POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Name	Office	Address
Steven Anderson	Director	Berthoud, Colorado
Rick Johnson	Director	Loveland, Colorado
Jan Peterson	Director	Fort Collins, Colorado
Bryan D. Ehrilich	Secretary	Wellington, Colorado
Peter Hyland	Vice Chair	Windsor Colorado
Thaine Michie	Director	La Porte, Colorado
Jack Schneider	Chiar	Eaton, Colorado
Ronald Sutherland	Director	Boulder, Colorado
Sheryl Henderson	Director	Loveland, Colorado
Jeff Wadsworth	President and CEO	Fort Collins, Colorado

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in their patronage capital and their 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.

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 within one year after the date that 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

CliftonLarsonAllen LLP

Rochester, Minnesota
March 11, 2024

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
UTILITY PLANT		
Electric Plant in Service	$ 270,311,093	$ 260,949,753
Construction Work in Progress	11,087,402	3,069,468
Total	281,398,495	264,019,221
Less: Accumulated Depreciation	(76,575,518)	(74,129,758)
Net Utility Plant	204,822,977	189,889,463
Financing Right of Use Asset Less Amortization	956,077	1,092,008
INVESTMENTS		
Term Certificates	2,160,238	2,168,826
Investments in Associated Organizations	90,342,295	89,645,577
Other Investments	14,535	2,119,955
Total Investments	92,517,068	93,934,358
CURRENT ASSETS		
Cash and Cash Equivalents	2,708,702	1,380,465
Accounts Receivable, Less Allowance for Credit Losses of $3,047 and $57,197 for 2023 and 2022, Respectively	13,873,228	14,150,333
Materials and Supplies	4,138,211	3,508,029
Other Current Assets	499,309	726,549
Total Current Assets	21,219,450	19,765,376
DEFERRED DEBITS	645,252	951,948
Total Assets	$ 320,160,824	$ 305,633,153

See accompanying Notes to Consolidated Financial Statements.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022

	2023	2022
MEMBERS' EQUITY AND LIABILITIES		
MEMBERS' EQUITY		
Patronage Capital	$ 128,531,210	$ 127,290,345
Accumulated Other Comprehensive Income	2,108,005	2,354,448
Other Equities	6,850,585	6,577,452
Total Members' Equity	137,489,800	136,222,245
LONG-TERM DEBT		
Mortgage Notes (Less Maturities)	120,337,031	122,069,729
Long-Term Lease Liability - Financing (Less Maturities)	773,819	921,390
Total Long-Term Debt, Net	121,110,850	122,991,119
ACCUMULATED PROVISIONS FOR POSTRETIREMENT BENEFITS	2,716,086	2,794,069
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	5,728,211	5,778,371
Current Lease Liability - Financing	147,571	141,794
Lines of Credit	4,500,000	-
Accounts Payable	13,108,874	12,207,862
Customer Deposits	1,046,816	889,638
Accrued Taxes	1,589,923	1,910,686
Other Current Liabilities	1,808,954	1,666,128
Total Current Liabilities	27,930,349	22,594,479
DEFERRED CREDITS	30,913,739	21,031,241
Total Members' Equity and Liabilities	$ 320,160,824	$ 305,633,153

See accompanying Notes to Consolidated Financial Statements.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUE		
Sale of Electricity	$ 141,321,252	$ 138,695,795
Other Operating Revenue	860,646	884,409
Total Operating Revenue	142,181,898	139,580,204
OPERATING EXPENSE		
Cost of Power	107,857,095	107,354,222
Transmission Expense	57,190	28,785
Distribution - Operations	6,120,566	6,573,334
Distribution - Maintenance	4,004,074	3,854,734
Consumer Accounts	2,697,418	2,047,796
Customer Service and Information	3,027,755	2,937,870
Administrative and General	5,217,614	4,723,492
Depreciation and Amortization	8,309,376	7,323,288
Interest on Long-Term Debt	3,785,645	3,844,525
Other Deductions	283,709	229,128
Total Operating Expense	141,360,442	138,917,174
NET OPERATING MARGIN	821,456	663,030
NONOPERATING MARGIN		
Interest Income	281,908	202,264
Other Nonoperating Income	50,894	56,602
Total Nonoperating Margin	332,802	258,866
CAPITAL CREDITS	2,321,011	1,443,734
NET MARGINS	3,475,269	2,365,630
OTHER COMPREHENSIVE MARGINS		
Accumulated Provision for Postretirement Benefits:		
Net Change Arising During the Year	(246,443)	373,235
COMPREHENSIVE NET MARGINS	$ 3,228,826	$ 2,738,865

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, 2023 AND 2022

	Patronage Capital	Patronage Capital Unallocated	Other Comprehensive Income	Other Equities	Total
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	136,938,782	(9,648,437)	2,354,448	6,577,452	136,222,245
Net Margin, Year 2023	-	3,475,269	-	-	3,475,269
2022 Allocation	3,484,603	(3,484,603)	-	-	-
Retirement of Capital Credits	(2,234,404)	-	-	537,844	(1,696,560)
Change in Accumulated Other Comprehensive Income	-	-	(246,443)	-	(246,443)
Changes in Other Equities	-	-	-	(264,711)	(264,711)
Balance - December 31, 2023	$ 138,188,981	$ (9,657,771)	$ 2,108,005	$ 6,850,585	$ 137,489,800

See accompanying Notes to Consolidated Financial Statements.

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	$ 3,475,269	$ 2,365,630
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities:		
Depreciation	8,309,376	7,323,288
Amortization of ROU Asset	135,931	591,604
Patronage Capital Credits from Suppliers	(2,321,011)	(1,443,734)
Postretirement Benefit Obligation	(324,426)	(693,267)
Gain on Sale of Property and Equipment	(50,894)	(56,602)
(Increase) Decrease in:		
Accounts Receivable	277,105	1,513,676
Materials and Supplies	(630,182)	(1,025,409)
Other Assets	227,240	15,874
Deferred Debits	306,696	240,793
Increase (Decrease) in:		
Accounts Payable	901,012	409,694
Customer Deposits	157,178	386,520
Interest Payable	5,501	704
Accrued Taxes	(320,763)	193,635
Other Liabilities	137,325	266,874
Deferred Credits	2,374,256	1,445,794
Net Cash Provided by Operating Activities	12,659,613	11,535,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction and Acquisition of Plant	(32,268,303)	(32,072,862)
Contributions in Aid of Construction	16,584,549	18,473,883
Change in Economic Development Loans	105,420	105,420
Purchase of Temporary Investments	2,000,000	(2,000,000)
Cash Received from Retirement of Patronage Capital	1,632,881	1,258,327
Net Cash Used by Investing Activities	(11,945,453)	(14,235,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Funds Received	8,000,000	10,000,000
Retirement of Long-Term Debt	(5,782,858)	(5,848,644)
Advances on Lines of Credit	22,650,000	8,250,000
Repayments on Lines of Credit	(22,150,000)	(8,250,000)
Obligations Under Finance Leases	(141,794)	(181,677)
Retirement of Capital Credits	(2,234,404)	(2,367,890)
Other Financing Activities	273,133	(212,243)
Net Cash Provided by Financing Activities	614,077	1,389,546
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,328,237	(1,310,612)
Cash and Cash Equivalents - Beginning of Year	1,380,465	2,691,077
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,708,702	$ 1,380,465
NONCASH ITEM - ISSUANCE OF ROU LEASE	$ -	$ 1,193,565

See accompanying Notes to Consolidated Financial Statements.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 provides electric energy to its consumers whose invoices are due by the due date of the bill. The Association uses historical loss information and an analysis of the collectability of induvial accounts to determine expected credit losses for receivables. The majority of receivables are aged current, and there have been very limited losses over the lifetime of the Association. The Association believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The Association believes that current economic conditions are consistent with its historical assumptions. Accounts past due are written off after one year. At December 31, 2023 and 2022, the allowance for credit losses was as follows:

	2023	2022
Allowance for Credit Losses:		
Balance - Beginning of Year	$ 57,197	65,891
Provision for Losses	-	-
Recoveries on Accounts Previously Charged Off	33,110	97,447
Accounts Charged Off	(87,260)	(106,141)
Balance - End of Year	$ 3,047	$ 57,197

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:

	2023	2022
Cash on Hand and in Banks	$ 2,708,702	$ 1,380,465
Total	$ 2,708,702	$ 3,380,465

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

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 income of $37,398 and a net loss of $208,956 in 2023 and 2022, 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, 2023 and 2022, 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 20.1% and 21.8% of the revenues, before deferral, reported for the years ended December 31, 2023 and 2022 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.

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:

	2023	2022
Residential	$ 60,861,275	$ 60,033,202
Irrigation Sales (Pumps)	1,670,555	2,095,410
Small Commercial and Industrial	7,219,102	7,334,746
Large Commercial and Industrial	72,773,910	69,855,312
Public Street and Highway Lighting	404,837	384,198
Sales to Public Buildings and Other Authorities	191,658	190,786
Other Electric Revenue	(1,800,085)	(1,197,859)
Other Operating Revenue	860,646	884,409
Total Operating Revenue	$ 142,181,898	$ 139,580,204

Reclassification

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

Subsequent Events

In preparing these consolidated financial statements, the Association and its subsidiary have evaluated events and transactions for potential recognition or disclosure through March 11, 2024, the date the consolidated financial statements were available to be issued.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

The Cooperative has adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), as amended, which modifieds the measurement of expected credit losses. The Cooperative adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Cooperative's financial statements but did change how the allowance for credit losses is determined.

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:

	2023	2022
Intangible Plant	$ 60,994	$ 60,994
Production Plant	151,934	151,934
Transmission Plant	1,985,102	1,986,745
Distribution Plant	240,576,104	232,273,891
General Plant	27,536,959	26,476,189
Total Electric Plant	270,311,093	260,949,753
Construction Work in Progress	11,087,402	3,069,468
Subtotal	281,398,495	264,019,221
Accumulated Depreciation:		
Production Plant	46,213	38,617
Transmission Plant	1,640,201	1,597,731
Distribution Plant	57,621,559	56,459,596
General Plant	17,874,679	16,649,872
Total Accumulated Depreciation	77,182,652	74,745,816
Retirement Work in Progress	(607,134)	(616,058)
Subtotal	76,575,518	74,129,758
Net Utility Plant	$ 204,822,977	$ 189,889,463

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

	2023	2022
Capital Term Certificates	$ 916,138	$ 916,138
Loan Term Certificates	244,100	244,100
Zero Term Certificates	-	8,588
Member Capital Securities	1,000,000	1,000,000
Total Subordinated Certificates	$ 2,160,238	$ 2,168,826

The capital term certificates yield 5.00% and the loan term certificates yield 3.00%.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.

	2023	2022
Patronage Capital - Tri-State G & T	$ 82,818,278	$ 82,816,865
Patronage Capital - Western United	5,753,773	5,139,497
Patronage Capital - CFC	1,073,701	1,018,080
Patronage Capital - Federated Rural Insurance Exchange	427,962	412,214
Other Investments in Associated Organizations	268,581	258,921
Total Investments in Associated Organizations	$ 90,342,295	$ 89,645,577

NOTE 6 OTHER INVESTMENTS

	2023	2022
Note Receivable	$ 14,535	$ 119,955
NRUCFC - Member Select Notes	-	2,000,000
Total Other Investments	$ 14,535	$ 2,119,955

The note receivable is carried at cost and is secured by a letter of credit obtained by the borrower. At both December 31, 2023 and 2022, 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 matured during the year ended December 31, 2023.

NOTE 7 OTHER CURRENT ASSETS

	2023	2022
Prepaid Insurance	$ 68,322	$ 455,088
Interest Receivable	26,205	34,536
Other Prepayments	404,782	236,925
Total Other Current Assets	$ 499,309	$ 726,549

NOTE 8 DEFERRED CHARGES

	2023	2022
NRECA R&S Pension Prepayment	$ 645,252	$ 903,066
Other Deferred Charges	-	48,882
Total	$ 645,252	$ 951,948

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:

	2023	2022
CFC Mortgage Notes	$ 46,388,781	$ 49,575,614
CoBank Mortgage Notes	79,677,210	78,272,486
Finance Lease Obligation	920,641	1,063,184
Total Debt	126,986,632	128,911,284
Less: Current Maturities	(5,875,782)	(5,920,165)
Total Long-Term Debt	$ 121,110,850	$ 122,991,119

The CFC notes have fixed interest rates that ranged between 1.66% and 5.53% as of both December 31, 2023 and 2022, respectively. The CFC notes mature in varying amounts through 2050.

The CoBank notes have fixed rates that ranged from 2.09% to 5.62% as of December 31, 2023 and 2022, respectively. The CoBank notes mature in varying amounts through 2052.

As of December 31, 2023, the Association has approved credit in the amount of $40,000,000 from CFC and $15,000,000 from CoBank.

NOTE 9 LONG-TERM DEBT (CONTINUED)

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, 2023 and 2022.

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

Year Ending December 31,	Amount
2024	$ 5,875,782
2025	5,946,335
2026	6,147,801
2027	6,305,058
2028	6,439,655
Thereafter	96,272,001

NOTE 10 OTHER CURRENT LIABILITIES

	2023	2022
Accrued Interest Payable	$ 515,608	$ 510,107
Accrued Payroll	466,407	458,667
Accrued Vacation, Holiday, and Sick Pay	322,654	304,340
Patronage Capital Payable	312,005	250,528
Insurance	124,055	106,900
Other Current Liabilities	68,225	35,586
Total Other Current Liabilities	$ 1,808,954	$ 1,666,128

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, 2023 and 2022, the interest rate on these lines of credit were 7.25% and 5.75%, and 7.05% and 5.55%, respectively. The outstanding balances on the lines of credit were $4,500,000 and $-0-, respectively, as of December 31, 2023 and 2022.

The Association has a line of credit with CoBank in the amount of $10,000,000. At December 31, 2023 and 2022, the interest rate on this line of credit was 7.26% and 6.20%, respectively. The line of credit matures on October 31, 2024. The Association had an outstanding balance of $-0- at December 31, 2023 and 2022.

NOTE 12 DEFERRED CREDITS

	2023	2022
Customers' Prepayments	$ 590,118	$ 628,064
Power Cost Revenue Deferral - Cumulative	21,300,000	19,300,000
Customer Advances	7,508,242	-
Other Deferred Credits	1,515,379	1,103,177
Total Deferred Credits	$ 30,913,739	$ 21,031,241

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, $1,500,000 has been excluded from the 2022 Net Margin, and $2,000,000 has been excluded from the 2023 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 no do 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 bases 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.

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:

	2023	2022
Amortization of Right-of-Use Assets	$ 141,794	$ 136,244
Interest on Lease Liabilities	39,947	45,497
Total Finance Lease Costs	$ 181,741	$ 181,741
Operating Cash Flows From Financing Activities	$ 141,794	$ 181,677
Weighted-Average Remaining Lease Term - Financing Lease	6 years	7 years
Weighted-Average Discount Rate - Financing Lease	4.00%	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, 2023, is as follows:

Year	Finance Leases
2024	$ 181,741
2025	181,741
2026	181,741
2027	160,245
2028	158,290
2028-2030	171,481
Total Lease Payments	1,035,239
Less: Interest	(113,849)
Present Value of Lease Liabilities	$ 921,390

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.

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 2023 and 2022 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 2023 and 2022 amounts.

Pension expense incurred during the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Current Payments to Plan	$ 1,955,036	$ 1,689,125
Amortization of Prepaid Pension Cost	290,455	298,185
Total	$ 2,245,491	$ 1,987,310

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.

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, 2023 and 2022 was $572,887 and $522,985, 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, 2023.

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:

	2023	2022
Accumulated Postretirement Benefit Obligation -		
Beginning Per Books	$ 2,794,069	$ 3,860,571
Service and Interest Costs	89,519	62,194
Sick Leave Accrual	66,902	(296,409)
Gain/Loss in Other Comprehensive Income	726	(593,375)
Benefit Payments	(235,130)	(238,912)
Accumulated Postretirement Benefit Obligation -		
Ending Per Books	$ 2,716,086	$ 2,794,069
Assumed Health Care Cost Trend Rates:		
Health Care Cost Trend Rate	6.63%	6.80%
Ultimate Trend Rate	5.00%	5.00%
Year the Rate Reaches the Ultimate	2029	2029
Health Care Cost Trend Rate - Drugs	6.63%	6.80%
Ultimate Trend Rate	5.00%	5.00%
Year the Rate Reaches the Ultimate	2029	2029

NOTE 16 POSTRETIREMENT BENEFITS OTHER THAN PENSION PLANS (CONTINUED)

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

	2023	2022
Discount Rate	5.00%	5.00%

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

	2023	2022
APBO	6.74%	6.74%
Service and Interest	6.74%	6.74%

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:

Year Ending December 31,	Amount
2024	$ 208,132
2025	192,501
2026	186,537
2027	180,268
2028	173,627
2029 - 2033	760,224

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 $105,044,648 and $104,583,647 for the years ended December 31, 2023 and 2022, 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 $8,861,544 and $9,286,278 at December 31, 2023 and 2022, 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, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
PROPERTY AND EQUIPMENT				
Electric Plant in Service	$ 270,159,159	$ 151,934	$ -	$ 270,311,093
Construction Work in Progress	11,087,402	-	-	11,087,402
Total	281,246,561	151,934	-	281,398,495
Less: Accumulated Depreciation	(76,529,305)	(46,213)	-	(76,575,518)
Net Property and Equipment	204,717,256	105,721	-	204,822,977
Financing Right-of-Use Asset Less Amortization	-	956,077	-	956,077
INVESTMENTS				
Term Certificates	2,160,238	-	-	2,160,238
Investments in Associated Organizations	90,534,268	-	(191,973)	90,342,295
Other Investments	14,535	-	-	14,535
Total Investments	92,709,041	-	(191,973)	92,517,068
CURRENT ASSETS				
Cash and Cash Equivalents	2,631,256	77,446	-	2,708,702
Accounts Receivable	13,873,228	10,921	(10,921)	13,873,228
Materials and Supplies	4,138,211	-	-	4,138,211
Other Current Assets	499,309	-	-	499,309
Total Current Assets	21,142,004	88,367	(10,921)	21,219,450
DEFERRED CHARGES	596,370	48,882	-	645,252
Total Assets	$ 319,164,671	$ 1,199,047	$ (202,894)	$ 320,160,824

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
MEMBERS' EQUITY AND LIABILITIES				
EQUITIES AND MARGINS				
Patronage Capital	$ 128,468,929	$ 62,281	$ -	$ 128,531,210
Accumulated Other Comprehensive Income	2,108,005	-	-	2,108,005
Other Equities	6,850,585	191,973	(191,973)	6,850,585
Total Equities and Margins	137,427,519	254,254	(191,973)	137,489,800
LONG-TERM DEBT				
Mortgage Notes (Less Maturities)	120,337,031	-	-	120,337,031
Long-Term Lease Liability - Financing (Less Maturities)	-	773,819	-	773,819
Total Long-Term Debt	120,337,031	773,819	-	121,110,850
ACCUMULATED PROVISIONS FOR POST RETIREMENT BENEFITS	2,716,086	-	-	2,716,086
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	5,728,211	-	-	5,728,211
Current Lease Liability - Financing	-	147,571	-	147,571
Line of Credit	4,500,000	-	-	4,500,000
Accounts Payable	13,104,650	15,145	(10,921)	13,108,874
Customer Deposits	1,046,816	-	-	1,046,816
Accrued Taxes	1,581,665	8,258	-	1,589,923
Other Current Liabilities	1,808,954	-	-	1,808,954
Total Current Liabilities	27,770,296	170,974	(10,921)	27,930,349
DEFERRED CREDITS	30,913,739	-	-	30,913,739
Total Members' Equity and Liabilities	$ 319,164,671	$ 1,199,047	$ (202,894)	$ 320,160,824

POUDRE VALLEY RURAL ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Poudre Valley Rural Electric	Poudre Valley Associated Services	Eliminations	Total
OPERATING REVENUE				
Operating Revenue	$ 141,321,252	$ -	$ -	$ 141,321,252
Other Operating Revenue	860,646	206,114	(206,114)	860,646
Total Operating Revenue	142,181,898	206,114	(206,114)	142,181,898
OPERATING EXPENSE				
Cost of Power	108,063,209	-	(206,114)	107,857,095
Transmission Expense	57,190	-	-	57,190
Distribution - Operations	5,944,688	175,878	-	6,120,566
Distribution - Maintenance	4,004,074	-	-	4,004,074
Consumer Accounts	2,697,418	-	-	2,697,418
Customer Service and Information	3,027,755	-	-	3,027,755
Administrative and General	5,230,847	(13,233)	-	5,217,614
Depreciation and Amortization	8,301,780	7,596	-	8,309,376
Interest on Long-Term Debt	3,785,645	-	-	3,785,645
Other Deductions	283,709	-	-	283,709
Total Operating Expense	141,396,315	170,241	(206,114)	141,360,442
NET OPERATING MARGIN	785,583	35,873	-	821,456
NONOPERATING MARGIN				
Interest Income	280,383	1,525	-	281,908
Other Nonoperating Income	50,894	-	-	50,894
Total Nonoperating Margin	331,277	1,525	-	332,802
CAPITAL CREDITS	2,321,011	-	-	2,321,011
NET MARGINS	3,437,871	37,398	-	3,475,269
Patronage Capital and Other Equities - Beginning of Year	127,265,462	251,458	(226,575)	127,290,345
Patronage Capital Retired	(2,234,404)	-	-	(2,234,404)
Net Change in Other Equities	-	(34,602)	34,602	-
PATRONAGE CAPITAL AND OTHER EQUITIES - END OF YEAR	$ 128,468,929	$ 254,254	$ (191,973)	$ 128,531,210

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, 2023 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 11, 2024.

During the year ended December 31, 2023, 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 11, 2024