other clients. The Cooperative accounts for its investment in Heartland Services under the equity method. Included in Other Current and Accrued Assets are deferred debits for \$80,179 and \$180,179 related to Heartland Services Inc. LLC as of December 31, 2013 and 2012, respectively. In addition, Accounts Payable-Related Party includes \$361,390 and \$334,888 for amounts due to Heartland Services Inc. LLC for November and December transactions as of December 31, 2013 and 2012, respectively.

Federated Acquisitions, LLC

In 1999, the Cooperative invested \$315,460 in cash to FEDAC. FEDAC was formed initially as a partnership of seven members. It is a holding company for subsidiary investments. In August 1999, FEDAC purchased 70% of Carr's Tree Service, Inc., a tree trimming business, for approximately \$2.1 million. In August of 2006, the partnership exercised an option to purchase the remaining 30% of Carr's Tree Service for approximately \$3.4 million. Effective January 1, 2012, an additional cooperative invested to make it a partnership of eight members. The Cooperative accounts for its investment in FEDAC under the equity method.

Karian Peterson Power Line Contracting, LLC

In 2000, the Cooperative invested \$152,000 in cash along with six other cooperatives for the acquisition of this business. Karian Peterson's primary business is power line construction and maintenance. The Cooperative accounts for its investment in Karian Peterson under the equity method.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

Other Investments

Other investments primarily consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Energy Resource Conservation Loans, 3 to 5 Year Maturities, 4-5% Interest	\$ 336,584	\$ 448,655
Other	<u>449,942</u>	<u>430,807</u>
	<u>\$ 786,526</u>	<u>\$ 879,462</u>

Other investments primarily consist of life insurance policies held by the Cooperative. The cash surrender value of life insurance is carried at fair value, which was determined based on the amount due upon surrender of the policy. This amount was provided by the insurance company based on the terms of the underlying insurance contract. The cash surrender value of life insurance is valued as a level 2 instrument as described in Note 1 under the disclosure about fair value of financial instruments.

NOTE 4 CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at December 31:

	<u>2013</u>	<u>2012</u>
Cash - General Fund	\$ 271,835	\$ 836,336
Commercial Paper - Margin Stabilization Fund (Note 8)	4,645,617	5,132,600
Other	<u>1,354,383</u>	<u>2,967,400</u>
	<u>\$ 6,271,835</u>	<u>\$ 8,936,336</u>

NOTE 5 PATRONAGE CAPITAL

The following is a summary of patronage capital assignable and assigned at December 31:

	<u>2013</u>	<u>2012</u>
Assignable	\$ 3,239,815	\$ 4,170,590
Assigned	<u>76,372,921</u>	<u>72,325,531</u>
	79,612,736	76,496,121
Capital Credits Retired	(17,377,947)	(16,554,400)
Margin Stabilization Assigned	<u>(4,645,617)</u>	<u>(5,132,600)</u>
	<u>\$ 57,589,172</u>	<u>\$ 54,809,121</u>

The mortgage provisions restrict the retirement of patronage capital unless, after retirement, the capital of the Cooperative equals at least 30% of total assets. However, retirements can be made if such distributions do not exceed 25% of the preceding year's margins. No distribution can be made if there are unpaid installments of principal or interest on the notes (Note 7) or, if after giving effect to any distribution, the total current and accrued assets would be less than the total current and accrued liabilities.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

Distributions to estates and certain senior members are made at the request of the estates or seniors at a discounted rate. For the years ending December 31, 2013 and 2012, the discount rate was 4%. As of December 31, 2013, capital credits of MVEC margins through 1991 have been fully retired.

NOTE 6 OTHER EQUITY

Other equity consists of discounted retained margins regarding early retirement of capital credits as of December 31:

	<u>2013</u>	<u>2012</u>
Retired Capital Credits Gain	<u>\$ 750,711</u>	<u>\$ 688,692</u>

Other equity is permanent equity that would only be distributed in the case of a total dissolution of the cooperative.

NOTE 7 LONG-TERM DEBT AND LINE OF CREDIT

The following is a summary of outstanding long-term debt as of December 31:

	<u>2013</u>	<u>2012</u>
RUS Mortgage Notes Payable:		
2.518% to 4.589% Federal Financing Bank		
Notes Due June 2014 to December 2043	\$ 41,316,360	\$ 41,941,677
RUS Cushion of Credit	<u>(2,480,457)</u>	<u>(4,534,011)</u>
	<u>38,835,903</u>	<u>37,407,666</u>
 Rural Economic Development Loan	 <u>200,000</u>	 <u>200,000</u>
 NRUCFC Secured Promissory Notes Payable:		
2.45% - 5.90% Notes Due July 2014		
to October 2033	<u>30,326,525</u>	<u>32,130,626</u>
	69,362,428	69,738,292
 Current Maturities	 <u>(3,248,610)</u>	 <u>(2,404,918)</u>
	<u>\$ 66,113,818</u>	<u>\$ 67,333,374</u>

The U.S. Government has provided the Cooperative with economic development loan funds of \$200,000 to provide local financing for projects that foster economic development in rural areas. These funds may be used for this purpose as long as the Cooperative is willing to oversee them.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

As of December 31, 2013, annual maturities of long-term debt outstanding for the next five years and thereafter are as follows:

2014	\$ 3,248,610
2015	2,580,651
2016	3,003,126
2017	2,528,524
2018	3,369,659
Thereafter	<u>54,631,858</u>
	<u>\$ 69,362,428</u>

The Cooperative has an \$8,100,000 perpetual line of credit with NRUCFC. There were no outstanding advances as of December 31, 2013 and 2012, however, only \$7,946,019 was available to the Cooperative. This was due to the Cooperative joining with 11 other electric distribution Cooperatives serving Minnesota to form Southern Municipal Energy Cooperative (SMEC). The SMEC, with Board approval from the Cooperative drew down \$153,981 of the perpetual line of credit with NRUCFC. See Note 11 for additional information.

The Cooperative has a loan approved with Federal Financing Bank totaling \$18,450,000. Draws can be made on this as construction work is completed. As of December 31, 2013, the Cooperative had drawn \$10,616,000 against this loan.

NOTE 8 MARGIN STABILIZATION PLAN

The Board of Directors of the Cooperative and RUS approved the implementation of a margin stabilization plan to be effective for 1989 and future years. Major provisions of the plan are:

The targeted margin level for this plan focuses on a modified times-interest-earned ratio (TIER). Modified TIER for purposes of this plan is computed as follows:

$$\frac{\text{Net Margins} - \text{Non-cash Capital Credits} + \text{Interest Expense on Long-Term Debt}}{\text{Interest Expense on Long-Term Debt}}$$

If the financial performance of the Cooperative produces revenues in excess of the targeted margins and operating costs during the year, such revenues will be deposited in a separate account to be known as the Margin Stabilization Fund. If the financial performance of the Cooperative produces revenues less than necessary to meet targeted margins and operating costs, revenues in the fund, if any, may be used to meet the targeted margins. For the years ended December 31, 2013 and 2012, net margins were increased by \$486,983 and \$40,860, respectively, through the margin stabilization plan.

During the year ending December 31, 2009, the Cooperative amended the plan to a targeted (TIER) ratio of 1.40. This amendment was approved by RUS.

The Cooperative's policy is to allocate the margin stabilization in the succeeding year to patrons who created the margin.

Under the provisions of the plan and pursuant to the RUS requirements, the Cooperative must segregate cash and cash equivalents reserves equal to the amount of all margins deferred to date under the plan. The Cooperative had cash and short-term investments of \$4,645,617 as of December 31, 2013 to satisfy its RUS requirement.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

NOTE 9 PENSION PLANS

The following is the RS Plan Disclosure Information for Minnesota Valley Electric Cooperative's participation in the Retirement Security Plan for 2013.

Narrative Description

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Plan Information

Minnesota Valley Electric Cooperative's contributions to the RS Plan in 2013 and in 2012 represented less than 5 percent of the total contributions made to the plan by all participating employers. Minnesota Valley Electric Cooperative made contributions to the plan of \$1,412,743 and \$1,257,002 in 2013 and 2012, respectively. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was approximately 94 percent and 80 percent funded at January 1, 2013 and January 1, 2012, respectively, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

In addition to the above retirement plan, employees of the Cooperative are eligible for a 401(k) savings plan offered through NRECA. The Cooperative made contributions into the plan equal to 3.5% of all nonunion employees' wages and 1% of all union employees' wages in 2013 and 2012, respectively. The Cooperative's contributions totaled \$141,996 and \$137,731 in 2013 and 2012, respectively.

NOTE 10 REGULATORY LIABILITIES

The revenue deferral plan below is in accordance with GAAP, and approved by RUS in writing.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

Regulatory liabilities consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Margin Stabilization Assigned	<u>\$ 4,645,617</u>	<u>\$ 5,132,600</u>

Other Deferred Credits

Other deferred credits are made up of the following at December 31:

	<u>2013</u>	<u>2012</u>
Unclaimed/Unlocated Patrons	\$ 491,337	\$ 484,471
Unallocated Sales Tax Refund	95,647	113,559
Miscellaneous Unclaimed Property	3,661	2,026
Commercial & Industrial Rebates	<u>242,239</u>	<u>285,059</u>
	<u>\$ 832,884</u>	<u>\$ 885,115</u>

NOTE 11 COMMITMENTS AND CONTINGENCIES

Commitments

Under its wholesale power agreement, the Cooperative is committed to purchase a fixed quantity of energy from GRE until December 31, 2045.

The Cooperative has also entered into a contract with Basin Electric Power Cooperative to purchase 100% of its growth (above the GRE fixed purchased quantity) beginning November 1, 2006 until December 31, 2039. The Cooperative has also entered into an amendment and in May 2010 the Cooperative began purchasing power and energy equivalent from Basin Electric Power Cooperative for two wholesale power contracts which expired with GRE. The Cooperative exercised an option to purchase its share of GRE's 175MW from MN Power and 50MW from Xcel Diversity through Basin Electric.

The Cooperative has joined with 11 other electric distribution cooperatives serving Minnesota to form Southern Minnesota Energy Cooperative (SMEC) as a single point of contact for the purchase of electric service territory in southern Minnesota from Alliant Energy. SMEC has reached a definitive agreement to acquire territory from Alliant Energy. The transaction is contingent upon regulatory approval and is expected to close in 2014.

Loan Guarantees and Other Commitments

Karian Peterson Power Line Contracting, LLC has a \$1.75 million unsecured line of credit with CoBank. Minnesota Valley Electric Cooperative is a 1/7 owner of the Company and has guaranteed the real estate financing on a joint and several basis with the other owners.

Litigation

In the ordinary course of business, the Cooperative is exposed to legal costs and claims for damages. In the opinion of management, the Cooperative maintains adequate insurance coverage to cover any exposure related to settlement of these claims.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2013 AND 2012

NOTE 12 ~~ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES~~

It is the opinion of management that the Cooperative has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Company are subject to examination by the IRS, generally for three years after they were filed.

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Cooperative's year-end. Subsequent events have been evaluated through February 18, 2014, which is the date these financial statements were available to be issued.

NOTE 14 RECLASSIFICATIONS

Minor reclassifications have been made to the 2012 amounts to conform to the 2013 presentation.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Minnesota Valley Electric Cooperative
Jordan, Minnesota

We have audited the financial statements of Minnesota Valley Electric Cooperative as of and for the year ended December 31, 2013 and our report thereon dated February 18, 2014, which expressed an unmodified opinion on those financial statements, appears on page 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The officers and directors, supplementary schedule of long-term debt, seven-year summary of operations, seven-year summary of operating statistics, detailed schedule of deferred debits and deferred credits, and detailed schedule of investments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of long term debt, detailed schedule of deferred debits and deferred credits, and detailed schedule of investments are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of long term debt, detailed schedule of deferred debits and credits, and detailed schedule of investments are fairly stated, in all material respects, in relation to the financial statements as a whole.

The officers and directors, seven-year summary of operations and seven-year summary of operating statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 18, 2014

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MINNESOTA VALLEY ELECTRIC COOPERATIVE
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF DECEMBER 31, 2013

Note No.	Maturity Date	Interest Rate	Net Obligation 12-31-12	Proceeds	Principal Repayment	Net Obligation 12-31-13
RUS						
H0010	10/31/37	4.589%	\$ 6,864,729	\$ -	\$ (161,101)	\$ 6,703,628
H0015	04/30/38	2.884%	1,648,543	-	(45,540)	1,603,003
H0020	12/31/41	4.155%	10,087,182	-	(183,824)	9,903,358
H0025	12/31/41	4.196%	5,673,615	-	(102,690)	5,570,925
H0030	12/31/41	3.986%	7,051,608	-	(132,162)	6,919,446
F0035	12/31/43	2.518%	<u>10,616,000</u>	-	-	<u>10,616,000</u>
Subtotal			41,941,677	-	(625,317)	41,316,360
RUS Cushion of Credit			(4,534,011)	(190,373)	2,243,927	(2,480,457)
Rural Economic Development Loans			<u>200,000</u>	-	-	<u>200,000</u>
Total RUS			\$ 37,607,666	\$ (190,373)	\$ 1,618,610	\$ 39,035,903
Current Maturities			<u>(625,026)</u>			<u>(813,412)</u>
RUS, Net			<u>\$ 36,982,640</u>			<u>\$ 38,222,491</u>
NRUCFC						
9008001	04/30/15	3.600%	\$ 180,525	\$ -	\$ (70,274)	\$ 110,251
9010001	07/31/19	5.150%	399,827	-	(50,882)	348,945
9011002	10/31/21	5.150%	397,063	-	(35,640)	361,423
9011003	10/31/21	3.300%	394,533	-	(38,299)	356,234
9012001	08/01/26	4.050%	624,541	-	(30,552)	593,989
9015002	10/31/30	4.350%	598,404	-	(22,445)	575,959
9015003	10/31/30	5.900%	464,553	-	(14,986)	449,567
9015004	10/31/30	4.250%	601,929	-	(22,794)	579,135
9015005	10/31/30	4.250%	601,929	-	(22,794)	579,135
9019010	10/31/13	2.950%	332,367	-	(332,367)	-
9019011	10/31/14	3.100%	332,372	-	-	332,372
9024003	07/31/13	2.900%	874,275	-	(874,275)	-
9024004	07/31/14	3.200%	1,169,106	-	(288,793)	880,313
9024005	07/31/15	3.550%	1,440,313	-	-	1,440,313
9024006	07/31/16	3.800%	1,214,210	-	-	1,214,210
9024007	07/31/17	4.050%	1,240,320	-	-	1,240,320
9024008	07/31/18	4.250%	1,269,802	-	-	1,269,802
9024009	07/31/19	4.400%	1,301,073	-	-	1,301,073
9024010	07/31/20	4.500%	1,034,588	-	-	1,034,588

MINNESOTA VALLEY ELECTRIC COOPERATIVE
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT - CONTINUED
AS OF DECEMBER 31, 2013

Note No.	Maturity Date	Interest Rate	Net Obligation 12-31-12	Proceeds	Principal Repayment	Net Obligation 12-31-13
9025002	10/31/14	2.450%	550,000	-	-	550,000
9025004	10/31/16	2.650%	565,000	-	-	565,000
9025006	10/31/18	3.000%	745,000	-	-	745,000
9025007	10/31/19	3.200%	625,000	-	-	625,000
9025008	10/31/20	3.350%	420,000	-	-	420,000
9025009	10/31/21	3.500%	1,575,000	-	-	1,575,000
9025010	10/31/22	3.650%	1,410,087	-	-	1,410,087
9025011	10/31/23	3.700%	1,361,713	-	-	1,361,713
9025012	10/31/24	3.800%	900,000	-	-	900,000
9025013	10/31/25	3.900%	1,000,000	-	-	1,000,000
9025014	10/31/26	4.000%	1,300,000	-	-	1,300,000
9025015	10/31/27	4.100%	1,000,000	-	-	1,000,000
9025016	10/31/28	4.150%	1,300,000	-	-	1,300,000
9025017	10/31/29	4.150%	1,000,000	-	-	1,000,000
9025018	10/31/30	4.200%	1,300,000	-	-	1,300,000
9025019	10/31/31	4.250%	1,000,000	-	-	1,000,000
9025020	10/31/32	4.250%	1,300,000	-	-	1,300,000
9025021	10/31/33	4.300%	307,096	-	-	307,096
Total NRUCFC			\$ 32,130,626		\$ (1,804,101)	\$ 30,326,525
Current Maturities			(1,779,892)			(2,435,198)
NRUCFC, Net			\$ 30,350,734			\$ 27,891,327
Total Long-Term Debt			\$ 69,738,292	\$ (190,373)	\$ (185,491)	\$ 69,362,428
Current Maturities			(2,404,918)			(3,248,610)
Long-Term Debt, Net			\$ 67,333,374			\$ 66,113,818

As of December 31, 2013, the overall blended interest rate of this debt is 3.89%.

MINNESOTA VALLEY ELECTRIC COOPERATIVE
SEVEN-YEAR SUMMARY OF OPERATIONS (UNAUDITED)
SEVEN YEARS ENDED DECEMBER 31,

	2013	2012	2011	2010	2009	2008	2007
REVENUES							
Operating Revenues	\$ 72,698,815	\$ 68,429,736	\$ 66,669,139	\$ 63,092,966	\$ 60,996,970	\$ 57,576,902	\$ 50,308,470
Change in Stabilization	486,983	40,860	489,270	(536,282)	(2,723,151)	1,008,359	1,698,381
Total Revenues	<u>73,185,798</u>	<u>68,470,596</u>	<u>67,158,409</u>	<u>62,556,684</u>	<u>58,273,819</u>	<u>58,585,261</u>	<u>52,006,851</u>
OPERATING EXPENSES:							
Cost of Power	53,298,313	48,887,433	47,862,320	42,597,800	39,752,065	39,582,575	34,899,269
Other Operating Expenses	19,023,544	18,662,704	18,241,066	18,693,351	17,382,955	16,552,202	15,155,516
Total Operating Expenses	<u>72,321,857</u>	<u>67,550,137</u>	<u>66,103,386</u>	<u>61,291,151</u>	<u>57,135,020</u>	<u>56,134,777</u>	<u>50,054,785</u>
OPERATING MARGINS	<u>863,941</u>	<u>920,459</u>	<u>1,055,023</u>	<u>1,265,533</u>	<u>1,138,799</u>	<u>2,450,484</u>	<u>1,952,066</u>
OTHER INCOME:							
Generation and Transmission Capital Credits	2,472,408	2,949,430	2,169,048	1,375,399	1,890,977	2,472,783	2,229,264
Other	267,249	218,357	135,803	37,116	164,352	65,596	51,239
Total Other Income	<u>2,739,657</u>	<u>3,167,787</u>	<u>2,304,851</u>	<u>1,412,515</u>	<u>2,055,329</u>	<u>2,538,379</u>	<u>2,280,503</u>
NET MARGINS	<u>\$ 3,603,598</u>	<u>\$ 4,088,246</u>	<u>\$ 3,359,874</u>	<u>\$ 2,678,048</u>	<u>\$ 3,194,128</u>	<u>\$ 4,988,863</u>	<u>\$ 4,232,569</u>
WAGES INCLUDED ABOVE:							
Wages Expensed	\$ 4,067,034	\$ 4,091,825	\$ 4,256,858	\$ 4,245,491	\$ 3,812,904	\$ 3,591,114	\$ 3,658,780
Wages Capitalized	1,049,287	1,013,914	708,392	776,921	964,399	1,321,159	1,233,984
Other	977,887	854,976	867,798	903,865	1,069,421	1,027,328	890,262
Total	<u>\$ 6,094,208</u>	<u>\$ 5,960,715</u>	<u>\$ 5,833,048</u>	<u>\$ 5,926,277</u>	<u>\$ 5,846,724</u>	<u>\$ 5,939,601</u>	<u>\$ 5,783,026</u>
PERCENT OF INCREASE (DECREASE):							
Operating Revenues	6.2%	2.6%	5.7%	3.4%	5.9%	14.4%	7.4%
Cost of Power	9.0%	2.1%	12.4%	7.2%	0.4%	13.4%	16.6%
Other Operating Expenses	1.9%	2.3%	-2.4%	7.5%	5.0%	9.2%	5.7%
Wages	2.2%	2.2%	-1.6%	1.4%	-1.6%	2.7%	-0.7%
PERCENT OF OPERATING REVENUES:							
Cost of Power	73.3%	71.4%	71.8%	67.5%	65.2%	68.7%	69.4%
Other Operating Expenses	26.2%	27.3%	27.4%	29.6%	28.5%	28.7%	30.1%
Operating Margins	1.2%	1.3%	1.6%	2.0%	1.9%	4.3%	3.9%
Wages	8.4%	8.7%	8.7%	9.4%	9.6%	10.3%	11.5%
OPERATING REVENUE PER KWH SOLD							
	\$ 0.0969	\$ 0.0948	\$ 0.0938	\$ 0.0901	\$ 0.0906	\$ 0.0862	\$ 0.0756
COST OF POWER PER KWH PURCHASED							
	\$ 0.0683	\$ 0.0651	\$ 0.0648	\$ 0.0585	\$ 0.0568	\$ 0.0567	\$ 0.0503
CHANGES IN REVENUES:							
Change Due to Price	\$ 1,530,761	\$ 749,172	\$ 2,665,875	\$ (347,956)	\$ 2,905,327	\$ 7,097,620	\$ 538,245
Change Due to Volume	2,738,318	1,011,425	910,298	2,443,952	514,741	170,812	2,948,009
Total Changes	<u>\$ 4,269,079</u>	<u>\$ 1,760,597</u>	<u>\$ 3,576,173</u>	<u>\$ 2,095,996</u>	<u>\$ 3,420,068</u>	<u>\$ 7,268,432</u>	<u>\$ 3,486,254</u>
CHANGES IN COST OF POWER:							
Change Due to Price	\$ 2,423,423	\$ 262,666	\$ 4,616,913	\$ 1,235,004	\$ 99,824	\$ 4,460,378	\$ 2,987,289
Change Due to Volume	1,987,457	762,447	647,607	1,610,731	69,666	222,928	1,974,537
Total Changes	<u>\$ 4,410,880</u>	<u>\$ 1,025,113</u>	<u>\$ 5,264,520</u>	<u>\$ 2,845,735</u>	<u>\$ 169,490</u>	<u>\$ 4,683,306</u>	<u>\$ 4,961,826</u>

MINNESOTA VALLEY ELECTRIC COOPERATIVE
SEVEN-YEAR SUMMARY OF OPERATING STATISTICS (UNAUDITED)
SEVEN YEARS ENDED DECEMBER 31,

	2013	2012	2011	2010	2009	2008	2007
KWHs Purchased	780,918,321	750,411,302	738,644,689	727,583,357	699,250,136	698,021,609	693,591,116
KWHs Sold	750,339,695	721,469,036	710,687,337	700,579,457	673,590,842	667,622,264	665,363,161
Line Loss	29,258,354	27,828,866	26,723,252	25,817,900	24,387,694	29,092,145	26,932,455
Percentage of Loss	3.75%	3.71%	3.62%	3.55%	3.49%	4.17%	3.88%
PERCENTAGE OF INCREASE:							
KWHs Purchased	4.1%	1.6%	1.5%	4.1%	0.2%	0.6%	6.6%
KWHs Sold	4.0%	1.5%	1.4%	4.0%	0.9%	0.3%	6.3%
MAXIMUM DEMAND IN KWHs	150,083	152,156	156,592	135,900	127,264	137,611	129,982
MONTH OF MAXIMUM DEMAND	August	July	July	June	June	July	June
AVERAGE NUMBER OF CUSTOMER ACCOUNTS	35,902	35,115	34,560	34,160	33,782	33,406	32,771
AVERAGE ANNUAL KWHs PER CUSTOMER ACCOUNTS	20,900	20,546	20,564	20,509	19,939	19,985	20,303
AVERAGE MONTHLY KWHs PER CUSTOMER ACCOUNTS	1,742	1,712	1,714	1,709	1,662	1,665	1,692
TOTAL UTILITY PLANT	\$ 127,144,428	\$ 124,086,450	\$ 122,153,455	\$ 119,313,168	\$ 117,642,918	\$ 113,444,340	\$ 107,206,784
SERVICES IN PLACE	36,357	35,673	34,969	34,539	34,110	33,836	33,336
MILES ENERGIZED	3,680	3,660	3,634	3,620	3,610	3,588	3,553
TOTAL UTILITY PLANT Per Customer	\$ 3,541	\$ 3,534	\$ 3,535	\$ 3,493	\$ 3,482	\$ 3,396	\$ 3,271
Per Mile of Line	34,550	33,903	33,614	32,959	32,588	31,618	30,174
RATIOS:							
Current Assets to Liabilities Margin and Equities Percentage of Assets	40%	39%	38%	37%	36%	37%	36%
Long-Term Debt Percentage of Plant	52%	54%	53%	55%	55%	55%	43%
Debt Service Coverage Ratio (DSC)	1.92	1.84	1.61	1.88	2.00	2.45	2.41
Times Interest Earned Ratio (TIER)	2.27	2.43	2.12	1.82	1.98	2.69	2.80
Modified Debt Service Coverage Ratio (MDSC) 2 of 3 Year High Avg	1.42	1.56	1.70	1.88	1.89	1.89	1.83
PAYROLL STATISTICS - Hours Worked:							
Regular	156,524	158,196	159,305	160,627	167,830	174,144	180,255
Overtime	4,481	4,732	4,982	6,617	3,958	7,567	9,510
Total	161,005	162,928	164,287	167,244	171,788	181,711	189,765
FULL-TIME EQUIVALENT EMPLOYEES (FTE)	75	76	74	75	76	78	78
WAGES PER FTE	\$ 81,256	\$ 78,430	\$ 78,825	\$ 79,017	\$ 76,931	\$ 76,149	\$ 74,141
WAGES PER HOUR	\$ 39.07	\$ 37.71	\$ 37.90	\$ 37.99	\$ 36.99	\$ 36.61	\$ 35.64

MINNESOTA VALLEY ELECTRIC COOPERATIVE
DETAILED SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS
AS OF DECEMBER 31, 2013

Deferred Debits

Long-Range Work Plan	\$ 12,896	RUS Approval not Required
Unamortized Debt Issue Costs	40,896	RUS Approval not Required
	<u>\$ 53,792</u>	

Deferred Credits

Margin Stabilization Assigned	\$ 4,645,617	RUS Approved
Unclaimed/Unlocated Patrons	491,337	RUS Approval not Required
Unallocated Sales Tax Refund	95,647	RUS Approval not Required
Miscellaneous Unclaimed Property	3,661	RUS Approval not Required
Commercial & Industrial Rebates	242,239	RUS Approval not Required
	<u>\$ 5,478,501</u>	

MINNESOTA VALLEY ELECTRIC COOPERATIVE
DETAILED SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2013

	Heartland	FEDAC/ Carr Tree	Karian Peterson	Total
ORIGINAL INVESTMENT COST	\$ 165,433	\$ 315,460	\$ 152,000	\$ 632,893
Investment Advances as of December 31, 2007	342,386	-	-	342,386
Investment Returns as of December 31, 2007	(218,667)	(148,700)	-	(367,367)
Undistributed Earnings (Loss) as of December 31, 2007	<u>(154,144)</u>	<u>594,136</u>	<u>175,407</u>	<u>615,399</u>
BOOK VALUE OF INVESTMENTS AS OF DECEMBER 31, 2007	\$ 135,008	\$ 760,896	\$ 327,407	\$ 1,223,311
Undistributed Earnings for December 31, 2008	<u>10,145</u>	<u>59,283</u>	<u>106,251</u>	<u>175,679</u>
BOOK VALUE OF INVESTMENTS AS OF DECEMBER 31, 2008	\$ 145,153	\$ 820,179	\$ 433,658	\$ 1,398,990
Undistributed Earnings for December 31, 2009	<u>13,992</u>	<u>177,339</u>	<u>2,969</u>	<u>194,300</u>
BOOK VALUE OF INVESTMENTS AS OF DECEMBER 31, 2009	\$ 159,145	\$ 997,518	\$ 436,627	\$ 1,593,290
Investment Returns as of December 31, 2010	-	(100,000)	-	(100,000)
Undistributed Earnings for December 31, 2010	<u>12,974</u>	<u>125,130</u>	<u>9,199</u>	<u>147,303</u>
BOOK VALUE OF INVESTMENTS AS OF DECEMBER 31, 2010	\$ 172,119	\$ 1,022,648	\$ 445,826	\$ 1,640,593
Investment Returns as of December 31, 2011	-	(100,000)	(15,000)	(115,000)
Undistributed Earnings for December 31, 2011	<u>18,075</u>	<u>53,614</u>	<u>21,792</u>	<u>93,481</u>
BOOK VALUE OF INVESTMENTS AS OF DECEMBER 31, 2011	\$ 190,194	\$ 976,262	\$ 452,618	\$ 1,619,074
Investment Returns as of December 31, 2012	-	(87,500)	-	(87,500)
Undistributed Earnings (Losses) for December 31, 2012	<u>(13,536)</u>	<u>146,432</u>	<u>(13,490)</u>	<u>119,406</u>
BOOK VALUE OF INVESTMENTS AS OF DECEMBER 31, 2012	\$ 176,658	\$ 1,035,194	\$ 439,128	\$ 1,650,980
Investment Returns as of December 31, 2013	-	(237,500)	-	(237,500)
Undistributed Earnings (Losses) for December 31, 2013	<u>(887)</u>	<u>77,001</u>	<u>(4,246)</u>	<u>71,868</u>
BOOK VALUE OF INVESTMENTS AS OF DECEMBER 31, 2013	<u>\$ 175,771</u>	<u>\$ 874,695</u>	<u>\$ 434,882</u>	<u>\$ 1,485,348</u>

MINNESOTA VALLEY ELECTRIC COOPERATIVE
DETAILED SCHEDULE OF INVESTMENTS - CONTINUED
AS OF DECEMBER 31, 2013

Heartland Services - In 1998, the Cooperative invested \$165,433 in cash along with one other cooperative to form Heartland Services. Heartland Services is a partnership that provides safety, engineering, power supply and other services to its owners and other clients. The Cooperative accounts for its investment in Heartland Services under the equity method.

FEDAC, LLC - In 1999, the Cooperative invested \$315,460 in cash to FEDAC. FEDAC was formed initially as a partnership of seven members. It is a holding company for subsidiary investments. In August 1999, FEDAC purchased 70% of Carr's Tree Service, Inc., a tree trimming business, for approximately \$2.1 million. In August of 2006, the partnership exercised an option to purchase the remaining 30% of Carr's Tree Service for approximately \$3.4 million. Effective January 1, 2012, an additional cooperative invested to make it a partnership of eight members. The Cooperative accounts for its investment in FEDAC under the equity method.

Karian Peterson Power Line Contracting, LLC - In 2000, the Cooperative invested \$152,000 in cash along with six other cooperatives for the acquisition of this business. Karian Peterson's primary business is power line construction and maintenance. The Cooperative accounts for its investment in Karian Peterson under the equity method.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Minnesota Valley Electric Cooperative
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Minnesota Valley Electric Cooperative as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota Valley Electric Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota Valley Electric Cooperative's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 18, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ASPECTS OF
CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR
ELECTRIC BORROWERS**

To the Members and the Board of Directors
Minnesota Valley Electric Cooperative
Jordan, Minnesota

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Minnesota Valley Electric Cooperative which comprise the balance sheet as of December 31, 2013, and the related statements of operations, changes in patrons' equity and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2014. In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of Minnesota Valley Electric Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Minnesota Valley Electric Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Minnesota Valley Electric Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Minnesota Valley Electric Cooperative's accounting and records to indicate that Minnesota Valley Electric Cooperative did not:

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Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant; Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap; Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

The purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, as clarified in the RUS policy memorandum dated February 7, 2014. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ AND ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 18, 2014

BRADY
MARTZ

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Auditor's Certification Regarding Loan Fund Expenditures

During our audit of the year ended December 31, 2013, Minnesota Valley Electric Cooperative received \$0 in long-term fund advances from CFC on loans controlled by the RUS/CFC Mortgage Loan Agreement.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

February 18, 2014

Nobles Cooperative Electric

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0066
	PERIOD ENDED December, 2013
	BORROWER NAME Nobles Cooperative Electric

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

CERTIFICATION

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

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

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

(check one of the following)

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

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

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	14,116,313	15,833,025	14,987,792	1,612,845
2. Power Production Expense	87,493	79,947	81,840	9,060
3. Cost of Purchased Power	8,073,852	9,136,507	9,240,000	986,161
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	644,869	591,337	618,850	75,983
7. Distribution Expense - Maintenance	895,407	1,210,559	817,225	103,314
8. Customer Accounts Expense	305,533	282,862	321,040	22,428
9. Customer Service and Informational Expense	257,020	225,874	288,210	8,791
10. Sales Expense				
11. Administrative and General Expense	856,434	911,010	933,720	79,364
12. Total Operation & Maintenance Expense (2 thru 11)	11,120,608	12,438,096	12,300,885	1,285,101
13. Depreciation and Amortization Expense	1,365,550	1,527,528	1,389,220	296,288
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other				
16. Interest on Long-Term Debt	966,762	930,197	922,770	79,238
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	23	47	50	36
19. Other Deductions	2,732	63,999	5,895	1,000
20. Total Cost of Electric Service (12 thru 19)	13,455,675	14,959,867	14,618,820	1,661,663
21. Patronage Capital & Operating Margins (1 minus 20)	660,638	873,158	368,972	(48,818)
22. Non Operating Margins - Interest	319,703	368,648	318,520	31,461
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	57,213	62,354	48,235	(4,527)
26. Generation and Transmission Capital Credits	370,898	407,409	250,000	382,408
27. Other Capital Credits and Patronage Dividends	63,114	95,274	45,000	
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,471,566	1,806,843	1,030,727	360,524

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE			BORROWER DESIGNATION		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			MN0066		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2013		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	48	40	5. Miles Transmission		
2. Services Retired	27	34	6. Miles Distribution - Overhead	1,154.61	1,141.68
3. Total Services in Place	5,576	5,582	7. Miles Distribution - Underground	990.91	1,002.12
4. Idle Services (Exclude Seasonals)	380	393	8. Total Miles Energized (5 + 6 + 7)	2,145.52	2,143.80
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	45,168,346		30. Memberships		0
2. Construction Work in Progress	1,345,388		31. Patronage Capital		16,193,056
3. Total Utility Plant (1 + 2)	46,513,734		32. Operating Margins - Prior Years		0
4. Accum. Provision for Depreciation and Amort.	14,700,729		33. Operating Margins - Current Year		1,375,840
5. Net Utility Plant (3 - 4)	31,813,005		34. Non-Operating Margins		2,865,527
6. Non-Utility Property (Net)	0		35. Other Margins and Equities		365,505
7. Investments in Subsidiary Companies	0		36. Total Margins & Equities (30 thru 35)		20,799,928
8. Invest. in Assoc. Org. - Patronage Capital	4,961,456		37. Long-Term Debt - RUS (Net)		9,853,308
9. Invest. in Assoc. Org. - Other - General Funds	121,897		38. Long-Term Debt - FFB - RUS Guaranteed		9,092,175
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	553,885		39. Long-Term Debt - Other - RUS Guaranteed		0
11. Investments in Economic Development Projects	29,166		40. Long-Term Debt Other (Net)		7,364,814
12. Other Investments	289,622		41. Long-Term Debt - RUS - Econ. Devel. (Net)		0
13. Special Funds	0		42. Payments - Unapplied		6,509,685
14. Total Other Property & Investments (6 thru 13)	5,956,026		43. Total Long-Term Debt (37 thru 41 - 42)		19,800,612
15. Cash - General Funds	415,919		44. Obligations Under Capital Leases - Noncurrent		0
16. Cash - Construction Funds - Trustee	0		45. Accumulated Operating Provisions and Asset Retirement Obligations		314,214
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44 + 45)		314,214
18. Temporary Investments	2,577,991		47. Notes Payable		0
19. Notes Receivable (Net)	0		48. Accounts Payable		2,301,342
20. Accounts Receivable - Sales of Energy (Net)	1,829,957		49. Consumers Deposits		21,600
21. Accounts Receivable - Other (Net)	724,414		50. Current Maturities Long-Term Debt		1,042,700
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development		29,166
23. Materials and Supplies - Electric & Other	621,274		52. Current Maturities Capital Leases		0
24. Prepayments	141,993		53. Other Current and Accrued Liabilities		410,370
25. Other Current and Accrued Assets	61,827		54. Total Current & Accrued Liabilities (47 thru 53)		3,805,178
26. Total Current and Accrued Assets (15 thru 25)	6,373,375		55. Regulatory Liabilities		0
27. Regulatory Assets	0		56. Other Deferred Credits		107,915
28. Other Deferred Debits	685,441		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)		44,827,847
29. Total Assets and Other Debits (5+14+26 thru 28)	44,827,847				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0066
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS		
Statistics:		
YTD TIER		2.94
YTD OTIER		1.96
YTD MTIER		2.50
DSC		2.05
ODSC		1.61
MDSC		1.85
Current Ratio		1.67
% Equity / Total Assets		46.40
% Power Costs / Revenue		58.21
% YTD Operating Margins		5.51
% Change from Budget (368,972)		136.65
% Total Margins		11.41

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0066
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS	
<p>% YTD chnage from Budget(1,030,727) 73.30</p> <p>% Inc.(Dec.)Mth KWH Sales/Budget 22.59</p> <p>% Inc.(Dec.)YTD KWH Sales/Budget 6.30</p> <p>% Inc.(Dec.)Mth KWH Purchases/Budget 2.51</p> <p>% Inc.(Dec.)YTD KWH Purchases/Budget (.26)</p> <p>Line Loss - Current Month 3.74</p> <p>Line Loss - Year To Date 3.90</p> <p>2013 Notes to the Financial Statements:</p>	
1. Part A, Line 19 - Other Deductions-\$63,999 :	
A. \$ 53,863 loss for Non-depreciated value of Distribution Utility plant destroyed in April 2013 ice storm.	
B. \$ 10,136 in donations.	
(Empty space for additional notes)	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0066
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS	
2. Part C, Line 25 – Other Current and Accrued Assets- \$61,827:	
A. Interest Receivable from CFC Capital Term Certificates = \$ 5,985.	
B. Interest Receivable from RUS Cushion of Credit = \$ 55,842.	
3. Part C, Line 28-Other Deferred Debits-\$685,441:	
A. Engineering costs = \$ 40,550.	
B. R & S Pension Prepayment over a period of (10) years = \$644,891.	
4. Part C, Line 45-Accum.Prov. & Asset Retirement Obligations-\$314,214:	
A. Recognize estimated value of Employee's Insurance Benefits from age 62-65 = \$314,214	
(FASB106).	
5. Part C, Line 50-Current Maturities LTD - \$ 1,042,700:	
A. RUS = \$ 218,000.	
B. FFB = \$ 252,700.	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0066
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS	
C. NRUCFC = \$ 370,000.	
D. CoBank = \$ 202,000.	
6. Part C, Line 51-Current Maturities LTD-Econ. Dev. - \$29,166:	
A. USDA = \$29,166.	
7. Part C, Line 53-Other Current & Accrued Liabilities - \$410,370:	
A. Accrued Property Taxes = \$74,620.	
B. Accrued FICA Taxes = \$11,230.	
C. Accrued MN State Unemployment Taxes = \$22.	
D. Accrued MN State Sales Taxes = \$57,008.	
E. Accrued City/Worthington Sales Taxes = \$11.	
F. Accrued Iowa State Sales Taxes = \$379.	
G. Accrued Non-Operating Margin Income Taxes = \$6,747.	
H. Accrued Interest on Long-Term Debt = \$39,075.	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0066
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. NOTES TO FINANCIAL STATEMENTS	
I. Patronage Capital Payable = \$1,113.	
J. Accrued Federal Withholding Taxes = \$10,075.	
K. Accrued MN State Withholding Taxes = \$4,000.	
L. Accrued Vacation & Holiday = \$151,215.	
M. Accrued Sick Leave = \$52,649.	
N. 2013 125 Cafeteria Payable = \$2,226.	
8. Part C, Line 56-Other Deferred Credits-\$107,915:	
A. Electric service Prepayments = \$53,212.	
B. Exede/Wildblue Prepayments = \$20,109.	
C. Unclaimed Capital Credits = \$34,594.	
9. Nobles Cooperative Electric moved the electric billing cycle 15 days earlier than in 2012 due to implementation of new AMR metering system.	

<p>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION MN0066</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2013</p>
<p align="center">PART D. NOTES TO FINANCIAL STATEMENTS</p>	
<p>10. Part O, Classification #4-Large Commercial over 1000 kVA has (2) accounts:</p>	
<p>A. New Vision Cooperative Elevator - \$137,837 Revenue/1,479,400 KWH Sales = .09317/KWH</p>	
<p>B. Minnesota Soybean Processors- \$2,535,495 Revenue/42,412,959 KWH Sales = .05978/KWH</p>	
<p>Contract exists with Minnesota Soybean Processors.</p>	
<p>11. As per Board resolution, write-off remaining balance of Non-depreciated value of Non-AMR Meters to Depreciation Expense which is shown on Part A, Line 13 figure.</p>	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MN0066
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2013
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MN0066
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2013

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	37,412,258	1,327,188	495,678		38,243,768
2. General Plant	2,763,333	324,086	108,306		2,979,113
3. Headquarters Plant	1,025,307				1,025,307
4. Intangibles	437				437
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	2,919,721				2,919,721
8. Total Utility Plant in Service (1 thru 7)	44,121,056	1,651,274	603,984		45,168,346
9. Construction Work in Progress	178,288	1,167,100			1,345,388
10. Total Utility Plant (8 + 9)	44,299,344	2,818,374	603,984		46,513,734

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	619,199	1,366,933	13,937	1,404,881	6,167		589,021
2. Other	39,334	72,034		54,360	24,755		32,253

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	1,934.340	1,194.170	57.670	102.620	3,288.800
2. Five-Year Average	481.660	281.080	28.580	114.940	906.260

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	22	4. Payroll - Expensed	880,401
2. Employee - Hours Worked - Regular Time	46,002	5. Payroll - Capitalized	399,050
3. Employee - Hours Worked - Overtime	3,261	6. Payroll - Other	265,692

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	424,957	9,906,815
	b. Special Retirements	80,983	2,508,596
	c. Total Retirements (a + b)	505,940	12,415,411
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	24,190	
	c. Total Cash Received (a + b)	24,190	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 20,490	2. Amount Written Off During Year	\$ 3,746
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE					BORROWER DESIGNATION MN0066				
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION									
INSTRUCTIONS - See help in the online application					PERIOD ENDED December, 2013				
PART K. kWh PURCHASED AND TOTAL COST									
No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Great River Energy (MN0110)	7570			165,820,902	9,125,811	5.50		1,777,096
2	*Residential Renewable Supplier	700200	Co-Generation	Wind	22,820	1,959	8.58		
3	*Residential Renewable Supplier	700200	Co-Generation	Wind	49,280	2,255	4.58		
4	*Residential Renewable Supplier	700200	Co-Generation	Wind	57,120	5,551	9.72		
5	*Residential Renewable Supplier	700200	Co-Generation	Solar - photovoltaic	34,527	465	1.35		
6	*Residential Renewable Supplier	700200	Co-Generaton	Solar - photovoltaic	7,700	466	6.05		
	Total				165,992,349	9,136,507	5.50		1,777,096

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0066
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2013
PART K. kWh PURCHASED AND TOTAL COST		
No	Comments	
1		
2		
3		
4		
5		
6		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0066	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
TOTAL			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MN0066	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/13/2013	2. Total Number of Members 3,946	3. Number of Members Present at Meeting 198	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 2	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$ 143,597	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MN0066		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2013		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	9,853,308	481,056	208,093	689,149
2	National Rural Utilities Cooperative Finance Corporation	4,608,809	159,725	505,195	664,920
3	CoBank, ACB	2,756,005	137,103	191,762	328,865
4	Federal Financing Bank	9,092,175	152,786	196,587	349,373
5	RUS - Economic Development Loans			50,000	50,000
6	Payments Unapplied	6,509,685			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	19,800,612	930,670	1,151,637	2,082,307

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0066		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2013		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	4,369	4,366	
	b. kWh Sold			97,947,202
	c. Revenue			10,568,594
2. Residential Sales - Seasonal	a. No. Consumers Served	419	424	
	b. kWh Sold			1,053,334
	c. Revenue			188,227
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	285	286	
	b. kWh Sold			20,760,403
	c. Revenue			2,069,004
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	2	2	
	b. kWh Sold			43,892,359
	c. Revenue			2,673,332
6. Public Street & Highway Lighting	a. No. Consumers Served	14	14	
	b. kWh Sold			245,203
	c. Revenue			30,954
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served	1	1	
	b. kWh Sold			2,253,300
	c. Revenue			206,511
10.	Total No. of Consumers (lines 1a thru 9a)	5,090	5,093	
11.	Total kWh Sold (lines 1b thru 9b)			166,151,801
12.	Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)			15,736,622
13.	Transmission Revenue			
14.	Other Electric Revenue			96,403
15.	kWh - Own Use			328,638
16.	Total kWh Purchased			165,992,349
17.	Total kWh Generated			7,247,427
18.	Cost of Purchases and Generation			9,216,454
19.	Interchange - kWh - Net			
20.	Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>			39,242

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MN0066 PERIOD ENDED December, 2013			
INSTRUCTIONS - See help in the online application.						
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	217	9,654	833	2,791	746,498	26,235
2. Residential Sales - Seasonal				3	250	5
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	13	57,957	3,525	146	281,306	12,785
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale - RUS Borrowers						
9. Sales for Resale - Other						
10. Total	230	67,611	4,358	2,940	1,028,054	39,025

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MN0066
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

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

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	Great River Energy/Cooperative Power	100	4,471,239		
	NRUCFC/C.T.C's/Member Capital		798,131		
	NRTC	118,483			X
	CoBank		18,793		X
	Federated Insurance	64,298			
	RESCO	148,502			
	MN Rural Electric Trust	12,797			
	Cooperative Response Center	4,895			X
	Totals	349,075	5,288,163		
3	Investments in Economic Development Projects				
	Minnesota Soybean Processors	29,166			X
	Totals	29,166			
4	Other Investments				
	Chandler Co-op Oil	3,622			
	Minnesota Soybean Processors	227,410			X
	Lyon Co. Co-op Oil	1,938			
	Nobles Co. Co-op Oil/Cooperative Energy	14,079			
	Adrian Co-op Oil	13			
	Manager's Life Insurance-Cash Value	24,584			
	C.R.E.B. Bond Deposits		17,976		X
	Totals	271,646	17,976		
6	Cash - General				
	Wells Fargo(General Fund)		105,798		
	1st State Bank SW(General Fund)		190,636		
	MinnWest Banl(General Fund)		54,280		
	Bank of the West(Payroll Fund)		61,506		
	Wells Fargo(Capital Credit Fund)		1,647		
	Rolling Hills Bank & Trust(Estate Cap.Cr.Fund)		1,652		
	Petty Cash Funds	400			
	Totals	400	415,519		
8	Temporary Investments				
	Great River Energy(Money Market Funds)	2,577,894			
	Fulda Area Credit Union(Share Account)		97		
	Totals	2,577,894	97		
9	Accounts and Notes Receivable - NET				
	Account Receivable-Other		677,166		
	Accounts Receivable-Insurance		(277)		
	Accounts Receivable-MN State Sales Taxes		45,650		
	Accounts Receivable-NRUCFC Mbr.Cap.Int.		1,875		
	Totals		724,414		
11	TOTAL INVESTMENTS (1 thru 10)	3,228,181	6,446,169		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MN0066
	PERIOD ENDED December, 2013

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES

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

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MN0066			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2013			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					6.94 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (S) (c)	LOAN BALANCE (S) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	TOTAL				



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DAN FAUSKEE : NOBLES COOPERATIVE ELECTRIC (NN0056) : FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION : DECEMBER 2013

NAVIGATION

- Reports
- Op. Report-Distribution**
- Certification
- Point Of Contact
- Part A
- Part B
- Part C
- Part D
- Part E
- Part F
- Part G
- Part H
- Part I
- Part J
- Part K
- Part L
- Part M
- Part N
- Part O
- Part P
- Part Q
- Section I
- Section II
- Section III
- Section IV

Financial and Operating Report Electric Distribution

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

This report has not been submitted.

Prepared with Audited Data: Yes No

Date Submitted:

BORROWER POINT OF CONTACT INFORMATION:

Contact Name: -- Dan Fauskee
Phone Number: -- 507-372-7331
Email Address: -- dfauskee@noblesce.com

All errors must be corrected and all warnings must be explained before the form can be submitted for review.

Type	Check Key	Description	Explanation
Mortgage Ratio Checks			
No Errors or Warnings			
Part A: Statement of Operations			
▼	710	"Line 21, Patronage Capital & Operating Margins" (Col. d) [(48,818)] is generally greater than or equal to zero. Explanation: Wrote off un-depreciated mechanical meters early in December 2013 business, as per board resolution.	Edit
Part B: Data on Transmission and Distribution Plant			
No Errors or Warnings			
Part C: Balance Sheet			
▼	3990	Line 30: Memberships [0.00] should generally be greater than zero Explanation: Cooperative does not charge a membership fee, as per board action.	Edit
Part E: Changes in Utility Plant			
No Errors or Warnings			
Part F: Materials And Supplies			
No Errors or Warnings			
Part G: Service Interruptions			
▼	1760	"Present Year Total" [3,288.800] should generally be greater than or equal to 10 minutes and less than or equal to 3000 minutes for most Borrowers. Explanation: Cooperative experienced an ice storm on 4/9/13, in which, numerous transmission lines went down and had excessive damage.	Edit
▼	-1811	"Present Year Total", minus the figure for "Major Event" outages[2,094.630], is generally less than or equal to 300 minutes. Explanation: Power Supplier was much higher due to an ice storm on 4/9/13 that cause excessive damage to transmission lines.	Edit
▼	1812	"Five-Year Average Total", minus the figure for "Major Event" outages[625.180], is generally less than or equal to 300 minutes. Explanation: Ice storm on 4/9/13 caused average to be higher in the power supplier area.	Edit
Part H: Employee Hour And Payroll Statistics			
No Errors or Warnings			
Part I: Patronage Capital			
No Errors or Warnings			
Part J: Due From Consumers For Electric Service			
No Errors or Warnings			
Part K: kWh Purchased And Total Cost			
No Errors or Warnings			
Part L: Long-Term Leases			
No Errors or Warnings			

<input checked="" type="checkbox"/> Part M: Annual Meeting and Board Data		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Part N: Long-Term Debt and Debt Service Requirements		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Part O: Power Requirements Database - Annual Summary		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Part P: Energy Efficiency Programs Summary		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Part Q Section I: Investments		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Part Q Section II: Loan Guarantees		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Part Q Section III: Ratio		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Part Q Section IV: Loans		
Type	Check Key	Description
No Errors or Warnings		
<input checked="" type="checkbox"/> Cross Checks		
Type	Check Key	Description
No Errors or Warnings		

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Peoples Energy Cooperative