

BANDERA ELECTRIC COOPERATIVE, INC.

BANDERA, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**BANDERA ELECTRIC COOPERATIVE, INC.
BANDERA, TEXAS**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

TABLE OF CONTENTS

	<u>Statement Identification</u>	<u>Page No.</u>
Independent Auditors' Report		1
Financial Statements		
Balance Sheet	Exhibit A	2
Statement of Income and Patronage Capital	Exhibit B	3
Statement of Cash Flows	Exhibit C	4
Notes to Financial Statements		5
Accompanying Information		
Independent Auditors' Report on Accompanying Information		16
Electric Plant	Schedule 1	17
Schedule of Accumulated Provision for Depreciation	Schedule 2	18
Other Property and Investments	Schedule 3	19
Patronage Capital	Schedule 4	20
CFC Mortgage Notes	Schedule 5	21
Administrative and General Expenses	Schedule 6	22
Compliance Section		
Letter to Board of Directors Regarding Policies Concerning Audits of CFC Borrowers		23

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bandera Electric Cooperative, Inc.
Bandera, Texas

We have audited the accompanying balance sheet of Bandera Electric Cooperative, Inc. as of December 31, 2009 and 2008, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 Bandera Electric Cooperative, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

March 8, 2010

BANDERA ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEET
DECEMBER 31, 2009 AND 2008

ASSETS

	December 31,	
	2009	2008
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 155,801,511	\$ 146,500,363
Construction Work in Progress	10,856,066	7,334,024
	\$ 166,657,577	\$ 153,834,387
Less: Accumulated Provision for Depreciation	33,612,092	30,601,804
	\$ 133,045,485	\$ 123,232,583
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 4,100,007	\$ 3,277,098
Other Investments	23,041	24,578
	\$ 4,123,048	\$ 3,301,676
CURRENT ASSETS		
Cash - General	\$ 397,702	\$ 1,154,681
Accounts Receivable (Less allowance for uncollectibles of \$265,904 in 2009 and \$183,716 in 2008)	3,085,389	3,294,543
Accrued Unbilled Revenue	1,872,930	1,726,251
Materials and Supplies Inventory	178,901	179,002
Other Current and Accrued Assets	316,324	252,403
Total Current Assets	\$ 5,851,246	\$ 6,606,880
DEFERRED CHARGES	\$ 290,788	\$ 60,991
TOTAL ASSETS	\$ 143,310,567	\$ 133,202,130

EQUITIES AND LIABILITIES

EQUITIES		
Memberships	\$ 517,030	\$ 508,400
Patronage Capital	46,265,117	46,436,560
Other Equities	644,909	593,434
Accumulated Other Comprehensive Loss	(624,893)	(700,941)
	\$ 46,802,163	\$ 46,837,453
LONG-TERM DEBT		
CFC Mortgage Notes Less Current Maturities	\$ 67,294,724	\$ 61,385,341
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	\$ 5,655,490	\$ 5,452,356
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,097,043	\$ 1,990,387
Advances on Line of Credit - CFC	4,156,000	
Accounts Payable - Other	4,492,494	4,325,688
Consumer Deposits and Prepayments	523,933	498,668
Accrued Power Cost	812,590	878,362
Accrued Taxes		1,413
Other Current and Accrued Liabilities	891,383	843,625
Overbilled Fuel Cost Recovery	1,959,923	1,660,992
Total Current Liabilities	\$ 14,933,366	\$ 10,199,135
DEFERRED CREDITS	\$ 8,624,824	\$ 9,327,845
TOTAL EQUITIES AND LIABILITIES	\$ 143,310,567	\$ 133,202,130

See accompanying notes to financial statements.

BANDERA ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	December 31,				Increase (Decrease)
	2009		2008		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 40,157,500	70.6	\$ 42,073,573	67.9	\$ (1,916,073)
Irrigation	79,164	0.1	76,622	0.1	2,542
Commercial and Industrial	13,956,263	24.5	15,519,709	25.1	(1,563,446)
Public Street and Highway Lighting	44,321	0.1	48,890	0.1	(4,569)
Unbilled Revenue	146,680	0.3	1,726,251	2.8	(1,579,571)
Other Operating Revenues	2,505,909	4.4	2,486,654	4.0	19,255
Total Operating Revenues	<u>\$ 56,889,837</u>	<u>100.0</u>	<u>\$ 61,931,699</u>	<u>100.0</u>	<u>\$ (5,041,862)</u>
OPERATING EXPENSES					
Purchased Power	\$ 37,254,093	65.5	\$ 42,487,092	68.6	\$ (5,232,999)
Transmission - Operation	150,916	0.3	142,637	0.2	8,279
Distribution - Operation	2,413,430	4.2	1,954,661	3.2	458,769
Distribution - Maintenance	2,044,721	3.6	3,102,511	5.0	(1,057,790)
Consumer Accounts	1,518,120	2.7	1,447,201	2.3	70,919
Customer Service and Information	231,346	0.4	142,953	0.2	88,393
Administrative and General	4,150,975	7.3	4,114,305	6.6	36,670
Depreciation and Amortization	6,223,745	10.9	4,204,686	6.8	2,019,059
Taxes	100	0.0	100	0.0	0
Other Interest	13,272	0.0	23,450	0.0	(10,178)
Miscellaneous Income Deductions	108,171	0.2	119,024	0.2	(10,853)
Total Operating Expenses	<u>\$ 54,108,889</u>	<u>95.1</u>	<u>\$ 57,738,620</u>	<u>93.2</u>	<u>\$ (3,629,731)</u>
OPERATING MARGINS - Before Fixed Charges	<u>\$ 2,780,948</u>	<u>4.9</u>	<u>\$ 4,193,079</u>	<u>6.7</u>	<u>\$ (1,412,131)</u>
FIXED CHARGES					
Interest on Long-Term Debt	\$ 3,444,987	6.1	\$ 3,323,903	5.4	\$ 121,084
Amortization of Gain on Reacquired Debt	(251,256)	(0.4)	(251,256)	(0.4)	0
	<u>\$ 3,193,731</u>	<u>5.6</u>	<u>\$ 3,072,647</u>	<u>5.4</u>	<u>\$ 121,084</u>
OPERATING MARGINS (DEFICITS) - After Fixed Charges	<u>\$ (412,783)</u>	<u>(0.7)</u>	<u>\$ 1,120,432</u>	<u>1.3</u>	<u>\$ (1,533,215)</u>
Capital Credits	<u>609,827</u>	<u>1.1</u>	<u>700,090</u>	<u>1.1</u>	<u>(90,263)</u>
NET OPERATING MARGINS	<u>\$ 197,044</u>	<u>0.3</u>	<u>\$ 1,820,522</u>	<u>2.4</u>	<u>\$ (1,623,478)</u>
NONOPERATING MARGINS					
Interest Income	\$ 61,225	0.1	\$ 42,170	0.1	\$ 19,055
Other Nonoperating Income	24,763	0.0	22,304	0.0	2,459
	<u>\$ 85,988</u>	<u>0.2</u>	<u>\$ 64,474</u>	<u>0.1</u>	<u>\$ 21,514</u>
NET MARGINS	<u>\$ 283,032</u>	<u>0.5</u>	<u>\$ 1,884,996</u>	<u>2.6</u>	<u>\$ (1,601,964)</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Adjustment for Application of Postretirement Benefit Accounting	<u>76,048</u>		<u>76,048</u>		
COMPREHENSIVE INCOME	<u>\$ 359,080</u>		<u>\$ 1,961,044</u>		
Adjustment for Application of Postretirement Benefit Accounting	<u>(76,048)</u>		<u>(76,048)</u>		
NET MARGINS	<u>\$ 283,032</u>		<u>\$ 1,884,996</u>		
PATRONAGE CAPITAL - BEGINNING OF YEAR	<u>46,436,560</u>		<u>45,004,922</u>		
Patronage Capital Retired	<u>(454,475)</u>		<u>(453,358)</u>		
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 46,265,117</u>		<u>\$ 46,436,560</u>		

See accompanying notes to financial statements.

BANDERA ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	December 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 283,032	\$ 1,884,996
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation and Amortization	6,525,886	4,463,124
Amortized Gain on Retirement of RUS Debt	(251,256)	(251,256)
Capital Credits - Non Cash	(388,960)	(370,108)
Accumulated Provision for Pensions and Benefits Accrual	617,508	617,508
Deferred Charges	(229,797)	71,749
Deferred Credits	(451,765)	(606,689)
Accounts Receivable	62,475	(478,826)
Power Cost Adjustments Over Collected	298,931	1,707,108
Inventories and Prepaid Expenses	(63,820)	(4,995)
Payables and Accrued Expenses	172,644	1,467,268
Net Cash Provided by Operating Activities	\$ 6,574,878	\$ 8,499,879
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (15,723,806)	\$ (11,286,296)
Plant Removal Costs (in Excess of) Salvage and Other Credits	(614,982)	(258,145)
Other Property and Investments	(432,412)	1,435,178
Net Cash Used in Investing Activities	\$ (16,771,200)	\$ (10,109,263)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-Term Lines of Credit Activity - Net	\$ 4,156,000	\$ (1,100,286)
Payments on Long-Term Debt to CFC	(1,983,961)	(2,529,544)
Advances on CFC Long-Term Debt	8,000,000	6,500,000
Payments on Accumulated Provision for Pensions and Benefits	(338,326)	(198,434)
Other Equities	51,475	52,646
Retirement of Patronage Capital	(454,475)	(453,358)
Increase in Memberships - Net	8,630	9,375
Net Cash Provided by Financing Activities	\$ 9,439,343	\$ 2,280,399
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (756,979)	\$ 671,015
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,154,681	483,666
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 397,702	\$ 1,154,681
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	\$ 3,451,905	\$ 3,298,602
Income Taxes	\$ 0	\$ 0

The adjustment for the application of post-retirement benefit accounting increased (decreased) the accrued post-retirement benefit liability by (\$76,048) and (\$76,048) and changed equities by the same amount for 2009 and 2008, respectively.

See accompanying notes to financial statements.

BANDERA ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Bandera Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from the Lower Colorado River Authority and other suppliers. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital in the balance sheet.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the National Rural Utilities Cooperative Finance Corporation (CFC).

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and temporary cash investments are considered cash and cash equivalents.

Accounts Receivable

In the normal course of business the Cooperative recognizes accounts receivable for energy delivered and billed. The Cooperative allows 16 days from the date of the bill for payment to be received or the service is considered delinquent. Delinquent accounts receive a penalty of five percent. If no payment is received within 24 days or a deferred payment agreement is not in place, the account is subject to disconnect.

The Cooperative provides an allowance for doubtful accounts to recognize the portion of receivables considered uncollectible. The Cooperative accrues amounts monthly to the allowance. The allowance is estimated based on historical trends, aging of receivables and review of potential bad debts. The Board of Directors reviews delinquent accounts annually and charges off accounts over two years old.

BANDERA ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric Revenues

Certain aspects of the Cooperative's operations are under the jurisdiction of the Public Utility Commission of Texas; however, the Cooperative is no longer regulated for ratemaking purposes. The Cooperative records electric revenues as billed to customers on a monthly basis. Revenue is also accrued for power delivered but not billed at the end of each month.

The Cooperative's tariffs for electric service include power cost adjustment clauses under which billings to customers are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, underbilled power cost to be billed to consumers in subsequent periods is recognized as a current asset - "Power Cost Adjustment - Undercollected" and as an increase of classified operating revenues on the statement of income and patronage capital. Also, overbilled power cost to be credited to consumers in subsequent periods is recognized as a current liability - "Power Cost Adjustments - Overcollected" - and as a reduction of classified operating revenues on the statement of income and patronage capital. The Cooperative had over collected power cost of \$1,959,923 and \$1,660,992 at December 31, 2009 and 2008, respectively.

Income Tax Status

The Cooperative is an exempt organization for federal income tax purposes under Section 501(c)(12) of the Internal Revenue Code.

On January 1, 2009, the Cooperative adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax exempt entity. The Cooperative determined that it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to U.S. federal and state income tax examinations by federal taxing authorities for years before 2006.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2009 and 2008.

Group Concentration of Credit Risk

The Cooperative's headquarters facility is located in Bandera, Texas. The service area includes members located in all or parts of a seven county area surrounding the city of Bandera. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative may require a deposit from new members upon connection which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. As of December 31, 2009 and 2008, deposits on hand totaled \$523,933 and \$498,668, respectively.

BANDERA ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The Cooperative maintains its cash balances in institutions insured by the Federal Deposit Insurance Corporation (FDIC). The cash balances exceeded applicable insurance coverages at times during the year.

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificate.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. Assets Pledged

All assets are pledged as security for the long-term debt due the National Rural Utilities Cooperative Finance Corporation.

3. Electric Plant

The major classes of electric plant are as follows:

	December 31,	
	2009	2008
Transmission Plant	\$ 11,821,453	\$ 11,818,671
Distribution Plant	131,368,314	122,565,286
General Plant	12,611,744	12,116,406
Total Electric Plant in Service	\$ 155,801,511	\$ 146,500,363
Construction Work in Progress	10,856,066	7,334,024
Total Electric Plant	\$ 166,657,577	\$ 153,834,387

BANDERA ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Transmission Plant	2.75%
Distribution Plant	2.75%
General Plant	
Structures and Improvements	2.0% - 33.3%
Office Furniture and Fixtures	7.0% - 33.3%
Transportation Equipment	10.0% - 33.3%
Store Equipment	20.0%
Power Operated Equipment	10.0% - 33.3%
Communications Equipment	5.4% - 33.3%
Miscellaneous Equipment	6.0% - 33.3%
Tools, Shop, and Garage Equipment	6.0% - 33.3%
Laboratory Equipment	6.0% - 33.3%

Depreciation and amortization for the years ended December 31, 2009 and 2008, was \$6,525,886 and \$4,463,124, respectively, of which \$6,223,745 and \$4,204,686, was charged to depreciation expense and \$302,141 and \$258,438, was allocated to other accounts.

4. Investments in Associated Organizations

Investments in associated organizations consisted of:

	December 31,	
	2009	2008
CFC		
Capital Term Certificates	\$ 1,694,280	\$ 1,578,778
Patronage Capital	944,583	787,466
Member Capital Securities	500,000	
Hill Country Telephone		
Patronage Capital	70,570	69,122
Texas Electric Cooperatives, Inc.		
Patronage Capital	867,366	821,169
Other	23,208	20,563
Total	<u>\$ 4,100,007</u>	<u>\$ 3,277,098</u>

BANDERA ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

5. Inventories

Materials and supplies inventories consisted of:

	December 31,	
	2009	2008
Construction Materials and Supplies	\$ 107,147	\$ 107,147
Resale Material	70,296	69,164
Transportation Supplies	1,458	2,691
Total	<u>\$ 178,901</u>	<u>\$ 179,002</u>

Texas Electric Cooperative sells material to the Cooperative as needed, thus reducing the need to carry large inventory balances.

6. Deferred Charges

Deferred charges included the following:

	December 31,	
	2009	2008
Work Plans	\$ 78,743	\$ 60,991
Automated Staking	200,253	
Other	11,792	
Total	<u>\$ 290,788</u>	<u>\$ 60,991</u>

7. Return of Capital

The mortgage agreements contain provisions that must be met for the Cooperative to make patronage capital retirements. These provisions include minimum equity, debt service, and earnings ratios. The Cooperative is in compliance with these provisions at December 31, 2009 and 2008. Patronage capital totaling \$454,475 and \$453,358 was retired during 2009 and 2008, respectively.

8. Patronage Capital

	December 31,	
	2009	2008
Assigned	\$ 45,982,087	\$ 44,551,564
Assignable	283,030	1,884,996
Total	<u>\$ 46,265,117</u>	<u>\$ 46,436,560</u>

BANDERA ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

9. Other Equities

	December 31,	
	<u>2009</u>	<u>2008</u>
Capital Credits Payable - Under \$5	\$ 19,856	\$ 18,620
Retired Capital Credits - Gain - Estates	625,053	574,814
Total	<u>\$ 644,909</u>	<u>\$ 593,434</u>

10. Mortgage Notes – CFC

Following is a summary of long-term debt due CFC and maturing at various times from 2010 to 2045:

	December 31,	
	<u>2009</u>	<u>2008</u>
Variable Rate Notes - Currently 4.25%	\$ 8,000,000	\$ 7,591,398
Fixed Rate Notes - 3.25% to 7.19%	61,391,767	55,784,330
	<u>69,391,767</u>	<u>63,375,728</u>
Less: Current Maturities	\$ 2,097,043	\$ 1,990,387
Total	<u>\$ 67,294,724</u>	<u>\$ 61,385,341</u>

Principal and interest installments on the above notes are due quarterly. Annual maturities of long-term debt due CFC for the next five years are as follows:

2010	\$ 2,097,043
2011	2,219,485
2012	2,349,204
2013	2,486,640
2014	2,632,261

The Cooperative has \$22,335,000 available from unadvanced funds.

11. Short-Term Borrowing

The Cooperative has a line of credit at a variable interest rate with CFC not to exceed \$30,000,000. The balance outstanding at December 31, 2009 and 2008, was \$4,156,000 and \$0, respectively.

-11-
BANDERA ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

12. Operating Leases

The Cooperative leases certain vehicles with various base monthly rental amounts. These leases expire at various times through 2010. Lease expense under all operating leases totaled \$79,867 for 2009 and \$93,398 for 2008.

Minimum lease payments on operating leases by year, and in aggregate at December 31, 2009, are as follows:

2010	\$	24,053
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13. Deferred Credits

Deferred credits include the following:

	December 31,	
	2009	2008
Refundable Aid to Construction	\$ 5,114,319	\$ 5,662,497
Undeliverable Checks Returned	97,344	96,382
Scholarship Fund	56,414	59,341
Unamortized Gain on Reacquired Debt	2,194,050	2,445,307
LCRA Power Bill Credits	188,000	188,000
Other	974,697	876,318
Total	<u>\$ 8,624,824</u>	<u>\$ 9,327,845</u>

The Cooperative realized a gain in 1987 of \$8,767,919 from the discount realized on the buyout of long-term debt to RUS. This amount is classified as a deferred credit and will be amortized over the remaining life of the prepaid RUS debt. Amortization for 2009 and 2008 was \$251,256 and \$251,256, respectively.

14. Litigation and Commitments

There was no litigation pending against the Cooperative at December 31, 2009, that could have a material effect on the financial statements.

The Cooperative is committed to purchase 76% of its electric power and energy requirements from the Lower Colorado River Authority (LCRA) through June of 2010. This commitment can vary through 2016.

NOTES TO FINANCIAL STATEMENTS

15. Pension Benefits

Substantially all employees of the Cooperative participate in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program, a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The defined benefit plan, a multi-employer plan, is available to all member cooperatives of NRECA, and the accumulated benefits and plan assets are not determined or allocated by individual employer. The plan is tax exempt under the Internal Revenue Code. The Cooperative makes monthly contributions equal to the amounts accrued for pension expense. The defined benefit plan has periodically been under moratorium due to the plan reaching full funding limitation. Total pension cost for the year ended December 31, 2009 and 2008, was \$447,441 and \$362,669, respectively.

In addition, the Cooperative provides retirement benefits through a 401k plan that is administered by NRECA SelectRe Pension plan. The Cooperative provides matching funds up to three percent of an employee's salary. The cost of this plan for 2009 and 2008 was \$95,691 and \$100,255, respectively.

16. Post-retirement Benefits Other Than Pensions

Generally Accepted Account Principles require an employer that sponsors a defined benefit postretirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its balance sheet, to measure the plan assets and plan obligations as of the balance sheet date, and to include enhanced disclosures about the plan.

Benefits are paid on behalf of retirees and are a function of medical insurance costs and number of retirees. Benefits paid for the years ended December 31, 2009 and 2008, were \$338,326 and \$198,434, respectively.

The measurement date used for the current valuation is January 1, 2005.

