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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, 2013 (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)

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 Bran

3/19/14
DATE

RUS Financial and Operating Report Electric Power Supply

Revision Date 2013

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FINANCIAL ANALYSIS AND
AUDIT DIVISION

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE						BORROWER DESIGNATION MI0037						
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT						PLANT Caro						
INSTRUCTIONS - See help in the online application.						PERIOD ENDED December, 2013						
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	1,313	.82				1	8,759			1	
2.	2	1,313						8,760				
3.	3	1,313	.80				1	8,759			1	
4.	4	1,550	.75				1	8,759			1	
5.	5	2,000	1.28				1	8,759			2	
6.	Total	9,489	4.65	0.00	0.00		5	52,555	0	0	7	
7.	Average BTU		139,498.92				Station Service (MWh)				(382.90)	98,283.31
8.	Total BTU (10 ⁶)		648.67			648.67	Net Generation (MWh)				389.50	
9.	Total Del. Cost (\$)						Station Service % of Gross				(5,801.52)	1,655.39
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)	1	5.	Maintenance Plant Payroll (\$)	192	1.	Load Factor (%)	0.00%				
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)	70,678	2.	Plant Factor (%)	0.01%				
3.	Total Employee Hours Worked	2,197	7.	Total Plant Payroll (\$)	74,018	3.	Running Plant Capacity Factor (%)	80.72%				
4.	Operating Plant Payroll (\$)	3,148				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	335									
2.	Fuel, Oil	547.1	1,399		2.15							
3.	Fuel, Gas	547.2	0		0.00							
4.	Fuel, Other	547.3	0		0.00							
5.	Energy for Compressed Air	547.4	0		0.00							
6.	Fuel SubTotal (2 thru 5)	547	1,399	3.59	2.15							
7.	Generation Expenses	548	802									
8.	Miscellaneous Other Power Generation Expenses	549	6,002									
9.	Rents	550	0									
10.	Non-Fuel SubTotal (1 + 7 thru 9)		7,139		18.32							
11.	Operation Expense (6 + 10)		8,538		21.92							
12.	Maintenance, Supervision and Engineering	551	0									
13.	Maintenance of Structures	552	683									
14.	Maintenance of Generating and Electric Plant	553	38									
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	289									
16.	Maintenance Expense (12 thru 15)		1,010		2.59							
17.	Total Production Expense (11 + 16)		9,548	24.51								
18.	Depreciation	403.4, 411.10	57,422									
19.	Interest	427	8,244									
20.	Total Fixed Cost (18 + 19)		65,666		168.59							
21.	Power Cost (17 + 20)		75,214		193.10							
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 <div style="text-align: right;">MI0037</div>					
INSTRUCTIONS - See help in the online application.						PLANT <div style="text-align: right;">Caro</div>					
						PERIOD ENDED <div style="text-align: right;">December, 2013</div>					

SECTION A. INTERNAL COMBUSTION GENERATING UNITS												
NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					BTU PER kWh (f)
			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	1.00				1	8,759			2	
2.												
3.												
4.												
5.												
6.	Total											
7.	Average BTU						Station Service (MWh)					
8.	Total BTU (10 ⁶)						Net Generation (MWh)					
9.	Total Del. Cost (\$)						Station Service % of Gross					

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 ubly PERIOD ENDED December, 2013
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	0.00	0.00	0.00		0	78,840	0	0	0	
7.	Average BTU						Station Service (MWh)				(301.10)	0.00
8.	Total BTU (10 ⁶)					0.00	Net Generation (MWh)				301.10	
9.	Total Del. Cost (\$)						Station Service % of Gross				0.00	0.00

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)	1	5.	Maintenance Plant Payroll (\$)	611	1.	Load Factor (%)	0.00%
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)	71,314	2.	Plant Factor (%)	
3.	Total Employee Hours Worked	2,172	7.	Total Plant Payroll (\$)	72,664	3.	Running Plant Capacity Factor (%)	0.00%
4.	Operating Plant Payroll (\$)	739				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	948		
2.	Fuel, Oil	547.1	0		0.00
3.	Fuel, Gas	547.2	140		0.00
4.	Fuel, Other	547.3	0		0.00
5.	Energy for Compressed Air	547.4	0	0.00	
6.	Fuel SubTotal (2 thru 5)	547	140	.46	0.00
7.	Generation Expenses	548	40		
8.	Miscellaneous Other Power Generation Expenses	549	5,045		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		6,033	20.03	
11.	Operation Expense (6 + 10)		6,173	20.50	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	904		
14.	Maintenance of Generating and Electric Plant	553	86		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	1,302		
16.	Maintenance Expense (12 thru 15)		2,292	7.61	
17.	Total Production Expense (11 + 16)		8,465	28.11	
18.	Depreciation	403.4, 411.10	18,137		
19.	Interest	427	16,491		
20.	Total Fixed Cost (18 + 19)		34,628	115.00	
21.	Power Cost (17 + 20)		43,093	143.11	

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 Ugly					
						PERIOD ENDED December, 2013					
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.	6	1,542						8,760			
2.	7	2,500						8,760			
3.	8	2,250						8,760			
4.	9	1,500						8,760			
5.											
6.	Total										
7.	Average BTU							Station Service (MWh)			
8.	Total BTU (10 ⁶)							Net Generation (MWh)			
9.	Total Del. Cost (\$)							Station Service % of Gross			
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)	S/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)											

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Total Hours Worked	211	160	162	161	210	169	177	233	162	207	185	160	2197
Oper Plant Payroll	32	16	225	449	1011	1171	-289	289		112		132	3148
Maint Plant Payroll	96	96	0										192
Other Acct Plant Payroll	6976	5021	4992	4732	5913	4395	6358	8144	5217	6642	7096	5192	70678
Total Plant Payroll	7104	5133	5217	5181	6924	5566	6069	8433	5217	6754	7096	5324	74018

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Total Hours Worked	216	160	160	160	201	168	174	227	170	200	176	160	2172
Oper Plant Payroll	64	32	32		289	289	-96	32	32	32		33	739
Maint Plant Payroll	32			321						192		66	611
Other Acct Plant Payroll	7248	5101	5101	4812	6175	5229	5970	8098	5618	6192	6570	5200	71314
Total Plant Payroll	7344	5133	5133	5133	6464	5518	5874	8130	5650	6416	6570	5299	72664

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

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION
MI0037

PERIOD ENDED December, 2013 (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)

CERTIFICATION

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

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

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

(check one of the following)

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

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

Dallas B. Allen

3-18-14

DATE

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MAR 20 2014

**FINANCIAL ANALYSIS AND
AUDIT DIVISION**

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	17,857,482	18,555,204	19,066,964	1,770,550
2. Power Production Expense	66,257	62,150	73,275	4,918
3. Cost of Purchased Power	8,913,367	9,479,982	9,547,661	964,267
4. Transmission Expense	163,569	103,522	90,600	247
5. Regional Market Expense				
6. Distribution Expense - Operation	485,885	478,126	490,636	28,748
7. Distribution Expense - Maintenance	1,036,011	2,054,961	1,139,900	819,748
8. Customer Accounts Expense	637,449	649,205	641,160	43,084
9. Customer Service and Informational Expense	378,090	385,562	504,485	46,580
10. Sales Expense				
11. Administrative and General Expense	908,927	929,553	895,700	67,418
12. Total Operation & Maintenance Expense (2 thru 11)	12,589,555	14,143,061	13,383,417	1,975,010
13. Depreciation and Amortization Expense	1,845,007	1,944,238	1,896,576	180,875
14. Tax Expense - Property & Gross Receipts	700,795	713,712	761,400	15,884
15. Tax Expense - Other	17,144	8,735		
16. Interest on Long-Term Debt	1,515,235	1,579,745	1,623,354	118,922
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	12,742	2,649		
19. Other Deductions	329			
20. Total Cost of Electric Service (12 thru 19)	16,680,807	18,392,140	17,664,747	2,290,691
21. Patronage Capital & Operating Margins (1 minus 20)	1,176,675	163,064	1,402,217	(520,141)
22. Non Operating Margins - Interest	102,362	118,148	112,064	7,141
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	4,080	80,319	36,925	(6,774)
25. Non Operating Margins - Other	16,498	50,725	12,720	60,191
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	109,991	131,097	89,000	13,060
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,409,606	543,353	1,652,926	(446,523)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0037
	PERIOD ENDED December, 2013

INSTRUCTIONS - See help in the online application.

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	58	56	5. Miles Transmission	146.81	146.81
2. Services Retired	83	68	6. Miles Distribution - Overhead	1,987.30	1,986.99
3. Total Services in Place	12,743	12,693	7. Miles Distribution - Underground	17.80	18.34
4. Idle Services (Exclude Seasonals)	484	430	8. Total Miles Energized (5 + 6 + 7)	2,151.91	2,152.14

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	79,338,459	30. Memberships	167,010
2. Construction Work in Progress	982,197	31. Patronage Capital	20,920,588
3. Total Utility Plant (1 + 2)	80,320,656	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	25,023,980	33. Operating Margins - Current Year	163,064
5. Net Utility Plant (3 - 4)	55,296,676	34. Non-Operating Margins	380,289
6. Non-Utility Property (Net)	111,554	35. Other Margins and Equities	1,029,138
7. Investments in Subsidiary Companies	1,241,523	36. Total Margins & Equities (30 thru 35)	22,660,089
8. Invest. in Assoc. Org. - Patronage Capital	712,979	37. Long-Term Debt - RUS (Net)	12,264,619
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	18,938,759
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	791,324	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	7,375,612
12. Other Investments	104,867	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	193,437	42. Payments - Unapplied	743,915
14. Total Other Property & Investments (6 thru 13)	3,155,684	43. Total Long-Term Debt (37 thru 41 - 42)	37,835,075
15. Cash - General Funds	623,569	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	2,325,000	47. Notes Payable	0
19. Notes Receivable (Net)	0	48. Accounts Payable	3,254,734
20. Accounts Receivable - Sales of Energy (Net)	2,711,885	49. Consumers Deposits	166,285
21. Accounts Receivable - Other (Net)	579,384	50. Current Maturities Long-Term Debt	1,571,738
22. Renewable Energy Credits	1,279	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	961,437	52. Current Maturities Capital Leases	0
24. Prepayments	1,349,012	53. Other Current and Accrued Liabilities	1,477,166
25. Other Current and Accrued Assets	9,930	54. Total Current & Accrued Liabilities (47 thru 53)	6,469,923
26. Total Current and Accrued Assets (15 thru 25)	8,561,496	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	70,235
28. Other Deferred Debits	21,466	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	67,035,322
29. Total Assets and Other Debits (5+14+26 thru 28)	67,035,322		

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, 2013
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, 2013
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, 2013			
INSTRUCTIONS - See help in the online application.							
PART E. CHANGES IN UTILITY PLANT							
PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)		
1. Distribution Plant	54,803,064	2,971,849	966,242		56,808,671		
2. General Plant	3,887,580	663,511	56,521		4,494,570		
3. Headquarters Plant	975,999	9,555	8,410		977,144		
4. Intangibles	834				834		
5. Transmission Plant	9,126,678	59,615	6,905		9,179,388		
6. Regional Transmission and Market Operation Plant							
7. All Other Utility Plant	7,874,348	3,500	0		7,877,848		
8. Total Utility Plant in Service (1 thru 7)	76,668,503	3,708,030	1,038,078		79,338,455		
9. Construction Work in Progress	1,395,722	(413,525)			982,197		
10. Total Utility Plant (8 + 9)	78,064,225	3,294,505	1,038,078		80,320,652		
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	957,011	792,800	70,939	885,778	3,845	(10,365)	920,762
2. Other	68,077	33,141			64,997	4,454	40,675
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	1,173.453	2.434	167.641	1,343.528		
2. Five-Year Average	0.000	321.415	2.489	146.977	470.881		
PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS							
1. Number of Full Time Employees	29	4. Payroll - Expensed	1,418,077				
2. Employee - Hours Worked - Regular Time	60,314	5. Payroll - Capitalized	817,280				
3. Employee - Hours Worked - Overtime	6,599	6. Payroll - Other	555,855				
PART I. PATRONAGE CAPITAL							
ITEM	DESCRIPTION		THIS YEAR (a)	CUMULATIVE (b)			
1. Capital Credits - Distributions	a. General Retirements		487,699	2,941,000			
	b. Special Retirements		262,161	3,343,347			
	c. Total Retirements (a + b)		749,860	6,284,347			
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		52,928				
	c. Total Cash Received (a + b)		52,928				
PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE							
1. Amount Due Over 60 Days	\$	486,820	2. Amount Written Off During Year	\$	71,376		

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, 2013				
PART K. kWh PURCHASED AND TOTAL COST									
No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Detroit Edison Company	5109			180,722,516	9,479,982	5.25		1,347,602
	Total				180,722,516	9,479,982	5.25		1,347,602

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, 2013	
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, 2013	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0037	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2013	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/8/2013	2. Total Number of Members 12,235	3. Number of Members Present at Meeting 268	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail 54	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 44,736	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION M10037		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2013		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	12,264,619	611,131	329,965	941,096
2	National Rural Utilities Cooperative Finance Corporation	4,535,624	213,238	592,966	806,204
3	CoBank, ACB	2,839,988	160,811	435,624	596,435
4	Federal Financing Bank	18,938,759	594,565	432,284	1,026,849
5	RUS - Economic Development Loans				
6	Payments Unapplied	743,915			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	37,835,075	1,579,745	1,790,839	3,370,584

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0037		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2013		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	9,276	9,253	
	b. kWh Sold			129,208,308
	c. Revenue			14,032,991
2. Residential Sales - Seasonal	a. No. Consumers Served	2,027	2,042	
	b. kWh Sold			4,481,669
	c. Revenue			930,134
3. Irrigation Sales	a. No. Consumers Served	46	47	
	b. kWh Sold			362,777
	c. Revenue			48,853
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	914	907	
	b. kWh Sold			31,881,780
	c. Revenue			3,090,000
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)		12,263	12,249	
11. Total kWh Sold (lines 1b thru 9b)				165,934,534
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				18,101,978
13. Transmission Revenue				0
14. Other Electric Revenue				453,226
15. kWh - Own Use				398,155
16. Total kWh Purchased				180,722,516
17. Total kWh Generated				6,603
18. Cost of Purchases and Generation				9,645,654
19. Interchange - kWh - Net				0
20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/>				36,846

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE				BORROWER DESIGNATION MI0037		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION				PERIOD ENDED December, 2013		
INSTRUCTIONS - See help in the online application.						
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	709	211,428	800	3,964	668,452	3,118
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	27	42,800	105	115	144,995	616
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	736	254,228	905	4,079	813,447	3,734

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, 2013			

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

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
1	Non-Utility Property (NET)				
	Vacant Lot	12,000			
	Rental Home	99,554			
	Totals	111,554			
2	Investments in Associated Organizations				
	CFC, CoBank Patronage, CTCs		954,627		
	NISC, NRTC, RSC, MECA, Federated	399,675			
	Mbr Cap Sec	150,000			
	TEsC	1,241,523			
	Totals	1,791,198	954,627		
4	Other Investments				
	ERC Loans	104,867			
	Totals	104,867			
5	Special Funds				
	Billed Power Supply Over Recovery	174,607			
	Member Contributions	18,830			
	Totals	193,437			
6	Cash - General				
	General Fund	623,569			
	Totals	623,569			
8	Temporary Investments				
	Temporary Investments	2,325,000			
	Totals	2,325,000			
9	Accounts and Notes Receivable - NET				
	W/H Billing	239,457			
	A/R Other	801,474			
	Bad Debt Reserve	(461,547)			
	Totals	579,384			
11	TOTAL INVESTMENTS (1 thru 10)	5,729,009	954,627		

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, 2013			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (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, 2013			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT (Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report)					7.13 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (S) (c)	LOAN BALANCE (S) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	TOTAL				

MICHIGAN PUBLIC SERVICE COMMISSION

ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE

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

Report submitted for year ending: December 13, 2013	
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: Name: A. James Philp Title: Office Services Manager Address: 2231 Main Street City: Ubly State: MI Zip: 48475 Direct Telephone, Include Area Code: 989-658-8571	
If the utility name has been changed during the past year: Prior Name: Date of Change:	
Two copies of the published annual report to stockholders: [Mar-2014] were forwarded to the Commission [] will be forwarded to the Commission on or about	
Annual reports to stockholders: [] are published [May 2014] are not published	

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

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

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

RECEIVED
MPSC

MAR 17 2014

**FINANCIAL ANALYSIS AND
AUDIT 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) 03-14-14	Year of Report 12-31-13
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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 (e)	
45	Proceeds from Sales of Investment Securities (e)	

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) 03-14-14	Year of Report 12-31-13
---	---	---	-----------------------------------

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) Do not include on this statement the dollar amount of leases capitalized per USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on pages 122-123.	5. Codes used: (a) Net proceeds or payments. (b) Bonds, debentures and other long-term debt. (c) Include commercial paper. (d) Identify separately such items as investments, fixed assets, intangibles, etc. 6. Enter on pages 122-123 clarifications and explanations.	

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

Thumb Electric Cooperative of Michigan
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Cash received from customers	\$ 18,227,674	\$ 18,124,602
Cash paid to suppliers and employees	(12,794,633)	(12,645,918)
Interest received	117,420	102,465
Interest paid	(1,582,394)	(1,659,811)
Taxes paid	(711,150)	(712,230)
Net Cash from Operating Activities	3,256,917	3,209,108
Investing Activities		
Construction and acquisition of plant, net	(3,655,601)	(3,473,221)
Receipt of contribution in aid of construction	357,268	364,116
Cost of removal/salvage, net	(254,406)	35,894
(Increase) decrease in:		
Materials inventory	62,959	(166,071)
Investments in associated organizations	100,546	73,879
Other investments	(93,744)	(33,858)
Net Cash used for Investing Activities	(3,482,978)	(3,199,261)
Financing Activities		
Proceeds from debt	2,600,000	5,000,000
Payments on debt	(1,759,491)	(1,589,165)
Draws (prepayments) on cushion of credit	988,495	(1,742,410)
Payment on line of credit	-	(72,223)
Patronage capital credits paid	(518,372)	(267,108)
Proceeds from memberships issued	2,705	2,810
Increase in consumer deposits	21,504	9,653
Net Cash from (used for) Financing Activities	1,334,841	1,341,557
Net Change in Cash and Cash Equivalents	1,108,780	1,351,404
Cash and Cash Equivalents at Beginning of Year	1,908,226	556,822
Cash and Cash Equivalents at End of Year	\$ 3,017,006	\$ 1,908,226

Thumb Electric Cooperative of Michigan
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Reconciliation of Net Margins to Net Cash		
Provided by Operating Activities:		
Net margins	\$ 543,351	\$ 1,409,605
Adjustments to reconcile net margins to net cash provided		
by operating activities:		
Depreciation and amortization	2,106,416	1,853,403
Capital credits	(131,097)	(109,991)
Amortization of security retirement prepayment	83,341	-
(Gain) Loss on disposal of electric plant	25,574	(292)
Income from subsidiary	(80,319)	(4,080)
(Increase) decrease in:		
Customer and other accounts receivable	(356,257)	267,120
Current and accrued assets - other	1,626	(55,501)
Deferred charges	459	(13,188)
Capital credits applied to accounts receivable	(31,713)	(24,725)
Increase (decrease) in:		
Accounts payable	819,326	(31,617)
Accrued property taxes	11,297	9,224
Accrued payroll and vacation	248,339	65,477
Accrued other	16,574	(156,327)
Total adjustments	2,713,566	1,799,503
Net Cash Provided by Operating Activities	\$ 3,256,917	\$ 3,209,108
Supplemental Schedule of Noncash Financing Activities		
Direct wire transfer from CFC to NRECA for the retirement		
security prepayment	\$ 1,307,813	\$ -

Name of Respondent

Thumb Electric

This Report Is:

(1) ☒ An Original(2) ☐ A Resubmission

Date of Report

(Mo, Da, Yr)

03-14-14

Year of Report

12-31-13

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	RENTAL HOME 2434 EAST DAYTON CARO, MI 48723	147,936		147,936
8				
9				
10				
11				
12				
13	TOTAL	159,936		159,936
14				
15				
16				
17				

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	44,157
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	
5	Other Accounts (Specify):	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	
8	Net Charges for Plant Retired:	
9	Book Cost of Plant Retired	
10	Cost of Removal	
11	Salvage (Credit)	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	4,225
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	48,382

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) 03-14-14	Year of Report 12-31-13
INVESTMENTS (Accounts 123, 124, 136)					
<p>1. Report below the investments in Accounts 123, <i>Investments in Associated Companies</i>, 124, <i>Other Investment</i>, and 136, <i>Temporary Cash Investments</i>. In Account 124, <i>Other Investments</i>, state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, <i>Temporary Cash Investments</i>, also may be grouped by classes.</p> <p>2. Provide a subheading for each account and list thereunder the information called for:</p> <p>(a) Investment in securities - List and describe each security owned, giving name of user, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included</p> <p>(b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or an open account. Each note should be</p>					
Line No.	Description of Investment (a)	Book Cost at Beginning of Year (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					
7					
8					
9					
10					
11					
12					
13					
14					
15					
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Thumb Electric Cooperative
Attachment to page 221 (M)

Dec 2013

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

MBT, (deferred gain).	\$911
Rental Home	\$6,000
Air Advantage rent space on radio tower.	\$1,200
DTE Solar Down payment	\$50,000
Credit Card Program rebate	\$385
Questionable Permenance Jobs	\$12,686
Total	\$71,182

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) 03-14-14	Year of Report 12-31-13			
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
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
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						27
						28
						29
						30

See ATTACHED

Dec 2013

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	\$889,855	\$20,737	\$20,577	\$890,015	\$20,737
NISC	\$80,150	\$13,060	\$1,681	\$91,529	\$13,060
NRTC	\$841	\$0	\$219	\$622	\$0
RESCO	\$149,798	\$32,590	\$6,999	\$175,389	\$32,590
Federated Insurance	\$129,540	\$19,830	\$19,160	\$130,210	\$19,830
Thumb Energy Services (includes 200 shares @ \$ 1.00 / share)	\$1,085,163	\$156,360 *		\$1,241,523	\$4,080
MECA, (building investment)	\$18,861	\$0	\$0	\$18,861	
CoBank	\$53,827	\$43,135	\$32,351	\$64,611	\$43,135
ERC Loans	\$112,164 **	\$17,013	\$24,310	\$104,867	
Coop Elevator	\$880	\$1,047	\$0	\$1,927	\$1,047
Commercial Paper	\$1,200,000	\$1,250,000		\$2,450,000	
CFC Member Capital Securities	\$150,000	\$0		\$150,000	\$11,250

* \$ 80,319 Thumb Energy Services profit, plus \$ 76,041
equity investment made on 03-26-12, as allowed by
MPSC, Case No. U-14778, approved on 08-22-06.

** Loans made to members for energy efficiency or
dual fuel heating / cooling.

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) 03-14-14	Year of Report Dec. 31, 2013
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)	2,892,579	3,173,462	
3	Other Accounts Receivable (Account 143) (Disclose any capital stock subscriptions received)	443,202	579,384	
4	TOTAL			
5	Less: Accumulated Provision for Uncollectible Accounts-Cr. (Account 144)	423,446	461,577	
6	TOTAL, Less Accumulated Provision for Uncollectible Accounts	2,912,335	3,291,269	
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	423,446				423,446
2	Prov. for uncollectibles for current year	90,000				90,000
3	Accounts written off	(83,582)	()	()	()	(83,582)
4	Coll. of accounts written off					
5	Adjustments (explain):payments.....	31,713				31,713
6	Balance end of year	461,577				461,577
7						
8						
9						
10						
11						

Name of Respondent <i>Thumbo 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>03-14-14</i>	Year of Report <i>12-31-13</i>
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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						
6						
7						
8						
9						
10						
11						
12						
13						
14						
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16						
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21						
22						
23						
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) 03-14-14		Year of Report 12-31-13	
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) 03-14-14	Year of Report 12-31-13
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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
		N/A						2-4
								5
								6-8
								9
								10
								11
								12
								13
								14
								15
								16-18
								19
								20
								21-22
								23
								24
								25
								26
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								28
								29
								30-32
								33
								34
								35
								36
								37
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								40
								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) 03-14-14	Year of Report 12-31-13
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) (a)	Principal Amount of Debt Issued (b)	Total Expense, Premium or Discount (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 M10037		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2013		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	12,264,619	611,131	329,965	941,096
2	National Rural Utilities Cooperative Finance Corporation	4,535,624	213,238	592,966	806,204
3	CoBank, ACB	2,839,988	160,811	435,624	596,435
4	Federal Financing Bank	18,938,759	594,565	432,284	1,026,849
5	RUS - Economic Development Loans				
6	Payments Unapplied	743,915			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	TOTAL	37,835,075	1,579,745	1,790,839	3,370,584

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) 03-14-14	Year of Report 12-31-13			
LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)						
<p>10. Identify separate undisposed amounts applicable to Issues which were redeemed in prior years.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.</p>						
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
						7
						8
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						24
						25

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) 03-14-14	Year of Report 12-31-13	
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	Line of credit	0			0	0
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
	TOTAL	0			0	0

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) 03-14-14	Year of Report 12-31-13
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	
		2	
		3	
		4	
		5	
		6	
		7	
		8	
		9	
		10	
		11	
		12	
		13	
		14	
		15	
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		23	
		24	
		25	
		26	

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) 03-14-14	Year of Report 12-31-13
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	N/A		
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) 03-14-14	Year of Report 12-31-13
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	29,862		200	
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17	Total Gain	29,862		200	

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>03-14-14</i>	Year of Report <i>12-31-13</i>
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	<i>office Equipment</i>	<i>37,110</i>			<i>19,298</i>
20					
21	<i>Sale of MECA office</i>	<i>18,861</i>			<i>6,476</i>
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34	Total Loss	<i>55,971</i>			<i>25,774</i>

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) 03-14-14	Year of Report 12-31-13		
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
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Dec 2012

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	\$6,983
Power System Eng. 2000 Engel St. Madison, WI 53713	Engineering Consulting	Bid	923.02	\$19,370
DaCott Energy Services 4545 Bissonnet Bellaire, TX 77401	Rate Work	Bid	923.02	\$270
Eide Bailly 4310 17th Avenue South Fargo, ND 58108-2545	Auditing	Bid	923.03	\$23,900
Expense engineering study for Cove Transmission Project				\$7,560
Total				\$58,083

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) 03-14-14	Year of Report 12-31-13
SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES					
1. In column (a) report the name of the associated company,			services provided (administrative and general expenses, dividends declared, etc.).		
2. In column (b) describe the affiliation (percentage ownership, etc.).			4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.		
3. In column (c) describe the nature of the goods and					
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 Thumb Electric		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 03-14-14	Year of Report 12-31-13	
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.
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Dec 2013

Thumb Electric Cooperative
Attachment to sheets 358 & 359

Costs billed to associated companies		Affiliation	Description	A/C No.	Amt. To Operating Income	A/C No.	Amt. To Balance Sheet	Total	Pricing Method
Thumb Energy Services	Subsidiary Payroll & 100% Overhead				\$0	143.02	\$94,384	\$94,384	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				\$4,614		\$0	\$4,614	Cost
Total					\$6,114		\$94,384	\$100,498	

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>03-14-14</i>	Year of Report <i>12-31-13</i>
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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)
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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) 03-14-14	Year of Report 12-31-13
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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.
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Dec 2013

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	\$1,371,543	\$1,371,543	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.



Financial Statements
December 31, 2013 and 2012
Thumb Electric Cooperative of Michigan

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MPSC

MAR 20 2014

**FINANCIAL ANALYSIS AND
AUDIT DIVISION**

Thumb Electric Cooperative of Michigan

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December 31, 2013 and 2012

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Thumb Electric Cooperative of Michigan
Board of Directors
December 31, 2013 and 2012

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



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Thumb Electric Cooperative of Michigan, Inc., which comprise the balance sheet as of December 31, 2013 and 2012, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As more fully described in Note 5 to the financial statements, the Cooperative reports its investment in Thumb Energy Services Corporation, a wholly owned subsidiary, on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be accounted for as consolidated subsidiaries. If the financial statements of Thumb Energy Services Corporation had been consolidated with those of Thumb Electric Cooperative of Michigan, total assets and total liabilities and equities would be increased by \$948,211 and \$1,441,629 as of December 31, 2013 and 2012, and revenues and expenses would be increased by \$1,246,345 and \$1,096,334 for the years then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating Thumb Energy Services Corporation, as discussed in the above paragraph, 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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 1 is presented for the purposes of additional analysis and is not a required part of the financial statements. The listing of the directors has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2014 on our consideration of Thumb Electric Cooperative of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Thumb Electric Cooperative of Michigan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
March 10, 2014

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Thumb Electric Cooperative of Michigan

Balance Sheets

December 31, 2013 and 2012

	2013	2012
Equities and Liabilities		
Equities		
Memberships	\$ 167,010	\$ 164,305
Patronage capital	21,383,620	21,715,009
Other equities	1,109,456	753,088
Total equities	22,660,086	22,632,402
Long-Term Debt, Net of Current Maturities	37,835,075	34,944,319
Current Liabilities		
Current maturities of long-term debt	1,803,250	1,557,189
Accounts payable:		
Purchased power	1,800,669	1,636,757
Subsidiary	50,197	30,581
Other	1,403,868	768,070
Accrued property taxes	546,609	535,312
Accrued payroll and vacation	594,924	346,584
Customer deposits	166,284	144,780
Other	104,127	87,553
Total current liabilities	6,469,928	5,106,826
Deferred Credits	70,235	100,709
Total equities and liabilities	\$ 67,035,324	\$ 62,784,256

Thumb Electric Cooperative of Michigan

Statements of Operations

Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues		
Electric sales	\$ 18,101,978	\$ 17,476,104
Other sales	453,225	381,378
	<u>18,555,203</u>	<u>17,857,482</u>
Operating Expenses		
Cost of power	9,479,982	8,913,366
Generation	18,014	24,203
Transmission	103,522	163,569
Distribution - operations	478,125	485,887
Distribution - maintenance	2,054,960	1,036,012
Customer accounts	665,495	659,314
Customer service	360,173	340,963
Sales	9,101	15,263
Administrative and general	973,692	950,980
Depreciation	1,944,238	1,845,007
Taxes - property	713,712	700,795
Taxes - other	8,735	17,144
	<u>16,809,749</u>	<u>15,152,503</u>
Operating Income Before Fixed Charges	1,745,454	2,704,979
Fixed Charges:		
Interest on long-term debt	1,579,745	1,515,564
Other interest	2,649	12,742
	<u>1,582,394</u>	<u>1,528,306</u>
Operating Margins After Fixed Charges	163,060	1,176,673
Capital Credits	<u>131,097</u>	<u>109,991</u>
Net Operating Margins	<u>294,157</u>	<u>1,286,664</u>
Nonoperating Margins		
Interest	118,149	102,363
Income from subsidiary	80,319	4,080
Other income	50,726	16,498
	<u>249,194</u>	<u>122,941</u>
Net Margins	<u>\$ 543,351</u>	<u>\$ 1,409,605</u>

Thumb Electric Cooperative of Michigan
Statements of Members' Equity
Years Ended December 31, 2013 and 2012

	<u>Memberships</u>	<u>Patronage Capital</u>	<u>Other</u>	<u>Total</u>
Balance, December 31, 2011	\$ 161,495	\$ 20,656,335	\$ 624,854	\$ 21,442,684
Memberships issued	2,810	-	-	2,810
Other equity transactions	-	46,678	22,458	69,136
Retirement of capital credits	-	(393,529)	101,696	(291,833)
Current year margins	-	1,405,525	4,080	1,409,605
Balance, December 31, 2012	164,305	21,715,009	753,088	22,632,402
Memberships issued	2,705	-	-	2,705
Other equity transactions	-	(44,354)	167,536	123,182
Retirement of capital credits	-	(750,067)	108,513	(641,554)
Current year margins	-	463,032	80,319	543,351
Balance, December 31, 2013	<u>\$ 167,010</u>	<u>\$ 21,383,620</u>	<u>\$ 1,109,456</u>	<u>\$ 22,660,086</u>

Thumb Electric Cooperative of Michigan
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Cash received from customers	\$ 18,227,674	\$ 18,124,602
Cash paid to suppliers and employees	(12,794,633)	(12,645,918)
Interest received	117,420	102,465
Interest paid	(1,582,394)	(1,659,811)
Taxes paid	(711,150)	(712,230)
Net Cash from Operating Activities	<u>3,256,917</u>	<u>3,209,108</u>
Investing Activities		
Construction and acquisition of plant, net	(3,655,601)	(3,473,221)
Receipt of contribution in aid of construction	357,268	364,116
Cost of removal/salvage, net	(254,406)	35,894
(Increase) decrease in:		
Materials inventory	62,959	(166,071)
Investments in associated organizations	100,546	73,879
Other investments	(93,744)	(33,858)
Net Cash used for Investing Activities	<u>(3,482,978)</u>	<u>(3,199,261)</u>
Financing Activities		
Proceeds from debt	2,600,000	5,000,000
Payments on debt	(1,759,491)	(1,589,165)
Draws (prepayments) on cushion of credit	988,495	(1,742,410)
Payment on line of credit	-	(72,223)
Patronage capital credits paid	(518,372)	(267,108)
Proceeds from memberships issued	2,705	2,810
Increase in consumer deposits	21,504	9,653
Net Cash from (used for) Financing Activities	<u>1,334,841</u>	<u>1,341,557</u>
Net Change in Cash and Cash Equivalents	1,108,780	1,351,404
Cash and Cash Equivalents at Beginning of Year	<u>1,908,226</u>	<u>556,822</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,017,006</u></u>	<u><u>\$ 1,908,226</u></u>

Thumb Electric Cooperative of Michigan

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	2013	2012
Reconciliation of Net Margins to Net Cash		
Provided by Operating Activities:		
Net margins	\$ 543,351	\$ 1,409,605
Adjustments to reconcile net margins to net cash provided		
by operating activities:		
Depreciation and amortization	2,106,416	1,853,403
Capital credits	(131,097)	(109,991)
Amortization of security retirement prepayment	83,341	-
(Gain) Loss on disposal of electric plant	25,574	(292)
Income from subsidiary	(80,319)	(4,080)
(Increase) decrease in:		
Customer and other accounts receivable	(356,257)	267,120
Current and accrued assets - other	1,626	(55,501)
Deferred charges	459	(13,188)
Capital credits applied to accounts receivable	(31,713)	(24,725)
Increase (decrease) in:		
Accounts payable	819,326	(31,617)
Accrued property taxes	11,297	9,224
Accrued payroll and vacation	248,339	65,477
Accrued other	16,574	(156,327)
Total adjustments	2,713,566	1,799,503
Net Cash Provided by Operating Activities	\$ 3,256,917	\$ 3,209,108
Supplemental Schedule of Noncash Financing Activities		
Direct wire transfer from CFC to NRECA for the retirement		
security prepayment	\$ 1,307,813	\$ -

Note 1 - Summary of Significant Accounting Policies

Principal Business Activity

Thumb Electric Cooperative of Michigan (the Cooperative), a Michigan corporation, provides for the electric energy needs of its members, the rural residents of the counties of Huron, Sanilac and Tuscola in the Thumb area of Michigan.

Consolidation Policy and Preparation of Financial Statements

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

Regulation

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 annual filings to the MPSC indicating whether or not their rates need adjustment.

The MPSC did approve a rate change with the approval of U- 1 6888-R, dated November 14, 2013 which went into effect in December 2013.

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 members.

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

Electric Plant

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

Depreciation

Depreciation for financial reporting purposes is determined by straight-line composite rates based on the estimated useful lives of the various classes of property in compliance with applicable RUS guidelines. The overall composite rates for 2013 and 2012 were 2.49% and 2.604%, respectively.

Cash and Cash Equivalents

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.

Investments

Investments in other cooperatives and associated organizations are recorded at initial cost including allocated equities. The Cooperative's investment in its wholly owned subsidiary, Thumb Energy Services Corporation, is recorded using the equity method. Under this method, the investment is adjusted for the subsidiary's underlying earnings and losses.

Receivables and Credit Policies

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

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

Materials and Supplies

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

Deferred Debits

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

Patronage Capital

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

Revenue Recognition and Unbilled Revenues

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

Power Costs

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

Deferred Credits

Deferred credits consist primarily of member advances on construction and advance payments made by members in connection with electric service.

Business and Credit Risk

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

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred.

Sales Taxes and Low Income Assistance

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

Fair Value Measurements

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

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

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

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

Income Taxes

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

The Cooperative has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. The Cooperative had no unrecognized tax benefits as of December 31, 2013 and 2012.

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

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

Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the 2013 presentation.

Subsequent Events

The Cooperative has evaluated subsequent events through March 10, 2014, the date which the financial statements were available to be issued.

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.

The following is a summary of the cash amounts restricted as of December 31, 2013 and 2012:

	2013	2012
Construction advances	\$ 18,830	\$ 40,268
Customer deposits	166,284	144,780
PSCR payable	254,200	258,674
	439,314	443,722
Difference in required investment excess (under) invested	(314,314)	(343,722)
Total funds restricted	<u>\$ 125,000</u>	<u>\$ 100,000</u>

Note 3 - Electric Plant and Equipment

Electric plant in service at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Distribution	\$ 56,808,673	\$ 54,803,065
Transmission	9,179,388	9,126,676
Production	7,877,848	7,874,349
General	5,471,716	4,863,577
Intangible	834	834
	<u> </u>	<u> </u>
Total	<u>\$ 79,338,459</u>	<u>\$ 76,668,501</u>

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

	<u>2013</u>	<u>2012</u>
Charged to operations		
Classified as depreciation and amortization	\$ 1,944,238	\$ 1,845,007
Classified in other operating expenses	4,411	4,171
	<u>1,948,649</u>	<u>1,849,178</u>
Charged to transportation	157,767	187,721
	<u> </u>	<u> </u>
Total	<u>\$ 2,106,416</u>	<u>\$ 2,036,899</u>

Thumb Electric Cooperative of Michigan

Notes to Financial Statements

December 31, 2013 and 2012

Note 4 - Investments in Associated Organizations

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

	2013	2012
National Rural Utilities Cooperative Finance Corporation:		
Capital term certificates	\$ 636,953	\$ 647,160
Patronage capital credits	249,692	239,323
Member capital securities	150,000	150,000
Membership fee	2,000	2,000
	<u>1,038,645</u>	<u>1,038,483</u>
National Information Solutions Cooperative		
Patronage capital credits	91,529	80,150
Michigan Electric Cooperative Association	-	18,861
Federated Insurance	130,210	129,540
Other	<u>243,919</u>	<u>206,718</u>
Total	<u>\$ 1,504,303</u>	<u>\$ 1,473,752</u>

Note 5 - Investments in Subsidiary

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

Thumb Electric Cooperative of Michigan
Notes to Financial Statements
December 31, 2013 and 2012

Financial information related to Thumb Energy Services Corporation at December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Balance Sheet		
Current assets	\$ 993,151	\$ 1,265,203
Investments and other assets	<u>1,246,781</u>	<u>1,225,980</u>
	<u>\$ 2,239,932</u>	<u>\$ 2,491,183</u>
Current liabilities	\$ 619,211	\$ 902,174
Long-term liabilities	379,197	503,845
Equity	<u>1,241,524</u>	<u>1,085,164</u>
	<u>\$ 2,239,932</u>	<u>\$ 2,491,183</u>
Operations		
Operating revenues	\$ 1,327,717	\$ 1,096,373
Operating expenses	(1,204,378)	(1,047,780)
Other expenses - net	<u>(43,020)</u>	<u>(44,513)</u>
Net income/(loss)	<u>\$ 80,319</u>	<u>\$ 4,080</u>

As a result of not consolidating Thumb Energy Services Corporation, the Cooperative's financial statements are understated as follows at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets and liabilities	<u>\$ 948,211</u>	<u>\$ 1,437,128</u>
Revenues and expenses	<u>\$ 1,246,345</u>	<u>\$ 1,091,833</u>

Note 6 - Deferred Charges and Credits

Following is a summary of the amounts recorded as deferred charges as of December 31, 2013 and 2012:

	2013	2012
Retirement security prepayment	\$ 1,224,472	\$ -
Energy optimization	17,300	21,921
Preliminary survey	-	7,560
Clearing accounts	4,167	5
	<u> </u>	<u> </u>
Total	<u>\$ 1,245,939</u>	<u>\$ 29,486</u>

Following is a summary of the amounts recorded as deferred credits as of December 31, 2013 and 2012:

	2013	2012
Customer prepayments	\$ 51,405	\$ 60,441
Line extension contributions	18,830	39,307
Underground contributions	-	961
	<u> </u>	<u> </u>
Total	<u>\$ 70,235</u>	<u>\$ 100,709</u>

Note 7 - Patronage Capital

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

	2013	2012
Assignable margins	\$ 463,032	\$ 1,405,525
Sales tax refund assignable	76,779	46,678
Assignable to date	27,257,138	25,926,275
	<u> </u>	<u> </u>
	27,796,949	27,378,478
	<u> </u>	<u> </u>
Less:		
Estate payments to date	3,111,121	2,957,473
Called for redemption to date	2,991,992	2,504,293
Discounted capital	310,216	201,703
	<u> </u>	<u> </u>
	6,413,329	5,663,469
	<u> </u>	<u> </u>
Total	<u>\$ 21,383,620</u>	<u>\$ 21,715,009</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.

Thumb Electric Cooperative of Michigan

Notes to Financial Statements

December 31, 2013 and 2012

The equities and margins of Thumb represent 33.8% and 36.05% percent of the total assets at December 31, 2013 and 2012.

Note 8 - Other Equities

At December 31, 2013 and 2012, other equities consisted of:

	2013	2012
Non-operating margins	\$ 30,545	\$ 30,545
Retained earnings from subsidiary	320,141	163,583
Capital gains and losses	3,137	3,137
Donated capital	3,081	1,898
Retired capital credits-gain	752,552	553,925
	<u>\$ 1,109,456</u>	<u>\$ 753,088</u>

The Cooperative began discounting the retirement of estate capital credits during 2011. The amount of discount credited to the retired capital credits –gain was approximately \$109,000 and \$102,000 during 2013 and 2012, respectively.

Note 9 - Mortgage Notes

	2013	2012
RUS and FFB mortgage notes payable in equal monthly or quarterly installments including interest at 2.100% - 5.625% maturing to the year 2042, secured by utility plant assets	\$ 31,924,034	\$ 30,086,279
RUS cushion of credit (prepayment) at 5.0%	(743,915)	(1,742,410)
NRUCFC mortgage notes payable in equal quarterly installments including interest at 2.30% - 6.75% maturing to the year 2031, secured by utility plant assets	5,177,949	4,463,101
CoBank mortgage notes payable in equal quarterly installments including interest at 2.93% - 4.22% maturing to the year 2027, secured by utility plant assets	3,280,257	3,694,538
	<u>39,638,325</u>	<u>36,501,508</u>
Less current maturities of long-term debt	<u>1,803,250</u>	<u>1,557,189</u>
Total long-term debt	<u>\$ 37,835,075</u>	<u>\$ 34,944,319</u>

Thumb Electric Cooperative of Michigan

Notes to Financial Statements

December 31, 2013 and 2012

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

Year Ending December 31,	RUS and FFB	NRUCFC	CoBank	Total
2014	\$ 720,656	\$ 642,324	\$ 440,270	\$ 1,803,250
2015	757,370	617,882	462,700	1,837,952
2016	795,954	649,457	486,272	1,931,683
2017	836,504	614,993	511,045	1,962,542
2018	879,120	528,744	537,080	1,944,944
Thereafter	27,934,431	1,380,632	842,891	30,157,954
	<u>\$ 31,924,035</u>	<u>\$ 4,434,032</u>	<u>\$ 3,280,258</u>	<u>\$ 39,638,325</u>

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). Additionally, the Cooperative has no unadvanced loan funds available from RUS, FFB, CoBank or CFC as of December 31, 2013.

Note 10 - Line of Credit

Line of credit consists of the following:

	2013	2012
NRUCFC line of credit (perpetual)		
Available at December 31	\$ 5,000,000	\$ 5,000,000
Outstanding at December 31	-	-
Rate at December 31	2.90%	2.90%
NRUCFC line of credit (expiration October 2013)		
Available at December 31	\$ 500,000	\$ 500,000
Outstanding at December 31	-	-
Rate at December 31	2.90%	2.90%
CoBank line of credit		
Available at December 31	\$ 5,000,000	\$ 5,000,000
Outstanding at December 31	-	-
Rate at December 31	2.93%	2.96%
Northstar Bank line of credit		
Available at December 31	\$ 2,000,000	\$ 2,000,000
Outstanding at December 31	-	-
Rate at December 31	3.45%	3.45%

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 live consecutive business days amounts outstanding. The Cooperative was in compliance with this requirement for 2013 and 2012.

Note 11 - Retirement Plan**Pension Plan**

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Thumb Electric Cooperative of Michigan's contributions to the RS Plan in 2013 and 2012 represented less than five percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of \$408,032 and \$456,380 for the years ended December 31, 2013 and 2012, respectively. In 2013, the Cooperative made a \$1,307,813 prepayment to the National Rural Electric Cooperative Association for the Retirement Security Plan to enhance the Plan's funded status. With this prepayment, the Cooperative will pay 25% lower premiums than cooperatives in the Retirement Security Plan that did not make a prepayment. The prepayment will be amortized over 7 years. The amortization expense was \$83,341 in 2013.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2013 and between 65 percent and 80 percent funded on January 1, 2012 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Savings Plan

In addition to the above retirement plan, employees of the Cooperative are eligible to participate in the NRECA SelectRe 401(k) Pension Plan. The Cooperative made a contribution equal to 1.5% of each employee's base wages from November 1, 2011 through November 1, 2012 and equal to 2.75% from November 1, 2012 through November 1, 2013, and equal to 6% from November 1, 2013 through December 31, 2013. The Cooperative made contributions of \$64,389 and \$33,653 in 2013 and 2012, respectively.

Note 12 - Related Party Transactions

Thumb Energy Services Corporation is wholly owned subsidiary of Thumb Electric Cooperative of Michigan (Thumb). At December 31, 2013 and 2012, Thumb reflected payables in the amount of \$50,197 and \$30,581, 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 \$71,438 and \$76,041 for the year ended December 31, 2013 and 2012, respectively, for these services.

Note 13 - Commitments and Contingencies

The Cooperative has entered into a Market Based Rate Full Requirement Agreement with CMS Energy Resource Management Company (CMS) to purchase its power and energy from CMS from January 1, 2014 through May 31, 2020. Through December 31, 2013, the Cooperative had a contractual wholesale power agreement to purchase its power and energy requirements from The Detroit Edison Company. The contract expired on December 31, 2013. As well, the Cooperative retains the capability to generate certain amounts of its own electricity, should the need arise.

Thumb Electric Cooperative of Michigan, (Guarantor), has agreed to guarantee 100% of line of credit loan and term loan advances obtained by Thumb Energy Services (TESC) 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 TESC and delivered to NCSC, the proceeds of such loan to be used for general corporate purposes.

Concentration of Sources of Labor

At December 31, 2013, the Cooperative has approximately 73 % of its employees covered by a collective bargaining agreement. The collective bargaining agreement for employees will expire on November 1, 2017.



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

We have audited the consolidated financial statements of Thumb Electric Cooperative of Michigan and Subsidiary for the year ended December 31, 2013, and have issued our report thereon dated March 10, 2014. 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 25, 2013. 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 and Subsidiary 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 2013. 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 estimates affecting the financial statements were:

- Depreciation Expense – Management's estimate of depreciation expense is based on the estimated useful lives of the Cooperative's fixed assets.
- Allowance for Doubtful Accounts - Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts.
- Unbilled revenue– Management's estimate of the unbilled revenue is based upon estimated usage per day and the current rates.
- Inventory reserve – Management's estimate is based upon estimated inventory shrinkage.

- Deferred tax – Management’s estimate of deferred tax is based upon current rates and expected reversal of significant timing differences.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly 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, a disagreement with management is 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 10, 2014.

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.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Fargo, North Dakota
March 10, 2014