

Lower Valley Energy, Inc.

balance sheets

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>assets</u>		
NONCURRENT ASSETS		
Net utility plant	\$ 128,599,272	\$ 129,027,144
Other assets and investments	<u>4,717,186</u>	<u>4,622,053</u>
Total noncurrent assets	<u>133,316,458</u>	<u>133,649,197</u>
CURRENT ASSETS		
Cash and cash equivalents	526,267	672,755
Restricted cash and cash equivalents	1,506,406	110,292
Accounts receivable, net	4,419,960	6,121,211
Materials and supplies inventory	1,527,289	1,400,502
Other current assets	3,153,698	3,510,411
Total current assets	<u>11,133,620</u>	<u>11,815,171</u>
Deferred Charges	<u>284,298</u>	<u>380,939</u>
Total assets	<u>\$ 144,734,376</u>	<u>\$ 145,845,307</u>
<u>member's equity and liabilities</u>		
MEMBERS' EQUITY		
Patronage capital	\$ 55,136,242	\$ 54,035,646
Other equities	<u>14,130,090</u>	<u>13,062,282</u>
Total members' equity	<u>69,266,332</u>	<u>67,097,928</u>
NONCURRENT LIABILITIES		
Long-term debt, due after one year	<u>57,725,950</u>	<u>58,942,318</u>
Total noncurrent liabilities	<u>57,725,950</u>	<u>58,942,318</u>
CURRENT LIABILITIES		
Long-term debt, due within one year	2,681,281	2,642,125
Line of credit	3,214,935	2,380,841
Accounts Payable	4,151,170	4,732,907
Customer Deposits	547,344	427,741
Other current and accrued liabilities	<u>4,995,403</u>	<u>6,003,579</u>
Total current liabilities	<u>15,590,133</u>	<u>16,187,193</u>
Deferred Credits	<u>2,151,961</u>	<u>3,617,868</u>
Total members' equity and liabilities	<u>\$ 144,734,376</u>	<u>\$ 145,845,307</u>

statements of revenues and margins

For The Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUE		
Electric operating revenue	\$ 40,168,933	\$ 40,671,110
Gas operating revenue	<u>8,993,566</u>	<u>10,512,301</u>
Total operating revenues	<u>49,162,499</u>	<u>51,183,412</u>
OPERATING EXPENSES		
Cost of purchased power and gas	27,606,960	28,319,920
Transmission expense - operation and maintenance	739,183	758,248
Distribution expense - operation	3,405,648	3,342,226
Distribution expense - maintenance	1,254,014	1,127,381
Customer accounts expense	821,817	1,013,066
Customer service and information	292,039	367,979
Administration and general expense	2,731,496	3,005,910
Depreciation expense	5,446,797	5,225,221
Taxes – property and gross revenue	<u>768,553</u>	<u>827,525</u>
Total operating expenses	<u>43,066,507</u>	<u>43,987,476</u>
Operating margins before finance charges	<u>6,095,992</u>	<u>7,195,936</u>
FINANCE CHARGES		
Interest on long-term debt	2,609,762	2,760,597
Other interest expense	<u>87,554</u>	<u>19,110</u>
Total finance charges	<u>2,697,316</u>	<u>2,779,707</u>
Net operating margins	<u>3,398,676</u>	<u>4,416,229</u>
NON-OPERATING MARGINS		
Investment income	109,279	127,402
Gain on sale of general plant	16,369	4,500
Patronage capital credits from other cooperatives	286,814	360,178
Other non-operating margins, net	<u>179,186</u>	<u>91,992</u>
Total non-operating margins	<u>591,648</u>	<u>584,072</u>
Net margins	<u>\$ 3,990,324</u>	<u>\$ 5,000,301</u>

Your cooperative continues to grow and remain financially strong. Net margins exceeded \$3.9 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.**