

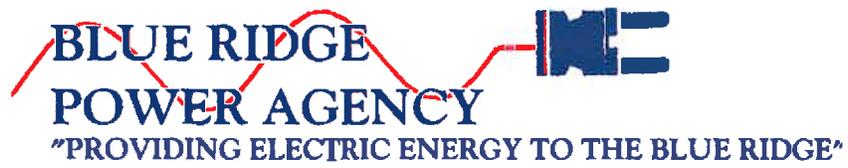


ANNUAL REPORT
FOR THE YEAR ENDED
30 June 2012

BLUE RIDGE POWER AGENCY

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SECTION ONE

A Message from the President of the Board and the General Manager

MISSION STATEMENT

Blue Ridge Power Agency is a united group of municipal and cooperative utilities dedicated to joint action that provides its members and their customers with reliable service at the lowest possible costs.

A Time for Reflection and Planning for the Future

First, some history.....an anniversary of sorts.....

20 years ago, President George H.W. Bush signed into law the Energy Policy Act of 1992 (EPACT92) and the electric industry has yet to stabilize since that momentous occasion. At the time, Blue Ridge members were strong proponents of the legislation as it would enable them for the first time to access power from suppliers other than their transmission provider—they were “captive customers.” Our member electric systems remained transmission dependent utilities (TDUs), but they would now be able to seek competitive bids from suppliers of every stripe; other utilities, marketers, independent generators, etc. However, as those who were present at the time will remember, it was not without considerable negotiation and litigation that Blue Ridge members were able to exercise their rights under EPACT92. For the first four years after EPACT92 became law, there was uncertainty on the part of members’ policymakers as to the risks of purchasing power from non-traditional suppliers in this new “open access” environment. However, several members did succeed in contracting for a portion of their power from a non-traditional supplier with a 15% reduction in the delivered cost, after the aforementioned litigation. Still in the euphoria of this open access marketplace, Blue Ridge, through a competitive bidding process, secured a 7-year (1997-2005), fixed-price, full-requirements contracts for its members and almost all took advantage of the opportunity. The savings was in the 15% range less than their average cost being paid at the time.

Fast forward to 2012 and we find ourselves in an electricity marketplace in which the prices are volatile and have no reasonable relationship to the cost of generating the power. Whereas in the good old days bilateral contracts were negotiated between the utility and its supplier, there is now a regional electricity market, managed and operated by a regional transmission organization (RTO—in our case the PJM Interconnection, LLC-PJM) replete with submarkets for power supply components. There is the locational marginal pricing (LMP) market for energy, the reliability pricing model (RPM) market for capacity and others for some of the ancillary services necessary to receive and deliver the power to utilities reliably. The bilateral contracts continue to be available but the prices are set based on what the supplier might be able to obtain by selling its power in the market versus a price based on the cost of generation plus a reasonable return or profit. Thus, in hindsight, if TDUs like our members had known that there would be RTO’s and that they would morph into the markets that are in place today, we would have negotiated very strongly during the development of EPACT92 to minimize or eliminate that possibility. However, this is the environment in which we find ourselves and the Blue Ridge members took the predicament head on in 2005 to seek a power supply arrangement that would yield long term stability and wholesale power costs that would yield competitive rates for their current and future customers.

How did Blue Ridge communities deal with the outcome of our “wish” from the pre-EPACT92 days?

To overcome the inflated and unpredictable prices in the RTO-operated wholesale markets, Blue Ridge members sought to conduct a long term, 20-year study of options comparing purchases from the market, bilateral agreements with other utilities, buying into generation facilities or combinations of these options.

As a result of those studies, deliberations and a competitive bidding process carried out in 2005, our member communities took two different but valid approaches to securing stable, competitive wholesale rates for the long term. Some took the approach of long-term 20-year full-requirements contracts with utilities that had generation facilities from which their power would be supplied, including load growth. Others took the approach of building a portfolio of power supply from generation assets with diversity of fuels (coal, gas, hydro), location and number of units. For almost all members wholesale prices increased in 2005 by approximately 50% coming off of the 7-year, fixed-price contracts, which drove retail rates up by 35-40%. Member retail rates in 2004 were in the 5-6.5 ¢ range and in 2012 they are in the 9.5-10.5¢ per kilowatt-hour (kWh) range.

Where are the members in 2012 with their long-term plans?

Four Blue Ridge members are in the 5th or 6th year of 20-year, full-requirements contracts with generating utilities (Appalachian Power Company-APCo and the Tennessee Valley Authority-TVA), one in the 10th of a 10 year contract extended to 13 years and the remaining five are participants in several generation projects that by 2015 will provide them with 50% of their energy from a portfolio of facilities made up of gas-fired, coal-fired and hydroelectric generating units. The generation portfolio for the latter group of members is being developed through partnership and member supply contracts with American Municipal Power, Inc., a joint-action agency like Blue Ridge but much larger (129 members in 7 states) that is constructing and will own these plants. The balance of their power supply needs is being met through purchases from the market with varying terms and suppliers. Over the next few years, it is likely that these members will participate in additional projects to bring the portion of their supply coming from the generation units that are committed to serve them for 10 years or more or life-of-plant to well above the 50% level. Although for the members in the portfolio approach the first few years yielded power costs that made retail rate competitiveness a challenge, today all Blue Ridge member communities enjoy competitive retail rates.

Joint Action continues to yield valuable returns

We can reflect over the 24 years since Blue Ridge was formed and the 15 or so years prior to that when several of the current members banded together as the “Virginia Cities” to negotiate and sometimes litigate wholesale rates and other issues with their common power supplier. It is clear that over these 39 years that joint action has yielded many victories, accomplishments and minimized or eliminated negative outcomes. Services to members in 2012 has spanned from dealing some members’ power supplier’s major restructuring with accompanying rate implications; to evaluating the economic feasibility of various generating facility proposals; to lobbying the Virginia congressional delegation on issues such as green house gases, preservation of tax-exempt bonds and several others; to participation the PJM RTO stakeholder process and voting to protect Blue Ridge member interests in that very large, complex and ever-changing organization.

A look back at Blue Ridge joint action activities in Fiscal Year 2012 (ending June 30, 2012)

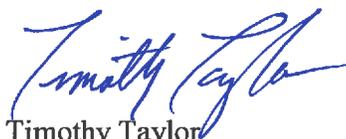
Through the combined initiative and resources of its member communities, Blue Ridge has continued in 2012 to assist its members in achieving their common and individual goals in regard to securing reliable wholesale electricity supplies at reasonable cost. Blue Ridge continued to perform its advocacy role in the federal and state regulatory and legislative arenas, partnering with other utilities and entities where necessary, or strategically or economically advantageous to do so, to leverage its relatively limited resources. The following are some specific areas in which Blue Ridge worked on behalf of its members:

- ❖ AEP transmission rate annual true-up review
- ❖ AEP wholesale power rate annual true-up review
- ❖ AEP cancellation of inter-affiliate power pooling agreement and subsequent filing at FERC for corporate separation, generation asset transfer and associated rate changes
- ❖ Ongoing liaison support with American Electric Power/Appalachian Power and American Municipal Power (AMP)
- ❖ AMP new generation project evaluation and participation regarding proposed wind, solar and bio-mass facilities
- ❖ Member liaison/representation in AMP project participant groups for the AMP Fremont Energy Center combined-cycle plant (commercial operation date – COD of January 23, 2012), Prairie State Energy Campus (COD, Unit 1 June 6, 2012), and AMP Phase I (Cannelton, Smithland, Willow Island) and II (Meldahl, Greenup) Hydroelectric Projects
- ❖ Membership in PJM and participation in the stakeholder processes and voting through the Public Power Coalition made up of publicly-owned PJM member utilities
- ❖ Monitored, reported to members on and lobbied regarding select issues in Congress and at the Federal Energy Regulatory Commission
- ❖ Monitored and reported to members on other Federal regulatory activities (such as the Environmental Protection Agency-EPA and Commodities and Futures Trading Commission-CFTC)
- ❖ Monitored and worked with the state association lobbyist on relevant issues in the 2012 Virginia General Assembly Session and at the Virginia State Corporation Commission
- ❖ Scheduled, made arrangements and secured a professional facilitator for a Strategic Planning session to be held in November 2012
- ❖ Represented Blue Ridge interests as a member of and served on the Executive Committee of the Transmission Access Policy Study Group (TAPS), an association of transmission-dependent electric utilities from more than 35 states.
- ❖ General monitoring and reporting to members on developments of importance or interest across the electric industry
- ❖ Serve as a volunteer member of Mid-Atlantic Broadband Communities, Corp. (MBC), member and Chairman Emeritus of the Board of Directors

Going forward.....

Our members will chart the course Blue Ridge is to go for the next three to five years through the Strategic Plan being developed in the Fall of 2012. Part of that plan includes a succession component for transition to a new General Manager being in place within the next two years. Regardless of the specific goals that will be put in place, the cornerstone of the organization will continue to be the member communities working together to insure that their customer-owners continue to receive reliable power at a reasonable, competitive cost.

In the service of the Blue Ridge members and their citizens-owners-customers:



Timothy Taylor
President
Board of Directors



Duane S. Dahlquist
General Manager

STATISTICS - FY2012

<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	6,504	6,222	13,008
Bristol Virginia Utilities	1945	16,352	17,367	32,704
Central Virginia EC	1937	34,816	n/a	69,632
Town of Front Royal	1894	7,282	14,558	14,558
City of Martinsville	1905	7,835	13,821	13,821
City of Radford	1922	7,237	16,408	16,408
Town of Richlands	1920	2,614	5,639	5,639
City of Salem	1892	13,383	24,802	24,802
Virginia Tech	1893	<u>6,334</u>	<u>12,668</u>	<u>12,668</u>
Totals		102,357	111,485	203,240

	<u>Peak System Loads (MW)#</u> (4)(5)		<u>Energy Purchased FY2012 (MWh)#</u>	<u>Energy Purchased Per Meter in FY2012 (kWh)</u>	<u>Owned Generation Capacity (behind-the-whse-meter) (MW)</u>		<u>Power Supplier *</u>
	<u>FY2012</u>	<u>** All-Time</u>			<u>(MW)</u>	<u>Fuel</u>	
City of Bedford	44.3	S	56	197,171	30,315	9	hyd, dsl (6) AMP-Ohio
Bristol Virginia Utilities	114.6	W	135	558,693	34,167		TVA
Central Virginia EC	191.3	S	232	680,903	19,557		(6) CE
Town of Front Royal	39.1	W	45	173,218	23,787		(6) AEP
City of Martinsville	38.5	S	44	178,117	22,734	1	hydro (6) AMP-Ohio
City of Radford	44.5	S	72	238,764	32,992	1 (off-line)	hydro APCo
Town of Richlands	19.2	W	21	65,729	25,145	1	diesel (6) AMP-Ohio
City of Salem	85.5	W	92	393,460	29,400	4	diesel APCo
Virginia Tech	<u>58.5</u>	<u>S</u>	<u>62</u>	<u>327,516</u>	<u>51,708</u>	<u>8</u>	<u>coal/gas</u> APCo
Totals(non-coincident)	635		759	2,813,571		23	
				Average kWh/meter/member/year	29,978		
				Average kWh/meter/member/month	2,498		

- * 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.
- # MWh = megawatt-hours; MW = megawatts; 1 megawatt = 1,000 kilowatts

- Notes: (1) Customer data per 2010 data from American Public Power Association and Virginia, Maryland, Delaware Association of Electric Cooperatives 2012-13 and 2012 annual directories, respectively.
- (2) Counties in which some portion is served by a BRPA member outside of its corporate limits 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 2012 Virginia Directory of State & Local Government Officials (on-line as of 11/28/12).
- (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/914 MWh), Central Virginia (8.0/12,912), Martinsville (1.6/1,218), Radford (1.3/987), Richlands (0.5/381) and Salem (2.2/1,671), totaling 14.8 MW and 18,083 MWh, respectively. These figures are from SEPA 2011 Annual Report.
- (6) Blue Ridge member capacity allocations (MW) from AMP facilities operational in FY2012 (PSEC Unit 1 of 2):

	<u>AMP Fremont Energy Center</u>	<u>Prairie State Energy Campus</u>	<u>Hydro Phase I</u>	<u>Hydro Phase II</u>	<u>Blue Creek Wind Farm</u>	<u>Total AMP Generation</u>
Bedford	8.477	3.931	n/o	n/o	--	12.408
Central Virginia	27.982	--			4.000	31.982
Front Royal	6.500	2.985			1.700	11.185
Martinsville	6.037	2.886			--	8.923
Richlands	<u>2.208</u>	<u>1.294</u>			<u>--</u>	<u>3.502</u>
Totals	51.204	11.096			5.700	68.000

Organization Information – Fiscal Year 2012

OFFICERS:

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

MEMBERS AND BOARD OF DIRECTORS (as of 6/30/12):

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: Brian Ritz, Key Accounts Representative
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

Central Virginia Electric Cooperative

Director: C. Bruce Maurhoff, Vice-President of Asset Management & Reliability
Alternate: Robert L. Harris, Reliability and System 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 Services
Alternate #1: Steve Burke, Town Manager
Alternate #2: Denny N. Pennington, Sr., Operations Manager
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

City of Martinsville

Director: Dennis D. Bowles, Director of Utilities
Alternate #1: Leon Towarnicki, Interim City Manager/Director of Public Works
Alternate #2: Durwin Joyce, Superintendent of Electrical Operations
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 2014

Town of Richlands

Director: Timothy L. Taylor, Town Manager
Alternate: Vacant
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: John Beach, Director of Utilities & Strategic Initiatives
Alternate #1: Fran DeBellis, Director of VA Tech Electric Services
Alternate #2: Lynn Short, 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

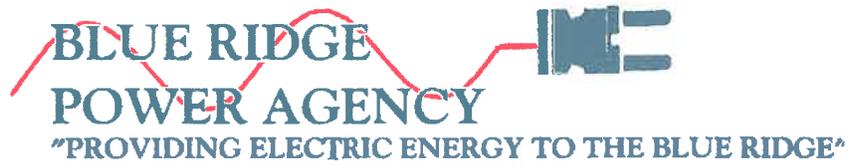
Engineering: GDS Associates, Inc., Marietta, GA
Primary Contact: Jack D. Madden

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)



FINANCIAL STATEMENTS

30 June 2012

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 2012 and 2011 and the related statements of activities and changes in net assets 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 2012 and 2011 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 for 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.



28 November 2012
Danville, Virginia

BLUE RIDGE POWER AGENCY

STATEMENT OF FINANCIAL POSITION 30 June 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents - Note B	\$ 280,280	\$ 522,807
Accounts and members' receivables - Note C	126,510	210,181
Accounts receivable - AMP Ohio	-	7,573
Deferred charges - APPA dues	78,282	-
Deferred members' expense	55	-
Prepaid expenses	<u>2,066</u>	<u>1,144</u>
Total Current Assets	487,193	741,705
Capital Assets, Net of Accumulated Depreciation - Note D	<u>10,059</u>	<u>15,571</u>
Total Assets	<u>\$ 497,252</u>	<u>\$ 757,276</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable - SeFPC	\$ 6,818	\$ -
Accounts payable - projects	108,416	159,933
Accounts payable - other	28,636	11,913
Members' reimbursements payable - AMP Ohio	-	10,049
Accounts payable - Duke Energy (SECA refund)	-	236,314
Accounts payable - APPA dues	78,282	5,000
Payroll taxes, benefits and other accruals	8,296	9,348
Deferred members' support	<u>-</u>	<u>1,021</u>
Total Liabilities	<u>230,448</u>	<u>433,578</u>
Net Assets		
Unrestricted		
General	177,723	194,797
Board designated - capital assets replacement/expenditure	30,824	34,952
Board designated - future members' support - Note E	<u>58,257</u>	<u>93,949</u>
Total Net Assets	<u>266,804</u>	<u>323,698</u>
Total Liabilities and Net Assets	<u>\$ 497,252</u>	<u>\$ 757,276</u>

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

BLUE RIDGE POWER AGENCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended 30 June 2012 and 2011

	Unrestricted			TOTALS	
	General	Board Designated		2012	2011
		Members' Support	Capital Assets Replacement/Expenditure		
Revenues, Gains, Losses and Other Support					
Projects Revenues	\$ 707,132	\$ -	\$ -	\$ 707,132	\$ 955,278
Dues and Support	198,098	-	-	198,098	200,507
Interest Income	3,890	-	-	3,890	3,719
	<u>909,120</u>	<u>-</u>	<u>-</u>	<u>909,120</u>	<u>1,159,504</u>
Net Assets Released from Designation	<u>98,077</u>	<u>(93,949)</u>	<u>(4,128)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, Losses and Other Support	<u>1,007,197</u>	<u>(93,949)</u>	<u>(4,128)</u>	<u>909,120</u>	<u>1,159,504</u>
Expenses					
Projects Costs	707,132	-	-	707,132	955,278
Administrative and General	235,221	-	-	235,221	215,394
	<u>942,353</u>	<u>-</u>	<u>-</u>	<u>942,353</u>	<u>1,170,672</u>
Excess (Deficit) of Revenues, Gains, Losses and Other Support over Expenses	64,844	(93,949)	(4,128)	(33,233)	(11,168)
Other Changes in Net Assets					
(Loss) on Abandonment of Assets	(976)	-	-	(976)	(6,759)
Member Refunds	(22,685)	-	-	(22,685)	-
Miscellaneous Financial (Expense)	-	-	-	-	(4,038)
Board Designation for Future Support	<u>(58,257)</u>	<u>58,257</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(17,074)	(35,692)	(4,128)	(56,894)	(21,965)
Net Assets - Beginning of Year	<u>194,797</u>	<u>93,949</u>	<u>34,952</u>	<u>323,698</u>	<u>345,663</u>
Net Assets - End of Year	<u>\$ 177,723</u>	<u>\$ 58,257</u>	<u>\$ 30,824</u>	<u>\$ 266,804</u>	<u>\$ 323,698</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 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows (Uses) from Operating Activities:		
Changes in Net Assets	\$ (56,894)	\$ (21,965)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash (Used) by Operating Activities:		
Depreciation - capital assets	8,664	10,800
Net decrease (increase) in accounts and members' receivables	91,244	(19,911)
Net (increase) in deferred members' expense	(55)	-
Net (increase) in prepaid expenses and deferred charges	(79,204)	(34)
Net loss on abandonment of assets	976	6,759
Net (decrease) in accounts payable and accruals	(202,109)	(171,768)
Net (decrease) in deferred members' support	<u>(1,021)</u>	<u>(8,953)</u>
Net Cash (Used) by Operating Activities	<u>(238,399)</u>	<u>(205,072)</u>
Cash Flows (Uses) from Investing Activities:		
Acquisition of capital assets	<u>(4,128)</u>	<u>(1,542)</u>
Net Cash (Used) by Investing Activities	<u>(4,128)</u>	<u>(1,542)</u>
Net (Decrease) in Cash and Cash Equivalents	(242,527)	(206,614)
Cash and Cash Equivalents - Beginning of Year	<u>522,807</u>	<u>729,421</u>
Cash and Cash Equivalents - End of Year	<u>\$ 280,280</u>	<u>\$ 522,807</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 seven (7) municipalities (the Cities of Bedford, Bristol, Martinsville, Radford, Salem, and the Towns of Richlands and Front Royal); a state institution (Virginia Polytechnic Institute and State University); and an electric cooperative (Central Virginia Electric Co-op). The **Agency** is engaged in projects and initiatives relating to the planning for and securing of wholesale electric power and transmission services and related advocacy activities within the utility industry as well as federal and state legislatures including applicable regulatory agencies of the federal and state governments. 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 \$300 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. At the discretion of the **Agency's** Board of Directors, funds may be designated up to the amount of the current year's depreciation expense to provide funding for future capital asset acquisitions and replacements. For the fiscal years 2012 and 2011 there were no funds designated by the Board of Directors.

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 2012 and 2011, the **Agency** had cash deposits on hand in various financial institutions of \$280,280 and \$522,807, respectively. The bank balances as of 30 June 2011 included cash deposits of \$56,355 which were not covered by Federal Depository Insurance coverage. There were no balances held in excess of FDIC coverage as of 30 June 2012.

Note C - Accounts and Members' Receivables

The majority of all significant accounts receivable are due from medium to large-sized municipalities, a state institution and three cooperatives. Due to the low credit risk associated with these entities, management believes all accounts receivable are fully collectable. Accounts receivable at 30 June 2012 and 2011 consisted of the following:

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note C - Accounts and Members' Receivables (Continued)

	<u>2012</u>	<u>2011</u>
Accounts receivable - members - projects	\$ 119,282	\$ 196,603
Accounts receivable - APPA dues	-	5,000
Accounts receivable - vendor reimbursement	411	292
Accounts receivable - SeFPC dues	6,817	7,786
Members' receivable - PJM (SECA) refund	-	500
	<u>\$ 126,510</u>	<u>\$ 210,181</u>

Note D - Capital Assets

Capital assets as of 30 June 2012 and 2011, on the Statement of Financial Position at cost less accumulated depreciation, included the following major classifications:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ -	\$ 1,086
Office furniture and fixtures	14,729	15,117
Office equipment	10,234	11,979
Computer equipment	11,881	21,646
Vehicle	23,405	23,405
Safety demo equipment	4,496	4,496
	64,745	77,729
Less accumulated depreciation	<u>(54,686)</u>	<u>(62,158)</u>
Net Capital Assets	<u>\$ 10,059</u>	<u>\$ 15,571</u>

Depreciation expense for the years ended 30 June 2012 and 2011 was \$8,664 and \$10,800, 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 is 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 are billed monthly to the members over each fiscal 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 2012 and 2011, the amount of time charges and actual expenses billed to the members and designated for future support was \$58,257 and \$93,949, 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 2012 and 2011 was approximately \$12,656 and \$12,181, respectively.

Note G - Operating Lease

The **Agency** entered into a noncancelable operating lease in May 2011 for real estate that expired in April 2012. In April 2012, the **Agency** entered into an annual lease for office space that is renewable each year and another lease for office space that expires in June 2014. Rental expense under the previous lease and current leases amounted to \$10,153 and \$15,818 for the years ended 30 June 2012 and 2011, respectively.

Note H - Related Party Transactions

The **Agency** entered into an agreement with one of the cooperative members for office space beginning in April 2012 for \$1 annually. In consideration, the **Agency** reduces that member's annual dues by the same amount. The value of this rental space is nondeterminable.

Note I - Subsequent Events - Management Review

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 28 November 2012, the date the **Agency's** financial statements are available to be issued.