NORTH IOWA MUNICIPAL ELECTRIC COOPERATIVE ASSOCIATION

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

YEARS ENDED DECEMBER 31, 2013 AND 2012

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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North Iowa Municipal Electric Cooperative Association

List of Principal Officials

December 31, 2013

Name	Title	Representing
Brad Honold	President	Coon Rapids Municipal Utilities
Steve Pick	First Vice President	Spencer Municipal Utilities
Ronald Deiber	Second Vice President	Alta Municipal Utilities
Eric Stoll	Secretary	Milford Municipal Utilities
Chad Cleveland	Treasurer	Laurens Municipal Light & Power
John Bilsten	Director	Algona Municipal Utilities
Brian Hatten	Director	Bancroft Municipal Utilities
Scott Tonderum	Director	Graettinger Municipal Light Plant
Craig Olson	Director	West Bend Municipal Utilities
Alan Junkers	Director	Sumner Municipal Light Plant
Ken Wetzler	Director	City of Webster City
Jeff Carson	Director	Grundy Center Municipal Utilities
Brian Quirk	Director	New Hampton Municipal Light
Randy Tilk	Ex-officio	Alta Municipal Utilities

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Independent Auditor's Report

To the Board of Directors of North Iowa
Municipal Electric Cooperative Association:

We have audited the accompanying financial statements of North Iowa Municipal Electric Cooperative Association (the Association) (a cooperative association incorporated in Iowa) which comprise the Balance Sheets as of December 31, 2013 and 2012, and the related statements of revenues and expenses, members' equities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Association's management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. 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 financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Iowa Municipal Electric Cooperative Association as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles, require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 4-8 and page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2014 on our consideration of the North Iowa Municipal Electric Cooperative Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Cornwell, Frideres, Maher & Associates, P.L.C.

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Certified Public Accountants
Fort Dodge, Iowa

June 9, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The North Iowa Municipal Electric Cooperative Association (NIMECA) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended December 31, 2012. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Association's operating revenues increased 13.3%, or $1,579,682, from fiscal year 2012 to fiscal year 2013.
- The Association's operating expenses were 13.2%, or $1,765,181, more in fiscal year 2013 than in fiscal year 2012.
- The Association's net assets (members' equities) increased 5.0%, or $199,022, from December 31, 2012 to December 31, 2013.

USING THIS ANNUAL REPORT

NIMECA is a cooperative association organized under Chapter 28E and Chapter 499 of the Iowa Code. NIMECA presents its financial statements using the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to NIMECA's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Statement of Net Assets presents information on the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Association's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Association financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE ASSOCIATION

Statement of Net Assets

As noted earlier, net assets (members' equities) may serve over time as a useful indicator of the Association's financial position. The Association's net assets at the end of fiscal year 2013 totaled $4,146,422. This compares to $3,947,400 at the end of fiscal year 2012. A summary of the Association's net assets is presented below.

Assets	**2013**	**2012**
Property, plant, and equipment	$ 224,390	$ 221,729
Less accumulated depreciation	(104,905)	(87,027)
Net property, plant and equipment	119,485	134,702
Other assets	7,789,771	8,182,835
Current assets	2,353,996	2,098,807
Total assets	$10,263,252	$ 10,416,344
Liabilities and Net Assets		
Current liabilities	1,545,574	1,238,532
Long-term liabilities	4,571,256	5,230,412
Total Liabilities	6,116,830	6,468,944
Total Members' Equities	4,146,422	3,947,400
Total Liabilities and Net Assets	10,263,252	10,416,344

Statement of Revenues and Expenses

Operating revenues are received for sales of electric power and related services along with a dues and service charge. Operating expenses are expenses related to the purchase of power and the operation of the NIMECA office. Non-operating revenues are for interest income and patronage dividends assigned by Corn Belt Power Cooperative. A summary of revenues, expenses for the years ended December 31, 2013 and 2012 is presented below.

Revenues and Expenses	**2013**	**2012**
Operating revenues:		
Sales	$10,663,130	$9,829,280
Sales of Whelan #2	2,368,483	1,631,317
Service charges to members	236,541	230,215
Member dues	150,540	148,200
Total operating revenues	13,418,694	11,839,012
Operating expenses:		
Power purchased	10,663,130	9,829,280
Purchased power - Whelan #2	2,467,441	1,536,009
Salaries and benefits	195,931	202,306
Administrative and general	72,925	71,262
Depreciation	17,878	13,267
Total operating expenses	13,417,305	11,652,124
Operating income (deficit)	1,389	186,888
Other income:		
Corn Belt Cooperative patronage dividend assigned	412,879	522,388
Interest and dividend income, net	1,726	1,641
Gain on sale of assets	-	7,800
Total other income	414,605	531,829
Net margin	$415,994	$718,717

The Statement of Revenues and Expenses reflects a positive year for NIMECA. Net Assets shows an increase in members' equities at the end of the fiscal year.

In 2013 operating revenue increased $1,579,687 or 13.3%. $833,850 of this was due to an increase in revenues from sales of power to member utilities. NIMECA's share of Whelan 2 increased by 2 MW in 2013 which resulted in an additional $737,166 in operating revenue for Whelan 2 sales. Service charges to members and member dues increased $6,326 and $2,340 respectively over the previous year. Operating expenses increased $1,765,181 or 15.1%. $833,750 of the increase was due to purchase power costs and another $931,432 was related to Whelan 2 purchases. The cost of salaries, benefits, administrative and general for operation of the NIMECA office decreased by $4,712 from the previous year primarily due to a change in health insurance providers.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes power sales and member dues and service charges reduced by payments to employees and to suppliers. Cash used by investing activities includes the purchase of certificates of deposit and interest income.

CAPITAL ASSETS

On December 31, 2013, the Association had $224,390 invested in capital assets, less accumulated depreciation of $104,905. Depreciation expense totaled $17,878 for fiscal year 2013.

LONG-TERM DEBT

On December 31, 2013 NIMECA had no long-term debt.

ECONOMIC AND OTHER FACTORS

NIMECA continued to improve its financial position during the current fiscal year. The economy, the uncertainty of environmental regulations, weather variability, and energy market changes all have an impact on NIMECA and its members and are closely monitored by NIMECA staff. Some of the issues which may potentially become challenges for NIMECA and its members are:

- The slow economy recovery impacts electricity sales by our member utilities. Business closings and slow downs have reduced energy purchases by our members. The overall condition of the economy has also reduced prices in the surplus energy market which impacts revenues from the sale of surplus energy.

- Environmental issues continue to be an issue for NIMECA and its members. Mandates for renewable energy, carbon regulation, NESHAP RICE regulations, mercury regulations, among others are items that could impact our members and their customers. Compliance with any new regulations will increase the cost of energy.

- The variability of weather plays a role in sales to member utilities. A colder winter and a wet fall in 2013 resulted in greater electricity sales to members for home heating and grain drying.

- NIMECA and its members operate in the Western Area Power Administration (WAPA) Control Area. WAPA and its partners, Basin Electric Power Cooperative and Heartland Consumers Power District, have announced their intention to join the Southwest Power Pool (SPP) beginning October 1, 2015. Entry into SPP by these entities will likely force NIMECA and its members to join SPP as well which will result in changes to how energy is purchase and sold, how generation facilities are operated, and how transmission systems are utilized.

NIMECA anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain our ability to react to unknown issues.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members, customers and creditors with a general overview of NIMECA's finances and to show NIMECA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact NIMECA, 1011 12th Avenue North; P.O. Box 445; Humboldt, IA 50548.

Financial Statements

North Iowa Municipal Electric
Cooperative Association

Balance Sheets

December 31, 2013 and 2012

Assets	2013	2012
Property, plant, and equipment	$ 224,390	$ 221,729
Less accumulated depreciation	(104,905)	(87,027)
Net property, plant and equipment	119,485	134,702
Other assets:		
Restricted cash and short-term investments	4,404,919	5,044,401
Deferred patronage dividends receivable:		
Corn Belt Power Cooperative	3,384,552	3,138,134
Memberships	300	300
Total other assets	7,789,771	8,182,835
Current assets:		
Cash and cash equivalents	843,447	1,016,091
Accounts receivable:		
Members	1,503,207	923,217
Basin	-	152,269
Other	5,417	5,417
Prepaid expenses	1,925	1,813
Total current assets	2,353,996	2,098,807
Total assets	$ 10,263,252	$ 10,416,344

(continued)

North Iowa Municipal Electric
Cooperative Association

Balance Sheets

December 31, 2013 and 2012

Members' Equities and Liabilities	**2013**	**2012**
Members' equities:		
Memberships	$ 1,300	$ 1,300
North Iowa Municipal Electric Cooperative Association:		
Unallocated margin	3,115	196,329
Surplus	1,000	1,000
Reserve	756,195	610,377
Deferred patronage dividends:		
Corn Belt Power Cooperative	3,384,552	3,138,134
Iowa Association of Electric Cooperatives	260	260
Total members' equities	4,146,422	3,947,400
Long-term liabilities:		
Member advances	4,551,864	5,214,044
Net OPEB Liability	19,392	16,368
Total long-term liabilities	4,571,256	5,230,412
Current liabilities:		
Accounts payable:		
Corn Belt Power Cooperative	1,455,926	971,954
Members	19,382	124,306
General	54,424	127,394
Others	7,000	5,900
Accrued payroll taxes	6,912	6,740
Accrued vacation	1,930	2,238
Total current liabilities	1,545,574	1,238,532
Total liabilities	6,116,830	6,468,944
Total members' equities and liabilities	$ 10,263,252	$ 10,416,344

See accompanying notes to financial statements.

North Iowa Municipal Electric
Cooperative Association

Statements of Revenues and Expenses

Years ended December 31, 2013 and 2012

	2013	2012
Operating revenues:		
Sales	$ 10,663,130	$ 9,829,280
Sale of Whelan #2	2,368,483	1,631,317
Service charges to members	236,541	230,215
Member dues	150,540	148,200
Total operating revenues	13,418,694	11,839,012
Operating expenses:		
Power purchased	10,663,130	9,829,280
Purchased power - Whelan #2	2,467,441	1,536,009
Salaries and benefits	195,931	202,306
Administrative and general	72,925	71,262
Depreciation	17,878	13,267
Total operating expenses	13,417,305	11,652,124
Operating income (deficit)	1,389	186,888
Other income:		
Corn Belt Cooperative patronage dividend assigned	412,879	522,388
Interest and dividend income, net	1,726	1,641
Gain on sale of assets	-	7,800
Total other income	414,605	531,829
Net margin	$ 415,994	$ 718,717

See accompanying notes to financial statements.

North Iowa Municipal Electric Cooperative Association

Statements of Members' Equities

Years ended December 31, 2013 and 2012

			North Iowa Municipal Electric Cooperative Association			Deferred patronage dividends	
	Total	Memberships	Unallocated Margin	Surplus	Reserve	Corn Belt Power Cooperative	Iowa Association of Electric Cooperatives
Balance, December 31, 2011	3,386,588	1,300	109,779	1,000	500,598	2,773,651	260
2012 net margin	718,717	-	196,329	-	-	522,388	-
Transfer of prior year margin			(109,779)		109,779		
Payment of Corn Belt Power Cooperative deferred patronage dividend	(157,905)	-	-	-	-	(157,905)	-
Balance, December 31, 2012	3,947,400	1,300	196,329	1,000	610,377	3,138,134	260
2013 net margin	415,994	-	3,115	-	-	412,879	-
Transfer of prior year margin	-		(145,818)		145,818		
Transfer to members	(50,511)	-	(50,511)	-	-	-	-
Payment of Corn Belt Power Cooperative deferred patronage dividend	(166,461)	-	-	-	-	(166,461)	-
Balance, December 31, 2013	$ 4,146,422	1,300	3,115	1,000	756,195	3,384,552	260

See accompanying notes to financial statements.

North Iowa Municipal Electric Cooperative Association

Statements of Cash Flows

December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from customers	$12,990,973	$ 11,793,597
Cash paid to suppliers for goods and services	(12,896,258)	(11,207,606)
Cash paid to employees for services	(193,215)	(195,723)
Net cash provided by operating activities	(98,500)	390,268
Cash flows from investing activities:		
Additions to property, plant and equipment	(2,661)	(31,184)
Corn Belt Power Cooperative patronage dividends received	166,461	157,905
Transfer (to)/from restricted	639,482	(479,254)
Gain on sale of equipment	-	7,800
Interest received	1,726	1,641
Net cash provided by (used in) investing activities	805,008	(343,092)
Cash flows from financing activities:		
Deferred patronage dividends paid	(166,461)	(157,905)
Member advance/(payments)	(712,691)	457,469
Net cash provided by (used in) financing activities	(879,152)	299,564
Net increase (decrease) in cash	(172,644)	346,740
Cash and cash equivalents, beginning of year	1,016,091	669,351
Cash and cash equivalents, end of year	$ 843,447	$ 1,016,091

(continued)

North Iowa Municipal Electric
Cooperative Association

Statements of Cash Flows

December 31, 2013 and 2012

Reconciliation of operating income to net cash provided by operating activities:

Net margin	$ 415,994	$ 718,717
Adjustments to reconcile net margin to net cash provided by (used in) operating activities:		
Depreciation	17,878	13,267
Corn Belt Power Cooperative patronage dividends assigned	(412,879)	(522,388)
Gain on sale of assets	-	(7,800)
Changes in assets and liabilities:		
Accounts receivable	(427,721)	(45,415)
Prepaid expenses	(112)	(60)
Accounts payable	307,178	227,584
Accrued payroll taxes	172	1,421
Accrued vacation	(308)	555
OPEB liability	3,024	6,028
Interest transferred to restricted funds	(1,726)	(1,641)
Net cash provided by (used in) operating activities	$ (98,500)	$ 390,268

See accompanying notes to financial statements.

North Iowa Municipal Electric
Cooperative Association

Notes to Financial Statements

December 31, 2013 and 2012

(1) Summary of Significant Accounting Policies

The North Iowa Municipal Electric Cooperative Association (NIMECA or the Association) was formed in 1965 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of NIMECA is to consolidate the electric resources of its member municipalities (members) and serve as a joint power supply for its members. NIMECA consists of 13 member municipalities. NIMECA is the registered office and the Chief Executive Officer, Greg Fritz, is the registered agent for 2013 and 2012.

The financial statements of the North Iowa Municipal Electric Cooperative Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, NIMECA has included all funds, organizations, agencies, boards, commissions and authorities. NIMECA has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with NIMECA are such that exclusion would cause NIMECA's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of NIMECA to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on NIMECA. NIMECA has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of NIMECA are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes

C. Measurement Focus

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows

NIMCA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with NIMECA's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Use of Estimates

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

Revenue Recognition

NIMECA members are billed for their allocated portion of power used based upon actual usage during each month. Service charges to members and member dues are recognized monthly as services are provided. Accounts receivable are recovered at the invoiced amount.

Property, Plant, and Equipment

Property, plant, and equipment consist of an office building, office equipment, and an automobile, recorded at cost. The provision for depreciation is computed using the straight-line method based on useful lives of three years for the office equipment and automobile and twenty years for the office building.

Restricted Cash and Short-Term Investments

Restricted cash and short-term investments consist of certificates of deposits and money market accounts restricted for NIMECA to meet certain obligations (see note 5).

Statements of Cash Flows

Cash and cash equivalents include highly liquid instruments with original maturities of three months or less when purchased. Because NIMECA is acting as an agent for its members in various transactions, as discussed in note 5, restricted cash and short-term investments are not considered cash for the purposes of the statements of cash flows.

Income Taxes

NIMECA is exempt from federal and state income taxes under Section 501(c)12 of the Internal Revenue Code as a cooperative association.

Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being recognized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Subsequent Events – Subsequent events have been evaluated through June 9, 2014 which is the date the financial statements were available to be issued.

(2) Cash and Pooled Investments

NIMECA's deposits in banks at December 31, 2013 and 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

NIMECA is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $5,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The Association's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Property, Plant, and Equipment

A summary of property, plant and equipment at December 31, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Buildings	$ 130,775	-	-	130,775
Office equipment	59,770	2,661	-	62,431
Transportation	31,184	-	-	31,184
Total capital assets	221,729	2,661	-	224,390
Less accumulated depreciation for:				
Buildings	26,253	6,741	-	32,994
Office equipment	59,041	742	-	59,783
Transportation	1,733	10,395	--	12,128
Total accumulated depreciation	87,027	17,878	-	104,905
Property, plant and equipment, net	$ 134,702	(15,217)	-	119,485

A summary of property, plant and equipment at December 31, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Buildings	$ 130,775	-	-	130,775
Office equipment	59,970	-	-	59,770
Transportation	29,865	31,184	(29,865)	31,184
Total capital assets	220,410	31,184	(29,865)	221,729
Less accumulated depreciation for:				
Buildings	19,512	6,741	-	26,253
Office equipment	54,248	4,793	-	59,041
Transportation	29,865	1,733	(29,865)	1,733
Total accumulated depreciation	103,625	13,267	(29,865)	87,027
Property, plant and equipment, net	$ 116,785	17,917	-	134,702

(4) Power Supply and Sale Agreements

Beginning September 1, 2009 NIMECA entered into an agreement with Basin Electric Power Cooperative (Basin) and Corn Belt to coordinate power supply operations. The agreement requires NIMECA to provide its own power supply sources and Basin to schedule and dispatch these resources and coordinate purchases and sales of generation capacity and energy through Corn Belt. This agreement was amended on August 31, 2011 to establish and define the terms and conditions of the operational relationship among Corn Belt, NIMECA, and Basic Electric relating to NIMECA generation resource and loads. Effective November 1, 2011, the amended agreement dated August 31, 2011 was amended to reflect an increased ownership of NIMECA's interest in Walter Scott Unit 4.

On behalf of its members, NIMECA entered into a power supply lease agreement with Corn Belt for 35.29% (3.96 MWs) of the capacity and energy purchased by Corn Belt from FLP Energy Hancock County Wind, LLC (Hancock County Wind Project) and for 20% (4.20 MWs) of the capacity and energy purchased by Corn Belt from Green Prairie Energy LLC (Crosswinds Generators). NIMECA pays Corn Belt an amount equal to all payments for operations, maintenance, fixed costs, transmission, and all other economic burdens and responsibilities associated with the percentage of these respective projects. Total costs incurred by NIMECA under these agreements were $741,805 and $757,714 in 2013 and 2012, respectively.

On December 15, 2010 NIMECA entered into a power purchase agreement with Heartland Consumers Power District (Heartland), a South Dakota public corporation. Heartland is a member of the Public Power Generation Agency (PPA), owner of the Whelan Unit 2 generating facility located near Hastings, Nebraska. Whelan Unit 2 is interconnected to the Southwest Power Pool transmission network. Under the agreement, NIMECA can purchase between 3 MW and 20 MW of Whelan Unit 2 capacity and energy. On January 31, 2011, NIMECA entered into a power brokerage agreement with Heartland in which Heartland will act as NIMECA's exclusive broker of NIMECA's purchased power under the PPA. The term of the agreement commenced on the Commercial Operation Date, May 1, 2011 and expired on January 1, 2012 at which time NIMECA took delivery of the Whelan capacity and energy.

(5) Member Advances and Restricted Cash

In January 1989, in conjunction with the power supply agreement, NIMECA entered into a common transmission system (CTS) agreement to combine the transmission capacity of Corn Belt and the members of NIMECA. The agreement gave these members an undivided ownership interest in the existing transmission line capacity of Corn Belt. Contributions made in prior years to the transmission reserve fund were used to fund the initial capacity purchase. The board of directors established a CTS capital improvement fund (CTS Fund) to accumulate NIMECA's members' payments based on their percentage share of the capital improvements. The CTS Fund is then used to pay for capital improvements to the CTS.

In 1992, the Grundy Center production improvement Fund (Grundy Center Fund) was established to pay for improvements to Grundy Center's generation facilities.

In 1993, the West Bend production improvement fund (West Bend Fund) was established to pay for future improvements to West Bend's generation facilities.

In 2013 and 2012, NIMECA sold Renewable Energy Credits (RECs) from the Hancock County Wind Project. NIMECA set up an Emissions Allowance Investment Fund that would be restricted to the use of payment for future emissions allowance purchases. Sales of RECs during 2013 and 2012 were $6,440 and $6,367 respectively, net of commission fees.

In 2011, the Whelan 2 Reserve Fund was established per the purchase power agreement with Heartland Consumers Power District (Heartland). The purpose of this fund is to accumulate an amount approximately equal to NIMECA's obligations under the agreement for a three month period.

The following table sets forth the activity and balances by restricted item within the restricted cash and short-term investments:

	CTS Fund	Grundy Center Fund	West Bend Fund	Emission Allowance	Whelan #2	Total
Balance, December 31, 2011	$ 2,805,310	981,872	166,394	163,578	447,993	4,565,147
Received from members, net	554,295	50,918	25,324	8,579	227,788	866,904
Transfers	-		(8,877)	-	8,777	-
Patronage dividends	15,073	-	1,392	-	-	16,465
Payments to Corn Belt	(417,135)	-	-	-	-	(417,135)
Miscellaneous payments	(13,095)	-	-	-	-	(13,095)
Purchases	-	-	-	-	-	-
Interest	20,325	2,996	514	504	1,776	26,115
Balance, December 31, 2012	2,964,773	1,035,786	184,747	172,661	686,434	5,044,401
Received from members, net	623,200	48,418	25,324	-	224,713	921,655
Transfers	90,000		(90,000)	-	-	-
Patronage dividends	16,080	-	-	-	-	16,080
Payments to Corn Belt	(532,687)	-	-	-	-	(532,687)
Miscellaneous payments	-	(1,056,245)	-	-	-	(1,056,245)
Purchases	-	-	-	-	-	-
Interest	8,854	943	239	288	1,391	11,715
Balance, December 31, 2013	$ 3,170,220	28,902	120,310	172,949	912,538	4,404,919

(6) Accounts Receivable/Payable - Members

Several of NIMECA's members own or have ownership interests in electric generating facilities. When a member's generation exceeds its energy used during the month, the member receives a credit on its monthly billing. As of December 31, 2013 and 2012, NIMECA's members owed amounts to NIMECA totaling $1,483,825 and $798,911, respectively, net of amounts due to members.

(7) Corn Belt Patronage Dividend

As a member of Corn Belt, NIMECA receives its proportionate share of any margin allocated to the Corn Belt members by the Corn Belt board of directors. These patronage dividends are payable in the future at the discretion of the Corn Belt board of directors.

NIMECA is obligated to pay Corn Belt an amount equal to the patronage dividend allocated to NIMECA related to the lease of 7.5 MWs of capacity at Neal No. 4, the lease of 2 MWs of Neal No 4 for Grundy Center, the lease of 3.96 MWs of capacity of the Hancock County Wind Project, the lease of 4.2 MWs of capacity of the Green Prairie Energy LLC (Crosswinds Generators), the Generation Use Agreement of 5.0 MWs of capacity of Wisdom #2 Combustion Turbine Generation Station, and the agreement for the delivery of the output of Walter Scott No. 4 for the participating NIMECA members (see notes 4 and 5). This payable is netted against the deferred patronage dividends receivable on the accompanying balance sheets. During 2013, NIMECA received a payment of $166,461 from Corn Belt for a portion of 1999 and 2000 deferred patronage. Corn Belt allocated $412,879 of deferred patronage to NIMECA for 2013. During 2012, NIMECA received a payment of $157,905 from Corn Belt for a portion of 1997 and 1998 deferred patronage. Corn Belt allocated $522,388 of deferred patronage to NIMECA for 2012.

(8) Allocation of Margin

The board of directors authorized a portion of the proceeds from the surplus capacity sale to be deposited into the reserve account to develop adequate reserve for future needs. The board of directors also authorized a portion of the 2013 margin be transferred back to the members as it was determined that there are sufficient reserves on hand.

During 2013 and 2012, respectively, NIMECA had a margin of $3,115 and $196,329 remaining in unallocated margin due to current operations. During 2012, $145,818 of unallocated margin was transferred to reserve.

(9) Pension and Retirement Benefits

NIMECA contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

During 2013, the plan members were required to contribute 5.78% for January through June and 5.95% for July through December of their annual covered salary and NIMECA is required to contribute 8.67% for January through June and 8.93% for July through December of annual covered payroll. NIMECA's contributions to IPERS for the years ended December 31, 2013 and 2012 were $13,231 and $11,998, respectively, equal to the required contributions for each year.

(10) Other Post-Employment Benefits (OPEB)

Plan description – NIMECA operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by NIMECA. NIMECA currently finances the retiree benefit plan on a pay-as-you-go basis. NIMECA currently finances the benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – NIMECA's annual OPEB cost is calculated based on the annual required contribution (ARC) of NIMECA, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of NIMECA's annual OPEB cost for the year ended December 31, 2013, the amount actually contributed to the plan and changes in the NIMECA's net OPEB obligation:

Annual required contribution	$ 3,569
Interest on net OPEB obligation	409
Adjustment to annual required contribution	(954)
Annual OPEB cost	3,024
Contributions made	---
Increase in net OPEB obligation	3,024
Net OPEB obligation beginning of year	16,368
Net OPEB obligation end of year	$ 19,392

For calculation of the net OPEB obligation, the actuary has set the transition day as January 1, 2010. The end of year net OPEB obligation was calculated using the alternative measurement method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended December 31, 2013.

NIMECA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation as are summarized as follows:

Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 5,234	0.00%	$ 10,340
2012	6,028	0.00%	16,368
2013	3,024	0.00%	19,392

Funded Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date for the period January 1, 2013 through December 31, 2013, the actuarial accrued liability was $38,778, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $16,254. The covered payroll (annual payroll of active employees covered by the plan) was approximately $150,351 and the ratio of the UAAL to covered payroll was 10.81%. As of December 31, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2013 actuarial valuation date, the Frozen Entry Age Actuarial Cost Method was used. A method, under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation, over the sum of the Actuarial Value of Assets plus the Unfunded Frozen Actuarial Accrued Liability, is allocated on a level basis over the earnings or service of the group between the valuation date and the assumed exit. This allocation is performed for the group as a whole, not a sum of individual allocations. The Frozen Actuarial Accrued Liability is determined using the Entry Age Actuarial Cost Method. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Pay-as-you-go is the method of financing.

There is no vesting of OPEB benefits before retirement and only after retirement if plan benefits are elected and continued. Actuarial Gains/ (Losses) will reduce (increase) Normal costs and the Unfunded Actuarial Liability. This is a Closed Group Method that uses the Level Dollar Cost Method (benefits are not related to salary). The actuarial assumptions include a 2.5% discount rate based NIMECA's funding policy. The health cost trend rate is 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report and applying the termination factors used in the IPERS Actuarial Report.

Projected claim costs of the medical plan are $0 per month for retirees less than age 65 and $0 per month for retirees who have attained age 65. The UAAL is being amortized on a 30 year level dollar funding of the Actuarial Unfunded Liabilities. The actual plan funding method is pay-as-you-go which amortizes last year's loss into next year's normal cost.

(11) Compensated Absences

NIMECA employees accumulate a limited amount of earned but unused vacation and sick hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by NIMECA until used or paid. NIMECA's approximate liability for earned compensated absences payable to employees at December 31, 2013, is as follows:

Type of Benefit	Amount
Vacation	$ 1,930

This liability has been computed based on rates of pay in effect at December 31, 2013.

(12) Risk Management

NIMECA is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. NIMECA assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

North Iowa Municipal Electric
Cooperative Association
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended December 31,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
2010	January 1, 2010	-	$ 12,604	$ 12,604	-	$ 176,400	7.15%
2011	January 1, 2010	-	26,820	26,820	-	139,050	19.29%
2012	January 1, 2010	-	38,778	38,778	-	143,222	27.08%
2013	January 1, 2013	-	16,254	16,254	-	150,351	10.81%

See note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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Independent Auditor's 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

To the Board of Directors of North Iowa
Municipal Electric Cooperative Association:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements, and the related notes to financial statements, of the North Iowa Municipal Electric Cooperative Association for the years ended December 31, 2013 and 2013 and have issued our report thereon dated June 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered North Iowa Municipal Electric Cooperative Association's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Electric Cooperative Association's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 a material misstatement of the North Iowa Municipal Electric Cooperative Association's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Iowa Municipal Electric Cooperative Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Association's operations for the year ended December 31, 2013 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Iowa Municipal Electric Cooperative Association's Responses to Findings

The North Iowa Municipal Electric Cooperative Association's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The North Iowa Municipal Electric Cooperative Association's responses were not subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing and not to provide an opinion on the effectiveness of the Association's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the North Iowa Municipal Electric Cooperative Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants
Fort Dodge, Iowa

June 9, 2014

North Iowa Municipal Electric Cooperative Association

Schedule of Findings

Year ended December 31, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the Association should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We continually review our procedures and have implemented a review and approval process by the Chief Executive Officer of all revenue posting journals and all disbursements.

Conclusion - Response accepted.

I-B-13 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). NIMECA does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the NIMECA's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Questionable Disbursements – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-B-13 Travel Expense – No expenditures of Association money for travel expenses of spouses of Association officials or employees were noted.

II-C-13 Association Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.

II-D-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted.