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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0029
	PERIOD ENDED December, 2011
	BORROWER NAME The Ontonagon County Rural Electrification Ass

INSTRUCTIONS - See help in the online application.

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

CERTIFICATION

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

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

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

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

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

Deborah Miles 4/1/2012
 _____ DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	5,148,971	5,077,476	5,244,400	442,508
2. Power Production Expense				
3. Cost of Purchased Power	2,592,884	2,442,813	2,587,000	219,407
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	173,430	179,694	180,000	(10,876)
7. Distribution Expense - Maintenance	426,925	613,155	389,000	49,680
8. Customer Accounts Expense	187,927	184,332	193,500	17,184
9. Customer Service and Informational Expense	13,524	14,578	14,400	(845)
10. Sales Expense		104		
11. Administrative and General Expense	402,366	493,744	395,000	32,345
12. Total Operation & Maintenance Expense (2 thru 11)	3,797,056	3,928,420	3,758,900	306,895
13. Depreciation and Amortization Expense	595,554	628,531	622,800	53,135
14. Tax Expense - Property & Gross Receipts	186,802	193,163	195,600	17,820
15. Tax Expense - Other	5,561	(1,818)	9,000	(3,500)
16. Interest on Long-Term Debt	548,917	579,581	526,500	54,293
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	56,332	67,303	47,300	4,854
19. Other Deductions	1,308	1,296	1,296	108
20. Total Cost of Electric Service (12 thru 19)	5,191,530	5,396,476	5,161,396	433,605
21. Patronage Capital & Operating Margins (1 minus 20)	(42,559)	(319,000)	83,004	8,903
22. Non Operating Margins - Interest	4,006	2,784	3,400	2,398
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	40,743	27,654	26,000	6,875
25. Non Operating Margins - Other	58,034	39,867	72,000	13,241
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	9,901	15,824		2,470
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	70,125	(233,501)	184,404	33,887

RUS Financial and Operating Report Electric Distribution

RECEIVED
 Michigan Public Service Commission
 APR 23 2012

REGULATED ENERGY DIVISION
 Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION

MI0029

PERIOD ENDED

December, 2011

INSTRUCTIONS - See help in the online application.

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	63	53	5. Miles Transmission		
2. Services Retired	9	1	6. Miles Distribution - Overhead	812.06	791.96
3. Total Services in Place	5,321	5,736	7. Miles Distribution - Underground	125.87	133.30
4. Idle Services (Exclude Seasonals)	279	579	8. Total Miles Energized (5 + 6 + 7)	937.93	925.26

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	20,664,894	30. Memberships	21,530
2. Construction Work in Progress	728,175	31. Patronage Capital	2,347,643
3. Total Utility Plant (1 + 2)	21,393,069	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	5,991,654	33. Operating Margins - Current Year	(299,385)
5. Net Utility Plant (3 - 4)	15,401,415	34. Non-Operating Margins	65,883
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	32,497
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	2,168,168
8. Invest. in Assoc. Org. - Patronage Capital	57,248	37. Long-Term Debt - RUS (Net)	10,854,489
9. Invest. in Assoc. Org. - Other - General Funds	409,837	38. Long-Term Debt - FFB - RUS Guaranteed	0
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	67,255	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	1,576,560
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	0	42. Payments - Unapplied	0
14. Total Other Property & Investments (6 thru 13)	534,340	43. Total Long-Term Debt (37 thru 41 - 42)	12,431,049
15. Cash - General Funds	516,454	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	6	45. Accumulated Operating Provisions and Asset Retirement Obligations	0
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	0
18. Temporary Investments	0	47. Notes Payable	2,000,000
19. Notes Receivable (Net)	0	48. Accounts Payable	269,931
20. Accounts Receivable - Sales of Energy (Net)	580,758	49. Consumers Deposits	10,460
21. Accounts Receivable - Other (Net)	43,103	50. Current Maturities Long-Term Debt	399,000
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	261,846	52. Current Maturities Capital Leases	0
24. Prepayments	15,344	53. Other Current and Accrued Liabilities	307,258
25. Other Current and Accrued Assets	0	54. Total Current & Accrued Liabilities (47 thru 53)	2,986,649
26. Total Current and Accrued Assets (15 thru 25)	1,417,511	55. Regulatory Liabilities	0
27. Regulatory Assets	(18,276)	56. Other Deferred Credits	14,070
28. Other Deferred Debits	264,946	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	17,599,936
29. Total Assets and Other Debits (5+14+26 thru 28)	17,599,936		

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PART D. NOTES TO FINANCIAL STATEMENTS

Deferred Debits to be amortized for 12 months or greater

Mapping System \$210,990.28 (119 months)

Four Year Work Plan 10,296.00 (12 months)

Deferred Credits

Estimated cost of Installation \$14,070

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PART D. CERTIFICATION LOAN DEFAULT NOTES

There is new management at the Ontonagon County R.E.A. and along with that a change in accounting theory. Labor for salaried employees had been being allocated on a % basis therefore capitalizing labor that should not have been. We are now only capitalizing labor when it is justified. This made a difference in 2011's labors costs of about \$40,000. In past years this would have affected the TIER and reduced amount of rate increases. A rate increase would have been justified in 2010 but management had opted not to apply for rate relief. We did apply to the Michigan Public Service Commission for rate relief in April of 2011 but the increase was not authorized until December 2011. We will be applying again in April of 2012. The Michigan Public Service Commission is reluctant to grant anymore than a \$3.00 increase in the monthly facility charge where it is needed. The Board of Directors is aware that we need the increases in the facility charge. The Board of Directors is also exploring the option of becoming Member Regulated so that we can get the rate increases more timely and more dollars in the facility charge.

In 2011 we had several major snow and wind storms which caused an significant amount of overtime. The increase was about \$140,000 with overheads.

Management was not enforcing a disconnect or collection policy and our receivables are high.

We lost a linemen this year and did not replace him, we are hoping that we will not have to layoff any employees but it might come to that .

The rate increase that we requested in 2011 was for over \$500,000 between the energy and facility charges. The full amount was granted and appears to be helping as our January TIER was 2.02. We also had no overtime in January so the combination had a positive effect. There was also very little overtime in February and March.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
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INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	18,028,155	797,255	99,664	(9,616)	18,716,130
2. General Plant	1,511,004	119,033			1,630,037
3. Headquarters Plant	299,561	17,817			317,378
4. Intangibles	1,349				1,349
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	0				0
8. Total Utility Plant in Service (1 thru 7)	19,840,069	934,105	99,664	(9,616)	20,664,894
9. Construction Work in Progress	575,321	152,855			728,176
10. Total Utility Plant (8 + 9)	20,415,390	1,086,960	99,664	(9,616)	21,393,070

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	341,456	195,964		253,614	851	(29,934)	253,021
2. Other	9,897	1,390			1,361	(1,102)	8,824

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	470.000	439.000	60.000	88.000	1,057.000
2. Five-Year Average	228.000	174.000	25.000	93.000	520.000

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	13	4. Payroll - Expensed	505,130
2. Employee - Hours Worked - Regular Time	26,697	5. Payroll - Capitalized	278,695
3. Employee - Hours Worked - Overtime	2,402	6. Payroll - Other	216,060

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements		
	b. Special Retirements		
	c. Total Retirements (a + b)		
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	8,177	
	c. Total Cash Received (a + b)	8,177	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 231,261	2. Amount Written Off During Year	\$ 0
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011
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PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Wisconsin Public Service Corp	20860			25,819,968	1,766,141	6.84		
2	Wisconsin Electric Power Co	20847			3,251,752	261,034	8.03		
3	Upper Peninsula Power Company	19578				415,638	0.00		
	Total				29,071,720	2,442,813	8.40		

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PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	
2	
3	

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PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
TOTAL			

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PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 6/18/2011	2. Total Number of Members 4,392	3. Number of Members Present at Meeting 47	4. Was Quorum Present? N
5. Number of Members Voting by Proxy or Mail 100	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$ 40,071	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0029			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011			
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	10,854,489	546,024	323,746	869,770
2	National Rural Utilities Cooperative Finance Corporation	253,361	10,373	13,977	24,350
3	CoBank, ACB	950,301	2,685	11,182	13,867
4	Federal Financing Bank				
5	RUS - Economic Development Loans				
6	Payments Unapplied				
7	FASB - 106	372,898			
	TOTAL	12,431,049	559,082	348,905	907,987

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PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	3,209	3,218	
	b. kWh Sold			18,499,379
	c. Revenue			3,699,266
2. Residential Sales - Seasonal	a. No. Consumers Served	1,299	1,294	
	b. kWh Sold			1,644,071
	c. Revenue			482,950
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	197	202	
	b. kWh Sold			4,740,436
	c. Revenue			828,199
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
6. Public Street & Highway Lighting	a. No. Consumers Served	139	137	
	b. kWh Sold			118,983
	c. Revenue			18,090
7. Other Sales to Public Authorities	a. No. Consumers Served	25	22	
	b. kWh Sold			59,192
	c. Revenue			12,631
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		4,869	4,873	
11. Total kWh Sold (lines 1b thru 9b)				25,062,061
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				5,041,136
13. Transmission Revenue				
14. Other Electric Revenue				36,340
15. kWh - Own Use				
16. Total kWh Purchased				29,071,720
17. Total kWh Generated				
18. Cost of Purchases and Generation				2,442,813
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident ___ Coincident ___				5,633

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0029 PERIOD ENDED December, 2011
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' investments must be reported. See help in the online application.

PART Q, SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	Federated Rural Electric Insurance Exchange	19,920			
	National Informational Solutions Cooperative	25,671			
	Michigan Electric Cooperative Assn	5,080			
	NRUCFC(Pat Cap, Memb Cert & CTC's)	22,176	67,255		
	RESCO	64			
	Settlers Cooperative Inc	510			
	American Transmission Company	371,273			
	CoBank	8,891			
	Cooperative Response Center	12,500			
	NRUCFC-MEMBERSHIP	1,000			
	Totals	467,085	67,255		
6	Cash - General				
	Checking, Savings & Working Funds		516,454		
	Totals		516,454		
9	Accounts and Notes Receivable - NET				
	Various		43,103		
	Totals		43,103		
11	TOTAL INVESTMENTS (1 thru 10)	467,085	626,812		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0029 PERIOD ENDED December, 2011
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

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

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0029
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2011

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

SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	2.18 %
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SECTION IV. LOANS

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