



Independent Auditors' Report

To the Board of Directors
Powell Valley Electric Cooperative
New Tazewell, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Powell Valley Electric Cooperative (the "Cooperative"), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of income and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of June 30, 2021 and 2020, and the changes in its members' and patrons' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Roderick Moss & Co, PLLC

Knoxville, Tennessee
November 1, 2021

POWELL VALLEY ELECTRIC COOPERATIVE
Balance Sheets
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Electric Plant		
Electric plant in service	\$ 129,189,694	\$ 127,238,225
Construction work in progress	<u>4,160,235</u>	<u>2,015,661</u>
	133,349,929	129,253,886
Less accumulated depreciation	<u>(71,474,277)</u>	<u>(68,597,452)</u>
Electric plant, net	<u>61,875,652</u>	<u>60,656,434</u>
Non - Current Investments and Other Assets		
Conservation program notes receivable	1,658,185	1,709,058
Other notes receivable	1,256,128	1,802,274
Other accounts receivable	6,612,595	-
Capital term certificates	1,075,290	1,127,744
Advances to retirement security program	81,078	243,236
Other assets	<u>489,215</u>	<u>452,072</u>
Total non - current investments and other assets	<u>11,172,491</u>	<u>5,334,384</u>
Current Assets		
Cash and cash equivalents	14,954,228	21,964,117
Accounts receivable, net of allowance for doubtful accounts	4,023,304	3,461,448
Contract assets	1,774,558	1,530,565
Prepaid expenses	272,995	604,207
Investments and other assets, current portion	601,634	617,277
Materials and supplies	4,452,188	1,651,776
Other current assets	<u>628,894</u>	<u>591,641</u>
Total current assets	<u>26,707,801</u>	<u>30,421,031</u>
Total assets	<u>\$ 99,755,944</u>	<u>\$ 96,411,849</u>

See notes to financial statements.

	<u>2021</u>	<u>2020</u>
LIABILITIES AND EQUITY		
Equity		
Memberships	\$ 125,320	\$ 123,405
Patronage capital	<u>80,439,655</u>	<u>76,087,891</u>
Total equity	<u>80,564,975</u>	<u>76,211,296</u>
Other Liabilities		
Post retirement benefits	1,772,313	1,891,261
Long-term debt, less current maturities	3,210,624	4,104,022
Conservation program liabilities	<u>1,626,451</u>	<u>1,639,704</u>
Total other liabilities	<u>6,609,388</u>	<u>7,634,987</u>
Current Liabilities		
Accounts payable - purchased power	6,206,637	5,874,405
Accrued liabilities	1,714,021	2,264,181
Current maturities of long-term debt	977,584	2,010,014
Consumer and security deposits	1,004,282	1,080,224
Accounts payable - other	2,252,538	958,922
Tax accruals and payroll deductions	<u>426,519</u>	<u>377,820</u>
Total current liabilities	<u>12,581,581</u>	<u>12,565,566</u>
Total liabilities and equity	<u>\$ 99,755,944</u>	<u>\$ 96,411,849</u>

POWELL VALLEY ELECTRIC COOPERATIVE
 Statements of Income and Patronage Capital
 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Residential	\$ 35,663,236	\$ 34,783,960
Large commercial	13,648,929	14,460,267
Small commercial	5,150,485	5,044,417
Rent from electric properties	2,450,539	2,365,570
Street and outdoor lighting	1,620,105	1,619,927
Miscellaneous electric revenues	259,830	562,492
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Total operating revenues	58,793,124	58,836,633
Operating Expenses		
Purchased power	42,408,179	43,178,347
Operating	6,177,499	6,400,881
Depreciation	4,336,167	4,278,072
General	3,166,943	2,916,233
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Total operating expenses	56,088,788	56,773,533
Operating margins before interest expense	2,704,336	2,063,100
Interest Expense	381,697	677,453
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Operating margins after interest expense	2,322,639	1,385,647
Non - Operating Margins		
Paycheck Protection Program loan forgiveness	1,254,100	-
Other expense	(301,185)	-
Interest income	950,876	1,264,835
Miscellaneous income	125,334	397,866
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Total non-operating margins, net	2,029,125	1,662,701
Net margins	4,351,764	3,048,348
Patronage capital at the beginning of the year	76,087,891	73,039,543
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Patronage capital at the end of the year	\$ 80,439,655	\$ 76,087,891

See notes to financial statements.

POWELL VALLEY ELECTRIC COÖPERATIVE
 Statements of Cash Flows
 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 51,499,585	\$ 58,926,632
Cash paid to suppliers and employees	(50,415,970)	(52,980,119)
Interest paid	(381,697)	(677,453)
Interest received	950,876	1,264,835
Other payments	(301,185)	-
Other receipts	<u>125,334</u>	<u>397,866</u>
Net cash flows from operating activities	<u>1,476,943</u>	<u>6,931,761</u>
Cash Flows From Investing Activities		
Construction and acquisition of plant	(5,558,024)	(5,594,318)
Proceeds from sales of fixed assets	1,461,981	791,020
Plant removal costs	(1,459,342)	(920,964)
Increase in materials and supplies	(2,800,412)	(1,095,015)
Net proceeds from conservation program notes receivable	50,873	388,460
Sale of investments	52,454	-
Cash receipts from collection of other notes receivable	561,789	453,498
Net decrease in other assets	<u>(37,143)</u>	<u>37,907</u>
Net cash flows from investing activities	<u>(7,727,824)</u>	<u>(5,939,412)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	-	1,254,100
Principal payments on long-term debt, net of advance note payments	(671,728)	(578,089)
Net decrease in energy conservation program liabilities	(13,253)	(258,767)
Increase in consumer and security deposits	(75,942)	40,106
Increase of membership deposits	<u>1,915</u>	<u>1,195</u>
Net cash flows from financing activities	<u>(759,008)</u>	<u>458,545</u>
Net change in cash and cash equivalents	(7,009,889)	1,450,894
Cash and cash equivalents, beginning of the year	<u>21,964,117</u>	<u>20,513,223</u>
Cash and cash equivalents, end of the year	<u>\$ 14,954,228</u>	<u>\$ 21,964,117</u>

See notes to financial statements.

POWELL VALLEY ELECTRIC COOPERATIVE
Statements of Cash Flows (Continued)

	<u>2021</u>	<u>2020</u>
Reconciliation of Net Margins to Net Cash Flows From Operating Activities		
Net margins	\$ 4,351,764	\$ 3,048,348
Adjustments to reconcile net margins to net cash flows from operating activities		
Depreciation	4,336,167	4,278,072
Net change in post retirement benefit obligation	(118,948)	(69,342)
Paycheck Protection Program loan forgiveness	(1,254,100)	-
Bad debt expense (recoveries)	170,595	(132,834)
Changes in operating assets and liabilities		
(Increase) decrease in assets:		
Accounts receivable	(7,345,046)	(16,140)
Contract assets	(243,993)	56,644
Prepaid expenses and other current assets	456,117	155,447
Increase (decrease) in liabilities:		
Accounts payable and other accrued expenses	<u>1,124,387</u>	<u>(388,434)</u>
Net cash flows from operating activities	<u>\$ 1,476,943</u>	<u>\$ 6,931,761</u>