VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

PAHRUMP, NEVADA

CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING AND ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

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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
Valley Electric Association, Inc. and Subsidiaries
Pahrump, Nevada

We have audited the accompanying consolidated financial statements of Valley Electric Association, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive 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 Valley Electric Association, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the results of their consolidated 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 information and schedules of electric plant and other property and equipment, accumulated provision for depreciation, other property and investments, patronage capital, and five year comparative data are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

May 12, 2020

CONSOLIDATED FINANCIAL STATEMENTS

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

ASSETS

	December 31, 2019	December 31, 2018
UTILITY PLANT AT COST		
Electric Plant in Service	$ 290,590,751	$ 287,784,209
Construction Work in Progress	2,607,395	3,994,107
Electric Plant Acquisition Adjustment - Net	2,049,297	2,130,457
	$ 295,247,443	$ 293,908,773
Less: Accumulated Provision for Depreciation	79,902,938	75,121,030
	$ 215,344,505	$ 218,787,743
OTHER PROPERTY AND EQUIPMENT		
Broadband Plant and Equipment - In Service	$ 44,972,994	$ 39,653,240
Construction Work in Progress	1,938,700	5,379,103
	$ 46,911,694	$ 45,032,343
Less: Accumulated Provision for Depreciation	13,826,498	8,735,419
	$ 33,085,196	$ 36,296,924
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	$ 7,302,716	$ 6,779,386
Notes Receivable - Long-Term Portion	989,598	1,302,564
	$ 8,292,314	$ 8,081,950
CURRENT ASSETS		
Cash and Temporary Cash Investments	$ 3,963,287	$ 13,988,562
Special Deposits	3,846,020	1,537,677
Accounts and Notes Receivable (Less allowance for uncollectibles of $559,094 in 2019 and $632,411 in 2018)	5,668,939	3,965,558
Accrued Unbilled Revenue	2,759,928	2,537,725
Notes Receivable - Current Portion	183,725	206,121
Materials and Supplies	4,529,946	5,351,312
Other Current and Accrued Assets	1,229,426	1,233,018
	$ 22,181,271	$ 28,819,973
DEFERRED DEBITS	$ 61,395,530	$ 63,519,673
TOTAL ASSETS	$ 340,298,816	$ 355,506,263

EQUITIES AND LIABILITIES

	2019	2018
EQUITIES		
Memberships	$ 192,270	$ 187,140
Patronage Capital	131,627,135	131,761,342
Accumulated Other Comprehensive Loss	(1,344,089)	(1,277,205)
Other Equities (Deficits)	(52,358,259)	(47,867,582)
	$ 78,117,057	$ 82,803,695
LONG-TERM DEBT		
CFC Mortgage Notes	$ 147,107,948	$ 153,811,895
CoBank Mortgage Notes	35,701,569	36,926,595
CFC Line of Credit, Expected to be Refinanced as Long-Term Debt	18,500,000	18,500,000
CoBank Line of Credit, Expected to be Refinanced as Long-Term Debt	12,000,000	12,000,000
Capital Leases	3,250,846	6,674,924
Other Long-Term Debt	15,727,488	16,373,820
	$ 232,287,851	$ 244,287,234
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS		
Post-Retirement Benefits	$ 2,157,416	$ 2,072,883
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 12,002,460	$ 11,498,124
Current Portion of APBO	257,532	226,200
Accounts Payable	1,165,703	703,689
Accounts Payable - Purchased Power	6,174,708	5,623,025
Consumers' Deposits	921,999	872,005
Accrued Compensated Absences	1,781,130	1,807,760
Other Current and Accrued Liabilities	2,410,657	2,560,532
	$ 24,714,189	$ 23,291,335
DEFERRED CREDITS	$ 3,022,303	$ 3,051,116
TOTAL EQUITIES AND LIABILITIES	$ 340,298,816	$ 355,506,263

See accompanying notes to consolidated financial statements.

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Exhibit B

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Years Ended December 31, 2019 Amount	2019 %	2018 Amount	2018 %	Increase (Decrease)
OPERATING REVENUES					
Residential	$ 38,632,430	45.9	$ 35,597,394	44.2	$ 3,035,036
Irrigation	3,013,554	3.6	3,363,561	4.2	(350,007)
Commercial and Industrial	23,094,831	27.4	22,114,751	27.4	980,080
Public Street and Highway Lighting	43,903	0.1	40,694	0.1	3,209
Other Operating Revenues	19,374,436	23.0	19,447,650	24.1	(73,214)
Total Operating Revenues	$ 84,159,154	100.0	$ 80,564,050	100.0	$ 3,595,104
OPERATING EXPENSES					
Cost of Purchased Power	$ 26,796,171	31.8	$ 61,694,639	76.6	$ (34,898,468)
Transmission Expense	9,929,434	11.8	11,164,082	13.9	(1,234,648)
Distribution - Operation	9,654,420	11.5	8,762,883	10.9	891,537
Distribution - Maintenance	3,597,956	4.3	3,751,867	4.7	(153,911)
Consumer Accounts Expense	2,398,896	2.9	3,057,454	3.8	(658,558)
Customer Service and Information	745,796	0.9	916,089	1.1	(170,293)
Sales Expense	684,278	0.8	1,435,793	1.8	(751,515)
Administrative and General	11,223,326	13.3	13,043,174	16.2	(1,819,848)
Depreciation and Amortization	12,930,416	15.4	12,104,482	15.0	825,934
Other Interest	19,538	0.0	10,998	0.0	8,540
Other Deductions	105,624	0.1	170,210	0.2	(64,586)
Total Operating Expenses	$ 78,085,855	92.8	$ 116,111,671	144.2	$ (38,025,816)
OPERATING MARGINS (LOSS) - BEFORE FIXED CHARGES	$ 6,073,299	7.2	$ (35,547,621)	(44.2)	$ 41,620,920
FIXED CHARGES					
Interest on Long-Term Debt	10,673,494	12.7	10,020,522	12.4	652,972
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	$ (4,600,195)	(5.5)	$ (45,568,143)	(56.6)	$ 40,967,948
Capital Credits	1,149,159	1.4	1,419,487	1.8	(270,328)
NET OPERATING MARGINS (LOSS)	$ (3,451,036)	(4.1)	$ (44,148,656)	(54.8)	$ 40,697,620
NONOPERATING MARGINS (LOSS)					
Interest Income	$ 175,838	0.2	$ 499,765	0.6	$ (323,927)
Donations		0.0	(750)	0.0	750
Other Income (Loss)	(1,014,622)	(1.2)	29,467,126	36.6	(30,481,748)
	$ (838,784)	(1.0)	$ 29,966,141	37.2	$ (30,804,925)
NET MARGINS (LOSS)	$ (4,289,820)	(5.1)	$ (14,182,515)	(17.6)	$ 9,892,695
OTHER COMPREHENSIVE INCOME (LOSS)					
Post-Retirement Benefits					
Actuarial Gain (Loss)	$ (129,652)		$ 320,624		
Amortization of Loss	62,768		87,371		
	$ (66,884)		$ 407,995		
COMPREHENSIVE INCOME (LOSS)	$ (4,356,704)		$ (13,774,520)		
Adjustment for Post-Retirement Benefits	66,884		(407,995)		
PATRONAGE CAPITAL - BEGINNING OF YEAR	131,761,342		99,230,828		
TRANSFER LOSSES TO OTHER EQUITIES	838,784		38,360,675		
TRANSFER BROADBAND LOSSES TO OTHER EQUITIES	4,020,135		8,480,849		
PATRONAGE CAPITAL - RETIRED	(703,306)		(128,495)		
PATRONAGE CAPITAL - END OF YEAR	$ 131,627,135		$ 131,761,342		

See accompanying notes to consolidated financial statements.

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Exhibit C

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins (Loss)	$ (4,289,820)	$ (14,182,515)
Adjustments to Reconcile Net Margins (Loss) to Net Cash From Operating Activities		
Depreciation	14,042,806	12,945,511
Capital Credits	(544,916)	(556,182)
Deferred Debits	2,124,143	(33,095,012)
Deferred Credits	(28,813)	(30,327,400)
Accounts and Notes Receivable	(1,590,222)	63,932
Inventories and Other Current Assets	824,958	(1,368,626)
Payables and Accrued Expenses	887,186	(1,755,862)
Post-Retirement Benefit Obligation	48,981	63,671
Net Cash From Operating Activities	$ 11,474,303	$ (68,212,483)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant and Other Property and Equipment	$ (8,788,330)	$ (15,124,846)
Plant Removal (More) Less than Salvage and Other Credits	1,400,490	(604,853)
Special Deposit	(2,308,343)	2,534,609
Other Property and Investments	21,586	30,527,832
Net Cash From Investing Activities	$ (9,674,597)	$ 17,332,742
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to CFC	$ (6,457,767)	$ (6,221,765)
Payments on Long-Term Debt to CoBank	(1,194,403)	(795,332)
Payments on Other LTD	(646,332)	(646,332)
Payments on Capital Leases	(3,196,545)	(2,984,359)
Net Advances on CFC Line of Credit		8,000,000
Net Advances on CoBank Line of Credit		3,500,000
Retirement of Patronage Capital	(703,306)	(128,495)
Memberships and Other Equities - Net	373,372	87,667
Net Cash From Financing Activities	$ (11,824,981)	$ 811,384
CHANGE IN CASH AND CASH EQUIVALENTS	$ (10,025,275)	$ (50,068,357)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,988,562	64,056,919
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,963,287	$ 13,988,562
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	$ 10,707,676	$ 9,552,384
Income Taxes	$ 0	$ 0

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 are allocated to members 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, 2019 and 2018, the net interchange balance due to the utility company has been calculated at $3,583,071 and $3,384,714, respectively, and is included in Accounts Payable - Purchased Power 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. VETA is currently constructing transmission lines in various areas of Nevada.

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.

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 and VCA. All material inter-company 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 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.

The Association capitalizes interest on its transmission line projects. The total amount of interest capitalized for the years ending December 31, 2019 and 2018 was $14,610 and $27,827, respectively.

Inventories

Materials and supplies inventories are valued at average cost.

Revenues from Contracts with Customers

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. VEA 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 year, amounts of energy delivered to customers since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. VEA has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2019 and 2018 amounted to $2,759,928 and $2,537,725, respectively. These amounts have been included in current assets on the balance sheets.

The measurement of fiber sales to customers is generally billed monthly in advance at a fixed rate. Therefore, there will not be any unbilled amounts at the end of the year.

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

In 2013, VEA entered into a 50 year contract with Creech Air Force Base (CAFB) 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 CAFB. Revenue for special projects is recognized upon completion of the project with the profit or loss recorded to revenue.

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.

Group 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, 2019 and 2018, deposits on hand totaled $921,999 and $872,005, 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 members annually based on billings and usage of electricity. Distributions to members 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 members for the sole purpose of meeting losses and expenses. For the year ended December 31, 2019, 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.

VETA and VCA 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 and VCA 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, 2019, the total NOL carryover available to the Association for both its unrelated business and non-patronage activities is $27,339,838. Of that total, $13,651,385 is the result of NOLs arising before January 1, 2018 and begin expiring in 2026, and $13,688,453 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 2019 and 2018 is estimated at $5,741,366 and $4,096,371, 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, 2019 and 2018. 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.

The Association, including the operations of VETA and VCA, 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 2016. The Association recognizes interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2019 and 2018.

Cash and Cash Equivalents

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

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.

2. Assets Pledged

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) and CoBank.

3. Electric Plant

The major classes of electric plant are as follows:

	December 31, 2019	December 31, 2018
VEA		
Intangible Plant	$ 18,593	$ 18,593
Distribution Plant	190,394,596	186,335,677
General Plant	55,156,810	56,538,558
Electric Plant Acquisition Adjustment	2,049,297	2,130,457
Construction Work in Progress	427,885	1,640,837
Total Electric Plant in Service - VEA	$ 248,047,181	$ 246,664,122
VETA		
Transmission Plant	$ 44,991,788	$ 44,862,417
General Plant	28,964	28,964
Construction Work in Progress	2,179,510	2,353,270
Total Electric Plant in Service - VETA	$ 47,200,262	$ 47,244,651
Total Plant	$ 295,247,443	$ 293,908,773

During the years ended December 31, 2013, 2014, and 2017, the Association purchased plant assets on the CAFB. In consideration for each purchase, the Association assumed a long-term note to purchase the assets. The excess consideration over the net book value is reflected as an Electric Plant Acquisition Adjustment and is being amortized over the remaining useful life of the assets.

The remaining Electric Plant Acquisition Adjustment is as follows:

	December 31, 2019	December 31, 2018
Total Consideration	$ 20,381,781	$ 20,381,781
Less: Net Book Value of Assets	17,767,489	17,767,489
Total Electric Plant Acquisition Adjustment	$ 2,614,292	$ 2,614,292
Less: Amortization	564,995	483,835
Remaining Electric Plant Acquisition Adjustment	$ 2,049,297	$ 2,130,457

Provision for depreciation of electric plant is computed using straight-line rates, group composite method, as follows:

Transmission Plant	2.00% - 2.75%
Distribution Plant	2.73%
Structures and Improvements	2.50%
Office Furniture and Fixtures	5.00% - 33.30%
Transportation Equipment	16.60%
Tools, Shop, and Garage Equipment	4.73%
Stores Equipment	4.73%
Communication Equipment	4.36%
Miscellaneous Equipment	2.72%

Depreciation for the years ended December 31, 2019 and 2018, was $8,892,019 and $8,536,659 respectively, of which $7,698,469 and $7,614,469 was charged to depreciation expense, and $1,193,550 and $922,190 allocated to other accounts. Amortization for the CAFB acquisition adjustment for the years ended December 31, 2019 and 2018 were $81,160 and $81,160, respectively.

4. Other Property and Equipment

The major classes of other property and equipment are as follows:

	December 31,	
	2019	2018
Broadband Vehicles and Equipment	$ 44,972,994	$ 39,653,240
Construction Work in Progress	1,938,700	5,379,103
Total Other Property and Equipment	$ 46,911,694	$ 45,032,343

Provision for depreciation of nonutility plant and equipment is computed using straight-line rates, group composite method, as follows:

Broadband Vehicles and Equipment	5.00% - 20.00 %

Depreciation for the years ended December 31, 2019 and 2018, was $5,150,787 and $4,408,852, respectively.

5. Investments in Associated Organizations

Investments in associated organizations consisted of the following at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
VEA		
CFC		
Capital Term Certificates	$ 1,025,371	$ 1,031,003
Patronage Capital	2,999,135	2,767,439
Federated Rural Insurance	387,327	380,163
Other	759,481	567,353
	$ 5,171,314	$ 4,745,958
VETA		
CFC		
Capital Term Certificates	$ 423,674	$ 423,674
Patronage Capital	1,706,728	1,608,754
Membership	1,000	1,000
	$ 2,131,402	$ 2,033,428
Total Investments in Associated Organizations	$ 7,302,716	$ 6,779,386

6. Notes Receivable

The Association provides loans to its members for the purchase of solar water heaters. The loans may be granted for up to fifteen year periods with zero percent interest. The balance of these loans at December 31, 2019 and 2018 was $1,173,323 and $1,508,685, respectively. The current portion of these loans at December 31, 2019 and 2018 was $183,725 and $206,121, respectively, and is included in current assets on the balance sheet.

7. Materials and Supplies

Materials and supplies consisted of the following:

	December 31, 2019	December 31, 2018
Construction Materials and Supplies	$ 2,675,124	$ 3,049,427
Transportation and Other Materials	161,097	233,714
Solar Water Heaters	217,983	224,110
Communications Materials and Supplies	1,475,742	1,844,061
	$ 4,529,946	$ 5,351,312

8. Deferred Debits

Deferred debits included the following:

	December 31,	
	2019	2018
VEA		
BP Energy Contract	$ 55,990,359	$ 58,271,050
CAFB Contract Costs	282,900	294,067
Community Solar Project	1,538,303	1,584,421
Other Charges	65,220	64,055
	$ 57,876,782	$ 60,213,593
VETA		
Other Charges	$ 33,861	$ 220
VCA		
Work Orders on Hold	$ 3,484,887	$ 3,305,860
Total Deferred Debits	$ 61,395,530	$ 63,519,673

During the year ending December 31, 2018, VEA entered into a contract with BP Energy for $59,485,030. This amount is being amortized over the term of the short-term contract and the anticipated 25 year long-term power supply contract.

The CAFB contract costs represent cost to obtain the contract to purchase the assets of the CAFB assets. This amount will be amortized over the life of the CAFB contract.

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.

9. Return of Capital

The mortgage with CFC contains provisions that must be met for VEA to make patronage capital retirements. These provisions include minimum equity and debt service ratios. Patronage capital totaling $703,306 and $128,495 was retired during the years ended December 31, 2019 and 2018, respectively.

10. Patronage Capital

	December 31,	
	2019	2018
Assigned - Net of Retirements	$ 130,968,258	$ 131,671,559
Assignable	658,877	89,783
	$ 131,627,135	$ 131,761,342

11. Other Equities (Deficits)

	December 31, 2019	December 31, 2018
Donated Capital	$ 11,904,462	$ 11,536,220
Operating Deficits - Broadband	(28,904,513)	(23,701,878)
Operating Deficits - Electric	(35,358,208)	(35,701,924)
	$ (52,358,259)	$ (47,867,582)

As of December 31, 2019, the operating deficits are related to the accumulated losses from the broadband division and electric operations. Future net margins from the broadband division will be used to offset the accumulated losses. 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. Subsequent to year end, the Board of Directors approved the 2019 electric margins, in the amount of $569,099, to be assigned to the members.

12. Short-Term Borrowing

VEA has a $20,000,000 perpetual line of credit with CFC. At December 31, 2019 and 2018, $18,500,000 and $18,500,000 was outstanding on the perpetual line of credit, respectively.

VEA has a $15,000,000 perpetual line of credit with CoBank with a 4.39% interest rate and maturity date of May 30, 2020. At December 31, 2019 and 2018, $12,000,000 and $12,000,000 was outstanding on this line of credit, respectively. VEA has a letter of credit attached to this line of credit totaling $40,475 with a maturity date of May 5, 2020. The available balance on this line of credit at December 31, 2019 is $2,959,525.

Both the CFC and CoBank perpetual line of credit balances are expected to be refinanced as long-term debt and are shown under Long-Term Debt on the Consolidated Balance Sheets.

13. 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, with scheduled maturities at various times through 2052:

	December 31, 2019	December 31, 2018
VEA		
3.75% - 4.90% Fixed Rate Notes	$ 64,553,736	$ 67,896,164
Variable Rate Notes (3.25%)	36,268,709	37,403,674
Variable Rate Loans Under Management (3.002%)	5,550,508	6,610,787
	$ 106,372,953	$ 111,910,625
Less: Current Maturities	5,745,832	5,537,671
	$ 100,627,121	$ 106,372,954
VETA		
4.35% - 5.55% Fixed Rate Notes	$ 30,679,354	$ 31,211,822
Variable Rate Notes (3.25%)	16,759,587	17,147,214
	$ 47,438,941	$ 48,359,036
Less: Current Maturities	958,114	920,095
	$ 46,480,827	$ 47,438,941
	$ 147,107,948	$ 153,811,895

Principal and interest installments on the notes are due quarterly. As of December 31, 2019, scheduled annual maturities of principal amounts due CFC for the next five years is as follows:

	VEA	VETA	Total
2020	$ 5,745,832	$ 958,114	$ 6,703,946
2021	5,962,950	997,822	6,960,772
2022	6,175,204	1,039,297	7,214,501
2023	6,396,304	1,082,623	7,478,927
2024	6,641,516	1,127,886	7,769,402

Interest for the years ended December 31, 2019 and 2018 was $7,389,525 and $7,010,897, respectively, of which $7,374,915 and $6,983,070 was charged to interest expense and $14,610 and $27,827 was capitalized.

VEA had unadvanced funds available from CFC in the amount of $5,070,000. VETA had unadvanced funds available from CFC in the amount of $0.

14. Long-Term Debt – CoBank

Following is a summary of long-term mortgage notes due CoBank, with scheduled maturities at various times through 2046:

	December 31, 2019	December 31, 2018
VEA		
4.66% Fixed Rate Notes	$ 36,929,681	$ 38,124,084
Less: Current Maturities	1,228,112	1,197,489
	$ 35,701,569	$ 36,926,595

Principal and interest installments on the notes are due monthly. As of December 31, 2019, scheduled annual maturities of principal amounts due CoBank for the next five years is as follows:

2020	$ 1,228,112
2021	1,269,124
2022	1,308,269
2023	1,348,622
2024	1,387,529

Interest expense for the years ended December 31, 2019 and 2018 was $2,270,422 and $1,767,231, respectively.

15. Other Long-Term Debt

Following is a summary of long-term debt that is being financed by CAFB:

	December 31, 2019	December 31, 2018
Variable Rate Note (2.58%)	$ 16,373,820	$ 17,020,152
Less: Current Maturities	646,332	646,332
	$ 15,727,488	$ 16,373,820

Principal and interest installments on the notes are due monthly. As of December 31, 2019, scheduled annual maturities of principal amounts due for the next five years is as follows:

2020	$ 646,332
2021	646,332
2022	646,332
2023	646,332
2024	646,332

Interest expense for the years ended December 31, 2019 and 2018 was $430,089 and $446,764, respectively.

16. Capital Lease Obligation

In 2016 and 2017, Valley Communications Association entered into five year leases with Crestmark Equipment Finance 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 are reflected in the Association's non-utility plant assets and long-term liabilities. Interest expense for the years ended December 31, 2019 and 2018, totaled $583,458 and $795,630, respectively.

The following is an analysis of the book value of the leased assets included in non-utility plant at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Cost	$ 15,945,715	$ 15,945,715
Accumulated Depreciation	(8,880,437)	(5,987,046)
	$ 7,065,278	$ 9,958,669

Following is a summary of the capital lease obligation due to Crestmark Equipment Finance with scheduled maturities:

	December 31, 2019	December 31, 2018
Crestmark Equipment Finance	$ 6,674,916	$ 9,871,461
Less: Current Maturities	(3,424,070)	(3,196,537)
	$ 3,250,846	$ 6,674,924

The entire lease obligation to Crestmark Equipment Finance calls for payments totaling $7,153,823 over the remaining term of the leases. Below is a schedule by years of the future minimum payments required under the leases, with their present value at December 31, 2019:

	Crestmark
2020	$ 3,780,004
2021	3,122,052
2022	251,767
Total Minimum Lease Payments	$ 7,153,823
Amount Representing Interest	478,907
	$ 6,674,916

17. Deferred Credits

Deferred credits included the following:

	December 31, 2019	December 31, 2018
VEA		
Customer Advances for Construction	$ 6,869	$ 6,869
Deferred Reimbursements	1,431,330	1,118,090
Deferred Easement Revenue	120,000	
	$ 1,558,199	$ 1,124,959
VETA		
Congestion Rights Revenue	$ 1,464,104	$ 1,926,157
	$ 3,022,303	$ 3,051,116

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 represents the amount billed per the contract with CAFB 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.

18. 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 2019 and in 2018 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 $5,082,820 in 2019 and $6,229,702 in 2018.

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, 2019 and 2018 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, 2019 and 2018, were $304,248 and $377,620, respectively.

19. 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, 2019 were $226,200.

The Association’s policy for contributions is to contribute annually as deemed necessary.

The measurement date used for the current valuation is December 31, 2019.

The effect of a 1.00% increase in health care trend rates would increase the benefit obligation by $364,309 and the service cost plus interest by $24,590.

The weighted-average discount rate used to develop the accumulated post-retirement benefit obligation was 3.6%. The assumed health care cost trend rate for 2019 is 6.6% declining to an ultimate level of 5.0% in 2026.

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

	December 31, 2019	December 31, 2018
I) Net Post-Retirement Benefit Cost		
Service Cost	$ 101,167	$ 112,945
Interest Cost	138,799	148,700
Expected Return on Plan Assets	(27,553)	(5,638)
Amortization	62,768	87,371
	$ 275,181	$ 343,378
II) Accumulated Post-Retirement Benefit Obligation (APBO) Reconciliation:		
APBO Balance at Beginning of Year	$ (3,419,122)	$ (3,751,445)
Actuarial Gain (Loss)	(122,359)	314,261
Interest Cost / Service Cost	(239,966)	(261,645)
Benefits Paid	226,200	279,707
Net Post-Retirement Benefit Liability at Year End	$ (3,555,247)	$ (3,419,122)
III) Reconciliation of Funded Status		
APBO	$ (3,555,247)	$ (3,419,122)
Assets Funded	1,140,299	1,120,039
Accrued Post-Retirement Benefit Cost	$ (2,414,948)	$ (2,299,083)
IV) Amounts Recognized in the Balance Sheet		
Current Liability	$ (257,532)	$ (226,200)
Noncurrent Liability	(2,157,416)	(2,072,883)
	$ (2,414,948)	$ (2,299,083)
V) Accumulated Other Comprehensive Loss		
Actuarial Loss - Beginning of Year	$ 1,277,205	$ 1,685,200
Amortization of Loss	(62,768)	(87,371)
Actuarial Gain (Loss)	129,652	(320,624)
Other Comprehensive Loss	$ 1,344,089	$ 1,277,205
VI) Plan Assets		
Change in Plan Assets		
Fair Value of Plans Assets at Beginning of Year	$ 1,120,039	$ 1,108,038
Actuarial Gain (Loss)	(7,293)	6,363
Return on Plan Assets	27,553	5,638
	$ 1,140,299	$ 1,120,039

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

	December 31, 2019	December 31, 2018
NRECA Homestead Funds Money Market Fund	$ 1,140,299	$ 1,120,039

The asset rate of return was 2.96%.

The estimated actuarial loss for the post-retirement medical benefit plan that will be amortized from accumulated other comprehensive income into net post-retirement benefit cost over the next fiscal year is expected to be $71,376.

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

2020	$ 257,532
2021	271,865
2022	246,729
2023	230,900
2024	217,093
2025-2029	1,117,193

20. Litigation, Commitments, and Subsequent Events

There is no pending litigation against the Association at December 31, 2019, that would result in financial loss to the Association.

The Association has evaluated subsequent events through May 12, 2020, the date which the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency. It is anticipated that these impacts will continue for some time. There has been no material financial impact to the Association's operations to date. Future potential impacts include disruptions or restrictions on our employees' ability to work, reduced consumer demand for energy, and customers' ability to pay their monthly bills in a timely fashion. Changes to our operating environment may also be impacted. These changes may impact operating costs and net income. The future effects of these issues are unknown.

21. Rate Increase

VEA approved an overall rate increase of 9% for all classes. The new rates went into effective March 1, 2019.

22. Disclosures about Fair Value of Financial Instruments

Many of the Association's financial instruments lack an available market with similar terms, conditions, and maturities as those reflected in the carrying amount recorded. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

Estimated fair value has been determined by calculating the present value of financial instruments using the best available data.

Fair value for amounts carried on the consolidated financial statements has not been reflected for the following reasons:

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 Variable Interest Notes – As of December 31, 2019, the Association has $58,578,804 of CFC variable interest rate notes outstanding. The carrying amount is not materially different from the fair value.

CFC and CoBank Fixed Long-Term Debt – The fair value of VEA's and VETA's CFC and CoBank fixed long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available CFC fixed interest rate available for long-term debt re-pricing every seven years. These debt valuations are considered Level 2 as described below.

	Carrying Value	Fair Value
As of December 31, 2019	$ 132,162,772	$ 93,336,369

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 are 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.

23. Related Party Transactions

VEA and VETA have executed an operating agreement for VEA to manage the operations of VETA. No management fees were charged to VETA from VEA during 2019 or 2018.

24. Recently Adopted and Recently Issued Accounting Pronouncements

Recently Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers, Topic 606*, which provides a new framework for the recognition of revenue. The Association implemented the guidance on January 1, 2019. Results and disclosures for reporting periods beginning after December 31, 2018 are presented in accordance with Topic 606, while prior period results have not been adjusted and continue to be reported in accordance with prior accounting guidance. The implementation did not have a material impact on the Association's financial statements, other than increased disclosures regarding revenues related to contracts with customers, which are disclosed under Electric Revenues from Contracts with Customers in Note 1.

Recently Issued

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, 2021. The Association is evaluating the impact of the new standard on the financial statements.

CONSOLIDATING AND ACCOMPANYING INFORMATION

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2019

ASSETS

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
UTILITY PLANT AT COST					
Electric Plant in Service	$ 245,569,998	$ 45,020,753	$	$	$ 290,590,751
Construction Work in Progress	427,885	2,179,510			2,607,395
Electric Plant Acquisition Adjustment	2,049,297				2,049,297
	$ 248,047,180	$ 47,200,263	$ 0	$ 0	$ 295,247,443
Less: Accumulated Provision for Depreciation	70,026,985	9,875,953			79,902,938
	$ 178,020,195	$ 37,324,310	$ 0	$ 0	$ 215,344,505
OTHER PROPERTY AND EQUIPMENT					
Nonutility Plant and Equipment - In Service	$ 506,224	$	$ 44,466,770	$	$ 44,972,994
Construction Work in Progress	128		1,938,572		1,938,700
Less: Accumulated Provision for Depreciation	248,919		13,577,579		13,826,498
	$ 257,433	$ 0	$ 32,827,763	$ 0	$ 33,085,196
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE					
Investments in Associated Organizations	$ 5,171,314	$ 2,131,402	$	$	$ 7,302,716
Investment in Subsidiary	25,723,723			(25,723,723)	0
Notes Receivable	989,598				989,598
	$ 31,884,635	$ 2,131,402	$ 0	$ (25,723,723)	$ 8,292,314
CURRENT ASSETS					
Cash	$ 3,894,326	$ 53,631	$ 15,330	$	$ 3,963,287
Special Deposits	3,846,020				3,846,020
Accounts and Notes Receivable (Less allowance for uncollectibles of $559,094 in 2019)	4,119,492	1,049,764	499,683		5,668,939
Accrued Unbilled Revenue	2,759,928				2,759,928
Accounts Receivable - Associated Organizations		10,583,604		(10,583,604)	0
Notes Receivable - Current Portion	183,725				183,725
Materials and Supplies	3,054,204		1,475,742		4,529,946
Other Current and Accrued Assets	1,197,738	234	31,454		1,229,426
	$ 19,055,433	$ 11,687,233	$ 2,022,209	$ (10,583,604)	$ 22,181,271
DEFERRED DEBITS	$ 57,876,782	$ 33,861	$ 3,484,887	$ 0	$ 61,395,530
TOTAL ASSETS	$ 287,094,478	$ 51,176,806	$ 38,334,859	$ (36,307,327)	$ 340,298,816

EQUITIES AND LIABILITIES

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
EQUITIES					
Memberships	$ 192,270	$	$	$	$ 192,270
Patronage Capital	131,627,135	1,573,755	(21,550,557)	19,976,802	131,627,135
Donated Capital		700,000	45,000,000	(45,700,000)	
Other Comprehensive Loss	(1,344,089)				(1,344,089)
Other Equities	(52,358,259)				(52,358,259)
	$ 78,117,057	$ 2,273,755	$ 23,449,443	$ (25,723,198)	$ 78,117,057
LONG-TERM DEBT					
CFC Mortgage Notes	$ 100,627,121	$ 46,480,827	$	$	$ 147,107,948
CoBank Mortgage Notes	35,701,569				35,701,569
CFC Line of Credit, Expected to be Refinanced as Long-Term Debt	18,500,000				18,500,000
CoBank Line of Credit, Expected to be Refinanced as Long-Term Debt	12,000,000				12,000,000
Capital Leases			3,250,846		3,250,846
Other Long-Term Debt	15,727,488				15,727,488
	$ 182,556,178	$ 46,480,827	$ 3,250,846	$ 0	$ 232,287,851
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS					
Post-Retirement Benefits	$ 2,157,416	$ 0	$ 0	$ 0	$ 2,157,416
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	$ 7,620,276	$ 958,114	$ 3,424,070	$	$ 12,002,460
Current Portion of APBO	257,532				257,532
Accounts Payable	1,066,963		99,265	(525)	1,165,703
Accounts Payable - Purchased Power	6,174,708				6,174,708
Accounts Payable - Associated Organizations	2,472,369		8,111,235	(10,583,604)	0
Consumers' Deposits	921,999				921,999
Accrued Compensated Absences	1,781,130				1,781,130
Other Current and Accrued Liabilities	2,410,650	7			2,410,657
	$ 22,705,627	$ 958,121	$ 11,634,570	$ (10,584,129)	$ 24,714,189
DEFERRED CREDITS	$ 1,558,200	$ 1,464,103	$ 0	$ 0	$ 3,022,303
TOTAL EQUITIES AND LIABILITIES	$ 287,094,478	$ 51,176,806	$ 38,334,859	$ (36,307,327)	$ 340,298,816

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 2

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

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
OPERATING REVENUES					
Residential	$ 38,632,430	$	$	$	$ 38,632,430
Irrigation	3,013,554				3,013,554
Commercial and Industrial	23,094,831				23,094,831
Public Street and Highway Lighting	43,903				43,903
Other Operating Revenues	10,039,322	15,534,461	6,456,265	(12,655,612)	19,374,436
Total Operating Revenues	$ 74,824,040	$ 15,534,461	$ 6,456,265	$ (12,655,612)	$ 84,159,154
OPERATING EXPENSES					
Cost of Purchased Power	$ 26,796,171	$	$	$	$ 26,796,171
Transmission Expense	6,490,071	9,928,102		(6,488,739)	9,929,434
Distribution - Operation	11,574,620		4,246,673	(6,166,873)	9,654,420
Distribution - Maintenance	3,597,956				3,597,956
Consumer Accounts Expense	2,182,761	3	216,132		2,398,896
Customer Service and Information	745,796				745,796
Sales Expense	684,278				684,278
Administrative and General	7,914,208	2,554,146	754,972		11,223,326
Depreciation and Amortization	6,493,586	1,363,375	5,073,455		12,930,416
Other Interest	19,538				19,538
Other Deductions	105,624				105,624
Total Operating Expenses	$ 66,604,609	$ 13,845,626	$ 10,291,232	$ (12,655,612)	$ 78,085,855
OPERATING MARGINS (LOSS) - BEFORE FIXED CHARGES	$ 8,219,431	$ 1,688,835	$ (3,834,967)	$ 0	$ 6,073,299
FIXED CHARGES					
Interest on Long-Term Debt	7,984,679	2,105,357	583,458		10,673,494
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	$ 234,752	$ (416,522)	$ (4,418,425)	$ 0	$ (4,600,195)
Capital Credits	953,212	195,947			1,149,159
NET OPERATING MARGINS (LOSS)	$ 1,187,964	$ (220,575)	$ (4,418,425)	$ 0	$ (3,451,036)
NONOPERATING MARGINS (LOSS)					
Interest Income	$ 174,908	$ 930	$	$	$ 175,838
Other Income (Loss)	(5,652,692)	155,779	(1,182,500)	5,664,791	(1,014,622)
	$ (5,477,784)	$ 156,709	$ (1,182,500)	$ 5,664,791	$ (838,784)
NET MARGINS (LOSS)	$ (4,289,820)	$ (63,866)	$ (5,600,925)	$ 5,664,791	$ (4,289,820)
OTHER COMPREHENSIVE INCOME (LOSS)					
Post-Retirement Benefits					
Actuarial Loss	$ (129,652)	$	$	$	$ (129,652)
Amortization of Loss	62,768				62,768
	$ (66,884)	$ 0	$ 0	$ 0	$ (66,884)
COMPREHENSIVE INCOME (LOSS)	$ (4,356,704)	$ (63,866)	$ (5,600,925)	$ 5,664,791	$ (4,356,704)
Adjustment for Post-Retirement Benefits	66,884				66,884
PATRONAGE CAPITAL - BEGINNING OF YEAR	131,761,342	1,637,621	(15,949,632)	14,312,011	131,761,342
Transfer Margins to Other Equities	838,784				838,784
Transfer Broadband Loss to Other Equities	4,020,135				4,020,135
PATRONAGE CAPITAL - RETIRED	(703,306)				(703,306)
PATRONAGE CAPITAL - END OF YEAR	$ 131,627,135	$ 1,573,755	$ (21,550,557)	$ 19,976,802	$ 131,627,135

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Margins (Loss)	$ (4,289,820)	$ (63,866)	$ (5,600,925)	$ 5,664,791	$ (4,289,820)
Adjustments to Reconcile Net Margins (Loss) to Net Cash From Operating Activities					
Depreciation and Amortization	7,605,976	1,363,375	5,073,455		14,042,806
Capital Credits	(446,942)	(97,974)			(544,916)
Deferred Debits	2,336,811	(33,641)	(179,027)		2,124,143
Deferred Credits	433,241	(462,054)			(28,813)
Accounts and Notes Receivable	(797,321)	(21,957)	(113,002)	(657,942)	(1,590,222)
Inventories and Other Current Assets	400,676		424,282		824,958
Payables and Accrued Expenses	(5,299,984)	(5,781)	5,535,534	657,417	887,186
Post-Retirement Benefit Obligation	48,981				48,981
Net Cash From Operating Activities	$ (8,382)	$ 678,102	$ 5,140,317	$ 5,664,266	$ 11,474,303
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to Utility Plant and Other Property and Equipment	$ (5,966,931)	$ 13,885	$ (2,835,284)	$	$ (8,788,330)
Plant Removal (More) Less than Salvage and Other Credits	1,149,961	(441,103)	691,632		1,400,490
Special Deposit	(2,308,343)				(2,308,343)
Other Property and Investments	5,685,852			(5,664,266)	21,586
Net Cash From Investing Activities	$ (1,439,461)	$ (427,218)	$ (2,143,652)	$ (5,664,266)	$ (9,674,597)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on Long-Term Debt to CFC	$ (5,537,672)	$ (920,095)	$	$	$ (6,457,767)
Payments on Long-Term Debt to CoBank	(1,194,403)				(1,194,403)
Payments on Other Long-Term Debt	(646,332)				(646,332)
Payments on Capital Leases			(3,196,545)		(3,196,545)
Retirement of Patronage Capital	(703,306)				(703,306)
Memberships and Other Equities - Net	373,372				373,372
Net Cash From Financing Activities	$ (7,708,341)	$ (920,095)	$ (3,196,545)	$ 0	$ (11,824,981)
CHANGE IN CASH AND CASH EQUIVALENTS	$ (9,156,184)	$ (669,211)	$ (199,880)	$ 0	$ (10,025,275)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,050,510	722,842	215,210	0	13,988,562
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,894,326	$ 53,631	$ 15,330	$ 0	$ 3,963,287
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid During the Year for:					
Interest on Long-Term Debt	$ 8,018,861	$ 2,105,357	$ 583,458	$ 0	$ 10,707,676
Income Taxes	$ 0	$ 0	$ 0	$ 0	$ 0

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 4

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2018

ASSETS

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
UTILITY PLANT AT COST					
Electric Plant in Service	$ 242,892,828	$ 44,891,381	$	$	$ 287,784,209
Construction Work in Progress	1,640,837	2,353,270			3,994,107
Electric Plant Acquisition Adjustment	2,130,457				2,130,457
	$ 246,664,122	$ 47,244,651	$ 0	$ 0	$ 293,908,773
Less: Accumulated Provision for Depreciation	66,136,846	8,984,184			75,121,030
	$ 180,527,276	$ 38,260,467	$ 0	$ 0	$ 218,787,743
OTHER PROPERTY AND EQUIPMENT					
Nonutility Plant and Equipment - In Service	$ 625,396	$	$ 39,027,844	$	$ 39,653,240
Construction Work in Progress	137,045		5,242,058		5,379,103
Less: Accumulated Provision for Depreciation	223,083		8,512,336		8,735,419
	$ 539,358	$ 0	$ 35,757,566	$ 0	$ 36,296,924
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE					
Investments in Associated Organizations	$ 4,745,958	$ 2,033,428	$	$	$ 6,779,386
Investment in Subsidiary	31,387,989			(31,387,989)	
Notes Receivable	1,302,564				1,302,564
	$ 37,436,511	$ 2,033,428	$ 0	$ (31,387,989)	$ 8,081,950
CURRENT ASSETS					
Cash and Temporary Cash Investments	$ 13,050,510	$ 722,842	$ 215,210	$	$ 13,988,562
Special Deposits	1,537,677				1,537,677
Accounts and Notes Receivable (Less allowance for uncollectibles of $632,411 in 2018)	3,209,012	369,865	386,681		3,965,558
Accrued Unbilled Revenue	2,537,725				2,537,725
Accounts Receivable - Associated Organizations		11,241,546		(11,241,546)	0
Notes Receivable - Current Portion	206,121				206,121
Materials and Supplies	3,507,251		1,844,061		5,351,312
Other Current and Accrued Assets	1,145,367	234	87,417		1,233,018
	$ 25,193,663	$ 12,334,487	$ 2,533,369	$ (11,241,546)	$ 28,819,973
DEFERRED DEBITS	$ 60,213,593	$ 220	$ 3,305,860	$ 0	$ 63,519,673
TOTAL ASSETS	$ 303,910,401	$ 52,628,602	$ 41,596,795	$ (42,629,535)	$ 355,506,263

EQUITIES AND LIABILITIES

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
EQUITIES					
Memberships	$ 187,140	$	$	$	$ 187,140
Patronage Capital	131,761,342	1,637,621	(15,949,632)	14,312,011	131,761,342
Donated Capital		700,000	45,000,000	(45,700,000)	
Other Comprehensive Loss	(1,277,205)				(1,277,205)
Other Equities	(47,867,582)				(47,867,582)
	$ 82,803,695	$ 2,337,621	$ 29,050,368	$ (31,387,989)	$ 82,803,695
LONG-TERM DEBT					
CFC Mortgage Notes	$ 106,372,954	$ 47,438,941	$	$	$ 153,811,895
CoBank Mortgage Notes	36,926,595				36,926,595
CFC Line of Credit, Expected to be Refinanced as Long-Term Debt	18,500,000				18,500,000
CoBank Line of Credit, Expected to be Refinanced as Long-Term Debt	12,000,000				12,000,000
Capital Leases			6,674,924		6,674,924
Other Long-Term Debt	16,373,820				16,373,820
	$ 190,173,369	$ 47,438,941	$ 6,674,924	$ 0	$ 244,287,234
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS					
Post-Retirement Benefits	$ 2,072,883	$ 0	$ 0	$ 0	$ 2,072,883
CURRENT LIABILITIES					
Current Maturities of Long-Term Debt	$ 7,381,492	$ 920,095	$ 3,196,537	$	$ 11,498,124
Current Portion of APBO	226,200				226,200
Accounts Payable	690,818		12,871		703,689
Accounts Payable - Purchased Power	5,623,025				5,623,025
Accounts Payable - Associated Organizations	8,579,451		2,662,095	(11,241,546)	
Consumers' Deposits	872,005				872,005
Accrued Compensated Absences	1,807,760				1,807,760
Other Current and Accrued Liabilities	2,554,744	5,788			2,560,532
	$ 27,735,495	$ 925,883	$ 5,871,503	$ (11,241,546)	$ 23,291,335
DEFERRED CREDITS	$ 1,124,959	$ 1,926,157	$ 0	$ 0	$ 3,051,116
TOTAL EQUITIES AND LIABILITIES	$ 303,910,401	$ 52,628,602	$ 41,596,795	$ (42,629,535)	$ 355,506,263

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 5

CONSOLIDATING INFORMATION
STATEMENT OF INCOME, COMPREHENSIVE INCOME AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
OPERATING REVENUES					
Residential	$ 35,597,394	$	$	$	$ 35,597,394
Irrigation	3,363,561				3,363,561
Commercial and Industrial	22,114,751				22,114,751
Public Street and Highway Lighting	40,694				40,694
Other Operating Revenues	10,466,942	17,107,423	5,353,020	(13,479,735)	19,447,650
Total Operating Revenues	$ 71,583,342	$ 17,107,423	$ 5,353,020	$ (13,479,735)	$ 80,564,050
OPERATING EXPENSES					
Cost of Purchased Power	$ 61,694,639	$	$	$	$ 61,694,639
Transmission Expense	6,004,902	11,141,579		(5,982,399)	11,164,082
Distribution - Operation	11,968,624		4,291,595	(7,497,336)	8,762,883
Distribution - Maintenance	3,751,867				3,751,867
Consumer Accounts Expense	2,910,959	15	146,480		3,057,454
Customer Service and Information	916,089				916,089
Sales Expense	1,435,793				1,435,793
Administrative and General	9,188,313	2,390,838	1,464,023		13,043,174
Depreciation and Amortization	6,351,953	1,343,676	4,408,853		12,104,482
Other Interest	10,998				10,998
Other Deductions	170,210				170,210
Total Operating Expenses	$ 104,404,347	$ 14,876,108	$ 10,310,951	$ (13,479,735)	$ 116,111,671
OPERATING MARGINS (LOSS) - BEFORE FIXED CHARGES	$ (32,821,005)	$ 2,231,315	$ (4,957,931)	$ 0	$ (35,547,621)
FIXED CHARGES					
Interest on Long-Term Debt	7,180,692	2,044,210	795,620		10,020,522
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	$ (40,001,697)	$ 187,105	$ (5,753,551)	$ 0	$ (45,568,143)
Capital Credits	1,104,551	314,936			1,419,487
NET OPERATING MARGINS (LOSS)	$ (38,897,146)	$ 502,041	$ (5,753,551)	$ 0	$ (44,148,656)
NONOPERATING MARGINS (LOSS)					
Interest Income	$ 498,835	$ 930	$	$	$ 499,765
Donations			(750)		(750)
Other Income (Loss)	24,215,796	(412,836)	484	5,663,682	29,467,126
	$ 24,714,631	$ (411,906)	$ (266)	$ 5,663,682	$ 29,966,141
NET MARGINS	$ (14,182,515)	$ 90,135	$ (5,753,817)	$ 5,663,682	$ (14,182,515)
OTHER COMPREHENSIVE INCOME (LOSS)					
Post-Retirement Benefits					
Actuarial Gain	$ 320,624	$	$	$	$ 320,624
Amortization of Loss	87,371				87,371
	$ 407,995	$ 0	$ 0	$ 0	$ 407,995
COMPREHENSIVE INCOME (LOSS)	$ (13,774,520)	$ 90,135	$ (5,753,817)	$ 5,663,682	$ (13,774,520)
Adjustment for Post-Retirement Benefits	(407,995)				(407,995)
PATRONAGE CAPITAL - BEGINNING OF YEAR	99,230,828	1,547,486	(10,195,815)	8,648,329	99,230,828
Transfer Losses to Other Equities	40,556,919				40,556,919
Transfer Prior Year Broadband Loss to Other Equities	2,659,009				2,659,009
Transfer Current Year Broadband Loss to Other Equities	3,625,596				3,625,596
PATRONAGE CAPITAL - RETIRED	(128,495)				(128,495)
PATRONAGE CAPITAL - END OF YEAR	$ 131,761,342	$ 1,637,621	$ (15,949,632)	$ 14,312,011	$ 131,761,342

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 6

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Valley Electric Association, Inc.	VETA	VCA	Eliminating Entries	Consolidated Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Margins (Loss)	$ (14,182,515)	$ 90,135	$ (5,753,817)	$ 5,663,682	$ (14,182,515)
Adjustments to Reconcile Net Margins (Loss) to Net Cash From Operating Activities					
Depreciation	7,498,319	932,106	4,515,086		12,945,511
Capital Credits	(398,714)	(157,468)			(556,182)
Deferred Debits	(29,788,932)	(220)	(3,305,860)		(33,095,012)
Deferred Credits	(29,893,787)	357,754	(791,367)		(30,327,400)
Accounts and Notes Receivable	276,456	1,091,839	10,818,871	(12,123,234)	63,932
Inventories and Other Current Assets	(203,603)		(1,165,023)		(1,368,626)
Payables and Accrued Expenses	(15,031,336)	(1,494,575)	2,646,815	12,123,234	(1,755,862)
Post-Retirement Benefit Obligation	63,671				63,671
Net Cash From Operating Activities	$ (81,660,441)	$ 819,571	$ 6,964,705	$ 5,663,682	$ (68,212,483)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to Utility Plant and Other Property and Equipment	$ (11,175,700)	$ 31,127	$ (3,980,273)	$	$ (15,124,846)
Plant Removal (More) Less than Salvage and Other Credits	(556,765)	(48,173)	85		(604,853)
Special Deposit	2,534,609				2,534,609
Other Property and Investments	35,952,896	238,618		(5,663,682)	30,527,832
Net Cash From Investing Activities	$ 26,755,040	$ 221,572	$ (3,980,188)	$ (5,663,682)	$ 17,332,742
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments on Long-Term Debt to CFC - Including Subscriptions	$ (5,338,076)	$ (883,689)	$	$	$ (6,221,765)
Payments on Long-Term Debt to CoBank	(795,332)				(795,332)
Payments on Other Long-Term Debt	(646,332)				(646,332)
Payments on Capital Leases			(2,984,359)		(2,984,359)
Net Advances on CFC Line of Credit	8,000,000				8,000,000
Net Advances on CoBank Line of Credit	3,500,000				3,500,000
Retirement of Patronage Capital	(128,495)				(128,495)
Memberships and Other Equities - Net	87,667				87,667
Net Cash From Financing Activities	$ 4,679,432	$ (883,689)	$ (2,984,359)	$ 0	$ 811,384
CHANGE IN CASH AND CASH EQUIVALENTS	$ (50,225,969)	$ 157,454	$ 158	$ 0	$ (50,068,357)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	63,276,479	565,388	215,052	0	64,056,919
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,050,510	$ 722,842	$ 215,210	$ 0	$ 13,988,562
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash Paid During the Year for:					
Interest on Long-Term Debt	$ 6,685,069	$ 2,071,685	$ 795,630	$ 0	$ 9,552,384
Income Taxes	$ 0	$ 0	$ 0	$ 0	$ 0

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 7

ELECTRIC PLANT AND OTHER PROPERTY AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance 1/1/2019	Additions and Transfers	Retirements	Balance 12/31/2019
CLASSIFIED ELECTRIC PLANT IN SERVICE				
VALLEY ELECTRIC ASSOCIATION, INC.				
Intangible Plant and Generation Plant	$ 18,593	$	$	$ 18,593
Distribution Plant				
Land and Land Rights	$ 1,887,095	$	$	$ 1,887,095
Station Equipment	27,414,346	9,156		27,423,502
Poles, Towers, and Fixtures	34,180,251	549,269	186,533	34,542,987
Overhead Conductors and Devices	38,236,475	1,949,683	1,154,714	39,031,444
Underground Conductors and Devices and Conduit	13,812,470	741,199	68,639	14,485,030
Line Transformers	20,037,998	1,080,669	157,810	20,960,857
Services	22,875,318	939,547	53,561	23,761,304
Meters	6,989,108	647,175	231,180	7,405,103
Installations on Consumers' Premises	1,484,377	1,179	6,521	1,479,035
Street Lighting	148,253			148,253
Creech Air Force Base	19,269,986			19,269,986
Total	$ 186,335,677	$ 5,917,877	$ 1,858,958	$ 190,394,596
General Plant				
Land and Land Rights	$ 3,022,463	$ 405	$	$ 3,022,868
Structures and Improvements	25,652,251	137,746	4,929	25,785,068
Office Furniture and Equipment	7,946,281	67,375	1,679,458	6,334,198
Transportation Equipment	13,350,947	897,167	875,688	13,372,426
Stores Equipment	397,859			397,859
Tools, Shop, and Garage Equipment	1,113,661	43,944	23,632	1,133,973
Laboratory Equipment	1,929,090	109,743	6,212	2,032,621
Power Operated Equipment	328,178			328,178
Communications Equipment	2,350,619			2,350,619
Miscellaneous Equipment	359,065		48,209	310,856
Creech Air Force Base	88,144			88,144
Total	$ 56,538,558	$ 1,256,380	$ 2,638,128	$ 55,156,810
Electric Plant Acquisition Adjustment	$ 2,130,457	$	$ 81,160	$ 2,049,297
Total Classified Electric Plant in Service	$ 245,023,285	$ 7,174,257	$ 4,578,246	$ 247,619,296
Construction Work in Progress	1,640,837	(1,212,952)		427,885
Total Utility Plant - VEA	$ 246,664,122	$ 5,961,305	$ 4,578,246	$ 248,047,181
VETA				
Transmission Plant				
Land and Land Rights	$ 2,155,308	$	$	$ 2,155,308
Station Equipment	11,431,753	8,957	5,036	11,435,674
Poles, Towers, and Fixtures	16,041,342	120,826	19,116	16,143,052
Overhead Conductors and Devices	15,234,014	30,091	6,351	15,257,754
Total	$ 44,862,417	$ 159,874	$ 30,503	$ 44,991,788
General Plant				
Office Furniture and Equipment	$ 28,964	$ 0	$ 0	$ 28,964
Total Classified Electric Plant in Service	$ 44,891,381	$ 159,874	$ 30,503	$ 45,020,752
Construction Work in Progress	2,353,270	(173,760)		2,179,510
Total Utility Plant - VETA	$ 47,244,651	$ (13,886)	$ 30,503	$ 47,200,262
Total Utility Plant In Service	$ 293,908,773	$ 5,947,419	$ 4,608,749	$ 295,247,443
OTHER PROPERTY AND EQUIPMENT				
Nonutility Plant and Equipment	$ 39,653,240	$ 6,281,314	$ 961,560	$ 44,972,994
Construction Work in Progress	5,379,103	(3,440,403)		1,938,700
Total Nonutility Plant	$ 45,032,343	$ 2,840,911	$ 961,560	$ 46,911,694
Total Consolidated Plant	$ 338,941,116	$ 8,788,330	$ 5,570,309	$ 342,159,137

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 8

ACCUMULATED PROVISION FOR DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance 1/1/2019	Depreciation Accruals and Transfers	Retirements	Balance 12/31/2019
VALLEY ELECTRIC ASSOCIATION, INC.				
Distribution Plant				
VEA Distribution Plant	$ 40,346,166	$ 4,410,734	$ 2,170,736	$ 42,586,164
Creech Air Force Base	4,324,790	550,582		4,875,372
	$ 44,670,956	$ 4,961,316	$ 2,170,736	$ 47,461,536
General Plant				
Structures and Improvements	$ 5,614,615	$ 1,113,654	$ 804,316	$ 5,923,953
Office Furniture and Fixtures	3,999,505	544,951	277,890	4,266,566
Transportation Equipment	7,760,262	899,518	775,042	7,884,738
Stores Equipment	296,711	13,808		310,519
Tools, Shop, and Garage Equipment	1,091,351	78,321	16,975	1,152,697
Laboratory Equipment	1,284,878	129,308	6,212	1,407,974
Communications Equipment	1,185,733	160,959		1,346,692
Miscellaneous Equipment	210,007	40,938	34,550	216,395
Creech Air Force Base	48,088	8,929		57,017
Total General Plant	$ 21,491,150	$ 2,990,386	$ 1,914,985	$ 22,566,551
Total Classified Electric Plant in Service - VEA	$ 66,162,106	$ 7,951,702	$ 4,085,721	$ 70,028,087
Retirement Work in Progress	(25,260)		(24,158)	(1,102)
	$ 66,136,846	$ 7,951,702	$ 4,061,563	$ 70,026,985
VETA				
Transmission Plant	$ 8,955,221	$ 940,317	$ 48,548	$ 9,846,990
General Plant				
Office Furniture and Fixtures	28,963			28,963
Retirement Work in Progress	0			0
Total Classified Electric Plant in Service - VETA	$ 8,984,184	$ 940,317	$ 48,548	$ 9,875,953
Total Utility Plant in Service	$ 75,121,030	$ 8,892,019	$ 4,110,111	$ 79,902,938
OTHER PROPERTY AND EQUIPMENT				
Nonutility Plant and Equipment	$ 8,735,419	$ 5,150,787	$ 59,708	$ 13,826,498
Retirement Work in Progress	0			0
Total Nonutility Plant and Equipment	$ 8,735,419	$ 5,150,787	$ 59,708	$ 13,826,498
Total Consolidated Plant	$ 83,856,449	$ 14,042,806	$ 4,169,819	$ 93,729,436
		(1)	(2)	

(1)	Charged to Depreciation Expense - VEA	$ 6,412,426
	Charged to Depreciation Expense - VETA	1,363,375
	Charged to Depreciation Expense - VCA	5,073,455
	Charged to Clearing Accounts	1,193,550
		$ 14,042,806

(2)	Cost of Units Retired	$ 5,570,309
	Removal Costs Less than Salvage and Other Credits	(1,400,490)
	Loss Due to Retirement	$ 4,169,819

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 9

OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
VALLEY ELECTRIC ASSOCIATION, INC.		
Patronage Capital		
CFC	$ 2,999,135	$ 2,767,439
Federated Rural Insurance	387,327	380,163
NRTC	155,680	154,945
Capital Term Certificates		
CFC	1,025,371	1,031,003
Other Investments	603,801	412,408
Total Other Property and Investments	$ 5,171,314	$ 4,745,958
VETA		
Patronage Capital		
CFC	$ 1,706,728	$ 1,608,754
Capital Term Certificates		
CFC	423,674	423,674
Memberships		
CFC	1,000	1,000
	$ 2,131,402	$ 2,033,428
Total Investments in Associated Organizations	$ 7,302,716	$ 6,779,386
OTHER INVESTMENTS		
Notes Receivable	$ 1,173,323	$ 1,508,685
Less: Current Portion of Notes Receivable	(183,725)	(206,121)
Total Other Investments	$ 989,598	$ 1,302,564

VALLEY ELECTRIC ASSOCIATION, INC. AND SUBSIDIARIES

Schedule 10

PATRONAGE CAPITAL
DECEMBER 31, 2019

Year	Assignable	Assigned	Retired and Discounted	Balance
1990	$	$ 1,074,965	$ 1,074,965	$
1991		2,226,340	1,825,847	400,493
1992		1,261,128	96,967	1,164,161
1993		3,036,798	205,109	2,831,689
1994		3,458,445	221,671	3,236,774
1995		1,081,638	64,742	1,016,896
1996		3,012,425	262,072	2,750,353
1997		3,595,236	313,247	3,281,989
1998		3,333,942	303,864	3,030,078
1999		3,084,246	276,831	2,807,415
2000		4,525,659	373,861	4,151,798
2001		4,701,607	388,768	4,312,839
2002		8,135,054	587,217	7,547,837
2003		6,156,471	496,065	5,660,406
2004		6,606,721	493,047	6,113,674
2005				
2006		9,571,121	626,074	8,945,047
2007		9,348,490	643,359	8,705,131
2008		6,392,438	518,160	5,874,278
2009				
2010		8,447,999	1,101,016	7,346,983
2011		10,498,517	1,160,409	9,338,108
2012				
2013		6,253,267	821,593	5,431,674
2014		12,459,141	808,843	11,650,298
2015		10,710,427	830,889	9,879,538
2016		14,043,957	931,283	13,112,674
2017	89,778	2,386,010	7,885	2,467,903
2018				
2019	569,099			569,099
	$ 658,877	$ 145,402,042	$ 14,433,784	$ 131,627,135

Year 2005, 2009, 2012 and 2018 reflected a nonassignable loss.

VALLEY ELECTRIC ASSOCIATION, INC.

Schedule 11

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended December 31, 2019	2018	2017	2016	2015
OPERATING REVENUES					
Residential	$ 38,632,430	$ 35,597,394	$ 33,985,908	$ 35,028,923	$ 32,447,943
Irrigation	3,013,554	3,363,561	3,220,637	3,343,623	2,959,235
Commercial and Industrial	23,094,831	22,114,751	21,441,661	21,709,589	19,884,962
Public Street and Highway Lighting	43,903	40,694	40,567	42,368	41,307
Other Operating Revenues	10,039,322	10,466,942	5,660,221	2,559,814	2,540,163
Total Operating Revenues	$ 74,824,040	$ 71,583,342	$ 64,348,994	$ 62,684,317	$ 57,873,610
OPERATING EXPENSES					
Cost of Purchased Power	$ 26,796,171	$ 61,694,639	$ 21,856,144	$ 22,422,801	$ 24,240,153
Transmission Expense	6,490,071	6,004,902	5,217,579	6,623,254	6,111,283
Distribution - Operation	11,574,620	11,968,624	10,047,988	6,373,184	5,049,099
Distribution - Maintenance	3,597,956	3,751,867	3,275,140	2,827,811	2,978,232
Customer Accounts Expense	2,182,761	2,910,959	3,176,120	2,487,240	2,054,473
Customer Service and Information	745,796	916,089	685,676	477,456	499,642
Sales Expense	684,278	1,435,793	1,841,278	1,719,343	1,063,837
Administrative and General Expense	7,914,208	9,188,313	10,139,367	7,546,547	4,154,179
Depreciation and Amortization	6,493,586	6,351,953	9,550,442	6,107,980	4,718,702
Other Interest	19,538	10,998	4,040	2,650	451
Other Deductions	105,624	170,210	216,607	335,111	159,738
Total Operating Expenses	$ 66,604,609	$ 104,404,347	$ 66,010,381	$ 56,923,377	$ 51,029,789
OPERATING MARGINS (LOSS) - Before Fixed Charges	$ 8,219,431	$ (32,821,005)	$ (1,661,387)	$ 5,760,940	$ 6,843,821
FIXED CHARGES					
Interest on Long-Term Debt	7,984,679	7,180,692	7,322,886	5,857,340	5,238,467
OPERATING MARGINS (LOSS) - After Fixed Charges	$ 234,752	$ (40,001,697)	$ (8,984,273)	$ (96,400)	$ 1,605,354
Capital Credits	953,212	1,104,551	675,223	523,824	504,361
NET OPERATING MARGINS (LOSS)	$ 1,187,964	$ (38,897,146)	$ (8,309,050)	$ 427,424	$ 2,109,715
NONOPERATING MARGINS					
Interest Income and Other Income (Loss)	$ (5,477,784)	$ 24,714,631	$ 68,791,937	$ 217,072	$ (49,299)
NET MARGINS (LOSS) - EXCLUDING COMPREHENSIVE INCOME (LOSS)	$ (4,289,820)	$ (14,182,515)	$ 60,482,887	$ 644,496	$ 2,060,416
Miscellaneous Statistics					
Consumers at End of Year	23,065	22,241	21,900	21,531	21,290
MWH Sales	553,379	559,649	536,051	528,834	507,788
MWH Purchases	583,215	577,344	560,111	557,466	540,187
Cost in cents per KWH Purchased	4.60	10.60	4.80	5.20	5.60
Times Interest Earned Ratio	0.46	(0.98)	9.26	1.11	1.39
Equity to Total Assets	27.21	27.25	26.78	18.04	19.47
Line Loss %	5.12	3.06	4.30	5.14	6.00

COMPLIANCE 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
Valley Electric Association, Inc. and Subsidiaries
Pahrump, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Valley Electric Association, Inc. and Subsidiaries as of December 31, 2019, and the related consolidated statements of income, comprehensive income and patronage capital and cash flows for the year then ended, and have issued our report thereon dated May 12, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that VEA or VETA 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 audits were 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 Valley Electric Association, Inc. and Subsidiaries 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

May 12, 2020