

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITORS' REPORT

Board of Directors
North Plains Electric Cooperative, Inc.
Perryton, Texas

We have audited the accompanying balance sheets of North Plains Electric Cooperative, Inc. as of December 31, 2008 and 2007, and the related statements of income and patronage capital, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of North Plains Electric Cooperative, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2009, on our consideration of North Plains Electric Cooperative, Inc.'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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

March 6, 2009

NORTH PLAINS ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEET
DECEMBER 31, 2008 AND 2007

ASSETS

	December 31,	
	<u>2008</u>	<u>2007</u>
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 48,449,174	\$ 45,599,076
Construction Work in Progress	453,767	353,277
	<u>\$ 48,902,941</u>	<u>\$ 45,952,353</u>
Less: Accumulated Provision for Depreciation	20,876,686	19,925,427
	<u>\$ 28,026,255</u>	<u>\$ 26,026,926</u>
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 9,279,694	\$ 7,575,558
Other Investments	83,816	84,665
	<u>\$ 9,363,510</u>	<u>\$ 7,660,223</u>
CURRENT ASSETS		
Cash - General	\$ 740,245	\$ 205,432
Temporary Cash Investments	2,019,405	4,514,922
Accounts Receivable (Less allowance for uncollectibles of \$26,983 in 2008 and \$27,160 in 2007)	1,555,017	1,546,699
Materials and Supplies	1,512,636	1,661,244
Other Current and Accrued Assets	61,177	91,419
	<u>\$ 5,888,480</u>	<u>\$ 8,019,716</u>
DEFERRED CHARGES	<u>\$ 770,812</u>	<u>\$ 277,415</u>
TOTAL ASSETS	<u>\$ 44,049,057</u>	<u>\$ 41,984,280</u>

EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	\$ 23,319,125	\$ 20,717,421
Other Equities	23,179	23,179
Other Comprehensive Loss	(545,818)	(729,051)
	<u>\$ 22,796,486</u>	<u>\$ 20,011,549</u>
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 4,759,561	\$ 5,574,310
FFB Mortgage Notes Less Current Maturities	10,704,492	10,899,703
CFC Mortgage Notes Less Current Maturities	699,106	727,855
	<u>\$ 16,163,159</u>	<u>\$ 17,201,868</u>
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	<u>\$ 1,024,928</u>	<u>\$ 890,883</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,021,300	\$ 1,031,900
Accounts Payable - Purchased Power	982,526	1,039,891
Accounts Payable - Other	818,800	576,908
Consumer Deposits and Prepayments	151,243	152,386
Accrued Taxes	9,624	5,586
Accrued Interest	3,569	11,100
Accrued Employees' Compensated Absences	314,992	305,343
Other Current and Accrued Liabilities	24,857	27,082
	<u>\$ 3,326,911</u>	<u>\$ 3,150,196</u>
DEFERRED CREDITS	<u>\$ 737,573</u>	<u>\$ 729,784</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 44,049,057</u>	<u>\$ 41,984,280</u>

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

NORTH PLAINS ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	December 31,				Increase (Decrease)
	2008		2007		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 3,967,089	14.9	\$ 3,594,824	17.8	\$ 372,265
Irrigation	7,099,227	26.5	4,040,449	20.0	3,058,778
Commercial and Industrial	15,620,850	58.4	12,432,295	61.7	3,188,555
Public Buildings and Other Authorities	3,843	0.0	3,694	0.0	149
Power Cost Under (Over) Billed	(64,188)	(0.2)	13,891	0.1	(78,079)
Rent from Electric Property	7,425	0.0	6,571	0.0	854
Other Operating Revenues	106,802	0.4	73,986	0.4	32,816
Total Operating Revenues	<u>\$ 26,741,048</u>	<u>100.0</u>	<u>\$ 20,165,710</u>	<u>100.0</u>	<u>\$ 6,575,338</u>
OPERATING EXPENSES					
Purchased Power	\$ 19,519,974	73.0	\$ 13,709,452	68.0	\$ 5,810,522
Transmission	68,028	0.3	115,414	0.6	(47,386)
Distribution - Operation	1,379,331	5.2	1,122,233	5.6	257,098
Distribution - Maintenance	346,810	1.3	355,990	1.8	(9,180)
Consumer Accounts	482,450	1.8	518,257	2.6	(35,807)
Customer Service and Information	109,245	0.4	102,462	0.5	6,783
Administrative and General Expense	1,157,110	4.3	1,031,060	5.1	126,050
Depreciation and Amortization	1,412,049	5.3	1,330,982	6.6	81,067
Other Interest	6,208	0.0	7,435	0.0	(1,227)
Other Deductions	195	0.0	3,865	0.0	(3,670)
Total Operating Expenses	<u>\$ 24,481,400</u>	<u>91.6</u>	<u>\$ 18,297,150</u>	<u>90.8</u>	<u>\$ 6,184,250</u>
OPERATING MARGINS - Before					
Fixed Charges	\$ 2,259,648	8.4	\$ 1,868,560	9.2	\$ 391,088
FIXED CHARGES					
Interest on Long-Term Debt	<u>783,854</u>	<u>2.9</u>	<u>828,921</u>	<u>4.1</u>	<u>(45,067)</u>
OPERATING MARGINS - After Fixed Charges	<u>\$ 1,475,794</u>	<u>5.5</u>	<u>\$ 1,039,639</u>	<u>5.1</u>	<u>\$ 436,155</u>
Generation and Transmission Capital Credits	2,294,288	8.6	1,791,070	8.9	503,218
Other Capital Credits	<u>33,016</u>	<u>0.1</u>	<u>26,006</u>	<u>0.1</u>	<u>7,010</u>
NET OPERATING MARGINS	<u>\$ 3,803,098</u>	<u>14.2</u>	<u>\$ 2,856,715</u>	<u>14.1</u>	<u>\$ 946,383</u>
NONOPERATING MARGINS					
Interest Income	\$ 142,197	0.5	\$ 346,014	1.7	\$ (203,817)
Other Income (Loss)	(4,568)	0.0	39,415	0.2	(43,983)
Total Nonoperating Margins	<u>\$ 137,629</u>	<u>0.5</u>	<u>\$ 385,429</u>	<u>1.9</u>	<u>\$ (247,800)</u>
NET MARGINS	<u>\$ 3,940,727</u>	<u>14.7</u>	<u>\$ 3,242,144</u>	<u>16.0</u>	<u>\$ 698,583</u>
OTHER COMPREHENSIVE INCOME					
FASB Statement No. 158	<u>183,233</u>		<u>(729,051)</u>		
COMPREHENSIVE INCOME	<u>\$ 4,123,960</u>		<u>\$ 2,513,093</u>		
FASB Statement No. 158	(183,233)		729,051		
PATRONAGE CAPITAL - BEGINNING OF YEAR	20,717,421		18,341,801		
Patronage Capital Retired	<u>(1,339,023)</u>		<u>(866,524)</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 23,319,125</u>		<u>\$ 20,717,421</u>		

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

NORTH PLAINS ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	December 31,	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 3,940,727	\$ 3,242,144
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities		
Depreciation - Including Amounts Charged to Other Accounts	1,525,874	1,488,471
Capital Credits - Non-Cash	(2,327,304)	(1,817,076)
Accumulated Provision For Pensions and Benefits	317,278	67,280
Deferred Charges	(493,397)	(131,733)
Deferred Credits	7,789	76,168
Accounts Receivable	(8,318)	(320,242)
Inventories and Other Current Assets	178,850	(216,200)
Payables and Accrued Expenses	187,314	135,694
Net Cash Provided by Operating Activities	<u>\$ 3,328,813</u>	<u>\$ 2,524,506</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (3,444,330)	\$ (3,193,609)
Salvage Value of Retirements and Other Credits	101,914	188,810
Plant Removal Costs	(182,787)	(114,428)
Other Property and Investments	624,017	121,648
Net Cash Used in Investing Activities	<u>\$ (2,901,186)</u>	<u>\$ (2,997,579)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to RUS	\$ (834,749)	\$ (825,367)
Payments on Long-Term Debt to FFB	(185,810)	(172,090)
Payments on Long-Term Debt to CFC	(28,749)	(28,564)
Retirement of Patronage Capital	(1,339,023)	(866,524)
Net Cash Used in Financing Activities	<u>\$ (2,388,331)</u>	<u>\$ (1,892,545)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (1,960,704)	\$ (2,365,618)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,720,354</u>	<u>7,085,972</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,759,650</u></u>	<u><u>\$ 4,720,354</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest on Long-Term Debt	\$ 791,385	\$ 836,560
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

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