



FINANCIAL STATEMENTS

30 June 2010

BLUE RIDGE POWER AGENCY

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INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS

To The Board of Directors
Blue Ridge Power Agency
Danville, Virginia

We have audited the accompanying statement of financial position of **Blue Ridge Power Agency** (the **Agency**) as of 30 June 2010 and 2009, and the related statements of changes in net assets, and activities, and cash flows for the years then ended. These financial statements are the responsibility of the **Agency's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Agency** as of 30 June 2010 and 2009, and the results of its operations and its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the **Agency** taken as a whole. The accompanying financial information, listed as "supplementary information" in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the **Agency**. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



15 September 2011
Danville, Virginia

STATISTICS - FY2010

<u>BRPA Member</u>	<u>Year Established</u>	<u>Total Customers (meters)</u> (1)	<u>Population Served Within:</u>	
			<u>City/Town</u>	<u>Overall Territory</u> (2), (3)
City of Bedford	1899	7,002	6,299	14,004
Bristol Virginia Utilities	1945	16,384	17,367	32,768
Central Virginia EC	1937	33,319	n/a	66,638
Town of Front Royal	1894	7,196	14,000	14,000
City of Martinsville	1905	7,931	14,945	14,945
City of Radford	1922	7,248	15,859	15,859
Town of Richlands	1920	2,634	5,639	5,639
City of Salem	1892	13,331	24,747	24,747
Virginia Tech	1893	6,248	12,496	12,496
Totals		101,293	111,352	201,096

	<u>Peak System Loads (Megawatts, "MW")</u> (4), (5)			<u>Energy Purchased FY2010 (Megawatt-Hours, "MWh")</u> (4), (5)	<u>Owned Generation Capacity (MW) Fuel</u>		<u>Power Supplier *</u>
	<u>FY2010</u>	<u>** All-Time</u>					
City of Bedford	47	W	56	203,102	9	hyd, dsl	AMP-Ohio
Bristol Virginia Utilities	133	W	135	587,765			TVA
Central Virginia EC	193	W	232	707,041			CE
Town of Front Royal	41	W	44	179,339			AEP
City of Martinsville	39	S	44	190,100	1	hydro	AMP-Ohio
City of Radford	38	W	72	197,347	1 (off-line)	hydro	APCo
Town of Richlands	21	W	21	70,728	1	diesel	AMP-Ohio
City of Salem	82	S	92	398,928	4	diesel	APCo
Virginia Tech	55	S	62	321,417	8	coal/gas	APCo
Totals(non-coincident)	650		758	2,855,767	23		

* AEP = American Electric Power, CE = Constellation Energy;
 APCo = Appalachian Power Company (AEP subsidiary); AMP-Ohio = American Municipal Power - Ohio; and
 TVA = Tennessee Valley Authority
 ** S = summer, W = winter, season of peak load.

- Notes: (1) Customer data per 2008 data from American Public Power Association and Virginia, Maryland, Delaware Association of Electric Cooperatives 2010-11 and 2010 annual directories, respectively.
- (2) Counties in which some portion is served by a BRPA member are as follows:
Bedford--Bedford County
Bristol--Lee, Scott and Washington Counties
Central Virginia EC--Albermarle, Amherst, Appomattox, Augusta, Buckingham, Campbell, Cumberland, Fluvanna, Goochland, Greene, Louisa, Nelson, Orange and Prince Edward Counties
- (3) Populations estimated based on 2 people per meter, actual where all service is within city/town, based on the Virginia Directory of State & Local Government Officials.
- (4) These figures reflect only purchased capacity and energy, i.e. do include SEPA but not owned, behind-the-meter generation.
- (5) Includes allocations of capacity and energy from Southeastern Power Administration ("SEPA") via the Kerr-Philpott System of US Army Corps of Engineers hydroelectric projects, with specific capacity/energy allocations from the Philpott facility for Bedford (1.2 MW/910 MWh), Central Virginia (8.0/14,582), Martinsville (1.6/1,214), Radford (1.3/986), Richlands (0.5/379) and Salem (2.2/1,668), totaling 14.8 MW and 19,739 MWh, respectively. These figures are from SEPA 2009 Annual Report.

Organization Information – Fiscal Year 2010

OFFICERS:

President: Timothy L. Taylor
Vice-President: A. K. Briele
Secretary/Treasurer: C. Bruce Maurhoff

MEMBERS AND BOARD OF DIRECTORS (as of 6/30/10):

City of Bedford

Director: Jeff Weddle, Director of Public Services
Alternate: Charles P. Kolakowski, City Manager
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

Bristol Virginia Utilities

Director: Wesley R. Rosenbalm, President & CEO
Alternate: Robert H. Snodgrass, Vice-President of Operations
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

Central Virginia Electric Cooperative

Director: C. Bruce Maurhoff, Vice-President, Engineering & Operations
Alternate: Robert L. Harris, Engineering Manager
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

Town of Front Royal

Director: Joseph E. Waltz, Director of Energy Resource Management
Alternate #1: J. Michael Graham, Town Manager
Alternate #2: Denny N. Pennington, Sr., Superintendent of Electrical Services
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

City of Martinsville

Director: Dennis D. Bowles, Superintendent of Electric Operations
Alternate: Leon Towarnicki, Asst. City Manager/Director of Public Works
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

City of Radford

Director: William E. Willis, Director of Electric Utilities
Alternate: Timothy A. Logwood, Assistant Director of Electric Utilities
Official Term Expires: April 2011

Town of Richlands

Director: Timothy L. Taylor, Town Manager
Alternate: Kevin Blankenship, Electrical Engineer
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

City of Salem

Director: A. K. Briele, Director of Electric Department
Alternate: Jeff Farmer, Assistant Director of Electric Department
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

Virginia Tech

Director: Steve Mouras, Transportation and Campus Services
Alternate: Fran DeBellis, Director of VA Tech Electric Services
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

COMMITTEES:

Personnel/Compensation Committee

A. K. Briele, Chairman
Fran DeBellis
Joseph E. Waltz

Finance/Audit Committee

Dennis Bowles, Chairman
Timothy A. Logwood
C. Bruce Maurhoff

STAFF:

Duane S. Dahlquist, General Manager
Dawn Ardery, Administrative Assistant/Secretary

PRIMARY CONSULTANTS/SERVICE PROVIDERS

Legal Counsel: Brickfield, Burchette, Ritts & Stone, Washington, D.C.
Primary Contact: Frederick H. Ritts

Engineering: GDS Associates, Inc., Marietta, GA
Primary Contact: Jack D. Madden

Auditors: Snead and Williams, P.L.L.C., Danville, VA
Primary Contact: Charles W. Snead

Accounting: Garrett's Tax Service, Danville, VA
Primary Contact: Jim White

PRIMARY AFFILIATIONS

American Public Power Association (APPA—national trade association)
Municipal Electric Power Association of Virginia (MEPAV—state trade association)
Transmission Access Policy Study Group (TAPS—transmission-dependent utilities across U.S.)
Public Power Coalition (PPC—transmission-dependent, municipal and cooperative utilities within PJM)
Southeast Federal Power Customers (SeFPC—preference customers of SEPA for Federal hydropower)

BLUE RIDGE POWER AGENCY

STATEMENT OF FINANCIAL POSITION 30 June 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents - Note B	\$ 729,421	\$ 518,913
Accounts and members' receivables - Note C	197,843	171,874
Prepaid expenses	<u>1,110</u>	<u>588</u>
Total Current Assets	928,374	691,375
Capital Assets,		
Net of Accumulated Depreciation - Note D	<u>31,588</u>	<u>41,308</u>
Total Assets	<u>\$ 959,962</u>	<u>\$ 732,683</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable - AMP Ohio	\$ 192,426	\$ -
Accounts payable - projects	162,659	118,524
Accounts payable - other	5,525	2,164
Accounts payable - Duke Energy (SECA refund)	236,314	236,314
Payroll taxes and other accruals	7,401	6,234
Deferred members' support	<u>9,974</u>	<u>-</u>
Total Liabilities	<u>614,299</u>	<u>363,236</u>
Net Assets		
Unrestricted		
General	195,075	209,540
Net assets invested in capital asset	31,588	41,308
Board designated - capital assets replacements/expenditures	36,494	37,477
Board designated - future members' support - Note E	<u>82,506</u>	<u>81,122</u>
Total Net Assets	<u>345,663</u>	<u>369,447</u>
Total Liabilities and Net Assets	<u>\$ 959,962</u>	<u>\$ 732,683</u>

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

BLUE RIDGE POWER AGENCY

STATEMENT OF CHANGES IN NET ASSETS For the Years Ended 30 June 2010 and 2009

	Unrestricted				Total
	General	Net Assets Invested in Capital Assets	Capital Assets Replacements/ Expenditures	Board Designated Members' Support	
Beginning Balance - 01 July 2008	\$ 233,303	\$ 26,457	\$ 60,882	\$ 116,048	\$ 436,690
(Decrease) in Unrestricted Net Assets	(67,243)	-	-	-	(67,243)
Release of Designated Funds	139,426	-	(23,405)	(116,021)	-
Net Capital Asset Acquisition(s)	(14,851)	14,851	-	-	-
Designation for Future Members' Support	<u>(81,095)</u>	<u>-</u>	<u>-</u>	<u>81,095</u>	<u>-</u>
Ending Balance - 30 June 2009	209,540	41,308	37,477	81,122	369,447
(Decrease) in Unrestricted Net Assets	(23,784)	-	-	-	(23,784)
Release of Designated Funds	82,105	-	(983)	(81,122)	-
Net Capital Asset Acquisition(s)	9,720	(9,720)	-	-	-
Designation for Future Members' Support	<u>(82,506)</u>	<u>-</u>	<u>-</u>	<u>82,506</u>	<u>-</u>
Ending Balance - 30 June 2010	<u>\$ 195,075</u>	<u>\$ 31,588</u>	<u>\$ 36,494</u>	<u>\$ 82,506</u>	<u>\$ 345,663</u>

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

BLUE RIDGE POWER AGENCY

STATEMENT OF ACTIVITIES

For the Years Ended 30 June 2010 and 2009

	<u>2010</u>	<u>2009</u>
Utility revenues	\$ -	\$ 581
Cost of utility revenues	<u>-</u>	<u>(581)</u>
Net Utility Revenues/(Cost of Utility Revenues)	<u>-</u>	<u>-</u>
Projects revenues	900,691	803,526
Cost of projects revenues	<u>(900,691)</u>	<u>(803,526)</u>
Net Projects Revenues/(Cost of Projects Revenues)	<u>-</u>	<u>-</u>
Other revenues, support, income, and (expenses)		
Dues and support	215,848	159,673
MEPAV - income	-	240
MEPAV - expense	-	(375)
Miscellaneous income	3,401	5,029
Interest income	<u>4,216</u>	<u>9,439</u>
Total Other Revenues, Support, Income and (Expenses)	<u>223,465</u>	<u>174,006</u>
Total Unrestricted Revenues and Support	223,465	174,006
Administrative and general expenses	<u>247,249</u>	<u>235,825</u>
	(23,784)	(61,819)
Danville settlement expense	<u>-</u>	<u>(5,424)</u>
(Decrease) in Net Assets	<u>\$ (23,784)</u>	<u>\$ (67,243)</u>

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

BLUE RIDGE POWER AGENCY

STATEMENT OF CASH FLOWS

For the Years Ended 30 June 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows (Uses) from Operating Activities:		
Changes in Net Assets	\$ (23,784)	\$ (67,243)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation - capital assets	10,703	8,554
Net (increase) decrease in accounts and members' receivables	(25,969)	6,500,473
Net (increase) decrease in prepaid expenses	(522)	24
Net increase (decrease) in accounts payable and accruals	241,089	(10,489,972)
Net increase in deferred members' support	<u>9,974</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>211,491</u>	<u>(4,048,164)</u>
Cash (Uses) from Investing Activities:		
Acquisition of capital assets	<u>(983)</u>	<u>(23,405)</u>
Net Cash (Used) by Investing Activities	<u>(983)</u>	<u>(23,405)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	210,508	(4,071,569)
Cash and Cash Equivalents - Beginning of Year	<u>518,913</u>	<u>4,590,482</u>
Cash and Cash Equivalents - End of Year	<u>\$ 729,421</u>	<u>\$ 518,913</u>

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

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies

The summary of significant accounting policies of **Blue Ridge Power Agency** (the **Agency**) is presented to assist in understanding the **Agency's** financial statements.

Nature of the Organization - **Blue Ridge Power Agency** is a cooperative effort of eight (8) municipalities (the Cities of Bedford, Bristol, Danville (2009 only), Martinsville, Radford, Salem, and the Towns of Richlands and Front Royal); a state institution (Virginia Polytechnic Institute and State University); and one (1) electric cooperative (Central Virginia Electric Co-op) engaged in purchasing wholesale electric power, transmission services and the participation in projects and initiatives relating to that effort within the utility industry. The **Agency** is a nonprofit organization exempt from federal income taxes under Section 501(c)(12) of the *Internal Revenue Code* and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the *Internal Revenue Code*. However, contributions are not deductible by donors under Section 170(c)(2) of the *Code*.

The financial statements of **Blue Ridge Power Agency** have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and substantially in conformity with the Federal Energy Regulatory Commission's Uniform System of Accounts.

The financial statements are presented in accordance with the provisions of Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958 (*Financial Statements of Not-For-Profit Organizations*), and the American Institute of Certified Public Accountants' (AICPA) *Audit and Accounting Guide for Not-For-Profit Organizations* (the Guide).

Under the provisions of FASB ASC 958 and the Guide, net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of the **Agency's** Board of Directors' restrictions. Accordingly, the net assets of the **Agency** and changes therein are classified and reported as follows:

Net Assets - Unrestricted Net Assets - represent resources over which the **Agency's** Board of Directors has discretionary control and are used to carry out operations of the **Agency** in accordance with its bylaws. An increase in unrestricted net assets represents the excess of total unrestricted revenue, gains, and other support over administrative expenses; whereas a decrease in unrestricted net assets represents the excess of administrative expenses over unrestricted revenue, gains, and other support. The **Agency's** Board of Directors has designated amounts for future fiscal operations of the **Agency** and for the replacement of its capital assets.

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (Continued)

Capital Assets - Acquisitions of capital assets in excess of \$500 are capitalized. Capital assets are recorded at cost. Depreciation, for financial reporting purposes, is computed principally using the straight-line method over the estimated useful lives of the assets as determined by management.

Estimates - The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents - In general, for purposes of the statement of financial position, the **Agency** considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Reclassification - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note B - Deposits Held in Financial Institutions

As of 30 June 2010 and 2009, the **Agency** had cash deposits on hand in various financial institutions of \$729,421 and \$518,913, respectively. The bank balances as of 30 June 2010 and 2009 included cash deposits of \$83,484 and \$24,352, respectively, which were not covered by Federal Depository Insurance coverage.

Note C - Accounts and Members' Receivables

The majority of all significant accounts receivable are due from medium to large-sized municipalities and cooperatives. Due to the low credit risk associated with these entities, management believes all accounts receivable are fully collectable. Accounts receivable at 30 June 2010 and 2009 consisted of the following:

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note C - Accounts and Members' Receivables (Continued)

	<u>2010</u>	<u>2009</u>
Accounts receivable - members' - projects	\$ 197,051	\$ 160,265
Accounts receivable - members' - regular dues	-	3,738
Accounts receivable - vendor reimbursement	292	292
Accounts receivable - SeFPC dues	-	7,079
Members' receivable - PJM (SECA) refund	<u>500</u>	<u>500</u>
	<u>\$ 197,843</u>	<u>\$ 171,874</u>

Note D - Capital Assets

Capital assets as of 30 June 2010 and 2009, on the balance sheet at cost less accumulated depreciation, included the following major classifications:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 14,167	\$ 14,167
Office furniture and fixtures	15,117	14,134
Office equipment	11,979	11,979
Computer equipment	21,190	21,190
Vehicle	23,405	23,405
Safety demo equipment	<u>4,496</u>	<u>4,496</u>
	90,354	89,371
Less accumulated depreciation	<u>(58,766)</u>	<u>(48,063)</u>
Net Capital Assets	<u>\$ 31,588</u>	<u>\$ 41,308</u>

Depreciation expense for the years ended 30 June 2010 and 2009 was \$10,703 and \$8,554, respectively.

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note E - Board Designated - Future Support

The Board of Directors of the **Agency** adopted a financial policy effective February 2007 in which a consultancy billing rate would be applied to the **Agency's** General Manager's time spent on various projects for members of the **Agency**. The General Manager's consultancy rate multiplied by the time units spent on these projects as well as actual related travel expenses were billed monthly to the members over the year. The Board of Directors further directed that such funds should be designated as support for members' dues that may be incurred in the following fiscal year. For the years ended 30 June 2010 and 2009, the amount of time charges and actual expenses billed to the members and designated for future support was \$82,506 and \$81,095, respectively.

Note F - Retirement Savings Plan

The **Agency** has a defined contribution and a salary reduction retirement plan under Section 403(b) of the *Internal Revenue Code* that is offered to all employees. The Board of Directors, at its discretion, may contribute a percentage of a participating employee's salary to the Plan. The contribution by the Board of Directors for the years ended 30 June 2010 and 2009 was approximately \$12,630 and \$12,140, respectively.

Note G - Operating Lease

The **Agency** entered into a noncancelable operating lease in May 2008 for real estate that expired in June 2010. Rental expense under the previous lease amounted to \$15,300 annually for the years ended 30 June 2010 and 2009, respectively.

Note H - Subsequent Events - Management Review

Beginning in 2009, the **Agency** must disclose the date through which subsequent events have been evaluated, in accordance with the requirements in FASB ASC Paragraph 855. In regards to these financial statements and the notes to these financial statements, the **Agency** has evaluated all subsequent events through 15 September 2011, the date the **Agency's** financial statements are available to be issued.