

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

MAJOR, MORRISON & DAVID
Certified Public Accountants

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION

June 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Officers and Board of Directors
Pointe Coupee Electric Membership Corporation
New Roads, Louisiana

We have audited the accompanying financial statements of Pointe Coupee Electric Membership Corporation (a Cooperative), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenue and patronage capital, comprehensive income, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pointe Coupee Electric Membership Corporation as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, on our consideration of Pointe Coupee Membership Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pointe Coupee Electric Membership Corporation's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Major, Morrison & David". The signature is written in a cursive, flowing style.

Major, Morrison & David
New Roads, Louisiana
August 30, 2013

Pointe Coupee Electric Membership Corpor CORPORATION
BALANCE SHEETS
As of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
ELECTRIC PLANT: (Note 2)		
In Service - at cost	\$ 41,176,273	\$ 40,065,767
Construction work in progress	504,173	410,143
	<u>41,680,446</u>	<u>40,475,910</u>
Less: accumulated depreciation	<u>(12,154,996)</u>	<u>(11,430,713)</u>
	<u>29,525,450</u>	<u>29,045,197</u>
OTHER ASSETS AND INVESTMENTS		
Non-utility property (net of accumulated depreciation of \$127,533 for 2013 and \$124,009 for 2012)	13,444	16,968
Postretirement benefit asset (Note 13)	528,935	84,148
Investments in associated organizations, at cost (Note 4)	1,135,488	1,107,566
	<u>1,677,867</u>	<u>1,208,682</u>
CURRENT ASSETS		
Cash and cash equivalents	670,895	360,792
Short-term investments (Note 4)	200,000	200,000
Accounts receivable (less provision for uncollectible accounts of \$23,985 in 2013 and \$24,921 in 2012)	1,609,091	1,539,523
Accounts receivable - unbilled	3,474,911	2,795,297
Materials and supplies (at average cost)	401,273	425,465
Prepayments	363,517	342,221
Other current and accrued assets	8,553	8,526
	<u>6,728,240</u>	<u>5,671,824</u>
DEFERRED DEBITS (Note 7)		
	<u>2,175,484</u>	<u>687,415</u>
	<u>\$ 40,107,041</u>	<u>\$ 36,613,118</u>

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corpor CORPORATION
BALANCE SHEETS
As of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
EQUITIES AND LIABILITIES		
EQUITIES:		
Memberships	\$ 39,025	\$ 38,855
Accumulated other comprehensive income (Note 13)	528,935	84,148
Patronage capital (Note 8)	<u>16,328,724</u>	<u>15,103,957</u>
	<u>16,896,684</u>	<u>15,226,960</u>
 LONG-TERM LIABILITIES:		
Long-term debt, less current maturities (Note 5)	18,713,332	17,371,258
Postretirement benefit obligation (Note 13)	<u>-</u>	<u>-</u>
	<u>18,713,332</u>	<u>17,371,258</u>
 CURRENT LIABILITIES:		
Line of credit - note payable (Note 6)	750,000	900,000
Current maturities of long-term debt (Note 5)	1,323,526	962,035
Accounts payable - purchased power	1,206,750	1,104,081
Accounts payable - other	415,933	320,415
Customer deposits	423,905	378,155
Other current and accrued liabilities	<u>376,911</u>	<u>350,214</u>
	<u>4,497,025</u>	<u>4,014,900</u>
 DEFERRED CREDITS		
	<u>-</u>	<u>-</u>
	<u>\$ 40,107,041</u>	<u>\$ 36,613,118</u>

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corpor CORPORATION
STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES	\$ 21,887,179	\$ 20,026,785
OPERATING EXPENSES:		
Cost of power	13,039,262	12,575,121
Distribution operation	525,181	591,031
Distribution maintenance	2,338,068	2,142,374
Consumer accounts	895,769	931,137
Sales	28,477	29,126
Administrative and general	1,441,397	1,526,868
Depreciation and amortization	1,170,809	1,135,922
Taxes	398,012	391,047
	<u>19,836,975</u>	<u>19,322,626</u>
OPERATING MARGINS BEFORE FIXED CHARGES	2,050,204	704,159
FIXED CHARGES:		
Interest on long-term debt (Note 3)	<u>892,381</u>	<u>895,851</u>
OPERATING MARGINS AFTER FIXED CHARGES	1,157,823	(191,692)
CAPITAL CREDITS	<u>53,141</u>	<u>59,196</u>
NET OPERATING MARGINS	<u>1,210,964</u>	<u>(132,496)</u>
NONOPERATING MARGINS:		
Interest income	36,523	38,649
Other income	-	-
Other expense	(22,720)	(35,429)
	<u>13,803</u>	<u>3,220</u>
NET MARGINS	1,224,767	(129,276)
PATRONAGE CAPITAL - beginning of year	<u>15,103,957</u>	<u>15,233,233</u>
PATRONAGE CAPITAL - end of year	<u>\$ 16,328,724</u>	<u>\$ 15,103,957</u>

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corpor CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
NET MARGINS	\$ 1,224,767	\$ (129,276)
OTHER COMPREHENSIVE INCOME		
Recognized actuarial gains/losses & net periodic benefit cost reclassification for postretirement benefit obligation (Note 13)	<u>444,787</u>	<u>(43,528)</u>
COMPREHENSIVE INCOME	<u><u>\$ 1,669,554</u></u>	<u><u>\$ (172,804)</u></u>

The accompanying notes are an integral part of this statement.

Pointe Coupee Electric Membership Corpor CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 1,224,767	\$ (129,276)
Adjustments to reconcile net margins to net cash provided (used) by operating activities:		
Depreciation and amortization	1,287,723	1,231,750
Bad debts	23,872	33,792
(Increase) decrease in:		
Accounts receivable	(93,467)	(36,251)
Unbilled receivable	(679,613)	(266,807)
Prepaid expenses	(21,296)	(15,677)
Materials and supplies	24,192	18,122
Deferred debits	(1,488,069)	74,929
Decrease (increase) in:		
Accounts payable	198,186	(138,768)
Other current and accrued liabilities	26,698	7,255
Deferred credits	-	(52,334)
Total adjustments	<u>(721,774)</u>	<u>856,011</u>
Net Cash Provided (Used) by Operating Activities	<u>502,993</u>	<u>726,735</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in associated organizations	(27,921)	(27,554)
Proceeds from sale of investments	200,000	200,000
Construction and acquisition of plant	(1,764,453)	(2,139,454)
Purchase of investments	<u>(200,000)</u>	<u>(200,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,792,374)</u>	<u>(2,167,008)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	6,050,000	6,500,000
Repayment of line of credit	(6,200,000)	(8,196,000)
Proceeds from long-term debt	2,704,643	4,200,000
Repayment of long-term debt	(1,001,079)	(982,233)
Increase (decrease) in:		
Memberships issued	170	115
Customer deposits	45,750	31,675
Net Cash Provided (Used) by Financing Activities	<u>1,599,484</u>	<u>1,553,557</u>
NET INCREASE (DECREASE) IN CASH	310,103	113,284
CASH AT BEGINNING OF YEAR	360,792	247,508
CASH AT END OF YEAR	<u>\$ 670,895</u>	<u>\$ 360,792</u>
<u>Supplemental Disclosures</u>		
Cash Paid During the Year for:		
Interest	\$ 889,531	\$ 866,509
Noncash Investing & Financing Activities:		
Increase (decrease) in compensated absences	15,579	(2,968)
Postretirement benefits	(444,787)	43,528

The accompanying notes are an integral part of this statement.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Note 1-Summary of Significant Accounting Policies

A. Organization

Pointe Coupee Electric Membership Corporation (Cooperative) is an electric transmission and distribution cooperative. Its principal business activity is providing electric power to approximately 10,398 member-consumers over three parishes. The Cooperative is subject to the jurisdiction of the Louisiana Public Service Commission (LPSC) for ratemaking regulations.

B. Accounting and Records

The Cooperative maintains its records in accordance with the Uniform System of Accounts, prescribed for electric borrowers of the Rural Utilities Service (RUS).

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative considers all highly liquid debt instruments purchased with maturity of two months or less to be cash equivalents.

D. Short-Term Investments

Short-term investments consist of certificates of deposits with various maturity dates and are stated at cost, which approximates fair market value. The investments are held until each maturity date.

E. Accounts Receivable

The Cooperative uses the reserve method to account for uncollectible accounts. Accounts deemed uncollectible are written off yearly against the reserve.

F. Inventory

Inventory is stated at average-cost.

G. Utility Plant

Utility plant is stated at original cost net of contributions. Such cost includes applicable supervisory and overhead costs. Expenditures for maintenance and repairs, which do not materially extend the life of assets, are included in operating expenses. Upon retirement or disposition, the recorded cost of depreciable plant and the cost of removal, net of salvage, are charged to accumulated depreciation.

Depreciation is computed using straight-line composite rates based upon the estimated useful lives of the various classes of assets.

H. Investments in Associated Organizations

Investments in capital term certificates, capital credit notes, and capital stock of associated organizations are stated at cost. Investments in patronage capital certificates of associated organizations are accounted for using the cost method plus allocated capital credits, which are assigned, to the Cooperative based on its patronage of the associated organizations.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

I. Income Taxes

The Cooperative is exempt from income taxes under Section 501 (c)(12) of the IRS Code, since it receives more the 85% of its income from members. The statute of limitations for the examination of the Cooperative's income tax returns is generally three years from the due date of the tax returns including extensions. The tax Form 990s are prepared on a calendar basis. The tax years open for assessment are the years ending on or after December 31, 2009.

J. Revenue

Revenue is recognized based on monthly billings to consumers. The Cooperative accrues revenue related to energy consumed but not yet billed.

The Cooperative's rates include a power cost adjustment clause (PCA), which enables the Cooperative to pass through to consumers all fuel charges and non-fuel charges in the cost of power. The Cooperative's rates, including the PCA must be approved by the LPSC, which also retains jurisdiction to review the cooperative's PCA periodically to ensure that costs comply with their power purchase contracts and that their overall rates do not permit the over collection of costs.

K. Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising expense for the years ended June 30, 2013 and 2012, was \$22,918 and \$24,639, respectively.

L. Use of Estimates

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

M. Reclassifications

Certain amounts as previously reported have been reclassified to conform to the June 30, 2013 presentation. The reclassifications had no effect on net margins or patronage capital.

Note 2-Utility Plant

The following are the major classes of utility plant as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Transmission plant	\$ 6,333,622	\$ 6,352,994
Distribution plant	31,177,289	30,351,667
General plant	<u>3,665,362</u>	<u>3,361,106</u>
Utility plant in service	41,176,273	40,065,767
Construction work in progress	<u>504,173</u>	<u>410,143</u>
	<u>\$ 41,680,446</u>	<u>\$ 40,475,910</u>

Depreciation and amortization expense totaling \$116,914 and \$95,828 for the years ended June 30, 2013 and 2012, respectively, are included in various expense accounts based on allocation of work order costs in accordance with RUS guidelines.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Annual average composite rates of depreciation used by the Cooperative during 2013 and 2012 are as follows:

	<u>Percent Per Year</u>
Distribution plant	1.80 to 4.40
Transmission plant	2.75
General plant	
Structures and improvements	2.00
Transportation equipment	7.00
Communications equipment	5.00
Office furniture and fixtures	10.00
Power-operated equipment	13.50
Other general plant	3.60

Note 3-Capitalization of Interest

The Cooperative's policy is to capitalize interest as a component of the cost of property, plant and equipment constructed for its own use with a contracted life of a year or more. The following is a schedule of interest components for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest capitalized	\$ -0-	\$ -0-
Interest deferred	-0-	-0-
Interest charged to operations	<u>892,381</u>	<u>895,851</u>
Total interest	<u>\$ 892,381</u>	<u>\$ 895,851</u>

Note 4-Investments in Associated Organizations and Short-term Investments

Investments in associated organizations consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	\$ 577,873	\$ 580,673
Patronage Capital	149,872	141,698
Member Capital Securities	100,000	100,000
Membership Fee	1,000	1,000
Patronage Capital Certificates:		
Association of Louisiana Electric Cooperatives, Inc.	3,641	3,641
Federal Rural Electric Insurance Corporation	127,412	113,335
National Information Solutions Co-op	48,727	44,058
GRESO- member fee	100	100
GRESO	72,964	70,545
ERMCO – member fee	100	100
NRTC	705	705
Co-Bank- member fee	1,000	1,000
Co-Bank	11,910	11,883
Arkansas Electric	<u>40,184</u>	<u>38,828</u>
	<u>\$ 1,135,488</u>	<u>\$ 1,107,566</u>

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

The Cooperative has adopted Financial Accounting Standards Board (FASB) –Accounting Standards Codification (ASC) 320, “Accounting for Certain Investments in Debt and Equity Securities.” In accordance with FASB ASC 320, the Cooperative has classified all short-term investments as held-to-maturity. Held-to-maturity investments are stated at amortized cost as the cooperative has the ability and intent to hold these investments to maturity. The cost of investments sold is based on the specific identification method. There were no sales or transfers of investments classified as held-to-maturity during the years ended June 30, 2013 and 2012, respectively.

Short-term investments classified as held-to-maturity and their maturities were as follows at June 30, 2013 and 2012:

At the balance sheet date of June 30, 2013:

	<u>Amortized Cost Basis</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Aggregate Fair Value</u>
Certificate of Deposits	\$ 200,000	\$ -0-	\$ -0-	\$ 200,000

Maturities of investments

	<u>Amortized Cost</u>	<u>Fair Value</u>
Less than one year	\$ 200,000	\$ 200,000

At the balance sheet date of June 30, 2012:

	<u>Amortized Cost Basis</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Aggregate Fair Value</u>
Certificates of Deposits	\$ 200,000	\$ -0-	\$ -0-	\$ 200,000

Maturities of investments

	<u>Amortized Cost</u>	<u>Fair Value</u>
Less than one year	\$ 200,000	\$ 200,000

Note 5- Long-Term Debt

Long-term debt consists of mortgage notes payable to RUS, NRUCFC, and The Federal Financing Bank (FFB). Notes payable to RUS consist of 3.7% to 5% mortgage notes payable in monthly and quarterly payments maturing in various years through 2041. Notes payable to NRUCFC consist of mortgage notes payable in quarterly payments bearing fixed interest rates of 2.25% to 7.025% maturing in various years through 2027. Notes Payable to FFB consist of mortgage notes payable in quarterly payments bearing fixed rates of 2.264% to 5.410%. It is estimated that principal payments to RUS, NRUCFC, and FFB in the next twelve months will be approximately \$495,561, \$525,625 and \$302,339, respectively.

On February 28, 1991, the Cooperative signed a term sheet agreement with RUS, which allowed the Cooperative to defer its original principal and interest payments for five years. On February 28, 1994, an amendment to the agreement was signed which discontinued the deferment and the Cooperative began paying back its deferred principal and interest.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Agreements with mortgage lenders requires the Cooperative to maintain minimum financial covenant ratios of Tier and DSC of 1.25 and operating Tier and operating DSC of 1.10 (based on a best 2 of last 3 year average). During the years ended December 31, 2012 and 2011, the Cooperative failed to meet its financial debt covenants. On February 11, 2011, the Cooperative's board of directors passed a resolution to submit an application for rate increases to the LPSC in order to improve operating performance and return to compliance with its debt covenants. The rate increase application was filed in April 2011, was approved by LPSC on March 31, 2012, and became effective with the April/May 2012 billing.

The following schedule is a summary of outstanding loans as of June 30, 2013 and 2012, respectively.

	<u>2013</u>	<u>2012</u>
RUS Notes:		
5% notes due from March 7, 2010 through January 31, 2027	1,574,826	1,983,104
Fixed interest rate (3.70-4.78%) notes due February 28, 2041	5,499,409	5,598,703
FFB Notes:		
Fixed interest rate (2.264 - 5.410%) notes due January 2, 2046	8,726,395	7,705,070
NRUCFC Notes:		
Fixed interest rate (2.10 – 7.025%) notes due August 31, 2011 Through March 1, 2027	<u>4,236,228</u>	<u>3,046,416</u>
Total	20,036,858	18,333,293
Less current maturities of long-term debt	<u>1,323,526</u>	<u>962,035</u>
Total long term debt	<u>\$ 18,713,332</u>	<u>\$ 17,371,258</u>

Substantially all of the Cooperative's utility plant is pledged as collateral under the various mortgage notes. Annual maturities of long-term debt for each of the next five years ending June 30 are as follows:

2014	\$ 1,323,526
2015	1,272,611
2016	1,259,239
2017	1,075,779
2018	985,742
Thereafter	<u>14,119,961</u>
	<u>20,036,858</u>

On November 11, 2010, the Cooperative's board of directors passed a resolution to apply to RUS for a loan in the amount of \$11,618,000 to finance for a term of 35 years its 2010-2013 year Construction Work Plan. On February 2, 2011, RUS approved the Cooperative's loan request to borrow up to \$11,618,000 for its 2010-2013 construction work plan. During the years ended June 30, 2013 and 2012, the Cooperative borrowed \$1,200,000 and \$4,200,000 on the 2010-2013 work plan from RUS, respectively.

On March 28, 2013, the Cooperative's board of directors passed a resolution to prepay retirement contributions of its retirement security pension plan with NRECA in the amount of \$1,504,604 in order to receive a 25% reduction in their payments along with a guarantee that the contribution rate would not increase for the next two years. The prepayment amount was borrowed from NRUCFC, with approval from RUS as "permitted debt" under the RUS loan contracts, and is estimated to result in significant savings over the next twenty years.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Note 6-Line of Credit

The Cooperative has a line of credit of \$2,500,000 with NRUCFC at June 30, 2013 and 2012, respectively, at a rate equal to the bank prime rate, plus one percent per annum. As of June 30, 2013 and 2012, \$750,000 and \$900,000 was owed on the line of credit, respectively. The Cooperative also has a line of credit with Co-Bank in the amount of \$2,000,000 for the years ended June 30, 2013 and 2012, respectively at a weekly variable rate set by Co-Bank. As of June 30, 2013 and 2012, \$0 and \$0 was owed on this line of credit, respectively.

Note 7-Deferred Debits and Other Assets

Following is a summary of amounts recorded as deferred debits as of June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Deferred conversion fee	4,713	7,117
Hurricane Gustav Restoration (see Note 14)	632,380	632,380
Hurricane Isaac Restoration (see Note 14)	51,434	0
Preliminary survey & facility charges	26,568	47,918
RS Pension Prepayment (see Note 5)	<u>1,460,389</u>	<u>0</u>
	<u>\$ 2,175,484</u>	<u>\$ 687,415</u>

Note 8-Patronage Capital

At June 30, 2013 and 2012, patronage capital consisted of:

	<u>2013</u>	<u>2012</u>
Assignable	\$ 927,933	\$ 230,617
Assigned to date	14,411,799	14,245,318
Non-assignable non-operating	<u>988,992</u>	<u>628,022</u>
	<u>\$ 16,328,724</u>	<u>\$ 15,103,957</u>

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed forty percent of the total assets of the Cooperative, the return to patrons of contributed capital is generally limited to twenty-five percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 41% of the total assets at June 30, 2013. No retirements of capital credits occurred in 2013 or 2012.

Note 9-Pension Plan

The Cooperative participates in a noncontributory multi-employer plan. The plan provides defined benefits to substantially all of its employees and is administered by the National Rural Electric Cooperative Association (N.R.E.C.A.). The Cooperative makes annual contributions to the plan equal to the amounts accrued for pension expense. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employers. Total pension expense in these statements for the years ended June 30, 2013, 2012, and 2011 are reflected below. The Cooperative's participation in this plan for the year ended June 30, 2013, is outlined in the table below. The "EIN/Pension plan number" column provides the employee identification number (EIN) and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2011 and 2010 is for the plan's year-end at December 31, 2011 and 2010, respectively.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

The zone status is based on information that the Cooperative received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP status pending/implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject. There has been no significant changes that affect the comparability of the 2013 and 2012 contributions.

<u>Pension Fund</u>	<u>EIN/ Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>The Cooperative's Contributions</u>			<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2011</u>	<u>2010</u>		<u>June 2013</u>	<u>June 2012</u>	<u>June 2011</u>		
NRECA	53-0116145-333	Yellow	Green	Implemented	535,253	522,470	491,221	No	12/31/13

The Cooperative also maintains a 401(K) plan for the benefit of all eligible employees. All employees are eligible to participate after meeting certain service and age requirements and may contribute up to 25% of compensation, with no contributions to be made on the Cooperative's part.

Note 10-Commitment

The Cooperative was one of eleven member electric cooperatives of Cajun Electric Power Cooperative, Inc. (Cajun) and has executed a wholesale power agreement with Cajun's successor, Louisiana Generating, LLC (LaGen), who purchased Cajun's non-nuclear assets out of bankruptcy. Under this agreement, the Cooperative is committed to purchase its electric power and energy requirements from LaGen until the year 2025. In January and March 2000, the LPSC issued orders approving the member co-ops purchase power contracts with LaGen and the use of an automatic adjustment clause for the recovery of purchased power costs. However, in order to implement this clause the cooperatives needed to adjust their overall revenue requirements and rate designs. The Cooperative filed an application with the LPSC to redesign their rates and include the power cost adjustment clause. On June 2, 2000, the LPSC approved the Cooperative's petition.

Note 11-Contingency

The Cooperative is involved in one lawsuit involving a matter covered by its liability insurance carrier, who has supplied counsel for complete defense of the case. Counsel has been instructed to vigorously defend this case, and believes that any potential adverse judgment would be covered by the limits of liability insurance covering the cooperative.

The ultimate outcome of this matter cannot presently be determined and no provision for any liability that may result from such claim has been made in the financial statements.

Note 12- Credit Risks

At various times during the year cash deposits with one banking institution exceeded the \$250,000 coverage limit of protection offered by the Federal Deposit Insurance Corporation (non-interest bearing accounts had unlimited protection under FDIC through December 31, 2012). Management monitors the financial condition of the institution on a regular basis in order to minimize the potential risk. At June 30, 2013 and 2012, uninsured cash balances totaled \$407,889 and \$145,943, respectively. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of members comprising the membership base and their dispersion across the geographic area.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Note 13- Postretirement Benefits Other Than Pensions

The Cooperative has implemented FASB ASC 715-60, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income.

The Cooperative sponsors a defined benefit postretirement plan that covers both directors and employees. The plan provides medical and dental insurance benefits. The postretirement plan is contributory, with retiree contributions equal to 15% of cost. The following table summarizes the benefit obligation, fair value of assets, and the funded status over the two-year period ending June 30, 2013:

	2013	2012
Benefit obligation at June 30	\$ (3,685,200)	\$ (3,685,200)
Fair value of plan assets at June 30	<u>4,214,135</u>	<u>3,769,348</u>
Funded status at June 30	<u>\$ 528,935</u>	<u>\$ 84,148</u>

The following provides the net periodic benefit cost, amount of contributions, and benefits payable from the plan are as follows:

Benefit cost	\$ 74,297	\$ 70,911
Employer contributions	74,297	70,911
Benefit payments	78,519	77,220

The following table provides the amount recognized in the statement of financial position as of June 30 of both years:

Prepaid benefit cost	\$ 4,214,135	\$ 3,769,348
Accrued benefit liability	(3,685,200)	(3,685,200)
Accumulated other comprehensive income	528,935	84,148

The Cooperative's postretirement benefit plan is over (under) funded with an accumulated benefit asset (obligation) of \$528,935 and \$84,148 as of June 30, 2013 and 2012, respectively. The plan assets, which are held in the Pointe Coupee Electric Membership Corporation Retiree Welfare Benefit Trust (an irrevocable trust), are invested in various mutual funds through Homestead Funds, Inc. The trust seeks a balanced diversification strategy where approximately 50 to 60% of the plan assets are invested in stock-based funds and 30 to 40% in bond based fund with a minimal amount in cash equivalent funds if necessary. As of June 30, the trust held the following investments:

Value Fund	\$1,444,819	\$ 1,147,667
Small Company Stock Fund	736,095	579,929
Short Term Bond Fund	1,491,230	1,184,624
International Value Fund	185,463	155,475
Daily Income Fund	0	306,632
Short Term Government Securities Fund	<u>356,528</u>	<u>395,021</u>
	<u>\$4,214,135</u>	<u>\$ 3,769,348</u>

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Adoption of ASC 715 resulted in adjustments to other comprehensive income for actuarial gains/losses, asset funding payments, and revaluation of the accumulated postretirement benefit obligation as listed in the following table:

Amounts initially recognized in other comprehensive income	\$ (84,148)	\$ (127,676)
Current year amounts recognized in comprehensive income:		
Net periodic benefit cost reclassification adjustments	78,519	77,220
Actuarial (gain)/loss	<u>(523,306)</u>	<u>(33,692)</u>
Net Accumulated Other Comprehensive Income	\$ <u>(528,935)</u>	\$ <u>(84,148)</u>
Transition obligation recognized as a component of net periodic benefit cost	44,200	44,200

The following table presents the allocation of net accumulated other comprehensive income not yet recognized as components of net periodic benefit cost:

Unrecognized transition obligation	\$ 90,500	\$ 134,700
Unrecognized (gain)/loss	<u>(438,435)</u>	<u>(218,848)</u>
Net Accumulated other comprehensive income	\$ <u>(528,935)</u>	\$ <u>(84,148)</u>

The estimated portion of net actuarial gain/loss (\$168,565) and the transition obligation (\$44,200) in accumulated other comprehensive income expected to be recognized as a component of net periodic benefits cost in the fiscal year ending June 30, 2013 is \$212,765. Plan assets in the amount of \$78,000 are expected to be returned to the employer within the next 12 month operating cycle for retiree costs. The cooperative expects to contribute \$0 into the trust in 2014.

Estimated benefits expected to be paid over the next five years ending June 30 are as follows:

2014	136,700
2015-2019	1,006,400

The assumptions used in the measurement of the company's benefit obligation are shown in the following table:

Weighted average assumptions as of June 30:

Discount rate	5.75%	5.75%
Expected return on plan assets	5.20%	5.20%

The measurement date used for the current valuations is June 30, 2013. For measurement purposes, a 8.50% annual rate of increase in the per capita cost of covered medical and 6.25% rate of increase for dental care benefits was assumed for 2014; the rate was assumed to decrease 0.5% per year for medical and 0.25% for dental to 5.0% per year for medical by 2019 and for dental by 2017 and remain at that level, thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1% each year would increase the Accumulated Postretirement Benefit Obligation as of June 30, 2009 by \$797,600 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for the year by \$88,200. The return on plan assets was based on historical returns of similarly diversified portfolios. These amounts could differ upon a new valuation of the post employer benefit obligation scheduled to be performed for the next fiscal year.

Note 14 – Hurricanes Gustav & Isaac

On September 1, 2008, Hurricane Gustav hit Louisiana as a Category 2 (one mile per hour short of a Category 3) hurricane and caused significant damage to the area and the Cooperative's electrical systems. The Cooperative's tri-parish region of Pointe Coupee, Iberville, and West Baton Rouge was hit particularly hard causing 100% power outages and considerable

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

damages to the infrastructure. Costs to repair and replace the Cooperative's infrastructure totaled \$3,808,113 through the end of this fiscal year. Reimbursement from FEMA is based on a 90% coverage rate of which \$3,175,733 has been received in prior periods. Any costs not reimbursed by FEMA will be recovered by assessment on individual customer bills as allowed by order of the La. Public Service Commission. At this time, approval will be sought from RUS to account for the costs as a regulatory asset.

On August 29, 2012, Hurricane Isaac hit Louisiana as a Category 1 hurricane and caused damage and power outages to the Cooperative's electrical system. Costs to repair and replace the cooperative's infrastructure totaled \$514,102 of which \$444,615 is eligible for reimbursement from FEMA at a 75% coverage rate. Actual reimbursements received during the current fiscal year from FEMA totaled \$303,355. Any costs not reimbursed by FEMA will be capitalized and depreciated according to RUS guidelines.

Note 15 – Subsequent Events

Management has performed an evaluation of the Cooperative's activities through August 30, 2013, and has concluded that there are no other significant subsequent events requiring recognition or disclosure through the date and time these financial statements were available to be issued on August 30, 2013.

**Independent Auditors' Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

The Officers and Board of Directors
Pointe Coupee Electric Membership Corporation
New Roads, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pointe Coupee Electric Membership Corporation (a Cooperative) as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated August 30, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We discussed other matters involving internal control over financial reporting that we have reported to the management of Pointe Coupee Electric Membership Corporation in a separate letter dated August 30, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pointe Coupee Electric Membership Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 13-1.

Pointe Coupee Electric Membership Corporation's Response to Findings

Pointe Coupee Electric Membership Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Pointe Coupee Electric Membership Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Major, Morrison & David
New Roads, Louisiana
August 30, 2013

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness (es) identified?	___yes <u>X</u> no
Deficiency(s) in internal control identified not considered to be material weaknesses?	___yes <u>X</u> none reported
Noncompliance material to financial statements noted?	<u>X</u> yes ___no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 13-1

Criteria: CFR 1710.114 provides for minimum coverage ratios required of distribution borrowers of RUS loans of a TIER of 1.25, DSC of 1.25, OTIER of 1.10, and ODSC of 1.10.

Condition: Pointe Coupee Electric Membership Corporation did not maintain the applicable coverage ratios in accordance with RUS regulations during the calendar year ending December 31, 2012.

Effect: Due to not maintaining the required coverage ratios a technical default of the RUS mortgage loan agreements has occurred.

Cause: Due to inflationary increases in operating costs over the past years without application for rate increases by the cooperative, a steady decrease in operating margins occurred. Because of the decreasing operating margins, the cooperative's financial coverage ratios declined to the point of falling into technical default.

Recommendation: We recommend that the cooperative take steps to return to compliance with its financial coverage ratios through an approved rate increase, reduction of non-essential expenses, or a combination of these two options.

Management's Response: Management of the cooperative examined all non-essential expenses within operations and made necessary reductions where available. After reduction of expenses, on February 11, 2011, the Cooperative's board of directors passed a resolution to submit an application for rate increases to the LPSC in order to improve operating performance and return to compliance with its debt covenants. The rate increase application was filed in April 2011, was approved by LPSC on March 31, 2012, and became effective with the April/May 2012 billing. Based on the rate increases approved by the LPSC, management estimates to produce a TIER ratio of 1.80 and a DSC ratio of 1.40, above that which is required by RUS mortgage loan requirements. Because the ratios are based on the averaged best two out of three past years, failure to meet the loan covenants occurred again in the fiscal year ending June 30, 2013; however due to improved operations management estimates to meet the required covenants with the next operating cycle.

POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I – Internal Control and Compliance Material to the Financial Statements:				
12-1	2012	Technical default of RUS financial coverage ratios regarding mortgage loan agreements.	Yes	Reduction of expenses & LPSC approved rate increases implemented resulting in improved operating margins.

**POINTE COUPEE ELECTRIC MEMBERSHIP CORPORATION
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completed</u>
Section I – Internal Control and Compliance Material to the Financial Statements:				
13-1	Technical default of RUS financial coverage ratios regarding mortgage loan agreements.	The cooperative has reduced costs and applied for and received from LPSC rate increases which are estimated to return the cooperative to compliance with its financial coverage ratios in accordance with its mortgage loan agreements.	J. Jewell	12/2013

August 30, 2013

The Officers and Board of Directors
Pointe Coupee Electric Membership Corporation
New Roads, Louisiana

Members of the Board:

We have audited the financial statements of Pointe Coupee Electric Membership Corporation as of and for the year ended June 30, 2013, and have issued our report thereon dated August 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Pointe Coupee Electric Membership Corporation for the year ended June 30, 2013, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness as defined above.

7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(1), related party transactions, depreciation rates, a schedule of deferred debits and credits, and a schedule of investments, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports other than our independent auditor's report and our independent auditor's report on compliance and on internal control over financial reporting, all dated August 30, 2013, or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Comments on Certain Specific Aspects of the Internal Control Over Financial Reporting

We noted no matters regarding the Corporation's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- * The accounting procedures and records;
- * The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and
- * The materials control.

Comments on Compliance with Specific RUS Loan and Security Instrument Provisions

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- * Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended June 30, 2013, of Pointe Coupee Electric Membership Corporation:
 - Obtained and read a borrower prepared schedule of new written contracts entered into during the year for the operation or maintenance of all or any part of its property, or for the use of its property by others as defined in Sec. 1773.33(e)(1)(i).
 - Reviewed minutes of the Board of Directors to ascertain whether board approved written contracts are included in the borrower prepared schedule.
 - Noted the existence of written RUS approval for each contract listed by the borrower.
- * Procedure performed with respect to the requirement for submission of RUS Form 7 to the RUS:
 - Agreed amounts reported on RUS Form 7, as submitted to the RUS, to the Corporation's records. The audit is presented on a July 1 through June 30 fiscal year basis and the Form 7 is presented on a calendar year basis.

The results of our tests indicate that, with respect to the items tested, Pointe Coupee Electric Membership Corporation complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower entered into no new contracts for the maintenance or operation of the Corporation's property, or for the use of mortgaged property by others as defined in 1773.33(e)(1)(i) during the year audited that required RUS written approval.

- The borrower has submitted Form 7 to RUS and the Form 7, Financial and Statistical Report as of December 31, 2012, represented by the borrower as having been submitted to RUS is in agreement with the Corporation's audited records in all material respects, appears reasonable based upon the audit procedures performed.

Comments on Other Additional Matters

In connection with our audit of the financial statements of Pointe Coupee Electric Membership Corporation, nothing came to our attention that caused us to believe that the Corporation failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR Parts 1773.33(c)(3) and (4);
- Approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with FASB-ASC 850, Related Party Transactions, for the year ended June 30, 2013, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);
- Depreciation rates addressed at 7 CFR Part 1773.33(g);
- Detailed schedule of deferred debits and deferred credits; and
- Detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773.33(h), and the detailed schedule of investments required by 7 CFR 1773.33 (i), and provided below, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Detailed Schedule of Deferred Debits and Deferred Credits

Deferred items as classified on the balance sheet consist of:

Deferred Debits

Deferred conversion fee	4,713
R & S Retirement Prepayment*	1,460,389
Hurricane Gustav Restoration**	632,380
Hurricane Isaac Restoration**	51,434
Preliminary survey & facility charges	<u>26,568</u>
	<u>\$2,175,484</u>

* Approved by RUS, in writing

** Will apply to RUS for approval upon final balances

Detailed Schedule of Investments

The Corporation has investments in associated organizations as follows:

National Rural Utilities Cooperative Finance Corporation:	
Capital Term Certificates	\$ 577,873
Patronage Capital	149,872
Member Capital Securities	100,000
Membership Fee	1,000
Patronage Capital Certificates:	
Association of Louisiana Electric Cooperatives, Inc.	3,641
Federal Rural Electric Insurance Corporation	127,412
National Information Solutions Co-op	48,727
GRESO – member fee	100
GRESO	72,964
ERMCO – member fee	100
NRTC	705
Co-Bank – member fee	1,000
Co-Bank	11,910
Arkansas Electric	40,184
	<u>\$ 1,135,488</u>

The corporation also has investments in certificate of deposits of: \$ 200,000

This report is intended solely for the information and use of the board of directors, management, the Rural Utilities Service, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Major, Morrison & David
New Roads, Louisiana