ILLINOIS RURAL ELECTRIC COOPERATIVE

Application For State-Issued Authorization To Provide Video Service

<u>Exhibit C</u>

Financial Qualifications

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2013 AND 2012

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ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
OFFICERS AND DIRECTORS
DECEMBER 31, 2013

Illinois Rural Electric Cooperative:

Name	Office	Address
Robert A. Brown	President	Winchester, Illinois
Thomas D. Meehan III	Vice-President	Roodhouse, Illinois
Kevin Brannan	Secretary	Eldred, Illinois
Ronald K. Myers	Treasurer	Griggsville, Illinois
Julia Eberlin	Assistant Treasurer	Brussels, Illinois
Julie Rhoads	Assistant Secretary	Carrollton, Illinois
Gary K. Clark	Director	New Canton, Illinois
Jim Freeman	Director	Bluffs, Illinois
James C. Gay	Director	Rockport, Illinois
Eric Lakin	Director	Murrayville, Illinois
Robert Reed	Director	Nebo, Illinois

Illinois Rural Telecommunication Company:

Thomas D. Meehan III	Chairman	Roodhouse, Illinois
Kevin Brannan	Vice-Chairman	Eldred, Illinois
Gary K. Clark	Secretary	New Canton, Illinois
Ronald K. Myers	Treasurer	Griggsville, Illinois
Julia Eberlin	Director	Brussels, Illinois
Robert A. Brown	Ex-Officio	Winchester, Illinois
Bruce N. Giffin	President	Winchester, Illinois

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Illinois Rural Electric Cooperative
and Subsidiary
Winchester, Illinois

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Illinois Rural Electric Cooperative and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in patronage capital and other equities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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
Illinois Rural Electric Cooperative and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Illinois Rural Electric Cooperative and Subsidiary as of December 31, 2013 and 2012, and their patronage capital and other equities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014, on our consideration of Illinois Rural Electric Cooperative and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Illinois Rural Electric Cooperative and Subsidiary's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
February 10, 2014

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

ASSETS	2013	2012
UTILITY PLANT		
Electric Plant in Service	$ 80,707,269	$ 75,797,686
Construction Work in Progress	2,818,710	1,433,209
Total	83,525,979	77,230,895
Less Accumulated Provision for Depreciation	(14,965,728)	(14,174,991)
Net Utility Plant	68,560,251	63,055,904
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	4,745,765	3,821,443
Notes Receivable	306,425	358,409
Other Investments	6,655,140	7,635,878
Other Special Funds	22,236	5,259
Total Other Assets and Investments	11,729,566	11,820,989
CURRENT ASSETS		
Cash and Cash Equivalents	2,521,578	1,588,332
Accounts Receivable, Net	1,844,780	1,513,204
Current Portion of Notes Receivable	160,474	150,710
Materials and Supplies Inventory	590,158	768,762
Other Current and Accrued Assets	2,494,609	2,117,039
Total Current Assets	7,611,599	6,138,047
DEFERRED DEBITS	2,853,131	2,343,057
ASSETS FROM DISCONTINUED OPERATIONS	-	58,917
Total Assets	$ 90,754,547	$ 83,416,914
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	$ 19,523,779	$ 18,798,330
Other Equities	14,674,869	13,303,409
Accumulated Other Comprehensive Loss	(1,384,600)	(1,721,400)
Total Equities	32,814,048	30,380,339
LONG-TERM DEBT, NET OF CURRENT MATURITIES	49,564,753	43,536,449
ACCUMULATED PROVISION FOR PENSION AND POSTRETIREMENT BENEFIT OBLIGATIONS	2,783,136	2,920,059
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	2,164,000	1,957,000
Notes Payable	-	1,878,623
Accounts Payable	2,160,663	1,354,907
Other Current and Accrued Liabilities	1,086,555	1,237,735
Total Current Liabilities	5,411,218	6,428,265
DEFERRED CREDITS	181,392	151,802
Total Equities and Liabilities	$ 90,754,547	$ 83,416,914

See accompanying Notes to Consolidated Financial Statements.

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Electric Revenues	$ 25,364,624	$ 23,163,514
Other Operating Revenue	185,248	187,531
Total Operating Revenues	25,549,872	23,351,045
OPERATING EXPENSES		
Cost of Power	14,646,364	13,466,189
Distribution Expense - Operations	411,037	461,990
Distribution Expense - Maintenance	2,561,466	2,115,059
Consumer Account Expense	445,111	419,547
Sales Expense	412,829	479,348
Administrative and General Expense	2,007,985	2,040,640
Depreciation	2,466,037	2,273,294
Other Interest Expense	22,267	35,689
Other Deductions	10,568	5,742
Total Operating Expenses	22,983,664	21,297,498
OPERATING MARGINS BEFORE FIXED CHARGES	2,566,208	2,053,547
INTEREST ON LONG-TERM DEBT	1,235,216	1,159,597
OPERATING MARGINS AFTER FIXED CHARGES	1,330,992	893,950
G & T AND OTHER CAPITAL CREDITS	1,065,292	414,126
NET OPERATING MARGINS	2,396,284	1,308,076
NON-OPERATING MARGINS		
Interest Income	94,634	104,876
Gain on Sale of Assets	118,424	16,065
Other Non-Operating Income	93,112	52,741
Total Non-Operating Margins	306,170	173,682
NET MARGINS	2,702,454	1,481,758
OTHER COMPREHENSIVE MARGINS		
Postretirement Benefit Plan:		
Net Actuarial Gain (Loss)	206,800	(408,600)
Amortization of Loss	130,000	97,100
Other Comprehensive Margins	336,800	(311,500)
COMPREHENSIVE MARGINS	$ 3,039,254	$ 1,170,258

See accompanying Notes to Consolidated Financial Statements.

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN PATRONAGE CAPITAL AND OTHER EQUITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	Patronage Capital	Other Equities	Accumulated Other Comprehensive Margins (Loss)	Total
BALANCE, DECEMBER 31, 2011	$ 18,509,872	$ 12,715,603	$ (1,409,900)	$ 29,815,575
Comprehensive Margins	893,952	587,806	(311,500)	1,170,258
Retirement of Capital Credits	(605,494)	-	-	(605,494)
BALANCE, DECEMBER 31, 2012	18,798,330	13,303,409	(1,721,400)	30,380,339
Comprehensive Margins	1,330,994	1,371,460	336,800	3,039,254
Retirement of Capital Credits	(605,545)	-	-	(605,545)
BALANCE, DECEMBER 31, 2013	$ 19,523,779	$ 14,674,869	$ (1,384,600)	$ 32,814,048

See accompanying Notes to Consolidated Financial Statements.

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	$ 2,702,454	$ 1,481,758
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation	2,466,037	2,273,294
Gain on Sale of Assets	(118,424)	(16,070)
G & T and Other Capital Credits	(1,065,292)	(414,126)
Accrued Pension and Postretirement Benefit Obligations	199,877	158,959
Changes in Assets and Liabilities:		
Decrease (Increase) in-		
Accounts Receivable	(331,576)	175,136
Materials and Supply Inventory	178,604	(86,301)
Other Current and Accrued Assets	(377,570)	(17,920)
Deferred Debits	(510,074)	301,371
Increase (Decrease) in-		
Accounts Payable	805,756	110,329
Other Current and Accrued Liabilities	(151,180)	624,389
Deferred Credits	29,590	79,690
Net Cash Provided by Operating Activities	3,828,202	4,670,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(7,657,266)	(7,183,719)
Decrease in Other Assets and Investments	1,046,662	412,819
Cash Received from Retirement of Patronage	58,069	56,408
Issuance of Notes Receivable	(126,968)	(27,520)
Payments on Notes Receivable	169,188	842,917
Proceeds from Sale of Assets	142,250	17,000
Net Cash Used by Investing Activities	(6,368,065)	(5,882,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	8,449,700	9,207,296
Principal Payments on Long-Term Debt	(2,551,340)	(6,019,260)
Change in Notes Payable	(1,878,623)	(178,432)
Capital Credits Retired	(605,545)	(605,494)
Net Cash Provided by Financing Activities	3,414,192	2,404,110
NET INCREASE IN CASH AND CASH EQUIVALENTS	874,329	1,192,524
Cash and Cash Equivalents - Beginning	1,647,249	454,725
CASH AND CASH EQUIVALENTS - ENDING	$ 2,521,578	$ 1,647,249
SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS		
Cash Paid for Interest	$ 1,263,400	$ 1,193,900
NON-CASH FINANCING ACTIVITY		
Property and Equipment Acquired Under Capital Leases	336,944	378,813

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Illinois Rural Electric Cooperative is organized to provide electric energy to consumers located in ten counties in west central Illinois. The Cooperative's wholly owned subsidiary, Illinois Rural Telecommunication Co., provided Internet access to the general public within the same general geographic area as served by the Cooperative. As of January 1, 2011, all Internet services are provided by Illinois Rural Electric Cooperative. Illinois Rural Telecommunication Co. itself has two wholly owned subsidiaries, Prather Oil Company and MidState Propane, LLC, which provided retail sales of propane to the general public, in the same geographical areas served by the Cooperative. On June 1, 2009, the Cooperative and its subsidiaries sold substantially all of the assets of the propane operations (See Note 15).

Principles of Consolidation

The consolidated financial statements include the accounts of Illinois Rural Electric Cooperative (the Cooperative) and its wholly owned subsidiary Illinois Rural Telecommunication Co. (IRTC). All significant intercompany transactions and accounts have been eliminated from the consolidated financial statements.

Basis of Accounting

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS. The accounting policies conform to generally accepted accounting principles 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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Electric Plant and Depreciation Procedures

Electric plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred in making improvements, replacements, and additions to the system, 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.

Provisions for depreciation of production (wind turbine) and distribution plant and structures are computed on a straight-line basis employing a group method. The original costs of assets retired together with the costs of removal less salvage are charged to the related accumulated depreciation accounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Electric Plant and Depreciation Procedures (Continued)

Provisions for depreciation of general plant items are computed on a straight-line basis employing a group method, except for transportation equipment, power operated equipment, and certain office equipment, which are computed on a unit method. When assets are sold or retired, proceeds received upon disposition are compared with original cost less depreciation charged to date and gains or losses are recognized in the income statement, as appropriate.

Other Assets and Investments

Investments in Associated Organizations:
Investments in associated organizations include patronage capital, capital term certificates, and other investments. Patronage capital investments are stated at cost plus undistributed allocated equities from other cooperatives. Capital term certificates and other investments are carried at cost, which approximates market.

Notes Receivable and the Allowance for Loan Losses:
The allowance for loan losses (allowance) is an estimate of loan losses inherent in the Cooperative's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after loan losses and loan growth. Loan losses are charged off against the allowance when the Cooperative determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance.

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, energy resource conservation, and other notes receivable with risk characteristics described as follows:

Economic Development: Economic Development Loans 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets and Investments (Continued)

Energy Resource Conservation: Energy Resource Conservation loans possess a low amount of inherent risk as these are amounts loaned to consumers for energy saving devices installed on their premises. 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. These notes are related to sales of property executed in prior years.

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.

Other Investments:
Marketable debt securities are classified as held-to-maturity investments and reported at amortized cost. The fair values of the marketable debt securities are estimated based on quoted market prices for those securities.

Cash and Cash Equivalents

For the purposes of the 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, 2013 and 2012:

	2013	2012
Cash - General	$ 982,061	$ 1,071,675
Short-Term Investments	1,539,517	516,657
Cash and Cash Equivalents - Continuing Operations	2,521,578	1,588,332
Cash and Cash Equivalents - Discontinued Operations	-	58,917
Total Cash and Cash Equivalents	$ 2,521,578	$ 1,647,249

Deposits are maintained in financial institutions insured by FDIC insurance and approved by the Board of Directors. These deposits may, at times, exceed federally insured amounts.

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 bill. Accounts more than 90 days past due are individually analyzed for collectibility. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. As of December 31, 2013 and 2012, the Cooperative has an allowance for uncollectible accounts totaling approximately $174,490 and $161,125, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are valued at the lower of cost or market using the average unit cost method.

Patronage Capital

The Cooperative operates on a non-profit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. To the extent they are not needed to offset current or prior deficits, non-operating margins are recorded as appropriated margins.

Revenue and Power Cost Recognition

The Cooperative recognizes revenue based on estimates of revenues earned but not billed as of the end of each reporting period. Included in other current and accrued assets at December 31, 2013 and 2012 is $2,429,900 and $2,013,900, respectively, of accrued utility revenue.

Cost of power purchased is recognized on the basis of meter readings made by the power supplier on the last day of each month. There are no power costs incurred but not accrued as of December 31, 2013 and 2012.

Post Retirement Benefits

The Cooperative provides certain health care benefits for all retired employees that meet eligibility requirements. The Cooperative's share of the estimated costs that will be paid after retirement is generally being accrued by charges to expense over the employees' active service period to dates they are fully eligible for benefits.

Accumulated Other Comprehensive Loss

Comprehensive Margins (Loss) and its components are required to be presented for each year a statement of operations is presented. The only components included in other comprehensive margins (loss) for the Cooperative are the net actuarial loss for its Post Retirement Health Insurance Benefit Plan and the amortization of that net actuarial loss.

Income Taxes

The Cooperative has been granted tax exempt status under Section 501(c)(12) of the Internal Revenue Code.

IRTC utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income taxes are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Such differences relate primarily to the use of accelerated depreciation methods for income tax purposes as compared to the straight-line method for financial reporting and amortization of goodwill for income tax purposes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

IRTC files a consolidated tax return, which includes its subsidiaries. The consolidated income tax provision (benefit) is recorded by IRTC and is not allocated to its subsidiaries.

The Cooperative evaluated its tax positions and determined that it has no uncertain tax positions as of December 31, 2013 and 2012.

With few exceptions, the Cooperative is no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2010.

Presentation of Sales Taxes

The State of Illinois imposes a sales tax of 6.25% on the Cooperative's sales to nonexempt customers. The Cooperative collects that sales tax from customers and remits the entire amount to the state. The Cooperative's accounting policy is to exclude the tax collected and remitted to the State from revenues and costs of sales.

Fair Value Measurements

The Cooperative categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

> Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access.
>
> Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
>
> Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Subsequent to initial recognition, the Cooperative may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Cooperative adopted the policy to value certain financial instruments at fair value. The Cooperative has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

The following table presents the fair value hierarchy for the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets:				
Special Funds - Deferred Compensation	$ 22,236	$ -	$ -	$ 22,236

The following table presents the fair value hierarchy for the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Special Funds - Deferred Compensation	$ 5,259	$ -	$ -	$ 5,259

Subsequent Events

In preparing these financial statements, the Cooperative has evaluated events and transactions for potential recognition of disclosure through February 10, 2014, the date the financial statements were available to be issued.

NOTE 2 ASSETS PLEDGED

Substantially all assets are pledged as security for the long-term debt to RUS, the Federal Financing Bank (FFB), CoBank, and concurrent mortgage notes to the National Rural Utilities Cooperative Finance Corporation (CFC).

NOTE 3 ELECTRIC PLANT IN SERVICE

Listed below are the major classes of the electric plant as of December 31, 2013 and 2012:

	2013	2012
Intangible Plant	$ 9,169	$ 9,169
Production Plant	1,366,370	1,366,370
Equipment Under Capital Leases	1,871,846	2,292,538
Distribution Plant	61,564,338	58,053,031
General Plant	15,895,546	14,076,578
Electric Plant in Service	80,707,269	75,797,686
Construction Work in Progress	2,818,710	1,433,209
Total	$ 83,525,979	$ 77,230,895

Provisions for depreciation of production and distribution plant are made on a straight-line basis with composite rates as follows:

Production Plant	5%
Distribution Plant	2.36%

Provision for depreciation of equipment under capital leases has been computed on the unit basis using the straight-line method over the life of the leases.

Provision for depreciation of general plant has been computed on the unit basis using the straight-line method with a range of useful lives from four to forty years.

NOTE 4 OTHER ASSETS AND INVESTMENTS

Investments in Associated Organizations

A summary of investments at December 31, 2013 and 2012 is as follows:

	2013	2012
Patronage Capital Credits:		
Prairie Power, Inc.	$ 2,765,466	$ 1,780,774
National Rural Utilities Cooperative Finance Corporation (NRUCFC)	133,449	131,879
CoBank	256,543	243,451
National Rural Telecommunications Cooperative	570,339	647,873
Other	229,464	221,359
	3,955,261	3,025,336
Capital Term Certificates of the National Rural Utilities Cooperative Finance Corporation	790,504	796,107
Total Investment in Associated Organizations	$ 4,745,765	$ 3,821,443

NOTE 4 OTHER ASSETS AND INVESTMENTS (CONTINUED)

Investments in Associated Organizations (Continued)

The Cooperative is a voting member of Prairie Power, Inc. (PPI), a generation and transmission facility headquartered in South Jacksonville, Illinois. These voting members or owners share margins realized by PPI, on the cooperative principle, based on power purchased. The investment or patronage capital earned by voting members is being returned annually as approved by the Board of Directors.

Investments in associated organizations include capital term certificates, loan term certificates, and zero term certificates of the National Rural Utilities Cooperative Finance Corporation (CFC). The capital term certificates bear interest at 5% and begin maturing in the year 2080; loan term certificates bear interest at 3% and begin maturing in the year 2020; and zero term certificates bear interest at 0% and began maturing in the year 2010.

Notes Receivable

Notes receivable at December 31, 2013 and 2012 are as follows:

	2013	2012
Notes Receivable	$ 159,110	$ 245,439
Rural Economic Development Loans Receivable	124,559	27,520
Energy Resource Conservation Loans Receivable	213,230	266,160
Less: Current Portion of Notes Receivable	(160,474)	(150,710)
Total Other Investments	336,425	388,409
Less: Allowance for Loan Losses	(30,000)	(30,000)
Long Term Notes Receivable	$ 306,425	$ 358,409

The Cooperative has notes receivable from third parties for sales of non-utility property. The portion to be received in the near term is shown as a current asset in the consolidated balance sheets. The notes are carried at cost and management considers them to be collectible. As of December 31, 2013 and 2012, all notes receivable were current.

Rural economic development loans receivable consists of a promissory note from businesses and governments in the Cooperative's service territory. These notes bear interest at a rate of 0%.

Energy resource conservation loans receivable consist of promissory notes from members for energy saving devices installed on their premises. The loans are due in varying amounts through 2019 and bear interest at a rate of 2.00%.

NOTE 4 OTHER ASSETS AND INVESTMENTS (CONTINUED)

Notes Receivable (Continued)

Changes in the allowance for loan losses and recorded investment in loans for the year ended December 31, 2013 are as follows:

	Economic Development	Energy Resource Conservation	Other Notes Receivable	Total
Allowance for Loan Losses:				
Balance at Beginning of Year	$ -	$ 30,000	$ -	$ 30,000
Provision for Loan Losses	-	-	-	-
Loans Charged-Off	-	-	-	-
Recoveries of Loans Previously Charged-Off	-	-	-	-
Balance at End of Year	$ -	$ 30,000	$ -	$ 30,000
Ending Balance: Individually Evaluated for Impairment	$ -	$ -	$ -	$ -
Ending Balance: Collectively Evaluated for Impairment	$ -	$ 30,000	$ -	$ 30,000
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 124,559	$ -	$ 159,110	$ 283,669
Ending Balance: Collectively Evaluated for Impairment	$ -	$ 213,230	$ -	$ 213,230

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

	Accruing Interest				
	Current	30-89 Days Past Due	More Than 90 Days Past Due	Total Nonaccrual	Total
Economic Development	$ 124,559	$ -	$ -	$ -	$ 124,559
Energy Resource Conservation	213,230	-	-	-	213,230
Other Notes Receivable	159,110	-	-	-	159,110
Total	$ 496,899	$ -	$ -	$ -	$ 496,899

NOTE 4 OTHER ASSETS AND INVESTMENTS (CONTINUED)

Notes Receivable (Continued)

Changes in the allowance for loan losses and recorded investment in loans for the year ended December 31, 2012 are as follows:

	Economic Development	Energy Resource Conservation	Other Notes Receivable	Total
Allowance for Loan Losses:				
Balance at Beginning of Year	$ -	$ 30,000	$ -	$ 30,000
Provision for Loan Losses	-	-	-	-
Loans Charged-Off	-	-	-	-
Recoveries of Loans Previously Charged-Off	-	-	-	-
Balance at End of Year	$ -	$ 30,000	$ -	$ 30,000
Ending Balance: Individually Evaluated for Impairment	$ -	$ -	$ -	$ -
Ending Balance: Collectively Evaluated for Impairment	$ -	$ 30,000	$ -	$ 30,000
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 27,520	$ -	$ 245,439	$ 272,959
Ending Balance: Collectively Evaluated for Impairment	$ -	$ 266,160	$ -	$ 266,160

The following table shows an aging analysis of the loan portfolio by time past due as of December 31, 2012:

	Accruing Interest				
	Current	30-89 Days Past Due	More Than 90 Days Past Due	Total Nonaccrual	Total
Economic Development	$ 27,520	$ -	$ -	$ -	$ 27,520
Energy Resource Conservation	266,160	-	-	-	266,160
Other Notes Receivable	245,439	-	-	-	245,439
Total	$ 539,119	$ -	$ -	$ -	$ 539,119

NOTE 4 OTHER ASSETS AND INVESTMENTS (CONTINUED)

Other Investments

Other Investments at December 31, 2013 and 2012 consist of the following:

	2013	2012
Marketable Debt Securities - Held to Maturity	$ 1,516,370	$ 2,497,108
Investment in Prairie State Project	5,138,770	5,138,770
Total Other Investments	$ 6,655,140	$ 7,635,878

The Cooperative has invested funds in a power plant project along with nine other Prairie Power, Inc. electric distribution cooperatives. Construction was completed in 2012. In connection with this investment, the Cooperative has guaranteed an additional $4,404,660 of loans to fund the project.

The following is a summary of the amortized cost and fair value of investments classified as Held-to-Maturity as of December 31, 2013 and 2012:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2013				
U.S. Treasury Obligations	$ 587,488	$ 55,197	$ (357)	$ 642,328
U.S. Government Securities	181,401	54,919	(1,047)	235,273
Corporate Bonds	131,066	15,230	(3,978)	142,318
Brokered Certs. of Deposit	566,663	26,735	(4,079)	589,319
Trusts	49,752	16,435	-	66,187
	$ 1,516,370	$ 168,516	$ (9,461)	$ 1,675,425
December 31, 2012				
U.S. Treasury Obligations	$ 759,444	$ 114,417	$ (8,602)	$ 865,259
U.S. Government Securities	139,714	65,160	-	204,874
Corporate Bonds	227,913	21,223	(1,701)	247,435
Brokered Certs. of Deposit	1,320,285	44,651	(12,745)	1,352,191
Trusts	49,752	2,479	-	52,231
	$ 2,497,108	$ 247,930	$ (23,048)	$ 2,721,990

NOTE 4 OTHER ASSETS AND INVESTMENTS (CONTINUED)

Other Investments (Continued)

The carrying values and estimated fair values of debt securities at December 31, 2013, by contractual maturity are shown below:

	Carrying Value	Fair Value
Due Within One Year	$ 291,804	$ 286,322
Due Within One Year Through Five Years	616,438	649,908
Due Within Five Years Through Ten Years	208,684	265,858
Due in More Than Ten Years	399,444	473,337
	$ 1,516,370	$ 1,675,425

Management evaluates securities for other-than-temporary impairment when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Cooperative to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2013, the unrealized losses on securities relate principally to current interest rates for securities of similar type. As management has the ability to hold the securities until maturity, no declines are deemed other-than-temporary.

NOTE 5 OTHER CURRENT AND ACCRUED ASSETS

The following is a summary of other current and accrued assets at December 31, 2013 and 2012:

	2013	2012
Accrued Utility Revenue	$ 2,429,889	$ 2,013,862
Prepaid Expenses	27,036	40,879
Interest Receivable	12,209	16,640
Other	25,475	45,658
Total Other Current and Accrued Assets	$ 2,494,609	$ 2,117,039

NOTE 6 DEFERRED DEBITS

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

	2013	2012
Past Service Pension Cost	$ 273,579	$ 313,760
Prepayment of Stranded Costs on Wholesale Power Contract	1,212,862	1,714,462
NRECA RS Pension Plan Prepayment	1,267,644	-
Headquarters Building Repair Project	-	210,441
Wind Turbine Project	13,097	23,329
Association Dues	54,338	52,626
Other Deferred Debits	31,611	28,439
Total Deferred Debits	$ 2,853,131	$ 2,343,057

The past service pension costs are amortized on the straight-line basis, over future periods.

The Cooperative is amortizing the prepayment of the stranded costs from Soyland Power Cooperative, Inc. (Soyland), now PPI, over the life of the all requirements power contract with PPI, on a straight-line basis. Amortization expense of $501,600 is reflected in the “Cost of Power” line item in the Consolidated Statements of Operations for the years ended December 31, 2013 and 2012.

NOTE 7 PATRONAGE CAPITAL AND OTHER EQUITIES

The following is a summary of patronage capital assignable and assigned at December 31, 2013 and 2012:

	2013	2012
Assignable	$ 1,330,994	$ 893,952
Assigned to Date	18,192,785	17,904,378
Patronage Capital - End of Year	$ 19,523,779	$ 18,798,330

The mortgage provisions restrict the retirement of patronage 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 installations of principal or interest on the notes.

Distributions to estates are made at the request of the estates. In addition to estates, émigrés and surviving spouses of joint memberships are retired upon request within annual budgets set by the board of directors and in the order in which they are received.

NOTE 7 PATRONAGE CAPITAL AND OTHER EQUITIES (CONTINUED)

Other equities consisted of the following as of December 31, 2013 and 2012:

	2013	2012
Memberships	$ 114,840	$ 114,840
Donated Capital	25,928	25,928
Unclaimed Capital Credits	18,292	18,292
Non-Operating Margins - Subsidiary	(882,020)	(875,560)
Appropriated Margins	15,397,829	14,019,909
Total	$ 14,674,869	$ 13,303,409

NOTE 8 LONG-TERM DEBT

The following is a summary of outstanding long-term debt as of December 31, 2013 and 2012:

	2013	2012
RUS Mortgage Notes -		
.10%-5.00% Notes Maturing Through 2039	$ 15,774,844	$ 16,288,628
NRUCFC Secured Promissory Notes -		
Variable Rate Notes, 2.90% Due 2022	378,479	411,481
Fixed Rate Notes, 5.90%-6.75%, Due 2013-2027	-	477,636
FFB Secured Mortgage Notes -		
Variable Rate Notes, .185%-.220%, Due 2014	7,637,934	14,096,346
Fixed Rate Notes, 1.353%-5.334% Maturing 2018-2034	20,676,444	8,689,952
CoBank Secured Promissory Notes -		
Fixed Rate Notes, 4.25%-4.62%, Due 2022-2033	6,428,611	4,685,688
Rural Economic Development Loan	94,559	-
Capital Lease Obligations	737,882	843,718
Total Long-Term Debt	51,728,753	45,493,449
Current Maturities	(2,164,000)	(1,957,000)
Total Long-Term Debt (Net of Current Maturities)	$ 49,564,753	$ 43,536,449

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

Year Ending December 31,	
2014	$ 2,164,000
2015	2,060,000
2016	2,001,000
2017	1,992,000
2018	1,982,000

NOTE 8 LONG-TERM DEBT (CONTINUED)

As of December 31, 2013, the Cooperative has approved but unadvanced loan funds of $6,122,000 under its loan agreements with FFB.

The Cooperative leases various equipment under capital leases expiring in various years through 2020. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their related lease terms. Depreciation of assets under capital leases is included in depreciation for the years ended December 31, 2013 and 2012.

Equipment under capital leases had a cost and accumulated depreciation of $1,871,846 and $1,133,964 and $2,292,538 and $1,448,820 as of December 31, 2013 and 2012, respectively.

Minimum future lease payments under capital leases as of December 31, 2013 for each of the next five years and in the aggregate are:

Year Ending December 31,		
2014	$	276,980
2015		176,087
2016		122,690
2017		59,899
2018		39,571
2019-2020		62,655
Total Minimum Lease Payments		737,882
Less: Amount Representing Interest		-
Present Value of Minimum Lease Payments	$	737,882

NOTE 9 NOTES PAYABLE

The Cooperative has a perpetual line of credit with NRUCFC in the amount of $1,500,000. Borrowings on this line of credit are due on demand. Interest rates vary with the prime rate as published in the Wall Street Journal. At December 31, 2013 and 2012, the interest rate on this line of credit was 2.90% and 2.90%, respectively. No funds were advanced on this line of credit as of December 31, 2013 and 2012.

In addition to the above line of credit, the Cooperative has a line of credit with CoBank for $6,000,000. At December 31, 2013 and 2012, the interest rate on this line of credit was 2.93% and 2.96%, respectively. The line of credit matures on September 30, 2014. The Cooperative had outstanding balances of $0 and $1,878,623 at December 31, 2013 and 2012, respectively.

NOTE 10 DEFERRED CREDITS

A summary of deferred credits at December 31, 2013 and 2012 is as follows:

	2013	2012
Consumers' Energy Prepayments	$ 181,392	$ 151,802
Total	$ 181,392	$ 151,802

NOTE 11 POST RETIREMENT BENEFIT OBLIGATIONS OTHER THAN PENSIONS

The Cooperative maintains a policy that provides health care benefits for substantially all retired employees who have met the plan's years of service until age 65. The Cooperative's liability for these unfunded benefits was revalued as of December 31, 2013 and reported on the Balance Sheet as Accumulated Provision for Pension and Benefits, which also includes $22,236 and $5,259 of Deferred Compensation as of December 31, 2013 and 2012, respectively.

As an employer that sponsors a defined benefit postretirement plan, the Cooperative reports the current economic status (the over-funded or under-funded status) of the plan in its statement of financial condition, measures the plan assets and plan obligations as of the statement of financial condition date, and includes disclosures about the plan.

Obligations and Funded Status:	December 31, 2013	December 31, 2012
Accumulated Postretirement Benefit Obligation	$ 2,760,900	$ 2,914,800
Fair Value of Plan Assets	-	-
Unfunded Accumulated Postretirement Benefit Obligation	$ 2,760,900	$ 2,914,800
Employer Contributions	$ 143,600	$ 90,895
Plan Participant Contributions	-	-
Net Benefits Paid	$ 143,600	$ 90,895
Amounts Recognized in the Balance Sheet in Accumulated Provisions for Pension and Benefits	$ 2,760,900	$ 2,914,800

Components of Net Postretirement Benefit Cost and Other Amounts Recognized in Other Comprehensive Margins	December 31, 2013	December 31, 2012
Service and Interest Cost	$ 196,500	$ 187,400
Amortization of Deferred Charge	130,000	97,100
Change in Net Loss Recognized in Other Comprehensive Margins	(336,800)	311,500
Net Periodic Benefit Cost	$ (10,300)	$ 596,000

NOTE 11 POST RETIREMENT BENEFIT OBLIGATIONS OTHER THAN PENSIONS (CONTINUED)

Assumptions Used to Determine the Net Postretirement Benefit Cost		
Weighted Average Discount Rate for Obligations	4.26%	5.00%
Health Care Cost Trend Rate Assumed for Next Year	7.00%	7.50%
Rate to Which the Cost Trend Rate is Assumed to Decline	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2018	2018

The following postretirement benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2014	$	137,800
2015		139,200
2016		150,300
2017		166,600
2018		172,800
2019 - 2023		989,300

The Cooperative has a net loss in the amount of $1,384,600. The estimated related net loss that will be amortized over the next fiscal year is $110,900.

NOTE 12 PENSION PLANS

Narrative Description

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

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

Plan Information

The Cooperative's contributions to the RS Plan in 2013 and in 2012 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the plan in 2013 and 2012 as follows:

	2013	2012
Past Service Pension Cost	$ 40,181	$ 40,182
Current Payments to Plan	420,504	482,206
Prepayments	1,358,190	-
	$ 1,818,875	$ 522,388

NOTE 12 PENSION PLANS (CONTINUED)

Plan Information (Continued)

Contributions in 2013 are significantly higher than those in 2012 due to the Cooperative electing to participate in the prepayment option offered to participating employers in 2013.

For the RS Plan, a “zone status” determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was between 80 percent funded on January 1, 2013 and between 65 percent and 80 percent funded at January 1, 2012 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

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.

In addition to the above retirement plan, employees of the Cooperative are eligible for a 401(k) savings plan. The Cooperative makes a contribution of 3.5% of the eligible employees' salary into this plan. The total contribution made by the Cooperative in 2013 and 2012 was $97,060 and $89,568, respectively.

NOTE 13 INCOME TAXES

No provision for income taxes was recorded for the years ended December 31, 2013 and 2012.

Deferred tax assets are presented in the balance sheet as follows:

	2013	2012
Net Operating Loss Carryforwards	$ 64,000	$ 61,000
Valuation Allowance	(64,000)	(61,000)
Deferred Tax Assets, Net	$ -	$ -

NOTE 14 COMMITMENTS AND CONTINGENCIES

Purchase Commitment

Under its wholesale power agreements, the Cooperative is committed to purchase its electric power and energy requirements from Prairie Power, Inc. through 2047. The rates are subject to periodic review.

Concentration of Credit

The Cooperative extends credit to its consumers on terms no more favorable than the standard terms of the industry it serves. The Cooperative's customers are located in west central Illinois, and may be dependent on economic returns from farm crop and livestock production in that area. The Cooperative's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

NOTE 15 DISCONTINUED OPERATIONS

On June 1, 2009, the Cooperative and its subsidiaries sold the assets of the propane operations, primarily held by Prather Oil Company and MidState Propane, LLC.

Assets of the discontinued operations are comprised of the following at December 31, 2013 and 2012, respectively:

	2013	2012
Cash and Cash Equivalents	$ -	$ 58,917
	$ -	$ 58,917

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SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Illinois Rural Electric Cooperative
  and Subsidiary
Winchester, Illinois

We have audited the consolidated financial statements of Illinois Rural Electric Cooperative and Subsidiary as of and for the years ended December 31, 2013 and 2012, and our report thereon dated February 10, 2014, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The supplementary information identified in the table of contents is presented for 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

Austin, Minnesota
February 10, 2014

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2013

ASSETS	Illinois Rural Electric Cooperative	Illinois Rural Telecommunication Company
UTILITY PLANT		
Electric Plant in Service	$ 80,707,269	$ -
Construction Work in Progress	2,818,710	-
Total	83,525,979	-
Less Accumulated Provision for Depreciation	(14,965,728)	-
Net Utility Plant	68,560,251	-
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	4,210,751	535,014
Notes Receivable	233,644	72,781
Other Investments	7,153,802	-
Other Special Funds	22,236	-
Total Other Assets and Investments	11,620,433	607,795
CURRENT ASSETS		
Cash and Cash Equivalents	2,476,947	44,631
Accounts Receivable, Net	2,084,873	-
Current Portion of Notes Receivable	74,145	86,329
Materials and Supplies Inventory	590,158	-
Other Current and Accrued Assets	2,494,609	-
Total Current Assets	7,720,732	130,960
DEFERRED DEBITS	2,853,131	-
Total Assets	$ 90,754,547	$ 738,755
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	$ 19,523,779	$ -
Other Equities	14,674,869	501,662
Accumulated Other Comprehensive Loss	(1,384,600)	-
Total Equities	32,814,048	501,662
LONG-TERM DEBT, NET OF CURRENT MATURITIES	49,564,753	-
ACCUMULATED PROVISION FOR PENSION AND POSTRETIREMENT BENEFIT OBLIGATIONS	2,783,136	-
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	2,164,000	-
Notes Payable	-	237,093
Accounts Payable	2,160,663	-
Other Current and Accrued Liabilities	1,086,555	-
Total Current Liabilities	5,411,218	237,093
DEFERRED CREDITS	181,392	-
Total Equities and Liabilities	$ 90,754,547	$ 738,755

Eliminations	Consolidated
$ -	$ 80,707,269
-	2,818,710
-	83,525,979
-	(14,965,728)
-	68,560,251
-	4,745,765
-	306,425
(498,662)	6,655,140
-	22,236
(498,662)	11,729,566
-	2,521,578
(240,093)	1,844,780
-	160,474
-	590,158
-	2,494,609
(240,093)	7,611,599
-	2,853,131
$ (738,755)	$ 90,754,547
$ -	$ 19,523,779
(501,662)	14,674,869
-	(1,384,600)
(501,662)	32,814,048
-	49,564,753
-	2,783,136
-	2,164,000
(237,093)	-
-	2,160,663
-	1,086,555
(237,093)	5,411,218
-	181,392
$ (738,755)	$ 90,754,547

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012

ASSETS	Illinois Rural Electric Cooperative	Illinois Rural Telecommunication Company
UTILITY PLANT		
Electric Plant in Service	$ 75,797,686	$ -
Construction Work in Progress	1,433,209	-
Total	77,230,895	-
Less Accumulated Provision for Depreciation	(14,174,991)	-
Net Utility Plant	63,055,904	-
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	3,203,428	618,015
Notes Receivable	199,299	159,110
Other Investments	8,140,999	-
Other Special Funds	5,259	-
Total Other Assets and Investments	11,548,985	777,125
CURRENT ASSETS		
Cash and Cash Equivalents	1,376,572	211,760
Accounts Receivable, Net	2,142,214	-
Current Portion of Notes Receivable	64,381	86,329
Materials and Supplies Inventory	768,762	-
Other Current and Accrued Assets	2,117,039	-
Total Current Assets	6,468,968	298,089
DEFERRED DEBITS	2,343,057	-
ASSETS OF DISCONTINUED OPERATIONS	-	58,917
Total Assets	$ 83,416,914	$ 1,134,131
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	$ 18,798,330	$ -
Other Equities	13,303,409	508,121
Accumulated Other Comprehensive Loss	(1,721,400)	-
Total Equities	30,380,339	508,121
LONG-TERM DEBT, NET OF CURRENT MATURITIES	43,536,449	-
ACCUMULATED PROVISION FOR PENSION AND POSTRETIREMENT BENEFIT OBLIGATIONS	2,920,059	-
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	1,957,000	-
Notes Payable	1,878,623	626,010
Accounts Payable	1,354,907	-
Other Current and Accrued Liabilities	1,237,735	-
Total Current Liabilities	6,428,265	626,010
DEFERRED CREDITS	151,802	-
Total Equities and Liabilities	$ 83,416,914	$ 1,134,131

Eliminations	Consolidated
$ -	$ 75,797,686
-	1,433,209
-	77,230,895
-	(14,174,991)
-	63,055,904
-	3,821,443
-	358,409
(505,121)	7,635,878
-	5,259
(505,121)	11,820,989
-	1,588,332
(629,010)	1,513,204
-	150,710
-	768,762
-	2,117,039
(629,010)	6,138,047
-	2,343,057
-	58,917
$ (1,134,131)	$ 83,416,914
$ -	$ 18,798,330
(508,121)	13,303,409
-	(1,721,400)
(508,121)	30,380,339
-	43,536,449
-	2,920,059
-	1,957,000
(626,010)	1,878,623
-	1,354,907
-	1,237,735
(626,010)	6,428,265
-	151,802
$ (1,134,131)	$ 83,416,914

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2013

	Illinois Rural Electric Cooperative	Illinois Rural Telecommunication Company
OPERATING REVENUES		
Electric Revenues	$ 25,364,624	$ -
Other Operating Revenue	185,248	-
Total Operating Revenues	25,549,872	-
OPERATING EXPENSES		
Cost of Power	14,646,364	-
Distribution Expense - Operations	411,037	-
Distribution Expense - Maintenance	2,561,466	-
Consumer Account Expense	445,111	-
Sales Expense	412,829	-
Administrative and General Expense	2,007,985	-
Depreciation	2,466,037	-
Other Interest Expense	22,267	-
Other Deductions	10,568	-
Total Operating Expenses	22,983,664	-
OPERATING MARGINS BEFORE FIXED CHARGES	2,566,208	-
INTEREST ON LONG-TERM DEBT	1,235,216	-
OPERATING MARGINS AFTER FIXED CHARGES	1,330,992	-
G & T AND OTHER CAPITAL CREDITS	1,065,292	-
NET OPERATING MARGINS	2,396,284	-
NON-OPERATING MARGINS		
Interest Income	94,634	-
Loss from Subsidiaries	(6,460)	-
Gain on Sale of Assets	118,424	-
Other Non-Operating Income (Loss)	99,572	(6,460)
Total Non-Operating Margins (Loss)	306,170	(6,460)
NET MARGINS	$ 2,702,454	$ (6,460)

Eliminations	Consolidated
$ -	$ 25,364,624
-	185,248
-	25,549,872
-	14,646,364
-	411,037
-	2,561,466
-	445,111
-	412,829
-	2,007,985
-	2,466,037
-	22,267
-	10,568
-	22,983,664
-	2,566,208
-	1,235,216
-	1,330,992
-	1,065,292
-	2,396,284
-	94,634
6,460	-
-	118,424
-	93,112
6,460	306,170
$ 6,460	$ 2,702,454

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2012

	Illinois Rural Electric Cooperative	Illinois Rural Telecommunication Company
OPERATING REVENUES		
Electric Revenues	$ 23,163,514	$ -
Other Operating Revenue	187,531	-
Total Operating Revenues	23,351,045	-
OPERATING EXPENSES		
Cost of Power	13,466,189	-
Distribution Expense - Operations	461,990	-
Distribution Expense - Maintenance	2,115,059	-
Consumer Account Expense	419,547	-
Sales Expense	479,348	-
Administrative and General Expense	2,040,640	-
Depreciation	2,273,294	-
Other Interest Expense	35,689	-
Other Deductions	5,742	-
Total Operating Expenses	21,297,498	-
OPERATING MARGINS BEFORE FIXED CHARGES	2,053,547	-
INTEREST ON LONG-TERM DEBT	1,159,597	-
OPERATING MARGINS AFTER FIXED CHARGES	893,950	-
G & T AND OTHER CAPITAL CREDITS	414,126	-
NET OPERATING MARGINS	1,308,076	-
NON-OPERATING MARGINS (LOSS)		
Interest Income	104,876	-
Loss from Subsidiaries	(5,654)	-
Gain on Sale of Assets	16,065	-
Other Non-Operating Income (Loss)	58,395	(5,654)
Total Non-Operating Margins (Loss)	173,682	(5,654)
NET MARGINS	$ 1,481,758	$ (5,654)

Eliminations	Consolidated
$ -	$ 23,163,514
-	187,531
-	23,351,045
-	13,466,189
-	461,990
-	2,115,059
-	419,547
-	479,348
-	2,040,640
-	2,273,294
-	35,689
-	5,742
-	21,297,498
-	2,053,547
-	1,159,597
-	893,950
-	414,126
-	1,308,076
-	104,876
5,654	-
-	16,065
-	52,741
5,654	173,682
$ 5,654	$ 1,481,758

**ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET –
ILLINOIS RURAL TELECOMMUNICATION COMPANY
DECEMBER 31, 2013**

ASSETS	Illinois Rural Telecommunication Company	Prather Oil Company
CURRENT ASSETS		
Cash and Cash Equivalents	$ 44,631	$ -
Current Portion of Notes Receivable	86,329	-
Total Current Assets	130,960	-
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	535,014	-
Notes Receivable	72,781	-
Other Investments	235,384	-
Total Other Assets and Investments	843,179	-
ASSETS OF DISCONTINUED OPERATIONS	-	-
Total Assets	$ 974,139	$ -
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable	$ 472,477	$ -
Accounts Payable	-	79,449
Total Current Liabilities	472,477	79,449
STOCKHOLDERS' EQUITY		
Common Stock	-	10,000
Treasury Stock	-	(11,000)
Contributed Capital	1,380,680	-
Other Equities	(879,018)	(78,449)
Total Stockholders' Equity	501,662	(79,449)
Total Liabilities and Stockholders' Equity	$ 974,139	$ -

Midstate Propane, LLC	Eliminations	Consolidated
$ -	$ -	$ 44,631
-	-	86,329
-	-	130,960
-	-	535,014
-	-	72,781
-	(235,384)	-
-	(235,384)	607,795
314,833	(314,833)	-
$ 314,833	$ (550,217)	$ 738,755
$ -	$ (235,384)	$ 237,093
-	(79,449)	-
-	(314,833)	237,093
-	(10,000)	-
-	11,000	-
341,083	(341,083)	1,380,680
(26,250)	104,699	(879,018)
314,833	(235,384)	501,662
$ 314,833	$ (550,217)	$ 738,755

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET –
ILLINOIS RURAL TELECOMMUNICATION COMPANY
DECEMBER 31, 2012

ASSETS	Illinois Rural Telecommunication Company	Prather Oil Company
CURRENT ASSETS		
Cash and Cash Equivalents	$ 211,760	$ -
Current Portion of Notes Receivable	86,329	-
Total Current Assets	298,089	-
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	618,015	-
Notes Receivable	159,110	-
Other Investments	294,301	-
Total Other Assets and Investments	1,071,426	-
ASSETS OF DISCONTINUED OPERATIONS	-	-
Total Assets	$ 1,369,515	$ -
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable	$ 861,394	$ -
Accounts Payable	-	79,449
Total Current Liabilities	861,394	79,449
STOCKHOLDERS' EQUITY		
Common Stock	-	10,000
Treasury Stock	-	(11,000)
Contributed Capital	1,380,680	-
Other Equities	(872,559)	(78,449)
Total Stockholders' Equity	508,121	(79,449)
Total Liabilities and Stockholders' Equity	$ 1,369,515	$ -

Midstate Propane, LLC	Eliminations	Consolidated
$ -	$ -	$ 211,760
-	-	86,329
-	-	298,089
-	-	618,015
-	-	159,110
-	(294,301)	-
-	(294,301)	777,125
373,750	(314,833)	58,917
$ 373,750	$ (609,134)	$ 1,134,131
$ -	$ (235,384)	$ 626,010
-	(79,449)	-
-	(314,833)	626,010
-	(10,000)	-
-	11,000	-
400,000	(400,000)	1,380,680
(26,250)	104,699	(872,559)
373,750	(294,301)	508,121
$ 373,750	$ (609,134)	$ 1,134,131

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS –
ILLINOIS RURAL TELECOMMUNICATION COMPANY
YEAR ENDED DECEMBER 31, 2013

	Illinois Rural Telecommunication Company	Prather Oil Company
OPERATING INCOME		
Telecommunication Revenue	$ 2,040	$ -
Total Operating Income	2,040	-
OPERATING EXPENSES		
Administrative and General Expense	8,500	-
Total Operating Expenses	8,500	-
NET OPERATING LOSS	(6,460)	-
NON-OPERATING LOSS		
Other Non-Operating Loss	-	-
Total Non-Operating Loss	-	-
NET LOSS	$ (6,460)	$ -

Midstate Propane, LLC	Eliminations	Consolidated
$ -	$ (2,040)	$ -
-	(2,040)	-
-	(8,500)	-
-	(8,500)	-
-	6,460	-
-	(6,460)	(6,460)
-	(6,460)	(6,460)
$ -	$ -	$ (6,460)

ILLINOIS RURAL ELECTRIC COOPERATIVE
AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS –
ILLINOIS RURAL TELECOMMUNICATION COMPANY
YEAR ENDED DECEMBER 31, 2012

	Illinois Rural Telecommunication Company	Prather Oil Company
OPERATING INCOME		
Telecommunication Revenue	$ 2,031	$ -
Total Operating Income	2,031	-
OPERATING EXPENSES		
Consumer Accounts	200	-
Administrative and General Expense	7,467	-
Total Operating Expenses	7,667	-
NET OPERATING LOSS	(5,636)	-
NON-OPERATING INCOME		
Gain on Sale of Assets	5	-
Other Non-Operating Loss	-	-
Total Non-Operating Income	5	-
NET INCOME (LOSS) BEFORE INCOME TAXES	(5,631)	-
Provision for Income Taxes	23	-
NET LOSS	$ (5,654)	$ -

Midstate Propane, LLC	Eliminations	Consolidated
$ -	$ (2,031)	$ -
-	(2,031)	-
-	(200)	-
-	(7,467)	-
-	(7,667)	-
-	5,636	-
-	(5)	-
-	(5,654)	(5,654)
-	(5,659)	(5,654)
-	(23)	(5,654)
-	(23)	-
$ -	$ -	$ (5,654)

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS

Board of Directors
Illinois Rural Electric Cooperative
and Subsidiary
Winchester, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Illinois Rural Electric Cooperative and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in patronage capital and other equities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 10, 2014. In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2014, on our consideration of Illinois Rural Electric Cooperative and Subsidiary's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. No reports other than the reports referred to above and the Independent Auditors' Report on Loan Fund Expenditures have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Illinois Rural Electric Cooperative and Subsidiary failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Illinois Rural Electric Cooperative and Subsidiary's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Illinois Rural Electric Cooperative and Subsidiary's accounting and records to indicate that Illinois Rural Electric Cooperative and Subsidiary did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures;
- Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and
- Comply with the requirements for the detailed schedule of investments.

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

Schedule of Deferred Debits

Past Service Pension Cost	$	273,579
Prepayment of Stranded Costs on Wholesale Power Contract		1,212,862
NRECA RS Pension Plan Prepayment		1,267,644
Wind Turbine Project		13,097
Association Dues		54,338
Other Deferred Debits		31,611
	$	2,853,131

Past Service Pension Costs were deferred in accordance with FASB Accounting Standards Codification 980-340-25 and have been approved by the Board of Directors and RUS.

Schedule of Deferred Credits

Customer Prepayments	$	181,392
	$	181,392

Board of Directors
Illinois Rural Electric Cooperative and Subsidiary

Schedule of Investments

	Illinois Rural Telecommunication Company	Prather Oil Company	MidState Propane, LLC
Principal Business	DBS & Internet Services	Propane Sales	Propane Sales
Ownership Percentage	100%	100%	100%
Original Investment Cost	$ 3,000	$ 1,100,000	$ 1,500,000
Book Value of Investment as of December 31, 2011	$ 513,775	$ (79,449)	$ 373,750
Undistributed Earnings as of December 31, 2012	(5,654)	-	-
Book Value of Investment as of December 31, 2012	508,121	(79,449)	373,750
Return of Capital	-	-	(58,917)
Undistributed Loss as of December 31, 2013	(6,460)	-	-
Book Value of Investment as of December 31, 2013	$ 501,661	$ (79,449)	$ 314,833

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

CliftonLarsonAllen LLP

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Austin, Minnesota
February 10, 2014

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INDEPENDENT AUDITORS' REPORT ON CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Illinois Rural Electric Cooperative
and Subsidiary
Winchester, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Illinois Rural Electric Cooperative and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in patronage capital and other equities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 10, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Illinois Rural Electric Cooperative and Subsidiary

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Illinois Rural Electric Cooperative and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
February 10, 2014

INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

Board of Directors
Illinois Rural Electric Cooperative
and Subsidiary
Winchester, Illinois

We have audited, in accordance with U.S. generally accepted auditing standards, the consolidated balance sheet of Illinois Rural Electric Cooperative and Subsidiary as of December 31, 2013 and the related consolidated statements of operations and patronage capital and other equities and cash flows for the year then ended, and have issued our report thereon dated February 10, 2014.

During the year ended December 31, 2013, Illinois Rural Electric Cooperative and Subsidiary received no advances 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 Illinois Rural Electric Cooperative and Subsidiary and National Rural Utilities Cooperative Finance Corporation and should not be used for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
February 10, 2014