

**POUDRE VALLEY RURAL ELECTRIC  
ASSOCIATION, INC. AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**

**OFFICERS, BOARD OF DIRECTORS, AND PRESIDENT AND CEO**

<u>Name</u>	<u>Office</u>	<u>Address</u>
Steven Anderson	Chair	Berthoud, Colorado
Rick Johnson	Vice-Chair	Loveland, Colorado
Peter Hyland	Secretary	Windsor, Colorado
Jan Peterson	Director	Fort Collins, Colorado
Bryan Ehrlich	Director	Wellington, Colorado
Sheryl Dryer Henderson	Director	Loveland, Colorado
Thaine Michie	Director	Laporte, Colorado
Jack Schneider	Director	Eaton, Colorado
Ronald Sutherland	Director	Boulder, Colorado
Jeff Wadsworth	President and CEO	Fort Collins, Colorado



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Poudre Valley Rural Electric Association, Inc. and Subsidiary  
Fort Collins, Colorado

### Report on the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Poudre Valley Rural Electric Association, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Poudre Valley Rural Electric Association, Inc. and Subsidiary as of December 31, 2021 and 2020, and the changes in its patronage capital and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Poudre Valley Rural Electric Association, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Poudre Valley Rural Electric Association, Inc. and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Poudre Valley Rural Electric Association, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Poudre Valley Rural Electric Association, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Balance Sheet and the Consolidating Statement of Revenue and Patronage Capital is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Denver, Colorado  
March 28, 2022

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>UTILITY PLANT</b>		
Electric Plant in Service	\$ 246,239,927	\$ 230,905,614
Construction Work in Progress	9,351,282	18,438,915
Total Utility Plant	255,591,209	249,344,529
Less: Accumulated Depreciation	(70,350,427)	(65,317,503)
Net Utility Plant	185,240,782	184,027,026
<b>INVESTMENTS</b>		
Term Certificates	2,174,280	2,179,527
Investments in Associated Organizations	89,454,716	89,396,755
Other Investments	225,375	312,001
Total Investments	91,854,371	91,888,283
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	2,691,077	1,153,354
Accounts Receivable (Less Allowance for Doubtful Accounts of \$66,000 and \$19,000 at December 31, 2021 and 2020, Respectively)	15,664,009	14,556,281
Materials and Supplies	2,482,620	2,385,027
Other Current Assets	742,423	522,883
Total Current Assets	21,580,129	18,617,545
<b>DEFERRED CHARGES</b>		
	1,192,741	1,502,212
Total Assets	\$ 299,868,023	\$ 296,035,066

See accompanying Notes to Consolidated Financial Statements.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>MEMBERS' EQUITY AND LIABILITIES</b>		
<b>MEMBERS' EQUITY</b>		
Patronage Capital	\$ 127,292,605	\$ 124,643,886
Accumulated Other Comprehensive Income	1,981,213	2,228,853
Other Equities	6,789,695	6,556,996
Total Members' Equity	136,063,513	133,429,735
<b>LONG-TERM DEBT</b>		
Mortgage Notes	123,542,885	113,727,347
Other Long-Term Debt	1,398,720	1,580,460
Total Long-Term Debt	124,941,605	115,307,807
Less: Current Maturities	(5,732,702)	(5,231,681)
Long-Term Debt, Net	119,208,903	110,076,126
<b>ACCUMULATED PROVISIONS FOR POSTRETIREMENT BENEFITS</b>	3,860,571	3,870,440
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	5,732,702	5,231,681
Line of Credit	-	8,000,000
Accounts Payable	11,798,168	12,007,461
Customer Deposits	503,118	594,824
Accrued Taxes	1,717,051	1,669,486
Other Current Liabilities	1,398,550	1,324,723
Total Current Liabilities	21,149,589	28,828,175
<b>DEFERRED CREDITS</b>	19,585,447	19,830,590
Total Members' Equity and Liabilities	\$ 299,868,023	\$ 296,035,066

See accompanying Notes to Consolidated Financial Statements.



**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUE</b>		
Sale of Electricity	\$ 136,594,516	\$ 134,440,275
Other Operating Revenue	700,530	471,527
Total Operating Revenue	<u>137,295,046</u>	<u>134,911,802</u>
<b>OPERATING EXPENSE</b>		
Cost of Power	104,153,237	103,414,086
Transmission Expense	45,074	16,592
Distribution - Operations	6,047,168	5,452,495
Distribution - Maintenance	3,717,869	5,071,718
Consumer Accounts	2,127,670	1,968,428
Customer Service and Information	2,601,271	2,399,484
Administrative and General	4,433,450	4,503,960
Depreciation and Amortization	7,325,367	6,794,942
Interest on Long-Term Debt	3,274,846	2,899,449
Other Deductions	136,189	110,876
Total Operating Expense	<u>133,862,141</u>	<u>132,632,030</u>
<b>NET OPERATING MARGIN</b>	3,432,905	2,279,772
<b>NONOPERATING MARGIN</b>		
Interest Income	108,885	158,817
Other Nonoperating Income	16,645	23,730
Total Nonoperating Margin	<u>125,530</u>	<u>182,547</u>
<b>CAPITAL CREDITS</b>	<u>3,162,429</u>	<u>3,523,811</u>
<b>NET MARGINS FOR PERIOD</b>	6,720,864	5,986,130
Patronage Capital - Beginning of Year	124,643,886	122,399,165
Retirement of Capital Credits	<u>(4,072,145)</u>	<u>(3,741,409)</u>
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<u><u>\$ 127,292,605</u></u>	<u><u>\$ 124,643,886</u></u>

See accompanying Notes to Consolidated Financial Statements.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>NET MARGIN</b>	\$ 6,720,864	\$ 5,986,130
Accumulated Provision for Postretirement Benefits: Net Change Arising During the Year	<u>(247,640)</u>	<u>(566,588)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 6,473,224</u>	<u>\$ 5,419,542</u>

*See accompanying Notes to Consolidated Financial Statements.*

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 135,850,469	\$ 133,830,627
Interest and Dividends Received	108,885	158,817
Cash Paid to Suppliers and Employees	(123,622,504)	(123,436,013)
Interest Paid	<u>(3,267,342)</u>	<u>(2,874,592)</u>
Net Cash Provided by Operating Activities	9,069,508	7,678,839
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction and Acquisition of Plant	(31,411,154)	(33,549,566)
Contributions in Aid of Construction	22,888,676	7,960,230
Cash Received from Retirement of Patronage Capital	3,109,715	3,049,672
Net Cash Used by Investing Activities	<u>(5,412,763)</u>	<u>(22,539,664)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan Funds Received	15,086,626	20,103,999
Retirement of Long-Term Debt	(5,366,202)	(4,872,176)
Advances on Lines of Credit	49,300,000	36,200,000
Repayments on Lines of Credit	(57,300,000)	(34,200,000)
Retirement of Capital Credits	(4,072,145)	(3,741,409)
Other Financing Activities	232,699	718,477
Net Cash Provided (Used) by Financing Activities	<u>(2,119,022)</u>	<u>14,208,891</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,537,723	(651,934)
 Cash and Cash Equivalents - Beginning of Year	<u>1,153,354</u>	<u>1,805,288</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,691,077</u></u>	<u><u>\$ 1,153,354</u></u>

See accompanying Notes to Consolidated Financial Statements.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>RECONCILIATION OF NET MARGIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Margins	\$ 6,720,864	\$ 5,986,130
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	7,325,367	6,794,942
Patronage Capital Credits from Suppliers	(3,162,429)	(3,523,811)
Postretirement Benefit Obligation	(257,509)	(409,466)
Gain on Sale of Property and Equipment	(16,645)	(23,730)
Net Change in Assets and Liabilities:		
Accounts Receivable	(1,107,728)	(1,135,382)
Materials and Supplies	(97,593)	490,095
Other Assets	(219,540)	95,538
Deferred Charges	309,471	286,899
Accounts Payable	(209,293)	(1,105,579)
Customer deposits	(91,706)	(130,955)
Interest Payable	7,504	24,857
Accrued Taxes	47,565	210,918
Other Liabilities	66,323	(66,779)
Deferred Credits	(245,143)	185,162
Net Cash Provided by Operating Activities	\$ 9,069,508	\$ 7,678,839

See accompanying Notes to Consolidated Financial Statements.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of Poudre Valley Rural Electric Association, Inc. (the Association) (a Colorado cooperative association corporation) and its wholly owned subsidiary Poudre Valley Associated Services, Inc. (a Colorado profit corporation). All significant inter-company transactions and balances have been eliminated.

**Organization**

The Association is an Electric Cooperative whose principal business is the distribution of electrical power to residences and businesses located in northern Colorado. As a regulated entity with a member-elected board of directors, the Association accounts for such regulation under professional accounting standards ASC 980, Regulated Industries. The accounting policies followed by the Association are in conformity with generally accepted accounting principles as they apply to a regulated electric utility.

Poudre Valley Associated Services, Inc. (PVASI or the Subsidiary) operates a solar community project that provides power to the Association through a purchased power agreement. PVASI currently has a capital lease with Farm Credit Bank as noted below.

**Basis of Accounting**

The Association employs the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). As a result, the application of generally accepted accounting principles by the Association differs in certain respects from such application by nonregulated enterprises. These differences primarily concern the timing of the recognition of certain revenue and expense items.

**Utility Plant and Depreciation**

Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred in making improvements, replacements, and additions to the system, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining assets in efficient operating condition are charged to expense.

Provisions for depreciation of distribution plant and structures are computed on a straight-line basis employing a group method. The original costs of assets retired together with the costs of removal less salvage are charged to the related accumulated depreciation accounts.

Provisions for depreciation of general plant items are computed on a straight-line basis employing a group method, except for transportation equipment, power operated equipment, and certain office equipment, which are computed on a unit method. When assets are sold or retired, proceeds received upon disposition are compared with original cost less depreciation charged to date and gains or losses are recognized in the income statement, as appropriate.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Patronage Capital**

The Association operates on a cooperative nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Association from its operations in excess of costs and expenses are also allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior deficits.

**Investments**

Investments in associated organizations are carried at cost plus allocated equities. Other amounts included in investments are generally carried at cost. Loans receivable are recorded at cost.

**Accounts Receivable, Net**

The Association carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Association evaluates its electric accounts receivable and establishes an allowance for doubtful accounts, based on past history of bad debt write-offs, collections, and current credit conditions. Electric accounts receivable are generally considered past due if the Association has not received payment by the due date of the bill. It is the Association's procedure that accounts are written off if they remain unpaid after all collection efforts have been made. Payments received on accounts after they are written off are considered a recovery of the bad debt.

**Materials and Supplies**

Materials and supplies are stated at the lower of cost or net realizable value using the average cost method.

**Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Association considers all short-term deposits and highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

**Postretirement Benefits**

The Association provides certain health care benefits for retired employees that meet eligibility requirements. The Association's share of the estimated costs that will be paid after retirement is generally being accrued over the employees' active service period to dates they are fully eligible for benefits.

**Accumulated Other Comprehensive Income (Loss)**

Comprehensive income (loss) and its components are required to be presented for each year a consolidated statement of revenue and patronage capital is presented. The only component included in other comprehensive income for the Association is the unamortized net loss for its postemployment health insurance benefit plan.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Cost of Power Recognition and Presentation of Sales Taxes**

The Association follows the industry practice of recording revenue concurrently with its billings to customers, and recording cost of power upon receipt of their billing from the supplier. The Association collects taxes from its members on behalf of taxing authorities and revenue is reported net of these taxes in the consolidated statements of revenue and patronage capital.

**Members' Equity**

In conformity with its bylaws, the Association conducts its operations on a cooperative nonprofit basis. Annual revenue, in excess of the cost of providing service, is allocated in the form of capital credits to the customers' capital accounts on the basis of patronage.

**Income Taxes**

The Association is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code (IRC). The Association has a letter of exemption from federal income tax, issued by the Internal Revenue Service (IRS).

PVASI is a taxable corporation and had income of \$98,130 and \$81,778 in 2021 and 2020, respectively.

An evaluation of whether or not the Association and the Subsidiary have any uncertain tax positions is determined on an annual basis. While the Association and Subsidiary believe they have adequately provided for all tax positions and believe that they have no uncertain tax positions as of December 31, 2021 and 2020, amounts asserted by taxing authorities could be different than the positions taken by both entities.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**Concentrations**

Four members accounted for approximately 23.1% and 23.2% of the revenues, before deferral, reported for the years ended December 31, 2021 and 2020 respectively, and the loss of any of these members could have an adverse effect on the Association. The Association does not expect that the business relationship with these members will be lost.

Concentrations of credit risk arises from the Association's granting of credit to its member customers, uninsured funds deposited in federally insured financial institutions which may be in excess of the insurance limits at various times during the year; and other uninsured funds (including restricted funds) totaled \$2,540,104 and \$672,160 as of December 31, 2021 and 2020, respectively.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue from Contract with Customers**

In accordance with Accounting Standards Codification (ASC) Topic 606, the Association recognizes revenue as promised goods or services are provided to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services.

The Association primarily generates revenue from the distribution and sale of electricity to members. The Association satisfies the performance obligation when the energy is delivered to the member. The Association recognizes revenue from energy sales based on meter readings of the member's usage. Meters are read and billed weekly depending on the size of the member. Rates charged to members are based on rates approved by the Association's Board of Directors. The Association has elected to use the Invoice Practical Expedient allowing the Association to recognize revenue in the amount that directly corresponds to the value transferred to the customer.

The following table presents the Association's revenues disaggregated by type of customer at December 31:

	<u>2021</u>	<u>2020</u>
Residential	\$ 57,966,928	\$ 56,127,681
Irrigation Sales (Pumps)	2,019,197	2,154,185
Small Commercial and Industrial	7,224,060	7,105,955
Large Commercial and Industrial	68,372,384	68,071,396
Public Street and Highway Lighting	362,812	329,557
Sales to Public Buildings and Other Authorities	195,559	206,208
Other Electric Revenue	453,576	445,293
Other Operating Revenue	700,530	471,527
Total Operating Revenue	<u>\$ 137,295,046</u>	<u>\$ 134,911,802</u>

**Reclassification**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassification has no impact on previously reported net assets.

**Subsequent Events**

In preparing these consolidated financial statements, the Association and its subsidiary have evaluated events and transactions for potential recognition or disclosure through March 28, 2022, the date the consolidated financial statements were available to be issued.



**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 ASSETS PLEDGED**

Substantially all of the Association's assets are pledged as security for long-term debt to the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank.

**NOTE 3 UTILITY PLANT**

A summary of the utility plant and accumulated depreciation follows:

	2021	2020
Intangible Plant	\$ 60,994	\$ 60,994
Production Plant - Capital Lease	2,296,208	2,296,208
Transmission Plant	1,986,745	1,986,745
Distribution Plant	206,244,168	195,585,456
General Plant	<u>35,651,812</u>	<u>30,976,211</u>
Total Electric Plant	246,239,927	230,905,614
Construction Work in Progress	<u>9,351,282</u>	<u>18,438,915</u>
Subtotal	255,591,209	249,344,529
Accumulated Depreciation:		
Production Plant	525,234	413,383
Transmission Plant	1,545,892	1,494,053
Distribution Plant	53,071,300	49,674,792
General Plant	<u>16,001,461</u>	<u>14,400,211</u>
Total Accumulated Depreciation	71,143,887	65,982,439
Retirement Work in Progress	<u>(793,460)</u>	<u>(664,936)</u>
Subtotal	<u>70,350,427</u>	<u>65,317,503</u>
Net Utility Plant	<u>\$ 185,240,782</u>	<u>\$ 184,027,026</u>

Production plant is amortized over the life of the lease at the annual rate of 5.00%.

Transmission plant is depreciated, under the straight-line composite basis, at the annual rate of 2.75%.

Distribution plant is depreciated, under the straight-line composite basis, at the annual rate of 2.77%. Meters are depreciated, under the straight-line composite basis, at the annual rate of 6.67%.

General plant is depreciated over the estimated useful life of the assets, under the straight-line basis, at various rates ranging from 2.27% to 20.00%.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4 TERM CERTIFICATES**

	2021	2020
Capital Term Certificates	\$ 916,138	\$ 916,138
Loan Term Certificates	244,100	244,100
Zero Term Certificates	14,042	19,289
Member Capital Securities	1,000,000	1,000,000
Total Subordinated Certificates	<u>\$ 2,174,280</u>	<u>\$ 2,179,527</u>

The capital term certificates yield 5.00%, the loan term certificates yield 3.00%, and the zero term certificates have no yield. The member capital securities yield 5.00%. All of the certificates have various maturity dates through the year 2080.

**NOTE 5 INVESTMENTS IN ASSOCIATED ORGANIZATIONS**

This category consists mainly of patronage capital due from organizations of which the Association is a member.

	2021	2020
Patronage Capital - Tri-State G & T	\$ 83,679,739	\$ 83,950,463
Patronage Capital - Western United	4,191,053	3,973,166
Patronage Capital - CFC	957,839	888,621
Patronage Capital - Federated Rural Insurance Exchange	375,513	355,685
Other Investments in Associated Organizations	250,572	228,820
Total Investments in Associated Organizations	<u>\$ 89,454,716</u>	<u>\$ 89,396,755</u>

**NOTE 6 OTHER INVESTMENTS**

	2021	2020
Note Receivable	<u>\$ 225,375</u>	<u>\$ 312,001</u>
Total Other Investments	<u>\$ 225,375</u>	<u>\$ 312,001</u>

The note receivable is carried at cost and is secured by a letter of credit obtained by the borrower. At both December 31, 2021 and 2020, the note was current and management considers it to be collectible.

**NOTE 7 OTHER CURRENT ASSETS**

	2021	2020
Prepaid Insurance	\$ 445,062	\$ 60,653
Interest Receivable	26,066	26,031
Other Prepayments	271,295	436,199
Total Other Current Assets	<u>\$ 742,423</u>	<u>\$ 522,883</u>

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 8 DEFERRED CHARGES**

	2021	2020
NRECA R&S Pension Prepayment	\$ 1,192,741	\$ 1,490,926
Other Deferred Charges	-	11,286
	\$ 1,192,741	\$ 1,502,212

In February 2013, the Association made a prepayment of \$3,876,409 to the NRECA RS Plan. The Association is amortizing this amount over 13 years.

**NOTE 9 MEMBERS' EQUITY**

	Patronage Capital Credits	Patronage Capital Unallocated	Other Equities and Other Comprehensive Income	Total
Balance - December 31, 2019	\$ 124,927,741	\$ (2,528,576)	\$ 8,633,960	\$ 131,033,125
Net Margin, Year 2020	-	5,986,130	-	5,986,130
2019 Allocation	9,250,763	(9,250,763)	-	-
Retirement of Capital Credits	(3,741,409)	-	955,475	(2,785,934)
Change in Accumulated Other Comprehensive Income	-	-	(566,588)	(566,588)
Changes in Other Equities	-	-	(236,998)	(236,998)
Balance - December 31, 2020	130,437,095	(5,793,209)	8,785,849	133,429,735
Net Margin, Year 2021	-	6,720,864	-	6,720,864
2020 Allocation	6,449,862	(6,449,862)	-	-
Retirement of Capital Credits	(4,072,145)	-	697,984	(3,374,161)
Change in Accumulated Other Comprehensive Income	-	-	(247,640)	(247,640)
Changes in Other Equities	-	-	(465,285)	(465,285)
Balance - December 31, 2021	\$ 132,814,812	\$ (5,522,207)	\$ 8,770,908	\$ 136,063,513

Other equities consist of donated capital, retired capital credits gain and accumulated other comprehensive income.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10 LONG-TERM DEBT**

Long-term debt consists of mortgage notes payable to CFC and CoBank, and a capital lease with various maturities through 2051.

The following is a summary of these notes:

	<u>2021</u>	<u>2020</u>
CFC Mortgage Notes	\$ 52,812,620	\$ 55,937,922
CoBank Mortgage Notes	70,730,265	57,789,425
Capital Lease Obligation	1,398,720	1,580,460
Total Debt	<u>124,941,605</u>	<u>115,307,807</u>
Less: Current Maturities	<u>(5,732,702)</u>	<u>(5,231,681)</u>
Total Long-Term Debt	<u>\$ 119,208,903</u>	<u>\$ 110,076,126</u>

The CFC notes have fixed interest rates that ranged between 1.66% and 5.20% as of both December 31, 2021 and 2020, respectively. The CFC notes mature in varying amounts through 2050.

The CoBank notes have fixed rates that ranged from 2.09% to 4.01% as of December 31, 2021 and 2020, respectively. The CoBank notes mature in varying amounts through 2051.

As of December 31, 2021, the Association has approved credit in the amount of \$40,000,000 from CFC and \$30,000,000 from CoBank.

The Association leases equipment for a community solar plant under a capital lease expiring in 2029. The assets and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the related lease term. Depreciation of assets under the capital lease is included in depreciation for the years ended December 31, 2021 and 2020.

Equipment under the capital lease had a cost and accumulated depreciation of \$2,296,208 and \$525,234 as of December 31, 2021 and \$2,296,208 and \$413,383 as of December 31, 2020, respectively.

Scheduled future principal payments toward long-term debt consist of the following:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 5,732,702
2023	5,762,321
2024	5,597,900
2025	5,819,003
2026	6,002,419
Thereafter	96,027,260

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 OTHER CURRENT LIABILITIES**

	2021	2020
Accrued Interest Payable	\$ 509,403	\$ 501,899
Accrued Payroll	414,636	387,000
Accrued Vacation, Holiday, and Sick Pay	330,487	295,488
Patronage Capital Payable	83,730	83,448
Other Current Liabilities	60,294	56,888
Total Other Current Liabilities	\$ 1,398,550	\$ 1,324,723

**NOTE 12 SHORT-TERM LINES OF CREDIT**

The Association has two perpetual lines of credit with NRUCFC in the amount of \$5,000,000 each. Borrowings on these lines of credit are due on demand. Interest rates vary with the prime rate as published in *The Wall Street Journal*. At December 31, 2021 and 2020, the interest rate on these lines of credit were 2.45% and 2.25%, and 2.45% and 2.25%, respectively. The outstanding balances on the lines of credit were \$-0- and \$8,000,000 as of December 31, 2021 and 2020.

The Association has a line of credit with CoBank in the amount of \$10,000,000. At December 31, 2021 and 2020, the interest rate on this line of credit was 2.41% and 2.30%, respectively. The line of credit matures on October 31, 2022. The Association had an outstanding balance of \$-0- at December 31, 2021 and 2020.

**NOTE 13 DEFERRED CREDITS**

	2021	2020
Customers' Prepayments	\$ 671,201	\$ 635,888
Power Cost Revenue Deferral - Cumulative	17,800,000	17,800,000
Other Deferred Credits	1,114,246	1,394,702
Total Deferred Credits	\$ 19,585,447	\$ 19,830,590

The power cost revenue deferral represents revenue which was earned in 2013 through 2017, but will not be recognized as revenue until future periods. Revenue in the amount of \$1,500,000 has been excluded from the 2013 Net Margin, \$4,500,000 has been excluded from the 2014 Net Margin, \$4,300,000 has been excluded from the 2015 Net Margin, \$5,000,000 has been excluded from the 2016 Net Margin, and \$2,500,000 has been excluded from the 2017 Net Margin. This deferral of revenue was implemented for the purpose of stabilizing rates.

The deferred revenue will be recognized in future years to manage general rate increases.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 14 RETIREMENT PLANS**

**Retirement Security Plan – Defined Benefit Pension Plan**

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The Plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Association's contributions to the RS Plan in 2021 and 2020 represented less than 5% of the total contributions made to the Plan by all participating employers. There have been no significant changes that affect the comparability of 2021 and 2020 amounts.

Pension expense incurred during the years ended December 31, 2021 and 2020 consisted of the following:

	2021	2020
Current Payments to Plan	\$ 1,718,602	\$ 1,616,210
Amortization of Prepaid Pension Cost	298,185	298,185
Total	\$ 2,016,787	\$ 1,914,395

In the RS Plan, a "zone status" determination is not required, and therefore not determined under the Pension Protections Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the Retirement Security Plan was over 80% funded at both January 1, 2021 and January 1, 2020 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 14 RETIREMENT PLANS (CONTINUED)**

**Retirement Security Plan – Defined Benefit Pension Plan (Continued)**

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 13 years beginning in 2013. However, changes in interest rates, asset returns, and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 13-year period.

**SelectRE 401(k) Plan – Defined Contribution Plan**

Employees of the Association can participate in the National Rural Electric Cooperative Association (NRECA) SelectRE 401(k) plan, provided they meet plan specifications. The Association will contribute based on the employee's base compensation. The Association's contribution for the years ended December 31, 2021 and 2020 was \$535,512 and \$503,763, respectively.

**NOTE 15 DEFERRED COMPENSATION**

The Association has a deferred compensation plan that current employees participate in, with the plan funded with employee payroll deductions and employer contributions. The plan allows investments in NRECA Homestead Fund securities. The plan benefits are payable to the Association, for the benefit of the employee, and the deferred compensation plan agreement between the employee and the Association provides for payment of benefits in the event of death, disability, or retirement.

**NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

The Association maintains a policy that provides certain health care and sick leave benefits for retired directors and employees who have met the plan's years of service and age requirements. The Association's liability for these unfunded benefits was revalued as of January 1, 2021.

The Association is ineligible for the subsidy available to employers under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 due to its participation in the NRECA Group Benefits Program.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS (CONTINUED)**

A derivation of the accumulated postretirement benefit obligation (APBO) is as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Accumulated Postretirement Benefit Obligation -		
Beginning Per Books	\$ 3,870,440	\$ 3,713,318
Service and Interest Costs	79,649	98,670
Sick Leave Accrual	121,239	75,570
Gain/Loss in Other Comprehensive Income	52,167	238,932
Benefit Payments	<u>(262,924)</u>	<u>(256,050)</u>
Accumulated Postretirement Benefit Obligation -		
Ending Per Books	<u>\$ 3,860,571</u>	<u>\$ 3,870,440</u>
Assumed Health Care Cost Trend Rates:		
Health Care Cost Trend Rate	7%	0%
Ultimate Trend Rate	5%	5%
Year the Rate Reaches the Ultimate	2029	2027
Health Care Cost Trend Rate - Drugs	7%	0%
Ultimate Trend Rate	5%	5%
Year the Rate Reaches the Ultimate	2029	2027

Weighted-average assumption used to determine benefit obligations and net periodic benefit cost:

	<u>2021</u>	<u>2020</u>
Discount Rate	2.70%	3.00%

A 1% increase in the health care cost trend rate would have yielded the following increase:

	<u>2021</u>	<u>2020</u>
APBO	7.8%	7.3%
Service and Interest	7.8%	7.3%

The Association expenses substantially all of the service, interest, and amortization of any gain or loss resulting from the latest valuation of the plan. However, a portion of these costs are capitalized based on the allocation of labor cost for the period. The Association expects the benefit payments for future years to be as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 261,629
2023	251,415
2024	226,281
2025	214,106
2026	207,706
2027 - 2031	936,755



**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS (CONTINUED)**

The Association has a change in other comprehensive income in the amount of \$247,640. The estimated related net loss for the current fiscal year is \$115,824.

**NOTE 17 RELATED PARTY TRANSACTIONS**

The Association is a member of Tri-State Generation and Transmission Association, Inc., (Tri-State) which is an electric generation and transmission cooperative. The Association obtains the majority of its purchased power from Tri-State, which amounted to \$101,267,757 and \$100,625,557 for the years ended December 31, 2021 and 2020, respectively. Although there are a limited number of electrical power suppliers, management believes there would be no lapse in service if there were a change in electrical power suppliers. However, such a change might result in a higher cost of power to the Association and, in turn, higher billing rates to its members.

The amount payable to Tri-State for purchased power is \$8,604,305 and \$8,839,239 at December 31, 2021 and 2020, respectively.

Other related party transactions consisted of normal routine business conducted through organizations of which the Association is a member and normal sales to its members.

**NOTE 18 COMMITMENTS**

Under its wholesale power agreement, the Association is committed to purchase its electric power and energy requirements from Tri-State until December 31, 2050.

## **SUPPLEMENTARY INFORMATION**

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2021**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>ASSETS</b>	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
<b>UTILITY PLANT</b>				
Electric Plant in Service	\$ 243,943,719	\$ 2,296,208	\$ -	\$ 246,239,927
Construction Work in Progress	9,351,282	-	-	9,351,282
Total Utility Plant	253,295,001	2,296,208	-	255,591,209
Less: Accumulated Depreciation	(69,825,193)	(525,234)	-	(70,350,427)
Net Utility Plant	183,469,808	1,770,974	-	185,240,782
<b>INVESTMENTS</b>				
Term Certificates	2,174,280	-	-	2,174,280
Investments in Associated Organizations	89,721,818	-	(267,102)	89,454,716
Other Investments	225,375	-	-	225,375
Total Investments	92,121,473	-	(267,102)	91,854,371
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	2,566,718	124,359	-	2,691,077
Accounts Receivable (Less Allowance for Doubtful Accounts of \$19,000)	15,664,009	12,101	(12,101)	15,664,009
Materials and Supplies	2,482,620	-	-	2,482,620
Other Current Assets	742,423	-	-	742,423
Total Current Assets	21,455,770	136,460	(12,101)	21,580,129
<b>DEFERRED CHARGES</b>				
	1,192,741	-	-	1,192,741
 Total Assets	 <u>\$ 298,239,792</u>	 <u>\$ 1,907,434</u>	 <u>\$ (279,203)</u>	 <u>\$ 299,868,023</u>

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**DECEMBER 31, 2021**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
<b>MEMBERS' EQUITY AND LIABILITIES</b>				
<b>EQUITIES AND MARGINS</b>				
Patronage Capital	\$ 127,058,765	\$ 233,840	\$ -	\$ 127,292,605
Accumulated Other Comprehensive Income	1,981,213	-	-	1,981,213
Other Equities	6,789,695	267,102	(267,102)	6,789,695
Total Equities and Margins	135,829,673	500,942	(267,102)	136,063,513
<b>LONG-TERM DEBT</b>				
Mortgage Notes	123,542,885	-	-	123,542,885
Other Long-Term Debt	-	1,398,720	-	1,398,720
Total Long-Term Debt	123,542,885	1,398,720	-	124,941,605
Less: Current Maturities	(5,550,961)	(181,741)	-	(5,732,702)
Long-Term Debt, Net	117,991,924	1,216,979	-	119,208,903
<b>ACCUMULATED PROVISIONS FOR POST RETIREMENT BENEFITS</b>				
	3,860,571	-	-	3,860,571
<b>CURRENT LIABILITIES</b>				
Current Maturities of Long-Term Debt	5,550,961	181,741	-	5,732,702
Line of Credit	-	-	-	-
Accounts Payable	11,810,269	-	(12,101)	11,798,168
Customer Deposits	503,118	-	-	503,118
Accrued Taxes	1,709,279	7,772	-	1,717,051
Other Current Liabilities	1,398,550	-	-	1,398,550
Total Current Liabilities	20,972,177	189,513	(12,101)	21,149,589
<b>DEFERRED CREDITS</b>				
	19,585,447	-	-	19,585,447
Total Members' Equity and Liabilities	<u>\$ 298,239,792</u>	<u>\$ 1,907,434</u>	<u>\$ (279,203)</u>	<u>\$ 299,868,023</u>

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF REVENUE AND PATRONAGE CAPITAL**  
**YEAR ENDED DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
<b>OPERATING REVENUE</b>				
Operating Revenue	\$ 136,594,516	\$ -	\$ -	\$ 136,594,516
Other Operating Revenue	700,530	223,475	(223,475)	700,530
Total Operating Revenue	<u>137,295,046</u>	<u>223,475</u>	<u>(223,475)</u>	<u>137,295,046</u>
<b>OPERATING EXPENSE</b>				
Cost of Power	104,376,712	-	(223,475)	104,153,237
Transmission Expense	45,074	-	-	45,074
Distribution - Operations	6,047,168	-	-	6,047,168
Distribution - Maintenance	3,717,869	-	-	3,717,869
Consumer Accounts	2,127,670	-	-	2,127,670
Customer Service and Information	2,601,271	-	-	2,601,271
Administrative and General	4,419,785	13,665	-	4,433,450
Depreciation and Amortization	7,213,516	111,851	-	7,325,367
Interest on Long-Term Debt	3,274,846	-	-	3,274,846
Other Deductions	136,189	-	-	136,189
Total Operating Expense	<u>133,960,100</u>	<u>125,516</u>	<u>(223,475)</u>	<u>133,862,141</u>
<b>NET OPERATING MARGIN</b>	3,334,946	97,959	-	3,432,905
<b>NONOPERATING MARGIN</b>				
Interest Income	108,714	171	-	108,885
Other Nonoperating Income	16,645	-	-	16,645
Total Nonoperating Margin	<u>125,359</u>	<u>171</u>	<u>-</u>	<u>125,530</u>
<b>CAPITAL CREDITS</b>	<u>3,162,429</u>	<u>-</u>	<u>-</u>	<u>3,162,429</u>
<b>NET MARGIN FOR PERIOD</b>	6,622,734	98,130	-	6,720,864
Patronage Capital - Beginning of Year	124,508,176	398,202	(262,492)	124,643,886
Equity Transfer	-	4,610	(4,610)	-
Retirement of Capital Credits	<u>(4,072,145)</u>	<u>-</u>	<u>-</u>	<u>(4,072,145)</u>
<b>PATRONAGE CAPITAL - END OF YEAR</b>	<u>\$ 127,058,765</u>	<u>\$ 500,942</u>	<u>\$ (267,102)</u>	<u>\$ 127,292,605</u>