

FINANCE COMMITTEE REPORT to the Board of Trustees

March 29, 2013 Board Meeting

The Finance Committee met on March 12, 2013. The 4th quarter financial results and YTD reports were reviewed and discussed as were the 2012 capital budget expenditures and the 2012 cash flow budget. The 2012 RUS Annual Report was presented. It reflected the write off of impaired assets. A proposal was made by the GM regarding write offs on delinquent/inactive accounts. An ad hoc subcommittee (Willet, Schutte, Gregory) will work with Brad Prophet to address financial reporting format and redundancies. It will report back to the Committee with recommendations before changes are made.

- The Committee recommends that the Board accept the 4th Quarter Financial Results.
- The Committee recommends that the Board accept the GM's recommendation to write off \$23,098.01 as uncollectible on 55 inactive accounts.

There is \$15,474.38 in unretired capital credits available to offset the write-off. In 2011, \$9,847.51 on 16 accounts was written off. In 2012, \$12,500 was accrued for write-offs. No funds will be accrued in 2013. As of 12/31/12, the balance for accumulated provision uncollectible accounts was \$63,496.42. Budgeted for 2013 is \$30,000. An outside collection agency will be utilized to continue the collection effort on delinquent accounts.

At the February 22, 2013 Board of Trustees meeting, the board unanimously approved the write-off of \$3,949,646.06 as of December 31, 2012. Of this amount, \$3,422,257.09 related to SME and Southern and \$527,388.97 related to the preliminary surveys of the Wyoming and Belfry substations and Wyoming and Belfry transmission lines. With this write-off, our equity drops from 34% to 21%, which is above the CFC (20%) and RUS (15%) lower limit.

Daniel Dutton, Chairman
March 27, 2013