

Lower Valley Energy, Inc.

balance sheets

December 31, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|-----------------------|-----------------------|
| assets | | |
| NONCURRENT ASSETS | | |
| Net utility plant | \$ 129,399,515 | \$ 129,812,578 |
| Other assets and investments | <u>4,448,422</u> | <u>4,076,923</u> |
| Total noncurrent assets | <u>133,847,937</u> | <u>133,889,501</u> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 772,050 | 724,278 |
| Temporary investments | - | - |
| Accounts receivable, net | 8,254,554 | 8,555,674 |
| Materials and supplies inventory | 1,355,363 | 1,347,107 |
| Prepaid expenses | <u>111,704</u> | <u>29,905</u> |
| Total current assets | <u>10,493,671</u> | <u>10,656,964</u> |
| Deferred Charges | <u>980,937</u> | <u>386,158</u> |
| Total assets | <u>\$ 145,322,545</u> | <u>\$ 144,932,623</u> |
| member's equity and liabilities | | |
| MEMBERS' EQUITY | | |
| Patronage capital | \$ 51,248,441 | \$ 50,033,942 |
| Other equities | <u>12,206,029</u> | <u>11,486,777</u> |
| Total members' equity | <u>63,454,470</u> | <u>61,520,719</u> |
| NONCURRENT LIABILITIES | | |
| Long-term debt, due after one year | <u>61,532,528</u> | <u>57,447,296</u> |
| Total noncurrent liabilities | <u>61,532,528</u> | <u>57,447,296</u> |
| CURRENT LIABILITIES | | |
| Long-term debt, due within one year | 2,629,843 | 2,517,970 |
| Line of credit | 2,482,432 | 7,021,803 |
| Accounts Payable | 4,840,095 | 4,913,537 |
| Customer Deposits | 416,022 | 399,542 |
| Other current and accrued liabilities | <u>5,847,619</u> | <u>6,091,915</u> |
| Total current liabilities | <u>16,216,011</u> | <u>20,944,767</u> |
| Deferred Credits | 4,119,536 | 5,019,841 |
| Total members' equity and liabilities | <u>\$ 145,322,545</u> | <u>\$ 144,932,623</u> |

Lower Valley Energy, Inc.

statements of revenues and margins

For The Years Ended December 31, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| OPERATING REVENUE | | |
| Electric energy revenue | \$ 39,021,076 | \$ 39,199,454 |
| Gas revenue | <u>8,225,618</u> | <u>8,437,454</u> |
| Total operating revenues | <u>47,246,694</u> | <u>47,636,909</u> |
| OPERATING EXPENSES | | |
| Power production expense | 139,749 | 116,259 |
| Cost of power purchased | 22,420,008 | 21,685,982 |
| Cost of gas sold | 3,842,869 | 5,005,593 |
| Transmission expense | 625,436 | 499,917 |
| Distribution expense – operation and maintenance | 4,492,281 | 4,159,619 |
| Customer accounts expense | 1,286,513 | 1,418,756 |
| Sales expense | 14,339 | 13,144 |
| General and administrative | 2,972,338 | 2,667,250 |
| Depreciation | 5,126,026 | 4,679,117 |
| Taxes – property and gross revenue | <u>812,352</u> | <u>921,141</u> |
| Total operating expenses | <u>41,731,911</u> | <u>41,166,778</u> |
| Operating margins before finance charges | <u>5,514,783</u> | <u>6,470,131</u> |
| FINANCE CHARGES | | |
| Interest on long-term debt | 3,080,369 | 2,515,753 |
| Other interest expense | <u>7,767</u> | <u>16,749</u> |
| Total finance charges | <u>3,088,136</u> | <u>2,532,502</u> |
| Net operating margins | <u>2,426,647</u> | <u>3,937,629</u> |
| NON-OPERATING MARGINS | | |
| Investment income | 120,433 | 118,923 |
| Non-operating margins – other | (246,132) | 209,624 |
| Capital credits | <u>385,119</u> | <u>308,081</u> |
| Total non-operating margins | <u>259,420</u> | <u>636,628</u> |
| Net margins | <u>\$ 2,686,068</u> | <u>\$ 4,574,257</u> |

Your cooperative continues to grow and remain financially strong. Net margins exceeded \$2.6 million and were used for system improvements, repayment of debt principal, and retirement of patronage capital. A complete copy of our audited financial statements can be obtained from either of our offices.