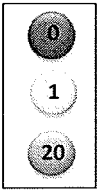


<b>NATIONAL RURAL UTILITIES</b>  <b>COOPERATIVE FINANCE CORPORATION</b>  <b>FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Electric Cooperative dba He
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.

<b>CERTIFICATION</b>	<b>BALANCE CHECK RESULTS</b>	<b>AUTHORIZATION CHOICES</b>
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.		<b>A. NRECA uses rural electric system data for legislative, regulatory and other purposes. May we provide this report from your system to NRECA?</b>
<i>Patrick Semmes 4/29/14</i> Signature of Office Manager or Accountant Date		<input checked="" type="radio"/> YES <input type="radio"/> NO
<i>Walter He 4/29/14</i> Signature of Manager Date		<input checked="" type="radio"/> YES <input type="radio"/> NO

**PART A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	43,333,429	44,454,343	44,978,066	4,063,660
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	28,715,222	28,987,550	29,105,963	2,619,994
4. Transmission Expense	0	0	0	0
5. Regional Market Operations Expense	0	0	0	0
6. Distribution Expense - Operation	1,017,549	1,207,873	1,026,856	117,113
7. Distribution Expense - Maintenance	3,339,291	3,184,367	3,099,457	481,449
8. Consumer Accounts Expense	901,625	884,383	893,252	131,780
9. Customer Service and Informational Expense	1,403,149	1,405,540	1,574,666	163,624
10. Sales Expense	83,628	72,659	98,279	4,674
11. Administrative and General Expense	2,133,883	2,053,325	1,991,235	231,073
<b>12. Total Operation &amp; Maintenance Expense (2 thru 11)</b>	<b>37,594,347</b>	<b>37,795,697</b>	<b>37,789,708</b>	<b>3,749,708</b>
13. Depreciation & Amortization Expense	2,730,590	2,820,854	2,858,700	236,251
14. Tax Expense - Property & Gross Receipts	972,162	994,402	1,094,358	(8,798)
15. Tax Expense - Other	0	0	0	0
16. Interest on Long-Term Debt	2,035,060	1,904,332	1,920,705	156,744
17. Interest Charged to Construction (Credit)	0	0	0	0
18. Interest Expense - Other	17,817	53,945	85,100	3,755
19. Other Deductions	(96,245)	22,998	(96,245)	111,223
<b>20. Total Cost of Electric Service (12 thru 19)</b>	<b>43,253,731</b>	<b>43,592,228</b>	<b>43,652,326</b>	<b>4,248,882</b>
<b>21. Patronage Capital &amp; Operating Margins (1 minus 20)</b>	<b>79,699</b>	<b>862,115</b>	<b>1,325,740</b>	<b>(185,223)</b>
22. Non Operating Margins - Interest	110,860	112,741	108,000	9,095
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	(33,018)	241,015	0	241,015
25. Non Operating Margins - Other	33,567	(13,995)	12,000	1,872
26. Generation & Transmission Capital Credits	2,302,114	2,639,017	500,000	2,639,017
27. Other Capital Credits & Patronage Dividends	133,474	165,234	110,000	23,418
28. Extraordinary Items	0	0	0	0
<b>29. Patronage Capital or Margins (21 thru 28)</b>	<b>2,626,695</b>	<b>4,006,128</b>	<b>2,055,740</b>	<b>2,729,195</b>

**PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT**

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR	THIS YEAR		LAST YEAR	THIS YEAR
	(a)	(b)		(a)	(b)
1. New Services Connected	161	163	5. Miles Transmission	0	0
2. Services Retired	49	66	6. Miles Distribution Overhead	2,914	2,918
3. Total Services In Place	26,934	27,031	7. Miles Distribution Underground	431	435
4. Idle Services (Exclude Seasonal)	1,368	1,420	<b>8. Total Miles Energized (5+6+7)</b>	<b>3,345</b>	<b>3,354</b>

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

**PART C. BALANCE SHEET**

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	93,626,267	29. Memberships	0
2. Construction Work in Progress	520,140	30. Patronage Capital	49,599,682
<b>3. Total Utility Plant (1+2)</b>	<b>94,146,407</b>	31. Operating Margins - Prior Years	1,409,229
4. Accum. Provision for Depreciation and Amort	28,273,691	32. Operating Margins - Current Year	3,666,366
<b>5. Net Utility Plant (3-4)</b>	<b>65,872,716</b>	33. Non-Operating Margins	533,743
6. Nonutility Property - Net	3,300	34. Other Margins & Equities	1,460,451
7. Investment in Subsidiary Companies	7,023,178	<b>35. Total Margins &amp; Equities (29 thru 34)</b>	<b>56,669,471</b>
8. Invest. in Assoc. Org. - Patronage Capital	26,652,254	36. Long-Term Debt CFC (Net)	41,729,055
9. Invest. in Assoc. Org. - Other - General Funds	0	37. Long-Term Debt - Other (Net)	0
10. Invest in Assoc. Org. - Other - Nongeneral Funds	1,960,874	<b>38. Total Long-Term Debt (36 + 37)</b>	<b>41,729,055</b>
11. Investments in Economic Development Projects	0	39. Obligations Under Capital Leases - Non current	0
12. Other Investments	0	40. Accumulated Operating Provisions - Asset Retirement Obligations	936,783
13. Special Funds	0	<b>41. Total Other Noncurrent Liabilities (39+40)</b>	<b>936,783</b>
<b>14. Total Other Property &amp; Investments (6 thru 13)</b>	<b>35,639,606</b>	42. Notes Payable	2,750,000
15. Cash-General Funds	1,435,134	43. Accounts Payable	3,684,986
16. Cash-Construction Funds-Trustee	0	44. Consumers Deposits	535,094
17. Special Deposits	0	45. Current Maturities Long-Term Debt	1,841,352
18. Temporary Investments	106,241	46. Current Maturities Long-Term Debt-Economic Dev.	0
19. Notes Receivable - Net	147,375	47. Current Maturities Capital Leases	0
20. Accounts Receivable - Net Sales of Energy	5,982,196	48. Other Current & Accrued Liabilities	2,058,342
21. Accounts Receivable - Net Other	65,437	<b>49. Total Current &amp; Accrued Liabilities (42 thru 48)</b>	<b>10,869,774</b>
22. Renewable Energy Credits	0	50. Deferred Credits	2,251,789
23. Materials & Supplies - Electric and Other	659,591	<b>51. Total Liabilities &amp; Other Credits (35+38+41+49+50)</b>	<b>112,456,872</b>
24. Prepayments	221,400		
25. Other Current & Accrued Assets	0	<b>ESTIMATED CONTRIBUTION-IN-AID-OF-CONSTRUCTION</b>	
<b>26. Total Current &amp; Accrued Assets (15 thru 25)</b>	<b>8,617,374</b>	Balance Beginning of Year	6,846,765
27. Deferred Debits	2,327,176	Amounts Received This Year (Net)	263,739
<b>28. Total Assets &amp; Other Debits (5+14+26+27)</b>	<b>112,456,872</b>	<b>TOTAL Contributions-In-Aid-Of-Construction</b>	<b>7,110,504</b>

**PART D. THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.**

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

**PART E. CHANGES IN UTILITY PLANT**

	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1	Distribution Plant Subtotal	82,874,624	2,875,298	642,601	0	85,107,320
2	General Plant Subtotal	4,421,376	108,629	195,078	0	4,334,926
3	Headquarters Plant	3,774,534	15,699	2,725	0	3,787,508
4	Intangibles	418,155	13,001	34,643	0	396,513
5	Transmission Plant Subtotal	0	0	0	0	0
6	Regional Transmission and Market Operation Plant	0	0	0	0	0
7	Production Plant - Steam	0	0	0	0	0
8	Production Plant - Nuclear	0	0	0	0	0
9	Production Plant - Hydro	0	0	0	0	0
10	Production Plant - Other	0	0	0	0	0
11	All Other Utility Plant	0	0	0	0	0
12	<b>SUBTOTAL: (1 thru 11)</b>	<b>91,488,688</b>	<b>3,012,627</b>	<b>875,048</b>	<b>0</b>	<b>93,626,267</b>
13	Construction Work in Progress	298,457	221,684			520,140
14	<b>TOTAL UTILITY PLANT (12+13)</b>	<b>91,787,145</b>	<b>3,234,310</b>	<b>875,048</b>	<b>0</b>	<b>94,146,407</b>

CFC NO LONGER REQUIRES SECTIONS "F", "G", AND "N" DATA  
Those sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F),  
"Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).

**PART H. SERVICE INTERRUPTIONS**

	ITEM	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	Avg. Minutes per Consumer by Cause	TOTAL (e)
		Power Supplier (a)	Major Event (b)	Planned (c)	All Other (d)	
1.	Present Year	46.61	797.70	7.05	205.80	1,057.16
2.	Five-Year Average	46.03	245.29	4.60	172.80	468.72

**PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS**

1.	Number of Full Time Employees	58	4.	Payroll - Expensed	3,297,513
2.	Employee - Hours Worked - Regular Time	128,696	5.	Payroll - Capitalized	921,420
3.	Employee - Hours Worked - Overtime	7,427	6.	Payroll - Other	545,524

**PART J. PATRONAGE CAPITAL**

	ITEM	THIS YEAR	CUMULATIVE	PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE	
		(a)	(b)	1. Amount Due Over 60 Days:	2. Amount Written Off During Year:
				135,484	
1.	General Retirement	1,630,003	9,276,282		
2.	Special Retirements	158,998	1,204,881	62,572	
3.	<b>Total Retirements (1+2)</b>	<b>1,789,001</b>	<b>10,481,163</b>		
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	512,893			
5.	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	54,611			
6.	<b>Total Cash Received (4+5)</b>	<b>567,504</b>			

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

**PART L. KWH PURCHASED AND TOTAL COST**

	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	KWH PURCHASED (e)	TOTAL COST (f)	AVERAGE COST PER KWH (cents) (g)	INCLUDED IN TOTAL COST		
								FUEL COST ADJUSTMENT (h)	WHEELING & OTHER CHARGES (or Credits) (i)	COMMENTS (j)
1	Wolverine Power Cooperative			0 None	337,409,316	27,480,198	8.14	2,112,206	1,190,301	Comments
2	Wolverine Power Cooperative			1 Wind	16,372,182	1,333,427	8.14	102,491	57,757	Comments
3	Wolverine Power Cooperative			4 Wood	2,135,502	173,925	8.14	13,368	7,534	Comments
4				0 None	0	0	0.00	0	0	Comments
5				0 None	0	0	0.00	0	0	Comments
6				0 None	0	0	0.00	0	0	Comments
7				0 None	0	0	0.00	0	0	Comments
8				0 None	0	0	0.00	0	0	Comments
9				0 None	0	0	0.00	0	0	Comments
10				0 None	0	0	0.00	0	0	Comments
11				0 None	0	0	0.00	0	0	Comments
12				0 None	0	0	0.00	0	0	Comments
13				0 None	0	0	0.00	0	0	Comments
14				0 None	0	0	0.00	0	0	Comments
15				0 None	0	0	0.00	0	0	Comments
16				0 None	0	0	0.00	0	0	Comments
17				0 None	0	0	0.00	0	0	Comments
18				0 None	0	0	0.00	0	0	Comments
19				0 None	0	0	0.00	0	0	Comments
20				0 None	0	0	0.00	0	0	Comments
21	<b>TOTALS</b>				<b>355,917,000</b>	<b>28,987,550</b>	<b>8.14</b>	<b>2,228,065</b>	<b>1,255,592</b>	

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

**PART L. KWH PURCHASED AND TOTAL COST (Continued)**

COMMENTS	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	

--	--

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

**PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)**

LIST BELOW ALL "RESTRICTED PROPERTY" \*\* HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")

	NAME OF LESSOR	TYPE OF PROPERTY	RENTAL THIS YEAR
1.	None		\$0
2.			\$0
3.	<b>TOTAL</b>		<b>\$0</b>

\*\* "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.

**PART O. LONG-TERM DEBT SERVICE REQUIREMENTS**

	NAME OF LENDER	BALANCE END OF YEAR	BILLED THIS YEAR			CFC USE ONLY (d)
			INTEREST (a)	PRINCIPAL (b)	TOTAL (c)	
1	National Rural Utilities Cooperative Finance Corporation	22,325,959	1,084,163	1,292,484	2,376,647	
2	NCSC	0	0	0	0	
3	Farmer Mac	21,244,448	887,310	448,575	1,335,885	
4		0	0	0	0	
5		0	0	0	0	
6		0	0	0	0	
7		0	0	0	0	
8		0	0	0	0	
9		0	0	0	0	
10	Principal Payments Received from Ultimate Recipients of IRP Loans			0		
11	Principal Payments Received from Ultimate Recipients of REDL Loans			0		
12	<b>TOTAL (Sum of 1 thru 9)</b>	<b>\$43,570,407</b>	<b>\$1,971,473</b>	<b>\$1,741,059</b>	<b>\$3,712,532</b>	

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

**PART R. POWER REQUIREMENTS DATA BASE**

CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS	DECEMBER CONSUMERS	AVERAGE CONSUMERS	TOTAL KWH SALES AND REVENUE
		(a)	(b)	(c)	
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	22,291	22,301	22,296	
	b. KWH Sold				222,313,533
	c. Revenue				30,642,077
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	311	348	330	
	b. KWH Sold				9,252,099
	c. Revenue				1,382,705
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	2,811	2,816	2,814	
	b. KWH Sold				57,428,213
	c. Revenue				7,394,021
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	3	3	3	
	b. KWH Sold				43,149,600
	c. Revenue				3,638,670
6. Public Street & Highway Lighting	a. No. Consumers Served	31	35	33	
	b. KWH Sold				150,549
	c. Revenue				30,302
7. Other Sales to Public Authority	a. No. Consumers Served	120	120	120	
	b. KWH Sold				4,239,882
	c. Revenue				531,450
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
<b>10. TOTAL No. of Consumers (lines 1a thru 9a)</b>		<b>25,567</b>	<b>25,623</b>	<b>25,595</b>	<b>0</b>
<b>11. TOTAL KWH Sold (lines 1b thru 9b)</b>					<b>336,533,876</b>
<b>12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)</b>					<b>43,619,226</b>
13. Transmission Revenue					0
14. Other Electric Revenue					835,118
15. KWH - Own Use					0
16. TOTAL KWH Purchased					355,917,000
17. TOTAL KWH Generated					0
18. Cost of Purchases and Generation					28,987,550
19. Interchange - KWH - Net					0
20. Peak - Sum All KW Input (Metered)					90,281
		<input checked="" type="radio"/> Non-coincident <input type="radio"/> Coincident			

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

**PART 5. ENERGY EFFICIENCY PROGRAMS**

Line #	Classification	Added This Year			Total To Date		
		Number of Consumers (a)	Amount Invested (b)	ESTIMATED MMBTU Savings (c)	Number of Consumers (d)	Amount Invested (e)	ESTIMATED MMBTU Savings (f)
1.	Residential Sales (excluding seasonal)	16	328,067	8,750	25,110	1,161,542	24,483
2.	Residential Sales - Seasonal	0	0	0	0	0	0
3.	Irrigation Sales	0	0	0	0	0	0
4.	Comm. and Ind. 1000 KVA or Less	30	117,657	3,164	486	480,325	15,623
5.	Comm. and Ind. Over 1000 KVA	0	0	0	0	0	0
6.	Public Street and Highway Lighting	0	0	0	0	0	0
7.	Other Sales to Public Authorities	0	0	0	0	0	0
8.	Sales for Resales - RUS Borrowers	0	0	0	0	0	0
9.	Sales for Resales - Other	0	0	0	0	0	0
10.	<b>TOTAL</b>	<b>46</b>	<b>445,724</b>	<b>11,915</b>	<b>25,596</b>	<b>1,641,867</b>	<b>40,106</b>



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT		BORROWER NAME		Tri-County Elec
		BORROWER DESIGNATION		MI026
		ENDING DATE		12/31/2013
(All investments refer to your most recent CFC Loan Agreement)				
<b>7a - PART 1 - INVESTMENTS</b>				
DESCRIPTION (a)		INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)
<b>2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS</b>				
5	See Attached Notes	7,089,789	28,305,502	241,015
6				
7				
8				
Subtotal (Line 5 thru 8)		7,089,789	28,305,502	241,015
<b>3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS</b>				
9				
10				
11				
12				
Subtotal (Line 9 thru 12)		0	0	0
<b>4. OTHER INVESTMENTS</b>				
13				
14				
15				
16				
Subtotal (Line 13 thru 16)		0	0	0
<b>5. SPECIAL FUNDS</b>				
17				
18				
19				
20				
Subtotal (Line 17 thru 20)		0	0	0
<b>6. CASH - GENERAL</b>				
21	Portland Federal Credit Union Accounts	1,185,134	250,000	
22				
23				
24				
Subtotal (Line 21 thru 24)		1,185,134	250,000	0
<b>7. SPECIAL DEPOSITS</b>				
25				
26				
27				
28				
Subtotal (Line 25 thru 28)		0	0	0
<b>8. TEMPORARY INVESTMENTS</b>				
29	Cash - Money Market Account	106,241		
30				
31				
32				
Subtotal (Line 29 thru 32)		106,241	0	0
<b>9. ACCOUNT &amp; NOTES RECEIVABLE - NET</b>				
33	NRUCFC Interest Receivables - CTC's		8,196	
34	NRUCFC Interest Receivables - Capital Securites		16,875	
35	Other Receivables	40,366		
36	Notes Receivables - Water Heaters	147,375		
Subtotal (Line 33 thru 36)		187,741	25,071	0
<b>10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED</b>				
37				
38				
39				
40				
Subtotal (Line 37 thru 40)		0	0	0
<b>Total</b>		<b>8,568,906</b>	<b>28,580,573</b>	<b>241,015</b>

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013

(All investments refer to your most recent CFC Loan Agreement)

**7a - PART II. LOAN GUARANTEES**

Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$) (c)	Performance Guarantee Exposure or Loan Balance (\$) (d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
<b>TOTALS (Line 1 thru 5)</b>			<b>0</b>	<b>0</b>	<b>0</b>

**7a - PART III. LOANS**

Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Available Loans (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
<b>TOTALS (Line 1 thru 5)</b>			<b>0</b>	<b>0</b>	<b>0</b>

**7a - PART IV. TOTAL INVESTMENTS AND LOANS GUARANTEES**

1	TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)			<b>8,568,906</b>
2	LARGER OF (a) OR (b)			<b>28,334,736</b>
	a.	15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)	<b>14,121,961</b>	
	b.	50 percent of Total Equity (CFC Form 7, Part C, Line 35)	<b>28,334,736</b>	

<b>NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION FINANCIAL AND STATISTICAL REPORT</b>	<b>BORROWER NAME</b>	Tri-County Elec
	<b>BORROWER DESIGNATION</b>	MI026
	<b>ENDING DATE</b>	12/31/2013
<b>NOTES</b>		

7a-Part 1-Investments

2. Investments in Associated Organizations

	Description	Included	Excluded	Income
1	CFC Patronage		778,394	
2	Tri-Co Services-50,000 shrs common stock	50,000		
3	Tri-Co Services Subsidiary Equity	6,732,163		241,015
4	NRUCFC Capital Term Certificates		1,913,096	
5	NRUCFC Membership		1,000	
6	Cooperative Response Center-Membership	24,244		
7	Michigan Electric Coop Assoc, Building	-		
8	Michigan Electric Coop Assoc, Membership		1,000	
9	National Rural Telecom Coop-Patronage	20,535		
10	Wolverine Power Supply Coop-Patronage		25,563,695	
11	National Information Solutions Coop-Patronage	105,215		
12	Rural Electric Supply Coop-Patronage	59,635		
13	Co-Bank-Investment		1,000	
14	Co-Bank Patronage		47,318	
15	Federated Rural Insurance Coop-Stock	20,000		
16	Federated Rural Insurance Coop-Patronage	77,998		
<b>Total</b>		<b>7,089,789</b>	<b>28,305,502</b>	<b>241,015</b>

Part L

Water heater adjustment/note this is for billing credit to our members for purchase of a water heater and participation in our load management program.

MICHIGAN PUBLIC SERVICE COMMISSION

ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE

This form is authorized by Case No. U-12134, the Code of Conduct. Filing of this form is mandatory pursuant to PA 3 of 1939. Failure to provide this information will put you in violation of this act and the commission shall order such remedies and penalties as necessary.

<b>Report submitted for year ending:</b> December 31, 2013
<b>Present name of respondent:</b> HomeWorks Tri-County Electric Cooperative
<b>Address of principal place of business:</b> 7973 E Grand River Ave.; Portland MI 48875
<b>Utility representative to whom inquires regarding this report may be directed:</b> <b>Name:</b> Patrick Simmer <b>Title:</b> Accounting Supervisor <b>Address:</b> 7973 E Grand River Ave <b>City:</b> Portland <b>State:</b> MI <b>Zip:</b> 48875 <b>Direct Telephone, Include Area Code:</b> 517-647-1287
<b>If the utility name has been changed during the past year:</b> <b>Prior Name:</b> <b>Date of Change:</b>
<b>Two copies of the published annual report to stockholders:</b> <input type="checkbox"/> were forwarded to the Commission <input checked="" type="checkbox"/> will be forwarded to the Commission on or about April 30, 2014
<b>Annual reports to stockholders:</b> <input checked="" type="checkbox"/> are published <input type="checkbox"/> are not published

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Heather Cantin) at (517) 241-0967 or cantinh@michigan.gov OR forward correspondence to:

Michigan Public Service Commission  
Financial Analysis & Audit Division  
Attn: Heather Cantin  
4300 W. Saginaw Hwy  
Lansing, MI 48917

Name of Respondent HomeWorks Tri-County Electric Coope	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/2/2014	Year of Report 12/31/2013
---	---	--	------------------------------

**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none", "not acceptable" or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly and materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instruction 1 to 11 above, such notes may be attached to this page.

Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/2/2014	Year of Report 12/31/2013
---	---	--	------------------------------

**STATEMENT OF CASH FLOWS**

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be included on pages 122-123. Information about noncash investing and financing activities should be provided on pages 122-123. "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.

2. Under "Other" specify significant amounts and group others.

3. Operating Activities-Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on pages 122-123 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See instructions for Explanation of Codes) <b>SEE ATTACHED STATEMENT OF CASH FLOWS</b>	Amounts (b)
1	Net Cash Flow from Operating Activities: (enter outflows from company as negative #s)	
2	Net Income (Line 72 (c) on page 117	
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	
5	Amortization of (Specify)	
6	Intangible Plant	
7		
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	
11	Net (Increase) Decrease in Inventory	
12	Net (Increase) Decrease in Allowances Inventory	
13	Net (Increase) Decrease in Payables and Accrued Expenses	
14	Net (Increase) Decrease in Other Regulatory Assets	
15	Net (Increase) Decrease in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other:	
19		
20		
21		
22	Net Cash Provided by ( Used in) Operating Activities (Total of lines 2 thru 21)	
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance to Other Funds Used During Construction	
31	Other:	
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in ( and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

Name of Respondent	This Report Is:	Date of Report	Year of Report
HomeWorks Tri-County Electric Cooperative	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 4/2/2014	12/31/2013

**STATEMENT OF CASH FLOWS (Continued)**

4. Investing Activities (a) Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of asset acquired with liabilities assumed on pages 122-123. (b) Don not include on this statement the dollar amount of leases capitalized per USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on pages 122-123.	5. Codes used: (a) Net proceeds or payments. (b) Bonds, debentures and other long-term debt. (c) Include commercial paper. (d) Identify separately such items as investments, fixed assets, intangibles, etc. 6. Enter on pages 122-123 clarifications and explanations.
---	---

Line No.	Description (See instructions for Explanation of Codes) (a)	Amount (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other:	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 34 thru 55)	
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long Term Debt (b)	
62	Preferred Stock	
63	Common Stock	
64	Other:	
65		
66	Net Increase in Short-Term Debt (c)	
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	
71		
72	Payments for Retirement of:	
73	Long Term Debt (b)	
74	Preferred Stock	
75	Common Stock	
76	Other:	
77		
78	Net Decrease in Short-Term Debt (c)	
79		
80	Dividends on Preferred Stock	
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	
87		
88	Cash and Cash Equivalents at Beginning of Year	
89		
90	Cash and Cash Equivalents at End of Year	

Tri-County Electric Cooperative, Inc.  
 Statements of Cash Flows  
 Years Ended December 31, 2013 and 2012

	2013	2012
<b>Operating Activities</b>		
Net margins	\$ 4,006,128	\$ 2,626,695
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	3,097,826	3,014,448
Amortization of retirement security prepayment	143,662	-
(Gain)/loss on disposition of plant, net	10,339	(18,468)
(Income)/loss from subsidiary	(241,016)	33,018
Noncash patronage capital allocations	(2,804,251)	(2,435,588)
Deferred gain from insurance proceeds	(24,354)	(26,253)
Post-retirement and pension benefits	70,287	136,065
<b>Changes in assets and liabilities</b>		
Accounts receivable	(411,732)	(581,366)
Refunds payable to customers	329,951	(1,141,821)
Notes receivable	22,833	43,601
Prepaid expenses	10,341	(184,995)
Interest receivable	(25)	25
Deferred debits	17,393	(30,791)
Accounts payable	426,229	(87,106)
Customer deposits	6,569	46,897
Accrued expenses and taxes	170,473	40,373
Deferred credits	164,158	282,509
<b>Net Cash from Operating Activities</b>	<b>4,994,811</b>	<b>1,717,243</b>
<b>Investing Activities</b>		
Additions to, and costs of retirements of, utility plant	(3,626,887)	(4,809,838)
Proceeds from sale of general plant and scrap	51,967	128,063
Cash received from other property and investments	641,721	511,388
Dividend received from subsidiary	200,000	500,000
Change in materials and supplies	51,358	83,787
<b>Net Cash used for Investing Activities</b>	<b>(2,681,841)</b>	<b>(3,586,600)</b>
<b>Financing Activities</b>		
Principle payments on long-term debt	(1,741,060)	(1,544,898)
Net borrowings of line of credit	1,100,000	1,650,000
Post-retirement benefits paid	(85,793)	(83,266)
Other equities	82,892	54,271
Patronage capital retired	(1,789,001)	(990,207)
Memberships issued, net	-	12,483
<b>Net Cash used for Financing Activities</b>	<b>(2,432,962)</b>	<b>(901,617)</b>



Tri-County Electric Cooperative, Inc.  
 Statements of Cash Flows  
 Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net Change in Cash and Cash Equivalents	\$ (119,992)	\$ (2,770,974)
Cash and Cash Equivalents at Beginning of Year	<u>1,661,367</u>	<u>4,432,341</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,541,375</u>	<u>\$ 1,661,367</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 2,024,902</u>	<u>\$ 2,065,093</u>
 Supplemental Disclosure of Non-Cash Financing Activities:		
Direct wire transfer from CFC to NRECA for the retirement security prepayment	<u>\$ 2,344,518</u>	<u>\$ -</u>
Transfer memberships to donated capital	<u>\$ -</u>	<u>\$ 283,948</u>

Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**NONUTILITY PROPERTY (Account 121)**

- |   |   |
|---|---|
| <p>1. Give a brief description and state the location of nonutility property included in Account 121.</p> <p>2. Designate with a double asterisk any property which is leased to another company. State name of lessee and whether lessee is an associated company.</p> <p>3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.</p> | <p>4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.</p> <p>5. Minor items (5% of the Balance at the End of the Year for Account 121 or \$100,000, whichever is less) may be grouped by (1) previously devoted to public service, or (2) other nonutility property.</p> |
|---|---|

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales Transfers, etc. (c)	Balance at End of Year (d)
1	Vacant Lot at Canadian Lakes	3,300	0	3,300
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
	TOTAL	3,300	0	3,300

**ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)**

Report below the information called for concerning depreciation and amortization of nonutility property.

Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	0
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	
5	Other Accounts (Specify):	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	
8	Net Charges for Plant Retired:	
9	Book Cost of Plant Retired	
10	Cost of Removal	
11	Salvage (Credit)	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	0

Name of Respondent HomeWorks Tri-County Electric Cooperative		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
<b>INVESTMENTS (Accounts 123, 124, 136)</b>					
<p>1. Report below the investments in Accounts 123, <i>Investments in Associated Companies</i>, 124, <i>Other Investment</i>, and 136, <i>Temporary Cash Investments</i>.</p> <p>2. Provide a subheading for each account and list thereunder the information called for:</p> <p>(a) Investment in securities - List and describe each security owned, giving name of user, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included</p> <p>in Account 124, <i>Other Investments</i>), state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, <i>Temporary Cash Investments</i>, also may be grouped by classes.</p> <p>(b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or an open account. Each note should be</p>					
Line No.	Description of Investment  (a)	Book Cost at Beginning of Year <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (b)		Purchases or Additions During Year  (c)	
		Original Cost	Book Value		
1	See Attached Schedule				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					

Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**INVESTMENTS (Accounts 123, 124, 136) (Cont'd)**

listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.

3. For any securities, notes or accounts that were pledged designate with an asterisk such securities, notes, or accounts and in a footnote state the name of pledgee and purpose of the pledge.

4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of

authorization, and case or docket number.

5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.

6. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (g).

Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (f)		Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
		Original Cost	Book Value			
Part of Page 222 (See Attached)						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30

2013 Tri County Electric Cooperative  
1.1.123. to 1.3.123.22

Account	Description	See Below	Balance @ 12/31/12	Form 7 Line 23	Form 7 Line 25	Form 7 Line 26	Form 7 Line 26	Form 7 Line 26	Balance @ 12/31/2013	
				Income/Loss Equity Inv	Investment	G&T Cap Credits	Other Cap Credits	Revenue Acct Chgd		CC Allocation Adjustment
Investments - Associated Organizations										
1.1.123.	CFC Memberships	C	1,000.00						1,000.00	
1.1.123.	MECA Memberships	C	1,000.00						1,000.00	
1.1.123.	Co-Bank Membership	C	1,000.00						1,000.00	
1.1.123.	<b>Total Investments - Associated Organizations</b>		<b>3,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,000.00</b>	
1.1.123.10	CFC Patronage	A	723,783.25				109,222.02	1.1.424.	54,611.01	778,394.26
1.1.123.11	Tri-Co Services		6,982,163.24						200,000.00	6,782,163.24
1.1.123.22	CFC Subordinate Certificates	A	1,930,819.63						17,724.08	1,913,095.55
1.3.123.22	CRC Memberships/Patronage	C	24,482.81					1.1.424.	720.50	24,243.78
1.1.123.23	MECA Building and Property	C	34,477.00		(13,251.00)			481.47	21,226.00	0.00
1.1.123.24	NRTC	C	20,534.56					1.1.424.		20,534.56
1.1.123.30	Wolverine Capital Credits	B	23,437,571.21			2,639,017.20		1.1.423.	512,893.27	25,583,695.14
1.1.123.31	NISC - National Information Solutions Cooperative	C	85,024.15				22,936.85	1.1.424.	2,746.39	105,214.61
1.1.123.40	RESCO Capital Credits	C	50,470.59				13,465.00	1.1.424.	4,301.00	59,634.59
1.1.123.51	Co-Bank	C	47,317.52					1.1.424.		47,317.52
1.1.123.60	Federated Rural Electric	C	93,117.01				19,129.00	1.1.424.	14,248.00	97,998.01
<b>Total Investments/Patronage Capital</b>				<b>0.00</b>	<b>(13,251.00)</b>	<b>2,639,017.20</b>	<b>164,752.87</b>	<b>0.00</b>	<b>481.47</b>	<b>35,395,291.26</b>
							Total Other CC		165,234.34	

A - Confirmation available on line

B - Confirmation Letter Enclosed

C - Under \$250,000 - No Confirmation Requested

\*\*Note-Portland Federal Credit Union was closed on 10/29 & 10/30 for computer upgrades so CFC Capital Credit allocation on 9/09 CFC audit confirmation, but cash actually in our bank on 10/1/09

Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**RECEIVABLES FROM ASSOCIATED COMPANIES (Accounts 145, 146)**

- |   |  |
|---|--|
| <p>1. Report particulars of notes and accounts receivable from associated companies* at end of year.</p> <p>2. Provide separate headings and totals for Accounts 145, Notes Receivable from Associated Companies, and 146, Accounts Receivable from Associated Companies, in addition to a total for the combined accounts.</p> <p>3. For notes receivable, list each note separately and state purpose for which received. Show also in column (a) date of note, date of maturity and interest rate.</p> | <p>4. If any note was received in satisfaction of an open account, state the period covered by such open account.</p> <p>5. Include in column (f) interest recorded as income during the year including interest on accounts and notes held any time during the year.</p> <p>6. Give particulars of any notes pledged or discounted, also of any collateral held as guarantee of payment of any note or account.</p> |
|---|--|

\* NOTE: "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the account company. This includes related parties.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	N/A					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25	TOTAL					

Name of Respondent HomeWorks Tri-County Electric Co	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
--	---	--	------------------------------

**ALLOWANCES**

- |  |  |
|--|--|
| <p>1. Report below the details called for concerning allowances.<br/> 2. Report all acquisitions of allowances at cost.<br/> 3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.<br/> 4. Report the allowances transactions by the period they are first</p> | <p>eligible for use; the current year;s allowances in columns (b)-( c), allowances for the three succeeding years in column(d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).<br/> 5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.</p> |
|--|--|

Line No.	Allowance Inventory (a)	Current Year		20__	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance - Beginning of Year				
2-4	Acquired During Year: Issued (Less Withheld Allow.)				
5	Returned by EPA				
6-8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16-18	Relinquished During Year: Charges to Acct. 509				
19	Other:				
20					
21-22	Cost of Sales/Transfers:				
23					
24					
25					
26					
27					
28	Total				
29	Balance - End of Year				
30-32	Sales:				
	Net Sales Proceeds (Assoc Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld				
36	Balance - Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance - End of Year				
41-43	Sales:				
	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent HomeWorks Tri-County Electric Coope	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**ALLOWANCES (Continued)**

6. Report on line 5 allowances returned by the EPA. Report on line 39 the EPA's sales of the withheld allowances. Report on lines 43-46 the net sales or auction of the withheld allowances.

7. Report on lines 8-14 the names of vendors/transfers of allowances acquired and identify associated companies (See "associated co." under "Definitions" in Uniform System of Accounts).

8. Report on lines 22-27 the names of purchasers/transfers of allowances disposed of and identify associated companies.

9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.

10. Report on lines 32-35 & 43-46 the net sales proceeds and gains or losses from allowance sales.

20		20		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
								1
<b>N/A</b>								2-4
								5
								6-8
								9
								10
								11
								12
								13
								14
								15
								16-18
								19
								20
								21-22
								23
								24
								25
								26
								27
								28
								29
								30-32
								33
								34
								35
								36
								37
								38
								39
								40
								41-43
								44
								45
								46



Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**LONG-TERM DEBT (Accounts 221, 222, 223 and 224)**

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate <i>(For new issue, give Commission Authorization numbers and dates)</i>  (a)	Principal Amount of Debt Issued  (b)	Total Expense, Premium or Discount  (c)
1	HomeWorks Tri-County Electric has no advances or long term debt from Associated Companies. Attached is the Part O of the Form 7a which shows the long term balances for HomeWorks Tri-County Electric which are not related to Associated Companies.		
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25	TOTAL		

Name of Respondent HomeWorks Tri-County Electric Cooperati	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)**

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than amortizaiton debited to Account 428, Amortization of Debt-Discout and Expense, or credited to Account 429, *Amortization of Premium on Debt-Credit*.
12. In a footnote, give explanatory particulars (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c ) principal repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, *Interest on Long-Term Debt*, and Account 430, *Interest on Debt to Associated Companies*.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
		Date From (f)	Date To (g)			
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25

Name of Respondent HomeWorks Tri-County Electric Coopera	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**PAYABLES TO ASSOCIATED COMPANIES\* (Accounts 233, 234)**

1. Report particulars of notes and accounts payable to associated companies at end of year.
2. Provide separate totals for Accounts 233, Notes Payable to Associated Companies, and 234, Accounts Payable to Associated Companies, in addition to total for the combined accounts.
3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.
4. Include in column (f) the amount of any interest expense during the year on notes or accounts that were paid before the end of the year.
5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.

*\*See definition on page 226B*

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	A/R Other Tri-Co Services	(56,606)	4,923,347	4,854,835	11,906	
2						
3	Line of Credit Tri-Co Services	0	0	2,000,000	(2,000,000)	8,528
4	Date of Note: 9/23/2013					
5	Maturity: 9/23/2014					
6	Interest Rate: Variable - Rate on 12/31/2013 was 1.58%. At no time shall this interest rate fall below the Applicable					
7	Federal Rate (AFR).					
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
	<b>TOTAL</b>	(56,606)	4,923,347	6,854,835	(1,988,094)	8,528

Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES**

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	N/A	TOTAL AMOUNT
1	Utility net operating income (page 114 line 20)	
2	Allocations: Allowance for funds used during construction	
3	Interest expense	
4	Other (specify)	
5	Net income for the year (page 117 line 68)	
6	Allocation of Net income for the year	
7	Add: Federal income tax expenses	
8		
9	Total pre-tax income	
10		
11	Add: Taxable income not reported on books:	
12		
13		
14		
15	Add: Deductions recorded on books not deducted from return	
16		
17		
18		
19	Subtract: Income recorded on books not included in return:	
20		
21		
22		
23	Subtract: Deductions on return not charged against book income:	
24		
25		
26	Federal taxable income for the year	

Name of Respondent	This Report Is:	Date of Report	Year of Report
HomeWorks Tri-County Electric Cooperative	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A resubmission	(Mo, Da, Yr) 04/02/14	12/31/2013

**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (Continued)**

3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2  
4. A substitute page, designed to meet a particular need of a company, may be used as long as data is consistent and meets the requirements of the above instructions.

Utility	Other	Line No.
N/A		1
		2
		3
		4
		5
		6
		7
		8
		9
		10
		11
		12
		13
		14
		15
		16
		17
		18
		19
		20
		21
		22
		23
		24
		25
		26

Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)**

1. Give a brief description of property creating the gain or loss. Include name of party acquiring the property (when acquired by another utility or associated company) and the date transaction was completed. Identify property by type: Leased, Held for Future Use, or Nonutility.
2. Individual gains or losses relating to property with an original cost of less than \$100,000 may be grouped with the number of such transactions disclosed in column (a).
3. Give the date of Commission approval of journal entries in column (b), when approval is required. Where approval is required but has not been received, give explanation following the item in column (a). (See account 102, Utility Plant Purchased or Sold.)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
1	Gain on disposition of property:				
2					
3	Various Equipment (14)	76,067		2,912	
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain	76,067		2,912	

Name of Respondent HomeWorks Tri-County Electric Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2) (Continued)**

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
18	Loss on disposition of property:				
19					
20	Investment-Michigan Electric Cooperative	34,477			13,251
21	Association				
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	<b>Total Loss</b>	<b>34,477</b>			<b>13,251</b>

Name of Respondent HomeWorks Tri-County Electric Coops	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
---	---	--	------------------------------

**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account

426.4, Expenditures for Certain civic, Political and Related Activities.)  
(a) Name and address of person or organization rendering services,  
(b) description of services received during year and project or case to which services relate,  
(c) basis of charges,  
(d) total charges for the year, detailing utility department and account charged.

2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.

3. Designate with an asterisk associated companies.

Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	Michigan Electric Cooperative Association 2859 Jolly Rd Okemos MI 48864	Legal, Advertising, Energy Optimization, Legislative Services, Training	Various	923	541,096
2				921	
3				580	
4				583	
5				908's	
6				184.9's	
7					
8					
9	Eide Bailly	Auditors	Contract	923	50,864
10	4310 17th Ave S				
11	PO Box 2545				
12	Fargo ND 58108-2545				
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					



Name of Respondent HomeWorks Tri-County Electric Coop	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/2013
--	---	--	------------------------------

**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES**

1. In column (a) report the name of the associated company.  
 2. In column (b) describe the affiliation (percentage ownership, etc. ).  
 3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).  
 4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	Tri-Co Services	100%	Administrative,	1.20.454.	82,293
2			Expense Reimbursement		
3			Contract Employees		
4			Office/Facilities Rent		
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					

<b>TOTAL</b>					
--------------	--	--	--	--	--

Name of Respondent HomeWorks Tri-County Electric Coope	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/13
---	---	--	----------------------------

**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)**

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.  
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.

7. In column (j) report the total.  
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
N/A						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30

Name of Respondent HomeWorks Tri-County Electric Coope	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/13
---	---	--	----------------------------

**SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES**

- |   |   |
|---|---|
| <p>1. In column (a) report the name of the associated company.</p> <p>2. In column (b) describe the affiliation (percentage ownership, etc. ).</p> <p>3. In column (c) describe the nature of the goods and</p> | <p>services provided (administrative and general expenses, dividends declared, etc.).</p> <p>4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.</p> |
|---|---|

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	N/A				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
<b>TOTAL</b>					

Name of Respondent HomeWorks Tri-County Electric Coop	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/02/14	Year of Report 12/31/13
--	---	--	----------------------------

**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)**

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.  
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.

7. In column (j) report the total.  
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
N/A						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30



Financial Statements  
December 31, 2013 and 2012

**Tri-County Electric Cooperative, Inc.**

Independent Auditor's Report.....	1
Financial Statements	
Balance Sheets .....	3
Statements of Operations .....	4
Statements of Members' Equity.....	5
Statements of Cash Flows .....	6
Notes to Financial Statements.....	8



## **Independent Auditor's Report**

The Board of Directors  
Tri-County Electric Cooperative, Inc.  
Portland, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Tri-County Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, members' 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. 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.

### **Basis for Qualified Opinion**

As more fully described in Note 5 to the financial statements, the Cooperative reports its investment in Tri-Co Services, Inc., a wholly owned subsidiary, on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of Tri-Co Services, Inc. had been consolidated with those of Tri-County Electric Cooperative, Inc., total assets and total liabilities and equities would be decreased by \$432,711 and increased by \$1,229,477 as of December 31, 2013 and 2012, and revenues and expenses would be increased by \$4,439,868 and \$4,535,188 for the years then ended.

### **Qualified Opinion**

In our opinion, except for the effects of not consolidating Tri-Co Services, Inc., as discussed in the above paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Electric Cooperative, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
March 18, 2014



(This page left blank intentionally.)

	2013	2012
Assets		
Electric Plant		
In service	\$ 93,626,267	\$ 91,488,689
Under construction	520,140	298,457
Total electric plant	94,146,407	91,787,146
Less accumulated depreciation	28,273,691	26,405,539
Electric plant - net	65,872,716	65,381,607
Other Property and Investments		
Non utility property	3,300	3,300
Investments in associated organizations	28,613,128	26,450,598
Investment in subsidiary	7,023,179	6,982,163
Total other property and investments	35,639,607	33,436,061
Current Assets		
Cash and cash equivalents	1,541,375	1,661,367
Accounts receivable, less allowance for doubtful accounts of \$239,700 and \$153,000 in 2013 and 2012, respectively	3,239,283	3,009,482
Unbilled revenue	2,795,184	2,613,253
Notes receivable	147,375	170,208
PSCR undercollection	-	225,706
Materials and supplies	659,591	710,949
Prepaid expenses	296,915	307,256
Interest receivable	25,071	25,046
Total current assets	8,704,794	8,723,267
Deferred Debits	2,251,660	68,197
	<u>\$ 112,468,777</u>	<u>\$ 107,609,132</u>

See Notes to Financial Statements

Tri-County Electric Cooperative, Inc.  
Balance Sheets  
December 31, 2013 and 2012

	2013	2012
Equities and Liabilities		
Equities		
Patronage capital	\$ 46,432,631	\$ 43,956,520
Other equities	10,236,840	10,412,932
Total equities	56,669,471	54,369,452
Long-Term Debt, Less Current Portion	41,729,054	41,390,944
Other Noncurrent Liabilities		
Accrued post-retirement benefits	851,783	861,344
Accrued pension	-	5,945
Total other noncurrent liabilities	851,783	867,289
Current Liabilities		
Line of credit	2,750,000	1,650,000
Current portion of long-term debt	1,841,353	1,576,005
Current portion of post-retirement benefits	85,000	85,000
Accounts payable - purchased power	2,619,994	2,298,145
Accounts payable - other	875,507	771,127
Patronage capital credits payable	173,756	193,443
PSCR overcollection	104,245	-
Customer deposits	535,094	528,525
Accrued payroll and related items	910,785	760,894
Accrued taxes	599,714	547,249
Accrued interest	438,018	448,316
Other accrued liabilities	33,214	35,112
Total current liabilities	10,966,680	8,893,816
Deferred Credits	2,251,789	2,087,631
	\$ 112,468,777	\$ 107,609,132

Tri-County Electric Cooperative, Inc.  
 Statements of Operations  
 Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues	\$ 44,454,343	\$ 43,333,429
Operating Expenses		
Cost of power	28,987,550	28,715,222
Distribution - operation	1,207,873	1,017,549
Distribution - maintenance	3,184,367	3,339,291
Customer accounts	884,383	901,625
Customer service	1,478,199	1,486,777
Administrative and general	2,053,325	2,133,883
Depreciation and amortization	2,820,854	2,730,590
Interest expense	1,981,275	1,956,632
Taxes - property	994,402	972,162
	43,592,228	43,253,731
Operating Income Before Capital Credits	862,115	79,698
Generation and Transmission and Other Cooperative Capital Credits	2,804,251	2,435,588
Net Operating Margins	3,666,366	2,515,286
Nonoperating Margins		
Interest income	112,741	110,860
Income/(loss) from subsidiary	241,016	(33,018)
Other income/(loss) - net	(13,995)	33,567
	339,762	111,409
Net Margins	\$ 4,006,128	\$ 2,626,695

Tri-County Electric Cooperative, Inc.  
 Statements of Members' Equity  
 Years Ended December 31, 2013 and 2012

	Memberships	Patronage Capital	Other	Tri-Co Services	Total
Balance, December 31, 2011	\$ 271,465	\$ 42,287,014	\$ 2,642,550	\$ 7,465,181	\$ 52,666,210
Net margin (loss)	-	2,659,713	-	(33,018)	2,626,695
Capital credits retired	-	(990,207)	-	-	(990,207)
Donated capital credits	-	-	54,271	-	54,271
Membership transferred to donated capital	(283,948)	-	283,948	-	-
Memberships issued - net	12,483	-	-	-	12,483
Balance, December 31, 2012	-	43,956,520	2,980,769	7,432,163	54,369,452
Net margin	-	3,765,112	-	241,016	4,006,128
Capital credits retired	-	(1,789,001)	-	-	(1,789,001)
Donated capital credits	-	-	82,892	-	82,892
Dividends allocated	-	500,000	-	(500,000)	-
Balance, December 31, 2013	\$ -	\$ 46,432,631	\$ 3,063,661	\$ 7,173,179	\$ 56,669,471

Tri-County Electric Cooperative, Inc.  
Statements of Cash Flows  
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Net margins	\$ 4,006,128	\$ 2,626,695
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	3,097,826	3,014,448
Amortization of retirement security prepayment	143,662	-
(Gain)/loss on disposition of plant, net	10,339	(18,468)
(Income)/loss from subsidiary	(241,016)	33,018
Noncash patronage capital allocations	(2,804,251)	(2,435,588)
Deferred gain from insurance proceeds	(24,354)	(26,253)
Post-retirement and pension benefits	70,287	136,065
Changes in assets and liabilities		
Accounts receivable	(411,732)	(581,366)
Refunds payable to customers	329,951	(1,141,821)
Notes receivable	22,833	43,601
Prepaid expenses	10,341	(184,995)
Interest receivable	(25)	25
Deferred debits	17,393	(30,791)
Accounts payable	426,229	(87,106)
Customer deposits	6,569	46,897
Accrued expenses and taxes	170,473	40,373
Deferred credits	164,158	282,509
Net Cash from Operating Activities	4,994,811	1,717,243
Investing Activities		
Additions to, and costs of retirements of, utility plant	(3,626,887)	(4,809,838)
Proceeds from sale of general plant and scrap	51,967	128,063
Cash received from other property and investments	641,721	511,388
Dividend received from subsidiary	200,000	500,000
Change in materials and supplies	51,358	83,787
Net Cash used for Investing Activities	(2,681,841)	(3,586,600)
Financing Activities		
Principle payments on long-term debt	(1,741,060)	(1,544,898)
Net borrowings of line of credit	1,100,000	1,650,000
Post-retirement benefits paid	(85,793)	(83,266)
Other equities	82,892	54,271
Patronage capital retired	(1,789,001)	(990,207)
Memberships issued, net	-	12,483
Net Cash used for Financing Activities	(2,432,962)	(901,617)

Tri-County Electric Cooperative, Inc.  
 Statements of Cash Flows  
 Years Ended December 31, 2013 and 2012

	2013	2012
Net Change in Cash and Cash Equivalents	\$ (119,992)	\$ (2,770,974)
Cash and Cash Equivalents at Beginning of Year	1,661,367	4,432,341
Cash and Cash Equivalents at End of Year	\$ 1,541,375	\$ 1,661,367
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,024,902	\$ 2,065,093
Supplemental Disclosure of Non-Cash Financing Activities:		
Direct wire transfer from CFC to NRECA for the retirement security prepayment	\$ 2,344,518	\$ -
Transfer memberships to donated capital	\$ -	\$ 283,948

## **Note 1 - Summary of Significant Accounting Policies**

### **Principal Business Activity**

Tri-County Electric Cooperative, Inc. dba HomeWorks (the Cooperative), a Michigan corporation, provides for the electric energy needs of its members, the rural residents of the central Michigan area.

### **Consolidation Policy and Preparation of Financial Statements**

The financial statements of the Cooperative have been prepared on the accrual basis of accounting. The Cooperative reports its investment in its wholly owned subsidiary, Tri-Co Services, Inc., using the equity method. Accounting principles generally accepted in the United States of America require wholly owned subsidiaries to be consolidated. In arriving at the decision not to consolidate its subsidiary, management concluded that since the primary users of the statements are the Board of Directors, management and members, consolidation of the subsidiary's statements would tend to obscure the financial position and activities of the Cooperative.

### **Regulation**

As of April 6, 2010, the Cooperative is self-regulated for rates, billing practices, and accounting standards. All other aspects of electric service continue to be regulated by the Michigan Public Service Commission. The Cooperative's accounting policies and the accompanying financial statements, except as noted above, conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

As a result of the ratemaking process, the Cooperative applies Accounting Standards Codification (ASC) 980, *Regulated Operations*. The application of generally accepted accounting principles by the Cooperative differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

### **Electric Plant and Retirements**

Electric plant is stated at cost less contributions in aid of construction. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. When units of property that are specifically identifiable are retired, sold or otherwise disposed of in the ordinary course of business, their book cost less net salvage is recognized as a gain or loss. All other units of property that are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

### **Depreciation**

Depreciation is computed using the straight-line method based upon the estimated useful lives of the various classes of property.



### **Cash and Cash Equivalents**

Short-term highly liquid investments that are readily converted to known amounts of cash and present insignificant risks of changes in value are considered cash equivalents. Investments in commercial paper are considered cash equivalents and valued at cost which approximates market.

### **Investments**

Investments in other cooperatives and associated organizations are recorded at initial cost including allocated equities. Other investments representing less than a 20% ownership interest are recorded at cost. The Cooperative's investment in its wholly owned subsidiary, Tri-Co Services, Inc., is recorded using the equity method. Under this method, the investment is adjusted for the subsidiary's underlying earnings and losses.

### **Receivables and Credit Policies**

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 21 days from the billing date. Unpaid trade receivables with dates over 30 days old are assessed a late fee of 2% (residential) or 5% (large power and general service) of the unpaid balance or the amount of the bill less tax, whichever is less. Non-interest bearing notes receivable are stated at principal balance and are collateralized by equipment.

Payments on trade and notes receivables are allocated to the earliest unpaid billings. The carrying amounts of trade receivables are reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all trade receivable balances periodically and adjusts the allowance accounts based on current economic conditions and past experience.

### **Materials and Supplies**

Material and supplies are stated at average moving cost.

### **Deferred Debits**

Deferred debits consist primarily of engineering costs for future work plans and equipment clearing accounts. Engineering costs are amortized over the remaining term of the work plan. Clearing charges are spread to work orders based on equipment use for those work orders. Deferred debits also include a retirement security prepayment made to ensure proper funding of the Retirement Security Plan which is being amortized over the remaining service life of the employees, generally 15 and 20 years.

### **Patronage Capital**

The Cooperative operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses are also allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior losses, at the discretion and determination of the board of directors.

### **Revenue Recognition and Unbilled Revenues**

The Cooperative recognizes revenue on members' unbilled accounts based upon estimated usage in the current billing cycle.

### **Power Costs**

Power costs include all power delivered to the Cooperative, regardless of whether the power supplier has billed the Cooperative for power delivered.

### **Deferred Credits**

Deferred credits consist primarily of deferred gains on early extinguishment of debt, deferred gains related to insurance proceeds, customer advances on construction, advance payments made by consumers in connection with electric service, and unclaimed capital credit checks. Deferred gains on early extinguishment of debt are amortized over the remaining term of the original debt. Deferred gains from insurance proceeds are amortized over the useful lives of the assets replaced.

### **Post-Retirement Benefits**

The Cooperative sponsors an unfunded defined benefit post-retirement health plan that covers certain employees who retire after obtaining age 62 and 15 years of service. Spouses of beneficiaries are also included, with coverage continuing to the spouse after the beneficiaries' death. The Cooperative's share of the estimated costs of benefits that will be paid after retirement is being accrued by charges to expense accounts over the employees' active service periods to dates they are fully eligible for benefits.

### **Business and Credit Risk**

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist primarily of temporary cash instruments and trade receivables. The Cooperative provides electrical service on account to its members which are located primarily in the central Michigan area. The Cooperative has established policies for extending the credit based upon factors surrounding the credit risk of specified customers, historical trends and other information. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of customers. Nonetheless, the Cooperative's ability to collect from its members is affected by the economic conditions in which it operates.

The Cooperative maintains its temporary cash investments and cash balances with high credit quality financial institutions. Although such investments and cash balances may exceed the federally insured limit of \$250,000 from time to time, they are, in the opinion of management, subject to minimal risk.

### **Accounting 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 the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Sales Taxes**

The Cooperative has customers in a state which imposes a sales tax on certain sales. The Cooperative collects those sales taxes from its customers and remits the entire amount to the state of Michigan. The Cooperative's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

### **Fair Value Measurements**

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* which provides a framework for measuring fair value under generally accepted accounting principles, became effective to Cooperative as of January 1, 2008. In accordance with the provision of ASC 820-10, the Cooperative has deferred the adoption of ASC 820 for one year for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. Therefore, the Cooperative adopted ASC 820 on January 1, 2009. There was no adjustment to financial assets as a result of the adoption of ASC 820.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Cooperative does not have any assets or liabilities subject to the level 1, 2, or 3 valuation as of December 31, 2013 and 2012 and does not anticipate participating in transactions of this type in the future.

### **Advertising Costs**

Advertising costs are expensed as incurred.

### **Income Taxes**

The Cooperative is exempt from federal income tax under Section 501(c)(12) of the United States Internal Revenue Code, therefore no provision for federal income tax is recorded. However, income from unrelated business activities is subject to income tax at normal corporate rates.

The Cooperative has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10, effective January 1, 2009. Implementation resulted in no cumulative effect adjustment to retained earnings as of the date of adoption. The Cooperative had no unrecognized tax benefits as of December 31, 2013 and 2012.

The Cooperative will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such penalties and interest are incurred. Under normal circumstances, the Cooperative is no longer subject to Federal and State tax examinations by tax authorities for years before 2010.

The Cooperative undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10.

**Subsequent Events**

The Cooperative has evaluated subsequent events through March 18, 2014, the date which the financial statements were available to be issued.

**Note 2 - Electric Plant and Depreciation**

Major classes of electric plant at December 31, 2013 and 2012 consist of the following:

	2013	2012
General plant	\$ 8,122,434	\$ 8,195,910
Distribution plant	85,107,320	82,874,624
Intangible plant	396,513	418,155
Electric plant in service	93,626,267	91,488,689
Construction in progress	520,140	298,457
Total electric plant	94,146,407	91,787,146
Less accumulated depreciation and amortization	28,273,691	26,405,539
Electric plant - net	\$ 65,872,716	\$ 65,381,607

Electric plant depreciation rates have been applied on a straight-line basis as follows:

Structures and improvements	1.9 - 20.0%
Office furniture equipment	4.0 - 33.3%
Transportation equipment	10.0 - 25.0%
Power operated equipment	4.0 - 25.0%
Communication equipment	6.6 - 33.3%
Other general plant	4.0 - 10.0%

Depreciation charges at December 31, 2013 and 2012 were as follows:

	2013	2012
Charged to operations		
Classified as depreciation and amortization	\$ 2,845,208	\$ 2,756,843
Classified in other operating expenses	26,337	31,389
	2,871,545	2,788,232
Charged to transportation	226,281	226,216
Total	\$ 3,097,826	\$ 3,014,448

**Note 3 - Materials and Supplies**

Materials and supplies at December 31, 2013 and 2012, consist of the following:

	2013	2012
Electric materials	\$ 640,438	\$ 694,091
Water heaters	19,153	16,858
	\$ 659,591	\$ 710,949

**Note 4 - Investments in Associated Organizations**

Investments in associated organizations at December 31, 2013 and 2012 consist of the following:

	2013	2012
Wolverine Power Supply Coop., Inc. - capital credits	\$ 25,563,695	\$ 23,437,571
National Rural Utilities Cooperative Finance Corporation		
Capital term certificates maturing at various times through		
October 1, 2080, at interest rates between 0% and 7.5%	1,913,096	1,930,820
Patronage capital credits	1,133,337	1,044,730
Other memberships and investments	3,000	37,477
	\$ 28,613,128	\$ 26,450,598

**Note 5 - Deferred Debits**

	2013	2012
Energy optimization planning and implementation	\$ 5,974	\$ 8,962
Retirement security prepayment	2,200,856	-
Miscellaneous	12,729	19,093
Cost of service study	32,101	40,142
	\$ 2,251,660	\$ 68,197

**Note 6 - Investment in Subsidiary**

The Cooperative reports its investment in its wholly owned subsidiary, Tri-Co Services, Inc., using the equity method. Accounting principles generally accepted in the United States of America require wholly owned subsidiaries to be consolidated. In arriving at the decision not to consolidate its subsidiary, management concluded that since the primary users of the statements are the Board of Directors, management and members, consolidation of the subsidiary's statements would tend to obscure the financial position and activities of the Cooperative. Inclusion of the following condensed financial information of the subsidiary as of and for the years ended December 31, 2013 and 2012 permits users of these statements to be more fully informed.

Financial information related to Tri-Co Services, Inc. at December 31, 2013 and 2012 is as follows:

	2013	2012
<b>Balance Sheet</b>		
Current assets	\$ 4,144,336	\$ 3,230,760
Investments and other assets	4,458,038	5,037,486
	\$ 8,602,374	\$ 8,268,246
Current liabilities	\$ 1,267,195	\$ 940,083
Long-term liabilities	312,000	346,000
Equity	7,023,179	6,982,163
	\$ 8,602,374	\$ 8,268,246
<b>Operations</b>		
Operating revenues	\$ 4,838,297	\$ 4,570,028
Operating expenses	(4,440,967)	(4,632,804)
Other revenue/(expense) - net	(156,314)	29,758
	\$ 241,016	\$ (33,018)

During 2013 and 2012, Tri-Co Services, Inc. declared and paid cash dividends to the Cooperative of \$200,000 and \$500,000, respectively.

As a result of not consolidating Tri-Co Services, Inc., the Cooperative's financial statements are understated as follows at December 31, 2013 and 2012:

	2013	2012
Assets and liabilities	\$ (432,711)	\$ 1,229,477
Revenues and expenses	\$ 4,439,868	\$ 4,535,188

### **Note 7 - Power Supply Cost Recovery**

Up until April 2010 the Cooperative was required by the Michigan Public Service Commission to maintain power supply cost recovery over-collections (PSCR) and refundable customer contributions in restricted accounts to be used only for the purpose for which they are intended. As of April 6, 2010, the Cooperative became self-regulated for rates, billing practices, and accounting standards and is no longer subject to this requirement.

Wolverine Power Supply Cooperative, Inc. and the member-distribution cooperatives including Tri-County Electric Cooperative, Inc. and Subsidiary were required to obtain authority to implement and apply PSCR clauses and monthly factors. Because the Cooperative became self-regulated as noted above, the PSCR clauses and monthly factors were approved by the Board of Directors. Tri-County's average monthly factor for residential customers was .00131 and .0045 per KWH during 2013 and 2012, respectively.

Due to fluctuations in market conditions, over-collections or under-collections could result between the generation cooperative and distribution cooperative as well as between the distribution cooperative and their member-consumers. Power cost recovery over-collections must be remedied by refunds and power cost recovery under-collection must be remedied by additional collections.

**Note 8 - Patronage Capital**

Patronage capital balances at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Assignable	\$ 3,765,112	\$ 2,659,713
Assigned to date	53,148,681	49,988,968
Total	56,913,793	52,648,681
Retired to date	(10,481,162)	(8,692,161)
Balance	\$ 46,432,631	\$ 43,956,520

The mortgage provisions restrict the retirement of patronage capital unless, after retirement, the capital of the Cooperative equals at least 20% of the total assets of the Cooperative; provided, however, that retirements can be made if such distributions do not exceed 30% of the preceding year's margins. No distribution can be made if there is unpaid, when due, any installments of principal or interest on the notes or, if after giving effect to any distribution, the total current and accrued assets would be less than the total current and accrued liabilities. During 2013 and 2012, the Cooperative's capital exceeded 20% of total assets.

**Note 9 - Other Equities**

Other Equities as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Donated capital memberships	\$ 1,219,188	1,136,296
Retired capital credits - gain	241,262	241,262
Pre 1979 margins	1,603,211	1,603,211
	\$ 3,063,661	\$ 2,980,769

Other equities from Tri-Co Services, Inc. consist of the following:

	2013	2012
Tri-Co Services equity	\$ 6,973,179	\$ 6,932,163
Unallocated Tri-Co Services dividend	200,000	500,000
	\$ 7,173,179	\$ 7,432,163

**Note 10 - Long-Term Debt**

Long-term debt at December 31, 2013 and 2012 is as follows:

	2013	2012
National Rural Utilities Cooperative Finance Corporation (CFC) notes bearing interest at 1.358% to 6.7% per annum. The notes are payable in installments and mature at various times through February 2045.	\$ 43,570,407	\$ 42,966,949
Less current maturities	(1,841,353)	(1,576,005)
Total long-term debt	\$ 41,729,054	\$ 41,390,944

Maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2014	\$ 1,814,353
2015	1,849,516
2016	1,899,376
2017	1,367,525
2018	1,402,790
Thereafter	35,236,847
	\$ 43,570,407

The loan agreements with CFC are secured by substantially all assets of the Cooperative and include certain positive and negative covenants with which the Cooperative has complied. Additionally, the Cooperative has available unadvanced loan funds from CFC of \$22,520,682.

The security agreement (mortgage) restricts the Cooperative's debt limit to \$120,000,000.

**Note 11 - Lines of Credit**

The Cooperative has executed a perpetual, variable rate (2.90% at December 31, 2013) line of credit with CFC, providing it with short-term loans in the total amount of \$5,000,000. There were no outstanding balances on the line at December 31, 2013 and 2012. During 2009, the Cooperative executed an additional variable rate (2.08% at December 31, 2013) line of credit with CFC, providing it with short-term loans in the total amount of \$10,000,000 maturing July 2014. The balance outstanding on the line totaled \$750,000 and \$1,650,000 at December 31, 2013 and 2012, respectively.

During 2013, the Cooperative executed a variable rate (2.4% at December 31, 2013) line of credit with Tri-Co Services, Inc., a subsidiary of the Company (Note 14) providing it with short-term loans in the total amount of \$2,500,000. The line of credit is due on demand and expires on September 23, 2014. The outstanding balance is \$2,000,000 at December 31, 2013.



## **Note 12 - Retirement Plan**

### **Pension Plan**

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.

Tri- County Electric Cooperative, Inc. contributions to the RS Plan in 2013 and in 2012 represented less than five percent of the total contributions made to the plan by all participating employers. Tri- County Electric Cooperative made contributions to the plan of \$679,000 in 2013 and \$871,000 in 2012. In 2013, the Cooperative made a \$2,344,518 prepayment to the National Rural Electric Cooperative Association for the Retirement Security Plan to enhance the Plan's funded status. With this prepayment, the Cooperative will pay 25% lower premiums than cooperatives in the Retirement Security Plan that did not make a prepayment. The prepayment will be amortized based on the average remaining service life of the respective employee groups, 15 and 20 years. The amortization expense was \$144,000 in 2013.

For 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 RS Plan was over 80 percent funded on January 1, 2013 and between 65 percent and 80 percent funded at January 1, 2012 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.

### **Savings Plan**

In addition to the above retirement plan, employees of the Cooperative are eligible to participate in the NRECA 401(k) Pension Plan. The Cooperative makes a contribution equal to 3.0% of each employee's base wages. Employees are required to contribute 4.0% of base pay and may voluntarily contribute more if desired. The Cooperative made contributions of \$116,000 and \$118,000 in 2013 and 2012, respectively.

## **Note 13 - Post-Retirement Benefits other than Pensions**

The Cooperative sponsors an unfunded defined benefit post-retirement health plan that covers certain employees who retire after reaching age 62 and 15 years of service. Spouses of beneficiaries are also included, with coverage continuing to the spouse after the beneficiaries' death.

The following table sets forth the change in the post-retirement benefit obligation reconciled with the obligation recognized in the accompanying balance sheet at December 31:

	2013	2012
Change in post-retirement benefit obligation		
Accumulated post-retirement benefit obligation at beginning of year	\$ 946,344	\$ 887,600
Service cost	1,535	1,783
Interest cost	46,839	47,317
Actuarial (gain) loss	27,858	92,910
Benefits paid	(85,793)	(83,266)
Accumulated post-retirement benefit obligation at end of year	\$ 936,783	\$ 946,344

The plan is unfunded at December 31, 2013.

Weighted average assumptions as of December 31:

	2013	2012
Discount rate	4.69%	3.71%

For measurement purposes, a 20.0% annual rate of increase in the cost of covered health care benefits was assumed. The health care cost trend rate assumption has a significant effect on the calculated liability. The Plan does cap monthly health insurance premium costs for both individuals and families for employees that retired after a specific date. A one-percentage point change in assumed health care costs would have the following effect:

	1% Point Increase	1% Point Decrease
Effect on total service and interest cost components	1,170	(1,120)
Effect on post-retirement benefit obligation	23,403	(22,408)

**Note 14 - Deferred Credits**

	2013	2012
Customer construction deposits	\$ 279,204	\$ 262,145
Consumer energy prepayments	297,851	321,305
Unamortized gain on reacquired debt	268,231	364,476
Regulatory liability for fire	128,962	153,316
Energy optimization accrual	575,128	486,213
Unclaimed capital credits	702,413	500,176
Total deferred credits	\$ 2,251,789	\$ 2,087,631

**Note 15 - Related Party Transactions**

The Cooperative provides Tri-Co Services, Inc. a wholly owned subsidiary, with personnel, office space, and other administrative support. Amounts reimbursed for these services during 2013 and 2012 totaled approximately \$921,573 and \$880,991, respectively. Amounts due (to) from Tri-Co Services, Inc. amounted to \$11,906 and (\$56,606) at December 31, 2013 and 2012, respectively.

The Cooperative collects and remits voluntary contributions to the Tri-County Electric People Fund, Inc. (the Fund), a 501 (c)(3) nonprofit organization organized for charitable giving to individuals and organizations in the Cooperative's service area. The Cooperative reimburses the Fund for operating expenses which amounted to \$14,040 and \$12,720 for the years ended December 31, 2013 and 2012, respectively.

During 2013, the Cooperative executed a line of credit with Tri-Co Services, Inc. The outstanding balance is \$2,000,000 at December 31, 2013.

**Note 16 - Commitments**

The Cooperative has a commitment to purchase its electric power and energy requirements at wholesale from Wolverine Power Supply Cooperative, Inc. (Wolverine) until December 31, 2041 and Wolverine is obligated to sell to the Cooperative all of the Cooperative's electric power needs. The rates paid by the Cooperative under the contract are subject to review by the seller at such intervals, as it deems appropriate.

Following is a summary of transactions with Wolverine for the years ended December 31, 2013 and 2012:

	2013	2012
Purchase of wholesale power	\$ 28,987,550	28,715,222
Accounts payable for purchased power at December 31	\$ 2,619,994	\$ 2,298,145
Capital credits allocated during the year	\$ 2,639,017	\$ 2,302,114
Accumulated investment in patronage capital credits	\$ 25,563,695	\$ 23,437,571

**Note 17 - Lease Agreements**

The Cooperative leases various vehicles under operating lease agreements. Lease expense for years ending December 31, 2013 and 2012 was \$52,889 and \$39,819, respectively. The leases expire from April 2017 to December 2018. The minimum future lease payments for the vehicle leases are as follows:

Years ending December 31	Amount
2014	\$ 47,169
2015	47,169
2016	47,169
2017	26,806
2018	7,164