Note: All the redactions are a result of best business practices regarding subsidiaries competitive market information or security concerns at federal facilities at the direction of the U.S Department of Defense.

REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

December 31, 2021 and 2020

MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Consolidated Financial Statements	
Consolidated balance sheets	3–4
Consolidated statements of operations and comprehensive income (loss)	5
Consolidated statements of changes of equities	6
Consolidated statements of cash flows	7–8
Notes to consolidated financial statements	9–27
Supplementary Information	

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Valley Electric Association, Inc. and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Valley Electric Association, and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income (loss), changes of equities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Valley Electric Association Inc. and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Valley Electric Association Inc. and subsidiaries 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Valley Electric Association Inc. and subsidiaries 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 consolidated 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Valley Electric Association Inc. and subsidiaries 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 Valley Electric Association Inc. and Subsidiaries 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.

Report on Supplementary Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information on pages XX through XX is presented for purposes of additional analysis and is not required part of the basic 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 consolidated information has been subjected to the auditing procedures applied in 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Portland, Oregon
April 27, 2022

This page intentionally left blank.

Valley Electric Association, Inc. and Subsidiaries
Consolidated Balance Sheets

ASSETS

	December 31, 2021	December 31, 2020
UTILITY PLANT, at cost		
Plant in service	$ 347,046,364	$ 341,688,035
Construction work in progress	5,012,782	5,436,499
Electric plant acquisition adjustment – net	1,886,976	1,968,136
	353,946,122	349,092,670
Less: accumulated provision for depreciation	118,788,179	106,631,052
Net utility plant in service	235,157,943	242,461,618
OTHER PROPERTY AND INVESTMENTS – AT COST OR STATED VALUE		
Investments in associated organizations	8,278,722	7,811,147
Notes receivable – long-term portion	1,235,149	752,928
Total other investments	9,513,871	8,564,075
CURRENT ASSETS		
Cash and temporary cash investments	2,051,953	5,118,632
Special deposits	4,790,123	6,112,403
Accounts and notes receivable (less allowance for uncollectibles of $480,543 in 2021 and $470,048 in 2020)	3,228,876	5,031,270
Accrued unbilled revenue	3,010,832	3,083,131
Notes receivable – current portion	138,724	160,941
Materials and supplies	5,359,891	4,443,488
Other current and accrued assets	1,293,961	2,230,498
Total current assets	19,874,360	26,180,363
DEFERRED DEBITS	52,422,227	58,840,557
Total assets	$ 316,968,401	$ 336,046,613

See accompanying notes.

EQUITIES AND LIABILITIES

	December 31, 2021	December 31, 2020
EQUITIES	$ 68,535,553	$ 81,637,759
LONG-TERM LIABILITIES		
CFC mortgage notes	137,796,397	145,114,697
CoBank mortgage notes	62,288,995	64,198,496
Capital leases	-	248,969
Other long-term debt	14,434,814	15,081,156
Long-term payables	5,599,674	4,104,533
Total noncurrent liabilities	220,119,880	228,747,851
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS		
Post-retirement benefits	3,793,074	858,781
CURRENT LIABILITIES		
Current maturities of long-term debt and capital leases	10,132,562	12,568,932
Current portion of APBO	1,004,791	181,708
Line of credit	1,000,000	-
Accounts payable	4,504,203	4,123,952
Consumers' deposits	833,737	707,015
Accrued compensated absences	1,613,669	2,066,006
Other current and accrued liabilities	1,671,197	1,869,175
Total current liabilities	20,760,159	21,516,788
DEFERRED CREDITS	3,759,735	3,285,434
Total equities and liabilities	$ 316,968,401	$ 336,046,613

Valley Electric Association, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Income (Loss)

	Years Ended December 31,	
	2021	2020
OPERATING REVENUES	$ 90,968,508	$ 86,639,633
OPERATING EXPENSES		
Cost of purchased power	32,496,935	28,135,415
Transmission expense	11,336,387	10,179,520
Distribution expense	20,069,929	12,552,525
Consumer related expenses	3,637,726	3,674,718
Administrative and general	16,357,024	8,411,819
Depreciation and amortization	12,788,063	13,428,855
Other	296,007	91,591
Total operating expenses	96,982,071	76,474,443
Net operating margins (loss)	(6,013,563)	10,165,190
NON-OPERATING MARGINS		
Interest on long-term debt	(8,307,823)	(8,935,453)
Capital credits	1,104,392	1,177,966
Other	-	(26,432)
Total non-operating margins	(7,203,431)	(7,783,919)
NET MARGINS (LOSS)	(13,216,994)	2,381,271
COMPREHENSIVE INCOME (LOSS)		
Adjustment for post-retirement benefits	163,561	(1,294,233)
COMPREHENSIVE INCOME (LOSS)	$ (13,053,433)	$ 1,087,038

See accompanying notes.

	Years Ended December 31, 2021	2020
EQUITIES		
Memberships		
Balance at January 1	$ 184,440	$ 192,270
Additions (removals)	(16,150)	(7,830)
Balance at December 31	168,290	184,440
Patronage capital		
Balance at January 1	133,134,805	131,627,135
Transfer of net margins	(13,216,994)	2,381,271
Transfer of margins to other equities	10,835,429	(609,299)
Retirement of capital credits, net	(363,927)	(264,302)
Balance at December 31	130,389,313	133,134,805
Other equity (deficit)		
Balance at January 1	(51,631,630)	(52,358,259)
Additions	(10,504,125)	726,629
Balance at December 31	(62,135,755)	(51,631,630)
Accumulated other comprehensive loss (gain)		
Balance at January 1	(49,856)	(1,344,089)
Actuarial gain	163,561	1,294,233
Balance at December 31	113,705	(49,856)
Total equities	$ 68,535,553	$ 81,637,759

Valley Electric Association, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins (loss)	$ (13,216,994)	$ 2,381,271
Adjustments to reconcile net margins (loss) to net cash from operating activities		
Depreciation and amortization	12,788,063	14,699,889
Capital credits	(128,808)	(355,977)
Change in assets and liabilities		
Deferred debits	6,418,330	2,554,973
Deferred credits	474,300	263,131
Accounts and notes receivable	(18,432,768)	(3,640,446)
Inventories and other current assets	(686,712)	(914,614)
Payables and accrued expenses	21,905,576	4,630,325
Post-retirement benefit obligation	3,920,937	(80,226)
Net cash from operating activities	13,041,924	19,538,326
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions to utility plant and other property and equipment	(7,913,186)	(7,339,126)
Plant removal (more) less than salvage and other credits	2,428,799	(1,460,003)
Special deposit	1,322,280	(2,266,383)
Other property and investments	501	(458,933)
Net cash used in investing activities	(4,161,606)	(11,524,445)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payments on long-term debt to CFC	(7,061,430)	(5,006,129)
Payment to refinance CFC	1,000,000	(1,926,436)
Payments on long-term debt to CoBank	(1,854,237)	(1,228,112)
Proceeds on long-term debt CoBank	-	35,570,000
CFC line of credit conversion to long-term debt	-	(18,500,000)
CoBank line of credit conversion to long-term debt	-	(12,000,000)
Payments on other LTD	(646,339)	(646,332)
Payments on capital leases	(2,997,476)	(3,424,070)
Retirement of patronage capital	(387,515)	(416,756)
Memberships and other equities – net	-	719,299
Net cash used in financing activities	(11,946,997)	(6,858,536)
CHANGE IN CASH AND CASH EQUIVALENTS	(3,066,679)	1,155,345
CASH AND CASH EQUIVALENTS, beginning of year	5,118,632	3,963,287
CASH AND CASH EQUIVALENTS, end of year	$ 2,051,953	$ 5,118,632

See accompanying notes.

	Years Ended December 31, 2021	2020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest on long-term debt	$ 8,307,823	$ 8,781,410

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Valley Electric Association, Inc. (VEA) is a non-profit company organized to provide electric service at the retail level to primarily residential, irrigation, and commercial accounts in a designated service area located in southwestern Nevada and portions of eastern California. Power delivered at retail is purchased wholesale from BP Energy Company and other suppliers. Any operating revenues earned in excess of costs incurred from the Cooperative and subsidiaries are allocated to patrons of VEA and are reflected as patronage capital equity on the balance sheets.

VEA has been involved in power interchange activity with a California utility company for several years. At December 31, 2021 and 2020, the net interchange balance due to the utility company has been calculated at $5,599,674 and $4,104,533, respectively, and is included in long-term payables on the balance sheets.

Valley Electric Transmission Association, L.L.C. (VETA), is a wholly owned subsidiary of VEA and is located in Pahrump, Nevada. VETA was formed in 2011 to construct, maintain and operate the transmission facilities previously included in VEA's records. VEA transferred all transmission plant and work in progress on transmission plant to VETA in 2011 along with long-term debt in the same amount.

Valley Communications Association, L.L.C. (VCA), is a wholly owned subsidiary of VEA and is located in Pahrump, Nevada. VCA was formed in 2016 to provide broadband services to both members and non-members of VEA.

SolPower and SolPower Capital (collectively "SolPower"), are wholly owned subsidiaries of VEA and are located in Pahrump, Nevada. SolPower was formed in 2020 to provide solar power services to members of VEA.

Valley Electric Association, Inc. and its Subsidiaries, as a whole, will be referred to as the Association.

System of accounts

Although the Association is no longer a 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 VEA and its wholly owned subsidiaries, VETA, VCA and SolPower. All material inter-company transactions have been eliminated.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and temporary cash investments.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair value measurements
The Association has determined the fair value of certain assets and liabilities in accordance with the provision of Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability. The Association recognizes significant transfers between levels on the date of the transfer.

Accounts receivable
Accounts receivable are recorded when invoices are issued and are written off when they are determined to be uncollectible.

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

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 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.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (continued)

Straight-line plant in service depreciation rates:

Transmission plant	2.00%–2.75%
Distribution plant	2.73%
Broadband vehicles and equipment	5.00%–20.00%
Other equipment	2.5%-33.30%

Inventories
Materials and supplies inventories are valued at average cost.

Other property and investments
Investments in associated organizations are carried at cost (see Note 3), plus capital credits allocated and not retired.

Concentration of credit risk
The Association's headquarters facility is located in Pahrump, Nevada. The service area includes members located in an area located in southwestern Nevada and eastern California. VEA will require a deposit from members without a good credit history and who do not elect prepaid metering options. Any deposit will be applied to unpaid bills and fees in the event of default. The deposit accrues interest and is returned periodically. As of December 31, 2021 and 2020, deposits on hand totaled $833,737 and $707,015, respectively.

The cash balances maintained by the Association are on deposit with institutions insured by the Federal Deposit Insurance Corporation. Balances at times exceeded insured amounts.

Patronage capital certificates
The Association operates under a patronage capital system. Under this system, operating margins are allocated to patrons annually based on billings and usage of electricity. Distributions to patrons are made at the discretion of the Board of Directors in accordance with the bylaws, subject to the restrictions contained in long-term debt agreements.

Patronage capital from associated companies is recorded at the stated amount of the certificate.

Income tax status
The Association is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code provided at least 85% of its revenue and income is derived from patrons for the sole purpose of meeting losses and expenses. For the year ended December 31, 2020, the Association qualified for exemption and operated as an exempt cooperative. To the extent the Association engages in an unrelated trade or business, it is subject to the unrelated business income tax imposed by Section 511 of the Internal Revenue Code. The primary source of unrelated business income activities is the provision of Internet services on a non-patronage basis.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (continued)

VETA, VCA and SolPower are classified as disregarded entities of the Association for federal income tax reporting purposes. Therefore, the operations of these two companies are included in the tax returns filed by the Association and are included in determining whether the Association is taxed as an exempt or non-exempt cooperative. The taxability of VETA, VCA and SolPower is determined based on how each contributes to the patronage and non-patronage activities of the Association. Current and deferred income taxes, if any, are allocated solely to the Association.

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 and the amount utilized for any year is limited to 80% of taxable income for such year. At December 31, 2021, the total NOL carryover available to the Association for both its unrelated business and non-patronage activities is approximately $15.7 million. Of that total, approximately $13.7 million is the result of NOLs arising before January 1, 2018 and begin expiring in 2026, and approximately $2.0 million is the result of NOLs arising after January 1, 2018 which has an indefinite carryover.

The Association follows the asset and liability method for recording 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 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 income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. These differences represent future tax return consequences (increases and decreases in taxable income) when deferred tax assets and liabilities are recovered, realized, or settled. The principal source of deferred federal income taxes is the NOL carryover. The federal deferred tax asset associated with the NOL carryovers for 2021 and 2020 is estimated at $2.0 million and $3.1 million, respectively. However, until there is sufficient history of net earnings to show that the NOL carryovers will be fully utilized, a valuation allowance has been recorded in full, resulting in a net deferred tax asset of $0 at December 31, 2021 and 2020. Accordingly, the overall provision for income taxes is $0 for both years then ended.

The Association follows the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Association is its filing status as a tax-exempt cooperative in the years it qualifies for exemption. In the years it does not qualify for exemption, the primary tax position of the Association is the exclusion from taxable income for the amount of patronage capital allocated to the patrons. The Association has determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service and that all tax benefits are likely to be realized upon settlement with federal taxing authorities.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (continued)

The Association, including the operations of VETA, VCA and SolPower, files its income tax return in the U.S. federal jurisdiction. It is no longer subject to income tax examinations by the applicable federal taxing authority for years before 2017. The Association recognizes interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2021 and 2020.

Other equity (deficit)

As of December 31, 2021, other equity (deficit) are related to the accumulated losses from the broadband division, electric operations and SolPower. In accordance with the Association's bylaws, future margins from the electric division can be used to offset accumulated losses or can be assigned to the members.

Revenue recognition and unbilled revenue

The Association recognizes revenue that corresponds to the price of the energy delivered to the customer. Revenue is recognized when obligations under the terms of a contract with members are satisfied. Performance obligations related to the sale of energy are satisfied as energy is delivered to customers. 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.

VEA has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2021 and 2020 amounted to $3,010,832 and $3,083,131, respectively. These amounts have been included in current assets on the balance sheets.

The Association generally bills broadband sales to customers one month in advanced at a fixed rate. Therefore, there will not be any unbilled amounts at the end of the year.

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.

Reclassification

Certain prior year balances in the consolidated financial statements have been reclassified to conform with current year presentation. These reclassifications had no impact to the prior year net margins.

Note 2 – Electric Plant

The major classes of electric plant are as follows:

	December 31, 2021	December 31, 2020
VEA		
Intangible plant	$ 18,593	$ 18,593
Distribution plant	195,601,131	192,895,141
General plant	56,775,351	55,371,653
Electric plant acquisition adjustment	1,886,976	1,968,136
Construction work in progress	555,964	971,440
Total plant in service – VEA	254,838,015	251,224,963
VCA	[redacted]	[redacted]
Broadband vehicles and equipment		
Construction work in progress		
Total plant in service - VCA		
VETA		
Transmission plant		
General plant		
Construction work in progress		
Total plant in service – VETA		
SolPower		
Intangible plant		
General plant		
Construction work in progress		
Total plant in service – SolPower		
Total plant	$ 353,946,122	$ 349,092,670

Depreciation for the years ended December 31, 2021 and 2020 was $12,706,903 and $13,339,085 respectively. Amortization for the [redacted] acquisition adjustment for the years ended December 31, 2021 and 2020 were $81,160 and $89,770, respectively.

Note 3 – Investments in Associated Organizations

Investments in associated organizations consisted of the following:

	December 31, 2021	December 31, 2020
VEA		
CFC		
Capital term certificates	$ 1,013,601	$ 1,019,579
Patronage capital	3,379,946	3,214,917
Federated rural insurance	432,775	407,867
Other	1,149,263	945,707
	5,975,585	5,588,070
VETA		
CFC		
Capital certificates	423,674	423,674
Patronage capital	1,878,463	1,798,403
Membership	1,000	1,000
	2,303,137	2,223,077
Total investments in associated organizations	$ 8,278,722	$ 7,811,147

Note 4 – Deferred Debits

Deferred debits included the following:

	December 31, 2021	December 31, 2020
VEA		
BP energy contract	$ 50,891,212	$ 53,310,502
Community solar project	1,299,122	1,347,237
[redacted] contract costs	-	271,733
Other charges	206,478	386,899
	52,396,812	55,316,371
VETA		
Other charges	25,415	39,299
VCA		
Preliminary survey	-	3,484,887
Total deferred debits	$ 52,422,227	$ 58,840,557

During the year ending December 31, 2018, VEA entered into a contract with BP Energy for $59,485,030 to buy out VEA's obligation in their existing contract. This amount is being amortized through December 2041.

The community solar project deferred debit is related to environmental impact study costs that will be amortized over the power purchase agreement for solar energy.

Note 5 – Short-Term Borrowing

VEA has a $15,000,000 perpetual line of credit with CFC, with a 2.45% interest rate as of December 31, 2021. At December 31, 2021 and 2020, there was $1,000,000 and $0 outstanding on this line.

VEA has a $10,000,000 perpetual line of credit with CoBank with a 2.41% interest rate at December 31, 2021 and maturity date of May 30, 2022. At December 31, 2021 and 2020, there was no balance outstanding on this line of credit.

Note 6 – Long-Term Debt – CFC

Following is a summary of long-term mortgage notes due CFC and those under CFC Management but owned by Farmer Mac. Substantially all assets are pledged as security for the long-term debt due to and under management of the National Rural Utilities Cooperative Finance Corporation (CFC).

	December 31, 2021	December 31, 2020
VEA		
Fixed and variable notes payable due to CFC in quarterly installments of principal and interest at a rate ranging from 1.45% - 4.90%, maturing from June 2022 - December 2051	$ 99,631,699	$ 105,695,308
VETA		
Fixed and variable notes payable due to CFC in quarterly installments of principal and interest at a rate ranging from 2.45% - 5.55%, maturing from September 2042 - June 2052	45,483,006	46,480,827
Total long-term debt	145,114,705	152,176,135
Less current maturities	(7,318,308)	(7,061,438)
Total long-term debt, less current maturities	$ 137,796,397	$ 145,114,697

As of December 31, 2021, scheduled annual maturities of principal amounts due CFC for the next five years is as follows:

	VEA	VETA	Total
2022	$ 6,279,011	$ 1,039,297	$ 7,318,308
2023	6,503,357	1,082,623	7,585,980
2024	6,751,917	1,127,886	7,879,803
2025	5,849,515	1,175,180	7,024,695
2026	6,102,270	1,224,598	7,326,868
Thereafter	68,145,629	39,833,422	107,979,051
	$ 99,631,699	$ 45,483,006	$ 145,114,705

Note 7 – Long-Term Debt – CoBank

Following is a summary of long-term mortgage notes due CoBank. Substantially all assets are pledged as security for the long-term debt due to and under management of CoBank.

	December 31, 2021	December 31, 2020
Fixed notes payable due to CoBank in monthly installments of principal and interest at a rate of 3.695%, maturing July 2046	$ 34,432,445	$ 35,701,569
Fixed notes payable due to CoBank in monthly installments of principal and interest at a rate of 3.695%, maturing September 2050	29,771,099	30,356,212
Total long-term debt	64,203,544	66,057,781
Less current maturities	(1,914,549)	(1,859,285)
Long-term debt, less current maturities	$ 62,288,995	$ 64,198,496

As of December 31, 2021, scheduled annual maturities of principal amounts due CoBank for the next five years is as follows:

2022	$ 1,914,549
2023	1,976,833
2024	2,035,617
2025	2,107,396
2026	2,175,991
Thereafter	53,993,158
	$ 64,203,544

Note 8 – Other Long-Term Debt

Following is a summary of long-term debt that is being financed by [redacted]:

	December 31, 2021	December 31, 2020
Variable notes payable due to [redacted] Electric Distribution System in monthly installments of principal and interest at a rate of 2.58%, maturing January 2025	$ 15,081,156	$ 15,727,488
Less current maturities	(646,342)	(646,332)
Long-term debt, less current maturities	$ 14,434,814	$ 15,081,156

As of December 31, 2021, scheduled annual maturities of principal amounts due for the next five years is as follows:

2022	$ 646,342
2023	646,335
2024	646,335
2025	646,335
2026	646,335
Thereafter	11,849,474
	$ 15,081,156

Note 9 – Capital Lease Obligation

In 2016 and 2017, Valley Communications Association entered into five-year leases for the purchase of broadband equipment. These leases expire at various times in 2021 and 2022. The economic substance of the capital leases is that the Association is financing the acquisition of the assets through the leases over their terms, and accordingly, they were reflected in the Association's non-utility plant assets and long-term liabilities.

As of December 31, 2021, current maturities of $253,370 were included in Current maturities of long-term debt and capital assets.

Note 10 – Deferred Credits

Deferred credits included the following:

	December 31, 2021	December 31, 2020
VEA		
Deferred reimbursements	$ 1,971,171	$ 1,742,404
Deferred easement revenue	105,000	111,000
	2,076,171	1,853,404
VETA		
Congestion rights revenue	1,633,943	1,432,030
SolPower	49,621	-
	$ 3,759,735	$ 3,285,434

The congestion rights revenue represents the rights for the following year. This amount will be recorded as revenue in the following year as the rights expire.

Deferred reimbursements represent the amount billed per the contract with [redacted] for renewals and replacements, and construction work in progress. These amounts will be recognized as qualifying renewals and replacements and construction work in progress costs are incurred.

Note 11 – Pension Benefits

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multi-employer 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 multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Association contributions to the RS Plan in 2021 and in 2020 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 $5,640,327 in 2021 and $5,485,638 in 2020.

Note 11 – Pension Benefits (continued)

In 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 Retirement Security Plan was over 80% funded on January 1, 2021 and 2020 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.

The employees also participate in a 401(k) plan, a defined contribution plan provided through National Rural Electric Cooperative Association. The Association makes monthly contributions to the plan. The cost to the Association under this plan for the years ended December 31, 2021 and 2020 were $296,785 and $334,257, respectively.

Note 12 – Special Early Retirement Program

The Association entered into a Special Early Retirement Program (SERP) with NRECA. The SERP was offered to all employees who met the eligibility requirements of an age of 57 years and 8 years of service. VEA and VCA recorded $7,320,316 and $957,126 of expenses within the current year, respectively. The RS Plan reserves the right to modify the cost estimates and benefit calculations in compliance with the terms of the plan and federal laws and regulations. The SERP benefit is quoted as an annual amount and is calculated as of August 31, 2021, the date the employees retired.

Note 13 – Post-Retirement Benefits and Deferred Compensation

The Association provides post-retirement medical and life benefits for eligible employees. For purposes of this statement, the written plan in effect is the substantive plan and is considered a defined benefit plan. The Association contributes varying amounts dependent on retirement date, age, and years of service based on a plan amendment adopted in 2007 and revised in 2009.

Accounting principles generally accepted in the United States of America requires an employer that sponsors a defined benefit post-retirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its balance sheet, to measure the plan assets and plan obligations as of the consolidated balance sheet date, and to include enhanced disclosures about the plan.

Benefits paid for the year ended December 31, 2021 and 2020 were $189,951 and $195,489, respectively.

The Association's policy for contributions is to contribute annually as deemed necessary. The measurement date used for the current valuation is December 31, 2021.

The effect of a 1.00% increase in health care trend rates would increase the benefit obligation by $240,174 and the service cost plus interest by $6,794.

The weighted-average discount rate used to develop the accumulated post-retirement benefit obligation was 3.30%. The assumed health care cost trend rate for 2021 is 4.75% declining to an ultimate level of 4.5% in 2025.

Note 13 – Post-Retirement Benefits and Deferred Compensation (continued)

Amounts recognized in the Association's consolidated financial statements and funded status of the plan is as follows:

	December 31, 2021	December 31, 2020
I) Net periodic benefit costs		
Service cost	$ 62,277	$ 78,821
Interest cost	57,478	70,195
Expected return on plan assets	(25,569)	(33,753)
Cost of SERP	2,314,010	-
Total periodic benefit cost	$ 2,408,196	$ 115,263
II) Accumulated post-retirement benefit obligation (APBO) reconciliation		
APBO balance at beginning of year	$ (2,187,100)	$ (3,555,247)
Actuarial loss	197,445	1,321,674
Interest cost / service cost	(119,755)	(149,016)
Benefits paid	189,951	195,489
Cost of SERP	(2,314,010)	-
Net post-retirement benefit liability at year-end	$ (4,233,469)	$ (2,187,100)
III) Reconciliation of funded status		
APBO	$ (4,233,469)	$ (2,187,100)
Assets funded	1,138,296	1,146,611
Accrued post-retirement benefit cost	$ (3,095,173)	$ (1,040,489)
IV) Accumulated provision for early retirement - medical	$ (1,702,692)	$ -
V) Amounts recognized in the balance sheet		
Current liability	$ (1,004,791)	$ (181,708)
Noncurrent liability	(3,793,074)	(858,781)
	$ (4,797,865)	$ (1,040,489)

Note 13 – Post-Retirement Benefits and Deferred Compensation (continued)

	December 31, 2021	December 31, 2020
VI) Accumulated other comprehensive loss		
Actuarial loss – beginning of year	$ 49,856	$ 1,344,089
Actuarial gain	(163,561)	(1,294,233)
Other comprehensive loss (gain)	$ (113,705)	$ 49,856
VII Plan assets		
Change in plan assets		
Fair value of plan assets at beginning of year	$ 1,146,611	$ 1,140,299
Return on plan assets	(8,315)	6,312
	$ 1,138,296	$ 1,146,611

The Association's post-retirement benefit plans asset allocations are as follows:

	December 31, 2021	December 31, 2020
NRECA Homestead funds		
Money market funds	$ 1,138,296	$ 1,146,611

The expected long-term rate of return on plan assets was 2.23% and 1.48% at January 1, 2021 and 2020, respectively.

Estimated future benefit payments for the next five years and the total payments for the sixth through tenth years are as follows:

2022	$ 639,922
2023	605,326
2024	542,248
2025	530,665
2026	389,240
2027–2031	1,017,741
	$ 3,725,142

Note 14 – Revenue Recognition

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

	December 31, 2021		
	Contracts with Customers	Other Revenue	Total
VEA			
Residential	$ 42,319,205	$ -	$ 42,319,205
Irrigation	3,847,535	-	3,847,535
Commercial and industrial	22,362,686	-	22,362,686
Electric – [redacted]	1,599,685	-	1,599,685
Other	1,193,084	-	1,193,084
VETA	[redacted]	-	[redacted]
VCA		-	
SolPower		-	
	$ 98,911,557	$ -	$ 98,911,557

	December 31, 2020		
	Contracts with Customers	Other Revenue	Total
VEA			
Residential	$ 41,632,604	$ -	$ 41,632,604
Irrigation	3,393,971	-	3,393,971
Commercial and industrial	22,115,715	-	22,115,715
Electric - [redacted]	1,597,724	-	1,597,724
Other	1,523,032	-	1,523,032
VETA	[redacted]	-	[redacted]
VCA		-	
SolPower		-	
	$ 86,639,633	$ -	$ 86,639,633

Note 14 – Revenue Recognition (continued)

VEA – The Association's primary revenue source is generated through the sale of electricity to members in the southwestern Nevada and portions of eastern California. Retail members are classified as residential, irrigation, commercial and industrial, and broadband. Residential members include single family housing, multiple family housing (such as apartments, duplexes, and town homes), manufactured homes, and small farms. Residential demand is sensitive to the effects of weather, with demand highest during the winter heating season and summer cooling season. Irrigation members consist of large farms who accept energy at high voltages. Commercial members consist of non-residential members who accept energy deliveries at voltages equivalent to those delivered to residential members. Commercial members include most businesses, small industrial companies, and public street and highway lighting accounts. Industrial members consist of non-residential members who accept delivery at higher voltages than commercial members. Demand from industrial members is primarily driven by economic conditions, with weather having little impact on energy use by this member class.

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

Other operating revenues consist primarily of public street and highway lighting, service fees and other services provided to members.

VETA – Revenue from services is recognized over time as customers receive the services.

VCA – Revenue from services is recognized over time as customers receive the services.

SolPower – Revenue from services is recognized over time as customers receive the services.

Contracts that generate contract liabilities include arrangements for customer deposits that are paid by the customer before services are provided. These contract liabilities are classified as customer deposits on the balance sheet.

In 2013, VEA entered into a 50-year contract with [redacted] ([redacted]) as part of a privatization agreement by which VEA agreed to maintain the distribution plant for the federal government. The contract provided for VEA to perform operations and maintenance, renewals and replacements, and special projects on behalf of the federal government. Revenue for operations and maintenance is recognized when billed. Revenue for renewals and replacements is deferred and recognized upon performing the renewal or replacement for [redacted]. Revenue for special projects is recognized upon completion of the project with the profit or loss recorded to revenue.

Note 15 – Litigation, Commitments, and Subsequent Events

Litigation

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

The Association has an agreement with one union. As of December 31, 2021, 34% of employees were covered by the union contract. The agreement expired on April 30, 2021. The parties to have agreed to operate under the expired term until a new contract is in place.

Subsequent events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Association recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Association's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the balance sheet date and before the consolidated financial statements are issued.

The Association has evaluated subsequent events through April 28, 2022, the date which the financial statements were available to be issued.

Supplementary Information

This page intentionally left blank.

MOSSADAMS