

**BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
SUMTER, SOUTH CAROLINA**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2008 AND 2007 AND
REPORT OF INDEPENDENT ACCOUNTANTS**

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

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MCNAIR, McLEMORE, MIDDLEBROOKS & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS

389 Mulberry Street • Post Office Box One • Macon, GA 31202

Telephone (478) 746-6277 • Facsimile (478) 743-6858

www.mmmcpa.com

RALPH S. McLEMORE, SR., CPA (1902-1981)

SIDNEY B. McNAIR, CPA (1913-1992)

SIDNEY E. MIDDLEBROOKS, CPA, PC

RAY C. PEARSON, CPA

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MARJORIE HUCKABEE CARTER, CPA

BRYAN A. ISGETT, CPA

DAVID PASCHAL MUSE, JR., CPA

KATHY W. FLETCHER, CPA

February 10, 2009

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Black River Electric Cooperative, Inc.

We have audited the accompanying consolidated balance sheets of **Black River Electric Cooperative, Inc. and Subsidiary** as of December 31, 2008 and 2007 and the related consolidated statements of revenue, members' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Black River Electric Cooperative, Inc. and Subsidiary as of December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McNair, McLemore, Middlebrooks & Co., LLP
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BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

ASSETS

	2008	2007
Utility Plant		
Electric Plant in Service-At Cost	\$ 99,203,839	\$ 97,018,807
Construction Work in Progress	232,286	644,848
	99,436,125	97,663,655
Accumulated Depreciation	(34,484,804)	(32,992,021)
	64,951,321	64,671,634
Other Property and Investments		
Investments in Associated Organizations	3,761,427	3,560,033
Nonutility Property	2,535,980	2,530,731
Other	322,869	322,869
	6,620,276	6,413,633
Current Assets		
Cash and Cash Equivalents	8,416,691	8,544,208
Accounts Receivable (Net of Accumulated Provision for Uncollectible Accounts of \$172,171 in 2008, and \$151,848 in 2007)	5,647,647	4,183,799
Materials and Supplies	430,024	487,898
Other	337,203	325,883
	14,831,565	13,541,788
Deferred Debits	45,653	35,829
Total Assets	\$ 86,448,815	\$ 84,662,884

The accompanying notes are an integral part of these consolidated balance sheets.

**BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31**

EQUITIES AND LIABILITIES

	2008	2007
Equities		
Membership Fees	\$ 125,390	\$ 124,385
Patronage Capital	73,833,522	70,901,136
Other	3,137,989	2,146,994
	77,096,901	73,172,515
 Long-Term Debt	-	819,222
 Current Liabilities		
Mortgage Notes-Current Portion	-	649,637
Accounts Payable	3,974,446	5,016,513
Consumer Deposits	2,715,937	2,619,915
Accrued and Withheld Taxes	445,190	369,595
Other	539,540	567,278
	7,675,113	9,222,938
 Deferred Credits	1,676,801	1,448,209
 Total Equities and Liabilities	\$86,448,815	\$84,662,884

The accompanying notes are an integral part of these consolidated balance sheets.

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE
FOR THE YEARS ENDED DECEMBER 31

	2008	2007
Operating Revenues	\$63,377,035	\$59,262,611
Operating Expenses		
Cost of Power	44,598,559	39,668,037
Distribution Operations	2,730,848	2,489,934
Distribution Maintenance	1,993,003	1,848,617
Consumer Accounts	1,457,846	1,573,001
Consumer Service and Information	58,638	102,994
Administrative and General	2,503,556	2,561,078
Depreciation	3,494,905	3,298,906
Taxes	547,016	522,854
Other	171,390	161,732
	57,555,761	52,227,153
Operating Margins Before Interest Expense	5,821,274	7,035,458
Interest Expense	47,361	47,853
Operating Margins After Interest Expense	5,773,913	6,987,605
Nonoperating Margins	121,352	315,872
Generation and Transmission Cooperative Capital Credits	76,178	70,635
Other Capital Credits and Patronage Capital Allocations	31,639	28,721
Net Margins	\$ 6,003,082	\$ 7,402,833

The accompanying notes are an integral part of these consolidated statements.

**BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Total Equities	Membership Fees	Patronage Capital	Other Equities
Balance, December 31, 2006	\$67,606,016	\$122,080	\$65,475,482	\$2,008,454
Net Margins	7,402,833		7,421,524	(18,691)
Patronage Capital Retirements	(1,995,870)		(1,995,870)	
Membership Fees	2,305	2,305		
Other	157,231			157,231
Balance, December 31, 2007	73,172,515	124,385	70,901,136	2,146,994
Net Margins	6,003,082		6,007,195	(4,113)
Patronage Capital Retirements	(2,191,422)		(2,191,422)	
Membership Fees	1,005	1,005		
Other	111,721		(883,387)	995,108
Balance, December 31, 2008	\$77,096,901	\$125,390	\$73,833,522	\$3,137,989

The accompanying notes are an integral part of these consolidated statements.

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2008	2007
Cash Flows from Operating Activities		
Net Margins	\$ 6,003,082	\$ 7,402,833
Adjustments to Reconcile Net Margins to Net Cash Provided from Operating Activities		
Depreciation	3,797,014	3,601,083
Patronage Capital and Associated Organizations	(286,034)	(253,505)
Change In		
Accounts Receivable	(1,467,463)	412,222
Other Current Assets	(11,320)	(44,734)
Accounts Payable	(1,042,067)	64,863
Other Current Liabilities	47,857	90,910
	7,041,069	11,273,672
Cash Flows from Investing Activities		
Extension and Replacement of Plant	(4,383,097)	(7,820,433)
Return of Equity from Associated Organizations	84,640	73,064
Plant Removal Costs	(91,298)	(378,362)
Material Salvaged	397,694	108,735
Deferred Debits	(9,824)	(31,344)
Materials and Supplies	57,874	(65,721)
Nonutility Property	(5,249)	(2,408)
	(3,949,260)	(8,116,469)
Cash Flows from Financing Activities		
Membership Fees	1,005	2,305
Principal Repayment of Long-Term Debt	(1,468,859)	(1,292,336)
Retirement of Patronage Capital	(2,191,422)	(1,995,870)
Retired Capital Credits-Gain	111,721	157,230
Consumer Deposits	96,022	186,662
Deferred Credit	232,207	404,000
	(3,219,326)	(2,538,009)
Net Increase (Decrease) in Cash and Cash Equivalents	(127,517)	619,194
Cash and Cash Equivalents-Beginning	8,544,208	7,925,014
Cash and Cash Equivalents-Ending	\$ 8,416,691	\$ 8,544,208

The accompanying notes are an integral part of these consolidated statements.

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Accounting policies of the Cooperative reflect practices appropriate to the electric utility industry. Accounting policies of the subsidiary reflect practices appropriate to the industrial real estate development industry. The following describes the more significant of those policies.

Nature of Operations

Black River Electric Cooperative, Inc. is a not-for-profit corporation whose purpose is to provide electric service to its members. As a cooperative, all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

Use of Estimates

The preparation of financial statements in conformity with 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. Actual results could differ from those estimates.

Consolidation

The consolidated financial statements include the accounts and results of operations of the Cooperative and its wholly-owned subsidiary, Black River Economic Development Corporation. Intercompany transactions have been eliminated in consolidation.

Long-Lived Assets

The Cooperative evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

Accounting standards require the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Cooperative has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

(1) Summary of Significant Accounting Policies (Continued)

Utility Plant

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Depreciation and Maintenance

Depreciation of the capitalized cost is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant at a straight-line composite rate of 3.4 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2.5 to 20.0 percent per annum.

Accounts Receivable

An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the consolidated balance sheets net of such accumulated allowance.

Materials and Supplies

Materials and supplies are stated at lower of cost or market. Cost is determined by the moving average method of inventory valuation.

Cash Equivalents

Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, other investments and long-term debt. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interest in associated organizations.

The carrying value of cash and cash equivalents approximates fair value because of the short maturity of those instruments. It is not practicable to estimate the fair value of long-term debt; additional information pertinent to its value is provided in the footnote for long-term debt.

(1) Summary of Significant Accounting Policies (Continued)

Equities and Margins

The Cooperative is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited.

Operating Revenues and Patronage Capital

Operating revenues which include patronage capital are billed monthly to consumers. Electricity which had been used by members of the Cooperative but had not been billed to the members was not recorded. This unbilled electric revenue approximated \$3,000,000 and \$2,737,000 for the years ended December 31, 2008 and 2007, respectively.

Cost of Purchased Power

Cost of power is expensed as consumed.

Generation and Transmission Cooperative Capital Credits

Generation and transmission cooperative capital credits represent the annual capital furnished Central Electric Power Cooperative, Inc. through payment of power bills. The capital is recorded in the year provided, even though notification of the capital allocation is not received until later.

Income Taxes

The Cooperative operates under the Internal Revenue Code Section 501(c)(12) as a tax-exempt cooperative. Therefore, no provision for income taxes has been made in the consolidated financial statements. The wholly-owned subsidiary, Black River Economic Development Corporation, is a taxable entity, and any taxes resulting from operations are not considered to be significant.

(2) Utility Plant

Listed below are the major classes of the electric plant as of December 31:

	<u>2008</u>	<u>2007</u>
Electric Plant		
Intangible	\$ 360	\$ 360
Distribution	90,972,841	88,860,919
General	8,230,638	8,157,528
	<hr/>	<hr/>
Electric Plant in Service	99,203,839	97,018,807
Construction Work in Progress	232,286	644,848
	<hr/>	<hr/>
	\$99,436,125	\$97,663,655

(3) Investments in Associated Organizations

	<u>2008</u>	<u>2007</u>
National Rural Utilities Cooperative Finance Corporation		
Membership Fees	\$ 1,000	\$ 1,000
Capital Term Certificates	1,136,725	1,136,725
Capital Credits	90,596	103,752
Central Electric Power Cooperative, Inc.		
Capital Credits	1,339,405	1,263,227
The Electric Cooperatives of South Carolina, Inc.		
Capital Credits	63,145	63,145
Cooperative Electric Energy Utility Supply, Inc.		
Membership Fee	2,500	2,500
Capital Credits	970,147	830,465
Federated Rural Electric Insurance Exchange	150,168	132,331
CoBank		
Membership Fee	-	100
E-Stock	-	12,719
Farmers Telephone Cooperative, Inc.		
Capital Credits	7,641	13,969
National Cooperative Services Corporation		
Membership Fee	100	100
	<u>\$3,761,427</u>	<u>\$3,560,033</u>

(4) Nonutility Property

Nonutility property of \$2,535,980 and \$2,530,731 as of December 31, 2008 and 2007, respectively, consists of land and improvements for the development of industrial sites to attract new industry into the Cooperative's service area.

(5) Other Investment

Other investment is the Cooperative's investment in a joint venture with a government entity to develop an industrial park to foster economic development in the area. The investment is accounted for on the cost basis and totaled \$322,869 for the years ended December 31, 2008 and 2007.

(6) Patronage Capital

	<u>2008</u>	<u>2007</u>
Assignable	\$ 6,007,195	\$ 7,421,524
Assigned	<u>102,713,124</u>	<u>96,174,987</u>
Retired	<u>108,720,319</u> <u>(34,886,797)</u>	<u>103,596,511</u> <u>(32,695,375)</u>
	<u>\$ 73,833,522</u>	<u>\$ 70,901,136</u>

(7) Other Equities

	<u>2008</u>	<u>2007</u>
Operating Margins	\$ 11,967	\$ 11,967
Nonoperating Margins	70,695	70,695
Undistributed Loss in Subsidiary	(698,034)	(617,743)
Capital Credits Earned-Central Electric Power Cooperative, Inc.	1,502,017	1,425,839
Retired Capital Credits-Gain	1,267,805	1,256,236
Donated Capital	983,539	-
	<u>\$ 3,137,989</u>	<u>\$ 2,146,994</u>

(8) Long-Term Debt

Long-term debt consists of mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation (NRUCFC). The notes are secured by a mortgage agreement between the Cooperative and NRUCFC. Substantially all the assets of the Cooperative are pledged as security for long-term debt of the Cooperative. The notes have various maturity periods and are payable on an installment basis.

<u>Holder of Note</u>	<u>Interest Rate</u>	<u>2008</u>	<u>2007</u>
NRUCFC	3.30%	\$ -	\$ 1,468,859
Maturities Due Within One Year		-	(649,637)
		<u>\$ -</u>	<u>\$ 819,222</u>

The Cooperative has \$5,000,000 in unadvanced loan funds on commitment from NRUCFC. The availability of the funds is contingent on the Cooperative's compliance with one or more preconditions set forth in the mortgage agreement. In addition, the Cooperative has a \$3,000,000 line-of-credit available with NRUCFC with no balance outstanding as of December 31, 2008 and 2007.

Interest payments totaled \$43,041 and \$47,691 for 2008 and 2007, respectively.

(9) Pension and Deferred Compensation Plans

The employees of the Cooperative participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program. The Cooperative makes annual contributions to the plan equal to the amounts accrued for pension expense. In this master multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. Pension costs related to this plan were \$598,696 and \$608,862 for the years ended December 31, 2008 and 2007, respectively.

The employees of the Cooperative also participate in the NRECA SelectRe 401(K) Program. In this defined contribution plan, the Cooperative makes contributions to the plan equal to the amounts accrued for pension expense. Pension costs related to this plan were \$72,731 and \$70,191 for 2008 and 2007, respectively.

The Cooperative provides deferred compensation plans for selected members of management. The Cooperative is subject to assessment for any amounts by which the market valuation of the funds fall short of the contracted and guaranteed amounts. The market value exceeded contracted and guaranteed amounts as of December 31, 2008. Costs related to these plans were \$45,500 and \$35,000 for 2008 and 2007, respectively.

(10) Deferred Debits

Deferred debits consist of the following as of December 31:

	<u>2008</u>	<u>2007</u>
Other	<u>\$ 45,653</u>	<u>\$ 35,829</u>

(11) Deferred Credits

Deferred credits consist of the following as of December 31:

	<u>2008</u>	<u>2007</u>
Unearned Rental Income	\$ 8,999	\$ 8,999
Nonutility Property Escrow Payable	1,035,210	1,035,210
Other	<u>632,592</u>	<u>404,000</u>
	<u>\$1,676,801</u>	<u>\$1,448,209</u>

Other deferred credits consist of monies collected by the Cooperative from consumers for construction of new lines built solely for the consumer's benefit. As more people connect with the new lines, the consumer who paid the original construction costs is reimbursed. The balance in this account was \$632,592 and \$404,000 as of December 31, 2008 and 2007, respectively.

(12) Commitments

The Cooperative is committed to purchase all electric energy requirements from Central Electric Power Cooperative, Inc., in accordance with the wholesale power contract expiring in 2030. Under the contract, rates paid for electric power are subject to periodic review and adjustment.

Under current law, the Cooperative has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

(13) Legal Matters

In the normal course of business, the Cooperative is involved from time to time in legal matters. While the Cooperative has available insurance coverage, management intends to vigorously contest any lawsuit actions.

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February 10, 2009

REPORT OF INDEPENDENT ACCOUNTANTS ON ADDITIONAL INFORMATION

The Board of Trustees
Black River Electric Cooperative, Inc.

Our report on our audits of the basic consolidated financial statements of **Black River Electric Cooperative, Inc. and Subsidiary** for 2008 and 2007 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying information on pages 15 through 18 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McNair, McLemore, Middlebrooks & Co., LLP
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLP

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2008

	Black River Electric Cooperative Inc.	Black River Economic Development Corporation	Totals	Elimination Entries		Consolidated Balances
				Debit	Credit	
ASSETS						
Utility Plant						
Electric Plant in Service - At Cost	\$ 99,203,839	\$ -	\$ 99,203,839	\$ -	\$ -	\$ 99,203,839
Construction Work in Progress	232,286	-	232,286	-	-	232,286
	99,436,125	-	99,436,125	-	-	99,436,125
Accumulated Depreciation	(34,484,804)	-	(34,484,804)	-	-	(34,484,804)
	64,951,321	-	64,951,321	-	-	64,951,321
Other Property and Investments						
Investments in Associated Organizations	3,761,427	-	3,761,427	-	-	3,761,427
Investment in Subsidiary	1,048,848	-	1,048,848	-	1,048,848	-
Nonutility Property	2,950	2,533,030	2,535,980	-	-	2,535,980
Other	-	322,869	322,869	-	-	322,869
	4,813,225	2,855,899	7,669,124	-	1,048,848	6,620,276
Current Assets						
Cash and Cash Equivalents	8,405,318	11,373	8,416,691	-	-	8,416,691
Accounts Receivable (Net)	5,644,031	3,616	5,647,647	-	-	5,647,647
Accounts Receivable - Intercompany	777,830	-	777,830	-	777,830	-
Materials and Supplies	430,024	-	430,024	-	-	430,024
Other	337,203	-	337,203	-	-	337,203
	15,594,406	14,989	15,609,395	-	777,830	14,831,565
Deferred Debits	45,653	-	45,653	-	-	45,653
Total Assets	\$ 85,404,605	\$ 2,870,888	\$ 88,275,493	\$ -	\$ 1,826,678	\$ 86,448,815
EQUITIES AND LIABILITIES						
Equities						
Membership Fees	\$ 125,390	\$ -	\$ 125,390	\$ -	\$ -	\$ 125,390
Patronage Capital	73,833,522	(698,034)	73,135,488	-	698,034	73,833,522
Other	3,137,989	-	3,137,989	-	-	3,137,989
	77,096,901	(698,034)	76,398,867	-	698,034	77,096,901
Long-Term Debt	-	-	-	-	-	-
Current Liabilities						
Mortgage Notes - Current Portion	-	-	-	-	-	-
Accounts Payable	3,974,446	-	3,974,446	-	-	3,974,446
Accounts Payable - Intercompany	-	777,830	777,830	777,830	-	-
Demand Note Payable to Parent Company	-	1,496,883	1,496,883	1,496,883	-	-
Consumer Deposits	2,715,937	-	2,715,937	-	-	2,715,937
Accrued and Withheld Taxes	445,190	-	445,190	-	-	445,190
Other	539,540	-	539,540	-	-	539,540
	7,675,113	2,274,713	9,949,826	2,274,713	-	7,675,113
Deferred Credits	632,591	1,294,209	1,926,800	249,999	-	1,676,801
Total Equities and Liabilities	\$ 85,404,605	\$ 2,870,888	\$ 88,275,493	\$ 2,524,712	\$ 698,034	\$ 86,448,815

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008

	Black River Electric Cooperative Inc.	Black River Economic Development Corporation	Totals	Elimination Entries		Consolidated Balances
				Debit	Credit	
Operating Revenue	\$ 63,377,035	\$ 15,616	\$ 63,392,651	\$ 15,616	\$ -	\$ 63,377,035
Operating Expenses						
Cost of Power	44,598,559	-	44,598,559	-	-	44,598,559
Cost of Property Sold	-	-	-	-	-	-
Distribution Operations	2,730,848	-	2,730,848	-	-	2,730,848
Distribution Maintenance	1,993,003	1,284	1,994,287	-	1,284	1,993,003
Consumer Accounts	1,457,846	-	1,457,846	-	-	1,457,846
Consumer Service and Information	58,638	-	58,638	-	-	58,638
Administrative and General	2,503,556	84,750	2,588,306	-	84,750	2,503,556
Depreciation	3,494,905	-	3,494,905	-	-	3,494,905
Taxes	547,016	9,873	556,889	-	9,873	547,016
Other	171,390	-	171,390	-	-	171,390
	<u>57,555,761</u>	<u>95,907</u>	<u>57,651,668</u>	<u>-</u>	<u>95,907</u>	<u>57,555,761</u>
Operating Margins Before Interest Expense	5,821,274	(80,291)	5,740,983	15,616	95,907	5,821,274
Interest Expense	<u>47,361</u>	<u>-</u>	<u>47,361</u>	<u>-</u>	<u>-</u>	<u>47,361</u>
Operating Margins After Interest Expense	5,773,913	(80,291)	5,693,622	15,616	95,907	5,773,913
Nonoperating Margins	201,643	-	201,643	80,291	-	121,352
Generation and Transmission Cooperative Capital Credits	76,178	-	76,178	-	-	76,178
Other Capital Credits and Patronage Capital Allocations	<u>31,639</u>	<u>-</u>	<u>31,639</u>	<u>-</u>	<u>-</u>	<u>31,639</u>
Net Margins	<u>\$ 6,083,373</u>	<u>\$ (80,291)</u>	<u>\$ 6,003,082</u>	<u>\$ 95,907</u>	<u>\$ 95,907</u>	<u>\$ 6,003,082</u>

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2007

	Black River Electric Cooperative Inc.	Black River Economic Development Corporation	Totals	Elimination Entries		Consolidated Balances
				Debit	Credit	
ASSETS						
Utility Plant						
Electric Plant in Service - At Cost	\$ 97,018,807	\$ -	\$ 97,018,807	\$ -	\$ -	\$ 97,018,807
Construction Work in Progress	644,848	-	644,848	-	-	644,848
	97,663,655	-	97,663,655	-	-	97,663,655
Accumulated Depreciation	(32,992,021)	-	(32,992,021)	-	-	(32,992,021)
	64,671,634	-	64,671,634	-	-	64,671,634
Other Property and Investments						
Investments in Associated Organizations	3,560,033	-	3,560,033	-	-	3,560,033
Investment in Subsidiary	1,129,140	-	1,129,140	-	1,129,140	-
Nonutility Property	2,950	2,527,781	2,530,731	-	-	2,530,731
Other	-	322,869	322,869	-	-	322,869
	4,692,123	2,850,650	7,542,773	-	1,129,140	6,413,633
Current Assets						
Cash and Cash Equivalents	8,532,821	11,387	8,544,208	-	-	8,544,208
Accounts Receivable (Net)	4,180,184	3,615	4,183,799	-	-	4,183,799
Accounts Receivable - Intercompany	692,303	-	692,303	-	692,303	-
Materials and Supplies	487,898	-	487,898	-	-	487,898
Other	325,883	-	325,883	-	-	325,883
	14,219,089	15,002	14,234,091	-	692,303	13,541,788
Deferred Debits	35,829	-	35,829	-	-	35,829
Total Assets	<u>\$ 83,618,675</u>	<u>\$ 2,865,652</u>	<u>\$ 86,484,327</u>	<u>\$ -</u>	<u>\$ 1,821,443</u>	<u>\$ 84,662,884</u>
EQUITIES AND LIABILITIES						
Equities						
Membership Fees	\$ 124,385	\$ -	\$ 124,385	\$ -	\$ -	\$ 124,385
Patronage Capital	70,901,136	-	70,901,136	-	-	70,901,136
Other	2,146,994	(617,743)	1,529,251	-	617,743	2,146,994
	73,172,515	(617,743)	72,554,772	-	617,743	73,172,515
Long-Term Debt	819,222	-	819,222	-	-	819,222
Current Liabilities						
Mortgage Notes - Current Portion	649,637	-	649,637	-	-	649,637
Accounts Payable	5,016,513	-	5,016,513	-	-	5,016,513
Accounts Payable - Intercompany	-	692,304	692,304	692,304	-	-
Demand Note Payable to Parent Company	-	1,496,883	1,496,883	1,496,883	-	-
Consumer Deposits	2,619,915	-	2,619,915	-	-	2,619,915
Accrued and Withheld Taxes	369,595	-	369,595	-	-	369,595
Other	567,278	-	567,278	-	-	567,278
	9,222,938	2,189,187	11,412,125	2,189,187	-	9,222,938
Deferred Credits	404,000	1,294,208	1,698,208	249,999	-	1,448,209
Total Equities and Liabilities	<u>\$ 83,618,675</u>	<u>\$ 2,865,652</u>	<u>\$ 86,484,327</u>	<u>\$ 2,439,186</u>	<u>\$ 617,743</u>	<u>\$ 84,662,884</u>

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007

	Black River Electric Cooperative Inc.	Black River Economic Development Corporation	Totals	Elimination Entries		Consolidated Balances
				Debit	Credit	
Operating Revenue	\$ 59,262,611	\$ 15,616	\$ 59,278,227	\$ 15,616	\$ -	\$ 59,262,611
Operating Expenses						
Cost of Power	39,668,037	-	39,668,037	-	-	39,668,037
Cost of Property Sold	-	-	-	-	-	-
Distribution Operations	2,489,934	-	2,489,934	-	-	2,489,934
Distribution Maintenance	1,848,617	10,847	1,859,464	-	10,847	1,848,617
Consumer Accounts	1,573,001	-	1,573,001	-	-	1,573,001
Consumer Service and Information	102,994	-	102,994	-	-	102,994
Administrative and General	2,561,078	84,756	2,645,834	-	84,756	2,561,078
Depreciation	3,298,906	-	3,298,906	-	-	3,298,906
Taxes	522,854	9,339	532,193	-	9,339	522,854
Other	161,732	-	161,732	-	-	161,732
	<u>52,227,153</u>	<u>104,942</u>	<u>52,332,095</u>	<u>-</u>	<u>104,942</u>	<u>52,227,153</u>
Operating Margins Before Interest Expense	7,035,458	(89,326)	6,946,132	15,616	104,942	7,035,458
Interest Expense	<u>47,853</u>	<u>-</u>	<u>47,853</u>	<u>-</u>	<u>-</u>	<u>47,853</u>
Operating Margins After Interest Expense	6,987,605	(89,326)	6,898,279	15,616	104,942	6,987,605
Nonoperating Margins	405,198	-	405,198	89,326	-	315,872
Generation and Transmission Cooperative Capital Credits	70,635	-	70,635	-	-	70,635
Other Capital Credits and Patronage Capital Allocations	<u>28,721</u>	<u>-</u>	<u>28,721</u>	<u>-</u>	<u>-</u>	<u>28,721</u>
Net Margins	<u>\$ 7,492,159</u>	<u>\$ (89,326)</u>	<u>\$ 7,402,833</u>	<u>\$ 104,942</u>	<u>\$ 104,942</u>	<u>\$ 7,402,833</u>

**BLACK RIVER ELECTRIC COOPERATIVE, INC.
MATTERS TO BE COMMUNICATED WITH THE BOARD OF TRUSTEES
DECEMBER 31, 2008**

Auditors' Responsibility Under Generally Accepted Auditing Standards

The auditors are responsible for forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or those charged with governance for their responsibilities.

Significant Accounting Policies

There has been no change in the primary accounting policies of Black River Electric Cooperative, Inc.

Management Judgments and Accounting Estimates

Management utilizes industry guidelines and historical trends to make decisions regarding accounting estimates.

Significant Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments for the year ended December 31, 2008. There were no significant uncorrected financial statements misstatements, material or immaterial.

Other Information in Documents Containing Audited Financial Statements

All information accompanying the financial statements has been subject to the same audit procedures as the basic financial statements.

Disagreements with Management

There were no disagreements with management relating to accounting practices or transactions.

Consultation with Other Accountants

To our knowledge, management did not consult with other accountants relating to auditing or accounting matters.

Major Issues Discussed with Management Prior to Retention

No significant issues were discussed with management in connection with the retention of the auditor.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management related to the performance of the audit.