

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
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YEARS ENDED DECEMBER 31, 2022 AND 2021

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**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
OFFICERS, DIRECTORS, AND MANAGEMENT (UNAUDITED)**

<u>Name</u>	<u>Office</u>	<u>Address</u>
Steven Anderson	Chair	Berthoud, Colorado
Jack Schneider	Vice-Chair	Eaton, 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
Rick Johnson	Director	Loveland, 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 (the Association), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, patronage capital and other equities, 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 the Association as of December 31, 2022 and 2021, 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 the Association 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.

Emphasis-of-Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Association adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with terms greater than one year. Our opinion is not modified with respect to this matter.

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 the Association'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 the Association'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 the Association'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 Operations 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the listing of officers, directors, management but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Rochester, Minnesota
March 13, 2023

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
UTILITY PLANT		
Electric Plant in Service	\$ 260,949,753	\$ 246,239,927
Construction Work in Progress	3,069,468	9,351,282
Total	264,019,221	255,591,209
Less: Accumulated Depreciation	(74,129,758)	(70,350,427)
Net Utility Plant	189,889,463	185,240,782
 Financing Right of Use Asset Less Amortization	 1,092,008	 -
INVESTMENTS		
Term Certificates	2,168,826	2,174,280
Investments in Associated Organizations	89,645,577	89,454,716
Other Investments	2,119,955	225,375
Total Investments	93,934,358	91,854,371
CURRENT ASSETS		
Cash and Cash Equivalents	1,380,465	2,691,077
Accounts Receivable, Less Provision for Uncollectible Accounts	14,150,333	15,664,009
Materials and Supplies	3,508,029	2,482,620
Other Current Assets	726,549	742,423
Total Current Assets	19,765,376	21,580,129
DEFERRED DEBITS	951,948	1,192,741
 Total Assets	 \$ 305,633,153	 \$ 299,868,023

See accompanying Notes to Consolidated Financial Statements.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2022 AND 2021

	2022	2021
MEMBERS' EQUITY AND LIABILITIES		
MEMBERS' EQUITY		
Patronage Capital	\$ 127,290,345	\$ 127,292,605
Accumulated Other Comprehensive Income	2,354,448	1,981,213
Other Equities	6,577,452	6,789,695
Total Members' Equity	136,222,245	136,063,513
LONG-TERM DEBT		
Mortgage Notes (Less Maturities)	122,069,729	117,810,183
Long-Term Lease Liability - Financing (Less Maturities)	921,390	-
Other Long-Term Debt	-	1,398,720
Total Long-Term Debt, Net	122,991,119	119,208,903
ACCUMULATED PROVISIONS FOR POSTRETIREMENT BENEFITS	2,794,069	3,860,571
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	5,778,371	5,732,702
Current Lease Liability - Financing	141,794	-
Accounts Payable	12,207,862	11,798,168
Customer Deposits	889,638	503,118
Accrued Taxes	1,910,686	1,717,051
Other Current Liabilities	1,666,128	1,398,550
Total Current Liabilities	22,594,479	21,149,589
DEFERRED CREDITS	21,031,241	19,585,447
Total Members' Equity and Liabilities	\$ 305,633,153	\$ 299,868,023

See accompanying Notes to Consolidated Financial Statements.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUE		
Sale of Electricity	\$ 138,695,795	\$ 136,594,516
Other Operating Revenue	884,409	700,530
Total Operating Revenue	139,580,204	137,295,046
OPERATING EXPENSE		
Cost of Power	107,354,222	104,153,237
Transmission Expense	28,785	45,074
Distribution - Operations	6,573,334	6,047,168
Distribution - Maintenance	3,854,734	3,717,869
Consumer Accounts	2,047,796	2,127,670
Customer Service and Information	2,937,870	2,601,271
Administrative and General	4,723,492	4,433,450
Depreciation and Amortization	7,323,288	7,325,367
Interest on Long-Term Debt	3,844,525	3,274,846
Other Deductions	229,128	136,189
Total Operating Expense	138,917,174	133,862,141
NET OPERATING MARGIN	663,030	3,432,905
NONOPERATING MARGIN		
Interest Income	202,264	108,885
Other Nonoperating Income	56,602	16,645
Total Nonoperating Margin	258,866	125,530
CAPITAL CREDITS	1,443,734	3,162,429
NET MARGINS	2,365,630	6,720,864
OTHER COMPREHENSIVE MARGINS		
Accumulated Provision for Postretirement Benefits:		
Net Change Arising During the Year	373,235	(247,640)
COMPREHENSIVE NET MARGINS	\$ 2,738,865	\$ 6,473,224

See accompanying Notes to Consolidated Financial Statements.

**POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF PATRONAGE CAPITAL AND OTHER EQUITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Patronage Capital	Patronage Capital Unallocated	Other Comprehensive Income	Other Equities	Total
Balance - December 31, 2020	\$ 130,437,095	\$ (5,793,209)	\$ 2,228,853	\$ 6,556,996	\$ 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)	1,981,213	6,789,695	136,063,513
Net Margin, Year 2022	-	2,365,630	-	-	2,365,630
2021 Allocation	6,489,810	(6,489,810)	-	-	-
Retirement of Capital Credits	(2,367,890)	-	-	545,699	(1,822,191)
Change in Accumulated Other Comprehensive Income	-	-	373,235	-	373,235
Changes in Other Equities	2,050	(2,050)	-	(757,942)	(757,942)
Balance - December 31, 2022	<u>\$ 136,938,782</u>	<u>\$ (9,648,437)</u>	<u>\$ 2,354,448</u>	<u>\$ 6,577,452</u>	<u>\$ 136,222,245</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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 2,365,630	\$ 6,720,864
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation	7,323,288	7,325,367
Amortization of ROU Asset	591,604	-
Patronage Capital Credits from Suppliers	(1,443,734)	(3,162,429)
Postretirement Benefit Obligation	(693,267)	(257,509)
Gain on Sale of Property and Equipment	(56,602)	(16,645)
(Increase) Decrease in:		
Accounts Receivable	1,513,676	(1,107,728)
Materials and Supplies	(1,025,409)	(97,593)
Other Assets	15,874	(219,540)
Deferred Debits	240,793	309,471
Increase (Decrease) in:		
Accounts Payable	409,694	(209,293)
Customer Deposits	386,520	(91,706)
Interest Payable	704	7,504
Accrued Taxes	193,635	47,565
Other Liabilities	266,874	66,323
Deferred Credits	1,445,794	(245,143)
Net Cash Provided by Operating Activities	11,535,074	9,069,508
 CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(32,072,862)	(31,411,154)
Contributions in Aid of Construction	18,473,883	22,888,676
Change in Economic Development Loans	105,420	86,626
Purchase of Temporary Investments	(2,000,000)	-
Cash Received from Retirement of Patronage Capital	1,258,327	3,109,715
Net Cash Used by Investing Activities	(14,235,232)	(5,326,137)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Funds Received	10,000,000	15,000,000
Retirement of Long-Term Debt	(6,951,710)	(5,366,202)
Advances on Lines of Credit	8,250,000	49,300,000
Repayments on Lines of Credit	(8,250,000)	(57,300,000)
Obligations Under Finance Leases	921,389	-
Retirement of Capital Credits	(2,367,890)	(4,072,145)
Other Financing Activities	(212,243)	232,699
Net Cash Provided (Used) by Financing Activities	1,389,546	(2,205,648)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,310,612)	1,537,723
Cash and Cash Equivalents - Beginning of Year	2,691,077	1,153,354
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,380,465	\$ 2,691,077
 NONCASH ITEM - ISSUANCE OF ROU LEASE	\$ 1,193,565	\$ -

See accompanying Notes to Consolidated Financial Statements.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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

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. The following is a summary of these items at December 31:

	<u>2022</u>	<u>2021</u>
Cash on Hand and in Banks	<u>\$ 1,380,465</u>	<u>\$ 2,691,077</u>
Total	<u>\$ 1,380,465</u>	<u>\$ 2,691,077</u>

Temporary cash investments consist of National Rural Utilities Cooperative Finance Corporation (NRUCFC) select notes which mature by February 21, 2023.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Comprehensive Margins

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

Presentation of Sales Taxes

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.

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 net loss of \$208,956 and net income of \$98,130 in 2022 and 2021, 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, 2022 and 2021, 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 21.8% and 23.1% of the revenues, before deferral, reported for the years ended December 31, 2022 and 2021 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, 2022 AND 2021

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).

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>2022</u>	<u>2021</u>
Residential	\$ 60,033,202	\$ 57,966,928
Irrigation Sales (Pumps)	2,095,410	2,019,197
Small Commercial and Industrial	7,334,746	7,224,060
Large Commercial and Industrial	69,855,312	68,372,384
Public Street and Highway Lighting	384,198	362,812
Sales to Public Buildings and Other Authorities	190,786	195,559
Other Electric Revenue	(1,197,859)	453,576
Other Operating Revenue	884,409	700,530
Total Operating Revenue	<u>\$ 139,580,204</u>	<u>\$ 137,295,046</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.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 13, 2023, the date the consolidated financial statements were available to be issued.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases.

Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Association has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Association elected the available practical expedients to account for existing financing leases as financing leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs in the new guidance at lease commencement.

The Association adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

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.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 UTILITY PLANT

A summary of the utility plant and accumulated depreciation follows:

	<u>2022</u>	<u>2021</u>
Intangible Plant	\$ 60,994	\$ 60,994
Production Plant	151,934	2,296,208
Transmission Plant	1,986,745	1,986,745
Distribution Plant	232,273,891	206,244,168
General Plant	<u>26,476,189</u>	<u>35,651,812</u>
Total Electric Plant	260,949,753	246,239,927
Construction Work in Progress	<u>3,069,468</u>	<u>9,351,282</u>
Subtotal	264,019,221	255,591,209
Accumulated Depreciation:		
Production Plant	38,617	525,234
Transmission Plant	1,597,731	1,545,892
Distribution Plant	56,459,596	53,071,300
General Plant	<u>16,649,872</u>	<u>16,001,461</u>
Total Accumulated Depreciation	74,745,816	71,143,887
Retirement Work in Progress	<u>(616,058)</u>	<u>(793,460)</u>
Subtotal	<u>74,129,758</u>	<u>70,350,427</u>
Net Utility Plant	<u>\$ 189,889,463</u>	<u>\$ 185,240,782</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%.

NOTE 4 TERM CERTIFICATES

	<u>2022</u>	<u>2021</u>
Capital Term Certificates	\$ 916,138	\$ 916,138
Loan Term Certificates	244,100	244,100
Zero Term Certificates	8,588	14,042
Member Capital Securities	<u>1,000,000</u>	<u>1,000,000</u>
Total Subordinated Certificates	<u>\$ 2,168,826</u>	<u>\$ 2,174,280</u>

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 TERM CERTIFICATES (CONTINUED)

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.

	<u>2022</u>	<u>2021</u>
Patronage Capital - Tri-State G & T	\$ 82,816,865	\$ 83,679,739
Patronage Capital - Western United	5,139,497	4,191,053
Patronage Capital - CFC	1,018,080	957,839
Patronage Capital - Federated Rural Insurance Exchange	412,214	375,513
Other Investments in Associated Organizations	<u>258,921</u>	<u>250,572</u>
Total Investments in Associated Organizations	<u>\$ 89,645,577</u>	<u>\$ 89,454,716</u>

NOTE 6 OTHER INVESTMENTS

	<u>2022</u>	<u>2021</u>
Note Receivable	\$ 119,955	\$ 225,375
NRUCFC - Member Select Notes	<u>2,000,000</u>	<u>-</u>
Total Other Investments	<u>\$ 2,119,955</u>	<u>\$ 225,375</u>

The note receivable is carried at cost and is secured by a letter of credit obtained by the borrower. At both December 31, 2022 and 2021, the note was current and management considers it to be collectible.

Temporary investments consist of National Rural Utilities Cooperative Finance Corporation (NRUCFC) member select notes which mature by February 21, 2023.

NOTE 7 OTHER CURRENT ASSETS

	<u>2022</u>	<u>2021</u>
Prepaid Insurance	\$ 455,088	\$ 445,062
Interest Receivable	34,536	26,066
Other Prepayments	<u>236,925</u>	<u>271,295</u>
Total Other Current Assets	<u>\$ 726,549</u>	<u>\$ 742,423</u>

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 DEFERRED CHARGES

	2022	2021
NRECA R&S Pension Prepayment	\$ 903,066	\$ 1,192,741
Other Deferred Charges	48,882	-
Total	\$ 951,948	\$ 1,192,741

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 LONG-TERM DEBT

Long-term debt consists of mortgage notes payable to CFC and CoBank, and a capital lease with various maturities through 2052.

The following is a summary of these notes:

	2022	2021
CFC Mortgage Notes	\$ 49,575,614	\$ 52,812,620
CoBank Mortgage Notes	78,272,486	70,730,265
Finance Lease Obligation	1,063,184	1,398,720
Total Debt	128,911,284	124,941,605
Less: Current Maturities	(5,920,165)	(5,732,702)
Total Long-Term Debt	\$ 122,991,119	\$ 119,208,903

The CFC notes have fixed interest rates that ranged between 1.66% and 5.20% as of both December 31, 2022 and 2021, 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, 2022 and 2021, respectively. The CoBank notes mature in varying amounts through 2052.

As of December 31, 2022, the Association has approved credit in the amount of \$40,000,000 from CFC and \$20,000,000 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, 2022 and 2021.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 LONG-TERM DEBT (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 5,778,371
2024	5,620,265
2025	5,849,705
2026	6,040,853
2027	6,193,311
Thereafter	98,365,596

NOTE 10 OTHER CURRENT LIABILITIES

	<u>2022</u>	<u>2021</u>
Accrued Interest Payable	\$ 510,107	\$ 509,403
Accrued Payroll	458,667	414,636
Accrued Vacation, Holiday, and Sick Pay	304,340	330,487
Patronage Capital Payable	250,528	83,730
Insurance	106,900	-
Other Current Liabilities	35,586	60,294
Total Other Current Liabilities	<u>\$ 1,666,128</u>	<u>\$ 1,398,550</u>

NOTE 11 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, 2022 and 2021, the interest rate on these lines of credit were 5.75% and 2.45%, and 5.55% and 2.45%, respectively. The outstanding balances on the lines of credit were \$-0- as of December 31, 2022 and 2021.

The Association has a line of credit with CoBank in the amount of \$10,000,000. At December 31, 2022 and 2021, the interest rate on this line of credit was 6.20% and 2.41%, respectively. The line of credit matures on October 31, 2023. The Association had an outstanding balance of \$-0- at December 31, 2022 and 2021.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 DEFERRED CREDITS

	2022	2021
Customers' Prepayments	\$ 628,064	\$ 671,201
Power Cost Revenue Deferral - Cumulative	19,300,000	17,800,000
Other Deferred Credits	1,103,177	1,114,246
Total Deferred Credits	\$ 21,031,241	\$ 19,585,447

The power cost revenue deferral represents revenue which was earned in 2013 through 2022, 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, \$2,500,000 has been excluded from the 2017 Net Margin, and \$1,500,000 has been excluded from the 2022 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.

NOTE 13 LEASES ASC – 842

The Association leases solar equipment for terms under a long-term, noncancelable lease agreement. The lease expires in 2030. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease.

Right-of-Use (ROU) assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Association uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The financing ROU asset also includes any lease payments made and excludes incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Association has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Association elected the available practical expedients to account for existing financing leases as financing leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs in the new guidance at lease commencement.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 LEASES ASC – 842 (CONTINUED)

As a result of the new lease accounting guidance, the Association recognized on January 1, 2022 a lease liability of \$1,063,184, which represents the present value of the remaining financing lease payments of \$1,216,979, discounted using the Association's incremental borrowing rate of 4%, and a right-of-use asset of \$1,683,612. The adoption of the lease standard did not materially impact the balance sheet.

The following table provides quantitative information concerning the Association's leases:

Note Leases 842

	2022
Finance Lease Costs	\$ 136,244
Interest on Lease Liabilities	45,497
Total Lease Costs	\$ 181,741
Weighted-Average Remaining Lease Term - Financing Lease	7 years
Weighted-Average Discount Rate - Financing Lease	4.00%

The Association classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year</u>	<u>Finance Leases</u>
2023	\$ 181,741
2024	181,741
2025	181,741
2026	181,741
2027	160,245
2028-2030	329,772
Total Lease Payments	1,216,981
Less: Interest	(153,797)
Present Value of Lease Liabilities	\$ 1,063,184

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.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 RETIREMENT PLANS (CONTINUED)

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 2022 and 2021 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 2022 and 2021 amounts.

Pension expense incurred during the years ended December 31, 2022 and 2021 consisted of the following:

	2022	2021
Current Payments to Plan	\$ 1,689,125	\$ 1,718,602
Amortization of Prepaid Pension Cost	298,185	298,185
Total	\$ 1,987,310	\$ 2,016,787

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, 2022 and January 1, 2021 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.

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.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 14 RETIREMENT PLANS (CONTINUED)

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, 2022 and 2021 was \$522,985 and \$535,512, respectively.

NOTE 15 DEFERRED COMPENSATION

The Association has a deferred compensation plan that current employees participate in 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, 2022.

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.

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

	2022	2021
Accumulated Postretirement Benefit Obligation -		
Beginning Per Books	\$ 3,860,571	\$ 3,870,440
Service and Interest Costs	62,194	79,649
Sick Leave Accrual	(296,409)	121,239
Gain/Loss in Other Comprehensive Income	(593,375)	52,167
Benefit Payments	(238,912)	(262,924)
Accumulated Postretirement Benefit Obligation -		
Ending Per Books	\$ 2,794,069	\$ 3,860,571
Assumed Health Care Cost Trend Rates:		
Health Care Cost Trend Rate	6.88%	6.80%
Ultimate Trend Rate	5.00%	5.00%
Year the Rate Reaches the Ultimate	2029	2029
Health Care Cost Trend Rate - Drugs	6.88%	6.80%
Ultimate Trend Rate	5.00%	5.00%
Year the Rate Reaches the Ultimate	2028	2029

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Discount Rate	5.00%	2.70%

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

	<u>2022</u>	<u>2021</u>
APBO	6.74%	7.81%
Service and Interest	6.74%	7.82%

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>
2023	\$ 235,130
2024	207,951
2025	192,466
2026	186,496
2027	180,220
2028 - 2032	796,325

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 \$104,583,647 and \$101,089,813 for the years ended December 31, 2022 and 2021, 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 \$9,286,278 and \$8,587,558 at December 31, 2022 and 2021, 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, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
PROPERTY AND EQUIPMENT				
Electric Plant in Service	\$ 260,797,819	\$ 151,934	\$ -	\$ 260,949,753
Construction Work in Progress	3,069,468	-	-	3,069,468
Total	263,867,287	151,934	-	264,019,221
Less: Accumulated Depreciation	(74,091,141)	(38,617)	-	(74,129,758)
Net Property and Equipment	189,776,146	113,317	-	189,889,463
Financing Right-of-Use Asset Less Amortization	-	1,092,008	-	1,092,008
INVESTMENTS				
Term Certificates	2,168,826	-	-	2,168,826
Investments in Associated Organizations	89,872,152	-	(226,575)	89,645,577
Other Investments	2,119,955	-	-	2,119,955
Total Investments	94,160,933	-	(226,575)	93,934,358
CURRENT ASSETS				
Cash and Cash Equivalents	1,308,079	72,386	-	1,380,465
Accounts Receivable	14,150,333	10,406	(10,406)	14,150,333
Materials and Supplies	3,508,029	-	-	3,508,029
Other Current Assets	726,549	-	-	726,549
Total Current Assets	19,692,990	82,792	(10,406)	19,765,376
DEFERRED CHARGES	903,066	48,882	-	951,948
 Total Assets	 <u>\$ 304,533,135</u>	 <u>\$ 1,336,999</u>	 <u>\$ (236,981)</u>	 <u>\$ 305,633,153</u>

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
MEMBERS' EQUITY AND LIABILITIES				
EQUITIES AND MARGINS				
Patronage Capital	\$ 127,265,462	\$ 24,883	\$ -	\$ 127,290,345
Accumulated Other Comprehensive Income	2,354,448	-	-	2,354,448
Other Equities	6,577,452	226,575	(226,575)	6,577,452
Total Equities and Margins	<u>136,197,362</u>	<u>251,458</u>	<u>(226,575)</u>	<u>136,222,245</u>
LONG-TERM DEBT				
Mortgage Notes (Less Maturities)	122,069,729	-	-	122,069,729
Long-Term Lease Liability - Financing (Less Maturities)	-	921,390	-	921,390
Total Long-Term Debt	<u>122,069,729</u>	<u>921,390</u>	<u>-</u>	<u>122,991,119</u>
ACCUMULATED PROVISIONS FOR POST RETIREMENT BENEFITS				
	2,794,069	-	-	2,794,069
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	5,778,371	-	-	5,778,371
Current Lease Liability - Financing	-	141,794	-	141,794
Accounts Payable	12,203,123	15,145	(10,406)	12,207,862
Customer Deposits	889,638	-	-	889,638
Accrued Taxes	1,903,474	7,212	-	1,910,686
Other Current Liabilities	1,666,128	-	-	1,666,128
Total Current Liabilities	<u>22,440,734</u>	<u>164,151</u>	<u>(10,406)</u>	<u>22,594,479</u>
DEFERRED CREDITS				
	<u>21,031,241</u>	<u>-</u>	<u>-</u>	<u>21,031,241</u>
Total Members' Equity and Liabilities	<u>\$ 304,533,135</u>	<u>\$ 1,336,999</u>	<u>\$ (236,981)</u>	<u>\$ 305,633,153</u>

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
OPERATING REVENUE				
Operating Revenue	\$ 138,695,795	\$ -	\$ -	\$ 138,695,795
Other Operating Revenue	884,409	223,118	(223,118)	884,409
Total Operating Revenue	<u>139,580,204</u>	<u>223,118</u>	<u>(223,118)</u>	<u>139,580,204</u>
OPERATING EXPENSE				
Cost of Power	107,577,340	-	(223,118)	107,354,222
Transmission Expense	28,785	-	-	28,785
Distribution - Operations	5,708,600	864,734	-	6,573,334
Distribution - Maintenance	3,854,734	-	-	3,854,734
Consumer Accounts	2,047,796	-	-	2,047,796
Customer Service and Information	2,937,870	-	-	2,937,870
Administrative and General	4,669,213	54,279	-	4,723,492
Depreciation and Amortization	7,809,905	(486,617)	-	7,323,288
Interest on Long-Term Debt	3,844,525	-	-	3,844,525
Other Deductions	229,128	-	-	229,128
Total Operating Expense	<u>138,707,896</u>	<u>432,396</u>	<u>(223,118)</u>	<u>138,917,174</u>
NET OPERATING MARGIN	872,308	(209,278)	-	663,030
NONOPERATING MARGIN				
Interest Income	201,943	321	-	202,264
Other Nonoperating Income	56,602	-	-	56,602
Total Nonoperating Margin	<u>258,545</u>	<u>321</u>	<u>-</u>	<u>258,866</u>
CAPITAL CREDITS	<u>1,443,734</u>	<u>-</u>	<u>-</u>	<u>1,443,734</u>
NET MARGINS	2,574,587	(208,957)	-	2,365,630
OTHER COMPREHENSIVE MARGINS				
Accumulated Provision for Postretirement Benefits:				
Net Change Arising During the Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
COMPREHENSIVE NET MARGINS	2,574,587	(208,957)	-	2,365,630
Patronage Capital and Other Equities - Beginning of Year	136,707,202	500,942	(267,102)	136,941,042
Patronage Capital Retired	(2,367,890)	-	-	(2,367,890)
Net Change in Other Equities	<u>-</u>	<u>(40,527)</u>	<u>40,527</u>	<u>-</u>
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 136,913,899</u>	<u>\$ 251,458</u>	<u>\$ (226,575)</u>	<u>\$ 136,938,782</u>



REPORT ON LOAN FUND EXPENDITURES

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Poudre Valley Rural Electric Association, Inc. and Subsidiary (the Association) as of December 31, 2022 and the related statements of operations, patronage capital and other equities, and cash flows for the year then ended, and have issued our report thereon dated March 13, 2023.

During the year ended December 31, 2022, the Cooperative received \$-0- in long-term loan fund advances from the National Rural Utilities Cooperative Finance Corporation (NRUCFC) on loans controlled by the NRUCFC Mortgage and Loan Agreement. In conducting our audit, nothing came to our attention that caused us to believe that the Association was not in compliance with the intended purpose of the loan funds as contemplated in the Loan Agreement. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the board of directors and management of the Association and NRUCFC and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Rochester, Minnesota
March 13, 2023



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