

ANNUAL REPORT

**For the Year Ended
30 June 2015**

BLUE RIDGE POWER AGENCY

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SECTION ONE

Organization Information – Fiscal Year 2015

OFFICERS:

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

MEMBERS AND BOARD OF DIRECTORS (as of 6/30/15):

Town of Bedford

Director: Vacant
Alternate: Charles P. Kolakowski, Town Manager
Official Term Expires: Permanent or until further notified and/or commensurate with employment.

Central Virginia Electric Cooperative

Director: C. Bruce Maurhoff, Sr. VP & Chief Operating Officer
Alternate: Robert L. Harris, Reliability & System Engineering 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, City Manager
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: Timothy A. Logwood, Director of Electric Utilities
Alternate: Michael Goad, Electric Department Senior Engineer
Official Term Expires: April 2018

Town of Richlands

Director: Timothy L. Taylor, Town Manager
Alternate: Kevin Blankenship, Director of Electric Department
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

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: Holland & Knight, Washington, D.C.
Primary Contact: Frederick H. Ritts

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

Auditors: Snead, Williams & Mayhew, 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)

STATISTICS - FY2015

BRPA Member	Year Established	Total Customers (meters) (1)	Population Served Within:	
			City/Town	Overall Territory (2), (3)
Town of Bedford	1899	6,536	6,540	13,072
Central Virginia EC	1937	35,406	n/a	70,812
City of Martinsville	1905	7,783	13,821	13,821
City of Radford	1922	7,342	16,408	16,408
Town of Richlands	1920	2,583	5,639	5,639
City of Salem	1892	13,635	24,802	24,802
Virginia Tech	1893	<u>6,298</u>	<u>43,000</u>	<u>43,000</u>
Totals		79,583	110,210	187,554

	Peak System Loads (MW)*** ## (4)(5)		Energy Purchased FY2015 (MWh)***# (4)	Energy Purchased Per Meter in FY2015 (kWh) (5)	Owned Generation Capacity (behind-the-whse-meter)		Power Supplier*
	FY2015 **	All-Time			(MW)	Fuel	
Town of Bedford	66.2 W	66	238,855	36,545	6.8	hyd, dsl	AMP/SEPA
Central Virginia EC	255.1 W	255	729,959	20,617	0.3	hydro	CE/SEPA
City of Martinsville	40.5 S	44	177,196	22,767	2.3	hydro, lfg #	AMP/SEPA
City of Radford	45.2 W	72	184,182	25,086	1 (off-line)	hydro	APCo/SEPA
Town of Richlands	25.0 W	25	68,404	26,482	1.1	diesel	AMP/SEPA
City of Salem	78.0 S	92	382,522	28,054	4.9	diesel	APCo/SEPA
Virginia Tech	<u>59.6 S</u>	<u>62</u>	<u>339,241</u>	<u>53,865</u>	<u>7.5</u>	coal/gas	APCo
Totals(non-coincident)	570	616	2,120,359		22.9		
			Average kWh/member meter/year	30,488			
			Average kWh/member meter/month	2,541			

- * AMP = American Municipal Power (as well as Southeastern Power Administration-SEPA)
APCo = Appalachian Power Company/American Electric Power
CE = Constellation Energy (note: as of June 1, 2015, suppliers are SEPA, AMP and multiple market contracts)
SEPA = Southeastern Power Administration
- ** S = summer, W = winter, season of peak load.
- *** Bedford figures include Winoa and CVEC figures do not include Tonaska
- # lfg = landfill gas
- ## MWh = megawatt-hours; MW = megawatts; 1 megawatt = 1,000 kilowatts

- Notes: (1) Customer data per 2012 and 2013 data, respectively, from American Public Power Association 2015-16 and Virginia, Maryland, Delaware Association of Electric Cooperatives 2015 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
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 2015 Virginia Directory of State & Local Government Officials (on-line as of 11/23/14).
- (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 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/907 MWh), Central Virginia (8.0/20,180), Martinsville (1.6/1,210), Radford (1.3/997), Richlands (0.5/378) and Salem (2.2/1,688), totaling 14.8 MW and 25,360 MWh, respectively. These figures are from SEPA 2014 Annual Report.
- (6) Blue Ridge member capacity allocations (MW) from AMP facilities operational as of June 30, 2015:

	AMP Fremont Energy Center	Prairie State Energy Campus	Hydro Phase I	Blue Creek Wind Farm	Total AMP Generation
Bedford	8.477	7.862	—	—	16.339
Central Virginia	27.982	—	—	4.000	31.982
Martinsville	6.037	5.772	n/o	—	11.809
Richlands	<u>2.208</u>	<u>2.588</u>	<u>n/o</u>	<u>—</u>	<u>4.796</u>
Totals	44.704	16.222		4.000	64.926



SECTION TWO



FINANCIAL STATEMENTS

30 June 2015

BLUE RIDGE POWER AGENCY

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INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Directors
Blue Ridge Power Agency
Salem, Virginia 24153

We have audited the accompanying financial statements of **Blue Ridge Power Agency** (the **Agency**), which comprise the statement of financial position as of 30 June 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Blue Ridge Power Agency** as of 30 June 2015, and the changes in its

net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note K to the financial statements, prior period adjustments were made to the beginning balance of Net Assets Unrestricted as of 01 July 2013.

Other Matter

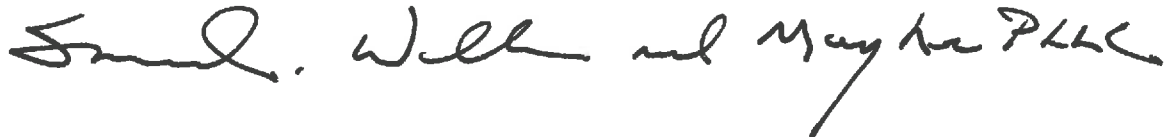
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Section One information and Supplementary Information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements.

The Supplementary Information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Section One information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion nor provide any assurance on such information.

Report on Summarized Comparative Information

We have previously audited the **Blue Ridge Power Agency** 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated 02 December 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended 30 June 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



08 December 2015
Danville, Virginia

BLUE RIDGE POWER AGENCY

STATEMENT OF FINANCIAL POSITION 30 June 2015 and 2014

ASSETS

	Note(s)	2015	2014
Current Assets			
Cash and cash equivalents	B	\$ 284,226	\$ 249,730
Accounts and members' receivables	C	230,165	131,942
Deferred charges - APPA member dues		-	35,057
Deferred members' expense		29	10
Prepaid expenses		1,304	1,318
Total Current Assets		515,724	418,057
Capital Assets, Net of Accumulated Depreciation	D	2,081	3,835
Total Assets		<u>\$ 517,805</u>	<u>\$ 421,892</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable - projects		\$ 155,322	\$ 71,267
Accounts payable - other		3,147	3,495
Accounts payable - APPA member dues		-	35,057
Payroll taxes, benefits and other accruals		3,700	5,581
Deferred members' support		47,425	47,425
Total Liabilities		<u>209,594</u>	<u>162,825</u>

Net Assets

Unrestricted	E, K		
General		178,547	171,187
Board designated - members' future support	E	52,411	59,771
Board designated - operations transition reserve	E	49,144	-
Board designated - capital assets replacement/expenditure		28,109	28,109
Total Net Assets		<u>308,211</u>	<u>259,067</u>
Total Liabilities and Net Assets		<u>\$ 517,805</u>	<u>\$ 421,892</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 2015 and 2014

	Unrestricted				
	Note(s)	Board Designated			TOTALS
		General	Members' Future Support	Capital Assets Replacement/ Expenditure	
		2015	2014	2015	2014
Revenues, Gains, Losses and Other Support					
Projects Revenues		\$ 864,720	\$ -	\$ -	\$ 864,720
Dues and Support		187,254	-	-	187,254
Interest Income		112	-	-	112
Miscellaneous Income		-	-	-	157
		1,052,086	-	-	8,700
					791,175
Net Assets Released from Designation		59,771	(59,771)	-	-
Total Revenues, Gains, Losses and Other Support		1,111,857	(59,771)	-	791,175
Expenses					
Projects Costs		864,720	-	-	864,720
Administrative and General		138,222	-	-	138,222
		1,002,942	-	-	794,504
Excess (Deficit) of Revenues, Gains, Losses and Other Support over Expenses		108,915	(59,771)	-	49,144
Other Changes in Net Assets					
Board Designation for Members' future support		(52,411)	52,411	-	-
Operations transition reserve		(49,144)	-	49,144	-
Changes in Net Assets		7,360	(7,360)	-	49,144
Net Assets - Beginning of Year		171,187	59,771	28,109	259,067
Prior Period Adjustment	K	-	-	-	1,989
Beginning Net Assets Adjusted		171,187	59,771	28,109	259,067
Net Assets - End of Year		\$ 178,547	\$ 52,411	\$ 28,109	\$ 308,211
					\$ 259,067

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 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows (Uses) from Operating activities:		
Changes in Net Assets	\$ 49,144	\$ (3,329)
Adjustments to Reconcile Increase (Decrease) In Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation - capital assets	1,754	4,263
Net (increase) in accounts and members' receivables	(98,223)	(47,009)
Net (increase) in deferred members' expense	(19)	(10)
Net decrease in prepaid expenses and deferred charges	35,071	19,917
Net loss on abandonment of assets	-	-
Net increase (decrease) in accounts payable and accruals	46,769	(30,393)
Net decrease in deferred members' support	-	47,425
Net Cash Provided (Used) by Operating Activities	<u>34,496</u>	<u>(9,136)</u>
Cash Flows (Uses) from Investing Activities:		
Acquisition of capital assets	<u>-</u>	<u>(2,715)</u>
Net Cash (Used) by Investing Activities	<u>-</u>	<u>(2,715)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,496	(11,851)
Cash and Cash Equivalents - Beginning of Year	<u>249,730</u>	<u>261,581</u>
Cash and Cash Equivalents - End of Year	<u>\$ 284,226</u>	<u>\$ 249,730</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 five (5) municipalities (the Cities of Martinsville, Radford, Salem, and the Towns of Bedford and Richlands); a state institution (Virginia Polytechnic Institute and State University); and one (1) 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 2015 and 2014 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.

Note B - Deposits Held in Financial Institutions

As of 30 June 2015 and 2014, the Agency had cash deposits on hand in various financial institutions of \$284,226 and \$249,730, respectively. There were no balances held in excess of FDIC coverage as of 30 June 2015 and 2014.

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 cooperatives. Due to the low credit risk associated with these entities, management believes all accounts receivable are fully collectable. Accounts receivable at 30 June 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Accounts receivable - general manager	\$ 448	\$ 371
Accounts receivable - members - projects	182,051	82,390
Accounts receivable - nonmembers	131	267
Accounts receivable - vendor reimbursement	-	-
Accounts receivable - member dues	47,425	47,425
Accounts receivable - SeFPC dues	110	1,489
	<u>\$ 230,165</u>	<u>\$ 131,942</u>

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note D - Capital Assets

Capital assets as of 30 June 2015 and 2014, on the Statement of Financial Position at cost less accumulated depreciation, included the following major classifications:

	2015	2014
Office furniture and fixtures	\$ 14,729	\$ 14,729
Office equipment	10,234	10,234
Computer equipment	13,825	13,825
Vehicle	23,404	23,405
Safety demo equipment	4,497	4,496
	<u>66,689</u>	<u>66,689</u>
Less accumulated depreciation	<u>(64,608)</u>	<u>(62,854)</u>
Net Capital Assets	<u>\$ 2,081</u>	<u>\$ 3,835</u>

Depreciation expense for the years ended 30 June 2015 and 2014 was \$1,754 and \$4,263, respectively.

Note E - Board Designated - Members' Future Support and Operations Transition Reserve

The Board of Directors adopted a financial policy 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 and other expenses are billed monthly to the members over during the fiscal year. The Board of Directors further directed that such funds should be designated as future support for members' dues that may be incurred in the following fiscal year. For the years ended 30 June 2015 and 2014, the amount of time charges and actual expenses billed to the members and designated for future support was \$52,411 and \$59,771, respectively.

The Board of Directors adopted a financial policy in which "In the event there exists a surplus of funds (excess of revenue, dues, and support) over expenses at the end of any fiscal year beginning with the fiscal year 2014 ending 30 June 2014, then such surplus will be recorded as a separate line item - Board Designated Operations Transition Reserve for each fiscal year for future fiscal year(s)." for use by the Agency in furtherance of its activities on behalf of its members.

In the event there exists a deficit (excess of expenses over revenue, dues, and support) at the end of any fiscal year, beginning with fiscal year 2014 ending 30 June 2014, then such deficit will be mitigated with funds from the undesignated net cash asset balance of the Agency. Upon the exhaustion of the undesignated net cash asset balance, then such deficit or remaining deficit will be mitigated by the earliest "Layer" of the Board Designated Operations Transition Reserve beginning with the fiscal year ending 30 June 2014.

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note E - Board Designated - Members' Future Support and Operations Transition Reserve (Continued)

For the years ended 30 June 2015 and 2014, the amounts designated for Operations Transition Reserve was \$49,144 and \$0 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 2015 and 2014 was approximately \$10,630 and \$12,911 respectively.

Note G - Operating Lease

Rental expense under the previous leases for office facilities amounted to \$1,371 and \$4,981 for the years ended 30 June 2015 and 2014, respectively.

Note H - Related Party Transactions

The Agency entered into a lease agreement with one of the Agency 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 not determinable.

Note I - Subsequent Events - Management Review

In regards to these financial statements and the notes to these financial statements, the Agency has evaluated all subsequent events through 08 December 2015, the date the Agency's financial statements are available to be issued.

Note J - Income Tax

The Agency is a not-for-profit organization exempt from income taxes under Section 501(c) (12) of the *Internal Revenue Code of 1986* (IRC). As such, the Agency is not taxed on income derived from its exempt functions. The Agency had no significant deferred income tax assets or liabilities as of 30 June 2015.

The Agency has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2012, 2013, and 2014 tax years. However, the Agency is not currently under audit nor has the Agency been contacted by any jurisdiction. Based on the evaluation of the Agency's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended 30 June 2015.

BLUE RIDGE POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

Note K - Prior Period Adjustment

Unrestricted net assets as of the beginning of 2013 have been adjusted for an error in accumulated depreciation in prior years. The error has no effect on current year's activities; however the cumulative effect increases the beginning unrestricted net assets for 2013 by \$1,989.