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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION
MI0037

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY

PERIOD ENDED December, 2011 (Prepared with Audited Data)

INSTRUCTIONS - See help in the online application.

BORROWER NAME
Thumb Electric Cooperative of Michigan

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 A Section C of this report.

Dallas Brown 3/14/12
DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION <div style="text-align: center;">MI0037</div> PLANT <div style="text-align: center;">Caro</div> PERIOD ENDED <div style="text-align: center;">December, 2011</div>
INSTRUCTIONS - See help in the online application.	

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					BTU PER kWh (j)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i)	UNSCH. (j)	GROSS GENER.(MWh) (k)	
1.	1	1,313						8,760				
2.	2	1,313						8,760				
3.	3	1,313						8,760				
4.	4	1,550						8,760				
5.	5	2,000						8,760				
6.	Total	9,489	0.00	0.00	0.00		0	52,560	0	0	0	
7.	Average BTU						Station Service (MWh)					284.90
8.	Total BTU (10 ⁶)					0.00	Net Generation (MWh)					(284.90)
9.	Total Del. Cost (\$)						Station Service % of Gross					0.00

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	1	5.	Maintenance Plant Payroll (\$)	1,463
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)	63,555
3.	Total Employee Hours Worked	2,182	7.	Total Plant Payroll (\$)	69,508
4.	Operating Plant Payroll (\$)	4,490			

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	0.00%
2.	Plant Factor (%)	
3.	Running Plant Capacity Factor (%)	0.00%
4.	15 Min. Gross Max. Demand (kW)	
5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	598		
2.	Fuel, Oil	547.1	0		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	0	0.00	
7.	Generation Expenses	548	0		
8.	Miscellaneous Other Power Generation Expenses	549	10,160		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		10,758	(37.76)	
11.	Operation Expense (6 + 10)		10,758	(37.76)	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	598		
14.	Maintenance of Generating and Electric Plant	553	3,190		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		3,788	(13.30)	
17.	Total Production Expense (11 + 16)		14,546	(51.06)	
18.	Depreciation	403.4, 411.10	57,422		
19.	Interest	427	18,259		
20.	Total Fixed Cost (18 + 19)		75,681	(265.64)	
21.	Power Cost (17 + 20)		90,227	(316.70)	

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT						BORROWER DESIGNATION MI0037					
INSTRUCTIONS - See help in the online application.						PLANT Caro					
						PERIOD ENDED December, 2011					

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					BTU PER kWh (i)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i) UNSCH. (j)	GROSS GENER.(MWh) (k)		
1.	6	2,000						8,760				
2.												
3.												
4.												
5.												
6.	Total											
7.	Average BTU											
8.	Total BTU (10 ⁶)											
9.	Total Del. Cost (\$)											

SECTION B. LABOR REPORT						SECTION C. FACTORS & MAXIMUM DEMAND			
NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE	
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)		
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)		
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)		
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)		
						5.	Indicated Gross Max. Demand (kW)		

SECTION D. COST OF NET ENERGY GENERATED					
NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546			
2.	Fuel, Oil	547.1			
3.	Fuel, Gas	547.2			
4.	Fuel, Other	547.3			
5.	Energy for Compressed Air	547.4			
6.	Fuel SubTotal (2 thru 5)	547			
7.	Generation Expenses	548			
8.	Miscellaneous Other Power Generation Expenses	549			
9.	Rents	550			
10.	Non-Fuel SubTotal (1 + 7 thru 9)				
11.	Operation Expense (6 + 10)				
12.	Maintenance, Supervision and Engineering	551			
13.	Maintenance of Structures	552			
14.	Maintenance of Generating and Electric Plant	553			
15.	Maintenance of Miscellaneous Other Power Generating Plant	554			
16.	Maintenance Expense (12 thru 15)				
17.	Total Production Expense (11 + 16)				
18.	Depreciation	403.4, 411.10			
19.	Interest	427			
20.	Total Fixed Cost (18 + 19)				
21.	Power Cost (17 + 20)				

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT	BORROWER DESIGNATION MI0037 PLANT Ublly PERIOD ENDED December, 2011
INSTRUCTIONS - See help in the online application.	

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i)	UNSCH. (j)	GROSS GENER.(MWh) (k)	BTU PER kWh (l)
1.	1	630						8,760				
2.	2	736						8,760				
3.	3	736						8,760				
4.	4	980						8,760				
5.	5	1,550						8,760				
6.	Total	12,424	1.40	22.00	0.00		9	78,831	0	0	5	
7.	Average BTU		139,500.00	17,568.18			Station Service (MWh)				319.70	
8.	Total BTU (10 ⁶)		195.30	386.50		581.80	Net Generation (MWh)				(315.00)	
9.	Total Del. Cost (\$)						Station Service % of Gross				6,802.13	


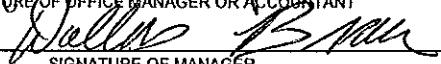
SECTION B. LABOR REPORT					SECTION C. FACTORS & MAXIMUM DEMAND		
NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM
1.	No. Employees Full Time (Include Superintendent)	1	5.	Maintenance Plant Payroll (\$)	644	1.	Load Factor (%)
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)	67,972	2.	Plant Factor (%)
3.	Total Employee Hours Worked	2,173	7.	Total Plant Payroll (\$)	69,695	3.	Running Plant Capacity Factor (%)
4.	Operating Plant Payroll (\$)	1,079				4.	15 Min. Gross Max. Demand (kW)
						5.	Indicated Gross Max. Demand (kW)

SECTION D. COST OF NET ENERGY GENERATED					
NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)
1.	Operation, Supervision and Engineering	546	731		
2.	Fuel, Oil	547.1	388		
3.	Fuel, Gas	547.2	226		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	614	(1.95)	
7.	Generation Expenses	548	842		
8.	Miscellaneous Other Power Generation Expenses	549	8,352		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		9,925	(31.51)	
11.	Operation Expense (6 + 10)		10,539	(33.46)	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	389		
14.	Maintenance of Generating and Electric Plant	553	1,093		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	201		
16.	Maintenance Expense (12 thru 15)		1,683	(5.34)	
17.	Total Production Expense (11 + 16)		12,222	(38.80)	
18.	Depreciation	403,4,411.10	18,297		
19.	Interest	427	36,518		
20.	Total Fixed Cost (18 + 19)		54,815	(174.02)	
21.	Power Cost (17 + 20)		67,037	(212.82)	

Remarks (including Unscheduled Outages)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT							BORROWER DESIGNATION MI0037					
INSTRUCTIONS - See help in the online application.							PLANT Ublly					
							PERIOD ENDED December, 2011					
SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				GROSS GENER.(MWh) (k)	BTU PER kWh (l)
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE SCHED. (i)	UNSCH. (j)		
1.	6	1,542	.20	1.00			1	8,759			1	
2.	7	2,500						8,760				
3.	8	2,250	.70	13.10			4	8,756			2	
4.	9	1,500	.50	7.90			4	8,756			1	
5.												
6.	Total											
7.	Average BTU											
8.	Total BTU (10 ⁶)											
9.	Total Del. Cost (\$)											
SECTION B. LABOR REPORT					SECTION C. FACTORS & MAXIMUM DEMAND							
NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE				
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)					
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)					
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)					
4.	Operating Plant Payroll (\$)					4.	15 Min. Gross Max. Demand (kW)					
						5.	Indicated Gross Max. Demand (kW)					
SECTION D. COST OF NET ENERGY GENERATED												
NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT (\$) (a)	MILLS/NET (kWh) (b)	\$/10 ⁶ BTU (c)							
1.	Operation, Supervision and Engineering	546										
2.	Fuel, Oil	547.1										
3.	Fuel, Gas	547.2										
4.	Fuel, Other	547.3										
5.	Energy for Compressed Air	547.4										
6.	Fuel SubTotal (2 thru 5)	547										
7.	Generation Expenses	548										
8.	Miscellaneous Other Power Generation Expenses	549										
9.	Rents	550										
10.	Non-Fuel SubTotal (1 + 7 thru 9)											
11.	Operation Expense (6 + 10)											
12.	Maintenance, Supervision and Engineering	551										
13.	Maintenance of Structures	552										
14.	Maintenance of Generating and Electric Plant	553										
15.	Maintenance of Miscellaneous Other Power Generating Plant	554										
16.	Maintenance Expense (12 thru 15)											
17.	Total Production Expense (11 + 16)											
18.	Depreciation	403.4, 411.10										
19.	Interest	427										
20.	Total Fixed Cost (18 + 19)											
21.	Power Cost (17 + 20)											

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION MI037 BORROWER NAME AND ADDRESS THUMB ELEC COOP OF MICHIGAN P O BOX 157 UBLY, MI 48475-0000
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 2012 January
CERTIFICATION 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.	
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT  SIGNATURE OF MANAGER 	DATE 03-12-12 3-13-12

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.....	1,716,904	1,743,397	1,868,296	1,743,397
2. Power Production Expense.....	9,195	8,738	9,420	8,738
3. Cost of Purchased Power.....	870,825	887,859	982,108	887,859
4. Transmission Expense.....	3,682	3,391	7,240	3,391
5. Distribution Expense - Operation.....	35,805	44,527	40,777	44,527
6. Distribution Expense - Maintenance.....	64,986	60,344	76,740	60,344
7. Consumer Accounts Expense.....	50,271	53,137	51,470	53,137
8. Customer Service and Informational Expense.....	34,602	54,408	47,751	54,408
9. Sales Expense.....	0	0	0	0
10. Administrative and General Expense.....	73,534	79,162	72,258	79,162
11. Total Operation & Maintenance Expense(2 thru 10).....	1,142,900	1,191,566	1,287,764	1,191,566
12. Depreciation and Amortization Expense.....	148,148	150,836	155,140	150,836
13. Tax Expense - Property & Gross Receipts.....	59,750	61,594	61,605	61,594
14. Tax Expense - Other.....	3,000	0	0	0
15. Interest on Long-Term Debt.....	140,331	133,386	131,881	133,386
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	2,496	1,063	1,033	1,063
18. Other Deductions.....	165	165	165	165
19. Total Cost of Electric Service(11 thru 18).....	1,496,790	1,538,610	1,637,588	1,538,610
20. Patronage Capital & Operating Margins (1 minus 19)...	220,114	204,787	230,708	204,787
21. Non Operating Margins - Interest.....	4,845	3,740	3,622	3,740
22. Allowance for Funds Used During Construction.....	0	0	0	0
23. Income (Loss) from Equity Investments.....	30,597	22,366	23,623	22,366
24. Non Operating Margins - Other.....	(23,766)	896	1,070	896
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	0	0	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins(20 thru 27).....	231,790	231,789	259,023	231,789

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	3	11	5. Miles Transmission	146.81	146.81
2. Services Retired	3	9	6. Miles Distribution - Overhead	1,983.86	1,987.95
3. Total Services in Place	12,902	12,767	7. Miles Distribution - Underground	16.59	16.68
4. Idle Services (Exclude Seasonal)	602	488	8. Total Miles Energized (5 + 6 + 7)	2,147.26	2,151.44

USDA-RUS		BORROWER DESIGNATION MI037	
FINANCIAL AND STATISTICAL REPORT		PERIOD ENDED 2012 January	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B - 2			
PART C. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	75,677,187	30. Memberships.....	161,745
2. Construction Work in Progress.....	415,291	31. Patronage Capital.....	20,633,968
3. Total Utility Plant (1+2).....	76,092,478	32. Operating Margins - Prior Years.....	0
4. Accum. Provision for Depreciation and Amort..	23,339,615	33. Operating Margins - Current Year.....	204,787
5. Net Utility Plant (3-4).....	52,752,863	34. Non-Operating Margins.....	27,002
6. Non-Utility Property (Net).....	119,652	35. Other Margins and Equities.....	647,221
7. Investments in Subsidiary Companies.....	1,021,083	36. Total Margins & Equities (30 thru 35).....	21,674,723
8. Invest. In Assoc. Org. - Patronage Capital.....	606,712	37. Long-Term Debt - RUS (Net).....	13,582,877
9. Invest. In Assoc. Org. - Other - General Funds	0	(Payments-Unapplied \$..... 0)	
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds..	830,930	38. Long-Term Debt - RUS - Econ. Devel. (Net).....	0
11. Investments in Economic Development Projects	0	39. Long-Term Debt - Other - REA Guaranteed.....	12,087,603
12. Other Investments.....	73,571	40. Long-Term Debt - Other (Net).....	9,055,267
13. Special Funds.....	316,980	41. Total Long-Term Debt (37 thru 40).....	34,725,747
14. Total Other Property and Investments (6 thru 13)	2,968,928	42. Obligations Under Capital Leases - Noncurrent	0
15. Cash - General Funds.....	209,948	43. Accumulated Operating Provisions.....	0
16. Cash - Construction Funds - Trustee.....	0	44. Total Other Noncurrent Liabilities (42+43).....	0
17. Special Deposits.....	0	45. Notes Payable.....	78,306
18. Temporary Investments.....	0	46. Accounts Payable.....	2,610,000
19. Notes Receivable (Net).....	0	47. Consumers Deposits.....	134,284
20. Accounts Receivable - Sales of Energy (Net)..	2,903,111	48. Other Current and Accrued Liabilities.....	1,083,259
21. Accounts Receivable - Other (Net).....	344,710	49. Total Current & Accrued Liabilities (45 thru 48)	3,905,849
22. Materials and Supplies - Electric and Other.....	954,479	50. Deferred Credits.....	28,326
23. Prepayments.....	96,487	51. Accumulated Deferred Income Taxes.....	0
24. Other Current and Accrued Assets.....	12,405	52. Total Liabilities and Other Credits	
25. Total Current and Accrued Assets (15 thru 24)	4,521,140	(36+41+44+49 thru 51).....	60,334,645
26. Regulatory Assets.....	0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
27. Other Deferred Debits.....	91,714	53. Balance Beginning of Year.....	29,795
28. Accumulated Deferred Income Taxes.....	0	54. Amounts Received This Year (Net).....	(4,060)
29. Total Assets and Other Debits (5+14+25 thru 28)	60,334,645	55. Total Contributions in Aid of Construction.....	25,735
PART D. NOTES TO FINANCIAL STATEMENTS			
THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.			
Current Assets to Current Liabilities	Ratio of	1.1575 to 1	
Margins & Equities to Total Assets (x 100)	Ratio of	35.9242	
Long-Term Debt to Total Utility Plant (x 100)	Ratio of	45.6362	
	Last Year	Current Year	
Oper-Times Interest Earned Ratio	2.57	2.54	
Net-Times Interest Earned Ratio	2.65	2.74	
Net TIER Less Subsidiary Impact	2.43	2.57	
Set forth below are amounts included in Special Funds, above, (Part C, Line 13) representing PSCR overcollections and refundable contributions restricted per Michigan Public Service Commission Order in Case No. U-7901 (March 20, 1984)			
PSCR Overcollection	\$	316,980.00	
Refundable Contributions		25,735.13	
Total Amount Restricted .	\$	342,715.13	

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0037

PERIOD ENDED December, 2011 (Prepared with Audited Data)

BORROWER NAME Thumb Electric Cooperative of Michigan

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)

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(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.

Dallas Braun

3/14/12
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	18,165,273	18,798,820	19,027,940	1,628,024
2. Power Production Expense	62,395	66,861	72,860	4,564
3. Cost of Purchased Power	9,763,341	9,926,991	10,136,927	838,875
4. Transmission Expense	76,717	72,739	72,120	5,185
5. Regional Market Expense				
6. Distribution Expense - Operation	437,647	472,503	435,859	41,162
7. Distribution Expense - Maintenance	767,560	1,178,476	800,582	187,583
8. Customer Accounts Expense	660,150	585,575	621,295	45,990
9. Customer Service and Informational Expense	301,327	310,468	338,919	24,583
10. Sales Expense				
11. Administrative and General Expense	839,583	858,828	923,667	75,273
12. Total Operation & Maintenance Expense (2 thru 11)	12,908,720	13,472,441	13,402,229	1,223,215
13. Depreciation and Amortization Expense	1,774,322	1,828,570	1,818,900	154,481
14. Tax Expense - Property & Gross Receipts	676,957	689,439	717,120	31,530
15. Tax Expense - Other	15,000	21,000	36,000	(12,000)
16. Interest on Long-Term Debt	1,563,794	1,538,730	1,644,576	137,807
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	29,672	32,091	35,700	748
19. Other Deductions	1,978	1,977	1,980	165
20. Total Cost of Electric Service (12 thru 19)	16,970,443	17,584,248	17,656,505	1,535,946
21. Patronage Capital & Operating Margins (1 minus 20)	1,194,830	1,214,572	1,371,435	92,078
22. Non Operating Margins - Interest	45,411	47,708	43,104	3,944
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	49,401	73,498	55,584	9,772
25. Non Operating Margins - Other	13,803	(33,573)	8,280	2,641
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	112,969	96,719	108,000	8,030
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,416,414	1,398,924	1,586,403	116,465

RUS Financial and Operating Report Electric Distribution

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
	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	70	55	5. Miles Transmission	146.81	146.81
2. Services Retired	64	138	6. Miles Distribution - Overhead	1,983.86	1,987.82
3. Total Services in Place	12,905	12,762	7. Miles Distribution - Underground	16.59	16.68
4. Idle Services (Exclude Seasonals)	612	479	8. Total Miles Energized (5 + 6 + 7)	2,147.26	2,151.31

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	75,433,854	30. Memberships	161,495
2. Construction Work in Progress	470,148	31. Patronage Capital	19,257,411
3. Total Utility Plant (1 + 2)	75,904,002	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	23,236,637	33. Operating Margins - Current Year	1,214,572
5. Net Utility Plant (3 - 4)	52,667,365	34. Non-Operating Margins	184,351
6. Non-Utility Property (Net)	120,004	35. Other Margins and Equities	624,855
7. Investments in Subsidiary Companies	998,717	36. Total Margins & Equities (30 thru 35)	21,442,684
8. Invest. in Assoc. Org. - Patronage Capital	606,711	37. Long-Term Debt - RUS (Net)	12,681,552
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	12,141,876
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	830,930	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	8,522,989
12. Other Investments	78,307	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	263,951	42. Payments - Unapplied	0
14. Total Other Property & Investments (6 thru 13)	2,898,620	43. Total Long-Term Debt (37 thru 41 - 42)	33,346,417
15. Cash - General Funds	392,871	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	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	72,223
19. Notes Receivable (Net)	0	48. Accounts Payable	2,468,510
20. Accounts Receivable - Sales of Energy (Net)	2,673,757	49. Consumers Deposits	135,127
21. Accounts Receivable - Other (Net)	422,580	50. Current Maturities Long-Term Debt	1,627,720
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	859,606	52. Current Maturities Capital Leases	0
24. Prepayments	71,290	53. Other Current and Accrued Liabilities	908,538
25. Other Current and Accrued Assets	31,981	54. Total Current & Accrued Liabilities (47 thru 53)	5,212,118
26. Total Current and Accrued Assets (15 thru 25)	4,452,085	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	33,149
28. Other Deferred Debits	16,298	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	60,034,368
29. Total Assets and Other Debits (5+14+26 thru 28)	60,034,368		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011
PART D. NOTES TO FINANCIAL STATEMENTS	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE				BORROWER DESIGNATION MI0037			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION				PERIOD ENDED December, 2011			
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	52,196,248	1,921,551	629,638		53,488,161		
2. General Plant	4,103,858	303,524	291,501		4,115,881		
3. Headquarters Plant	921,242	23,715	3,031		941,926		
4. Intangibles	834				834		
5. Transmission Plant	8,968,236	70,889	25,062		9,014,063		
6. Regional Transmission and Market Operation Plant							
7. All Other Utility Plant	7,872,988				7,872,988		
8. Total Utility Plant in Service (1 thru 7)	74,063,406	2,319,679	949,232		75,433,853		
9. Construction Work in Progress	378,775	91,373			470,148		
10. Total Utility Plant (8 + 9)	74,442,181	2,411,052	949,232		75,904,001		
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	814,607	786,254		797,812	2,067	10,138	811,120
2. Other	40,621	121,996			113,324	(807)	48,486
PART G. SERVICE INTERRUPTIONS							
ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)		
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)			
1. Present Year	0.000	382.751	1.245	146.934	530.930		
2. Five-Year Average	0.000	307.666	2.930	165.548	476.144		
PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS							
1. Number of Full Time Employees	29	4. Payroll - Expensed	1,162,433				
2. Employee - Hours Worked - Regular Time	61,718	5. Payroll - Capitalized	775,868				
3. Employee - Hours Worked - Overtime	5,874	6. Payroll - Other	456,837				
PART I. PATRONAGE CAPITAL							
ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)				
1. Capital Credits - Distributions	a. General Retirements	50,000	2,303,301				
	b. Special Retirements	235,120	2,837,657				
	c. Total Retirements (a + b)	285,120	5,140,958				
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0					
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	34,728					
	c. Total Cash Received (a + b)	34,728					
PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE							
1. Amount Due Over 60 Days	\$ 535,796	2. Amount Written Off During Year	\$ 85,201				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION					BORROWER DESIGNATION MI0037				
INSTRUCTIONS - See help in the online application					PERIOD ENDED December, 2011				
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	Detroit Edison Company	5109			169,977,791	9,926,991	5.84		1,588,848
	Total				169,977,791	9,926,991	5.84		1,588,848

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0037	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2011	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0037	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0037	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/11/2011	2. Total Number of Members 12,287	3. Number of Members Present at Meeting 296	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 49	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 60,925	8. Does Manager Have Written Contract? Y

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 MI0037		
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)	12,681,552	641,710	295,915	937,625
2	National Rural Utilities Cooperative Finance Corporation	4,431,386	264,706	543,031	807,737
3	CoBank, ACB	4,091,603	196,800	380,565	577,365
4	Federal Financing Bank	12,141,876	435,514	230,047	665,561
5	RUS - Economic Development Loans				
6	Payments Unapplied				
	TOTAL	33,346,417	1,538,730	1,449,558	2,988,288

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0037		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2011		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	9,260	9,339	
	b. kWh Sold			125,903,659
	c. Revenue			14,632,545
2. Residential Sales - Seasonal	a. No. Consumers Served	2,083	2,025	
	b. kWh Sold			4,432,609
	c. Revenue			960,783
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	940	922	
	b. kWh Sold			27,188,001
	c. Revenue			2,951,994
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			
	b. kWh Sold			
	c. Revenue			
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10.	Total No. of Consumers (lines 1a thru 9a)	12,283	12,286	
11.	Total kWh Sold (lines 1b thru 9b)			157,524,269
12.	Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)			18,545,322
13.	Transmission Revenue			0
14.	Other Electric Revenue			253,498
15.	kWh - Own Use			363,263
16.	Total kWh Purchased			169,977,791
17.	Total kWh Generated			4,600
18.	Cost of Purchases and Generation			10,066,591
19.	Interchange - kWh - Net			0
20.	Peak - Sum All kW Input (Metered) Non-coincident <input type="checkbox"/> Coincident <input checked="" type="checkbox"/>			34,549

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE				BORROWER DESIGNATION MI0037		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION				PERIOD ENDED December, 2011		
INSTRUCTIONS - See help in the online application.						
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	742	134,433	468	2,916	269,879	1,610
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	5	35,599	184	67	61,648	412
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	747	170,032	652	2,983	331,527	2,022

RUS Financial and Operating Report Electric Distribution

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0037			
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.					
PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	Vacant Lot	12,000			
	Rental Home	108,004			
	Totals	120,004			
2	Investments in Associated Organizations				
	CFC, CoBank Patronage, CTCs		925,785		
	NISC, NRTC, RSC, MECA, Federated	361,857			
	Mbr Cap Sec	150,000			
	TEsC	998,717			
	Totals	1,510,574	925,785		
4	Other Investments				
	ERC Loans	78,307			
	Totals	78,307			
5	Special Funds				
	Billed Power Supply Over Recovery	234,156			
	Member Contributions	29,795			
	Totals	263,951			
6	Cash - General				
	General Fund	392,871			
	Totals	392,871			
9	Accounts and Notes Receivable - NET				
	W/H Billing	266,167			
	A/R Other	552,889			
	Bad Debt Reserve	(396,476)			
	Totals	422,580			
11	TOTAL INVESTMENTS (1 thru 10)	2,788,287	925,785		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0037			
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.					
PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (S) (c)	LOAN BALANCE (S) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0037			
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]					3.67 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				

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.

Report submitted for year ending: December 31, 2011																	
Present name of respondent: Thumb Electric Cooperative																	
Address of principal place of business: 2231 Main Street, Ubly, MI 48475																	
Utility representative to whom inquires regarding this report may be directed: <table><tr><td>Name:</td><td>A. James Philp</td><td>Title:</td><td>Office Services Manager</td></tr><tr><td>Address:</td><td colspan="3">2231 Main Street</td></tr><tr><td>City:</td><td>Ubly</td><td>State:</td><td>MI Zip: 48475</td></tr><tr><td>Direct Telephone, Include Area Code:</td><td colspan="3">XXX-XXX-XXX</td></tr></table>		Name:	A. James Philp	Title:	Office Services Manager	Address:	2231 Main Street			City:	Ubly	State:	MI Zip: 48475	Direct Telephone, Include Area Code:	XXX-XXX-XXX		
Name:	A. James Philp	Title:	Office Services Manager														
Address:	2231 Main Street																
City:	Ubly	State:	MI Zip: 48475														
Direct Telephone, Include Area Code:	XXX-XXX-XXX																
If the utility name has been changed during the past year: <table><tr><td>Prior Name:</td><td></td></tr><tr><td>Date of Change:</td><td></td></tr></table>		Prior Name:		Date of Change:													
Prior Name:																	
Date of Change:																	
Two copies of the published annual report to stockholders: <table><tr><td>[Mar-12]</td><td>were forwarded to the Commission</td></tr><tr><td>[]</td><td>will be forwarded to the Commission</td></tr><tr><td></td><td>on or about</td></tr></table>		[Mar-12]	were forwarded to the Commission	[]	will be forwarded to the Commission		on or about										
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	on or about																
Annual reports to stockholders: <table><tr><td>[]</td><td>are published</td></tr><tr><td>[May-12]</td><td>are not published</td></tr></table>		[]	are published	[May-12]	are not published												
[]	are published																
[May-12]	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:

DLARA/MPSC
Regulated Energy Division (Heather Cantin)
4300 W Saginaw
Lansing, MI 48917

RECEIVED
Michigan Public Service Commission

MAR 28 2012

**REGULATED ENERGY
DIVISION**

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
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STATEMENT OF CASH FLOWS		
<p>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.</p>		<p>2. Under "Other" specify significant amounts and group others.</p> <p>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.</p>
Line No.	Description (See Instructions for Explanation of Codes) (a)	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	See ATTACHED	
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 Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
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. 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			

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 18,710,999	\$ 18,116,257
Cash paid to suppliers and employees	(13,092,654)	(12,643,566)
Interest received	47,917	45,166
Interest paid	(1,460,344)	(1,594,200)
Taxes paid	(664,653)	(590,671)
	<u>3,541,265</u>	<u>3,332,986</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant	(2,237,767)	(2,231,195)
Plant removal costs	(15,204)	(267,771)
Net proceeds from sale of plant	-	-
Contributions in aid of construction	-	118,900
(Increase) decrease in:		
Materials inventory	(4,378)	3,075
Investments in associated organizations	(79,955)	(71,765)
Other assets/Restricted investments	(11,981)	2,652
Deferred credits	11,182	(20,585)
Rent income	7,500	11,838
	<u>(2,330,603)</u>	<u>(2,454,851)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	10,145,081	15,560,896
Payments on debt	(11,299,116)	(16,068,989)
Patronage capital credits paid	(98,450)	(148,884)
Proceeds from memberships issued	2,880	2,725
Increase (decrease) in consumer deposits	11,577	15,545
	<u>(1,238,028)</u>	<u>(638,707)</u>
Net cash used by financing activities		
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	<u>(27,366)</u>	<u>239,428</u>
CASH AND TEMPORARY CASH INVESTMENTS, beginning	<u>584,188</u>	<u>344,760</u>
CASH AND TEMPORARY CASH INVESTMENTS, ending	<u>\$ 556,822</u>	<u>\$ 584,188</u>

The accompanying notes are an integral part of these statements.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margins	\$ 1,398,924	\$ 1,416,414
Adjustments to reconcile net margins to net cash provided by Operating activities:		
Depreciation and amortization	1,832,715	1,778,467
Capital credits	(96,719)	(112,969)
(Gain)/Loss on disposal of electric plant	47,842	1,365
Rent income	(7,500)	(11,838)
(Increase) decrease in:		
Customer and other accounts receivable	(73,833)	(68,607)
Current and accrued assets – other	17,749	97,924
Deferred charges	13,351	12,648
Capital credits applied to accounts receivable	(35,849)	(12,694)
Increase (decrease) in:		
Accounts payable	387,398	239,820
Accrued property taxes	9,698	15,934
Accrued payroll and vacation	(4,981)	13,785
Accrued other	125,968	12,138
Equity in subsidiary	(73,498)	(49,401)
Total adjustments	<u>2,142,341</u>	<u>1,916,572</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,541,265</u>	<u>\$ 3,332,986</u>

The accompanying notes are an integral part of these statements.

Name of Respondent

Thumb Electric

This Report Is:

(1) ☒ An Original
(2) ☐ A ResubmissionDate of Report
(Mo, Da, Yr)

03-22-12

Year of Report

12-31-11

NONUTILITY PROPERTY (Account 121)

1. Give a brief description and state the location of nonutility property included in Account 121.
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.
3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.
4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.
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.

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 2416 EAST DAYTON CARO, MI 48723	\$12,000		\$12,000
2				
3				
4				
5				
6				
7				
8	RENTAL HOME 2434 EAST DAYTON CARO, MI 48723	\$145,142		\$147,936
9				
10				
11				
12				
13				
14				
15				
16				
17				
	TOTAL	157,142		159,936

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	
2	Accruals for Year, Charged to	35,787
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) - RENTAL HOME DEPRECIATION	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	4,145
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	39,932

Gen. Ledger a/c 421.00, Non-Operating Revenue

MBT, (deferred gain).	\$4,876
Rental Home	\$6,000
Air Advantage rent space on radio tower.	\$1,200
CPA Firm rent office lobby	\$300
Total	\$12,376

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
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INVESTMENTS (Accounts 123, 124, 136)

1. Report below the investments in Accounts 123, *Investments in Associated Companies*, 124, *Other Investment*, and 136, *Temporary Cash Investments*.

2. Provide a subheading for each account and list thereunder the information called for:

(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

in Account 124, *Other Investments*), state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, *Temporary Cash Investments*, also may be grouped by classes.

(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

Line No.	Description of Investment	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (b)		Purchases or Additions During Year (c)
		Original Cost	Book Value	
1	See ATTACHED			
2				
3				
4				
5				
6				
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8				
9				
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11				
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Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11		
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) Original Cost Book Value	Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
					1
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Dec 2011

Thumb Electric Cooperative
Attachment to page 222

Gen. Ledger a/c 123, 124 and 136	Beginning Balance	Additions	Dispositions	Year End Balance	Revenue for Year
CFC	\$885,689	\$29,634	\$25,486	\$889,837	\$29,634
NISC	\$66,708	\$8,031	\$906	\$73,833	\$8,031
NRTC	\$997	\$0	\$18	\$979	\$0
RESCO	\$145,069	\$13,924	\$20,663	\$138,330	\$13,924
Federated Insurance	\$129,248	\$13,795	\$13,658	\$129,385	\$13,795
Thumb Energy Services (includes 200 shares @ \$ 1.00 / share)	\$837,839	\$160,878 *		\$998,717	\$73,498
MECA, (building investment)	\$18,861	\$0	\$0	\$18,861	
CoBank	\$25,227	\$10,721	\$0	\$35,948	\$10,721
ERC Loans	\$79,972 **	\$24,000	\$25,666	\$78,306	
Coop Elevator	\$47	\$422	\$0	\$469	\$422
Commercial Paper	\$0			\$0	
CFC Member Capital Securities	\$0	\$150,000		\$150,000	\$11,250

* \$ 73,498 Thumb Energy Services profit, plus \$ 87,380
equity investment made on 03-16-11, as allowed by
MPSC, Case No. U-14778, approved on 08-22-06.

Name of Respondent Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report Dec. 31, 2011
NOTES AND ACCOUNTS RECEIVABLE SUMMARY FOR BALANCE SHEET				
Show separately by footnote the total amount of notes and accounts receivable from directors, officers, and employees included in Notes Receivable (Account 141) and Other Accounts Receivable (Account 143).				
Line No.	Accounts (a)	Balance Beginning of Year (b)	Balance End of Year (c)	
1	Notes Receivable (Account 141)			
2	Customer Accounts Receivable (Account 142)	3020,693	3,110,233	
3	Other Accounts Receivable (Account 143) (Disclose any capital stock subscriptions received)	414,584	382,580	
4	TOTAL			
5	Less: Accumulated Provision for Uncollectible Accounts-Cr. (Account 144)	390,096	396,476	
6	TOTAL, Less Accumulated Provision for Uncollectible Accounts	3,045,181	3,096,337	
7				
8				
9				
10				
11				
12				
13				
14				

ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNT-CR. (Account 144)						
1. Report below the information called for concerning this accumulated provision. 2. Explain any important adjustments of subaccounts. 3. Entries with respect to officers and employees shall not include items for utility services.						
Line No.	Item (a)	Utility Customers (b)	Merchandise Jobbing and Contract Work (c)	Officers and Employees (d)	Other (e)	Total (f)
1	Balance beginning of year	390,096				390,096
2	Prov. for uncollectibles for current year	90,000				90,000
3	Accounts written off	(85,201)	()	()	()	(85,201)
4	Coll. of accounts written off	1,254				1,581
5	Adjustments (explain):	1581				
6	Balance end of year	396,476				396,476
7						
8						
9						
10						
11						

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
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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						
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24						
25	TOTAL					

Name of Respondent Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
ALLOWANCES					
1. Report below the details called for concerning allowances. 2. Report all acquisitions of allowances at cost. 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. 4. Report the allowances transactions by the period they are first				eligible for use; the current year;s allowances in columns (b)-(c), allowances for the three succeeding years in column(d)-(f), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k). 5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.	
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 Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
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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
								2-4
								5
								6-8
								9
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								41-43
								44
								45
								46

Name of Respondent Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
LONG-TERM DEBT (Accounts 221, 222, 223 and 224)					
<p>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.</p> <p>2. In column (a), for new issues, give Commission authorization numbers and dates.</p> <p>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.</p> <p>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.</p> <p>5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.</p> <p>6. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p> <p>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.</p> <p>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.</p>					
Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give Commission Authorization numbers and dates)	Principal Amount of Debt Issued	Total Expense, Premium or Discount		
	(a)	(b)	(c)		
1	See ATtached				
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				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0037		
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)	12,681,552	641,710	295,915	937,625
2	National Rural Utilities Cooperative Finance Corporation	4,431,386	264,706	543,031	807,737
3	CoBank, ACB	4,091,603	196,800	380,565	577,365
4	Federal Financing Bank	12,141,876	435,514	230,047	665,561
5	RUS - Economic Development Loans				
6	Payments Unapplied				
	TOTAL	33,346,417	1,538,730	1,449,558	2,988,288

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
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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 amortization debited to Account 428, Amortization of Debt-Discount 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)			
		N/A				1
						2
						3
						4
						5
						6
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Name of Respondent <i>Thumb Electric</i>		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) <i>03-22-12</i>	Year of Report <i>12-31-11</i>	
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	<i>Line of credit</i>	<i>837,838</i>	<i>10,016,695</i>	<i>9,251,080</i>	<i>72,223</i>	<i>32,091</i>
2						
3						
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22						
23						
	TOTAL	<i>837,838</i>	<i>10,016,695</i>	<i>9,251,080</i>	<i>72,223</i>	<i>32,091</i>

Name of Respondent <i>Thumb Electric</i>	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) <i>03-22-12</i>	Year of Report <i>12-31-11</i>
RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES			
<p>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.</p> <p>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.</p>			
Line No.		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	<i>N/A</i>	
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 Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (Continued)			
<p>3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2</p> <p>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.</p>			
Utility	Other	Line No.	
N/A		1	
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Name of Respondent Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)					
<p>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.</p> <p>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).</p> <p>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.)</p>					
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	Sale of Pickup	30,537		1800	
3					
4					
5					
6					
7					
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15					
16					
17	Total Gain	30537		1800	

Name of Respondent Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 03-23-12	Year of Report 12-31-11
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	MAIN frame computer	120,282			48,797
21	Replnce office parking lot	3,031			505
22					
23	office PC equipment	6,143			340
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss				

Name of Respondent Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES					
<p>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</p>				<p>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.</p> <p>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.</p> <p>3. Designate with an asterisk associated companies.</p>	
Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	See ATTACHED				
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35					

Dec 2011

Thumb Electric Cooperative
Attachment to page 357

Outside Services & Consulting

	Service	Basis of Charge	G/L A/C	Amount
James Woodworth 263 East Huron Bad Axe, MI 48413	Attorney	Retainer	923.01	\$11,900
Dykema 400 Renaissance Detroit, MI 48243	Regulatory Legal		923.02	\$0
Power System Eng. 2000 Engel St. Madison, WI 53713	Engineering	Bid	923.02 923.04	\$4,962 \$0
Harris Group 731 South Garfield Traverse City, MI 49686	Auditing	Bid	923.03	\$26,421
Hiring Solutions Okemos, MI	Consulting	Aptitude Assess.	923.02	\$1,194
Total				\$44,477

Name of Respondent <i>Thumb Electric</i>		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) <i>03-22-12</i>	Year of Report <i>12-31-11</i>
SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES					
<p>1. In column (a) report the name of the associated company, services provided (administrative and general expenses, dividends declared, etc.).</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>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)
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TOTAL					

Name of Respondent <i>Thumb Electric</i>		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) <i>03-22-11</i>	Year of Report <i>12-31-11</i>	
SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)						
<p>5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.</p> <p>6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.</p> <p>7. In column (j) report the total.</p> <p>8. In column (k) indicate the pricing method (cost, per contract terms, etc.)</p>						
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.
	<i>see</i>	<i>ATTACHED</i>				1
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Dec 2011

Thumb Electric Cooperative
Attachment to sheets 358 & 359

Costs billed to associated companies			Amt. To Operating Income	Amt. To Balance Sheet	Total	Pricing Method
Affiliation	Description	A/C No.				
Thumb Energy Services	Subsidiary Payroll & 100% Overhead		\$0	143.02 \$104,704	\$104,704	Cost
Thumb Energy Services	100% Facility Lease	921.00 549.00 549.10	\$1,500	\$0	\$1,500	Contract
Thumb Energy Services	100% Share of heat, lights, supplies & bldg depr		\$4,751	\$0	\$4,751	
Total			\$6,251	\$104,704	\$110,955	

Name of Respondent Thymb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-11	Year of Report 12-31-11
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SUMMARY OF COSTS BILLED FROM 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					
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TOTAL					

See ATTACHED

Name of Respondent Thumb Electric	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 03-22-12	Year of Report 12-31-11
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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.
	see	ATTACHED				1
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Dec 2011

Thumb Electric Cooperative
Attachment to sheets 360 & 361

Costs billed from associated companies

		Amt. To Operating Income	A/C No.	Amt. To Balance Sheet	Total	Pricing Method
Affiliation	Description					
Thumb Energy Services	Subsidiary LP Customer	\$0	232.17	\$1,325,123	\$1,325,123	Cost
100%	Bill Payments					

Subsidiary billing is a separate process and does not impact Thumb Electric general ledger.

Subsidiary bill payments are processed together with parent bill payments. Software sets a liability entry to general ledger a/c 232.17 each day for amount of subsidiary payments.



HARRIS GROUP

Certified Public Accountants

March 3, 2012

To the Board of Directors
Thumb Electric Cooperative of Michigan

We have audited the financial statements of Thumb Electric Cooperative of Michigan for the year ended December 31, 2011, and have issued our report thereon dated March 3, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Thumb Electric Cooperative of Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the unbilled revenue is based on information obtained from the cycle billing process. We evaluated the key factors and assumptions used to develop the unbilled revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2012.

Management Consultations with Other Independent Accountants

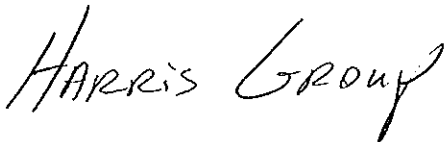
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Thumb Electric Cooperative of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "HARRIS GROUP". The signature is written in dark ink and is positioned above the printed name of the firm.

Certified Public Accountants

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters	20

**THUMB ELECTRIC COOPERATIVE OF MICHIGAN
BOARD OF DIRECTORS
DECEMBER 31, 2011**

Louis Wenzlaff	President
Donald Wolschleger	Vice President
Beth McDonald	Secretary
Leonard Briolat	Treasurer
Carl Cousins	Director
Karl DeSimpelare	Director
Randall Dhyse	Director
Kim Nunn	Director
Duane Kursinsky	Director



HARRIS GROUP

Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Thumb Electric Cooperative of Michigan
Ubyly, Michigan

We have audited the accompanying balance sheets of **Thumb Electric Cooperative of Michigan** as of December 31, 2011 and 2010, and the related statements of revenue, equity, and cash flows for the years then ended. These financial statements are the responsibility of **Thumb Electric Cooperative's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Generally accepted accounting principles require that all majority-owned subsidiaries be included in financial statements with the parent corporation. If the financial statements of the company had been consolidated with its majority-owned subsidiaries, total assets and total liabilities would have increased by \$1,283,918 and \$1,404,227 as of December 31, 2011 and 2010, respectively.

In our opinion, except for the effects of not including the wholly owned subsidiary's activity, the financial statements referred to above present fairly, in all material respects, the financial position of **Thumb Electric Cooperative of Michigan** as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2012, on our consideration of **Thumb Electric Cooperative's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

HARRIS GROUP

March 3, 2012

	<u>2011</u>	<u>2010</u>
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 161,495	\$ 158,615
Patronage capital	20,656,335	19,565,817
Other equities	<u>624,854</u>	<u>443,945</u>
TOTAL EQUITIES	<u>21,442,684</u>	<u>20,168,377</u>
LONG-TERM DEBT, NET OF CURRENT MATURITIES:		
Mortgage notes from Rural Utilities Service and Federal Financing Bank	24,823,427	24,283,620
Mortgage notes from National Rural Utilities Cooperative Finance Corporation	4,431,386	4,996,116
Loan from CoBank	<u>4,091,604</u>	<u>4,472,169</u>
TOTAL LONG-TERM DEBT	<u>33,346,417</u>	<u>33,751,905</u>
CURRENT LIABILITIES:		
Current maturities of long-term debt	1,486,667	1,469,600
Note payable – line of credit	72,223	837,837
Accounts payable:		
Purchased power	1,676,499	1,648,890
Subsidiary	336	12,341
Other	790,190	418,396
Accrued property taxes	526,087	516,389
Accrued payroll and vacation	281,107	286,088
Customer deposits	135,127	123,550
Other	<u>243,880</u>	<u>117,913</u>
TOTAL CURRENT LIABILITIES	<u>5,212,116</u>	<u>5,431,004</u>
DEFERRED CREDITS	<u>33,149</u>	<u>21,967</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 60,034,366</u>	<u>\$ 59,373,253</u>

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
STATEMENTS OF REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
OPERATING REVENUES	\$ 18,798,820	\$ 18,165,273
OPERATING EXPENSES:		
Cost of power	9,993,852	9,825,737
Transmission	72,738	76,717
Distribution -- operations	472,502	437,646
Distribution -- maintenance	1,178,476	767,560
Customer accounts	896,044	961,477
Administrative and general	858,828	839,584
Depreciation	1,828,570	1,774,322
Taxes -- property	689,439	676,957
Taxes -- other	21,000	15,000
TOTAL OPERATING EXPENSES	16,011,449	15,375,000
OPERATING MARGINS BEFORE FIXED CHARGES	2,787,371	2,790,273
FIXED CHARGES:		
Interest on long-term debt	1,540,707	1,565,771
Other interest	32,091	29,672
TOTAL FIXED CHARGES	1,572,798	1,595,443
OPERATING MARGINS AFTER FIXED CHARGES	1,214,573	1,194,830
CAPITAL CREDITS	96,719	112,969
NET OPERATING MARGINS	1,311,292	1,307,799
NON-OPERATING MARGINS:		
Interest	47,707	45,411
Income (loss) from subsidiary	73,498	49,401
Other income (loss)	(33,573)	13,803
TOTAL NON-OPERATING MARGINS	87,632	108,615
NET MARGINS	\$ 1,398,924	\$ 1,416,414

The accompanying notes are an integral part of these statements.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
STATEMENT OF EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Memberships	Patronage Capital	Other equities	Total
Balance, January 1, 2010	\$ 155,890	\$ 18,366,287	\$ 388,639	\$ 18,910,816
Memberships issued	2,725			2,725
Other equity transactions		48,742	5,905	54,647
Retirement of capital credits		(216,225)		(216,225)
Current year margins		1,367,013	49,401	1,416,414
Balance, December 31, 2010	158,615	19,565,817	443,945	20,168,377
Memberships issued	2,880			2,880
Other equity transactions		50,212	107,411	157,623
Retirement of capital credits		(285,120)		(285,120)
Current year margins		1,325,426	73,498	1,398,924
Balance, December 31, 2011	\$ 161,495	\$ 20,656,335	\$ 624,854	\$ 21,442,684

The accompanying notes are an integral part of these statements.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 18,710,999	\$ 18,116,257
Cash paid to suppliers and employees	(13,092,654)	(12,643,566)
Interest received	47,917	45,166
Interest paid	(1,460,344)	(1,594,200)
Taxes paid	(664,653)	(590,671)
	<u>3,541,265</u>	<u>3,332,986</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction and acquisition of plant	(2,237,767)	(2,231,195)
Plant removal costs	(15,204)	(267,771)
Net proceeds from sale of plant	-	-
Contributions in aid of construction	-	118,900
(Increase) decrease in:		
Materials inventory	(4,378)	3,075
Investments in associated organizations	(79,955)	(71,765)
Other assets/Restricted investments	(11,981)	2,652
Deferred credits	11,182	(20,585)
Rent income	7,500	11,838
	<u>(2,330,603)</u>	<u>(2,454,851)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	10,145,081	15,560,896
Payments on debt	(11,299,116)	(16,068,989)
Patronage capital credits paid	(98,450)	(148,884)
Proceeds from memberships issued	2,880	2,725
Increase (decrease) in consumer deposits	11,577	15,545
	<u>(1,238,028)</u>	<u>(638,707)</u>
Net cash used by financing activities		
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	(27,366)	239,428
CASH AND TEMPORARY CASH INVESTMENTS, beginning	584,188	344,760
CASH AND TEMPORARY CASH INVESTMENTS, ending	<u>\$ 556,822</u>	<u>\$ 584,188</u>

The accompanying notes are an integral part of these statements.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Continued)

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margins	\$ 1,398,924	\$ 1,416,414
Adjustments to reconcile net margins to net cash provided by Operating activities:		
Depreciation and amortization	1,832,715	1,778,467
Capital credits	(96,719)	(112,969)
(Gain)/Loss on disposal of electric plant	47,842	1,365
Rent income	(7,500)	(11,838)
(Increase) decrease in:		
Customer and other accounts receivable	(73,833)	(68,607)
Current and accrued assets – other	17,749	97,924
Deferred charges	13,351	12,648
Capital credits applied to accounts receivable	(35,849)	(12,694)
Increase (decrease) in:		
Accounts payable	387,398	239,820
Accrued property taxes	9,698	15,934
Accrued payroll and vacation	(4,981)	13,785
Accrued other	125,968	12,138
Equity in subsidiary	(73,498)	(49,401)
Total adjustments	<u>2,142,341</u>	<u>1,916,572</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,541,265</u>	<u>\$ 3,332,986</u>

The accompanying notes are an integral part of these statements.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by Thumb Electric Cooperative of Michigan, which have a significant effect on the financial statements.

Organization

Thumb Electric Cooperative of Michigan (Thumb) is exempt from Federal income taxes under Section 501(c)(12) of the Internal Revenue Code. The financial statements have been prepared in conformity with generally accepted accounting principles and in accordance with Rural Utilities Service (RUS) guidelines. Thumb is subject to the Michigan Business Tax of the State of Michigan.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Electric Plant

Property and equipment are carried at cost. Depreciation for financial reporting purposes is determined by straight-line composite rates based on the applicable RUS guidelines. The overall composite rates for 2011 and 2010 were 2.604%. When utility plant assets are retired, the cost of such assets is charged to accumulated depreciation as well as any gain or loss on disposal. Maintenance and repair expenses of plant assets are charged to operating expense as incurred.

Investments

Investments in associated organizations are stated at cost adjusted for patronage allocations. Of the capital credits earned, \$80,641 and \$55,881 were received in cash in 2011 and 2010, respectively.

Cash

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of 30 days or less to be temporary cash investments (See Note 7).

Accounts receivable

Accounts receivable consist primarily of amounts due from members for electric service. An allowance for doubtful accounts has been estimated based on collection history. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approves all accounts charged off.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Materials and Supplies

Electrical materials and supplies are valued at the lower of market value or average cost.

Rate Matters

The Cooperative accrues revenues for electric power supply costs, subject to annual reconciliation hearings conducted before the Michigan Public Service Commission (MPSC). The Cooperative records any over-recovery or under-recovery of purchased power costs as a liability or an asset until these costs are refunded or billed to its customers.

On October 30, 1984, the MPSC issued an order authorizing the Cooperative to implement a Times Interest Earned Ratio (TIER) ratemaking mechanism. Under TIER ratemaking, the Cooperative is required to make biannual filings to the MPSC indicating whether or not their rates need adjustment.

The MPSC did approve a rate change with the approval of U-15669-R, dated September 14, 2010 which went into effect in October 2010.

NOTE 2: SHORT TERM INVESTMENTS - RESTRICTED

On March 20, 1984, the Michigan Public Service Commission issued its opinion and order in Case No. U-7901, directing Michigan's Rural Electric Cooperatives to maintain power supply cost recovery over-collections and refundable contributions in restricted accounts to be used only for the purpose for which they are intended.

In order to accomplish the objectives of the Commission, Rural Utility Service (RUS) accounting and reporting requirements, a non-complex mechanism acceptable to Cooperative Finance Corporation (CFC) and a workable approach acceptable to Thumb Electric Cooperative of Michigan, Thumb, on December 17, 1985, entered into an agreement with CFC to escrow power supply cost recovery over-collections and refundable contributions. A monthly certification is to be included with the monthly Form 7 advising RUS as to amounts included in the special funds representing power supply recovery over-collections and refundable contributions.

Thumb Electric Cooperative of Michigan is to provide CFC a copy of the monthly certification described above which will serve as notice to CFC as to the amount which the fund should not fall below. Under the provisions of the agreement with CFC when the amount of deposits held by CFC falls below the level set forth in the latest available certification furnished CFC, CFC will advise RUS and the Commission if Thumb Electric Cooperative has not remedied the deficiency within three business days of notification by CFC to Thumb Electric Cooperative of Michigan.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SHORT TERM INVESTMENTS - RESTRICTED - Continued

The following is a summary of the cash amounts restricted as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Construction advances	\$ 33,149	\$ 18,567
Customer deposits	135,127	123,550
PSCR payable	<u>221,517</u>	<u>233,476</u>
	389,793	375,593
Difference in required investment excess/(under) invested	<u>(289,793)</u>	<u>(290,593)</u>
Total funds restricted	<u>\$ 100,000</u>	<u>\$ 85,000</u>

NOTE 3: RECLASSIFICATION OF AMOUNTS

Certain amounts previously reported have been reclassified to conform to the 2011 presentation.

NOTE 4: ASSETS PLEDGED

Substantially all assets are pledged as collateral on long-term debt payable to the Rural Utilities Service (RUS) of the United States of America, Federal Financing Bank (FFB) and the National Rural Utilities Cooperative Finance Corporation (CFC).

NOTE 5: ELECTRIC PLANT AND DEPRECIATION RATES AND PROCEDURES

Electric plant in service consists of the following:

	<u>2011</u>	<u>2010</u>
Distribution	\$ 53,488,163	\$ 52,196,249
Transmission	9,014,061	8,968,233
Production	7,872,989	7,872,989
General	5,057,806	5,025,099
Intangible	<u>834</u>	<u>834</u>
Total	<u>\$ 75,433,853</u>	<u>\$ 74,063,404</u>

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 5: ELECTRIC PLANT AND DEPRECIATION RATES AND PROCEDURES - continued

Depreciation consists of the following:

	<u>2011</u>	<u>2010</u>
Charged to operations:		
Classified as depreciation	\$ 1,828,570	\$ 1,774,322
Classified in other operating expenses	<u>4,145</u>	<u>4,145</u>
	1,832,715	1,778,467
Charged to construction	<u>140,974</u>	<u>146,253</u>
Total	<u>\$ 1,973,689</u>	<u>\$ 1,924,720</u>

NOTE 6: INVESTMENTS IN ASSOCIATED ORGANIZATIONS

Investments in associated organizations consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
National Rural Utilities Cooperative		
Finance Corporation:		
Capital term certificates	\$ 657,698	\$ 668,366
Patronage capital credits	228,768	213,951
Member capital securities	150,000	150,000
Membership fee	<u>2,000</u>	<u>2,000</u>
	1,038,466	1,034,317
National Information Solutions Coop-		
Patronage capital credits	73,833	66,708
Michigan Electric Cooperative		
Association	18,861	18,861
Federated Insurance	129,385	129,248
Investment in associated company	998,718	837,840
Other	<u>177,095</u>	<u>172,710</u>
Total	<u>\$ 2,436,358</u>	<u>\$ 2,259,684</u>

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 6: INVESTMENTS IN ASSOCIATED ORGANIZATIONS - continued

The following is a schedule of investment in associated company:

	<u>Thumb Energy Services Corp.</u>
Initial Contribution	\$ 100
Investment advances, to date as of 12/31/2010	755,817
Undistributed income, to date as of 12/31/2010	<u>81,923</u>
Book value December 31, 2010	837,840
Investment advances in 2011	87,380
Undistributed income in 2011	<u>73,498</u>
Book value, December 31, 2011	<u><u>\$ 998,718</u></u>

Thumb Energy Services Corporation provides propane services. Thumb Electric Cooperative owns 100% of the outstanding stock and accounts for its investment using the equity method.

NOTE 7: CASH AND INVESTMENTS

Statements of Financial Accounting Standards (SFAS) No. 105 require disclosure of significant concentrations of credit risk arising from cash deposits in excess of federally insured limits.

	<u>Per Institution</u>
Insured	\$ 250,000
Uninsured	<u>353,321</u>
Subtotal	603,321
In-transit transactions	(47,099)
Investments in CFC	100,000
Working funds	<u>600</u>
	<u><u>\$ 656,822</u></u>
Cash and temporary cash investments	\$ 556,822
Amounts restricted (Note 2)	<u>100,000</u>
Total Cash Per Books	<u><u>\$ 656,822</u></u>

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 8: DEFERRED CHARGES AND CREDITS

Following is a summary of the amounts recorded as deferred charges as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Other deferred charges	\$ 16,298	\$ 29,649

Following is a summary of the amounts recorded as deferred credits as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Line extension contributions	\$ 29,795	\$ 14,952
Underground contributions	3,354	3,615
Deferred gain on MBT credit		3,400
Total	<u>\$ 33,149</u>	<u>\$ 21,967</u>

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 9: MORTGAGE NOTES

	<u>2011</u>	<u>2010</u>
RUS and FFB mortgage notes payable in equal monthly or quarterly installments including interest at .057% - 5.625% maturing to the year 2042, secured by utility plant assets	\$ 25,749,288	\$ 25,214,113
NRUCFC mortgage notes payable in equal quarterly installments including interest at 3.35% – 6.75%, maturing to the year 2031, secured by utility plant assets	4,992,193	5,535,223
COBANK mortgage notes payable in equal quarterly installments including interest at 3.05% – 4.22 % maturing to the year 2027, secured by utility plant assets	<u>4,091,603</u>	<u>4,472,169</u>
	34,833,084	35,221,505
Less current maturities of long-term debt	<u>1,486,667</u>	<u>1,469,600</u>
	<u>\$ 33,346,417</u>	<u>\$ 33,751,905</u>

As of December 31, 2011, approximate annual maturities of long-term debt outstanding for the next five years are as follows:

	<u>RUS and FFB</u>	<u>NRUCFC</u>	<u>COBANK</u>	<u>Total</u>
2012	\$ 527,241	\$ 560,807	\$ 398,619	\$ 1,486,667
2013	554,102	584,160	418,927	1,557,189
2014	582,330	606,093	440,269	1,628,692
2015	611,997	306,593	462,699	1,381,289
2016	643,174	307,250	486,271	1,436,695
Thereafter	<u>22,830,444</u>	<u>2,627,290</u>	<u>1,884,818</u>	<u>27,342,552</u>
	<u>\$ 25,749,288</u>	<u>\$ 4,992,193</u>	<u>\$ 4,091,603</u>	<u>\$ 34,833,084</u>

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 9: MORTGAGE NOTES - continued

Unadvanced loans at December 31, 2011 and 2010 consisted of the following:

	2011	2010
Rural Utilities Service/FFB	\$ 7,600,000	\$ 8,600,000
National Rural Utilities Cooperative Finance Corporation	-0-	-0-

Line of credit consists of the following:

	2011	2010
NRUCFC line of credit (perpetual)		
Available at December 31	\$ 4,927,777	\$ 4,762,163
Outstanding at December 31	72,223	237,837
Rate at December 31	3.20%	4.25%
NRUCFC line of credit (expiration August 2011)		
Available at December 31	\$ 500,000	\$ 500,000
Outstanding at December 31	-0-	-0-
Rate at December 31	3.20%	4.25%
CoBank line of credit		
Available at December 31	\$ 5,000,000	\$ 4,300,000
Outstanding at December 31	-0-	600,000
Rate at December 31	3.05%	3.52%
Northstar Bank line of credit		
Available at December 31	\$ 2,000,000	\$ -
Outstanding at December 31	-0-	-0-
Rate at December 31	3.45%	N/A

Condition number 9 of the line of credit agreement requires that when the agreement is for a term of more than twelve months, then within 360 days of the first advance, the cooperative will reduce to zero for a period of at least five consecutive business days amounts outstanding. The Cooperative was in compliance with this requirement for 2011 and 2010.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 10: RETIREMENT PLAN

Retirement plan benefits for substantially all employees are provided through participation in a retirement and security program (defined benefit plan) and savings plan (cash or deferred arrangements) of the National Rural Electric Cooperative Association (NRECA) and its member systems. The income earned by funds while held under the plans is qualified under Code Section 401 and tax-exempt under Code Section 501(a) of the Internal Revenue Code. The retirement and security program provides benefits to employees based on years of service and the highest five years of compensation for the last ten years of employment.

Contributions to the retirement and security program, which are determined by the NRECA, were \$466,490 and \$472,606 in 2011 and 2010, respectively. Contributions to the savings program, which are based on a percentage of the employees' compensation, were \$20,495 in 2011 and \$12,037 in 2010.

NOTE 11: PATRONAGE CAPITAL

Patronage capital consisted of the following at December 31, 2011 and 2010:

	2011	2010
Assignable margins	\$ 1,325,426	\$ 1,367,013
Sales tax refund assignable	50,212	48,742
Assignable to date	<u>24,399,921</u>	<u>22,984,166</u>
	<u>25,775,559</u>	<u>24,399,921</u>
Less-		
Estate payments to date	2,713,944	2,579,469
Called for redemption to date	2,304,635	2,254,635
Discounted capital	<u>100,645</u>	<u>-0-</u>
	<u>5,119,224</u>	<u>4,834,104</u>
Total	<u>\$ 20,656,335</u>	<u>\$ 19,565,817</u>

Under the provisions of the Mortgage Agreements, until the equities and margins equal or exceed thirty percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to twenty-five percent of the patronage capital or margins received by the Cooperative in the next preceding year. The equities and margins of Thumb represent 35.72% and 33.96% percent of the total assets at December 31, 2011 and 2010.

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 12: MEMBERSHIPS AND OTHER EQUITIES

At December 31, 2011 and 2010, other equities consisted of:

	<u>2011</u>	<u>2010</u>
Non-operating margins	\$ 30,545	\$ 30,545
Retained earnings from subsidiary	155,421	81,925
Capital gains and losses	3,137	3,137
Donated capital	1,160	523
Retired capital credits-gain	<u>434,591</u>	<u>327,815</u>
	<u>\$ 624,854</u>	<u>\$ 443,945</u>

Memberships issued by the Cooperative during 2011 amounted to \$2,880 from 588 new members.

The Cooperative started discounting the retirement of estate capital credits during 2011. This amounted to approximately \$100,000 during 2011.

NOTE 13: NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing activities for 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Capital credits from associated organization	\$ 96,719	\$ 112,969
Income from subsidiary	73,498	49,401
Materials salvaged from retirements	-0-	-0-
Capitals credits applied to:		
Bad Debts	1,495	-0-
Accounts receivable	35,849	12,694

THUMB ELECTRIC COOPERATIVE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 14: COMMITMENTS AND CONTINGENCIES

Under its wholesale power agreements, the Cooperative has a contractual agreement to purchase its power and energy requirements from The Detroit Edison Company, on a firm and interruptible basis. The contract expires in October 2012. As well, the Cooperative retains the capability to generate certain amounts of its own electricity, should the need arise. The rates paid for such purchases are subject to periodic review and approval of the Federal Energy Regulatory Commission.

On May 20, 2000 Thumb Electric Cooperative of Michigan (Guarantor), agreed to guarantee 100% of line of credit loan and term loan advances obtained by Thumb Energy Services (Applicant) (see Note 15), from the National Cooperative Services Corporation (NCSC) in an amount not to exceed \$2,000,000 in total outstanding and at such interest rate or rates as shall be prescribed in the note or notes executed by and on behalf of the Applicant and delivered to NCSC, the proceeds of such loan to be used for general corporate purposes.

NOTE 15: RELATED PARTY TRANSACTIONS

Thumb Energy Services Corporation is wholly owned subsidiary of Thumb Electric Cooperative of Michigan (Thumb). At December 31, 2011 and 2010, Thumb reflected receivable (payable) in the amount of \$(336) and \$(12,341). At December 31, 2011 and 2010, Thumb has included in Investments in Associated Organizations – Other, the net investment in Thumb Energy Services Corporation in the amount of \$998,718 and \$837,840 respectively.

Thumb Electric Cooperative of Michigan has furnished personnel, office space, and other necessary operating facilities such as computer time for Thumb Energy Services' operations. Thumb Energy Services reimbursed Thumb Electric Cooperative \$82,366 and \$87,380 for the year ended December 31, 2011 and 2010, respectively, for these services.

NOTE 16: FEDERAL INCOME TAX

Management believes that positions taken during prior years and to be taken in 2011 in reporting federal taxable income for the Cooperative are not controversial and have a high degree of being sustained upon an examination by the taxing authority.

NOTE 17: SUBSEQUENT EVENTS

Management has evaluated subsequent as they relate to the financial statements through March 3, 2012.



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Certified Public Accountants

AUDITORS' CERTIFICATION REGARDING LOAN FUND EXPENDITURES

During the period of this audit, Thumb Electric Cooperative received \$-0- in long-term loan fund advances from CFC on loans controlled by the RUS/CFC Mortgage and Loan Agreement.

HARRIS GROUP

Certified Public Accountants
March 3, 2012



HARRIS GROUP

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

March 3, 2012

To the Board of Directors
Thumb Electric Cooperative of Michigan
Udly, Michigan

We have audited the financial statements of Thumb Electric Cooperative of Michigan for the year ended December 31, 2011, and have issued our report thereon dated March 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Thumb Electric Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Thumb Electric Cooperative internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Thumb Electric Cooperative's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specific parties.

HARRIS GROUP

Certified Public Accountants
Traverse City, Michigan
March 3, 2012

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