

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
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YEARS ENDED DECEMBER 31, 2020 AND 2019

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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
James Fender	Secretary	Windsor, Colorado
Jan Peterson	Director	Fort Collins, Colorado
Bryan D. Ehrlich	Director	Wellington, Colorado
Peter Hyland	Director	Windsor, Colorado
Thaine Michie	Director	La Porte, 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 Financial Statements

We have audited the accompanying consolidated financial statements of Poudre Valley Rural Electric Association, Inc. and Subsidiary (the Association), which comprise the consolidated balance sheet as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated 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 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, 2020 and 2019, and the results of their operations, their changes in patronage capital and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information identified in the table of contents 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 audit 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 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 consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Denver, Colorado
March 24, 2021

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
UTILITY PLANT		
Electric Plant in Service	\$ 230,905,614	\$ 213,091,483
Construction Work in Progress	18,438,915	13,652,478
Total Utility Plant	249,344,529	226,743,961
Less: Accumulated Depreciation	(65,317,503)	(61,535,059)
Net Utility Plant	184,027,026	165,208,902
INVESTMENTS		
Term Certificates	2,179,527	2,210,224
Investments in Associated Organizations	89,396,755	88,891,919
Other Investments	312,001	416,000
Total Investments	91,888,283	91,518,143
CURRENT ASSETS		
Cash and Cash Equivalents	1,153,354	1,805,288
Accounts Receivable (Less Allowance for Doubtful Accounts of \$19,000 and \$41,000 at December 31, 2020 and 2019, Respectively)	14,556,281	13,420,899
Materials and Supplies	2,385,027	2,875,122
Other Current Assets	522,883	252,886
Total Current Assets	18,617,545	18,354,195
DEFERRED CHARGES	1,502,212	1,789,111
Total Assets	\$ 296,035,066	\$ 276,870,351

See accompanying Notes to Consolidated Financial Statements.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

	2020	2019
MEMBERS' EQUITY AND LIABILITIES		
MEMBERS' EQUITY		
Patronage Capital	\$ 124,643,886	\$ 122,399,165
Accumulated Other Comprehensive Income	2,228,853	2,795,441
Other Equities	6,556,996	5,838,519
Total Members' Equity	133,429,735	131,033,125
LONG-TERM DEBT		
Mortgage Notes	113,727,347	98,417,782
Other Long-Term Debt	1,580,460	1,762,201
Total Long-Term Debt	115,307,807	100,179,983
Less: Current Maturities	(5,231,681)	(4,573,045)
Long-Term Debt, Net	110,076,126	95,606,938
ACCUMULATED PROVISIONS FOR POSTRETIREMENT BENEFITS	3,870,440	3,713,318
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	5,231,681	4,573,045
Line of Credit	8,000,000	6,000,000
Accounts Payable	12,007,461	12,747,505
Customer Deposits	594,824	725,779
Accrued Taxes	1,669,486	1,458,568
Other Current Liabilities	1,324,723	1,366,645
Total Current Liabilities	28,828,175	26,871,542
DEFERRED CREDITS	19,830,590	19,645,428
Total Members' Equity and Liabilities	\$ 296,035,066	\$ 276,870,351

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, 2020 AND 2019**

	2020	2019
OPERATING REVENUE		
Sale of Electricity	\$ 134,440,275	\$ 133,536,022
Other Operating Revenue	471,527	890,086
Total Operating Revenue	134,911,802	134,426,108
OPERATING EXPENSE		
Cost of Power	103,414,086	102,419,404
Transmission Expense	16,592	85,218
Distribution - Operations	5,452,495	5,433,527
Distribution - Maintenance	5,071,718	3,589,120
Consumer Accounts	1,968,428	1,757,485
Customer Service and Information	2,399,484	2,214,058
Administrative and General	4,503,960	4,574,373
Depreciation and Amortization	6,794,942	6,284,999
Interest on Long-Term Debt	2,899,449	2,929,745
Other Deductions	110,876	187,139
Total Operating Expense	132,632,030	129,475,068
NET OPERATING MARGIN	2,279,772	4,951,040
NONOPERATING MARGIN		
Interest Income	158,817	108,989
Other Nonoperating Income	23,730	44,347
Total Nonoperating Margin	182,547	153,336
CAPITAL CREDITS	3,523,811	4,787,636
NET MARGINS FOR PERIOD	5,986,130	9,892,012
Patronage Capital - Beginning of Year	122,399,165	115,960,326
Retirement of Capital Credits	(3,741,409)	(3,453,173)
PATRONAGE CAPITAL - END OF YEAR	\$ 124,643,886	\$ 122,399,165

See accompanying Notes to Consolidated Financial Statements.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
NET MARGIN	\$ 5,986,130	\$ 9,892,012
Accumulated Provision for Postretirement Benefits: Net Change Arising During the Year	<u>(566,588)</u>	<u>(430,219)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 5,419,542</u>	<u>\$ 9,461,793</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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 133,830,627	\$ 133,568,986
Interest and Dividends Received	158,817	108,989
Cash Paid to Suppliers and Employees	(123,436,013)	(119,591,993)
Interest Paid	<u>(2,874,592)</u>	<u>(2,904,085)</u>
Net Cash Provided by Operating Activities	7,678,839	11,181,897
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(33,549,566)	(33,812,879)
Contributions in Aid of Construction	7,960,230	14,916,454
Cash Received from Retirement of Patronage Capital	<u>3,049,672</u>	<u>2,741,041</u>
Net Cash Used by Investing Activities	(22,539,664)	(16,155,384)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Funds Received	20,103,999	15,104,000
Retirement of Long-Term Debt	(4,872,176)	(4,122,370)
Advances on Lines of Credit	36,200,000	37,500,000
Repayments on Lines of Credit	(34,200,000)	(39,500,000)
Retirement of Capital Credits	(3,741,409)	(3,453,173)
Other Financing Activities	<u>718,477</u>	<u>327,878</u>
Net Cash Provided by Financing Activities	<u>14,208,891</u>	<u>5,856,335</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(651,934)	882,848
Cash and Cash Equivalents - Beginning of Year	<u>1,805,288</u>	<u>922,440</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,153,354</u></u>	<u><u>\$ 1,805,288</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, 2020 AND 2019**

	2020	2019
RECONCILIATION OF NET MARGIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Margins	\$ 5,986,130	\$ 9,892,012
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	6,794,942	6,284,999
Patronage Capital Credits from Suppliers	(3,523,811)	(4,787,636)
Postretirement Benefit Obligation	(409,466)	(424,611)
Gain on Sale of Property and Equipment	(23,730)	(44,347)
Net Change in Assets and Liabilities:		
Accounts Receivable	(1,135,382)	(643,916)
Materials and Supplies	490,095	(573,904)
Other Assets	95,538	(570,680)
Deferred Charges	286,899	270,711
Accounts Payable	(1,105,579)	1,723,665
Customer deposits	(130,955)	29,618
Interest Payable	24,857	25,660
Accrued Taxes	210,918	106,432
Other Liabilities	(66,779)	136,718
Deferred Credits	185,162	(242,824)
Net Cash Provided by Operating Activities	\$ 7,678,839	\$ 11,181,897

See accompanying Notes to Consolidated Financial Statements.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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, 2020 AND 2019

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 \$81,778 and \$52,366 in 2020 and 2019, 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, 2020 and 2019, amounts asserted by taxing authorities could be different than the positions taken by both entities. The Association and Subsidiary recognize any interest and penalties assessed by taxing authorities in income tax expense and, with few exceptions, are no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2017.

Use of 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the 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% and 23% of the revenues, before deferral, reported for the years ended December 31, 2020 and 2019 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.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations (Continued)

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 \$672,160 and \$2,253,104 as of December 31, 2020 and 2019, respectively.

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>2020</u>	<u>2019</u>
Residential	\$ 56,127,681	\$ 53,311,273
Irrigation Sales (Pumps)	2,154,185	1,784,217
Small Commercial and Industrial	7,105,955	7,071,707
Large Commercial and Industrial	68,071,396	70,047,259
Public Street and Highway Lighting	329,557	305,931
Sales to Public Buildings and Other Authorities	206,208	221,392
Other Electric Revenue	445,293	794,243
Other Operating Revenue	471,527	890,086
Total Operating Revenue	<u>\$ 134,911,802</u>	<u>\$ 134,426,108</u>

Reclassification

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

Subsequent Events

In preparing these financial statements, the Association and its subsidiary have evaluated events and transactions for potential recognition or disclosure through March 24, 2021, 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, 2020 AND 2019

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:

	2020	2019
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	195,585,456	184,630,473
General Plant	30,976,211	24,117,063
Total Electric Plant	230,905,614	213,091,483
Construction Work in Progress	18,438,915	13,652,478
Subtotal	249,344,529	226,743,961
Accumulated Depreciation:		
Production Plant	413,383	301,532
Transmission Plant	1,494,053	1,442,214
Distribution Plant	49,674,792	47,293,078
General Plant	14,400,211	13,170,762
Total Accumulated Depreciation	65,982,439	62,207,586
Retirement Work in Progress	(664,936)	(672,527)
Subtotal	65,317,503	61,535,059
Net Utility Plant	\$ 184,027,026	\$ 165,208,902

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, 2020 AND 2019

NOTE 4 TERM CERTIFICATES

	2020	2019
Capital Term Certificates	\$ 916,138	\$ 916,138
Loan Term Certificates	244,100	269,750
Zero Term Certificates	19,289	24,336
Member Capital Securities	1,000,000	1,000,000
Total Subordinated Certificates	\$ 2,179,527	\$ 2,210,224

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.

	2020	2019
Patronage Capital - Tri-State G & T	\$ 83,950,463	\$ 84,119,309
Patronage Capital - Western United	3,973,166	3,414,981
Patronage Capital - CFC	888,621	806,804
Patronage Capital - Federated Rural Insurance Exchange	355,685	340,130
Other Investments in Associated Organizations	228,820	210,695
Total Investments in Associated Organizations	\$ 89,396,755	\$ 88,891,919

NOTE 6 OTHER INVESTMENTS

	2020	2019
Note Receivable	\$ 312,001	\$ 416,000
Total Other Investments	\$ 312,001	\$ 416,000

The note receivable is carried at cost and is secured by a letter of credit obtained by the borrower. At both December 31, 2020 and 2019, the note was current and management considers it to be collectible.

NOTE 7 OTHER CURRENT ASSETS

	2020	2019
Prepaid Insurance	\$ 60,653	\$ 66,787
Interest Receivable	26,031	26,318
Other Prepayments	436,199	159,781
Total Other Current Assets	\$ 522,883	\$ 252,886

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 8 DEFERRED CHARGES

	<u>2020</u>	<u>2019</u>
NRECA R&S Pension Prepayment	\$ 1,490,926	\$ 1,789,111
Other Deferred Charges	11,286	-
	<u>\$ 1,502,212</u>	<u>\$ 1,789,111</u>

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, 2018	\$ 122,172,638	\$ (6,212,312)	\$ 8,736,301	\$ 124,696,627
Net Margin, Year 2019	-	9,892,012	-	9,892,012
2018 Allocation	6,208,276	(6,208,276)	-	-
Retirement of Capital Credits	(3,453,173)	-	574,002	(2,879,171)
Change in Accumulated Other Comprehensive Income	-	-	(430,219)	(430,219)
Changes in Other Equities	-	-	(246,124)	(246,124)
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	<u>\$ 130,437,095</u>	<u>\$ (5,793,209)</u>	<u>\$ 8,785,849</u>	<u>\$ 133,429,735</u>

Under the provisions of the CFC mortgage agreement, until the equities and margins equal or exceed 20% of the total assets of the Association, the retirement of capital credits is generally limited to 30% of the patronage capital or margins from the prior calendar year.

This limitation does not usually apply to capital credit retirements made exclusively to estates.

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
DECEMBER 31, 2020 AND 2019

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 2049.

The following is a summary of these notes:

	<u>2020</u>	<u>2019</u>
CFC Mortgage Notes	\$ 55,937,922	\$ 53,860,050
CoBank Mortgage Notes	57,789,425	44,557,732
Capital Lease Obligation	<u>1,580,460</u>	<u>1,762,201</u>
Total Debt	115,307,807	100,179,983
Less: Current Maturities	<u>(5,231,681)</u>	<u>(4,573,045)</u>
Total Long-Term Debt	<u>\$ 110,076,126</u>	<u>\$ 95,606,938</u>

The CFC notes have fixed interest rates that ranged between 2.75% and 5.20% as of both December 31, 2020 and 2019, 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, 2020 and 2019, respectively. The CoBank notes mature in varying amounts through 2050.

As of December 31, 2020, the Association has approved credit in the amount of \$40,000,000 from CFC and \$45,000,000 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, 2020 and 2019.

Equipment under the capital lease had a cost and accumulated depreciation of \$2,296,208 and \$413,383 as of December 31, 2020 and \$2,296,208 and \$301,532 as of December 31, 2019, respectively.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 5,231,681
2022	5,407,220
2023	5,429,387
2024	5,256,392
2025	5,466,389
Thereafter	88,516,738

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 OTHER CURRENT LIABILITIES

	<u>2020</u>	<u>2019</u>
Accrued Interest Payable	501,899	\$ 477,042
Accrued Payroll	387,000	278,715
Accrued Vacation, Holiday, and Sick Pay	295,488	255,514
Patronage Capital Payable	83,448	98,431
Other Current Liabilities	56,888	256,943
Total Other Current Liabilities	<u>\$ 1,324,723</u>	<u>\$ 1,366,645</u>

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, 2020 and 2019, the interest rate on these lines of credit were 2.45% and 2.25%, and 2.85% and 3.25%, respectively. The outstanding balances on the lines of credit were \$8,000,000 and \$6,000,000 as of December 31, 2020 and 2019.

The Association has a line of credit with CoBank in the amount of \$10,000,000. At December 31, 2020 and 2019, the interest rate on this line of credit was 2.30% and 3.19%, respectively. The line of credit matures on October 31, 2021. The Association had an outstanding balance of \$-0- at December 31, 2020 and 2019.

NOTE 13 DEFERRED CREDITS

	<u>2020</u>	<u>2019</u>
Customers' Prepayments	\$ 635,888	\$ 560,899
Power Cost Revenue Deferral - Cumulative	17,800,000	17,800,000
Other Deferred Credits	1,394,702	1,284,529
Total Deferred Credits	<u>\$ 19,830,590</u>	<u>\$ 19,645,428</u>

The Association has rebate agreements with members for certain funds advanced for construction in prior years. The agreements fully expired in 2019 at which time the remaining balance of \$272,652 was applied to utility plant as contribution in aid of construction.

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
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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 multi-employer 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 multi-employer 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 2020 and 2019 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 2020 and 2019 amounts.

Pension expense incurred during the years ending December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Current Payments to Plan	\$ 1,616,210	\$ 1,417,681
Amortization of Prepaid Pension Cost	298,185	270,711
Total	<u>\$ 1,914,395</u>	<u>\$ 1,688,392</u>

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 90% funded at both January 1, 2020 and January 1, 2019 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, 2020 AND 2019

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, 2020 and 2019 was \$503,763 and \$458,602, 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, 2020.

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, 2020 AND 2019

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>2020</u>	<u>2019</u>
Accumulated Postretirement Benefit Obligation -		
Beginning Per Books	\$ 3,713,318	\$ 3,707,710
Service and Interest Costs	98,670	100,511
Sick Leave Accrual	75,570	253,448
Gain/Loss in Other Comprehensive Income	238,932	-
Benefit Payments	(256,050)	(251,867)
ASC 715 Adjustment	-	(96,484)
Accumulated Postretirement Benefit Obligation -		
Ending Per Books	<u>\$ 3,870,440</u>	<u>\$ 3,713,318</u>
Assumed Health Care Cost Trend Rates:		
Health Care Cost Trend Rate	0%	7%
Ultimate Trend Rate	5%	5%
Year the Rate Reaches the Ultimate	2027	2025
Health Care Cost Trend Rate - Drugs	0%	5%
Ultimate Trend Rate	5%	7%
Year the Rate Reaches the Ultimate	2027	2025

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

	<u>2020</u>	<u>2019</u>
Discount Rate	3.00%	4.05%

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

	<u>2020</u>	<u>2019</u>
APBO	7.3%	8.4%
Service and Interest	7.3%	8.4%

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>
2021	\$ 262,924
2022	261,550
2023	251,347
2024	226,281
2025	214,123
2026 - 2030	971,152

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS (CONTINUED)

The Association has a net loss in the amount of \$566,588, which is included in other comprehensive margins. The estimated related net loss that will be amortized over the next fiscal year is \$228,736.

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 \$100,625,557 and \$100,082,903 for the years ended December 31, 2020 and 2019, 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 \$8,839,239 and \$8,492,021 at December 31, 2020 and 2019, 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.

NOTE 19 RISKS AND UNCERTAINTIES

The COVID-19 global pandemic is having significant on global markets, supply chain, businesses, and communities. Specific to the Association, COVID-19 may impact various parts of its 2021 operations and financial results, but the effects are currently unknown. Management believes the Association is taking appropriate actions to mitigate any potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

SUPPLEMENTARY INFORMATION

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
UTILITY PLANT				
Electric Plant in Service	\$ 228,609,406	\$ 2,296,208	\$ -	\$ 230,905,614
Construction Work in Progress	18,438,915	-	-	18,438,915
Total Utility Plant	247,048,321	2,296,208	-	249,344,529
Less: Accumulated Depreciation	(64,904,120)	(413,383)	-	(65,317,503)
Net Utility Plant	182,144,201	1,882,825	-	184,027,026
INVESTMENTS				
Term Certificates	2,179,527	-	-	2,179,527
Investments in Associated Organizations	89,659,247	-	(262,492)	89,396,755
Other Investments	312,001	-	-	312,001
Total Investments	92,150,775	-	(262,492)	91,888,283
CURRENT ASSETS				
Cash and Cash Equivalents	1,069,373	83,981	-	1,153,354
Accounts Receivable (Less Allowance for Doubtful Accounts of \$19,000)	14,556,281	11,856	(11,856)	14,556,281
Materials and Supplies	2,385,027	-	-	2,385,027
Other Current Assets	522,883	-	-	522,883
Total Current Assets	18,533,564	95,837	(11,856)	18,617,545
DEFERRED CHARGES				
	1,502,212	-	-	1,502,212
 Total Assets	 <u>\$ 294,330,752</u>	 <u>\$ 1,978,662</u>	 <u>\$ (274,348)</u>	 <u>\$ 296,035,066</u>

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
MEMBERS' EQUITY AND LIABILITIES				
EQUITIES AND MARGINS				
Patronage Capital	\$ 124,508,176	\$ 135,710	\$ -	\$ 124,643,886
Accumulated Other Comprehensive Income	2,228,853	-	-	2,228,853
Other Equities	6,556,996	262,492	(262,492)	6,556,996
Total Equities and Margins	133,294,025	398,202	(262,492)	133,429,735
LONG-TERM DEBT				
Mortgage Notes	113,727,347	-	-	113,727,347
Other Long-Term Debt	-	1,580,460	-	1,580,460
Total Long-Term Debt	113,727,347	1,580,460	-	115,307,807
Less: Current Maturities	(5,049,940)	(181,741)	-	(5,231,681)
Long-Term Debt, Net	108,677,407	1,398,719	-	110,076,126
ACCUMULATED PROVISIONS FOR POST RETIREMENT BENEFITS				
	3,870,440	-	-	3,870,440
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	5,049,940	181,741	-	5,231,681
Line of Credit	8,000,000	-	-	8,000,000
Accounts Payable	12,019,317	-	(11,856)	12,007,461
Customer Deposits	594,824	-	-	594,824
Accrued Taxes	1,669,486	-	-	1,669,486
Other Current Liabilities	1,324,723	-	-	1,324,723
Total Current Liabilities	28,658,290	181,741	(11,856)	28,828,175
DEFERRED CREDITS				
	19,830,590	-	-	19,830,590
Total Members' Equity and Liabilities	<u>\$ 294,330,752</u>	<u>\$ 1,978,662</u>	<u>\$ (274,348)</u>	<u>\$ 296,035,066</u>

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF REVENUE AND PATRONAGE CAPITAL
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
OPERATING REVENUE				
Operating Revenue	\$ 134,440,275	\$ -	\$ -	\$ 134,440,275
Other Operating Revenue	471,527	221,762	(221,762)	471,527
Total Operating Revenue	<u>134,911,802</u>	<u>221,762</u>	<u>(221,762)</u>	<u>134,911,802</u>
OPERATING EXPENSE				
Cost of Power	103,635,848	-	(221,762)	103,414,086
Transmission Expense	16,592	-	-	16,592
Distribution - Operations	5,452,495	-	-	5,452,495
Distribution - Maintenance	5,071,718	-	-	5,071,718
Consumer Accounts	1,968,428	-	-	1,968,428
Customer Service and Information	2,399,484	-	-	2,399,484
Administrative and General	4,475,727	28,233	-	4,503,960
Depreciation and Amortization	6,683,091	111,851	-	6,794,942
Interest on Long-Term Debt	2,899,449	-	-	2,899,449
Other Deductions	110,876	-	-	110,876
Total Operating Expense	<u>132,713,708</u>	<u>140,084</u>	<u>(221,762)</u>	<u>132,632,030</u>
NET OPERATING MARGIN	2,198,094	81,678	-	2,279,772
NONOPERATING MARGIN				
Interest Income	158,717	100	-	158,817
Other Nonoperating Income	23,730	-	-	23,730
Total Nonoperating Margin	<u>182,447</u>	<u>100</u>	<u>-</u>	<u>182,547</u>
CAPITAL CREDITS	<u>3,523,811</u>	<u>-</u>	<u>-</u>	<u>3,523,811</u>
NET MARGIN FOR PERIOD	5,904,352	81,778	-	5,986,130
Patronage Capital - Beginning of Year	122,345,233	244,587	(190,655)	122,399,165
Equity Transfer	-	71,837	(71,837)	-
Retirement of Capital Credits	<u>(3,741,409)</u>	<u>-</u>	<u>-</u>	<u>(3,741,409)</u>
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 124,508,176</u>	<u>\$ 398,202</u>	<u>\$ (262,492)</u>	<u>\$ 124,643,886</u>