REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

CORE ELECTRIC COOPERATIVE

December 31, 2021 and 2020

MOSSADAMS

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BOARD OF DIRECTORS AND CEO
As of December 31, 2021

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
Mike Sperry	Director	Woodland Park, Colorado
Jeff Baudier	Chief Executive Officer	Castle Rock, Colorado

Report of Independent Auditors

The Board of Directors
CORE Electric Cooperative

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CORE Electric Cooperative, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and comprehensive income, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CORE Electric Cooperative as of December 31, 2021 and 2020, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CORE Electric Cooperative 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CORE Electric Cooperative's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 CORE Electric Cooperative'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CORE Electric Cooperative'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.

Moss Adams LLP

Portland, Oregon
April 29, 2022

CORE Electric Cooperative
Balance Sheets

ASSETS

	December 31, 2021	December 31, 2020
UTILITY PLANT		
Plant in service	$ 1,475,115,692	$ 1,427,078,175
Less: accumulated depreciation	(450,024,750)	(410,926,543)
Net plant in service	1,025,090,942	1,016,151,632
Construction work in progress	84,846,320	76,745,459
Net utility plant	1,109,937,262	1,092,897,091
INVESTMENTS AND OTHER ASSETS	31,708,121	30,053,128
CURRENT ASSETS		
Cash and cash equivalents	5,800,558	7,798,150
Receivables (less provision for uncollectible accounts of $609,549 and $353,111 in 2021 and 2020, respectively)	16,249,434	16,895,467
Unbilled revenue	20,408,342	20,326,607
Materials and supplies	20,373,034	11,273,833
Prepayments and other current assets	2,395,188	2,095,378
Total current assets	65,226,556	58,389,435
DEFERRED DEBITS	21,177,178	26,878,305
Total assets	$ 1,228,049,117	$ 1,208,217,959

See accompanying notes.

LIABILITIES AND CAPITAL EQUITIES

	December 31, 2021	December 31, 2020
CAPITAL EQUITIES		
Memberships	$ 760,345	$ 743,595
Patronage capital	338,535,493	331,793,039
Other equities	23,069,329	20,896,494
Other comprehensive income (loss)	1,597,179	(6,814)
Total	363,962,346	353,426,314
LONG-TERM LIABILITIES	654,422,154	689,683,323
OTHER LONG-TERM OBLIGATIONS	21,438,610	21,365,988
CURRENT LIABILITIES		
Current maturities of long-term debt	31,836,511	30,180,655
Current advance on line of credit	81,000,000	41,000,000
Accounts payable	36,054,243	36,961,235
Accrued expenses	5,575,078	5,685,202
Accrued taxes	19,706,623	16,793,900
Customer deposits	3,354,538	3,298,948
Total	177,526,993	133,919,940
DEFERRED AND OTHER LIABILITIES	10,699,014	9,822,394
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
Total liabilities and capital equities	$ 1,228,049,117	$ 1,208,217,959

See accompanying notes.

CORE Electric Cooperative
Statements of Operations and Comprehensive Income

	Years Ended December 31, 2021	2020
OPERATING REVENUE		
Electric energy revenue	$ 324,827,934	$ 307,842,886
Miscellaneous electric revenue	2,055,346	1,666,560
Total operating revenue	326,883,280	309,509,446
OPERATING EXPENSES		
Cost of power purchased	108,869,997	123,043,087
Power production expense	26,172,207	9,925,330
Maintenance of transmission plant	1,949,066	1,391,316
Operating expenses – distribution	7,602,302	8,033,252
Maintenance of distribution plant	15,167,699	12,750,349
Accounting and collection expenses	8,120,249	8,052,927
Other customer expenses	943,688	777,521
Administrative and general	26,974,621	22,187,498
Depreciation	52,471,905	47,108,447
Regulatory liability/asset expense, net	10,811,921	7,693,592
Taxes	16,926,482	15,210,337
Total operating expenses	276,010,137	256,173,656
ELECTRIC OPERATING MARGINS	50,873,143	53,335,790
INTEREST ON LONG-TERM DEBT	38,168,273	39,461,538
OPERATING MARGIN BEFORE CAPITAL CREDITS	12,704,870	13,874,252
CAPITAL CREDITS	3,922,810	3,968,253
OPERATING MARGINS	16,627,680	17,842,505
NON-OPERATING DEFICITS		
Interest revenue	132,335	215,842
Other expense	(439,856)	(836,979)
Total non-operating deficits	(307,521)	(621,137)
NET MARGINS	16,320,159	17,221,368
OTHER COMPREHENSIVE INCOME	1,834,318	1,967,911
COMPREHENSIVE INCOME	$ 18,154,477	$ 19,189,279

See accompanying notes.

	Years Ended December 31, 2021	2020
Memberships		
Balance at January 1,	$ 743,595	$ 724,945
Additions	16,750	18,650
Balance at December 31,	760,345	743,595
Patronage capital		
Balance at January 1,	331,793,039	331,283,869
Transfer of net margins	16,320,159	17,221,368
Retirement of capital credits, net	(9,577,705)	(16,712,198)
Balance at December 31,	338,535,493	331,793,039
Other equity		
Balance at January 1,	20,896,494	18,494,373
Additions	2,172,835	2,402,121
Balance at December 31,	23,069,329	20,896,494
Other comprehensive (loss) income		
Balance at January 1,	(6,814)	(1,974,725)
Unrealized loss due to pension settlement	(230,325)	-
Unrealized gain on pension benefits	1,891,057	2,199,421
Unrealized loss on post-retirement benefits	(56,739)	(231,510)
Balance at December 31,	1,597,179	(6,814)
Total equities and margins	$ 363,962,346	$ 353,426,314

CORE Electric Cooperative
Statements of Cash Flows

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 16,320,159	$ 17,221,368
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation	52,471,905	47,108,447
Depreciation charged to clearing	779,181	680,663
Amortization of terminal facilities	293,348	293,348
Amortization of conversion option fee	809,349	832,113
Accretion of asset retirement obligation	368,149	379,855
Patronage capital credits assigned by associated organizations	(3,922,810)	(3,968,253)
Change in assets and liabilities		
Receivables, net	646,033	(1,534,141)
Unbilled revenue	(81,735)	(1,824,501)
Prepayments and other current assets	(299,810)	(351,028)
Other deferred debits	5,407,779	(15,718,344)
Accounts payable	(906,992)	10,330,843
Accrued expenses and taxes	2,802,599	1,614,428
Customer deposits	55,590	67,235
Other deferred liabilities	(5,142)	(1,620,383)
Pension benefits	1,423,232	(10,410)
Post-retirement settlements	(230,325)	-
Post-retirement benefits	115,559	181,129
Net cash provided by operating activities	76,046,069	53,682,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in utility plant, net	(70,291,257)	(98,276,044)
(Increase) decrease in materials and supplies	(9,099,201)	(5,874,268)
Decrease in nonutility property	4,015	6,543
Capital credits redeemed	2,263,802	2,173,242
Maturities of subordinate certificates	-	45,500
Net cash used in investing activities	(77,122,641)	(101,925,027)

See accompanying notes.

	Years Ended December 31, 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings on long-term debt	$ -	$ 75,000,000
Payments on long-term debt	(34,414,662)	(27,573,022)
Line of credit borrowings	40,000,000	15,000,000
Capital refunds to members	(7,778,368)	(14,512,337)
Customer advances for construction, net	881,762	2,138,693
Increase in other capital	390,248	220,910
Net cash provided by (used in) financing activities	(921,020)	50,274,244
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,997,592)	2,031,586
CASH AND CASH EQUIVALENTS – beginning of year	7,798,150	5,766,564
CASH AND CASH EQUIVALENTS – end of year	$ 5,800,558	$ 7,798,150
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 38,378,866	$ 39,153,695
Cash paid during the year for property taxes, net of refunds	$ 14,114,419	$ 14,354,982

See accompanying notes.

Note 1 – Nature of Organization and Operations

CORE Electric Cooperative (“the Cooperative” or “CORE”) 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. CORE serves approximately 170,000 meters and related distribution assets and, by this measure, is the largest of the twenty-two electric distribution cooperatives in the state. The Cooperative also owns and operates 207 miles of energized transmission lines. The Cooperative’s headquarters is located in Sedalia, Colorado.

CORE 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 Cooperative pays its proportionate share of operating, maintenance and capital expenditures and is entitled to its ownership share of the plant’s generation.

In addition, CORE purchases wholesale power under long-term agreements with PSCo and the Western Area Power Administration (WAPA). CORE also purchases all of the output of a 12.83 MW photovoltaic array, known as Victory Solar, and an 80 MW array, known as Pioneer Solar, located within its service territory.

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 Cooperative 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.

A provision has been made for depreciation of the generation plant on a straight-line composite rate of 3.955%. A 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 Cooperative 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 Cooperative 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 Cooperative 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 Cooperative 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 Cooperative is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code. The Cooperative files an exempt organization tax return in the U.S. federal jurisdiction. As of December 31, 2021 and 2020, the Cooperative had no uncertain tax positions, and no provision for income taxes, consistent with its tax-exempt status.

Patronage capital – Margins are assigned to individual Cooperative members' capital credit accounts based upon their share of energy usage and payments for electric service provided by the Cooperative 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 Cooperative'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 Cooperative receives in exchange for its goods and services provided, are established and approved by the Cooperative's Board of Directors. The Cooperative 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 Cooperative has a defined benefit pension plan (Plan) and a defined contribution 401(k) plan for employees meeting eligibility requirements. The Cooperative 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 Cooperative accrues accumulated paid time off as the obligation is incurred. Accumulated paid 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 Cooperative has evaluated subsequent events through April 29, 2022, the date the financial statements were available to be issued.

Note 3 – Utility Plant

Utility plant consists of the following as of December 31:

	2021	2020
Distribution plant	$ 871,058,455	$ 845,906,720
Generation plant	400,109,359	393,809,513
General plant	100,704,136	84,559,991
Transmission plant	96,176,340	95,734,549
Generation asset retirement obligation	7,050,448	7,050,448
Intangible plant	16,954	16,954
Plant in service	$ 1,475,115,692	$ 1,427,078,175
Construction work in progress – distribution and general	$ 83,270,647	$ 69,663,878
Construction work in progress – Comanche III generation	1,575,673	7,081,581
Construction work in progress	$ 84,846,320	$ 76,745,459

Note 4 – Investments and Other Assets

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

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

	2021	2020
Investment in associated organizations, at cost	$ 31,475,737	$ 29,816,729
Nonutility property, net	232,384	236,399
Total	$ 31,708,121	$ 30,053,128

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

	2021	2020
CFC:		
Capital credits	$ 12,499,350	$ 12,149,692
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	863,700
Membership	1,000	1,000
CoBank:		
Capital credits	10,538,918	9,803,951
Membership	1,000	1,000
Other organizations	1,458,784	884,401
Total	$ 31,475,737	$ 29,816,729

Note 5 – Deferred Debits

A regulatory balancing account was authorized by the Cooperative'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 Cooperative is amortizing this deferral under the provisions of FASB ASC 980 over the expected life of this equipment. $293,347 and $293,421 was amortized for the years ended December 31, 2021 and 2020, respectively.

Note 5 – Deferred Debits (continued)

Deferred debits at December 31 were as follows:

	2021	2020
Regulatory asset - balancing account	$ 10,821,319	$ 16,158,976
Terminal facilities	5,554,049	5,847,396
Xcel Energy operating deposit	4,298,000	4,298,000
Retired employee life/long-term care insurance	236,753	270,538
Long-range study	172,175	209,675
Miscellaneous	94,882	93,720
Total	$ 21,177,178	$ 26,878,305

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:

	2021	2020
CFC		
2.45% to 6.85% notes, maturing 2041	$ 180,684,085	$ 185,965,347
2.45% variable notes, maturing 2042	47,881,441	53,938,084
CoBank		
2.39% to 6.54% distribution construction loans maturing through 2050	172,662,003	187,368,977
6.65% to 6.76% generation loans maturing through 2039	293,791,617	302,161,401
Subtotal	695,019,146	729,433,809
Less: current maturities	31,836,511	30,180,655
Less: conversion option fees	8,760,481	9,569,831
Total	$ 654,422,154	$ 689,683,323

On January 28, 2020, the Cooperative 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 Cooperative 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 Cooperative 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:

2022	$ 31,836,511
2023	33,685,347
2024	35,459,331
2025	34,027,910
2026	34,101,557
Thereafter	525,908,490
	$ 695,019,146

Note 7 – Lines of Credit

The Cooperative 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, 2021, no funds had been advanced on the CFC – Guaranteed line of credit, $6,000,000 had been advanced on the CFC – As Offered lines of credit at an interest rate of 2.25%, and $75,000,000 had been advanced on the CoBank line of credit at an interest rate of 1.65%.

Note 8 – Other Long-Term Obligations

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

	2021	2020
Pension plan obligations	$ 3,952,525	$ 4,420,350
Post-retirement benefit obligations	7,171,599	6,999,301
Asset retirement obligations	10,314,486	9,946,337
Total	$ 21,438,610	$ 21,365,988

The Cooperative 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 Cooperative 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 Cooperative 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	
	2021	2020	2021	2020
Actuarial present value of benefit obligations				
Accumulated benefit obligation	$ 18,572,265	$ 19,895,724	$ 7,171,599	$ 6,999,301
Change in benefit obligation				
Benefit obligation at beginning of year	$ 25,401,909	$ 24,638,261	$ 6,999,301	$ 6,586,662
Service cost	1,463,250	1,463,338	421,691	422,346
Interest cost	695,450	709,186	201,955	207,736
Retiree contributions received	-	-	270,151	260,520
Assumption changes	-	-	(97,206)	143,009
Settlement loss	249,509	-	-	-
Actuarial loss (gain)	(2,015,697)	19,110	(133,115)	(168,520)
Benefits paid	(2,424,066)	(1,427,986)	(491,178)	(452,452)
Benefit obligation at end of year	$ 23,370,355	$ 25,401,909	$ 7,171,599	$ 6,999,301
Change in plan assets				
Fair value of plan assets at beginning of year	$ 20,981,559	$ 18,008,080	$ -	$ -
Actual return on plan assets	860,337	3,066,433		-
Employer contributions	-	1,335,032	221,027	191,932
Plan participants' contributions	-	-	270,151	260,520
Benefits and expenses paid	(2,424,066)	(1,427,986)	(491,178)	(452,452)
Fair value of plan assets at end of year	$ 19,417,830	$ 20,981,559	$ -	$ -
Reconciliation of funded status				
Funded status (underfunded)	$ (3,952,525)	$ (4,420,350)	$ (7,171,599)	$ (6,999,301)
Components of net periodic benefit cost				
Service cost	$ 1,463,250	$ 1,463,338	$ 421,691	$ 422,346
Interest cost	695,450	709,186	201,955	207,736
Expected return on plan assets	(1,239,820)	(1,047,172)	-	-
Effect of settlement	21,330	-	-	-
Amortization of net loss (gain)	45,849	199,270	(287,060)	(257,021)
Net periodic benefit cost	$ 986,059	$ 1,324,622	$ 336,586	$ 373,061
Amounts recognized in accumulated other comprehensive (income) loss				
Net actuarial (gain) loss	$ (1,636,213)	$ (2,000,151)	$ (230,321)	$ (25,511)
Unrecognized loss from settlement	21,330	-	-	-
Amortization of net (loss) gain	(45,849)	(199,270)	287,060	257,021
Total recognized in other comprehensive (income) loss	$ (1,660,732)	$ (2,199,421)	$ 56,739	$ 231,510

Note 8 – Other Long-Term Obligations (continued)

	Pension Benefits		Post-Retirement Benefit Obligations	
	2021	2020	2021	2020
Weighted average assumptions used to determine net periodic benefit				
Discount rate	3.11%	2.88%	3.17%	2.97%
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	3.11%	2.88%	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 Cooperative also has one fully insured pension fund. Total pension costs for this plan for the years ended December 31, 2021 and 2020 amounted to $3,847,226 and $3,480,095, respectively.

The Cooperative has a 401(k) savings plan for employees. Employer contributions for the years ended December 31, 2021 and 2020 amounted to $877,227 and $803,740, respectively.

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

	Pension Benefits		Post-Retirement Benefit Obligations	
	2021	2020	2021	2020
Equity securities	40%	40%	N/A [1]	N/A [1]
Insurance company general account	35%	35%	N/A [1]	N/A [1]
Debt securities	25%	25%	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, 2021 and 2020.

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
2022	$ 163,000	$ 418,855
2023	554,000	334,900
2024	199,000	326,105
2025	203,000	369,051
2026	1,647,000	374,595
Years 2027–2031	6,972,000	2,078,205

Asset retirement obligations – During 2010, construction was completed on the Comanche III generating facility. As of the date of completion, the Cooperative 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 Cooperative'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 Cooperative 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 Cooperative's obligation to dismantle and remove Comanche III:

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
Increase in the present value of the obligation (accretion)	368,149
BALANCE, December 31, 2021	$ 10,314,486

Note 9 – Deferred and Other Liabilities

At December 31, deferred liabilities were as follows:

	2021	2020
Customers' advances for construction	$ 8,541,102	$ 7,659,340
Customers' energy prepayments	1,938,160	1,693,547
Deferred installation costs of special equipment	-	329,671
Unamortized joint use income	219,752	139,836
Total	$ 10,699,014	$ 9,822,394

Note 10 – Commitments and Contingencies

Commanche III
The Cooperative 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 Cooperative 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.

On September 7, 2021, the Cooperative commenced litigation in the District Court of Denver, Colorado in a dispute with PSCo concerning its failure in the operation and maintenance of Comanche III. The lawsuit alleges that PSCo breached its contractual obligations related to the operations and maintenance 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, 2021.

PSCo Wholesale Power Agreement
The Cooperative purchases wholesale power under long-term agreements with PSCo and WAPA. The PSCo agreement expires on December 31, 2025. The Cooperative also is obligated to purchase all of the energy generated by Victory Solar until the contract ends in 2041.

Solar Projects
In June 2018, the Cooperative entered into an agreement to purchase all of the energy generated from an 80 MW AC project known as Pioneer Solar. The commercial operation date (COD) was June 9 2021. The term of the agreement is 10 years from the COD with up to three additional five-year extensions.

In May 2019, the Cooperative entered into an agreement to purchase 45 MW of output from a 75 MW photovoltaic project known as Hunter Solar. The agreement was subsequently amended to extend its initial term to 25 years and its expected commercial operation date to 2023.

General Litigation
In the normal course of business, the Cooperative 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 Cooperative, the resolution of these matters will not have material adverse effect on the Cooperative's financial position, results of operations, or liquidity.

Note 11 – Revenue Recognition

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

	2021	2020
Residential	$ 226,490,058	$ 214,212,376
Commercial and industrial	94,982,614	88,535,641
Public street and highway lighting	2,373,158	2,297,788
Irrigation	888,369	960,580
Other revenue	2,149,081	3,503,061
Total	$ 326,883,280	$ 309,509,446

Electric energy revenues – The Cooperative'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 Cooperative's retail member prices are based on the Cooperative's cost of service and are approved by the Cooperative's Board of Directors. The Cooperative'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 Cooperative 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 Cooperative secured a $20 million, 30-year loan at 2.76% fixed for 3 years. The Cooperative also drew a $20 million, 30-year loan at 3.40% fixed for 30 years, and a $55 million 30-year loan at 2.84% fixed for 5 years.

Subsequent to year end, Commanche III suffered a prolonged outage. The outage began on January 28, 2022 and is expected to run through June 2022. The Cooperative has purchased power to cover their needs through the PSCo Wholesale Agreement.

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