REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

THE INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION

December 31, 2020 and 2019

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BOARD OF DIRECTORS AND CEO
As of December 31, 2020

NAME	TITLE	ADDRESS
Timothy L. White	President	Castle Rock, Colorado
Bruff Shea	Vice President	Franktown, Colorado
James Anest	Secretary-Treasurer	Parker, Colorado
Robert Graf	Director	Centennial, Colorado
Ron Kilgore	Director	Conifer, Colorado
Michael Kempe	Director	Littleton, Colorado
Gene Sperry	Director	Woodland Park, Colorado
Patrick Mooney	Chief Executive Officer	Denver, Colorado

MOSSADAMS

Report of Independent Auditors

To the Board of Directors
The Intermountain Rural Electric Association

Report on Financial Statements

We have audited the accompanying financial statements of The Intermountain Rural Electric Association (the Association) which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and comprehensive income (loss), equities and margins, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Intermountain Rural Electric Association as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Portland, Oregon
April 22, 2021

The Intermountain Rural Electric Association
Balance Sheets

ASSETS

	December 31, 2020	December 31, 2019
UTILITY PLANT		
Plant in service	$1,427,078,175	$1,373,092,905
Less: accumulated depreciation	(410,926,543)	(385,114,027)
Net plant in service	1,016,151,632	987,978,878
Construction work in progress	76,745,459	54,431,082
Net utility plant	1,092,897,091	1,042,409,960
INVESTMENTS AND OTHER ASSETS	30,053,128	28,310,357
CURRENT ASSETS		
Cash and cash equivalents	7,798,150	5,766,564
Receivables (less provision for uncollectible accounts of $353,111 and $254,058 in 2020 and 2019, respectively)	16,895,467	15,361,326
Unbilled revenue	20,326,607	18,502,106
Materials and supplies	11,273,833	5,399,565
Prepayments and other current assets	2,095,378	1,744,350
Total current assets	58,389,435	46,773,911
DEFERRED DEBITS	26,878,305	11,453,309
Total assets	$1,208,217,959	$1,128,947,537

See accompanying notes.

LIABILITIES AND CAPITAL EQUITIES

	December 31, 2020	December 31, 2019
CAPITAL EQUITIES		
Memberships	$ 743,595	$ 724,945
Patronage capital	331,793,039	331,283,869
Other equities	20,896,494	18,494,373
Other comprehensive loss	(6,814)	(1,974,725)
Total	353,426,314	348,528,462
LONG-TERM LIABILITIES	689,683,323	645,781,581
OTHER LONG-TERM OBLIGATIONS	21,365,988	22,783,325
CURRENT LIABILITIES		
Current maturities of long-term debt	30,180,655	25,823,306
Current advance on line of credit	41,000,000	26,000,000
Accounts payable	36,961,235	26,630,392
Accrued expenses	5,685,202	4,938,146
Accrued taxes	16,793,900	15,926,528
Customer deposits	3,298,948	3,231,713
Total	133,919,940	102,550,085
DEFERRED AND OTHER LIABILITIES	9,822,394	9,304,084
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
Total liabilities and capital equities	$1,208,217,959	$1,128,947,537

See accompanying notes.

The Intermountain Rural Electric Association
Statements of Operations and Comprehensive Income (Loss)

	Years Ended December 31, 2020	2019
OPERATING REVENUE		
Electric energy revenue	$ 307,842,886	$ 297,134,513
Miscellaneous electric revenue	1,666,560	2,821,792
Total operating revenue	309,509,446	299,956,305
OPERATING EXPENSES		
Cost of power purchased	123,043,087	90,358,654
Power production expense	9,925,330	28,916,610
Maintenance of transmission plant	1,391,316	1,334,251
Operating expenses – distribution	8,033,252	7,844,909
Maintenance of distribution plant	12,750,349	13,701,903
Accounting and collection expenses	8,052,927	7,281,977
Other customer expenses	777,521	765,252
Administrative and general	22,187,498	18,029,096
Depreciation	47,108,447	47,709,757
Regulatory liability/asset expense, net	7,693,592	2,803,716
Taxes	15,210,337	14,108,747
Total operating expenses	256,173,656	232,854,872
ELECTRIC OPERATING MARGINS	53,335,790	67,101,433
INTEREST ON LONG-TERM DEBT	39,461,538	39,779,837
OPERATING MARGIN BEFORE CAPITAL CREDITS	13,874,252	27,321,596
CAPITAL CREDITS	3,968,253	3,173,832
OPERATING MARGINS	17,842,505	30,495,428
NON-OPERATING DEFICITS		
Interest revenue	215,842	421,842
Other expense	(836,979)	(850,721)
Total non-operating deficits	(621,137)	(428,879)
NET MARGINS	17,221,368	30,066,549
OTHER COMPREHENSIVE INCOME (LOSS)	1,967,911	(3,759,056)
COMPREHENSIVE INCOME	$ 19,189,279	$ 26,307,493

See accompanying notes.

	Years Ended December 31, 2020	2019
Memberships		
Balance at January 1,	$ 724,945	$ 708,165
Additions	18,650	16,780
Balance at December 31,	743,595	724,945
Patronage capital		
Balance at January 1,	331,283,869	317,574,419
Transfer of net margins	17,221,368	30,066,549
Retirement of capital credits, net	(16,712,198)	(16,357,099)
Balance at December 31,	331,793,039	331,283,869
Other equity		
Balance at January 1,	18,494,373	15,511,145
Additions	2,402,121	2,983,228
Balance at December 31,	20,896,494	18,494,373
Other comprehensive (loss) income		
Balance at January 1,	(1,974,725)	1,784,331
Unrealized gain (loss) on pension benefits	2,199,421	(2,949,984)
Unrealized loss on post-retirement benefits	(231,510)	(809,072)
Balance at December 31,	(6,814)	(1,974,725)
Total equities and margins	$ 353,426,314	$ 348,528,462

The Intermountain Rural Electric Association
Statements of Cash Flows

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 17,221,368	$ 30,066,549
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation	47,108,447	47,709,757
Depreciation charged to clearing	680,663	604,993
Amortization of terminal facilities	293,348	294,200
Amortization of conversion option fee	832,113	853,623
Accretion of asset retirement obligation	379,855	432,077
Patronage capital credits assigned by associated organizations	(3,968,253)	(3,173,832)
Change in assets and liabilities		
Receivables, net	(1,534,141)	1,060,490
Unbilled revenue	(1,824,501)	(723,544)
Prepayments and other current assets	(351,028)	272,057
Other deferred debits	(15,718,344)	278,107
Accounts payable	10,330,843	3,385,849
Accrued expenses and taxes	1,614,428	(216,360)
Customer deposits	67,235	291,544
Other deferred liabilities	(1,620,383)	533,834
Pension benefits	(10,410)	-
Post-retirement benefits	181,129	(113,931)
Net cash provided by operating activities	53,682,369	81,555,413
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in utility plant, net	(98,276,044)	(77,891,432)
(Increase) decrease in materials and supplies	(5,874,268)	456,162
Decrease in nonutility property	6,543	12,043
Capital credits redeemed	2,173,242	1,902,719
Maturities of subordinate certificates	45,500	-
Net cash used in investing activities	(101,925,027)	(75,520,508)

See accompanying notes.

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings on long-term debt	$ 75,000,000	$ -
Payments on long-term debt	(27,573,022)	(24,095,489)
Line of credit borrowings	15,000,000	26,000,000
Capital refunds to members	(14,512,337)	(13,350,540)
Customer advances for construction, net	2,138,693	1,126,502
Increase (decrease) in other capital	220,910	(6,551)
Net cash provided by (used in) financing activities	50,274,244	(10,326,078)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,031,586	(4,291,173)
CASH AND CASH EQUIVALENTS – beginning of year	5,766,564	10,057,737
CASH AND CASH EQUIVALENTS – end of year	$ 7,798,150	$ 5,766,564
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 39,153,695	$ 39,967,040
Cash paid during the year for property taxes, net of refunds	$ 14,354,982	$ 13,612,171

Note 1 – Nature of Organization and Operations

The Intermountain Rural Electric Association (the Association or IREA) is a Colorado cooperative engaged in the generation, transmission and distribution of electric energy in a 5,000 square mile service territory which includes portions of ten counties surrounding the Denver metropolitan area. IREA serves approximately 165,000 meters and, by this measure, is the largest of the twenty-two electric distribution cooperative in the state. The Association's headquarters is located in Sedalia, Colorado.

IREA owns 25 1/3% of a supercritical, pulverized coal-fired generating plant, Comanche III, located in Pueblo, Colorado. The plant is operated by Public Service Company of Colorado (PSCo) which owns 66 2/3% of the unit. Holy Cross Energy owns the remaining 8%. Comanche III achieved commercial operation on July 6, 2010. The plant was designed to produce 750 megawatts (MW) and is rated at or above that level. The Association pays its proportionate share of operating, maintenance and capital expenditures and is entitled to its ownership share of the plant's generation.

In addition, IREA purchases wholesale power under long-term agreements with PSCo and the Western Area Power Administration (WAPA). IREA also purchases all of the output of a 12.83 MW photovoltaic array, known as Victory Solar, located within its service territory.

The Association owns and operates 230 miles of 115kV transmission and 77 miles of 44kV transmission lines.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to regulated enterprises, which conform to policies prescribed by the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts – Electric. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*, the Association records certain assets and liabilities in accordance with the economic effects of the rate making process.

Utility plant and depreciation – Utility plant assets are stated at cost (see Note 3). Cost includes contracted services, direct labor and materials, interest capitalized during construction on the generation assets, and indirect charges. Contributions in aid of construction are credited to the applicable plant accounts. The provision for depreciation is determined by the straight-line method over estimated useful asset lives (as specified by FERC for utility plant) ranging from four to thirty-six years.

Provision has been made for depreciation of the generation plant on a straight-line composite rate of 3.955%. Provision has been made for depreciation of transmission and distribution plant on a straight-line composite rate of 2.75%. General plant depreciation rates have been applied on a straight-line basis at rates which will depreciate the assets over their estimated useful lives.

During 2019, the Association conducted a depreciation rate study for purposes of determining depreciation rates reflective of current facts and projections. These updated rates were implemented on January 1, 2020.

Note 2 – Summary of Significant Accounting Policies (continued)

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts. For utility plant, the actual or average cost of property replaced or renewed is removed from utility plant and such cost, together with costs of removal less salvage, is charged to accumulated depreciation.

Management assesses impairment and the existence of asset retirement obligations annually and as circumstances warrant.

Investments – Investments in associated organizations are carried at cost, plus capital credits allocated and not retired (see Note 4).

Cash and cash equivalents – The Association considers short-term investments, except temporary investments, with original maturities of three months or less to be cash equivalents.

Receivables – Receivables are recorded when invoices are issued, and are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on historical losses, review of specific problem accounts, existing economic conditions, and the financial stability of customers. Generally, receivables are considered past due after 30 days.

Fair value of financial instruments – Financial instruments include cash and investments. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in such associated organizations.

The Association has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Materials and supplies – Materials and supplies consist primarily of items for construction and maintenance of the utility plant and are stated at average cost.

Deferred debits and liabilities – Deferred debits and liabilities consist of deferrals in accordance with generally accepted accounting principles, which include regulatory assets and liabilities. Due to regulation of its rates by its Board, the Association is subject to regulatory accounting requirements. Accordingly, certain costs and income may be deferred as a regulatory asset or liability that would otherwise be charged to expenses or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery (see Note 5 and Note 9).

Asset retirement obligations – Accounting standards require the recognition of an Asset Retirement Obligation (ARO), measured at estimated fair value, for legal obligations related to decommissioning and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. The initial capitalized asset retirement costs are depreciated over the life of the related asset, with accretion of the ARO liability classified as an operating expense.

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – The Association is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code. The Association files an exempt organization tax return in the U.S. federal jurisdiction. As of December 31, 2020 and 2019, the Association had no uncertain tax positions, and no provision for income taxes, consistent with its tax-exempt status.

Patronage capital – Margins are assigned to individual Association members' capital credit accounts based upon their share of energy usage and payments for electric service provided by the Association during the year. Amounts are assigned to members subsequent to year end. Non-operating margins are allocated to members at the discretion of the Board of Directors. Capital credits are returned to members in accordance with the Association's bylaws, subject to the covenants contained in the long-term debt agreements.

Revenue recognition and unbilled revenue – Revenue is recognized when obligations under the terms of a contract with members are satisfied. Generally, this satisfaction of performance obligations and transfer of control occurs and revenues are recognized as electricity is delivered to members, including any services provided. The prices charged, and amount of consideration the Association receives in exchange for its goods and services provided, are established and approved by the Association board of directors. The Association recognizes revenue through the following steps: i) identifying the contract with the member; ii) identifying the performance obligations in the contract; iii) determining the transaction price; iv) allocating the transaction price to the performance obligations; and v) recognizing revenue when or as each performance obligation is satisfied. Revenue is recognized to period-end through an accrual of unbilled revenue.

Other comprehensive income (loss) – Accounting principles generally require that recognized revenue, expense, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses in pension and post-retirement benefits, are reported as a separate component of the equity section of the balance sheet, such items are components of comprehensive income.

Pension and other post-retirement benefits – The association has a defined benefit pension plan (Plan) and a defined contribution 401(k) plan for employees meeting eligibility requirements. The Association reports the current economic status (the overfunded or underfunded status) of the Plan in its balance sheet and measures the Plan assets and Plan obligations as of the balance sheet date based upon an actuarial analysis (see Note 8).

Accrued paid time off – The Association accrues accumulated unpaid time off on as the obligation is incurred. Accumulated unpaid time off is included in Accrued expenses on the accompanying balance sheets.

Concentration of credit risk – Financial instruments that are exposed to concentrations of credit risk consist primarily of cash, including temporary investments and receivables.

Credit is extended to customers generally without collateral requirements; however, deposits are obtained from certain customers and formal shut-off procedures are in place.

Note 2 – Summary of Significant Accounting Policies (continued)

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specific estimates include allowance for doubtful accounts, unbilled revenue, depreciation, asset retirement obligation, and pension and post-retirement benefit obligations. Actual results could differ from those estimates.

Subsequent events – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Association has evaluated subsequent events through April 22, 2021, the date the financial statements were available to be issued.

Note 3 – Utility Plant

Utility plant consists of the following as of December 31:

	2020	2019
Distribution plant	$ 845,906,720	$ 805,726,186
Generation plant	393,809,513	393,138,610
General plant	84,559,991	81,645,800
Transmission plant	95,734,549	85,514,907
Generation asset retirement obligation	7,050,448	7,050,448
Intangible plant	16,954	16,954
Plant in service	$ 1,427,078,175	$ 1,373,092,905
Construction work in progress – distribution and general	$ 69,663,878	$ 53,654,793
Construction work in progress – Comanche III generation	7,081,581	776,289
Construction work in progress	$ 76,745,459	$ 54,431,082

Note 4 – Investments and Other Assets

The Association is a member of various cooperatives and associations. Patronage capital from associated organizations is recorded at the stated amount of the certificates. Patronage capital will be returned to the Association based upon the respective entities' bylaws subject to certain restrictions and the financial health of these associations.

Investments and other assets consist of the following as of December 31:

	2020	2019
Investment in associated organizations, at cost	$ 29,816,729	$ 28,067,415
Nonutility property, net	236,399	242,942
Total	$ 30,053,128	$ 28,310,357

Investments in associated organizations, at cost at December 31 were as follows:

	2020	2019
CFC:		
Capital credits	$ 12,149,692	$ 11,743,271
Zero term certificates, maturing through 2043	4,076,308	4,076,308
Capital term certificates, 5.00% maturing through 2080	2,036,677	2,036,677
Loan term certificates, 3.00% maturing through 2030	863,700	909,200
Membership	1,000	1,000
CoBank:		
Capital credits	9,803,951	9,058,569
Membership	1,000	1,000
Other organizations	884,401	241,390
Total	$ 29,816,729	$ 28,067,415

Note 5 – Deferred Debits

A regulatory balancing account was authorized by the Association's Board of Directors to normalize the costs associated with periodic maintenance outages of Comanche III as well as any extraordinary maintenance or repair expenses and purchases of replacement power incurred as a result of unscheduled outages. The regulatory balance has been established under the provisions of FASB ASC 980. The outage costs are recorded as a regulatory asset or liability and will be recovered through consumer rates.

Terminal facilities represent the cost of substation high-side equipment that was transferred to PSCo during the years 2000 to 2008. The Association is amortizing this deferral under the provisions of FASB ASC 980 over the expected life of this equipment. $293,348 and $294,200 was amortized for the years ended December 31, 2020 and 2019, respectively.

Note 5 – Deferred Debits (continued)

Deferred debits at December 31 were as follows:

	2020	2019
Regulatory asset	$ 16,158,976	$ -
Terminal facilities	5,847,396	6,140,744
Xcel Energy operating deposit	4,298,000	4,298,000
Retired employee life/long-term care insurance	270,538	301,693
Long-range study	209,675	247,175
Miscellaneous	93,720	465,697
Total	$ 26,878,305	$ 11,453,309

Note 6 – Long-Term Liabilities

Lien accommodations have been executed with Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). Long-term debt is represented by mortgage notes payable to CFC and CoBank. The agreements contain certain financial and non-financial covenants. Substantially all assets are pledged as security for long-term debt to CFC and CoBank. Following is a summary of outstanding long-term debt as of December 31:

	2020	2019
CFC		
4.95% to 5.10% notes, maturing 2038	$ 34,738,160	$ 35,951,654
2.45% to 6.85% notes, maturing 2041	191,786,420	196,887,613
2.45% notes, maturing 2042	13,378,851	13,827,388
CoBank		
2.39% to 6.537% distribution construction loans maturing through 2050	187,368,977	125,331,621
6.651% to 6.756% generation loans maturing through 2039	302,161,401	310,008,554
Subtotal	729,433,809	682,006,830
Less: current maturities	30,180,655	25,823,306
Less: conversion option fees	9,569,831	10,401,943
Total	$ 689,683,323	$ 645,781,581

On January 28, 2020, the Association advanced $35 million on a new loan facility entered into in 2019 with CoBank for $75 million. This advance has a fixed rate of 2.94% and will mature in 2035.

On March 6, 2020, the Association advanced $20 million on its $75 million loan facility with CoBank. This advance has a fixed rate of 2.39% and will mature in 2050.

Note 6 – Long-Term Liabilities (continued)

On October 7, 2020, the Association advanced $20 million on its $75 million loan facility with CoBank. This advance has a fixed rate of 2.95% and will mature in 2050.

Conversion option fees were incurred in connection with restructuring certain CFC notes in March 2016. In accordance with generally accepted accounting principles, these fees are recorded as contra-debt.

Maturities of long-term debt for the next five years ending December 31 and thereafter are as follows:

2021	$ 30,180,655
2022	32,019,601
2023	33,846,420
2024	35,621,129
2025	34,201,058
Thereafter	563,564,946
	$ 729,433,809

Note 7 – Lines of Credit

The Association has four general lines of credit at variable interest rates, one with CoBank in the amount of $75,000,000, and three with CFC (a Guaranteed line of credit in the amount of $10,000,000, and two As Offered lines of credits in the amount of $20,000,000 each). The CoBank line has a maturity date of October 31, 2023. The CFC guaranteed line and one of the as offered lines are perpetual, unless terminated by either party. The other as offered line of credit matures August 22, 2023, with yearly renewals thereafter subject to Board of Directors approval, unless terminated by either party. As of December 31, 2020, no funds had been advanced on the CFC – Guaranteed line of credit, $11,000,000 had been advanced on the CFC – As Offered lines of credit at an interest rate of 2.25%, and $30,000,000 had been advanced on the CoBank line of credit at an interest rate of 1.70%.

Note 8 – Other Long-Term Obligations

At December 31, other long-term obligations were as follows:

	2020	2019
Pension plan obligations	$ 4,420,350	$ 6,630,181
Post-retirement benefit obligations	6,999,301	6,586,662
Asset retirement obligations	9,946,337	9,566,482
Total	$ 21,365,988	$ 22,783,325

Note 8 – Other Long-Term Obligations (continued)

The Association has two noncontributory defined benefit pension plans that, in total, cover substantially all employees. The plans provide defined benefits based on years of service and compensation rates near retirement.

The Association has a post-retirement plan for employees, which provides health insurance and long-term care insurance after retirement. The health care plan is contributory with participants' contributions adjusted annually. The long-term care plan is purchased at retirement and participants make yearly contributions toward the cost. The Association will pay up to one-half of the retiree and dependent premiums for any retiree based on the following formula:

Ten percent vesting per year beginning at age 55, times the number of service years, times .01677.

FASB ASC 715 requires recognition of the funded status of post-retirement benefits on the balance sheet, on a prospective basis. The change in the liability for post-retirement benefits is recorded as an adjustment to comprehensive income (loss).

Note 8 – Other Long-Term Obligations (continued)

The following disclosure reflects the obligation and funded status as of December 31:

Obligation and funded status

	Pension Benefits		Post-Retirement Benefit Obligations	
	2020	2019	2020	2019
Actuarial present value of benefit obligations				
Accumulated benefit obligation	$ 19,895,724	$ 18,744,570	$ 6,999,301	$ 6,586,662
Change in benefit obligation				
Benefit obligation at beginning of year	$ 24,638,261	$ 19,645,609	$ 6,586,662	$ 5,981,262
Service cost	1,463,338	1,095,092	422,346	273,960
Interest cost	709,186	785,630	207,736	243,715
Retiree contributions received	-	-	260,520	229,438
Assumption changes	-	-	143,009	1,347,529
Actuarial loss (gain)	19,110	4,441,631	(168,520)	(891,575)
Benefits paid	(1,427,986)	(1,329,701)	(452,452)	(597,667)
Benefit obligation at end of year	$ 25,401,909	$ 24,638,261	$ 6,999,301	$ 6,586,662
Change in plan assets				
Fair value of plan assets at beginning of year	$ 18,008,080	$ 15,965,412	$ -	$ -
Actual return on plan assets	3,066,433	2,391,539	-	-
Employer contributions	1,335,032	980,830	191,932	368,229
Plan participants' contributions	-	-	260,520	229,438
Benefits and expenses paid	(1,427,986)	(1,329,701)	(452,452)	(597,667)
Fair value of plan assets at end of year	$ 20,981,559	$ 18,008,080	$ -	$ -
Reconciliation of funded status				
Funded status (underfunded)	$ (4,420,350)	$ (6,630,181)	$ (6,999,301)	$ (6,586,662)
Components of net periodic benefit cost				
Service cost	$ 1,463,338	$ 1,095,092	$ 422,346	$ 273,960
Interest cost	709,186	785,630	207,736	243,715
Expected return on plan assets	(1,047,172)	(956,086)	-	-
Amortization of net loss (gain)	199,270	56,194	(257,021)	(355,383)
Net periodic benefit cost	$ 1,324,622	$ 980,830	$ 373,061	$ 162,292
Amounts recognized in accumulated other comprehensive (income) loss				
Net actuarial (gain) loss	$ (2,000,151)	$ 3,006,178	$ (25,511)	$ 453,689
Amortization of net (loss) gain	(199,270)	(56,194)	257,021	355,383
Total recognized in other comprehensive (income) loss	$ (2,199,421)	$ 2,949,984	$ 231,510	$ 809,072

Note 8 – Other Long-Term Obligations (continued)

	Pension Benefits		Post-Retirement Benefit Obligations	
	2020	2019	2020	2019
Weighted average assumptions used to determine net periodic benefit				
Discount rate	2.88%	3.08%	2.97%	3.13%
Expected return on plan assets	6.00%	6.00%	N/A	N/A
Rate of compensation increase	3.75%	3.75%	N/A	N/A
Weighted average assumptions used to determine benefit obligations				
Discount rate	2.88%	3.08%	2.97%	3.13%
Expected return on plan assets	N/A	N/A	N/A	N/A
Rate of compensation increase	3.75%	3.75%	N/A	N/A

For measurement purposes a 7.0% annual rate of increase, declining to a 4.5% ultimate trend rate of increase in the cost per capita of covered health care benefits was assumed.

The Association also has one fully insured pension fund. Total pension costs for this plan for the years ended December 31, 2020 and 2019 amounted to $3,480,095 and $3,280,325, respectively.

The Association has a 401(k) savings plan for employees. Employer contributions for the years ended December 31, 2020 and 2019 amounted to $803,740 and $815,415, respectively.

Plan assets – Weighted average asset allocations, by asset category:

	Pension Benefits		Post-Retirement Benefit Obligations	
	2020	2019	2020	2019
Equity securities	40%	46%	N/A [1]	N/A [1]
Insurance company general account	35%	23%	N/A [1]	N/A [1]
Debt securities	25%	31%	N/A [1]	N/A [1]
Total	100%	100%	N/A [1]	N/A [1]

[1] There were no post-retirement benefit obligation plan assets as of December 31, 2020 and 2019.

Note 8 – Other Long-Term Obligations (continued)

Estimated future benefit payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension Benefits	Post-Retirement Benefit Obligations
2021	$ 116,000	$ 398,943
2022	644,000	382,612
2023	1,320,000	306,383
2024	1,560,000	283,391
2025	665,000	342,839
Years 2026–2030	10,071,000	1,924,203

Asset retirement obligations – During 2010, construction was completed on the Comanche III generating facility. As of the date of completion, the Association became legally obligated to share in the costs to dismantle and remove Comanche III at the termination of its then estimated useful life of sixty years. Accordingly, a liability was established equal to the present value of the Association's obligation, and the carrying amount of Comanche III was increased by the same amount. This liability has increased by applying the interest method of accretion to the liability and the capitalized costs have been depreciated over the useful life of Comanche III. Effective April 2018, the Association revised its estimate of the useful life of Comanche III to thirty years. The facility will be substantially depreciated by the year 2040.

The following is a reconciliation of the aggregate retirement liability associated with the Association's obligation to dismantle and remove Comanche III:

BALANCE, December 31, 2018	$ 9,134,405
Increase in the present value of the obligation (accretion)	432,077
BALANCE, December 31, 2019	9,566,482
Increase in the present value of the obligation (accretion)	379,855
BALANCE, December 31, 2020	$ 9,946,337

Note 9 – Deferred Liabilities

At December 31, deferred liabilities were as follows:

	2020	2019
Customers' advances for construction	$ 7,659,340	$ 5,520,647
Customers' energy prepayments	1,693,547	1,705,986
Deferred installation costs of special equipment	329,671	383,131
Unamortized joint use income	139,836	139,028
Regulatory liability	-	1,555,292
Total	$ 9,822,394	$ 9,304,084

Note 10 – Commitments and Contingencies

The Association is a joint owner with PSCo and Holy Cross Energy in Comanche III. Ownership percentages are 25 1/3%, 66 2/3%, and 8% respectively. The Association is obligated to fund its percentage ownership share of the operating, maintenance and capital costs of the plant and is entitled to that share of the plant's generation.

The Association purchases wholesale power under long-term agreements with PSCo and WAPA. The PSCo agreement expires in late 2025. The Association also is obligated to purchase all of the energy generated by Victory Solar until the contract ends in 2041.

In June 2018, the Association entered into an agreement to purchase all of the energy generated from an 80 MW AC project known as Pioneer Solar. The agreement's original commercial operation date (COD) of December 31, 2020 has been extended to April 30, 2021. Production of test energy began in December 2020 and is estimated to obtain full capacity in July 2021. The term of the agreement is 10 years from the COD with up to three additional five year extensions.

In the normal course of business, the Association is a party to claims and matters of litigation. The ultimate outcome of these matters cannot precisely be determined, however, in the opinion of management of the Association, the resolution of these matters will not have material adverse effect on the Association's financial position, results of operations, or liquidity.

Note 11 – Revenue Recognition

The following table presents the Association's revenue, disaggregated by member type for the years ended December 31:

	2020	2019
Residential	$ 214,212,376	$ 201,998,902
Commercial and industrial	88,535,641	91,332,944
Public street and highway lighting	2,297,788	2,262,801
Irrigation	960,580	804,322
Other revenue	3,503,061	3,557,336
Total	$ 309,509,446	$ 299,956,305

Electric energy revenues – The Association's primary revenue source is generated through the sale of electricity to members located within its service territory. Retail members are classified as residential, commercial, industrial, or public street and highway lighting. Residential members include single family housing, multiple family housing (such as apartments, duplexes, and town homes), manufactured homes and general service. Residential demand is sensitive to the effects of weather, with demand highest during the summer cooling season. Commercial and industrial members consist of non-residential members who accept energy deliveries at voltages generally in excess to those delivered to residential members. Commercial members include most businesses and other large power users. Public street and highway lighting accounts are billed per wattage of light. Demand from commercial and industrial members is primarily driven by economic conditions, with weather having little impact on energy use by this member class. Revenue is recognized to period-end through an accrual of unbilled revenue.

The Association's retail member prices are based on the Association's cost of service and are approved by the Association's Board of Directors. The Association's obligation to sell electricity to retail members generally represents a single performance obligation representing a series of distinct goods that are substantially the same and have the same pattern of transfer to the member that is satisfied over time as members simultaneously receive and consume the benefits provided. The Association applies the invoice method to measure its progress towards satisfactorily completing its performance obligations to transfer each distinct delivery of electricity in the series to the member.

Miscellaneous electric revenues – Other operating revenues consist primarily of miscellaneous service revenues and other electric services provided to members.

Note 12 – Subsequent Events

Subsequent to year end, the Association submitted a claim to PSCo for damages resulting from the prolonged outage of Comanche III. As potential recovery cannot be estimated, no amounts related to this claim have been included within the financial statements as of December 31, 2020.

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