

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

MONTROSE, COLORADO

**CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING
AND ACCOMPANYING INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

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MONTROSE, COLORADO**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Delta-Montrose Electric Association and Subsidiary
Montrose, Colorado

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Delta-Montrose Electric Association and Subsidiary, (the Association) which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

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

Other Matters

Consolidating and Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules and schedules of electric plant, accumulated provision for depreciation, and patronage capital are presented for purposes of additional analysis and are 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 to the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 31, 2021

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS

	December 31,	
	2020	2019
PLANT, PROPERTY, AND EQUIPMENT		
Electric Plant in Service	\$ 244,304,899	\$ 209,337,980
Other Property and Equipment	17,649,364	13,565,469
Construction Work in Progress	11,489,220	9,641,720
	<u>\$ 273,443,483</u>	<u>\$ 232,545,169</u>
Less: Accumulated Provision for Depreciation and Amortization	98,234,750	90,008,878
	<u>\$ 175,208,733</u>	<u>\$ 142,536,291</u>
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 4,412,075	\$ 52,215,607
Other Investments	119,659	132,907
	<u>\$ 4,531,734</u>	<u>\$ 52,348,514</u>
CURRENT ASSETS		
Cash - General	\$ 3,327,716	\$ 12,100,610
Cash - Restricted	8,217,141	9,636,877
Temporary Cash Investments - Restricted	7,750,000	
Accounts Receivable (Less allowance for uncollectibles of \$170,833 in 2020 and \$35,962 in 2019)	5,114,101	5,473,742
Unbilled Revenue	6,353,246	6,188,684
Materials and Supplies (At Average Cost)	4,089,146	3,950,767
Other Current and Accrued Assets	120,071	389,857
	<u>\$ 34,971,421</u>	<u>\$ 37,740,537</u>
OTHER ASSETS		
Deferred Debits	\$ 5,506,581	\$ 9,337,252
Intangibles	155,948	155,948
	<u>\$ 5,662,529</u>	<u>\$ 9,493,200</u>
TOTAL ASSETS	<u>\$ 220,374,417</u>	<u>\$ 242,118,542</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage Capital	\$ 38,141,328	\$ 91,119,853
Other Equities	9,293,972	9,141,089
	<u>\$ 47,435,300</u>	<u>\$ 100,260,942</u>
LONG-TERM DEBT		
CFC Mortgage Notes Less Current Maturities	\$ 95,031,475	\$ 72,747,583
CoBank Mortgage Notes Less Current Maturities	38,746,330	40,263,993
SBA Loan Through PPP	2,752,100	
	<u>\$ 136,529,905</u>	<u>\$ 113,011,576</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 5,097,932	\$ 4,591,227
Line of Credit - CFC		81,845
Accounts Payable	6,667,551	6,706,588
Accrued Taxes	907,385	870,291
Accrued Employee Compensated Absences	1,316,205	1,579,964
Accrued Interest	654,144	545,027
Other Current Liabilities	67,936	49,898
	<u>\$ 14,711,153</u>	<u>\$ 14,424,840</u>
OTHER LIABILITIES		
Deferred Credits	\$ 21,698,059	\$ 14,421,184
TOTAL EQUITIES AND LIABILITIES	<u>\$ 220,374,417</u>	<u>\$ 242,118,542</u>

See accompanying notes to consolidated financial statements.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

Exhibit B

**CONSOLIDATED STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31,				Increase (Decrease)
	2020		2019		
	Amount	%	Amount	%	
OPERATING REVENUES					
Residential	\$ 40,645,844	57.0	\$ 38,496,319	55.1	\$ 2,149,525
Irrigation	229,223	0.3	193,325	0.3	35,898
Small Commercial	17,154,202	24.0	17,074,756	24.4	79,446
Large Commercial	7,990,599	11.2	8,032,582	11.5	(41,983)
Street Lighting and Public Buildings	613,734	0.9	522,119	0.7	91,615
Unbilled Revenue	164,563	0.2	345,827	0.5	(181,264)
Deferred Revenue Plan	(5,000,000)	(7.0)	(3,000,000)	(4.3)	(2,000,000)
Internet Services (Net of Cost of Sales of \$5,127,921 for 2020 and \$4,119,499 for 2019)	2,239,968	3.1	1,299,627	1.9	940,341
Other Operating Revenues	7,387,525	10.3	6,939,458	9.9	448,067
Total Operating Revenues	\$ 71,425,658	100.0	\$ 69,904,013	100.0	\$ 1,521,645
OPERATING EXPENSES					
Purchased Power	\$ 40,878,132	57.2	\$ 43,640,009	62.4	\$ (2,761,877)
Cost of Goods Sold - Other	3,366	0.0	3,367	0.0	(1)
Hydro - Operation	463,632	0.6	605,912	0.9	(142,280)
Hydro - Maintenance	68,320	0.1	51,148	0.1	17,172
Transmission	165,168	0.2	423,384	0.6	(258,216)
Distribution - Operation	3,577,594	5.0	3,712,421	5.3	(134,827)
Distribution - Maintenance	2,734,492	3.8	2,515,415	3.6	219,077
Customer Accounts	1,815,822	2.5	1,745,966	2.5	69,856
Customer Service and Information	302,305	0.4	449,895	0.6	(147,590)
Sales	508,560	0.7	598,243	0.9	(89,683)
Administrative and General	7,070,514	9.9	6,752,398	9.7	318,116
Depreciation and Amortization	9,660,351	13.5	8,203,206	11.7	1,457,145
Other Deductions	751,030	1.1	660,085	0.9	90,945
Total Operating Expenses	\$ 67,999,286	95.0	\$ 69,361,449	99.2	\$ (1,362,163)
OPERATING MARGINS - BEFORE FIXED CHARGES	\$ 3,426,372	5.0	\$ 542,564	0.8	\$ 2,883,808
FIXED CHARGES					
Interest on Long-Term Debt	4,508,767	6.3	3,988,347	5.7	520,420
Amortization of Debt Cost	254,687	0.4	42,448	0.1	212,239
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	\$ (1,337,082)	(1.7)	\$ (3,488,231)	(5.0)	\$ 2,151,149
G & T Capital Credits		0.0	1,519,490	2.2	(1,519,490)
Other Capital Credits	703,808	1.0	539,322	0.8	164,486
NET OPERATING MARGINS	\$ (633,274)	(0.7)	\$ (1,429,419)	(2.0)	\$ 796,145
NONOPERATING MARGINS (LOSS)					
Interest Income	\$ 187,441	0.3	\$ 379,588	0.5	\$ (192,147)
Gain (Loss) on Disposal of Assets	(71,037)	(0.1)	69,899	0.1	(140,936)
Other Nonoperating Income (Loss)	(52,677,171)	(73.8)	(58,121)	(0.1)	(52,619,050)
	\$ (52,560,767)	(73.6)	\$ 391,366	0.5	\$ (52,952,133)
NET MARGINS BEFORE PROVISION FOR INCOME TAXES	\$ (53,194,041)	(74.6)	\$ (1,038,053)	(1.6)	\$ (52,155,988)
PROVISION FOR INCOME TAX EXPENSE	459,145	0.6	389,822	0.6	69,323
NET MARGINS	\$ (52,734,896)	(74.0)	\$ (648,231)	(1.0)	\$ (52,086,665)
PATRONAGE CAPITAL - BEGINNING OF PERIOD	91,119,853		92,082,527		
Transfers to Other Equities	(92,538)		(167,103)		
Patronage Capital Retired - Cash	(90,747)		(86,438)		
Patronage Capital Retired - Discounted	(60,344)		(60,902)		
PATRONAGE CAPITAL - END OF PERIOD	\$ 38,141,328		\$ 91,119,853		

See accompanying notes to consolidated financial statements.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

Exhibit C

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	December 31,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins (Loss)	\$ (52,734,896)	\$ (648,231)
Adjustments to Reconcile Net Margins to Net Cash		
From Operating Activities		
Depreciation and Amortization	10,409,196	8,729,261
Capital Credits - Noncash	(418,430)	(87,109)
Loss from G&T Investment Write Off	47,665,084	
Deferred Charges	3,830,671	(3,679,740)
Deferred Credits	7,276,875	4,014,408
Accounts Receivable and Unbilled Revenue	195,079	(3,357,070)
Notes Receivable	13,248	4,462
Inventories and Other Current Assets	131,407	(301,345)
Payables and Accrued Expenses	(138,547)	2,215,766
Net Cash From Operating Activities	<u>\$ 16,229,687</u>	<u>\$ 6,890,402</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant and Other Property and Equipment	\$ (43,167,438)	\$ (11,820,667)
Salvage Over (Under) Plant Removal Costs	85,802	(103,627)
Investments in Associated Organizations	556,878	80,242
Net Cash From Investing Activities	<u>\$ (42,524,758)</u>	<u>\$ (11,844,052)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from CFC - Long-Term Debt	\$ 26,000,000	\$ 18,820,304
Payments on Long-Term Debt - FFB		(602,477)
Payments on Long-Term Debt - CFC	(3,273,768)	(1,637,051)
Payments on Long-Term Debt - CoBank	(1,453,299)	(1,400,905)
Advances on SBA Loan Through PPP	2,752,100	
Net Change in RUS Cushion of Credit		335,895
Net Activity on Line of Credit - CFC	(81,845)	81,845
Capital Credit Retirements - Cash	(90,747)	(86,438)
Net Cash From Financing Activities	<u>\$ 23,852,441</u>	<u>\$ 15,511,173</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (2,442,630)	\$ 10,557,523
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>21,737,487</u>	<u>11,179,964</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 19,294,857</u>	<u>\$ 21,737,487</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 4,404,564	\$ 4,154,524
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to consolidated financial statements.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Delta-Montrose Electric Association and Subsidiary (the Association) is a Colorado non-profit corporation organized to provide electric service at the retail level to primarily residential and commercial accounts in Montrose County and the surrounding areas. Power delivered at retail is purchased wholesale primarily from Tri-State Generation and Transmission Association, Inc. (Tri-State) through June 30, 2020 and Guzman Energy thereafter. Any revenues earned in excess of costs incurred are allocated to members of the Association and are reflected as patronage capital equity on the balance sheet.

DMEA Utilities Services, LLC (DMEAUS) is a for-profit corporation organized to pursue development opportunities including a fiber broadband company dba Elevate. DMEAUS is a wholly-owned subsidiary of the Association.

System of Accounts

Although the Association is no longer a Rural Utilities Service (RUS) borrower, its accounting records are maintained in accordance with the RUS Uniform System of Accounts (USOA) prescribed for RUS electric borrowers.

Principles of Consolidation

The consolidated financial statements include the accounts of Delta-Montrose Electric Association and its wholly-owned subsidiary, DMEAUS. All material intercompany transactions have been eliminated.

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of an electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property, as determined from the continuing property records is credited to electric plant, and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

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.

Electric Revenues From Contracts with Customers

The Association's headquarters facility is located in Montrose, Colorado. The service area includes members located in several counties in western Colorado.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Substantially all operating revenues and customer accounts receivables are derived from contracts with customers. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. The Association recognizes revenue that corresponds to the price of the energy delivered to the customer.

The measurement of energy sales to customers is generally based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each month, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. The Association has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2020 and 2019 amounted to \$6,353,246 and \$6,188,684, respectively.

The Association does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature. The Association presents its revenues net of any excise or sales taxes or fees.

DMEAUS Revenues

Generally, revenues that are derived from customers are cancellable on a short-term basis and are billed monthly and recognized as revenue in the month that the performance obligation is fulfilled. Monthly service plan revenues derived from local services, and recurring special access revenues are billed and recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned from originating/terminating long distance calls) are generally billed as a per minute charge and are billed in arrears and recognized in the month the service was provided.

Sales of equipment and other services that are provided are considered to be a separate performance obligation. When equipment and installation is a distinct performance obligation, the Association records the sale of the equipment when the customer takes possession of the products and services are accepted by the customer.

Revenue recognized from fixed term contracts that bundle services or equipment is allocated based on the standalone selling price of all required performance obligations of the contract and any discounts are recognized over the contract term. Promotional discounts relating to bundled services are attributed to each required component of the bundled services. There were no material costs to acquire customer contracts that would be required to be deferred and amortized over the contract period. The amount of installation charges that have not been billed as of December 31, 2020 and 2019 were determined to be insignificant.

Inventories

Materials and supplies inventories are valued at average unit cost.

Financial Instruments with Off-Balance-Sheet Risk

The Association maintains its temporary cash investments and checking accounts in financial institutions located in its service area. The Federal Deposit Insurance Corporation (FDIC) insures cash deposits. The Association maintains accounts at FDIC insured institutions and at times deposits exceeded the insured amounts.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificates. The G & T patronage income recognized in 2019 was \$1,519,490.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers cash—general, cash—restricted, and temporary cash investments—restricted to be cash equivalents.

Use of Estimates in the Preparation of Consolidated Financial Statements

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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Uncollectible Accounts

The Association uses an aging method to allow for uncollectible accounts receivable. During the year, management makes an evaluation of past due accounts to determine collectability. The accounts deemed uncollectible are written off upon approval by management.

Reclassification

Certain reclassifications have been made to the 2019 financial statement balance to conform to the 2020 presentation.

2. Assets Pledged

Substantially all assets are pledged as security for the long-term debt to CoBank and to the National Rural Utilities Cooperative Finance Corporation (CFC).

3. Property, Plant, and Equipment

The major classes of plant are as follows:

	December 31,	
	2020	2019
Hydro Plant	\$ 20,113,774	\$ 20,113,774
Transmission Plant	21,126,382	3,274,324
Distribution Plant	172,722,867	157,210,570
General Plant	30,341,876	28,739,312
Other Property and Equipment	17,649,364	13,565,469
Plant in Service	\$ 261,954,263	\$ 222,903,449
Construction Work in Progress	11,489,220	9,641,720
Total Plant in Service	\$ 273,443,483	\$ 232,545,169

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Association provides for depreciation of plant as follows:

Hydro Plant	2.50%
Transmission Plant	2.75%
Distribution Plant	2.30% - 8.00%
General Plant	
Structures and Improvements	3.00%
Transportation Equipment	16.99%
Power Operated Equipment	10.99% - 16.99%
All Other General Plant	6.00% - 16.00%

Depreciation for the year ended December 31, 2020 was \$10,409,196 of which \$9,660,351 was charged to depreciation expense, and \$748,845 allocated to other accounts. Depreciation for the year ended December 31, 2019 was \$8,729,261, of which \$8,203,206 was charged to depreciation expense and \$526,055 allocated to other accounts.

4. Investments in Associated Organizations and Other Investments

Investments in associated organizations consist of the following:

CFC	December 31,	
	2020	2019
Capital Term Certificates	\$ 1,258,507	\$ 1,610,257
Patronage Capital	749,424	654,449
Membership	1,000	1,000
Tri-State G & T Association		
Patronage Capital		47,665,085
Western United Electric Supply Corp		
Patronage Capital	1,530,844	1,496,287
Federated Insurance		
Patronage Capital	349,060	332,315
Other	523,240	456,214
	<u>\$ 4,412,075</u>	<u>\$ 52,215,607</u>

During the year ended December 31, 2020, the Association discontinued its membership with Tri-State. As part of this exit, the Association forfeited its investment in Tri-State. The resulting loss was recognized as part of non-operating losses on the financial statements.

Other investments consist of the following:

Notes Receivable - Geothermal Loans	December 31,	
	2020	2019
	<u>\$ 119,659</u>	<u>\$ 132,907</u>

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In addition, the Association and DMEAUS entered into a promissory note between the companies during the year ended December 31, 2020. This balance due from DMEAUS to the Association appears on the unconsolidated balance sheets for the Association and DMEAUS, but is eliminated for consolidated financial statements. The interest rate on this note is set at the market rate at the time of execution.

5. Restricted Cash and Temporary Cash Investments

Restricted cash consists of the following:

	December 31,	
	2020	2019
Education and Charitable Fund	\$ 1,299,092	\$ 105,155
Power Supply Deposits - NITS	423,853	386,373
Deferred Compensation	158,260	100,349
Uncompahgre Valley Water Users Association	1,335,936	1,295,000
Deferred Revenue	<u>12,750,000</u>	<u>7,750,000</u>
	<u>\$ 15,967,141</u>	<u>\$ 9,636,877</u>

This restricted cash is presented on the balance sheet as follows:

	December 31,	
	2020	2019
Cash - Restricted	\$ 8,217,141	\$ 9,636,877
Temporary Cash Investments - Restricted	<u>7,750,000</u>	
	<u>\$ 15,967,141</u>	<u>\$ 9,636,877</u>

The Association had an agreement with the Uncompahgre Valley Water Users Association (UVWUA) for construction of a hydroelectric generation facility. This agreement gave Delta-Montrose Electric Association water rights for the facility at no cost for the term of the debt that would be utilized to construct the facility. During the year ended December 31, 2013, the hydroelectric generation facility became operational. Annually, the amount of any power cost savings less expenses related to this facility are split 50/50 with UVWUA, with UVWUA's portion being the Association's cost of water rights from UVWUA. The Association is contractually obligated to reinvest UVWUA's share in specified investments.

For the years ended December 31, 2020 and 2019, UVWUA's share was \$1,335,936 and \$1,295,000, respectively. Once all debt obligations are satisfied, the Association has the right to either acquire a 50% interest in the facility in exchange for agreeing to forego any future rental payments, or market and sell 50% of the power generated by the facility.

The Association has adopted and amended a Deferred Revenue Plan beginning in 2012. As a result of that plan, \$12,750,000 and \$7,750,000 of cash is considered restricted as of December 31, 2020 and 2019, respectively. See Note 17 for further information on this plan.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Materials and Supplies (At Average Cost)

Materials and supplies consist of the following:

	December 31,	
	2020	2019
Electric Inventory	\$ 1,459,770	\$ 1,384,387
Special Equipment Inventory	1,164,686	1,249,266
Vehicle Inventory	26,898	24,967
Fiber Optic Inventory	1,022,775	1,062,477
Other	415,017	229,670
	<u>\$ 4,089,146</u>	<u>\$ 3,950,767</u>

7. Deferred Debits

Deferred debits consist of the following:

	December 31,	
	2020	2019
Unamortized Debt Cost	\$ 3,523,169	\$ 3,777,856
Tri-State Facility Use Charge		3,693,064
Business Development Costs	198,536	330,876
Deferred Tax Asset (See Note 9)	1,784,876	1,325,730
Other		209,726
	<u>\$ 5,506,581</u>	<u>\$ 9,337,252</u>

In 2019, the Association paid off all FFB debt early by refinancing it with CFC resulting in debt costs of \$3,820,304 to be amortized over the maturity of the new debt (15 years). Amortization was \$254,687 and \$42,448 for the years ended December 31, 2020 and 2019, respectively.

In consideration of Tri-State's ownership, operation, maintenance, and replacement of looped facilities, the Association was required to pay a facility use charge of \$4,896,880 over 20 years. The Association prepaid the entire amount in 2015 and set it up to amortize over 20 years. Amortization was \$244,844 during the year ending December 31, 2019. The remainder of this balance was expensed as a non-operating expense in 2020, since the Association is no longer a Tri-State member.

In 2017, DMEAUS incurred costs related to consulting and branding of its fiber network. The total amount deferred was \$661,726 and is being amortized over five years. Amortization was \$132,340 during each of the years ending December 31, 2020 and 2019.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Intangible Assets

During 2016, DMEAUS acquired a netblock, which is a range of Internet Protocol (IP) addresses that a specific Internet Service Provider or data center owns and can assign at will, for \$69,632. During 2017, DMEAUS acquired an additional netblock for \$86,316. The net book value of the netblock held by DMEAUS is \$155,948 at December 31, 2020 and 2019. The netblock has an indefinite life and as such, the cost is not amortized. The value of the netblock is reviewed annually for impairment.

9. Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code as long as 85% of its revenue is from members for the sole purpose of meeting losses and expenses. For the years ended December 31, 2020 and 2019, the Association qualified for exemption. However, the Association has engaged in unrelated trades or businesses and is subject to the Unrelated Business Income Tax imposed on tax-exempt entities by Section 511 of the Internal Revenue Code. Principal sources of unrelated business income activities are dispatching services and intercompany fiber leases.

DMEAUS is an association taxed as a C-corporation for federal and state income tax reporting purposes and files applicable corporate income tax returns.

For losses arising in tax years beginning before January 1, 2018, Net Operating Losses (NOLs) were generally allowed to be carried back for a period of up to two years for offsetting prior years' taxable income or carried forward for a period not to exceed 20 years for offsetting future taxable income. For losses arising in tax years beginning after December 31, 2017, the carry forward period is indefinite. At December 31, 2020, the total NOL carryovers available to the Association and DMEAUS are \$401,296 and \$17,708,036, respectively.

Net operating loss carryovers and expirations by each company are as follows:

	Pre-2018 (20 Year Carryover)	Begins Expiring	Post - 2017 (Indefinite Carryover)	Total
DMEA	\$ 401,296	2021	\$	\$ 401,296
DMEAUS	4,332,788	2023	13,375,248	17,708,036
	<u>\$ 4,734,084</u>		<u>\$ 13,375,248</u>	<u>\$ 18,109,332</u>

Income taxes are provided for tax effects of transactions reported in the financial statements and consists of taxes due currently plus deferred taxes. Because the Association and DMEAUS file on a stand-alone basis, current and deferred taxes, if any, are recorded separately based on the taxable income and temporary differences of each.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Association and DMEAUS follow the asset and liability method for reporting income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Association's and DMEAUS' assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized and settled. As changes in the tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Deferred federal and state income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. Principal sources of deferred federal and state income taxes are NOL carryovers and accelerated depreciation. It is anticipated the NOL carryovers available to DMEAUS will be fully utilized before expiring. Therefore, a valuation allowance for the related deferred tax asset is not recorded. However, a valuation allowance of the deferred tax asset related to the NOL carryover for the Association is recorded as it is anticipated such NOL carryovers will not be fully utilized.

In accordance with ASU 2015-17 "Income Taxes", the Association and DMEAUS classify all deferred income tax assets and liabilities as non-current. Components of net deferred federal tax asset (liability) recognized in the consolidated financial statements are as follows:

<u>Net Noncurrent Deferred Income Taxes</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Federal</u>		
Deferred Tax Asset	\$ 4,124,154	\$ 3,206,763
Deferred Tax Liability	(2,588,917)	(2,060,273)
	<u>\$ 1,535,237</u>	<u>\$ 1,146,490</u>
Less: Valuation Allowance	(84,272)	(66,181)
	<u>\$ 1,450,965</u>	<u>\$ 1,080,309</u>
<u>State</u>		
Deferred Tax Asset	\$ 856,097	\$ 668,440
Deferred Tax Liability	(522,186)	(423,019)
	<u>\$ 333,911</u>	<u>\$ 245,421</u>
Less: Valuation Allowance	0	0
	<u>\$ 333,911</u>	<u>\$ 245,421</u>
Total Noncurrent Deferred Income Tax Asset	<u><u>\$ 1,784,876</u></u>	<u><u>\$ 1,325,730</u></u>

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of the provision for federal and state tax benefit (expense) are as follows:

	December 31,	
	2020	2019
<u>Federal and State Income Tax</u>		
Deferred Federal Tax Benefit (Expense)	\$ (351,305)	\$ (828,040)
Deferred State Tax Benefit (Expense)	(71,856)	(155,546)
Current Year Net Operating Loss	900,397	1,266,239
Decrease (Increase) in Valuation Allowance	(18,091)	107,169
	<u>\$ 459,145</u>	<u>\$ 389,822</u>

The Association and DMEAUS have adopted the “uncertain tax positions” provisions of accounting provisions generally accepted in the United States of America. The primary tax position of the Association is its filing status as a tax-exempt entity. The primary tax positions for DMEAUS are the timing differences impacting taxable income. The Association and DMEAUS have determined it is more likely than not that their tax positions will be sustained upon examination by the Internal Revenue Service or other state taxing authority and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Association files its income tax return in the U.S. federal jurisdiction. DMEAUS files income tax returns in the U.S. federal jurisdiction and in the state of Colorado. The Association and DMEAUS are no longer subject to U.S. federal jurisdictions for the years before 2017. DMEAUS is no longer subject to income tax examinations by Colorado State taxing authorities for years before 2016. The Association and DMEAUS recognize interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2020 and 2019.

10. Return of Capital

Under the original provisions of the loan agreements, until the equities and margins equal or exceed 30.00% of the total assets of the Association, the return to patrons of capital contributed by them was limited generally to 25.00% of the patronage capital or margins received by the Association in the prior calendar year. This provision was amended by the lenders in 2020 to reduce the required equity to total asset ratio to 20.00%. The equities and margins of the Association represent 27.31% and 41.41% of the total assets as of December 31, 2020 and 2019, respectively. Additionally, the Association retired \$151,091 and \$147,340 (of which \$90,747 and \$86,438 was paid in cash with the remainder discounted) during the years ended December 31, 2020 and 2019, respectively. The Association retires capital on a combination of LIFO/FIFO (last-in, first-out / first-in, first-out) methods.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Patronage Capital

Patronage Capital consist of the following:

	December 31,	
	2020	2019
Assigned	\$ 40,730,817	\$ 40,881,908
Assignable	6,410,511	54,237,945
	\$ 47,141,328	\$ 95,119,853
Less: Assignable Deferred Revenue	(9,000,000)	(4,000,000)
	<u>\$ 38,141,328</u>	<u>\$ 91,119,853</u>

12. Other Equities

Other Equities consist of the following:

	December 31,	
	2020	2019
Accumulated Subsidiary Margins	\$ 237,220	\$ 237,220
Discounted/Donated Capital	5,328,564	5,268,220
Undistributed Nonoperating Margins	3,728,188	3,635,649
	<u>\$ 9,293,972</u>	<u>\$ 9,141,089</u>

13. CFC Mortgage Notes

Following is a summary of long-term mortgage notes due CFC with scheduled maturities at various times through 2050:

	December 31,	
	2020	2019
CFC Fixed Rate Notes Ranging from 2.78% to 5.20% in 2020 and 2.71% to 5.20% in 2019	\$ 83,251,579	\$ 59,613,974
CFC Fixed Rate CREBs Notes at 4.30%	15,360,166	16,271,537
	\$ 98,611,745	\$ 75,885,511
Less: Current Maturities	3,580,270	3,137,928
	<u>\$ 95,031,475</u>	<u>\$ 72,747,583</u>

The Association participated in the federal loan program for Clean Renewable Energy Bonds (CREBs) to finance renewable energy projects. The Association received federal tax credits in lieu of a portion of the traditional bond interest, resulting in a lower effective interest rate for the Association. As of December 31, 2020 and 2019, the Association has \$15,360,166 and \$16,271,537 outstanding on these notes.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principal and interest installments on the above notes are due quarterly. As of December 31, 2020, the annual maturities of long-term debt due CFC for the next five years are as follows:

2021	\$ 3,580,270
2022	3,378,012
2023	2,623,868
2024	2,773,664
2025	2,883,264

At December 31, 2020 the Association had \$24,000,000 of unadvanced funds available.

14. CoBank Mortgage Notes

Following is a summary of long-term mortgage notes due CoBank with schedule maturities at various times through 2045:

	December 31,	
	2020	2019
3.56% Note	\$ 2,938,320	\$ 3,140,579
3.70% Note	6,734,098	7,109,662
3.77% Note	7,077,486	7,435,369
4.29% Note	14,042,208	14,350,100
4.44% Note	4,713,813	4,813,127
4.85% Note	4,758,067	4,868,455
	<u>\$ 40,263,992</u>	<u>\$ 41,717,292</u>
Less: Current Maturities	1,517,662	1,453,299
	<u>\$ 38,746,330</u>	<u>\$ 40,263,993</u>

Principal and interest installments on the above notes are due monthly. As of December 31, 2020, the annual maturities of long-term debt due CoBank for the next five years are as follows:

2021	\$ 1,517,662
2022	1,579,786
2023	1,644,478
2024	1,707,646
2025	1,781,818

15. Lines of Credit

The Association has a perpetual \$5,000,000 line of credit for short-term financing with CFC and a \$5,000,000 line of credit with CoBank, both at variable interest rates. In addition, the Association has an emergency line of credit available with CFC in the amount of \$10,000,000. At December 31, 2020 and 2019, the Association had \$0 and \$81,845 outstanding on these lines of credit, respectively.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Small Business Administration (SBA) Loans through Paycheck Protection Program (PPP)

On May 19, 2020, the Association and its subsidiary qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Association's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Association. The Association has applied for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Association will be required to pay interest on the PPP Loan at a rate of 1.0% per annum. Principal and interest payments were scheduled to commence in December 2020 and would have been required through the maturity date in May 2022. However, since the Association applied for forgiveness, these payments have been deferred for 10 months. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default. The aggregate amount of the loans received are as follows:

DMEA	\$	2,447,500
DMEAUS		<u>304,600</u>
	\$	<u><u>2,752,100</u></u>

The Association has accounted for the SBA loans under the Debt Model as provided for in applicable accounting guidance. The process to apply for and receive a legal release from the obligation is anticipated to take several months. Should the release be granted, the Association will record income in the period the legal release is finalized.

17. Deferred Credits

Deferred Credits consist of the following:

	December 31,	
	<u>2020</u>	<u>2019</u>
Consumer Advances in Aid to Construction	\$ 153,047	\$ 161,089
Energy Prepayments	634,383	581,646
Unclaimed Capital Credits	1,305,624	1,476,190
Deferred Revenue Plan	12,750,000	7,750,000
DMEAUS Deferred Revenue	1,486,696	791,731
Deferred Revenue - Grants	4,086,000	2,213,692
Deferred Revenue - IRU Fiber	949,985	756,790
Other	<u>332,324</u>	<u>690,046</u>
	<u>\$ 21,698,059</u>	<u>\$ 14,421,184</u>

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the year ended December 31, 2012, the Association adopted a Deferred Revenue Plan in accordance with *Accounting Standards Codification 980, Regulated Operations*. This plan and its subsequent amendments was designed to help offset the potential increase of power cost in future years and have been approved by RUS. The Association deferred \$750,000 in 2012 related to this plan. The Association adopted plans that were approved by RUS to defer an additional \$1,750,000 in 2014, \$750,000 in 2015, \$750,000 in 2016, and \$1,000,000 in 2017. In 2018, this plan was amended and \$250,000 of 2014 deferred revenue was recognized. In 2019 and 2020, an additional \$3,000,000 and \$5,000,000 was deferred, respectively. The balance of this deferred revenue as of December 31, 2020 is \$12,750,000 and will be recognized over the years of 2021-2025.

18. Pension Benefits

Defined Benefit Plan

Narrative Description

The NRECA Retirement Security Plan (the 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 RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS Plan Number is 333.

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.

Plan Information

The Association contributions to the RS Plan in 2020 and 2019 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Association made contributions to the RS Plan of \$861,164 in 2020 and \$868,757 in 2019. There have been no significant changes that affect the comparability of the 2020 and 2019 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection 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 RS Plan was over 80% funded on January 1, 2020 and 2019 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the RS Plan and may change as a result of plan experience.

Defined Contribution Plan

The Association also participates in a 401(k) plan, a defined contribution plan provided through NRECA. The Association makes monthly contributions to the plan. The cost for the Association was \$516,473 and \$395,184 for the years ended December 31, 2020 and 2019, respectively.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Litigation, Commitments, and Contingencies

There is no litigation pending against the Association at December 31, 2020, that could have a material effect on the consolidated financial statements.

At December 31, 2020, the Association is committed to purchase two large trucks. The total obligation for these vehicles amounts to approximately \$520,000.

20. Related Party Transactions and Power Supply Arrangements

The Association purchased its power from Tri-State Generation and Transmission Association up until June 30, 2020. The Association was represented on the power supplier's Board of Directors up until that time. Beginning July 1, 2020, the Association's wholesale power contract is with Guzman Energy.

21. Fair Value of Financial Instruments

Accounting standards generally accepted in the United States, requires disclosure of fair value information about financial instruments. Many of the Association's financial instruments lack an available market as characterized by a normal exchange between a willing buyer and a willing seller. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

The following assumptions were used to estimate fair value of each class of financial instrument for which estimation is practicable.

Patronage Capital from Associated Organizations – The right to receive cash is an inherent component of a financial instrument. The Association holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, Patronage Capital from Associated Organizations is not considered financial instruments.

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period.

Cash and Temporary Cash Investments – Valued at its carrying value, given the short period to maturity.

Long-Term Variable Rate Debt and Lines of Credit – Valued at its carrying value, due to the frequency at which these notes re-price.

Long-Term Fixed Rate Debt – Estimated by computing the present value by individual note to maturity, using currently quoted or offered rates for similar issues of debt. The year-end CoBank fixed interest rate for long-term debt re-pricing every seven years was used in the calculation for all fixed rate long-term debt. These are the only financial instruments of the Association that have a difference in fair value and carrying value.

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying value of the Association's fixed rate debt and the estimated fair value are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Fixed Rate Debt - 2020	\$ <u>138,875,737</u>	\$ <u>169,201,482</u>
Fixed Rate Debt - 2019	\$ <u>105,394,928</u>	\$ <u>99,587,021</u>

Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

Long-Term Fixed Rate Debt valuations are considered to be Level 2.

22. Subsequent Events

The Association's management has evaluated subsequent events through March 31, 2021, the date which the financial statements were available for issue.

23. Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2020. The Association is evaluating the impact of the new standard on the financial statements.

CONSOLIDATING AND ACCOMPANYING INFORMATION

CONSOLIDATING INFORMATION

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

	<u>DMEA</u>	<u>DMEAUS</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
UTILITY PLANT/ FIXED ASSETS AT COST				
Electric Plant in Service	\$ 244,304,899	\$	\$	\$ 244,304,899
Other Property and Equipment	1,497,804	16,151,560		17,649,364
Construction Work in Progress	10,567,341	921,879		11,489,220
	<u>\$ 256,370,044</u>	<u>\$ 17,073,439</u>	<u>\$ 0</u>	<u>\$ 273,443,483</u>
Less: Accumulated Provision for Depreciation and Amortization	93,803,971	4,430,779		98,234,750
	<u>\$ 162,566,073</u>	<u>\$ 12,642,660</u>	<u>\$ 0</u>	<u>\$ 175,208,733</u>
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE				
Investments in Associated Organizations	\$ 4,412,075	\$	\$	\$ 4,412,075
Investments in Affiliated Company	(5,072,809)		5,072,809	0
Other Investments	17,141,700		(17,022,041)	119,659
	<u>\$ 16,480,966</u>	<u>\$ 0</u>	<u>\$ (11,949,232)</u>	<u>\$ 4,531,734</u>
CURRENT ASSETS				
Cash - General	\$ 2,830,143	\$ 497,573	\$	\$ 3,327,716
Cash - Restricted	8,217,141			8,217,141
Temporary Cash Investments - Restricted	7,750,000			7,750,000
Current Portion of Notes Receivable	378,008		(378,008)	0
Accounts Receivable (Less Allowance for Uncollectibles of \$170,833)	6,425,144	490,456	(1,801,499)	5,114,101
Accrued Unbilled Revenue	6,353,246			6,353,246
Materials and Supplies (At Average Cost)	3,674,129	415,017		4,089,146
Other Current and Accrued Assets	71,987	48,084		120,071
	<u>\$ 35,699,798</u>	<u>\$ 1,451,130</u>	<u>\$ (2,179,507)</u>	<u>\$ 34,971,421</u>
OTHER ASSETS				
Deferred Debits	\$ 3,523,169	\$ 1,983,412	\$	\$ 5,506,581
Intangibles		155,948		155,948
	<u>\$ 3,523,169</u>	<u>\$ 2,139,360</u>	<u>\$ 0</u>	<u>\$ 5,662,529</u>
TOTAL ASSETS	<u>\$ 218,270,006</u>	<u>\$ 16,233,150</u>	<u>\$ (14,128,739)</u>	<u>\$ 220,374,417</u>
EQUITIES AND LIABILITIES				
EQUITIES				
Patronage Capital	\$ 38,141,328	\$	\$	\$ 38,141,328
Other Equities	9,293,972	(5,072,809)	5,072,809	9,293,972
	<u>\$ 47,435,300</u>	<u>\$ (5,072,809)</u>	<u>\$ 5,072,809</u>	<u>\$ 47,435,300</u>
LONG-TERM DEBT				
CFC Mortgage Notes Less Current Maturities	\$ 95,031,475	\$	\$	\$ 95,031,475
CoBank Mortgage Notes Less Current Maturities	38,746,330			38,746,330
SBA Loan Through PPP	2,447,500	304,600		2,752,100
DMEA Note Payable Less Current Maturities		17,022,041	(17,022,041)	0
	<u>\$ 136,225,305</u>	<u>\$ 17,326,641</u>	<u>\$ (17,022,041)</u>	<u>\$ 136,529,905</u>
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	\$ 5,097,932	\$ 378,008	\$ (378,008)	\$ 5,097,932
Accounts Payable	6,482,925	1,986,125	(1,801,499)	6,667,551
Accrued Taxes	849,709	57,676		907,385
Accrued Employee Compensated Absences	1,245,392	70,813		1,316,205
Accrued Interest	654,144			654,144
Other Current Liabilities	67,936			67,936
	<u>\$ 14,398,038</u>	<u>\$ 2,492,622</u>	<u>\$ (2,179,507)</u>	<u>\$ 14,711,153</u>
OTHER LIABILITIES				
Deferred Credits	\$ 20,211,363	\$ 1,486,696	\$ 0	\$ 21,698,059
TOTAL EQUITIES AND LIABILITIES	<u>\$ 218,270,006</u>	<u>\$ 16,233,150</u>	<u>\$ (14,128,739)</u>	<u>\$ 220,374,417</u>

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

Schedule 2

**CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2019**

ASSETS

	<u>DMEA</u>	<u>DMEAUS</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
UTILITY PLANT/ FIXED ASSETS AT COST				
Electric Plant in Service	\$ 209,337,980	\$	\$	\$ 209,337,980
Other Property and Equipment	1,513,866	12,051,603		13,565,469
Construction Work in Progress	8,042,461	1,599,259		9,641,720
	<u>\$ 218,894,307</u>	<u>\$ 13,650,862</u>	<u>\$ 0</u>	<u>\$ 232,545,169</u>
Less: Accumulated Provision for Depreciation and Amortization	87,454,164	2,554,714		90,008,878
	<u>\$ 131,440,143</u>	<u>\$ 11,096,148</u>	<u>\$ 0</u>	<u>\$ 142,536,291</u>
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE				
Investments in Associated Organizations	\$ 52,215,607	\$	\$	\$ 52,215,607
Investments in Affiliated Company	(3,684,915)		3,684,915	0
Other Investments	132,907			132,907
	<u>\$ 48,663,599</u>	<u>\$ 0</u>	<u>\$ 3,684,915</u>	<u>\$ 52,348,514</u>
CURRENT ASSETS				
Cash - General	\$ 11,234,495	\$ 866,115	\$	\$ 12,100,610
Cash - Restricted	9,636,877			9,636,877
Accounts Receivable (Less Allowance for Uncollectibles of \$35,962)	22,155,708	334,328	(17,016,294)	5,473,742
Accrued Unbilled Revenue	6,188,684			6,188,684
Materials and Supplies (At Average Cost)	3,721,097	229,670		3,950,767
Other Current and Accrued Assets	316,636	73,221		389,857
	<u>\$ 53,253,497</u>	<u>\$ 1,503,334</u>	<u>\$ (17,016,294)</u>	<u>\$ 37,740,537</u>
OTHER ASSETS				
Deferred Debits	\$ 7,680,645	\$ 1,656,607	\$	\$ 9,337,252
Intangibles		155,948		155,948
	<u>\$ 7,680,645</u>	<u>\$ 1,812,555</u>	<u>\$ 0</u>	<u>\$ 9,493,200</u>
TOTAL ASSETS	<u>\$ 241,037,884</u>	<u>\$ 14,412,037</u>	<u>\$ (13,331,379)</u>	<u>\$ 242,118,542</u>

EQUITIES AND LIABILITIES

EQUITIES				
Patronage Capital	\$ 91,119,853	\$	\$	\$ 91,119,853
Other Equities	9,141,089	(3,684,915)	3,684,915	9,141,089
	<u>\$ 100,260,942</u>	<u>\$ (3,684,915)</u>	<u>\$ 3,684,915</u>	<u>\$ 100,260,942</u>
LONG-TERM DEBT				
CFC Mortgage Notes Less Current Maturities	\$ 72,747,583	\$	\$	\$ 72,747,583
CoBank Mortgage Notes Less Current Maturities	40,263,993			40,263,993
	<u>\$ 113,011,576</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 113,011,576</u>
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	\$ 4,591,227	\$	\$	\$ 4,591,227
Line of Credit - CFC	81,845			81,845
Accounts Payable	6,588,386	17,134,496	(17,016,294)	6,706,588
Accrued Taxes	827,146	43,145		870,291
Accrued Employee Compensated Absences	1,452,384	127,580		1,579,964
Accrued Interest	545,027			545,027
Other Current Liabilities	49,898			49,898
	<u>\$ 14,135,913</u>	<u>\$ 17,305,221</u>	<u>\$ (17,016,294)</u>	<u>\$ 14,424,840</u>
OTHER LIABILITIES				
Deferred Credits	\$ 13,629,453	\$ 791,731	\$ 0	\$ 14,421,184
TOTAL EQUITIES AND LIABILITIES	<u>\$ 241,037,884</u>	<u>\$ 14,412,037</u>	<u>\$ (13,331,379)</u>	<u>\$ 242,118,542</u>

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>DMEA</u>	<u>DMEAUS</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
OPERATING REVENUES				
Residential	\$ 40,645,844	\$	\$	\$ 40,645,844
Irrigation Sales	229,223			229,223
Small Commercial	17,154,202			17,154,202
Large Commercial	7,990,599			7,990,599
Street Lighting and Public Buildings	613,734			613,734
Unbilled Revenue	164,563			164,563
Deferred Revenue Plan	(5,000,000)			(5,000,000)
Internet Services (Net of Cost of Sales of \$5,127,921)		2,278,085	(38,117)	2,239,968
Other Operating Revenues	7,319,099	68,426		7,387,525
Total Operating Revenues	<u>\$ 69,117,264</u>	<u>\$ 2,346,511</u>	<u>\$ (38,117)</u>	<u>\$ 71,425,658</u>
OPERATING EXPENSES				
Purchased Power	\$ 40,878,132	\$	\$	\$ 40,878,132
Cost of Goods Sold - Other		3,366		3,366
Hydro - Operation	463,632			463,632
Hydro - Maintenance	68,320			68,320
Transmission	165,168			165,168
Distribution - Operation	3,577,594			3,577,594
Distribution - Maintenance	2,734,492			2,734,492
Customer Accounts	1,815,822			1,815,822
Customer Service and Information	302,305			302,305
Sales	215,793	292,767		508,560
Administrative and General	6,118,911	989,720	(38,117)	7,070,514
Depreciation and Amortization	7,545,959	2,114,392		9,660,351
Other Deductions	719,516	31,514		751,030
Total Operating Expenses	<u>\$ 64,605,644</u>	<u>\$ 3,431,759</u>	<u>\$ (38,117)</u>	<u>\$ 67,999,286</u>
OPERATING MARGINS (LOSS) - BEFORE FIXED CHARGES	\$ 4,511,620	\$ (1,085,248)	\$ 0	\$ 3,426,372
FIXED CHARGES				
Interest on Long-Term Debt	4,508,767	541,399	(541,399)	4,508,767
Amortization of Debt Cost	254,687			254,687
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	\$ (251,834)	\$ (1,626,647)	\$ 541,399	\$ (1,337,082)
Capital Credits	703,808			703,808
NET OPERATING MARGINS (LOSS)	<u>\$ 451,974</u>	<u>\$ (1,626,647)</u>	<u>\$ 541,399</u>	<u>\$ (633,274)</u>
NONOPERATING MARGINS (LOSS)				
Interest Income	\$ 728,840	\$	\$ (541,399)	\$ 187,441
Affiliated Company - Income (Loss) from Operations	(1,387,894)		1,387,894	0
Gain (Loss) on Disposition of Property	149,355	(220,392)		(71,037)
Other Nonoperating Income (Loss)	(52,677,171)			(52,677,171)
	<u>\$ (53,186,870)</u>	<u>\$ (220,392)</u>	<u>\$ 846,495</u>	<u>\$ (52,560,767)</u>
NET MARGINS (LOSS) BEFORE PROVISION FOR INCOME TAXES	\$ (52,734,896)	\$ (1,847,039)	\$ 1,387,894	\$ (53,194,041)
PROVISION FOR INCOME TAX BENEFIT (EXPENSE)		459,145		459,145
NET MARGINS (LOSS)	\$ (52,734,896)	\$ (1,387,894)	\$ 1,387,894	\$ (52,734,896)
PATRONAGE CAPITAL AND OTHER EQUITIES - BEGINNING OF PERIOD				
	91,119,853	(3,684,915)	3,684,915	91,119,853
Transfer Nonoperating Margins to Other Equities	(92,538)			(92,538)
Patronage Capital Retired - Cash	(90,747)			(90,747)
Patronage Capital Retired - Discounted	(60,344)			(60,344)
PATRONAGE CAPITAL AND OTHER EQUITIES - END OF PERIOD	<u>\$ 38,141,328</u>	<u>\$ (5,072,809)</u>	<u>\$ 5,072,809</u>	<u>\$ 38,141,328</u>

DELTA-MONTROSE ELECTRIC ASSOCIATION AND SUBSIDIARY

Schedule 4

CONSOLIDATING INFORMATION
STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>DMEA</u>	<u>DMEAUS</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
OPERATING REVENUES				
Residential	\$ 38,496,319	\$	\$	\$ 38,496,319
Irrigation Sales	193,325			193,325
Small Commercial	17,074,756			17,074,756
Large Commercial	8,032,582			8,032,582
Street Lighting and Public Buildings	522,119			522,119
Unbilled Revenue	345,827			345,827
Deferred Revenue Plan	(3,000,000)			(3,000,000)
Internet Services (Net of Cost of Sales of \$4,119,499)		1,322,800	(23,173)	1,299,627
Other Operating Revenues	<u>6,880,452</u>	<u>59,006</u>		<u>6,939,458</u>
Total Operating Revenues	<u>\$ 68,545,380</u>	<u>\$ 1,381,806</u>	<u>\$ (23,173)</u>	<u>\$ 69,904,013</u>
OPERATING EXPENSES				
Purchased Power	\$ 43,640,009	\$	\$	\$ 43,640,009
Cost of Goods Sold - Other		3,367		3,367
Hydro - Operation	605,912			605,912
Hydro - Maintenance	51,148			51,148
Transmission	423,384			423,384
Distribution - Operation	3,712,421			3,712,421
Distribution - Maintenance	2,515,415			2,515,415
Customer Accounts	1,745,966			1,745,966
Customer Service and Information	449,895			449,895
Sales	215,770	382,473		598,243
Administrative and General	6,169,207	606,364	(23,173)	6,752,398
Depreciation and Amortization	6,684,533	1,518,673		8,203,206
Other Deductions	<u>635,749</u>	<u>24,336</u>		<u>660,085</u>
Total Operating Expenses	<u>\$ 66,849,409</u>	<u>\$ 2,535,213</u>	<u>\$ (23,173)</u>	<u>\$ 69,361,449</u>
OPERATING MARGINS (LOSS) - BEFORE FIXED CHARGES	\$ 1,695,971	\$ (1,153,407)	\$ 0	\$ 542,564
FIXED CHARGES				
Interest on Long-Term Debt	3,988,347	456,045	(456,045)	3,988,347
Amortization of Debt Cost	<u>42,448</u>			<u>42,448</u>
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	\$ (2,334,824)	\$ (1,609,452)	\$ 456,045	\$ (3,488,231)
Generation and Transmission Capital Credits	1,519,490			1,519,490
Other Capital Credits	<u>539,322</u>			<u>539,322</u>
NET OPERATING MARGINS (LOSS)	<u>\$ (276,012)</u>	<u>\$ (1,609,452)</u>	<u>\$ 456,045</u>	<u>\$ (1,429,419)</u>
NONOPERATING MARGINS (LOSS)				
Interest Income	\$ 835,633	\$	\$ (456,045)	\$ 379,588
Affiliated Company - Income (Loss) from Operations	(1,216,728)		1,216,728	0
Gain (Loss) on Disposition of Property	66,997	2,902		69,899
Other Nonoperating Income (Loss)	<u>(58,121)</u>			<u>(58,121)</u>
	<u>\$ (372,219)</u>	<u>\$ 2,902</u>	<u>\$ 760,683</u>	<u>\$ 391,366</u>
NET MARGINS (LOSS) BEFORE PROVISION FOR INCOME TAXES	\$ (648,231)	\$ (1,606,550)	\$ 1,216,728	\$ (1,038,053)
PROVISION FOR INCOME TAX BENEFIT (EXPENSE)		<u>389,822</u>		<u>389,822</u>
NET MARGINS (LOSS)	\$ (648,231)	\$ (1,216,728)	\$ 1,216,728	\$ (648,231)
PATRONAGE CAPITAL AND OTHER EQUITIES - BEGINNING OF PERIOD				
	92,082,527	(2,468,187)	2,468,187	92,082,527
Transfer Nonoperating Margins to Other Equities	(167,103)			(167,103)
Patronage Capital Retired - Cash	(86,438)			(86,438)
Patronage Capital Retired - Discounted	<u>(60,902)</u>			<u>(60,902)</u>
PATRONAGE CAPITAL AND OTHER EQUITIES - END OF PERIOD	<u>\$ 91,119,853</u>	<u>\$ (3,684,915)</u>	<u>\$ 3,684,915</u>	<u>\$ 91,119,853</u>

ACCOMPANYING INFORMATION

DELTA-MONTROSE ELECTRIC ASSOCIATION

Schedule 5

ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Balance 1/1/2020	Additions	Retirements	Balance 12/31/2020
HYDRO PLANT				
Land and Land Rights	\$ 300,112	\$	\$	\$ 300,112
Structures and Improvements	3,553,986			3,553,986
Reservoirs, Dams, and Waterways	7,091,587			7,091,587
Wheels, Turbines, and Generators	7,142,959			7,142,959
Accessory Electric Equipment	1,867,228			1,867,228
Other Power Plant Equipment	157,902			157,902
Total	<u>\$ 20,113,774</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,113,774</u>
TRANSMISSION PLANT				
Land and Land Rights	\$ 96,364	\$ 1,848,488	\$	\$ 1,944,852
Structures and Improvements	32			32
Station Equipment	620,454	11,148,147		11,768,601
Poles, Towers, and Fixtures	1,408,602	2,851,346	12,962	4,246,986
Overhead Conductors and Devices	1,148,872	1,736,773	22,315	2,863,330
Road and Trails		302,581		302,581
Total	<u>\$ 3,274,324</u>	<u>\$ 17,887,335</u>	<u>\$ 35,277</u>	<u>\$ 21,126,382</u>
DISTRIBUTION PLANT				
Land and Land Rights	\$ 1,358,767	\$ 285,321	\$	\$ 1,644,088
Structures and Improvements	3,765,402			3,765,402
Station Equipment	6,710,526	7,879,660		14,590,186
Poles, Towers, and Fixtures	25,353,402	439,891	138,610	25,654,683
Overhead Conductors and Devices	23,539,613	310,889	193,021	23,657,481
Underground Conduit	5,334,192	119,226	8,331	5,445,087
Underground Conductors and Devices	15,859,688	699,711	148,948	16,410,451
Line Transformers	14,977,348	549,623	225,398	15,301,573
Services	16,064,105	75,210	49,351	16,089,964
Meters	11,322,257	144,960	24,881	11,442,336
Fiber	32,247,420	5,806,013	22,991	38,030,442
Street Lighting	677,850	35,177	21,853	691,174
Total	<u>\$ 157,210,570</u>	<u>\$ 16,345,681</u>	<u>\$ 833,384</u>	<u>\$ 172,722,867</u>
GENERAL PLANT				
Land and Land Rights	\$ 204,830	\$	\$	\$ 204,830
Structures and Improvements	4,567,411	328,495	146,969	4,748,937
Office Furniture and Equipment	6,606,275	428,338	54,432	6,980,181
Transportation Equipment	5,297,897	1,080,138	667,164	5,710,871
Stores Equipment	191,759	20,369	1,433	210,695
Tools, Shop, and Garage Equipment	1,935,118		25,832	1,909,286
Laboratory Equipment	469,203	6,783		475,986
Power Operated Equipment	1,666,418	371,890	88,155	1,950,153
Communications Equipment	6,497,901	141		6,498,042
SCADA and Other GPS Equipment	1,014,384	235,684		1,250,068
Miscellaneous Equipment	288,116	115,099	388	402,827
Total	<u>\$ 28,739,312</u>	<u>\$ 2,586,937</u>	<u>\$ 984,373</u>	<u>\$ 30,341,876</u>
Total Classified Electric Plant in Service	\$ 209,337,980	\$ 36,819,953	\$ 1,853,034	\$ 244,304,899
Fiber Organization	93,506			93,506
Geothermal Loop Devices	1,033,636		16,062	1,017,574
Community Solar Arrays	386,724			386,724
Construction Work in Progress	8,042,461	2,524,880		10,567,341
Total Utility Plant	<u>\$ 218,894,307</u>	<u>\$ 39,344,833</u>	<u>\$ 1,869,096</u>	<u>\$ 256,370,044</u>

DELTA-MONTROSE ELECTRIC ASSOCIATION

Schedule 6

**ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Balance 1/1/2020	Depreciation Accruals	Retirements	Balance 12/31/2020
Hydro Plant	\$ <u>3,476,966</u>	\$ <u>597,530</u>	\$ _____	\$ <u>4,074,496</u>
Transmission Plant	\$ <u>2,063,247</u>	\$ <u>273,358</u>	\$ <u>41,683</u>	\$ <u>2,294,922</u>
Distribution Plant	\$ <u>64,239,008</u>	\$ <u>5,670,995</u>	\$ <u>994,568</u>	\$ <u>68,915,435</u>
General Plant				
Structures and Improvements	\$ 1,947,368	\$ 149,984	\$ 71,731	\$ 2,025,621
Office Furniture and Fixtures	5,477,423	359,635	54,432	5,782,626
Transportation Equipment	3,546,240	609,939	667,164	3,489,015
Stores Equipment	129,163	6,490	1,433	134,220
Tools, Shop, and Garage Equipment	1,456,058	55,485	18,082	1,493,461
Laboratory Equipment	329,362	13,405		342,767
Power Operated Equipment	1,279,463	138,906	88,155	1,330,214
Communications Equipment	1,810,130	274,453		2,084,583
Miscellaneous Equipment	947,481	42,226	388	989,319
Total General Plant	\$ <u>16,922,688</u>	\$ <u>1,650,523</u>	\$ <u>901,385</u>	\$ <u>17,671,826</u>
Total Classified Electric Plant in Service	\$ 86,701,909	\$ 8,192,406	\$ 1,937,636	\$ 92,956,679
Fiber Organization	48,310	18,700		67,010
Geothermal Loop Devices	638,232	68,231	12,530	693,933
Community Solar Arrays	94,392	15,467		109,859
Retirement Work in Progress	<u>(28,679)</u>	_____	<u>(5,169)</u>	<u>(23,510)</u>
Total	\$ <u>87,454,164</u>	\$ <u>8,294,804</u>	\$ <u>1,944,997</u>	\$ <u>93,803,971</u>
		(1)	(2)	
(1) Charged to Depreciation Expense		\$ 7,545,959		
Charged to Clearing and Other Accounts		<u>748,845</u>		
		<u>\$ 8,294,804</u>		
(2) Cost of Units Retired			\$ 1,869,096	
Cost of Removal in Excess of Salvage			<u>75,901</u>	
Loss Due to Retirement			<u>\$ 1,944,997</u>	

DELTA-MONTROSE ELECTRIC ASSOCIATION

Schedule 7

**PATRONAGE CAPITAL
DECEMBER 31, 2020**

Year	Association			Total Balance
	Assignable	Assigned	Retired	
1970-1990	\$	\$ 12,757,684	\$ 12,757,684	\$
1991		1,150,767	295,580	855,187
1992		3,405,697	795,854	2,609,843
1993		5,056,632	3,224,113	1,832,519
1994		4,420,922	2,978,094	1,442,828
1995		4,093,267	751,218	3,342,049
1996		4,072,254	682,881	3,389,373
1997		3,653,147	530,729	3,122,418
1998		4,014,664	484,201	3,530,463
1999		3,306,969	346,727	2,960,242
2000		927,378	87,594	839,784
2001		1,482,836	127,832	1,355,004
2002		3,276,106	268,023	3,008,083
2003		3,989,909	533,752	3,456,157
2004		1,952,288	381,446	1,570,842
2005		1,699,623	327,818	1,371,805
2006		1,578,511	698,944	879,567
2007		1,306,079	1,297,658	8,421
2008		1,478,005	1,468,001	10,004
2009		289,129	285,190	3,939
2010		1,291,168	45,167	1,246,001
2011		1,516,662	45,916	1,470,746
2012		1,401,732	538,392	863,340
2013		268,388	268,388	0
2014		783,690	17,467	766,223
2015		373,763	6,611	367,152
2016		431,456	2,629	428,827
2017	1,220,770 *			1,220,770
2018	0 *			0
2019	441,575 *			441,575
2020	4,748,166 *			4,748,166
	\$ <u>6,410,511</u>	\$ <u>69,978,726</u>	\$ <u>29,247,909</u>	\$ 47,141,328
				(9,000,000)
				<u>38,141,328</u>

* 2017 - 2020 Association Assignable Margins are allocated as follows:

	Association Margins by Year	Net Loss offset with future margins	Net Deferred Revenue to be Assigned	Total
2017	220,770		1,000,000	1,220,770
2018	(223,601)	223,601		0
2019	(2,334,824)	(223,601)	3,000,000	441,575
2020	(251,834)		5,000,000	4,748,166
	<u>(2,589,489)</u>	<u>0</u>	<u>9,000,000</u>	<u>6,410,511</u>

COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**LETTER TO BOARD OF DIRECTORS REGARDING POLICIES
CONCERNING AUDITS OF CFC BORROWERS**

Board of Directors
Delta Montrose Electric Association and Subsidiary
Montrose, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Delta Montrose Electric Association and Subsidiary as of December 31, 2020, and the related statements of income and patronage capital and cash flows for the year then ended, and have issued our report thereon dated March 31, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Cooperative Finance Corporation Loan Agreement insofar as they relate to accounting matters. 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 Delta Montrose Electric Association and Subsidiary and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 31, 2021