

**ANNUAL  
REPORT**

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**RURAL ELECTRIC  
ECONOMIC DEVELOPMENT, INC.**

**REED FUND**



## REED

Rural Electric Economic Development, Inc.

### Partnerships In Progress

Organized in 1996, the Rural Electric Economic Development, Inc. (REED) Fund is a private non-profit corporation governed by 17 Electric Cooperatives serving eastern South Dakota and western Minnesota. Its primary mission is to provide financing and help leverage private investment in small communities and rural areas needed to keep the rural economy viable and improve quality of life in the region. To accomplish its mission REED makes loans that support job creation, job retention, self-employment and community capacity building activities throughout the 36,000 square miles it serves.

### It Began With A Vision

REED's success is attributable to the member cooperatives' vision and active involvement in the region's economic development initiatives as well as to a federated approach to managing its financing activities in cooperation with East River Electric Power Cooperative, Inc. Electric cooperatives in this region have a strong history of collaboration and the REED fund is positive proof that cooperation works.

## Development Loans

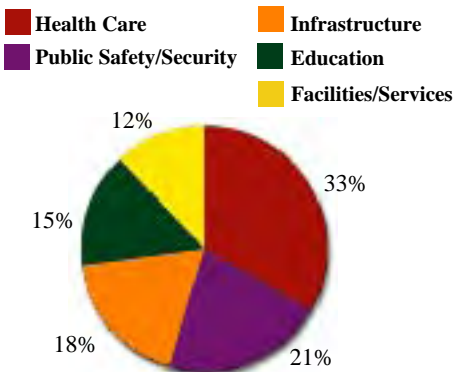
The REED Fund partners with commercial financial institutions, state and federal government agencies, and regional and local development organizations to support rural development. Financing from its nearly \$13 million capital pool has been approved for 98 projects totaling \$17.3 million since 1996, as illustrated in the center of the report. Sixty-two percent of REED's lending is to business sectors, and 38% is to community projects. The breakdown by sector is shown below in charts 1 and 2.

### Economic Impact In 2001

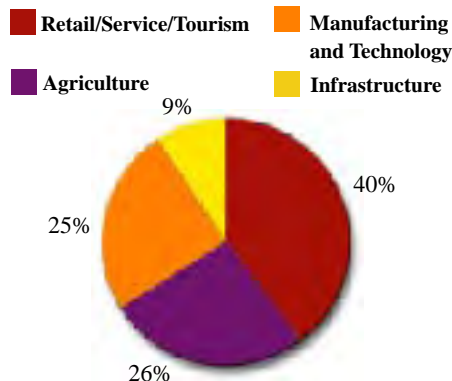
Lending in 2001 totaled over \$2 million to 12 projects. Loan commitments January through June 2002 total over \$4.2 million to 16 projects and there are a number of projects undergoing review. This is a strong increase in activity over prior years.

Total project investment from all parties is over \$77 million (through year-end 2001), a significant investment in this rural area. Investment made in 2002 projects to date will increase this investment by another \$22 million. On the average, REED Fund loans are about 16% of total project investments, with banks lending 39%, owners investing 35% and state and federal programs contributing 10% as shown below on chart 3. For every dollar it loans, REED leverages an average of \$6.30 from other resources.

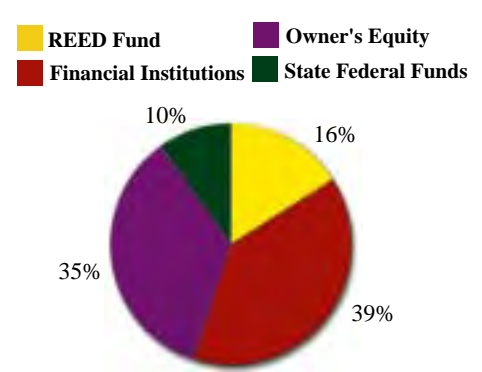
1 REED Community Project Lending



2 REED Business & Industry Lending



3 The total project investment in REED is shared among financial partners as illustrated below.



The average REED loan is \$147,000 and impacts 20 jobs. Total jobs assisted through 2001 were 2,586, an increase of 288 jobs over 2000. The 12 loans issued in 2001 accounted for 183 jobs. Job growth in 2001 from loans made in previous years is 105 overall, despite job contraction in the non-profit sector in 2001. Jobs projected for 2002 loan commitments total 384.

The entire region benefits from REED's investment in economic development. On the average, employees of REED-financed projects earn \$11.00 per hour with a total payroll of over \$57.4 million in 2001, an increase of nearly \$1.75 per hour worked and \$20 million in payroll over 2000 figures as shown below in chart 4. Business sales totaled \$747.4 million in 2001, resulting in an estimated \$100 million in the retail sector contributing to sales tax collections in the region. Sales and property tax revenues from business activities are especially significant considering that 61% of REED's lending is done in communities of less than 1,000 persons and only 12% is in communities of over 5,000, as shown below in chart 5.

### Financial Partnerships

REED's contributors and investors include member cooperatives, USDA Rural Development and non-profit organizations as shown below in chart 6. REED received a significant amount of

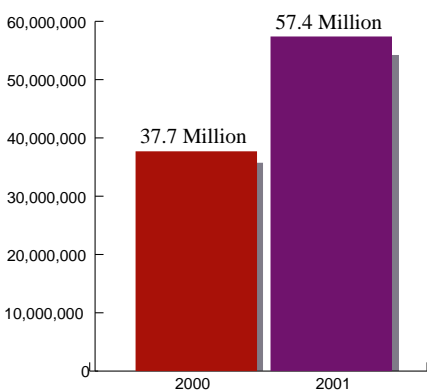
new funding in 2001-2002. South Dakota Rural Enterprise made a second \$500,000 investment, the Calvert Foundation invested \$150,000, the USDA Intermediary Relending Program approved \$750,000, and the US Treasury Department's Community Development Financial Institutions Fund approved \$1 million. These investments are loans to the REED Fund used to strengthen communities and improve quality of life in rural areas.

One USDA Rural Economic Development zero-interest loan was approved and issued during 2001 by REED Member, Northern Electric Cooperative, to the Aberdeen Rural Fire Protection District. This marked the 26th community project to receive USDA funds from a REED member. Thirteen REED members have used this valuable government program to make loans to non-profit, community projects. These projects are indicated by the blue flags on the center map.

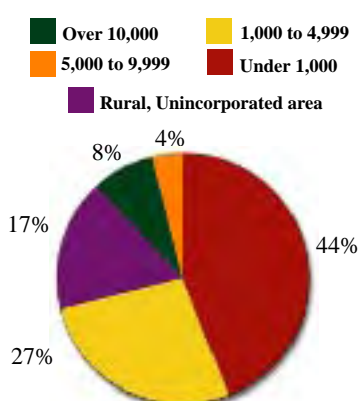
### Electric Cooperatives

One new member joined the REED Fund in 2001, bringing the total membership to 17 cooperatives. Clay-Union Electric Corporation of Vermillion became a member in December 2001. The back page lists all REED members and contact information.

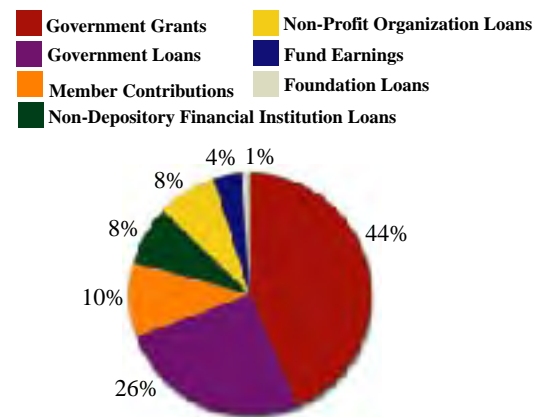
4 Total Payroll of REED-Financed Projects



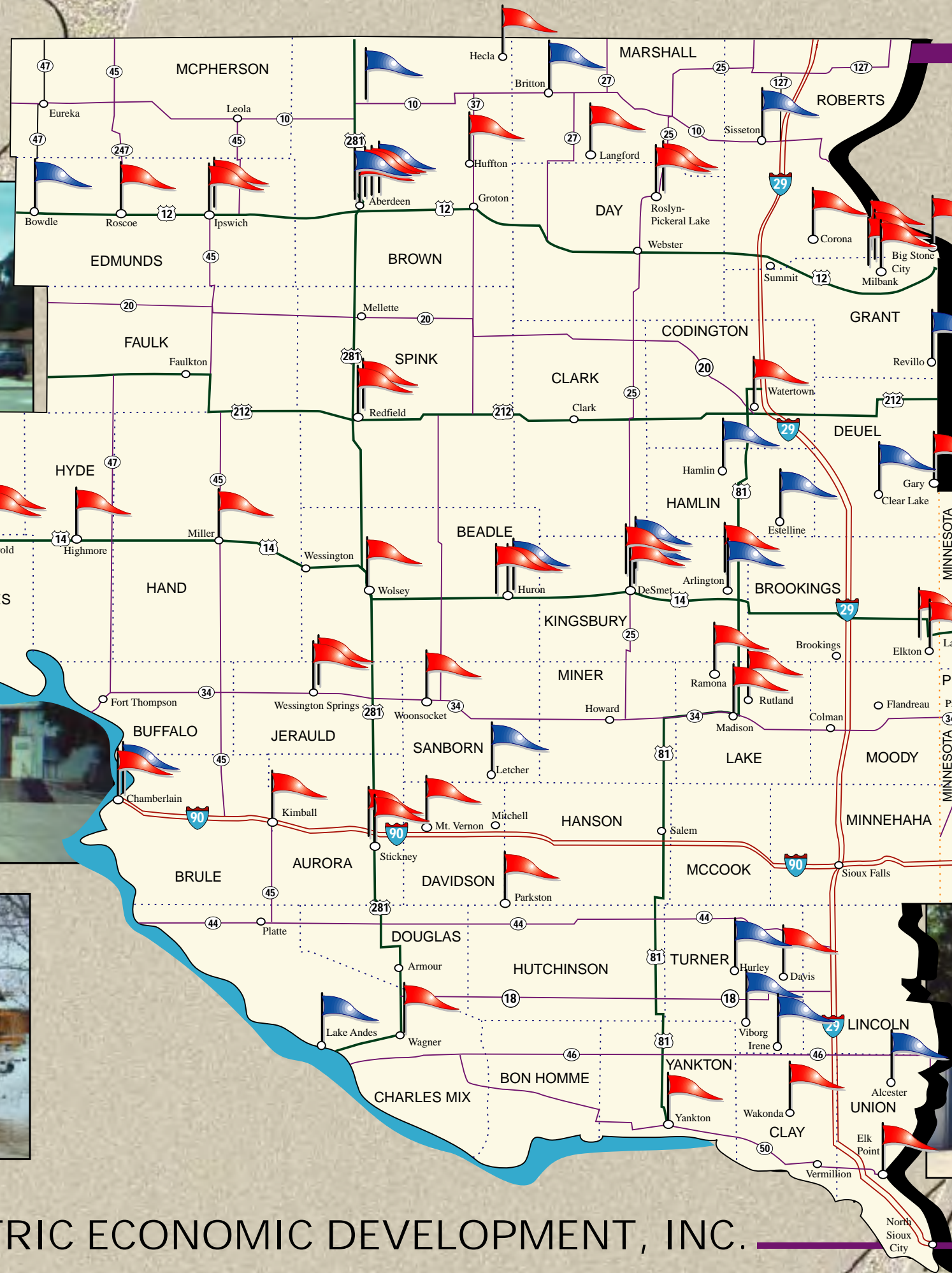
5 REED Project Financing By Community Size



6 REED Investments



# Partnerships In Progress



 **REED Loans**

 **REDG Loans**



**REED** RURAL ELECTRIC ECONOMIC DEVELOPMENT, INC.

## Statement of Activities

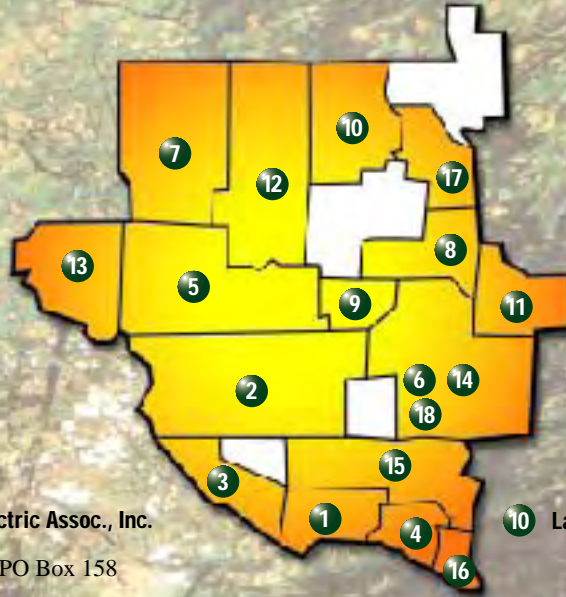
<b>REVENUES</b>	<b>2001</b>	<b>2000</b>
Contributions - grants	\$ 100,000	\$ -
Contributions - rural electric cooperatives	41,900	-
Interest of loans receivable	328,335	255,818
Loan application and service fees	21,037	22,420
Investment revenue	24,039	24,021
Other income	29,318	7,859
<b>Total Revenues</b>	<b>\$ 544,629</b>	<b>\$ 310,118</b>
<b>EXPENSES</b>		
Loan application and service expenses	\$ 14,997	\$ 15,102
Administrative costs	115,296	80,055
Interest	58,705	42,573
Provision for uncollectible loans	120,000	70,000
Professional fees	15,913	6,996
Other expenses	5,929	6,975
<b>Total Expenses</b>	<b>\$ 330,840</b>	<b>\$ 221,701</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 213,789</b>	<b>\$ 88,417</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$6,909,226</b>	<b>\$6,820,809</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$7,123,015</b>	<b>\$6,909,226</b>



## Statement of Financial Position

<b>CURRENT ASSETS</b>	<b>2001</b>	<b>2000</b>
Cash and cash equivalents	\$ 965,592	\$ 355,775
Current portion of economic development and loans receivable	1,162,659	1,002,559
Interest receivable	12,135	13,619
Other current assets	66	78
<b>Total Current Assets</b>	<b>\$2,140,452</b>	<b>\$1,372,031</b>
<b>OTHER ASSETS</b>		
Economic development loans receivable - long term - net of allowance for uncollectibles (2001 - \$202,457; 2000 - \$100,000)	\$7,752,967	\$7,932,559
Other investments	2,506	1,855
<b>Total Other Assets</b>	<b>7,755,473</b>	<b>7,934,414</b>
<b>Total Assets</b>	<b>\$9,895,925</b>	<b>\$9,306,445</b>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 65,891	\$ 65,225
Accounts payable	106,747	81,417
Accrued interest payable	9,561	8,362
<b>Total Current Liabilities</b>	<b>\$ 182,199</b>	<b>\$ 155,004</b>
<b>LONG-TERM DEBT</b>	<b>\$2,590,711</b>	<b>\$2,242,215</b>
<b>NET ASSETS</b>		
Unrestricted	\$2,560,180	\$1,895,470
Permanently restricted	1,228,150	1,186,250
Temporarily restricted	3,334,685	3,827,506
<b>Total Net Assets</b>	<b>\$7,123,015</b>	<b>\$6,909,226</b>
<b>Total Liabilities and Net Assets</b>	<b>\$9,895,925</b>	<b>\$9,306,445</b>

## REED FUND BOARD OF DIRECTORS



**1 Bon Homme Yankton Electric Assoc., Inc.**  
Merlin Goehring  
134 S. Lidice Street, PO Box 158  
Tabor, SD 57063

**2 Central Electric Cooperative, Inc.**  
Loren Noess, Vice President  
1420 N. Main, PO Box 850  
Mitchell, SD 57301

**3 Charles Mix Electric Association, Inc.**  
Mark Mengenhauser, President  
440 Lake St., PO Box 10  
Lake Andes, SD 57356

**4 Clay-Union Electric Corporation**  
Paul Roberts  
1410 E. Cherry St., PO Box 317  
Vermillion, SD 57069

**5 Dakota Energy Cooperative, Inc.**  
Robert Rademacher  
Hwy. 14 E., PO Box 830  
Huron, SD 57350

**6 East River Electric Power Cooperative, Inc.**  
Greg Hollister, Treasurer  
121 SE 1st St., PO Box 227  
Madison, SD 57042

**7 FEM Electric Association, Inc.**  
Paul Erickson  
800 5th Ave., PO Box 468  
Ipswich, SD 57451

**8 H-D Electric Cooperative, Inc.**  
Gary Cramer  
423 3rd Ave. S., PO Box 1007  
Clear Lake, SD 57226

**9 Kingsbury Electric Cooperative, Inc.**  
Dennis Kruse, Secretary  
511 Hwy. 14 W., PO Box E  
DeSmet, SD 57231

**10 Lake Region Electric Association, Inc.**  
Tim Reilley  
1212 N. Main St., P.O. Box 341  
Webster, SD 57274

**11 Lyon Lincoln Electric Cooperative, Inc.**  
Tim O'Leary  
W. Hwy. 14, PO Box 639  
Tyler, MN 56178

**12 Northern Electric Cooperative, Inc.**  
Dennis Hagny  
Hwy. 12, PO Box 457  
Bath, SD 57427

**13 Oahe Electric Cooperative, Inc.**  
Brad Scott  
102 S. Canford, PO Box 216  
Blunt, SD 57522

**14 Sioux Valley Energy**  
Don Marker  
47029 SD Hwy. 34, PO Box 216  
Colman, SD 57017

**15 Southeastern Electric Cooperative, Inc.**  
Brad Schardin  
501 S. Broadway Ave., PO Box 388  
Marion, SD 57043

**16 Union County Electric Cooperative, Inc.**  
Larry Cheney  
West Main St., PO Box 459  
Elk Point, SD 57025

**17 Whetstone Valley Electric Cooperative, Inc.**  
Steve Ahles  
East Hwy. US 12, PO Box 512  
Milbank, SD 57252

**18 REED Fund Information**  
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Madison, SD 57042  
605-256-4536

