

Lower Valley Energy, Inc.

balance sheets

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>assets</u>		
NONCURRENT ASSETS		
Net utility plant	\$ 129,027,144	\$ 129,399,515
Other assets and investments	<u>4,622,053</u>	<u>4,448,422</u>
Total noncurrent assets	<u>133,649,197</u>	<u>133,847,937</u>
CURRENT ASSETS		
Cash and cash equivalents	783,047	772,050
Other current assets	28,224	111,704
Accounts receivable, net	9,603,398	8,254,554
Materials and supplies inventory	1,400,502	1,355,363
Total current assets	<u>11,815,171</u>	<u>10,493,671</u>
Deferred Charges	<u>380,939</u>	<u>980,937</u>
Total assets	<u>\$ 145,845,307</u>	<u>\$ 145,322,545</u>
<u>member's equity and liabilities</u>		
MEMBERS' EQUITY		
Patronage capital	\$ 54,035,646	\$ 51,248,441
Other equities	<u>13,062,282</u>	<u>12,206,029</u>
Total members' equity	<u>67,097,928</u>	<u>63,454,470</u>
NONCURRENT LIABILITIES		
Long-term debt, due after one year	<u>58,942,318</u>	<u>61,532,528</u>
Total noncurrent liabilities	<u>58,942,318</u>	<u>61,532,528</u>
CURRENT LIABILITIES		
Long-term debt, due within one year	2,642,125	2,629,843
Line of credit	2,380,841	2,482,432
Accounts Payable	4,732,907	4,840,095
Customer Deposits	427,741	416,022
Other current and accrued liabilities	<u>6,003,579</u>	<u>5,847,619</u>
Total current liabilities	<u>16,187,193</u>	<u>16,216,011</u>
Deferred Credits	<u>3,617,868</u>	<u>4,119,536</u>
Total members' equity and liabilities	<u>\$ 145,845,307</u>	<u>\$ 145,322,545</u>

statements of revenues and margins

For The Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Electric energy revenue	\$ 40,671,110	\$ 39,021,076
Gas energy revenue	<u>10,512,301</u>	<u>8,225,618</u>
Total operating revenues	<u>51,183,411</u>	<u>47,246,694</u>
OPERATING EXPENSES		
Power production expense	165,391	139,749
Cost of power purchased	22,223,831	22,420,008
Cost of gas sold	5,930,698	3,842,869
Transmission expense	758,248	625,436
Distribution expense – operation and maintenance	4,469,608	4,492,281
Customer accounts expense	1,366,706	1,286,513
Sales expense	14,339	14,339
General and administrative	3,005,910	2,972,338
Depreciation	5,225,221	5,126,026
Taxes – property and gross revenue	<u>827,524</u>	<u>812,352</u>
Total operating expenses	<u>43,987,476</u>	<u>41,731,911</u>
Operating margins before finance charges	<u>7,195,935</u>	<u>5,514,783</u>
FINANCE CHARGES		
Interest on long-term debt	2,760,597	3,080,369
Other interest expense	<u>19,110</u>	<u>7,767</u>
Total finance charges	<u>2,779,707</u>	<u>3,088,136</u>
Net operating margins	<u>4,416,228</u>	<u>2,426,647</u>
NON-OPERATING MARGINS		
Investment income	127,402	120,433
Non-operating margins – other	96,492	(246,132)
Capital credits	<u>360,178</u>	<u>385,119</u>
Total non-operating margins	<u>584,072</u>	<u>259,420</u>
Net margins	<u>\$ 5,000,301</u>	<u>\$ 2,686,068</u>

Your cooperative continues to grow and remain financially strong. Net margins exceeded \$5 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.**