

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
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**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
OFFICERS AND DIRECTORS  
YEAR ENDED DECEMBER 31, 2014**

Anthony Buss, Jr.	Chairman
Tom Smith	Vice Chairman
Sue Rombalski	Secretary-Treasurer
Lee Lehrer	Director
Leonard Oppor	Director
Elaine Eckendorf	Director
Ron Onesti	Director
Mike Wade	President & CEO

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Central Wisconsin Electric Cooperative  
and Subsidiary  
Rosholt, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Central Wisconsin Electric Cooperative and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of operations, patronage capital and other equities, and cash flows for the year 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cooperative's preparation and fair presentation of the consolidated 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 Cooperative'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 consolidated financial statements.

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

Board of Directors  
Central Wisconsin Electric Cooperative and Subsidiary

***Opinion***

In our opinion, the 2014 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Wisconsin Electric Cooperative and Subsidiary as of December 31, 2014, and the results of their operations, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Prior Period Financial Statements***

The consolidated financial statements of Central Wisconsin Electric Cooperative and Subsidiary as of December 31, 2013, were audited by other auditors whose report dated April 14, 2014, expressed an unmodified opinion of the consolidated financial statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Marshfield, Wisconsin  
April 17, 2015

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Plant in Service	\$ 52,561,759	\$ 50,232,695
Construction Work in Progress	993,720	933,749
Total	53,555,479	51,166,444
Accumulated Provision for Depreciation	(11,864,809)	(10,934,437)
Net Utility Plant	41,690,670	40,232,007
<b>OTHER ASSETS AND INVESTMENTS</b>		
Investment in Associated Organizations	6,779,922	6,660,775
Other Investments	15,264	15,265
Notes Receivable, Net	788,020	675,633
Non-Utility Property, Net	900,496	927,833
Total Other Assets and Investments	8,483,702	8,279,506
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	557,231	338,870
Accounts Receivable, Net	2,037,061	1,942,360
Current Portion of Notes Receivable	227,072	178,721
Materials and Supplies Inventory	679,249	588,010
Other Current and Accrued Assets	143,062	194,258
Total Current Assets	3,643,675	3,242,219
<b>DEFERRED DEBITS</b>		
	1,200,950	1,303,885
Total Assets	\$ 55,018,997	\$ 53,057,617
<b>EQUITIES AND LIABILITIES</b>		
<b>EQUITIES</b>		
Memberships	\$ 35,238	\$ 35,445
Patronage Capital	15,774,632	15,566,337
Other Equities	2,168,775	2,044,920
Total Equities	17,978,645	17,646,702
<b>LONG-TERM DEBT (Less Current Maturities)</b>		
	32,390,150	31,460,235
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	1,121,000	1,158,029
Notes Payable - Line of Credit	1,821,000	995,000
Accounts Payable	678,064	821,296
Consumer Deposits	81,155	79,520
Other Current and Accrued Liabilities	831,090	803,475
Total Current Liabilities	4,532,309	3,857,320
<b>DEFERRED CREDITS</b>		
	117,893	93,360
Total Equities and Liabilities	\$ 55,018,997	\$ 53,057,617

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>OPERATING REVENUES</b>	\$ 14,845,111	\$ 13,878,031
<b>OPERATING EXPENSES</b>		
Cost of Power	6,559,563	5,858,134
Transmission Expense - Operations	1,096,186	1,025,268
Distribution Expense - Operations	807,217	655,163
Distribution Expense - Maintenance	1,001,338	1,157,520
Consumer Accounts	342,596	374,549
Customer Service and Informational	181,365	113,700
Sales Expense	59,519	116,292
Administrative and General	1,191,851	849,520
Depreciation	1,591,051	1,533,047
Taxes	229,360	223,129
Other Deductions	39,137	36,041
Total Operating Expenses	13,099,183	11,942,363
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	1,745,928	1,935,668
<b>INTEREST ON LONG-TERM DEBT AND LINE OF CREDIT</b>	1,635,181	1,521,955
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	110,747	413,713
<b>GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS</b>	185,704	184,367
<b>NET OPERATING MARGINS</b>	296,451	598,080
<b>NON-OPERATING MARGINS</b>		
Interest and Dividend Income	157,692	177,156
Other Non-Operating Income	157,554	(41,211)
Total Non-Operating Margins	315,246	135,945
<b>NET MARGINS</b>	\$ 611,697	\$ 734,025

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF PATRONAGE CAPITAL AND OTHER EQUITIES  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>Memberships</u>	<u>Patronage Capital Assigned</u>	<u>Accumulated Unallocated Nonoperating Margins</u>	<u>Donated Capital</u>	<u>Other Equities</u>	<u>Total</u>
<b>BALANCE, DECEMBER 31, 2012</b>	\$ 35,440	\$ 15,054,023	\$ 1,443,508	\$ 621,247	\$ 5,403	\$ 17,159,621
Net Margins (Loss)	-	775,236	(41,211)	-	-	734,025
Memberships - Net	5	-	-	-	-	5
Retirement of Capital Credits	-	(262,922)	-	19,606	-	(243,316)
Other Equity Changes - Net	-	-	-	-	(3,633)	(3,633)
<b>BALANCE, DECEMBER 31, 2013</b>	35,445	15,566,337	1,402,297	640,853	1,770	17,646,702
Net Margins (Loss)	-	571,232	40,465	-	-	611,697
Memberships - Net	(207)	-	-	-	-	(207)
Retirement of Capital Credits	-	(361,448)	-	71,220	-	(290,228)
Other Equity Changes - Net	-	(1,489)	-	61	12,109	10,681
<b>BALANCE, DECEMBER 31, 2014</b>	<u>\$ 35,238</u>	<u>\$ 15,774,632</u>	<u>\$ 1,442,762</u>	<u>\$ 712,134</u>	<u>\$ 13,879</u>	<u>\$ 17,978,645</u>

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Margins	\$ 611,697	\$ 734,025
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,591,051	1,533,047
G & T and Other Capital Credits	(185,704)	(184,367)
Loss On Disposition of Property	16,693	7,568
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Accounts Receivable	(94,701)	(67,785)
Materials and Supply Inventory	(91,239)	(254,198)
Other Current and Accrued Assets	51,196	11,649
Deferred Debits	102,935	(777,332)
Increase (Decrease) in:		
Accounts Payable	(143,232)	128,289
Other Current and Accrued Liabilities	32,790	(9,346)
Deferred Credits	24,533	(14,672)
Total Adjustments	1,304,322	372,853
Net Cash Provided by Operating Activities	1,916,019	1,106,878
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction and Acquisition of Plant	(2,845,269)	(2,436,467)
Plant Removal Costs	(221,138)	(169,870)
Cash Received from Retirement of Patronage Capital	97,799	52,952
Change in Investments in Associated Organizations and Other Investments	(2,303)	(55,066)
Issuance of Notes Receivable	(360,000)	(375,000)
Payments Collected on Notes Receivable	197,661	159,017
Net Cash Used by Investing Activities	(3,133,250)	(2,824,434)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(1,197,114)	(1,085,873)
Proceeds from Issuance of Long-Term Debt	2,090,000	1,956,614
Net Borrowings on Line of Credit	826,000	340,000
Retirement of Capital Credits	(283,149)	(232,054)
Other Equities	62	7
Net Proceeds (Payments) from Memberships	(207)	5
Net Cash Provided by Financing Activities	1,435,592	978,699
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	218,361	(738,857)
Cash and Cash Equivalents - Beginning	338,870	1,077,727
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 557,231	\$ 338,870
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Payments for Interest	\$ 1,641,748	\$ 1,518,017

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Central Wisconsin Electric Cooperative (the Cooperative) is a cooperative association organized under Wisconsin laws and statutes. The primary purpose of the Cooperative is to provide electricity to its members located in Portage, Waupaca, Marathon, and Shawano counties. The governing body consists of a seven member board of directors elected by members of the Cooperative to serve a three year term. The Cooperative is located in Rosholt, Wisconsin.

CWEC Services, LLC is a wholly owned for-profit subsidiary of the Cooperative.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiary, CWEC Services, LLC. All significant intercompany transactions and accounts have been eliminated from the consolidated financial statements.

**Basis of Accounting**

The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by the Rural Utility Service. The accounting policies conform to generally accepted accounting principles in the United States of America as applied in the case of regulated electric utilities.

Rates charged to consumers are established by the Board of Directors.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

**Electric Plant and Depreciation Procedures**

Plant, property, and equipment are stated at cost. Cost of labor, materials, supervision, and other costs incurred in making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining assets in efficient operating condition are charged to expense as incurred.

The distribution plant is depreciated using composite straight-line methods and the general plant is depreciated using straight-line methods on an item basis. When distribution plant assets are sold or retired, the original cost is removed from the accounts and charged, together with any cost of removal, to the accumulated provision for depreciation. Any salvage realized is credited to the same accumulated provision. When general plant assets are sold or retired, the original cost and accumulated provision for depreciation are removed from the accounts and any gain or loss is included in current operations.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Assets and Investments**

*Investments in Associated Organizations:*

Investments in associated organizations include patronage capital, NRUCFC capital term certificates, member capital securities, investments in partnerships and limited liability companies, and other investments. Patronage capital is stated at cost plus undistributed allocated equities from other cooperatives. NRUCFC capital term certificates and other investments are carried at cost, which approximates market value. Investments in partnerships and limited liability companies are recorded under the equity method of accounting.

*Other Investments:*

Other investments include economic development loans and notes receivable, non-utility property, and other investments. Loans and notes receivable are recorded at cost. Non-utility property is recorded at cost net of accumulated depreciation.

A loan is considered impaired when, based on current information and events, it is probable that the Cooperative will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans determined to be impaired are individually evaluated for impairment. When a loan is impaired, the Cooperative measures impairment based on the present value of the expected future cash flows discounted at the original contractual interest rate, except that as a practical expedient, it may measure impairment based on an observable market price, or the fair value of the collateral if collateral dependent. A loan is collateral dependent if the repayment is expected to be provided solely by the underlying collateral.

The Cooperative considers an allowance for each portfolio segment. These portfolio segments included economic development notes receivable and energy resource conservation loans with risk characteristics described as follows:

**Economic Development:** Economic Development Notes Receivable generally possess a low amount of inherent risk as the loans are generally underwritten for construction and expansion of businesses within the Cooperative's geographical footprint. Borrowers are evaluated for credit quality and loans are generally collateralized with a first or second mortgage on real property.

**Other Notes Receivable:** Other Notes Receivable possess a higher amount of inherent risk as they rely on the borrower for repayment.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least annually, management reviews the adequacy of the allowance, including consideration of the relevant risks of the portfolio, current economic conditions, and other factors. If management determines that changes are warranted based on those reviews, the allowance is adjusted.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For the purpose of statement of cash flows, the Cooperative considers short-term investments with maturities of three months or less to be cash equivalents. The following is a summary of these items at December 31, 2014 and 2013:

	2014	2013
Cash - General	\$ 437,310	\$ 210,464
Revolving Loan Fund	119,921	128,406
Total Cash and Cash Equivalents	\$ 557,231	\$ 338,870

The Cooperative maintains cash and investments in deposit accounts at financial institutions approved by the Board of Directors and insured by FDIC. Accumulated deposits in these institutions may at times exceed FDIC insurance limits.

Revolving loan fund cash is restricted for the purpose of making economic development loans to businesses. The cash is provided through the Rural Economic Development Loan and Grant Program.

**Accounts Receivable, Net**

The Cooperative provides an allowance for bad debts using the allowance method based on management's judgment. Sales are made on an unsecured basis. Payment is generally required within 30 days of the date of billing. Accounts past due are individually analyzed for collectibility. In addition, an allowance is provided for other accounts when a pattern of uncollectibility has occurred. As of December 31, 2014 and 2013, the Cooperative has an allowance for uncollectible accounts totaling \$70,000 and \$98,381, respectively.

**Materials and Supplies Inventory**

Materials and supplies inventory is valued at average cost.

**Patronage Capital**

The Cooperative operates on a non-capital basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses are also allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior deficits.

**Revenue and Power Cost Recognition**

Customers' meters are read on approximately the last day of the accounting period. Revenues are recorded in the accounting period during which the meters are read. The cost of purchased power is billed to the Cooperative and recognized as expense through the end of the accounting period.

**Income Taxes**

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

CWEC Services, LLC is a taxable corporation, and had income of \$2,955.

There is no provision for income taxes at December 31, 2014 and 2013.

The Cooperative and its subsidiary evaluated their tax positions and determined that there are no uncertain tax positions as of December 31, 2014 and 2013.

With few exceptions, the Cooperative and its subsidiary are no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2011.

**Presentation of Sales Taxes**

The Cooperative and the subsidiary do business in various taxing jurisdictions which impose sales taxes on sales to nonexempt customers. The Cooperative and the subsidiary collect that sales tax from customers and remit the entire amount to the taxing jurisdictions. The Cooperative's accounting policy is to exclude the tax collected and remitted to the taxing jurisdictions from revenues and costs of sales.

**Subsequent Events**

In preparing these financial statements, the Cooperative has evaluated events and transaction for potential recognition or disclosure through April 17, 2015, the date the financial statements were available to be issued.

**Reclassifications**

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

**NOTE 2 ASSETS PLEDGED**

Substantially all assets are pledged as security for the long-term debt to National Rural Utilities Cooperative Finance Corporation (NRUCFC).

**NOTE 3 ELECTRIC PLANT AND DEPRECIATION PROCEDURES**

Listed below are the major classes of the electric plant as of December 31, 2014 and 2013:

	2014	2013
Distribution Plant	\$ 43,727,685	\$ 41,712,384
General Plant	8,834,074	8,520,311
Plant in Service	52,561,759	50,232,695
Construction Work in Progress	993,720	933,749
Total Utility Plant	\$ 53,555,479	\$ 51,166,444

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 3 ELECTRIC PLANT AND DEPRECIATION PROCEDURES (CONTINUED)**

Distribution and general plant are being depreciated using straight-line composite rates as follows:

**Distribution Plant**

Underground Conductors and Devices	3.70%
Other Distribution Plant	2.70%

**General Plant**

Structures and Improvements	2.50%
Office Furniture and Equipment	5.00%
Transportation Equipment	5.00-25.00%
Power Operated Equipment	7.00-11.00%
Communications Equipment	6.00%
Other General Plant	4.50-5.00%

**NOTE 4 OTHER ASSETS AND INVESTMENTS**

**Investments in Associated Organizations**

Investments in National Rural Utilities Cooperative Finance Corporation (NRUCFC) include capital term certificates, member capital securities, and patronage capital credits. The capital term certificates include investments in capital term certificates, loan term certificates, and zero term certificates. Capital term certificates will bear interest at a rate of 5% per annum and begin maturing in 2070; loan term certificates bear interest at 3% and begin maturing in 2020; and zero term certificates bear interest at 0% and begin maturing in 2016. The member capital securities will bear interest at 5% per annum and mature in 2044. The member capital securities are callable by the issuer beginning in 2024.

The Cooperative has a 0.1364% interest in American Transmission Company, LLC. This investment is accounted for using the equity method of accounting. The Cooperative's returns on this investment were \$193,643 and \$412,428 for the years ending December 31, 2014 and 2013, respectively.

The Cooperative has a 16.67% interest in Mid-Wisconsin DBS, LLC. This investment is accounted for using the equity method of accounting. The Cooperative's returns on this investment were \$(4,709) and \$4,350 for the years ending December 31, 2014 and 2013, respectively.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 4 OTHER ASSETS AND INVESTMENTS (CONTINUED)**

**Investments in Associated Organizations (Continued)**

A summary of investments in associated organizations at December 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	\$ 667,786	\$ 671,672
Member Capital Securities	2,000,000	2,000,000
Patronage Capital	498,715	449,789
American Transmission Company	2,068,102	1,945,514
Mid-Wisconsin DBS	564,297	654,542
Rural Electric Supply Cooperative	307,602	277,101
National Rural Telecommunications Cooperative	262,590	262,583
CHS	269,883	268,346
Federated Rural Electric Insurance Exchange	111,809	109,164
Other Associated Organizations	29,138	22,064
	<u>\$ 6,779,922</u>	<u>\$ 6,660,775</u>
Total		

**Notes Receivable**

The economic development notes are due to the Cooperative in approximately equal annual installments through 2024 and bear interest ranging from zero to three percent. Certain notes are secured by real estate, equipment, and/or personal guarantees.

The following table shows an aging analysis of the loan portfolio, as of December 31, 2014, by time past due:

	<u>Accruing Interest</u>			<u>Total Nonaccrual</u>	<u>Total</u>
	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>More Than 90 Days Past Due</u>		
Economic Development	\$ 1,012,825	\$ -	\$ -	\$ -	\$ 1,012,825
Notes Receivable	2,267	-	-	-	2,267
Total	<u>\$ 1,015,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015,092</u>

The following table shows an aging analysis of the loan portfolio, as of December 31, 2013, by time past due:

	<u>Accruing Interest</u>			<u>Total Nonaccrual</u>	<u>Total</u>
	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>More Than 90 Days Past Due</u>		
Economic Development	\$ 850,487	\$ -	\$ -	\$ -	\$ 850,487
Notes Receivable	3,867	-	-	-	3,867
Total	<u>\$ 854,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 854,354</u>

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 4 OTHER ASSETS AND INVESTMENTS (CONTINUED)**

**Notes Receivable (Continued)**

As of December 31, 2014 and 2013, the Cooperative has not reserved any allowance for loan losses on the economic development loans and notes receivable.

**Non-Utility Property**

The following is a summary of the non-utility property, as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
SPEC Building	\$ 1,093,443	\$ 1,093,444
CRC Phones	74,216	74,216
Envirowatch	923	923
Total	<u>1,168,582</u>	<u>1,168,583</u>
Less Accumulated Provision for Depreciation	<u>(268,086)</u>	<u>(240,750)</u>
Net Non-Utility Property	<u><u>\$ 900,496</u></u>	<u><u>\$ 927,833</u></u>

**NOTE 5 DEFERRED DEBITS**

Deferred debits at December 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
NRECA Pension Prepayment	\$ 756,735	\$ 818,509
Bond Issuance Costs	399,176	414,529
Other Deferred Debits	45,039	70,847
	<u><u>\$ 1,200,950</u></u>	<u><u>\$ 1,303,885</u></u>

**NOTE 6 DETAIL OF PATRONAGE CAPITAL**

The following is a summary of patronage capital assignable and assigned at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Assignable	\$ 611,697	\$ 734,025
Assigned to Date	<u>15,162,935</u>	<u>14,832,312</u>
	<u><u>\$ 15,774,632</u></u>	<u><u>\$ 15,566,337</u></u>

The mortgage provisions restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 30% of the total assets of the Cooperative; provided, however, that retirements can be made if such distributions do not exceed 25% of the preceding year's margins. No distribution can be made if there are unpaid, when due, any installments of principal or interest on the notes.

As of December 31, 2014, capital credits through 1992 have been fully retired.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 7 OTHER EQUITIES**

Other equities consist of retained margins not allocated to patrons as follows:

	<u>2014</u>	<u>2013</u>
Donated Capital	\$ 471,752	\$ 471,691
Retired Capital Credits Gain	240,382	169,162
Unassigned Non-Operating Margins	1,439,806	1,402,296
Other Accumulated Margins	<u>16,835</u>	<u>1,771</u>
Total Other Equities	<u>\$ 2,168,775</u>	<u>\$ 2,044,920</u>

**NOTE 8 NOTES PAYABLE**

The Cooperative has an unsecured, perpetual line of credit with a \$2,700,000 limit with NRUCFC. There were outstanding balances of \$0 and \$995,000 and interest rates of 2.90% as of December 31, 2014 and 2013.

The Cooperative executed an agreement with CoBank in 2014 for an unsecured line of credit with a \$4,000,000 limit. There was an outstanding balance of \$1,821,000 with an interest rate of 1.82% as of December 31, 2014. The agreement expires September 30, 2015.

**NOTE 9 LONG-TERM DEBT**

Long-term debt is represented by secured promissory notes to NRUCFC, fixed rate revenue bonds due to US Bank, and notes due to RUS for economic development loans.

The following is a summary of outstanding long-term debt as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
NRUCFC Secured Promissory Notes 3.05% to 6.75% - Due 2015 to 2044	\$ 24,516,912	\$ 23,618,682
Fixed Rate Revenue Bonds 2.00% to 5.50% - Due 2015 to 2040	8,390,000	8,545,000
USDA - Rural Economic Development Loans - 0%	<u>604,238</u>	<u>454,582</u>
Total Long-Term Debt	33,511,150	32,618,264
Less Current Maturities	<u>1,121,000</u>	<u>1,158,029</u>
Total Long-Term Debt (Net of Current Maturities)	<u>\$ 32,390,150</u>	<u>\$ 31,460,235</u>

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

On December 1, 2010, the Public Finance Authority issued \$9,000,000 of Fixed Rate Revenue Bonds, Series 2010A. The proceeds of the issue were lent to the Cooperative for the purpose of construction of a new headquarters building and various other improvements to the existing electric distribution system.

The Cooperative had unadvanced funds from NRUCFC of \$3,717,003 and \$5,572,003, at December 31, 2014 and 2013, respectively.

The Cooperative has entered into agreements with the Rural Utilities Service for the purpose of providing economic development funds to local businesses. The agreements are for non-interest bearing notes with outstanding principal balances of \$604,238 and \$454,582 at December 31, 2014 and 2013, respectively. The notes have annual payments due until 2016 to 2024.

As of December 31, 2014, annual maturities of long-term debt outstanding are as follows:

2015	\$ 1,121,000
2016	1,010,000
2017	1,010,000
2018	1,033,000
2019	1,047,000
Thereafter	28,290,150
Total	<u>\$ 33,511,150</u>

**NOTE 10 RETIREMENT PLANS**

**Narrative Description**

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

**Plan Information**

The Cooperative's contributions to the RS Plan in 2014 and in 2013 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan of \$311,230 and \$1,188,356 in 2014 and 2013, respectively.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 10 RETIREMENT PLANS (CONTINUED)**

**Plan Information (Continued)**

Contributions in 2014 are significantly lower than those in 2013 due to the Cooperative electing to participate in the prepayment option offered to participating employers in 2013.

In the RS Plan, a “zone status” determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80 percent funded on January 1, 2014 and January 1, 2013, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative’s share, as of January 1, 2013, of future contributions required to fund the RS Plan’s unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative’s annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15 year period.

The Cooperative and also maintains a 401(k) plan for all employees that meet certain age and service requirements. The Cooperative made contributions to this plan of \$27,336 and \$25,785 in 2014 and 2013, respectively.

**NOTE 11 DEFERRED CREDITS**

Deferred credits at December 31, 2014 and 2013, are as follows:

	2014	2013
Unearned Revenue - SPEC Building Lease	\$ 48,050	\$ 47,400
Special Equipment Installation Charges	32,865	45,499
Consumer Prepayments	36,516	-
Other Deferred Credits	462	461
	\$ 117,893	\$ 93,360

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Wholesale Power Agreement**

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Alliant Energy until February 15, 2022. The rates are subject to review annually.

**Concentration of Credit**

The Cooperative distributes electric power to its rural members located in Portage, Waupaca, Marathon, and Shawano counties. The members are involved primarily in agricultural related industries. The accounts receivable balance represents amounts due from these consumers. Credit is issued after payment of a deposit and approval by the Board of Directors.

**SUPPLEMENTARY INFORMATION**



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**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

Board of Directors  
Central Wisconsin Electric Cooperative  
and Subsidiary  
Rosholt, Wisconsin

We have audited the consolidated financial statements of Central Wisconsin Electric Cooperative and Subsidiary as of and for the year ended December 31, 2014, and have issued our report thereon dated April 17, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information identified in the table of contents is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Marshfield, Wisconsin  
April 17, 2015

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2014**

	Central WI Electric Cooperative	CWEC Services, LLC	Total
<b>ASSETS</b>			
<b>UTILITY PLANT</b>			
Plant in Service	\$ 52,561,759	\$ -	\$ 52,561,759
Construction Work in Progress	993,720	-	993,720
Total	53,555,479	-	53,555,479
Accumulated Provision for Depreciation	(11,864,809)	-	(11,864,809)
Net Utility Plant	41,690,670	-	41,690,670
<b>OTHER ASSETS AND INVESTMENTS</b>			
Investments in Associated Organizations	6,525,303	254,619	6,779,922
Other Investments	271,901	-	271,901
Notes Receivable, Net	788,020	-	788,020
Non-Utility Property, Net	900,496	-	900,496
Total Other Assets and Investments	8,485,720	254,619	8,740,339
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	555,149	2,082	557,231
Accounts Receivable, Net	2,037,061	-	2,037,061
Current Portion of Notes Receivable	227,072	-	227,072
Materials and Supplies Inventory	679,249	-	679,249
Other Current and Accrued Assets	143,062	-	143,062
Total Current Assets	3,641,593	2,082	3,643,675
<b>DEFERRED DEBITS</b>			
	1,200,950	-	1,200,950
Total Assets	<u>\$ 55,018,933</u>	<u>\$ 256,701</u>	<u>\$ 55,275,634</u>
<b>EQUITIES AND LIABILITIES</b>			
<b>EQUITIES</b>			
Memberships	\$ 35,238	\$ -	\$ 35,238
Patronage Capital	15,774,632	-	15,774,632
Other Equities	2,168,775	256,637	2,425,412
Total Equities	17,978,645	256,637	18,235,282
<b>LONG-TERM DEBT (Less Current Maturities)</b>			
	32,390,150	-	32,390,150
<b>CURRENT LIABILITIES</b>			
Current Maturities of Long-Term Debt	1,121,000	-	1,121,000
Notes Payable - Line of Credit	1,821,000	-	1,821,000
Accounts Payable	678,064	-	678,064
Customer Deposits	81,155	-	81,155
Other Current and Accrued Liabilities	831,026	64	831,090
Total Current Liabilities	4,532,245	64	4,532,309
<b>DEFERRED CREDITS</b>			
	117,893	-	117,893
Total Equities and Liabilities	<u>\$ 55,018,933</u>	<u>\$ 256,701</u>	<u>\$ 55,275,634</u>

<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 52,561,759
-	993,720
-	53,555,479
-	(11,864,809)
-	41,690,670
-	6,779,922
(256,637)	15,264
-	788,020
-	900,496
(256,637)	8,483,702
-	557,231
-	2,037,061
-	227,072
-	679,249
-	143,062
-	3,643,675
-	1,200,950
<u>\$ (256,637)</u>	<u>\$ 55,018,997</u>
\$ -	\$ 35,238
-	15,774,632
(256,637)	2,168,775
(256,637)	17,978,645
-	32,390,150
-	1,121,000
-	1,821,000
-	678,064
-	81,155
-	831,090
-	4,532,309
-	117,893
<u>\$ (256,637)</u>	<u>\$ 55,018,997</u>

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE  
AND SUBSIDIARY  
SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2014**

	Central WI Electric Cooperative	CWEC Services, LLC	Total
<b>OPERATING REVENUES</b>	\$ 14,845,111	\$ -	\$ 14,845,111
<b>OPERATING EXPENSES</b>			
Cost of Power	6,559,563	-	6,559,563
Transmission Expense - Operations	1,096,186	-	1,096,186
Distribution Expense - Operations	807,217	-	807,217
Distribution Expense - Maintenance	1,001,338	-	1,001,338
Consumer Accounts	342,596	-	342,596
Customer Service and Informational	181,365	-	181,365
Sales Expense	59,519	-	59,519
Administrative and General	1,191,851	-	1,191,851
Depreciation	1,591,051	-	1,591,051
Taxes	229,360	-	229,360
Other Deductions	39,137	-	39,137
Total Operating Expenses	<u>13,099,183</u>	<u>-</u>	<u>13,099,183</u>
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	1,745,928	-	1,745,928
<b>INTEREST ON LONG-TERM DEBT AND LINE OF CREDIT</b>	<u>1,635,181</u>	<u>-</u>	<u>1,635,181</u>
<b>OPERATING MARGINS AFTER FIXED CHARGES</b>	110,747	-	110,747
<b>GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS</b>	<u>185,704</u>	<u>-</u>	<u>185,704</u>
<b>NET OPERATING MARGINS</b>	296,451	-	296,451
<b>NON-OPERATING MARGINS</b>			
Interest and Dividend Income	157,692	-	157,692
Equity in Earnings of Subsidiary Company	2,955	-	2,955
Other Non-Operating Income	154,599	2,955	157,554
Total Non-Operating Margins	<u>315,246</u>	<u>2,955</u>	<u>318,201</u>
<b>NET MARGINS</b>	<u>\$ 611,697</u>	<u>\$ 2,955</u>	<u>\$ 614,652</u>

<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 14,845,111
-	6,559,563
-	1,096,186
-	807,217
-	1,001,338
-	342,596
-	181,365
-	59,519
-	1,191,851
-	1,591,051
-	229,360
-	39,137
-	13,099,183
-	1,745,928
-	1,635,181
-	110,747
-	185,704
-	296,451
-	157,692
(2,955)	-
-	157,554
(2,955)	315,246
\$ (2,955)	\$ 611,697

## INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors  
Central Wisconsin Electric Cooperative  
Rosholt, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Central Wisconsin Electric Cooperative as of December 31, 2014, and the related consolidated statements of operations, patronage capital and other equities, and cash flows for the year then ended, and have issued our report thereon dated April 17, 2015.

During the year ended December 31, 2014, Central Wisconsin Electric Cooperative received advances of \$2,090,000 from NRUCFC on loans controlled by NRUCFC's Loan Agreements and Mortgage. In conducting our audit, nothing came to our attention that caused us to believe that the Cooperative was not in compliance with the intended purpose of the loan funds as contemplated in the Loan Agreement. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of Central Wisconsin Electric Cooperative and National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Marshfield, Wisconsin  
April 17, 2015