UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
OPERATING REPORT - FINANCIAL	PERIOD ENDED December, 2008 (Prepared with Audited Data)
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.	BORROWER NAME GREAT LAKES ENERGY COOPERATIVE
This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.	

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII
(check one of the following)

- [x] All of the obligations under the RUS loan documents have been fulfilled in all material respects.
- [ ] There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Form 12a Section C of this report.

Steven Boeckman

3/26/2009
DATE

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

OPERATING REPORT - INTERNAL COMBUSTION PLANT

BORROWER DESIGNATION: MI0048

PLANT: Beaver Island

PERIOD ENDED: December, 2008

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see Bulletin 1717B-3.

This data will be used to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

LINE NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION: OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	OPERATING HOURS: IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE Sche. (i)	OUT OF SERVICE Unsche. (j)	GROSS GENERATION (MWh) (k)	BTU PER kWh (l)
1.	1	1,250	4.05				65	8,719			59	
2.	2	1,250	4.05				62	8,722			57	
3.	3	900	2.91				58	8,726			38	
4.												
5.												
6.	TOTAL	3,400	11.01	0.00	0.00		185	26,167	0	0	154	10,005.45
7.	Average BTU		139,949.13				STATION SERVICE (MWh)				166.70	
8.	Total BTU (10^6)		1,540.84			1,540.84	NET GENERATION (MWh)				(12.70)	121,325.98
9.	Total Del. Cost ($)		33,032.00				STATION SERVICE % OF GROSS				108.24	

SECTION B. LABOR REPORT

LINE NO.	ITEM	VALUE	LINE NO.	ITEM	VALUE
1.	No. Emp. Full Time (incl. Superintendent)		5.	Maint. Plant Payroll ($)	
2.	No. Emp. Part Time		6.	Other Accounts Plant Payroll ($)	
3.	Total Emp. - Hrs. Worked		7.	TOTAL Plant Payroll ($)	
4.	Oper. Plant Payroll ($)				

SECTION C. FACTORS & MAXIMUM DEMAND

LINE NO.	ITEM	VALUE
1.	Load Factor (%)	0.65%
2.	Plant Factor (%)	0.52%
3.	Running Plant Capacity Factor (%)	73.00%
4.	15 Min. Gross Max. Demand (kW)	0
5.	Indicated Gross Max. Demand (kW)	2,700

SECTION D. COST OF NET ENERGY GENERATED

LINE NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	30,106		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	**FUEL SUBTOTAL** *(2 thru 5)*	547	30,106	(2,370.55)	
7.	Generation Expenses	548	140,583		
8.	Miscellaneous Other Power Generation Expenses	549	64		
9.	Rents	550	0		
10.	**NON-FUEL SUBTOTAL** *(1 + 7 thru 9)*		140,647	(11,074.57)	
11.	**OPERATION EXPENSE** *(6 + 10)*		170,753	(13,445.12)	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	6,548		
14.	Maintenance of Generating and Electric Plant	553	2,960		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	**MAINTENANCE EXPENSE** *(12 thru 15)*		9,508	(748.66)	
17.	**TOTAL PRODUCTION EXPENSE** *(11 + 16)*		180,261	(14,193.78)	
18.	Depreciation	553, 512	0		
19.	Interest	554, 513	0		
20.	**TOTAL FIXED COST** *(18 + 19)*		0	0.00	
21.	**POWER COST** *(17 + 20)*		180,261	(14,193.78)	

REMARKS (including Unscheduled Outages)

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 16 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION MI0048

PERIOD ENDED
December, 2008 (Prepared with Audited Data)

INSTRUCTIONS - For detailed instructions, see RUS Bulletin 1717B-2.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

BORROWER NAME
GREAT LAKES ENERGY COOPERATIVE

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII
(check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Steven Boeckman

4/21/2009
DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	YEAR-TO-DATE BUDGET (c)	THIS MONTH (d)
1. Operating Revenue and Patronage Capital	141,402,217	144,486,383	154,265,228	14,447,184
2. Power Production Expense	168,000	180,261	176,371	27,951
3. Cost of Purchased Power	92,338,729	91,309,755	100,730,380	8,969,029
4. Transmission Expense				
5. Distribution Expense - Operation	7,784,777	8,546,791	8,516,891	884,788
6. Distribution Expense - Maintenance	9,647,730	9,110,735	11,037,279	422,596
7. Customer Accounts Expense	3,676,966	3,888,668	4,018,072	313,494
8. Customer Service and Informational Expense	738,266	840,204	830,022	35,918
9. Sales Expense	279,718	375,552	255,195	63,545
10. Administrative and General Expense	6,831,001	7,282,421	7,137,165	794,320
11. Total Operation & Maintenance Expense (*2 thru 10*)	121,465,187	121,534,387	132,701,375	11,511,641
12. Depreciation and Amortization Expense	9,544,532	9,810,536	10,057,049	822,821
13. Tax Expense - Property & Gross Receipts				
14. Tax Expense - Other	474,264	176,852	450,000	(237,015)
15. Interest on Long-Term Debt	8,157,839	8,848,369	9,285,987	737,472
16. Interest Charged to Construction - Credit				
17. Interest Expense - Other	214,500	143,154	230,000	26,098
18. Other Deductions	110,134	317,162	73,000	143,262
19. Total Cost of Electric Service (*11 thru 18*)	139,966,456	140,830,460	152,797,411	13,004,279
20. Patronage Capital & Operating Margins (*1 minus 19*)	1,435,761	3,655,923	1,467,817	1,442,905
21. Non Operating Margins - Interest	260,244	778,573	224,000	98,512
22. Allowance for Funds Used During Construction				
23. Income (Loss) from Equity Investments	154,155	108,671	149,633	(35,066)
24. Non Operating Margins - Other	(121,392)	(438,246)	(395,000)	14,634
25. Generation and Transmission Capital Credits	8,832,879	9,934,632	11,590,405	755,406
26. Other Capital Credits and Patronage Dividends	260,391	313,340	250,000	36,669
27. Extraordinary Items		(179,354)		(179,354)
28. Patronage Capital or Margins (*20 thru 27*)	10,822,038	14,173,539	13,286,855	2,133,706

USDA - RUS **FINANCIAL AND STATISTICAL REPORT**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See RUS Bulletin 1717B-2	PERIOD ENDED December, 2008

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (*a*)	YEAR-TO-DATE THIS YEAR (*b*)	ITEM	YEAR-TO-DATE LAST YEAR (*a*)	YEAR-TO-DATE THIS YEAR (*b*)
1. New Services Connected	1,980	1,412	5. Miles Transmission		
2. Services Retired	582	362	6. Miles Distribution - Overhead	11,058.00	11,058.00
3. Total Services in Place	132,101	133,151	7. Miles Distribution - Underground	2,846.00	2,928.00
4. Idle Services (*Exclude Seasonals*)	11,128	10,547	8. Total Miles Energized (*5 + 6 + 7*)	13,904.00	13,986.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS

1. Total Utility Plant in Service	334,953,649
2. Construction Work in Progress	7,163,995
3. Total Utility Plant *(1 + 2)*	342,117,644
4. Accum. Provision for Depreciation and Amort	87,357,113
5. Net Utility Plant *(3 - 4)*	254,760,531
6. Non-Utility Property (Net)	0
7. Investments in Subsidiary Companies	379,290
8. Invest. in Assoc. Org. - Patronage Capital	77,047,885
9. Invest. in Assoc. Org. - Other - General Funds	0
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	2,990,739
11. Investments in Economic Development Projects	935,972
12. Other Investments	497,690
13. Special Funds	0
14. Total Other Property & Investments *(6 thru 13)*	81,851,576
15. Cash - General Funds	2,147,981
16. Cash - Construction Funds - Trustee	0
17. Special Deposits	8,000,000
18. Temporary Investments	0
19. Notes Receivable (Net)	0
20. Accounts Receivable - Sales of Energy (Net)	16,212,406
21. Accounts Receivable - Other (Net)	1,899,050
22. Materials and Supplies - Electric & Other	2,610,605
23. Prepayments	1,083,490
24. Other Current and Accrued Assets	30,688
25. Total Current and Accrued Assets *(15 thru 24)*	31,984,220
26. Regulatory Assets	0
27. Other Deferred Debits	856,634
28. Total Assets and Other Debits *(5+14+25 thru 27)*	369,452,961

LIABILITIES AND OTHER CREDITS

29. Memberships	519,740
30. Patronage Capital	114,397,401
31. Operating Margins - Prior Years	0
32. Operating Margins - Current Year	13,903,895
33. Non-Operating Margins	269,645
34. Other Margins and Equities	2,338,186
35. Total Margins & Equities *(29 thru 34)*	131,428,867
36. Long-Term Debt - RUS (Net)	151,263,573
37. Long-Term Debt - FFB - RUS Guaranteed	3,072,426
38. Long-Term Debt - Other - RUS Guaranteed	0
39. Long-Term Debt Other (Net)	37,075,269
40. Long-Term Debt - RUS - Econ. Devel. (Net)	332,002
41. Payments - Unapplied	11,588,053
42. Total Long-Term Debt *(36 thru 40 - 41)*	180,155,217
43. Obligations Under Capital Leases - Noncurrent	0
44. Accumulated Operating Provisions and Asset Retirement Obligations	13,416,297
45. Total Other Noncurrent Liabilities *(43 + 44)*	13,416,297
46. Notes Payable	15,126,801
47. Accounts Payable	11,470,337
48. Consumers Deposits	815,283
49. Current Maturities Long-Term Debt	6,030,523
50. Current Maturities Long-Term Debt -Economic Development	119,878
51. Current Maturities Capital Leases	74,882
52. Other Current and Accrued Liabilities	4,259,348
53. Total Current & Accrued Liabilities *(46 thru 52)*	37,897,052
54. Regulatory Liabilities	0
55. Other Deferred Credits	6,555,528
56. Total Liabilities and Other Credits *(35+ 42 + 45 + 53 thru 55)*	369,452,961

USDA-RUS **FINANCIAL AND STATISTICAL REPORT** *INSTRUCTIONS - See RUS Bulletin 1717B-2*	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2008

PART D. NOTES TO FINANCIAL STATEMENTS

Note 1: Special Deposits, Form 7C, Line 17.The Michigan Public Service Commission (MPSC) requires rural utility cooperatives to maintain funds to satisfy any "refundable contributions in aid of construction" plus any "power supply cost recovery over collections" less any "power supply cost recovery under collections" At December 31, 2008, Great Lakes Energy was required to have $8,335,248 in cash or Special Deposits as determined by the following

Refundable contributions in aid of const.	$4,973,980
Plus power supply cost recovery overcollections	$3,361,267
Less Power supply Cost Recovery under collections	$0
Cash & Special Deposits required at 12/31/08	$8,335,247
Special Deposits - Form 7A, number 6	$8,000,000
Cash (included in Form 7A, number 6 Fifth Third Bank)	$335,247
Total Cash and Special Deposits	$8,335,247

Note 2: Extraordinary Items, Form 7A, Line 27. Extraordinary items consists of fraudulent activity discovered for the year 2008 relating to right of way clearing that was billed while no actual services were performed costing $179,354.

USDA - RUS **FINANCIAL AND STATISTICAL REPORT**	BORROWER DESIGNATION
INSTRUCTIONS - See RUS Bulletin 1717B-2	PERIOD ENDED

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	279,642,144	18,195,072	2,248,581		295,588,635
2. General Plant	21,836,433	3,056,634	1,304,702		23,588,365
3. Headquarters Plant	13,256,596	78,528			13,335,124
4. Intangibles	45,275		5,430		39,845
5. Transmission Plant	0				0
6. All Other Utility Plant	2,395,881	5,799			2,401,680
7. Total Utility Plant in Service (1 thru 6)	317,176,329	21,336,033	3,558,713		334,953,649
8. Construction Work in Progress	3,863,931	3,300,064			7,163,995
9. TOTAL UTILITY PLANT (7 + 8)	321,040,260	24,636,097	3,558,713		342,117,644

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	2,528,408	7,650,485	33,407	7,520,204	21,562	(59,928)	2,610,606
2. Other	0						0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	(e)
1. Present Year	29.400	79.800	4.200	209.400	322.800
2. Five-Year Average	37.800	162.000	4.800	253.800	458.400

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	231	4. Payroll - Expensed	8,017,825
2. Employee - Hours Worked - Regular Time	495,421	5. Payroll - Capitalized	3,316,532
3. Employee - Hours Worked - Overtime	29,038	6. Payroll - Other	3,282,527

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	1,623,306	
	b. Special Retirements	308,114	
	c. Total Retirements (a + b)	1,931,420	
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	959,072	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	174,925	
	c. Total Cash Received (a + b)	1,133,997	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. AMOUNT DUE OVER 60 DAYS	$ 1,172,763	2. AMOUNT WRITTEN OFF DURING YEAR	$ 264,473

USDA-RUS	BORROWER DESIGNATION
FINANCIAL AND STATISTICAL REPORT	MI0048
	PERIOD ENDED
	December, 2008
INSTRUCTIONS - See RUS Bulletin 1717B-2	

Part K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	RUS USE ONLY SUPPLIER CODE (b)	kWh PURCHASED (c)	TOTAL COST (d)	AVERAGE COST (Cents/kWh) (e)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (f)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (g)
1	Wolverine Pwr Supply Coop, Inc	20910	1,385,687,477	91,309,756	6.59		
	Total		1,385,687,477	91,309,756	6.59		

USDA-RUS **FINANCIAL AND STATISTICAL REPORT** *INSTRUCTIONS - See RUS Bulletin 1717B-2*	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2008

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Dobson Communications	Tower	2,923
2	State of Michigan	Railroad	275
3	Paul Latorre	Tower	12
4	CSX	Railroad	2,787
5	Global Tower LLC	Tower	22,492
6	Antenna Designs	Tower	1,833
7	Northern Broadcast Inc	Tower	26,410
8	E.W. Marine	Tower	3,500
	Total		60,232

USDA - RUS **FINANCIAL AND STATISTICAL REPORT**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See RUS Bulletin 1717B-2	PERIOD ENDED December, 2008

PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2. Total Number of Members	3. Number of Members Present at Meeting	4. Was Quorum Present?
8/27/2008	103,766	1	N
5. Number of Members Voting by Proxy or Mail	**6. Total Number of Board Members**	**7. Total Amount of Fees and Expenses for Board Members**	**8. Does Manager Have Written Contract?**
3,346	9	$ 554,022	Y

USDA-RUS **FINANCIAL AND STATISTICAL REPORT** *INSTRUCTIONS - See RUS Bulletin 1717B-2*	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2008

PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	151,263,573	6,958,737	3,998,209	10,956,946
2	National Rural Utilities Cooperative Finance Corporation	24,689,060	1,038,483	1,754,170	2,792,653
3	Bank for Cooperatives				
4	Federal Financing Bank	3,072,426	205,539	95,976	301,515
5	RUS - Economic Development Loans	332,002		125,838	125,838
6	Payments Unapplied	11,588,053			
7	CoBank	11,385,679	663,129	423,821	1,086,950
8	Rural Economic Dev. Grant - City of Newaygo	400,000	0	0	0
9	City of Newaygo Special Assessment	1,945	392	1,842	2,234
10	IRP	598,586	6,653	28,383	35,036
11	Capital Lease - Phone System	0	7,628	94,749	102,377
	Total	180,155,218	8,880,561	6,522,988	15,403,549

USDA - RUS **FINANCIAL AND STATISTICAL REPORT**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - *See RUS Bulletin 1717B-2*	PERIOD ENDED December, 2008

PART O. POWER REQUIREMENTS DATA BASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (*a*)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (*c*)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	74,701	74,703	
	b. kWh Sold			677,659,524
	c. Revenue			79,045,712
2. Residential Sales - Seasonal	a. No. Consumers Served	36,830	36,749	
	b. kWh Sold			82,368,618
	c. Revenue			17,070,080
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	10,429	10,380	
	b. kWh Sold			173,453,235
	c. Revenue			19,776,979
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	274	276	
	b. kWh Sold			382,214,666
	c. Revenue			26,898,580
6. Public Street & Highway Lighting	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kwh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. TOTAL No. of Consumers (lines 1a thru 9a)		122,234	122,108	
11. TOTAL kWh Sold (lines 1b thru 9b)				1,315,696,043
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)				142,791,351
13. Other Electric Revenue				1,695,033
14. kWh - Own Use				
15. TOTAL kWh Purchased				1,385,687,477
16. TOTAL kWh Generated				154,000
17. Cost of Purchases and Generation				91,490,016
18. Interchange - kWh - Net				
19. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident_X_				235,686

USDA-RUS

FINANCIAL AND STATISTICAL REPORT

INSTRUCTIONS - See RUS Bulletin 1717B-2

BORROWER DESIGNATION

MI0048

PERIOD ENDED

December, 2008

PART I. INVESTMENTS

No	DESCRIPTION (a)	INCLUDED ($) (b)	EXCLUDED ($) (c)	INCOME OR LOSS ($) (d)	RURAL DEVELOPMENT (e)
2	**Investments in Associated Organizations**				
	Investment in Subsidiaries	379,290			
	WPC patronage - G&T		75,688,014		
	NRUCFC Patronage		689,984		
	Federated Patronage	242,335			
	CoBank patronage		92,360		
	NISC Patronage	156,965			
	Resco Patronage	178,227			
	Resco Stock	5,400			
	MECA Statewide Membership	141,720			
	WPC Membership - G&T	600			
	NRUCFC Membership		1,000		
	CoBank Membership		1,000		
	NRTC Membership	2,000			
	NISC Membership	25			
	Geothermal Energy Membership	600			
	NRUCFC CTC's		2,838,394		
	Totals	1,107,162	79,310,752		
3	**Investments in Economic Development Projects**				
	Petoskey Investment Group		307,500		X
	Boyne USA Resort		141,792		X
	Double J Resort		97,222		X
	IRP Loans		307,227		X
	Revolving Loan Fund		82,231		X
	Totals		935,972		
4	**Other Investments**				
	Homestead Funds - Deferred Comp.		18,532		
	Homestead funds - Director Def. Comp.		89,720		
	American Funds - Mutual Funds		384,219		
	Homestead funds - def comp GLE emp.		5,219		
	Totals		497,690		
6	**Cash - General**				
	Fifth Third Bank	(132,591)	250,000		
	West Shore Bank	41,984	250,000		
	Choice One Bank	43,695			
	Huntington Bank	26,419			
	United Bank of Michigan		12,582		
	Choice One Bank - Economic Dev.	189,740	250,000		X
	Huntington Bank - Revolving Loan Fund	59,323	250,000		X
	Choice One Bank - IRP Account	654,373	250,000		X
	Working Funds - Petty Cash	4,075			
	Fifth Third Bank - payroll account	(1,619)			
	Totals	885,399	1,262,582		
7	**Special Deposits**				
	NRUCFC - See section D, note 1		8,000,000		
	Totals		8,000,000		
9	**Accounts and Notes Receivable - NET**				
	Other Accounts Receivable - Net		1,899,050		
	Totals		1,899,050		
11	TOTAL INVESTMENTS (1 thru 10)	1,992,561	91,906,046		

USDA-RUS **FINANCIAL AND STATISTICAL REPORT** *INSTRUCTIONS - See RUS Bulletin 1717B-2*	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2008

PART II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
	Total				
	TOTAL (Included Loan Guarantees Only)				

USDA-RUS **FINANCIAL AND STATISTICAL REPORT** *INSTRUCTIONS - See RUS Bulletin 1717B-2*	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2008

Part III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total Of Included Investments (PartI, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form7, Part C, Line3)]	.58 %

PART IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		29,159	13,819	
2	Energy Resources Conservation Loans				
	Total		29,159	13,819	

The Audit Committee and Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the consolidated financial statements of Great Lakes Energy Cooperative, Inc. for the year ended December 31, 2008, and have issued our report thereon dated April 10, 2009. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND THE STANDARDS APPLICABLE TO FINANCIAL AUDITS CONTAINED IN *GOVERNMENT AUDITING STANDARDS*

As stated in our engagement letter dated September 28, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and the standards applicable to financial audits contained in *Government Audit Standards*. Our audit of the financial statements does not relieve you or management of your responsibilities.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our ongoing discussion with you about planning matters in December of 2008.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Cooperative are described in Note 1 to the financial statements. As described in note 1, the Cooperative adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements related to investment fair value reporting in 2008. No other new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Cooperative during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Depreciation - Management's estimate of the useful plant life is based on RUS stated guidelines.

Allowance for bad debt - The allowance for bad debt accrual is based on past experience.

Post retirement benefits – Estimate of benefits based upon service life of eligible employees.

Unbilled revenue – Estimate is based off of actual cycle billings occurring through December 31.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated April 10, 2009.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperative's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Great Lakes Energy Cooperative and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
April 10, 2009

FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

GREAT LAKES ENERGY COOPERATIVE

GREAT LAKES ENERGY COOPERATIVE

TABLE OF CONTENTS

EideBailly℠

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the accompanying consolidated balance sheets of Great Lakes Energy Cooperative, as of December 31, 2008 and 2007, and the related consolidated statements of operations and patronage capital and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company'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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Energy Cooperative, as of December 31, 2008 and 2007, and the results of its operations and patronage capital 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 April 10, 2009 on our consideration of Great Lakes Energy Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audit.

Eide Bailly LLP

Fargo, North Dakota
April 10, 2009

GREAT LAKES ENERGGY COOPERATIVE
Consolidated Balance Sheets
as of December 31, 2008 and 2007

ASSETS	2008	2007
ELECTRIC PLANT:		
Distribution and generation plant, at cost	$ 342,117,644	$ 321,040,259
Less accumulated depreciation	87,357,113	80,858,189
Net electric plant	254,760,531	240,182,070
OTHER ASSETS AND INVESTMENTS:		
Nonutility property, net of accumulated depreciation	56,412	63,244
Investments and memberships	80,536,314	71,559,823
Notes and loans receivables	494,038	744,606
Total other assets and investments	81,086,764	72,367,673
CURRENT ASSETS:		
Cash	2,100,338	2,998,192
Temporary investments and special funds	8,335,247	3,148,128
Accounts receivable, net of allowance for uncollectable accounts of $1,439,638 in 2008 and $1,450,223 in 2007	18,250,264	21,693,663
Materials and supplies	2,610,605	2,528,407
Other current assets, including current portion of notes and other receivables	2,490,226	1,443,016
Total current assets	33,786,680	31,811,406
DEFERRED CHARGES	543,880	632,775
Total assets	$ 370,177,855	$ 344,993,924

EQUITIES AND LIABILITIES	2008	2007
EQUITIES:		
Memberships	$ 519,740	$ 519,740
Patronage capital	134,841,255	122,478,476
Donated capital	2,338,186	2,164,698
Accumulated other comprehensive expenses	(6,270,315)	(5,797,505)
Total equities	131,428,866	119,365,409
LONG-TERM DEBT, net of current maturities	180,155,216	178,493,188
OTHER NON-CURRENT LIABILITIES	13,416,297	12,207,631
CURRENT LIABILITIES:		
Current maturities of long-term debt	6,225,283	6,472,199
Note payable	15,126,801	6,230,177
Accounts payable	11,475,477	10,818,657
Accrued expenses	4,979,102	4,957,626
Customer deposits	815,284	431,050
Total current liabilities	38,621,947	28,909,709
DEFERRED CREDITS	6,555,529	6,017,987
Total equities and liabilities	$ 370,177,855	$ 344,993,924

The accompanying notes are a part of these financial statements.

GREAT LAKES ENREGY COOPERATIVE
Consolidated Statements of Revenue and Net Margins
for the years ended December 31, 2008 and 2007

	2008	2007
OPERATING REVENUES	$ 144,486,383	$ 141,402,217
OPERATING EXPENSES:		
Purchased and produced power	91,490,016	92,506,729
Distribution expenses:		
Operations	8,546,791	7,784,777
Maintenance	9,110,735	9,647,729
Customer accounts and service expense	5,104,424	4,694,949
Administration and general	7,280,371	6,831,679
Depreciation and amortization	9,817,369	9,555,157
Other operating expenses	556,942	642,507
Total operating expenses	131,906,648	131,663,527
OPERATING MARGINS BEFORE FIXED CHARGES	12,579,735	9,738,690
FIXED CHARGES, interest expense	8,991,523	8,372,339
OPERATING MARGINS AFTER FIXED CHARGES	3,588,212	1,366,351
NON-OPERATING MARGINS:		
Interest income	787,203	276,939
Other income (expenses), net	(393,847)	165,369
Total non-operating margins	393,356	442,308
CAPITAL CREDITS, from associated organizations	10,247,972	9,093,269
Net margins before federal income taxes	14,229,540	10,901,928
PROVISION FOR FEDERAL INCOME TAX	56,000	79,890
Net margins	$ 14,173,540	$ 10,822,038

The accompanying notes are a part of these financcial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Cash Flows
for the years ended December 31, 2008 and 2007

Increase (Decrease) in Cash

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	$ 14,173,540	$ 10,822,038
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	9,818,022	9,555,157
Capital credits from associated organizations	(10,247,972)	(9,093,269)
Net (gain) loss on sale of assets	(11,471)	11,346
Unrealized appreciation on investments	-	(1,322)
Bad debt provision	315,496	258,200
Changes in assets and liabilities:		
Accounts receivable	2,872,197	(588,208)
Materials and supplies	(49,143)	(124,050)
Other assets and deferred charges	(953,027)	137,671
Accounts payable	654,284	(682,905)
Accrued expenses and other liabilities	55,617	327,283
Customer deposits	384,234	23,364
Other non-current liabilities and deferred credits	668,698	404,995
Net cash provided by operating activities	17,680,475	11,050,300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash from short-term investments	(5,187,119)	(148,128)
Net investments and memberships	1,197,536	1,927,474
Proceeds from sale of assets	144,463	58,165
Property additions	(24,831,425)	(24,970,250)
Plant removal costs	(1,040,391)	(1,437,000)
Additions to notes receivable	(11,525)	(21,506)
Collection on notes receivable	302,688	407,841
Changes in deferred charges	(325,153)	(372,502)
Additions to other non-current liabilities	24,537	25,200
Net cash (used) in investing activities	(29,726,389)	(24,530,706)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions in aid of construction received net of refunds	2,339,092	1,542,837
Net proceeds from (payment of) short-term debt	8,896,625	(1,331,241)
Proceeds from long-term debt	19,849,147	21,500,000
Payment of long-term debt	(18,434,034)	(6,229,466)
Capital credits paid out	(1,623,306)	(1,563,279)
Sales tax returned (adjustment) related to equity provided by operating margins	120,536	49,472
Net cash provided by financing activities	11,148,060	13,968,323
Net change in cash	(897,854)	487,917
CASH, beginning of year	2,998,192	2,510,275
CASH, end of year	$ 2,100,338	$ 2,998,192

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Comprehensive Income
for the years ended December 31, 2008 and 2007

	2008	2007
NET MARGINS	$ 14,173,540	$ 10,822,038
Other comprehensive income (expense):		
Unrealized holding loss on securities arising during year	(158,876)	-
Directors' pension liability adjustment	223,711	-
Employees' Postretirement Health Insurance Benefit Plan liability adjustment	(537,645)	-
Comprehensive income	$ 13,700,730	$ 10,822,038

The accompanying notes are a part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Great Lakes Energy Cooperative (the "Company") is an electric distribution company servicing the rural areas in parts of 25 counties located in the western portion of Michigan's Lower Peninsula.

The Company is organized as a member cooperative with almost all customers being members. Each member who joins the cooperative is entitled to certain membership rights, including the right to vote on certain corporate matters. The Company is governed by a board of directors elected by the members.

As a cooperative, annual net margins are assigned to members as capital credits based on their relative purchase of electric power during the year. It is the Company's policy to retire these capital credits when the financial condition of the Company permits.

The Company has a wholly-owned subsidiary which engages in certain business activities unrelated to the distribution of electricity.

The Company is a nonprofit organization exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code, except for tax on any unrelated business income. The Company's subsidiary is a corporation that is not exempt from federal income tax. The Company and its subsidiary were each subject to the Michigan Single Business Tax during 2007 and new Michigan Business Tax in 2008.

Basis of Accounting

The Company is subject to the accounting and reporting rules and regulations of Rural Utilities Service, a Federal Government agency. The Company follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by the Rural Utilities Service.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Great Lakes Utilities Services Corporation ("GLUS"). All significant intercompany transactions have been eliminated in preparing the consolidated financial statements.

Electric Plant

Electric plant includes the electric distribution system, a small generating plant, real estate and various buildings and operating equipment. These assets are recorded at cost, net of any contributions received from customers to defray the cost of constructing the distribution system. Assets are depreciated over their estimated useful lives under the straight-line method.

The cost of any distribution system and generating plant that is retired, plus the cost of removal, net of any salvage value realized, is charged, in total, against accumulated depreciation and a gain or loss is not recognized. The cost and related accumulated depreciation of buildings and operating equipment retired or sold is removed from their respective accounts and a gain or loss is recognized.

Nonutility Property

Nonutility property consists of real estate, a building and equipment. The building and equipment are being depreciated over their estimated useful lives, the lives permitted for income tax purposes, under the straight-line method.

Investments and Memberships

Investments and memberships include investments in other cooperatives and various mutual funds. The investments in cooperatives, which comprise the majority of investments, are carried at cost plus assigned capital credits less any capital credits paid to the Company. Income from investments in cooperatives is recognized when capital credits are assigned.

Investments in mutual funds are carried at market value. Certain of these investments are directly related to deferred-compensation obligations and changes in market value are recorded as changes in the related liability. The remaining investments are classified as available-for-sale with changes in market value reported in other comprehensive income until realized.

Notes and Other Receivables

Notes and other receivables include primarily low or zero interest loans made under Federal Rural Economic Development programs. These receivables as reported in the balance sheets are net of related allowances for uncollectable accounts of $136,035 in 2008 and $90,645 in 2007 with any additions to the allowance charged against margins. Interest income is recognized on these receivables by applying the stipulated interest rates to any unpaid balance; any fee revenue is recognized when assessed.

Temporary Investments and Special Funds

Temporary cash investments and special funds consist of commercial paper issued by the National Rural Utilities Cooperative Finance Corporation and cash. The investments are unsecured and are recorded at cost.

Electric Revenues and Accounts Receivable

Rates for electricity charged to customers are established by the Board of Directors and are subject to approval of the Michigan Public Service Commission (“MPSC”) before becoming effective. Revenue is recognized when electricity is delivered to customer. Bills are rendered in staggered cycles throughout each month for economic and business reasons. Consequently, at the end of each month a portion of the recognized revenue remains unbilled. The unbilled revenue was computed by applying approved revenue rates to the difference between total kilowatt hours (“KWH”) delivered, as determined from electronic meter readings taken at month end, and the KWH used for cycle billing purposes.

Any electric accounts receivable not collected within one month of billing are assessed a one-time late fee of 2 or 5 pct. depending on the type of customer. This fee is included as part of operating revenue.

Allowances are provided for accounts receivable that may become uncollectible, with additions to the allowance charged against margins. Past collection experience is tracked by management and is used to determine additions to the allowance. Accounts receivable are written off by a charge against the allowance only after collection efforts have been exhausted and future collection appears unlikely.

Materials and Supplies

Materials and supplies, which are recorded a average cost, consist of items necessary to construct and maintain the distribution system and fuel to operate the generating plant.

Deferred Charges

Deferred charges consist principally of preliminary survey and pole inspection costs, which are being
amortized straight-line over periods not exceeding twenty years, and various other deferred costs.

Deferred Credits

Deferred credits consist principally of refundable contributions in aid of construction, which are refundable for a certain period of time, contributions received for future construction, and service availability charges billed in advance. Upon expiration of the refund period, any contributions not refunded are credited to the electric plant's distribution system. Contributions for future construction are applied against the distribution system's cost when construction work occurs. Service availability charges billed in advance are amortized straight-line to revenue over the period covered by the advanced billing.

Fair Value of Financial Instruments

Financial instruments, such as cash, temporary investments and special funds, accounts receivable, accounts payable, accrued expenses and customer deposits are carried in the consolidated financial statements at cost. These amounts approximate the fair value of such instruments due to their short maturity. Notes and other receivables are carried at cost as they are made under various government programs which specify below-market interest rates. Investments and memberships in other cooperatives are carried at cost plus undistributed capital credits assigned by the investee cooperative as there is no practical way to determine a market value for these investments. Investments in mutual funds are carried at published market prices as of year-end.

The fair value of long-term debt at December 31, 2008, based on borrowing rates available from current lenders at that date, is estimated at approximately $145.4 million versus the carrying amount of approximately $186.4 million. At December 31, 2007 the comparable fair value was estimated at approximately $150.2 million versus the carrying amount of approximately $184.9 million.

The Company has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Statement No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles

Statement No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

All the Company's investments are valued at cost expect for mutual funds which are valued at fair market value and are considered Level 1 investments.

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 amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Areas requiring the use of significant estimates by management include useful lives of plant, potential uncollectible accounts, notes and other receivable, and postretirement benefit costs. Actual results could differ from the estimates embedded in the consolidated financial statements.

Cash Flows

The Company reports its cash flows using the indirect method in order to present a reconciliation of net margins to significant changes in cash. Cash reported on the consolidated statement of cash flows is cash reflected on the consolidated balance sheet; it does not include temporary investments and special funds.

NOTE B - ELECTRIC PLANT

Major classes of electric plant as of December 31, 2008 and 2007 are as follows:

	2008	2007
Distribution system	$ 295,588,635	$ 279,642,144
Generation plant	1,947,215	1,941,416
General plant, including asset acquired under a capital lease in the amount of $443,265	37,377,953	35,547,493
Intangible plant	39,846	45,275
Construction work in progress, net of related contributions in aid of construction	7,163,995	3,863,931
	342,117,644	321,040,259
Less accumulated depreciation, including accumulated depreciation of $235,061 and $179,653 for 2008 and 2007, respectively, associated with capital lease asset	87,357,113	80,858,189
	$ 254,760,531	$ 240,182,070

During 2008 and 2007, the various components of the electric plant were depreciated based on management's estimate of their estimated useful lives. The lives used equate to an annual composite rate of approximately 2.9 pct. for the distribution system and 4.4 pct. for the generation plant.

General plant is being depreciated over the following lives:

General Plant	Life
Structures and improvements	50 years
Office furniture and equipement:	
General office equipment and general purpose data processing equipment	6 - 16 years
Special purpose data processing equipment	3 years
Computer software	3 years
Transportation equipment:	
Automobile and pickup trucks	5 - 8.5 years
Heavy trucks	10 years
Power operated equipment	8 years
Communications euiqpment, including meters that can be read electroncially	5 - 12.5 years
Load control equipment	10 years
Other	20 years

The nonutility property is being depreciated over the following lives:

Nonutility Plant	Life
Building	39 years
Equipement	5 - 7 years
Computer software	3 years

NOTE C - INVESTMENTS AND MEMBERSHIPS

Investments in associated organizations consisted of the following as of December 31, 2008 and 2007:

	2008	2007
Wolverine Power Cooperative, Inc.		
Patronage capital credits and membership	$ 75,688,014	$ 66,712,453
National Rural Utilities Cooperative Finance Corporation		
Capital Term Certificates	2,838,394	2,892,695
Patronage capital credits and membership	690,984	720,051
Other memberships, patronage capital and mutual fund investments	1,318,922	1,234,624
Total	$ 80,536,314	$ 71,559,823

Wolverine Power Cooperative, Inc.

Wolverine Power Cooperative, Inc. (“Wolverine”) is an electric generating and transmission cooperative in which the Company has as an approximate 58 pct. interest. According to the contract with Wolverine, all electric power required by the Company is to be purchased from Wolverine (see Note R).

The Company has the following available-for-sale securities:

	2008				2007
	Level 1 Investments				Level 1
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value	Fair Value
Mutual Funds	$ 543,095	$ -	$ (158,876)	$ 384,219	$ 409,321

Investments in available-for-sale securities are recorded at fair value. The difference between the amortized cost and the fair market value is reported as "other comprehensive income" in the consolidated statement of comprehensive income.

NOTE D -NOTES AND LOANS RECEIVABLE

Notes receivable consisted of the following as of December 31, 2008 and 2007:

	2008	2007
Rural Economic Development loans	$ 799,938	$ 1,132,672
Employee loans	13,819	17,634
	813,757	1,150,306
Less current portion	319,719	405,700
Total	$ 494,038	$ 744,606

The current portion of notes receivable is classified with other current assets in the consolidated balance sheets.

Rural Economic Development Loans Receivable

The Rural Economic Development loans receivable are zero or low interest loans due in periodic installments of principal and, where appropriate, interest until final maturity. The loans are financed from grants or loans obtained by the Company under various federal programs established for the purpose of promoting loans through electric cooperatives to qualifying entities within their service areas for the purpose of promoting economic development. The loans are collateralized by real estate mortgages or a security interest in equipment.

NOTE E -TEMPORARY CASH INVESTMENTS AND SPECIAL FUNDS

Temporary cash investments and special funds of $8,335,247 at December 31, 2008 consisted of $8,000,000 invested in commercial paper issued by the National Rural Utilities Cooperative Finance Corporation and $335,247 of cash considered special funds. The interest rate on the commercial paper was .45 pct. with a maturity of January 2, 2009.

The MPSC requires Michigan rural electric cooperatives to maintain funds to satisfy any refundable contributions in aid of construction (CIAC) plus any power supply cost recovery over collections net of any power supply cost under collections. Funds restricted to comply with MPSC's requirements are considered special funds and are included as a component of temporary cash investments and special funds reported in the consolidated balance sheets. At December 31, 2008 special funds were equal to the refundable CIAC plus the over collection of the power supply cost recovery charges. At December 31, 2007 special funds exceeded refundable CIAC net of the under collection of power supply costs by $544,622..The status of refundable CIAC and power supply cost recovery under collections is detailed on the next page.

	2008	2007
Refundable contributions in aid of construction	$ 4,973,980	$ 4,478,290
Power supply cost recovery over (under) collection	3,361,267	(1,874,785)
Special funds required by MPSC	$ 8,335,247	$ 2,603,505
Special funds available	$ 8,335,247	$ 3,148,128

NOTE F – ACCOUNTS RECEIVABLE

Accounts receivable include both billed and unbilled revenues. At December 31, 2008 and 2007 accounts receivable consisted of the following:

	2008	2007
Billed accounts	$ 10,855,554	$ 14,682,046
Unbilled accounts	8,834,348	8,461,840
	19,689,902	23,143,886
Less allowance for uncollectible accounts	1,439,638	1,450,223
Net accounts receivable	$ 18,250,264	$ 21,693,663

NOTE G – FAIR VALUE OF ASSETS AND LIABILITIES

Assets and liabilities measured at fair value on a recurring basis at December 31, 2008 and 2007, respectively, are as follows:

	2008	2007
Available-for-sale securities	$ 384,219	$ 409,321
Liabilities (None)	$ -	$ -

The related fair values of these assets and liabilities are determined as follows:

	Quated Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
December 31, 2008			
Available-for-sale securities	$ 384,219	$ -	$ -
December 31, 2007			
Available-for-sale securities	$ 409,321	$ -	$ -

As noted in the above table, the Company classifies its securities within Level 1 of the valuation hierarchy since quoted prices are available in an active market. The Company does not have any Level 2 securities. Level 2 of the valuation hierarchy is where quoted market prices are not available. If quoted market prices are not available, the fair values of the securities is determined using pricing models, quoted prices of securities with similar characteristics or discounted cash flow models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The Company does not have any Level3 securities. Level 3 of the valuation hierarchy is where there is limited activity or less observable inputs to the valuation. Inputs to the Level 3 security fair value measurements consider various assumptions, including time value, yield curve, prepayments speeds, default rates, loss severity, current market and contractual prices of underlying financial instruments as well as other relevant economic measures.

NOTE H - DEFERRED CHARGES

Deferred charges at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Unamortized debt costs	$ 27,704	$ 30,098
Pole inspection	182,307	172,136
Preliminary survey costs	649,254	530,724
Deferred open access costs	-	32,864
Other	(2,631)	1,936
	856,634	767,758
Less current portion	312,754	134,984
Total	$ 543,880	$ 632,774

NOTE I - EQUITIES

The changes in memberships, patronage capital, donated capital and accumulated other comprehensive expense (AOCE) are summarized as follows:

	Membership	Patronage Capital	Donated Capital	AOCI	Total
Balance at December 31, 2005	$ 519,740	$ 106,929,140	$ 2,162,689	$ -	$ 109,611,569
Net margins	-	8,393,423	-	-	8,393,423
Undeliverable retired patronage refunds to members	-	-	754	-	754
Adjustment for sales tax returned	-	(627)	-	-	(627)
Patronage refunds to members	-	(2,151,436)	-	-	(2,151,436)
Balance at December 31, 2006	519,740	113,170,500	2,163,443	-	115,853,683
Net margins	-	10,962,542	-	-	10,962,542
Undeliverable retired patronage refunds to members and other	-	-	255	-	255
Adjustment for sales tax returned	-	-	-	-	-
Patronage refunds to members	-	(1,563,533)	-	-	(1,563,533)
Comprehensive income (expense):					
Adjustment to initially apply new generally accepted accounting principles effective during 2007 for:					
Directors' Pension Plan	-	-	-	(506,567)	(506,567)
Employees Postretirement	-	-	-	-	-
Health Insurance Benefit Plan	-	-	-	(5,290,908)	(5,290,908)
Balance at December 31, 2007	$ 519,740	$ 122,569,509	$ 2,163,698	$ (5,797,475)	$ 119,455,472

At December 31, 2008 and 2007, the cumulative transactions in patronage capital consisted of the following:

	2008	2007
Assigned and assignable margins	$ 168,044,908	$ 153,750,832
Retired	(31,687,187)	(29,929,378)
Undeliverable, transferred to donated capital	(1,516,466)	(1,342,978)
Balance	$ 134,841,255	$ 122,478,476

The returnable sales tax reflects the State of Michigan's acknowledgement of an electric cooperative principal that amounts paid for electrical service in excess of the cost of providing that service are considered additions to capital, not sales, and accordingly not subject to sales tax. Returnable sales tax represents the tax paid on amounts ultimately determined to be capital additions.

It is the practice of the Company to make patronage refunds to its patrons or members. Such refunds may be made provided total equity, after such refunds are made and excluding the results of GLUS, is greater than 20 pct. of total assets. At both December 31, 2008 and 2007 equities of the Company, excluding GLUS, represented approximately 35.5pct. and 34.5pct., respectively, of its total assets.

NOTE J - LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 20078and 2007:

	2008	2007
Rural Utilities Service (RUS)	$ 155,479,729	$ 154,628,792
Less RUS Cushion of Credit, advance payment earning 5% interest	(11,911,047)	-
	143,568,682	154,628,792
National Rural Utilities Cooperative Finance Corporation (CFC)	11,273,832	13,882,292
CoBank, ACB (CoBank)	11,834,287	11,403,818
Federal Financing Bank (FFB)	3,174,563	3,270,539
Rural Economic Development Loan Program (RED)	1,450,466	1,604,686
Capitalized lease obligations	74,882	169,631
City of Newaygo, special assessement	3,787	5,629
Borrowing under a perpetual line of credit from CFC classified as long-term debt as replaced with proceeds received subsequent to December 31, 2008 from a FFB long-term loan	15,000,000	-
	186,380,499	184,965,387
Less current maturities, including current maturities of the capitalized lease obligation of $74,882 in 2008 and $94,749 in 2007	6,225,283	6,472,199
	$ 180,155,216	$ 178,493,188

Loans under the RUS mortgage carry fixed or semi-fixed interest rates as detailed below. They are payable in either monthly or quarterly installments, which include both principal and interest, until final maturity during 2035.

Mortgages with 2% fixed interest	$ 593,724
Mortgages with 2.75-4.87% semi-fixed interest	56,879,758
Mortgages with 5% fixed interest	98,006,247
Total	$ 155,479,729

Loans under the CFC mortgage are payable in quarterly installments, which include both principal and interest, until final maturity in the year 2030. They bear interest at either fixed and variable rates. At December 31, 2008 fixed rates range between 4.25 pct. and 5.50 pct.; the variable rate was 5.40 pct.

The loans with CoBank are payable in quarterly installments, including principal and interest, until final maturity during 2032. Loans aggregating $5,222,097 at December 31, 2008 bear interest at fixed rates ranging between 6.44 pct. and 6.48 pct. Loans aggregating $6,612,190 at December 31, 2008 bear interest at 4.02 pct., a variable rate established by CoBank weekly.

Loans from FFB and RED are payable primarily in either monthly or quarterly installments, including principal and interest, and have various maturity dates. The FFB loans bear interest at variable rates, which at December 31, 2008 ranged from between 3.580 pct. and 7.429 pct. The RED borrowings bear no interest or interest at one percent.

The line of credit with CFC is a one-year unsecured line of credit. It was repaid in full subsequent to year end and upon payment was terminated.

The Company leases certain general plant equipment under terms of a five-year non-cancelable lease
requiring fixed monthly payments. The lease terms permit the Company to acquire the property at the conclusion of the lease during September 2009 for $1.00. Accordingly, the equipment is recorded as an asset under capital lease and is being depreciated over its estimated useful life. The related liability is recorded as a capitalized lease obligation with an implicit interest rate of 6.02 pct. Interest expense associated with this obligation was $7,628 during 2008 and $13,152 during 2007.

During 2008 the Company entered into a joint mortgage agreement with RUS, CFC and CoBank which generally replaced prior mortgage agreements. Under the joint agreement, substantially all of the Company’s assets, except transportation and power operated equipment, certain investments and memberships, certain temporary cash investments and special funds, and some office equipment, are pledged as collateral under terms of the joint agreement,The first draw under the joint mortgage agreement was made subsequent to December 31, 2008 in the amount of $30,000,000 with $15,000,00 used to liquidate the CFC line of credit.

In addition to pledging its assets as collateral for the above loans, the Company has agreed under terms of loan agreements with the RUS, CFC and CoBank, to maintain margins at adequate levels to meet certain financial ratios of times interest earned and debt service coverage. RUS and CFC use the three most recent years, including the current year, to determine whether these loan covenants are met through an averaging computation. The Company was in compliance with these loan covenants during 2008 and 2007.

Aggregate annual future maturities of long-term debt, including the replaced line of credit, and payments under capitalized lease obligation are as follows:

Years	Loans	Capitalized Lease	Total
2009	$ 6,150,401	$ 76,776	$ 6,227,177
2010	6,306,573	-	6,306,573
2011	6,546,835	-	6,546,835
2012	6,574,480	-	6,574,480
2013	7,082,612	-	7,082,612
2014 and beyond	153,644,716	-	153,644,716
Subtotal	186,305,617	76,776	186,382,393
Less imputed interest	-	(1,894)	(1,894)
Total	$ 186,305,617	$ 74,882	$ 186,380,499

NOTE K – OTHER NON-CURRENT LIABILITIES

The other non-current liabilities at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Accumulated provision for employees' and directors' pension plans, including liabilities charged to accumulated other comprehensive expense	$ 13,302,826	$ 12,078,617
Employees' and directors' deferred compensation	113,471	129,014
Total	$ 13,416,297	$ 12,207,631

NOTE L - NOTES PAYABLE

The Company has two revolving lines of credit aggregating $35,000,000 excluding the line of credit from CFC terminated subsequent to year end. The remaining line of credit with CFC is an unsecured perpetual line in the amount of $25,000,000. The other line of credit is with CoBank. It is is a one-year line expiring October 31, 2009 in the amount of $10,000,000. Any borrowings under the CoBank line are subject to a statutory first lien on the Company's equity, but are otherwise unsecured. At December 31, 2008, outstanding loans under the two lines of credit totaled $15,126,801, $5,989,821 under the CFC perpetual line and $9,136,980 under the CoBank line. These loans bear interest at 5.4 pct. and 4.02 pct, respectively. The remaining available balance under the two lines of credit aggregated $19,873,199. At December 31, 2007 the Company had outstanding loans aggregating $6,230,177 against its credit lines.

NOTE M - DEFERRED CREDITS

Deferred credits at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Customer advances to defray system construction costs:		
Non-refundable	$ 544,623	$ 544,623
Reundable	4,973,980	4,478,290
Total customer advances	5,518,603	5,022,913
Estimated labor cost associated with initial installation of transformers and meters	216,288	160,838
Deferred revenue associated with seasonal accounts	820,638	834,236
Total	$ 6,555,529	$ 6,017,987

NOTE N - CASH FLOW INFORMATION

Additional cash flow information for the years ended December 31, 2008 and 2007 is as follows:

	2008	2007
Cash paid during the year for		
Interest	$ 9,000,636	$ 8,394,572
Federal income:		
Federal income tax paid	181,288	7,568
Phone excise tax refund received	-	7,295

NOTE O - FEDERAL INCOME TAX

The Company is subject to federal income tax on rents it receives on its towers. The Company and subsidiary file separate federal income tax returns to report their respective taxable income.

Management believes that positions taken during prior years and to be taken for 2008 in reporting federal taxable income for the company and for its subsidiary are not controversial and have a high degree of being sustained upon an examination by the taxing authority.

NOTE P - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, temporary cash investments and special funds, investments and memberships, and accounts receivable.

Cash is maintained in credit worthy banks. Temporary investments and special funds to the extent invested are invested in CFC's short-term commercial paper with a January 2, 2009 maturity date. CFC has a strong credit rating. Accordingly, the Company believes it has no significant credit risk regarding cash and temporary investments and special funds.

The majority of the Company's investments and memberships are invested in Wolverine, the Company's exclusive power supplier, Capital Term Certificates issued by CFC and other cooperatives. The Company believes there is no significant credit risk associated with these investments .Mutual fund investments, which comprise .80 pct. of investments, are subject to normal market fluctuations.

Any credit risk relative to accounts receivable is dissipated due to the large number of customers throughout the Company's service area.

Cash on deposit at December 31, 2008 and 2007, including the cash assigned to temporary investments and special funds, exceeded the Federal Depository Insurance limits by $1,307,213 and $2,634,039, respectively.

NOTE Q - EMPLOYEE BENEFITS

The Company currently offers most employees several types of employee benefits, including retirement plans and health insurance benefits. The Company also offers its directors a retirement plan.

Retirement Plans for Employees

The Company participates with other electric cooperatives in a multi-employer retirement and security program sponsored by the National Rural Electric Cooperative Association (NRECA). Substantially all employees are covered by this program. This program is a defined benefit pension plan qualified under Section 501(a) of the Internal Revenue Code.

The NRECA retirement and security program provides benefits based on years of service and the highest five years of compensation during the last 10 years of employment. The Company makes contributions to the program equal to the amounts reflected as an expense in the consolidated financial statements. In this 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. The Company's contributions to the program for 2008 and 2007 were $1,252,811 and $1,163,344, respectively.

Retirement Plan for Directors

The Company has a non-qualified unfunded pension plan for its directors. The plan covers directors who serve on the Board for at least ten years and who, under normal circumstances, retire before reaching the age of 72. The plan provides only for retirement benefits; it does not provide for death or disability benefits.

The Company accrues the annual cost associated with this plan and reports a liability for any unpaid benefits. However, there is no trust associated with this plan and monies to fund the plan come from the unrestricted assets of the Company.

The following table provides information regarding projected of benefit obligations, plan assets and funded status of the directors' plan as of December 31, 2008 and 2007:

	2008	2007
Change in benefit obligation:		
Benefit obligation at January 1	$ 1,902,847	$ 2,021,822
Service cost	-	-
Interest cost	110,571	105,945
Actuarial gain	(173,290)	(119,460)
Benefits paid	(107,235)	(105,460)
Benefit obligation at December 31	$ 1,732,893	$ 1,902,847
Change in plan assets:		
Fair value of plan assets at January 1	$ -	$ -
Company contributions	107,235	105,460
Benefits paid	(107,235)	(105,460)
Fair value of plan assets at December 31	$ -	$ -
Reconciliation of funded status of plans:		
Projected benefit obligation	$ (1,732,893)	$ (1,902,847)
Fair value of plan assets	-	-
Recorded accrued benefit cost at December 31	$ (1,732,893)	$ (1,902,847)
Weighted average assumptions used to determine the benefit obligation as of December 31:		
Discount rate	7.00%	6.00%
Rate of compensation increase	4.00%	4.00%

Net period costs for the directors' plan were as follows for the years ended December 31, 2008 and 2007:

	2008	2007
Service cost	$ -	$ -
Interest cost	110,571	105,945
Amortization of prior service cost	19,149	19,149
Amortization of loss	31,160	40,437
Recorded net benefit cost	$ 160,880	$ 165,531

Future benefits expected to be paid during the next 10 years are as follows:

2009	$ 129,000
2010	134,000
2011	141,000
2012	142,000
2013	143,000
2014 - 2018	675,000
Total	$ 1,364,000

The Company believes its contributions for the Plan during 2009 will match the expected benefits to be paid for that year indicated above.

Retirement Savings Plan for Employees

The Company offers selective retirement savings plans to employees. The plans are offered to employees, pursuant to Section 401(k) of the Internal Revenue Code. The Company and employees make contributions to the employees' accounts. The Company's contributions are equal to the amounts reflected as an expense in the consolidated financial statements. The Company contributed approximately $458,219 and $406,804 during 2008 and 2007, respectively. Employees vest immediately in their contributions and in the contributions made by the Company.

Postretirement Health Insurance Benefits for Employees

The Company sponsors a defined benefit postretirement medical plan which covers most retired employees and provides partial or full medical insurance benefits for these employees and, under certain circumstances, their spouses and covered dependents. Determination of benefits is based on an employee’s status upon retirement.

Plan assets have been placed in a separate trust with a conservative investment approach and a strategy of diversification. The allocation of Plan assets at December 31, 2008 includes 5.2 pct. in a money market fund, 17.6 pct. in a fixed income fund, and 77.2 pct. in an equity fund. The estimated overall long-term rate of return on Plan assets, based on historical rates for similar investments, is 7.75 pct.

During 2003 the Medicare Prescription Drug, Improvement and Modernization Act (“Act”) was signed into law. The Act provided for a refund to companies who provide a drug benefit as a part of their postretirement health benefit program that is at least actuarially equivalent to Medicare. The Company’s program provides a level of drug benefits that meet these criteria. During 2008 the Company received a refund under the Act in the amount of $39,457 and has included such amount in 2008 net margins. Future refunds under this Act will be recorded in net margins during the year received.

The following table provides information regarding accumulated postretirement benefit obligations, plan assets and funded status of the plan as of December 31, 2008 and 2007:

	2008	2007
Change in benefit obligation:		
Benefit obligation at January 1	$ 12,406,947	$ 11,237,786
Service cost	382,385	330,296
Interest cost	758,228	617,434
Actuarial loss	(47,048)	584,142
Benefits paid from plan assets	(389,489)	(362,711)
Benefit obligation at December 31	$ 13,111,023	$ 12,406,947
Change in plan assets:		
Fair value of plan assets at January 1	$ 2,231,169	$ 2,156,308
Actual return on plan assets	(690,079)	74,861
Company contributions	389,489	362,711
Benefits paid	(389,489)	(362,711)
Fair value of plan assets at December 31	$ 1,541,090	$ 2,231,169
Reconciliation of funded status of plans:		
Benefit plan obligation at December 31	$ (13,111,023)	$ (12,406,947)
Fair value of plan assets at December 31	1,541,090	2,231,169
Recorded accrued benefit cost at December 31	$ (11,569,933)	$ (10,175,778)
Weighted average assumptions as of December 31:		
Discount rate used to determine accumulated postretirement benefit obligation	6.50%	6.25%
Expected long-term rate of return on plan assets	7.75%	7.75%

Net periodic costs include the following components for the years ended December 31, 2008 and 2007:

	2008	2007
Service cost	$ 382,385	$ 330,296
Interest cost	758,228	617,434
Expected return on plan assets	(172,916)	(146,181)
Amortization of prior service cost	113,007	113,007
Amortization of net loss	165,147	157,321
Recorded net benefit cost	$ 1,245,851	$ 1,071,877

Future benefits expected to be paid during the next 10 years are as follows:

2009	$ 615,000
2010	701,000
2011	743,000
2012	772,000
2013	821,000
2014 - 2018	4,470,000
Total	$ 8,122,000

The Company expects 2009 benefit to be paid by the Plan will approximate those listed above.

The 2008 costs were developed based on the health insurance plan in effect at January 1, 2008. For the year ended December 31, 2008, the actuary assumed that retiree medical cost increases would be 9.00 pct. and would gradually decrease each year until the rate of increase was 5 pct. by 2013. The health care cost trend rate assumption significantly affects the amounts reported. For example, a one percentage point increase in each year would increase the accumulated postretirement benefit obligation as of December 31, 2008 by approximately $1,953,542 and the aggregate of the service and interest cost components of net periodic retiree medical costs for 2008 by approximately $221,843.

NOTE R - LEASES

The Company rents radio tower space under terms of non-cancelable operating leases expiring at various dates, including renewal options, through October 2030. Rent expense for 2008 and 2007 was approximately $60,233 and $56,145, respectively. Future rentals under the non-cancelable leases, including renewals with escalation clauses, are as follows:

2009	$ 60,287
2010	62,116
2011	63,579
2012	64,885
2013	59,622
2014 and beyond	341,651
Total	$ 652,140

NOTE S - CONTINGENCIES

At December 31, 2008 the Company was a party to two lawsuits involving right of way property issues. Management cannot predict the ultimate outcome of these cases. However, management believes resulting liabilities, if any, will not have a material adverse impact upon the Company's financial position or results of operations

NOTE T - RELATED PARTY TRANSACTIONS

During 2005 the Company entered into an agreement with Wolverine to extend the 1949 power purchase agreement through 2041. This agreement requires the Company to purchase all the electric power it sells from Wolverine at Wolverine's current prices.

Amounts payable to Wolverine at December 31, 2008 and 2007 were $9,002,451 and $8,427,934, respectively. Substantially all of these payables were related to obligations under the purchase power agreement.

NOTE U – COMMITMENTS

During 2008 the Company entered into an agreement to participate with two other electric cooperatives in the purchase of a replacement radio system. The Company also entered into an agreement during 2008 to purchase global imagining software. The remaining Company obligations under these commitments, including installation costs of the software, is approximately $1.600,000

NOTE V – ACCOUNTING CHANGE

On December 31, 2007 the Company changed its method of accounting for Directors' Pension Plan and Employees' Postretirement Health Benefits Plan to comply with changes in generally accepted accounting principles required by the Financial Standards Board Statement 158. This principle requires the Company to recognize as a liability the underfunded status of the two plans in its December 31, 2007 consolidated balance sheet with a charge against other accumulated comprehensive income, an equity account.

This liability is determined actuarially and is the full projected pension benefit obligation and the full accumulated postretirement benefit obligation net of any plan assets. Prior to the change, only the remaining accumulated liability from the annual accrual of periodic benefit costs charged against net margins was reflected in the consolidated balance sheet. The change affected only the 2007 balance sheet; it had no effect on 2007 net margins.

The effect of this change on individual line items on the consolidated balance sheet as of December 31, 2007 is shown below:

	Before Application of FASB 158	Adjustment	After Application of FASB 158
Other non-current liabilities			
Retired CEO's deferred compensation	$ 36,264	$ -	$ 36,264
Voluntary deferral of director fees	92,751	-	92,751
Directors' Pension Plan	1,396,242	506,597	1,902,839
Employees' postretirement Health Benefit Plan	4,884,869	5,290,908	10,175,777
Total	$ 6,410,126	$ 5,797,505	$ 12,207,631

GREAT LAKES ENERGY COOPERATIVE

GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING BALANCE SHEET
as of December 31, 2008

ASSETS	Great Lakes Energy Cooperative	Great Lakes Utilities Service Corporation	Adjustments and Eliminations	Consolidated
ELECTRIC PLANT:				
Distribution and generation plant, at cost	$ 342,117,644	$ -	$ -	$ 342,117,644
Less accumulated depreciation	87,357,113	-	-	87,357,113
Net electric plant	254,760,531	-	-	254,760,531
OTHER ASSETS AND INVESTMENTS:				
Nonutility property, net of accumulated depreciation	-	56,412	-	56,412
Investments and memberships	80,915,604	-	(379,290)	80,536,314
Notes and other receivables	494,038	-	-	494,038
Total other assets and investments	81,409,642	56,412	(379,290)	81,086,764
CURRENT ASSETS:				
Cash	1,812,734	287,604	-	2,100,338
Temporary investments and special funds	8,335,247	-	-	8,335,247
Accounts receivable, net of allowance for uncollectable accounts	18,233,671	28,577	(11,984)	18,250,264
Materials and supplies	2,610,605	-	-	2,610,605
Other current assets	2,474,798	15,428	-	2,490,226
Total current assets	33,467,055	331,609	(11,984)	33,786,680
DEFERRED CHARGES	543,880	-	-	543,880
Total assets	$ 370,181,108	$ 388,021	$ (391,274)	$ 370,177,855

GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING BALANCE SHEET
as of December 31, 2008

EQUITIES AND LIABILITIES	Great Lakes Energy Cooperative	Great Lakes Utilities Service Corporation	Adjustments and Eliminations	Consolidated
EQUITIES:				
Memberships	$ 519,740	$ -	$ -	$ 519,740
Patronage capital	134,841,255			134,841,255
Equity in subsidiaries	-	379,290	(379,290)	$ -
Total memberships, patronage capital, including equity in subsidiaries	135,360,995	379,290	(379,290)	135,360,995
Donated capital	2,338,186	-	-	2,338,186
Accumulated other comprehensive loss	(6,270,315)	-	-	(6,270,315)
Total equities	131,428,866	379,290	(379,290)	131,428,866
LONG-TERM DEBT, net of current maturities	180,155,216	-	-	180,155,216
OTHER NON-CURRENT LIABILITIES	13,416,297	-	-	13,416,297
CURRENT LIABILITIES:				
Current maturities of long-term debt	6,225,283	-	-	6,225,283
Notes payable	15,126,801	-	-	15,126,801
Accounts payable	11,476,523	5,738	(6,784)	11,475,477
Accrued expenses	4,981,309	2,993	(5,200)	4,979,102
Customer deposits	815,284	-	-	815,284
Total current liabilities	38,625,200	8,731	(11,984)	38,621,947
DEFERRED CREDITS	6,555,529	-	-	6,555,529
Total equities and liabilities	$ 370,181,108	$ 388,021	$ (391,274)	$ 370,177,855

GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING STATEMENT OF REVENUES AND NET MARGINS
for the year ended December 31, 2008

	Great Lakes Energy Cooperative	Great Lakes Utilities Service Corporation	Adjustments and Eliminations	Consolidated
OPERATING REVENUES	$ 144,486,383	$ -	$ -	$ 144,486,383
OPERATING EXPENSES:				
Purchased and produced power	91,490,016	-	-	91,490,016
Distribution expenses:				
Operations	8,546,791	-	-	8,546,791
Maintenance	9,110,735	-	-	9,110,735
Customer accounts, service and selling expenses	5,104,424	-	-	5,104,424
Administration and general	7,279,057	1,314	-	7,280,371
Depreciation and amortization	9,810,536	6,833	-	9,817,369
Other operating expenses	483,578	73,364	-	556,942
Total operating expenses	131,825,137	81,511	-	131,906,648
OPERATING MARGINS BEFORE FIXED CHARGES	12,661,246	(81,511)	-	12,579,735
FIXED CHARGES, interest expense	8,991,523	-	-	8,991,523
OPERATING MARGINS AFTER FIXED CHARGES	3,669,723	(81,511)	-	3,588,212
NON-OPERATING MARGINS:				
Interest income	778,573	8,630	-	787,203
Other income (expense), net	(617,600)	223,753	-	(393,847)
Total non-operating margins	160,973	232,383	-	393,356
CAPITAL CREDITS, and equity in subsiddiary's net income:				
From associated organizations	10,247,972	-	-	10,247,972
Equity in subsidiary's net income	108,672	-	(108,672)	-
Total capital credits	10,356,644	-	(108,672)	10,247,972
Net margins before federal income tax	14,187,340	150,872	(108,672)	14,229,540
PROVISION FOR FEDERAL INCOME TAX	13,800	42,200	-	56,000
NET MARGINS	$ 14,173,540	$ 108,672	$ (108,672)	$ 14,173,540

EideBailly
CPAs & BUSINESS ADVISORS

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

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the consolidated financial statements of Great Lakes Energy Cooperative as of and for the year ended December 31, 2008, and have issued our report thereon dated April 10, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Great Lakes Energy Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will be not be prevented or detected by the Company's internal control over financial reporting.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Company's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all control deficiencies that are also considered to be a significant deficiency or a material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Lakes Energy Cooperative's consolidated financial statements are free of 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*.

This report is intended solely for the information and use of the board of directors, management, and the Rural Development Utilities Program and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
April 10, 2009

EideBailly

CPAs & BUSINESS ADVISORS

MANAGEMENT LETTER

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the consolidated financial statements of Great Lakes Energy Cooperative for the year ended December 31, 2008, and have issued our report thereon dated April 10, 2009. We conducted our audit 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, and 7 CFR Part 1773, Policy on Audits of Rural Development Utilities Programs (RDUP) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Section 1773.33 requires comments on specific aspects of the internal control structure over financial reporting, compliance with specific RDUP loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control structure over financial reporting, of compliance with specific RDUP loan and security instrument provisions and of additional matters. The specific aspects of the internal control structure over financial reporting, compliance with specific RDUP loan and security instrument provision, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RDUP loan and security instrument provisions set forth in § 1773.33(e)(1), related party transactions, depreciation rates, a schedule of deferred debits and credits, and a schedule of investments upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in § 1773.38 through 1773.45. Our objective was not to provide an opinion on these specific aspects of the internal control structure over financial reporting, compliance with specific RDUP loan and security instrument provisions, or additional matters and, accordingly, we express no opinion thereon.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such control is set forth in our independent auditor's report on internal control over financial reporting and on compliance and other matters dated April 10, 2009, and should be read in conjunction with this report.

No reports other than our independent auditor's report, and our independent auditor's report on compliance and on internal control over financial reporting, and communication with those charged with governance according to SAS 114, all dated April 10, 2009 or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control structure over financial reporting, compliance with specific RDUP loan and security instrument provisions, and other additional matters as required by § 1773.33 are presented below.

COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding Great Lakes Energy Cooperative's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

* The accounting procedures and records;
* The process for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
* The materials control.

COMMENTS ON COMPLIANCE WITH SPECIFIC LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts and grants is set forth in our independent auditor's report on compliance and internal control over financial reporting dated April 10, 2009, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, and contracts. The procedures we performed are summarized as follows:

* Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of its property or for the use of mortgaged property by others for the year ended December 31, 2008, of Great Lakes Energy Cooperative.
  - Obtained management's representation that there were no new contracts entered into during the year for the operation or maintenance of all or any part of its property, or for the use of its property by others as defined in § 1773.33(e)(1)(i).
  - Reviewed board minutes and ascertained there were no such contracts.
* Procedure performed with respect to the requirement to submit RDUP Form 7 to the RDUP:
  - Agreed amounts reported in Form 7 to Great Lakes Energy Cooperative's records.

The results of our tests indicate that with respect to the items tested, Great Lakes Energy Cooperative, complied, in all material respects, with the specific RDUP loan and security instrument provisions referred to below. The specific provisions tested include the requirements that:

* The borrower has submitted its Form 7 and Form 12 to RDUP and the Form 7 Financial and Statistical Report, as of December 31, 2008, as represented by the Company as having been submitted to RDUP, is in agreement with the Great Lakes Energy Cooperative's records in all material respects.

* The borrower has obtained written approval of the RDUP to enter into any contract for the operation and maintenance of property, or for the use of mortgaged property by others as defined in § 1773.33(e)(1)(i).

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the consolidated financial statements of Great Lakes Energy Cooperative, nothing came to our attention that caused us to believe that Great Lakes Energy Cooperative, failed to comply with respect to:

* The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);

* The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);

* The retirement of plant addressed at 7 CFR Part 1773.33(c)(3) and (4);

* Sales, lease or transfer for capital assets secured under the mortgage and proceeds from sale of plant, material or scrap addressed at 7 CFR Part 1773.33(c)(5);

* The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended December 31, 2008, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);

* Depreciation rates addressed at 7 CFR Part 1773.33(g);

* The detailed schedule of deferred debits and credits addressed at 7 CFR Part 1773.33(h); and

* The detailed schedule of investments addressed at 7 CFR Part 1773.33(i).

DETAILED SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS

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

	2008	2007
Deferred debits		
Preliminary survey and investigation charges	**$ 649,254**	$ 530,725
Pole inspection costs	**182,307**	172,136
Other	**25,073**	64,897
	$ 856,634	$ 767,758
Deferred credits		
Consumer advances for contributions in aid of construction	**$ 5,518,603**	$ 5,022,913
Deferred availability fees	**786,420**	799,134
Estimated installation cost - special equipment	**216,288**	160,838
Other	**34,218**	35,102
Total deferred credits	**$ 6,555,529**	$ 6,017,987

DETAILED SCHEDULE OF INVESTMENTS

	Great Lakes Utilities Service Corporation
Book value of investment as of December 31, 2006	$ 1,016,463
Dividends paid to parent	(500,000)
Undistributed earnings as of December 31, 2007	154,155
Book value of investment as of December 31, 2007	670,618
Dividends paid to parent	(400,000)
Undistributed earnings as of December 31, 2008	108,672
Book value of investment as of December 31, 2008	$ 379,290

This report is intended solely for the information and use of the Board of Directors and management of Great Lakes Energy Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
April 10, 2009