HOLY CROSS ELECTRIC ASSOCIATION, INC.
A/K/A HOLY CROSS ENERGY

CONSOLIDATED FINANCIAL STATEMENTS

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

For The Years Ended

April 30, 2016 and April 30, 2015

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

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HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

OFFICERS, BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER
AS OF APRIL 30, 2016

Name	Office	Address
Megan M. Gilman	President	Avon, Colorado
Michael A. Glass	Vice-President	Edwards, Colorado
David C. Munk	Secretary	Carbondale, Colorado
Robert H. Gardner	Treasurer	Basalt, Colorado
Kristen N. Bertuglia	Director	Vail, Colorado
Lynn E. Dwyer	Director	New Castle, Colorado
Adam L. Palmer	Director	Eagle, Colorado
Delvan D. Worley	Chief Executive Officer	Rifle, Colorado

KEVIN S. KELSO, CPA, P.C., P.A.

CERTIFIED PUBLIC ACCOUNTANT

6700 SQUIBB ROAD, SUITE 215
MISSION, KS 66202
913-831-1150 FAX: 913-831-0538

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Holy Cross Electric Association, Inc.
Glenwood Springs, CO

Report on Financial Statements

I have audited the accompanying consolidated financial statements of Holy Cross Electric Association, Inc. which comprise the consolidated balance sheets as of April 30, 2016 and 2015, and the related consolidated statements of revenue and patronage capital, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

The Board of Directors
Holy Cross Electric Association, Inc.
Page Two

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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holy Cross Electric Association, Inc. as of April 30, 2016 and 2015, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Requirements for Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued a report dated July 28, 2016, on my consideration of Holy Cross Electric Association, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the 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 Holy Cross Electric Association, Inc.'s internal control over financial reporting and compliance.

Kevin S. Kelso, CPA, P.C., P.A.

Mission, Kansas
July 28, 2016

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

April 30, 2016 and 2015

ASSETS

	2016	2015
UTILITY PLANT		
Electric plant in service	$ 391,917,814	$ 379,056,898
Construction work in progress	9,327,745	11,810,228
	401,245,559	390,867,126
Less: accumulated depreciation	(120,060,296)	(115,159,944)
Net Utility Plant	**281,185,263**	**275,707,182**
INVESTMENTS		
Subordinated certificates	3,077,945	3,097,980
Investments in associated organizations	4,153,337	3,765,855
Other investments	69,253	19,648
Non-utility property	1,279,366	1,331,591
Total Investments	**8,579,901**	**8,215,074**
CURRENT ASSETS		
Cash and cash equivalents	6,390,872	6,719,425
Restricted cash	100,364	100,213
Accounts receivable (less allowance for doubtful accounts of $234,000 at 4/30/16 and $177,000 at 4/30/15)	8,913,535	7,583,432
Materials and supplies	3,115,819	3,642,579
Other current assets	3,328,511	2,519,403
Total Current Assets	**21,849,101**	**20,565,052**
DEFERRED CHARGES	**662,801**	**877,179**
TOTAL ASSETS	**$ 312,277,066**	**$ 305,364,487**

The accompanying notes to consolidated financial statements are an integral part of this consolidated statement

MEMBERS' EQUITY AND LIABILITIES

	2016	2015
MEMBERS' EQUITY		
Patronage capital	$ 70,847,556	$ 70,120,055
Other equities	46,815,483	43,777,420
Total Members' Equity	**117,663,039**	**113,897,475**
LONG-TERM DEBT		
Mortgage notes	167,876,518	157,797,462
Less: current maturities	(4,475,000)	(4,385,000)
Total Long-Term Debt	**163,401,518**	**153,412,462**
CURRENT LIABILITIES		
Current maturities of long-term debt	4,475,000	4,385,000
Notes payable - line-of-credit	-0-	3,000,000
Accounts payable	4,680,361	6,728,244
Accrued interest payable	299,424	306,643
Accrued taxes	2,117,612	1,813,061
Other current liabilities	6,265,826	5,865,616
Total Current Liabilities	**17,838,223**	**22,098,564**
DEFERRED CREDITS	**13,374,286**	**15,955,986**
TOTAL MEMBERS' EQUITY AND LIABILITIES	**$ 312,277,066**	**$ 305,364,487**

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

FOR THE YEARS ENDED APRIL 30

	2016	2015
OPERATING REVENUE		
Sale of electricity	$ 120,080,574	$ 116,117,555
Other operating revenue	2,764,631	2,489,033
Total Operating Revenue	**122,845,205**	**118,606,588**
OPERATING EXPENSE		
Production power expense	9,566,968	10,206,541
Cost of power	50,821,018	50,121,333
Transmission expense	3,020,816	1,795,658
Distribution - operations	10,283,849	10,407,836
Distribution - maintenance	3,961,413	3,452,276
Consumer accounts	3,993,553	4,144,027
Customer service and information	2,148,727	2,341,081
Administrative and general	10,068,450	9,518,572
Depreciation and amortization	11,433,888	10,216,000
Interest on long-term debt	8,373,510	8,287,267
Interest expense - other	54,813	21,489
Total Operating Expense	**113,727,005**	**110,512,080**
NET OPERATING MARGIN	**9,118,200**	**8,094,508**
NON-OPERATING MARGIN		
Interest income	98,358	128,898
Other non-operating income	95,653	7,302
Total Non-Operating Margin	**194,011**	**136,200**
CAPITAL CREDITS	**762,372**	**727,697**
NET MARGINS FOR PERIOD	**10,074,583**	**8,958,405**
PATRONAGE CAPITAL - BEGINNING OF YEAR	70,120,055	69,607,403
	80,194,638	78,565,808
Retirement of capital credits	(8,384,727)	(7,573,000)
Transfer non-operating margins to other equities	(962,355)	(872,753)
PATRONAGE CAPITAL - END OF YEAR	**$ 70,847,556**	**$ 70,120,055**

The accompanying notes to consolidated financial statements are an integral part of this consolidated statement

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED APRIL 30

	2016	2015
NET MARGIN	**$10,074,583**	**$8,958,405**
TOTAL COMPREHENSIVE INCOME	**$10,074,583**	**$8,958,405**

The accompanying notes to the consolidated financial statements are an integral part of this consolidated statement

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 119,029,055	$ 117,911,131
Interest and dividends received	98,358	128,898
Cash paid to suppliers and employees	(95,802,797)	(92,565,081)
Interest paid	(8,435,542)	(8,318,326)
Net Cash Provided (Used) By Operating Activities	**14,889,074**	**17,156,622**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in plant	(16,911,969)	(13,501,889)
Materials and supplies	526,760	44,174
Patronage capital recovery	374,890	347,750
Note receivable	-0-	1,152
Other investing activities	(29,570)	102,594
Non-utility property	52,225	(445,300)
Net Cash Provided (Used) By Investing Activities	**(15,987,664)**	**(13,451,519)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan funds received	15,000,000	-0-
Retirement of long-term debt	(4,920,944)	(4,462,872)
Advances on lines-of-credit	6,000,000	9,000,000
Repayments on lines-of-credit	(9,000,000)	(6,000,000)
Retirement of capital credits	(8,384,727)	(7,573,000)
Other financing activities	2,075,708	1,667,163
Net Cash Provided (Used) By Financing Activities	**770,037**	**(7,368,709)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(328,553)**	**(3,663,606)**
Cash and cash equivalents - Beginning of year	6,719,425	10,383,031
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 6,390,872**	**$ 6,719,425**

The accompanying notes to consolidated financial statements are an integral part of this consolidated statement

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30

	2016	2015
RECONCILIATION OF NET MARGIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margin	$ 10,074,583	$ 8,958,405
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	11,433,888	10,216,000
Patronage capital credits from suppliers	(762,372)	(727,697)
(Increase) decrease in restricted cash	(151)	(150)
(Increase) decrease in accounts receivable	(1,330,103)	986,530
(Increase) decrease deferred charges	214,378	14,888
(Increase) decrease other assets	(809,108)	(209,898)
Increase (decrease) in accounts payable	(2,047,883)	156,537
Increase (decrease) in interest payable	(7,219)	(9,570)
Increase (decrease) in accrued taxes	304,551	(43,737)
Increase (decrease) in other liabilities	400,210	(495,397)
Increase (decrease) in deferred credits	(2,581,700)	(1,689,289)
Net Cash Provided (Used) Operating Activities	**$ 14,889,074**	**$ 17,156,622**

The accompanying notes to consolidated financial statements are an integral part of this consolidated statement

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Holy Cross Electric Association, Inc. (a Colorado not-for-profit corporation) and its wholly owned subsidiary Energy and Services Experts, Inc. (EASE) (a Colorado for-profit corporation). All significant intercompany transactions and balances have been eliminated.

The Association is a Rural Electric Cooperative whose principal business is the generation, acquisition and distribution of electric power to residences and businesses located in central Colorado. As a regulated enterprise with a member-elected board of directors, the Association accounts for such regulation under professional accounting standards FASB ASC 980, Regulated Industries. The accounting policies followed by the Association are in conformity with generally accepted accounting principles as they apply to a regulated electric utility.

EASE was created to provide various non-electric services in the same geographical region as the Association, but was non-operational during both of the fiscal years presented herein.

The Association employs the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS). As a result, the application of generally accepted accounting principles by the Association differs in certain respects from such application by non-regulated enterprises. Such differences concern primarily the time at which various items enter into the determination of net margins in order to follow the principle of matching costs and revenue.

Depreciation is recorded on the composite basis for generation, transmission, distribution, and some general plant assets, and the unit basis for the remaining general plant items, and is charged to capital and operating accounts at rates adopted by the Board of Directors in conformity with guidelines provided by RUS. Depreciation provisions are computed on additions beginning the month after they are placed in service. When units of generation, distribution and transmission plant are retired, their average cost is removed from utility plant and the cost, less net salvage, is removed from allowances for depreciation. Expenditures for normal repairs and maintenance are charged to operations as incurred.

Continuing property records are maintained on a current basis. These provide the average installed cost of the distribution and transmission plant in service.

The Association has determined that it does not have any long-lived assets for which it has a contractual or legal obligation to remove in the future.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash consists of funds deposited in a local financial institution as security against energy efficiency loans made by the financial institution to members of the Association.

Investments in associated organizations are carried at the related book value of equity certificates. Other amounts included in investments are generally carried at cost.

Materials and supplies are stated at average cost.

For purposes of the Statement of Cash Flows, the Association considers all short-term deposits and highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

The Association follows industry practice of recording revenue concurrently with its billings to customers, net of taxes collected for various taxing authorities, and recording cost of power upon receipt of their billing from the supplier.

In conformity with its bylaws, the Association conducts its operations on a cooperative nonprofit basis. Annual revenue, in excess of the cost of providing service, is allocated in the form of "capital credits" to the customers' capital accounts on the basis of patronage. The Board of Directors exercises an annual option of deciding whether to include non-operating margins in the allocation. Non-operating margins include interest income, capital credits from suppliers, and net amounts attributable to subsidiary operations.

CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk arise from the Association's granting of credit to its member customers, uninsured funds deposited in federally insured financial institutions which may be in excess of the insurance limits at various times during the year.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

ASSETS PLEDGED

Substantially all assets are pledged as security for long-term debt to RUS, the Federal Financing Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (CFC), and the Federal Agricultural Mortgage Corporation (Farmer Mac).

UTILITY PLANT

A summary of the utility plant and accumulated depreciation follows:

	April 30	
	2016	2015
Transmission plant	$ 33,231,401	$ 33,227,725
Production plant (generation)	119,245,845	119,227,725
Distribution plant	173,538,317	170,769,983
General plant	57,111,211	55,831,465
Completed construction not in service	8,791,040	-0-
Total Electric Plant	**391,917,814**	**379,056,898**
Construction work in progress	9,327,745	11,810,228
	401,245,559	**390,867,126**
Accumulated depreciation:		
Transmission plant	18,408,308	17,526,948
Production plant (generation)	16,032,099	13,316,636
Distribution plant	62,703,598	63,109,749
General plant	22,601,478	20,906,861
	119,745,483	**114,860,194**
Retirement work in progress	314,813	299,750
	120,060,296	**115,159,944**
Net Utility Plant	**$ 281,185,263**	**$ 275,707,182**

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

UTILITY PLANT (Continued)

Transmission plant and distribution plant are depreciated, under the straight-line composite basis, at the annual rates of 2.75% and 2.70%, respectively, while general plant is depreciated over the estimated useful lives of the assets, under the straight-line method at various rates ranging from 2.5% to 25.0%.

In a prior year, the Association entered into a Joint Ownership Agreement with Public Service Company of Colorado (PSCo) and a second Colorado electric cooperative for the purpose of the construction and operation of a pulverized coal electric generating facility. This facility produces approximately 750 megawatts (MW) of electric power, with the Association's share of that total at 8% or 60 MW. The facility went online during the year ended April 30, 2011. The Association capitalized its share of the accumulated cost at that point and is depreciating this production plant under the straight-line composite basis, at a blended annual rate of 2.402%. Starting in January of 2016, with approval from RUS, Comanche 3 generation plant going forward will be depreciated using the straight-line composite basis with the RUS prescribed rate for steam production plant of 3.10%

NON-UTILITY PROPERTY

	April 30		Depreciation
	2016	2015	Method & Years
Real estate	$ 1,719,560	$ 1,719,560	S/L 33-38 Years
Less: accumulated depreciation	(440,194)	(387,969)	
Net Book Value	**$ 1,279,366**	**$ 1,331,591**	

This real estate is used primarily for employee housing.

ACCOUNTS RECEIVABLE

The Association carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Association evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on past history of bad debt write-offs, collections, and current credit conditions. Electric accounts receivable are generally considered past due if payment is not received by the due date of the bill. It is the Association's policy that electric accounts are generally turned over to the collecting agent after all collection efforts have been exhausted and the service has been disconnected.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

ACCOUNTS RECEIVABLE (Continued)

The Board of Directors approves the write off of electric bad debts twice a year for accounts that have been disconnected and turned over to the collecting agent. Payments received on accounts after they are written off are considered a recovery of the bad debt. As of April 30, 2016 and 2015, the Association had approximately $35,000 and $26,000, respectively, in electric accounts receivable that were over 90 days old and the balance in the allowance for bad debts approximated $234,000 and $177,000, respectively.

SUBORDINATED CERTIFICATES

	April 30	
	2016	2015
Capital term certificates	$1,091,977	$1,091,977
Zero term certificates	1,985,968	2,006,003
Total	**$3,077,945**	**$3,097,980**

The capital term certificates yield 5.00% and 3.00%, while the zero term certificates have no yield. All of the certificates have various maturity dates through the year 2080.

INVESTMENT IN ASSOCIATED ORGANIZATIONS

This category consists mainly of patronage capital due from organizations of which the Association is a member.

	April 30	
	2016	2015
Patronage capital - CFC	$2,747,995	$2,477,411
Patronage capital - Western United	764,836	726,754
Patronage capital - Federated	364,968	309,068
Other associated organizations	275,538	252,622
Total	**$4,153,337**	**$3,765,855**

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

OTHER INVESTMENTS

	April 30	
	2016	2015
Subsidiary cash in bank	$ 8,923	$ 1,936
Deferred compensation	60,330	17,712
Total	**$69,253**	**$19,648**

OTHER CURRENT ASSETS

	April 30	
	2016	2015
Prepaid insurance	$ 340,276	$ 299,452
Comanche 3 O & M deposit	1,357,000	1,357,000
Renewable energy certificates	1,032,670	326,144
Undistributed stores charges	316,915	224,091
Other current assets	281,650	312,716
Total	**$3,328,511**	**$2,519,403**

DEFERRED CHARGES

	April 30	
	2016	2015
Past service pension costs	$ 499,689	$542,520
Prepaid pension plan contributions	172,449	169,507
Over distributed clearing account	(79,286)	-0-
Other deferred charges	69,949	165,152
Total	**$ 662,801**	**$877,179**

Past service pension cost is amortized on the straight line basis over future periods as allowed for under FASB ASC 980, Regulated Enterprises. Amortization amounted to $42,831 for both years ended April 30, 2016 and 2015.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

MEMBERS' EQUITY

	Patronage Capital Credits	Patronage Capital Unallocated	Other Equities	Total
Balance April 30, 2014	$ 63,854,367	$ 5,753,036	$41,237,503	$ 110,844,906
Net margin, year ended April 30, 2015	-0-	8,958,405	-0-	8,958,405
Allocations	6,547,311	(6,547,311)	-0-	-0-
Retirement of capital credits	(7,570,348)	(2,652)	1,667,164	(5,905,836)
Other changes	-0-	(872,753)	872,753	-0-
Balance April 30, 2015	62,831,330	7,288,725	43,777,420	113,897,475
Net margin, year ended April 30, 2016	-0-	10,074,583	-0-	10,074,583
Allocations	8,305,027	(8,305,027)	-0-	-0-
Retirement of capital credits	(8,378,279)	(6,448)	1,610,295	(6,774,432)
Other changes	-0-	(962,355)	1,427,768	465,413
Balance April 30, 2016	**$ 62,758,078**	**$ 8,089,478**	**$46,815,483**	**$ 117,663,039**

Under the provisions of the RUS mortgage agreement, until the equities and margins equal or exceed thirty percent of the total assets of the Association, the retirement of capital credits is generally limited to twenty-five percent of the patronage capital or margins from the prior calendar year. The CFC mortgage agreement provisions differ slightly. This limitation does not usually apply to capital credit retirements made exclusively to estates.

The total equities of the Association are 38% and 37% of the total assets as of April 30, 2016 and 2015, respectively. Other equities consist of donated capital, retired capital credits gain, non-operating margins, and the discount applied to prior year capital credit retirements.

LONG-TERM DEBT

Long-term debt consists principally of mortgage notes payable to FFB, CFC, and Farmer Mac, with various maturities through the year 2045.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

LONG-TERM DEBT (Continued)

The following is a summary of these notes:

	April 30	
	2016	2015
CFC mortgage notes	$ 118,081,239	$ 106,651,581
FFB mortgage notes	32,413,431	33,167,781
Farmer Mac mortgage notes	17,381,848	17,978,100
	167,876,518	157,797,462
Less: current maturities	(4,475,000)	(4,385,000)
Total Long-Term Debt	**$ 163,401,518**	**$ 153,412,462**

The CFC notes have fixed rates that ranged from 3.15% to 7.20% as of April 30, 2016, and from 2.55% to 7.20% as of April 30, 2015.

The FFB notes have fixed rates that ranged from 2.274% to 5.259%, plus a 0.125% administrative fee as of both April 30, 2016 and 2015.

The Farmer Mac notes have fixed rates for both years that ranged from 3.10% to 6.44%.

During the year ended April 30, 2015, the Association re-priced $3,221,185 of its fixed rate debt with CFC at shorter term fixed rates.

During the year ended April 30, 2016, the Association re-priced $290,729 of its fixed rate debt with CFC at a shorter term fixed rate.

As of April 30, 2016 and 2015, CFC was committed to advance loan funds to the Association in the amounts of $15,000,000 and $30,000,000, respectively, for which a loan agreement was executed.

Based on current obligations, principal payments toward the above long-term debt for the next five years will require approximately:

Year ending April 30	
2017	$4,475,000
2018	$5,135,000
2019	$4,635,000
2020	$4,590,000
2021	$4,815,000

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

OTHER CURRENT LIABILITIES

	April 30	
	2016	2015
Customers' deposits	$ 689,272	$ 679,111
Accrued vacation	1,538,494	1,641,550
Accrued sick leave	543,834	570,366
Accrued payroll	573,144	546,236
Patronage capital payable	2,630,497	2,126,795
Other current liabilities	290,585	301,558
Total	**$6,265,826**	**$5,865,616**

SHORT-TERM LINES OF CREDIT

The Association has a $30,000,000 line of credit, perpetual in nature, established with CFC. As of April 30, 2016 and 2015 no funds had been drawn and remained outstanding. Certain pre-conditions may be required of the Association prior to draw down of funds, such as repayment of all advances once a year.

The Association has a $15,000,000 line of credit, renewable annually on October 31st, established with CoBank. Nothing had been drawn and was outstanding as of April 30, 2016, and $3,000,000 had been drawn and was outstanding as of April 30, 2015 at an interest rate of 2.29%.

DEFERRED CREDITS

	April 30	
	2016	2015
Customers' energy prepayments	$ 272,814	$ 258,586
Customers' advances for construction	1,726,042	2,306,432
Indeterminate services	9,706,795	10,643,397
Renewable energy reserve	1,510,651	2,658,198
Other deferred credits	157,984	89,373
Total	**$13,374,286**	**$15,955,986**

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

DEFERRED CREDITS (Continued)

Customer advances for construction represent deposits required of customers in accordance with the Association's line extension policy. These are applied against construction costs with any excess being either refunded or applied to indeterminate service, in accordance with Association policy.

Indeterminate Services are customer provided construction advances towards plant construction for which the customers are to receive an annual refund for ten years based on usage. Any portion of the unrefunded advance at the end of the ten year period may revert to the Association. In accordance with the Association's line extension policy, the unrefunded balance is used to offset plant construction costs. The status of potential forfeiture cannot be determined by management at either April 30, 2016 or 2015.

The renewable energy reserve is the unused portion of monies set aside for the purposes of renewable energy and conservation expenditures at the end of a calendar year. The reserve is funded with a 2.00% rate rider of member operating revenue.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements Topic (FASB ASC 820) provides guidance for using fair value to measure assets and liabilities and establishes a hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). The three levels of the fair value hierarchy are as follows.

Level 1 inputs - Valuation is based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2 inputs - Valuation is determined from quoted prices in active markets for similar assets or liabilities not included in Level 1 and are observable either directly or indirectly; or quoted market prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs - Valuation inputs are unobservable for the asset or liability and any valuation is based on an entity's own estimates about the assumptions that market participants would use to value an asset or liability.

Cash and cash equivalents - The carrying amount approximates the fair value.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	April 30, 2016	
	Carrying Amount	Estimated Fair Amount
Assets:		
Cash and cash equivalents (level 3)	$ 6,390,872	$ 6,390,872
Restricted cash (level 3)	100,364	100,364
Investments (level 3)	69,253	69,253
Subordinated certificates (level 3)	3,077,945	3,077,945
Other associations (level 3)	4,153,337	4,153,337
Liabilities:		
Long-term debt (Level 2)	$167,876,518	$191,459,473

	April 30, 2015	
	Carrying Amount	Estimated Fair Amount
Assets:		
Cash and cash equivalents (level 3)	$ 6,719,425	$ 6,719,425
Restricted cash (level 3)	100,213	100,213
Investments (level 3)	19,648	19,648
Subordinated certificates (level 3)	3,097,980	3,097,980
Other associations (level 3)	3,765,855	3,765,855
Liabilities:		
Long-term debt (Level 2)	$157,797,462	$174,083,075

PENSION PLAN

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 plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

PENSION PLAN (Continued)

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's contributions to the RS plan in 2016 and 2015 represented less than 5 percent of the total contributions made to the plan by all participating employers. The NRECA RS plan benefit level was changed effective January 1, 2014 from 1.7% to 0.5%.

Pension payments during the years ended April 30, 2016 and 2015 were as follows:

	April 30	
	2016	2015
Past service pension cost	$ 42,831	$ 42,831
Current payments to plan	1,275,627	1,326,591
Total	**$1,318,458**	**$1,369,422**

In the RS Plan, a "zone status" determination is not required, and therefore not determined under the Pension Protections 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 percent funded at both May 1, 2015 and May 1, 2013 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 plan and may change as a result of plan experience.

The Association supplements this plan with an NRECA sponsored 401(k). Effective January 1, 2014, the Association changed the plan to contribute 14% of the employees qualified salary and will additionally match up to 4% of the employees voluntary contributions. The Association's contribution for 2016 and 2015 was $2,570,454 and $2,435,894 respectively.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

PENSION PLAN (Continued)

Management expects benefit payments (employer) for both plans to approximate the following for the next ten years:

Year ending April 30	
2017	$ 3,830,000
2018	$ 4,100,000
2019	$ 4,380,000
2020	$ 4,690,000
2021	$ 5,020,000
2022 to 2026	$33,690,000

INCOME TAXES

The Association has a letter of exemption from Federal income tax, issued by the Internal Revenue Service, and files IRS Form 990 on a calendar year basis. The subsidiary is a taxable entity and files IRS Form 1120, on a calendar year basis.

Energy and Services Experts, Inc. has a net operating loss carryforward from prior years of approximately $8,250,000 as of both April 30, 2016 and 2015. If not used within the statutory time frame, the loss carryforward will expire due to Internal Revenue Code time limitations. Using an estimated effective tax rate of approximately 35%, the loss carryforward amount has an approximate $2,900,000 potential tax benefit as of both April 30, 2016 and 2015.

The Association placed a valuation allowance on the resulting net deferred tax benefit such that no tax benefit is reflected in the consolidated financial statements.

An evaluation of whether or not it has any uncertain tax positions is determined on an annual basis by the Association. While the Association believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the positions taken by the Association. The Association recognizes any interest and penalties assessed by taxing authorities in income tax expense and, with few exceptions, is no longer subject to federal, state, or local income tax examinations by tax authorities for years before 2012.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2016 and 2015

RELATED PARTY TRANSACTIONS

Related party transactions consisted of normal routine business conducted through organizations of which the Association is a member and normal sales to its members.

COMMITMENTS

The Association obtains a substantial amount of its wholesale purchased power under a contract with Public Service Company of Colorado (PSCo). Although there are a limited number of electric power suppliers, management believes there would be no lapse in service if PSCo were to default on its contract. Such a change might result in higher cost of power to the Association and, in turn, higher billing rates to its members.

Under its wholesale power agreement, PSCo is committed to provide the Association's electric power and energy requirements until April 15, 2042 subject to an opt-out provision with a 5 year notice prerequisite after 2029.

LITIGATION

The Association is involved in various legal matters that management considers to be in the normal course of business. In addition, the Association has a pending damage claim against it that is being defended by legal counsel appointed by the Association's insurance carrier. The outcomes are unknown; therefore, nothing is recorded in the consolidated financial statements.

SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events and transactions for the period April 30, 2016 through July 28, 2016, which is the date it was available to be issued, and determined that there were no material events that would require recognition or disclosure in the consolidated financial statements under FASB ASC 855-10, Subsequent Events.

KEVIN S. KELSO, CPA, P.C., P.A.

CERTIFIED PUBLIC ACCOUNTANT

6700 SQUIBB ROAD, SUITE 215
MISSION, KS 66202
913-831-1150 FAX: 913-831-0538

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Holy Cross Electric Association, Inc.
Glenwood Springs, CO

I have audited, in accordance with the 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, the consolidated financial statements of Holy Cross Electric Association, Inc. as of and for the years ended April 30, 2016 and 2015, and the related notes to the consolidated financial statements, which collectively comprise Holy Cross Electric Association, Inc.'s basic consolidated financial statements, and have issued my report thereon dated July 28, 2016.

Internal Control Over Financial Reporting

In planning and performing my audits of the consolidated financial statements, I considered Holy Cross Electric Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Holy Cross Electric Association, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Holy Cross Electric Association, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Board of Directors
Holy Cross Electric Association, Inc.
Page Two

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Holy Cross Electric Association, Inc.'s consolidated financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin S. Kelso, CPA, P.C., P.A.

July 28, 2016

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND UNRESOLVED PRIOR FINDINGS

FOR THE YEAR ENDED APRIL 30, 2016

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	unmodified
Internal control over financial reporting:	
Material weaknesses identified:	none
Significant deficiencies identified:	none

There are no unresolved findings from the previous audit.

SUPPLEMENTAL INFORMATION

KEVIN S. KELSO, CPA, P.C., P.A.

CERTIFIED PUBLIC ACCOUNTANT

6700 SQUIBB ROAD, SUITE 215
MISSION, KS 66202
913-831-1150 FAX: 913-831-0538

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION

The Board of Directors
Holy Cross Electric Association, Inc.
Glenwood Springs, CO

This audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information that follows is presented for purposes of additional analysis, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Kevin S. Kelso, CPA, P.C., P.A.

July 28, 2016

HOLY CROSS ELECTRIC ASSOCIATION, INC.

CONSOLIDATING BALANCE SHEET

April 30, 2016

ASSETS

	Holy Cross Electric Association	Energy and Services Experts	Eliminations	Consolidated 4/30/16
UTILITY PLANT				
Electric plant in service	$ 391,917,814	$ -0-	$ -0-	$ 391,917,814
Construction work in progress	9,327,745	-0-	-0-	9,327,745
	401,245,559	-0-	-0-	401,245,559
Less: accumulated deprn	(120,060,296)	-0-	-0-	(120,060,296)
Total Utility Plant	**281,185,263**	**-0-**	**-0-**	**281,185,263**
INVESTMENTS				
Subordinated certificate	3,077,945	-0-	-0-	3,077,945
Investments in associated organizations	4,153,337	-0-	-0-	4,153,337
Other investments	69,253	8,923	(8,923)	69,253
Non-utility property	1,279,366	-0-	-0-	1,279,366
Total Investments	**8,579,901**	**8,923**	**(8,923)**	**8,579,901**
CURRENT ASSETS				
Cash and cash equivalents	6,390,872	-0-	-0-	6,390,872
Restricted cash	100,364	-0-	-0-	100,364
Accounts receivable (less allowance for doubtful accounts of $294,000)	8,913,535	-0-	-0-	8,913,535
Materials and supplies	3,115,819	-0-	-0-	3,115,819
Other current assets	3,328,511	-0-	-0-	3,328,511
Total Current Assets	**21,849,101**	**-0-**	**-0-**	**21,849,101**
DEFERRED CHARGES	**662,801**	**-0-**	**-0-**	**662,801**
TOTAL ASSETS	**$ 312,277,066**	**$8,923**	**$(8,923)**	**$ 312,277,066**

MEMBERS' EQUITY AND LIABILITIES

	Holy Cross Electric Association	Energy and Services Experts	Eliminations	Consolidated 4/30/16
EQUITIES AND MARGINS				
Patronage capital	$ 70,847,556	$ -0-	$ -0-	$ 70,847,556
Other equities	46,815,483	8,923	(8,923)	46,815,483
Total Equities and Margins	**117,663,039**	**8,923**	**(8,923)**	**117,663,039**
LONG-TERM DEBT				
Mortgage notes	167,876,518	-0-	-0-	167,876,518
Less: current maturities	(4,475,000)	-0-	-0-	(4,475,000)
Total Long-Term Debt	**163,401,518**	**-0-**	**-0-**	**163,401,518**
CURRENT LIABILITIES				
Current maturities on long-term debt	4,475,000	-0-	-0-	4,475,000
Accounts payable	4,680,361	-0-	-0-	4,680,361
Accrued interest payable	299,424	-0-	-0-	299,424
Accrued taxes	2,117,612	-0-	-0-	2,117,612
Other current liabilities	6,265,826	-0-	-0-	6,265,826
Total Current Liabilities	**17,838,223**	**-0-**	**-0-**	**17,838,223**
DEFERRED CREDITS	**13,374,286**	**-0-**	**-0-**	**13,374,286**
TOTAL MEMBERS' EQUITY AND LIABILITIES	**$ 312,277,066**	**$8,923**	**$(8,923)**	**$ 312,277,066**

HOLY CROSS ELECTRIC ASSOCIATION, INC.

CONSOLIDATING STATEMENT OF REVENUE

April 30, 2016

	Holy Cross Electric Association	Energy and Services Experts	Eliminations	Consolidated 4/30/16
OPERATING REVENUE				
Operating revenue	$ 120,080,574	$-0-	$-0-	$ 120,080,574
Other operating revenue	2,764,631	-0-	-0-	2,764,631
Total Operating Revenue	**122,845,205**	**-0-**	**-0-**	**122,845,205**
OPERATING EXPENSE				
Production power expense	9,566,968	-0-	-0-	9,566,968
Cost of power	50,821,018	-0-	-0-	50,821,018
Transmission expense	3,020,816	-0-	-0-	3,020,816
Distribution - operations	10,283,849	-0-	-0-	10,283,849
Distribution - maintenance	3,961,413	-0-	-0-	3,961,413
Consumer accounts	3,993,553	-0-	-0-	3,993,553
Customer service and information	2,148,727	-0-	-0-	2,148,727
Administrative and general	10,068,450	-0-	-0-	10,068,450
Depreciation & amortization	11,433,888	-0-	-0-	11,433,888
Interest on long-term debt	8,373,510	-0-	-0-	8,373,510
Other interest	54,813	-0-	-0-	54,813
Total Operating Expense	**113,727,005**	**-0-**	**-0-**	**113,727,005**
NON-OPERATING MARGIN				
Interest income	98,358	-0-	-0-	98,358
Other non-operating revenue	95,653	-0-	-0-	95,653
Total Non Operating Margin	**194,011**	**-0-**	**-0-**	**194,011**
CAPITAL CREDITS	**762,372**	**-0-**	**-0-**	**762,372**
NET MARGIN	**$ 10,074,583**	**$-0-**	**$-0-**	**$ 10,074,583**

HOLY CROSS ELECTRIC ASSOCIATION, INC.

CONSOLIDATING BALANCE SHEET

April 30, 2015

ASSETS

	Holy Cross Electric Association	Energy and Services Experts	Eliminations	Consolidated 4/30/15
UTILITY PLANT				
Electric plant in service	$ 379,056,898	$-0-	$ -0-	$ 379,056,898
Construction work in progress	11,810,228	-0-	-0-	11,810,228
	390,867,126	-0-	-0-	390,867,126
Less: accumulated deprn	(115,159,944)	-0-	-0-	(115,159,944)
Total Utility Plant	**275,707,182**	**-0-**	**-0-**	**275,707,182**
INVESTMENTS				
Subordinated certificates	3,097,980	-0-	-0-	3,097,980
Investments in associated organizations	3,765,855	-0-	-0-	3,765,855
Other investments	19,648	856	(856)	19,648
Non-utility property	1,331,591	-0-	-0-	1,331,591
Total Investments	**8,215,074**	**856**	**(856)**	**8,215,074**
CURRENT ASSETS				
Cash and cash equivalents	6,719,425	-0-	-0-	6,719,425
Restricted cash	100,213	-0-	-0-	100,213
Accounts receivable (less allowance for doubtful accounts of $177,000)	7,583,432	-0-	-0-	7,583,432
Materials and supplies	3,642,579	-0-	-0-	3,642,579
Other current assets	2,519,403	-0-	-0-	2,519,403
Total Current Assets	**20,565,052**	**-0-**	**-0-**	**20,565,052**
DEFERRED CHARGES	**877,179**	**-0-**	**-0-**	**877,179**
TOTAL ASSETS	**$ 305,364,487**	**$856**	**$(856)**	**$ 305,364,487**

MEMBERS' EQUITY AND LIABILITIES

	Holy Cross Electric Association	Energy and Services Experts	Eliminations	Consolidated 4/30/15
EQUITIES AND MARGINS				
Patronage capital	$ 70,120,055	$-0-	$ -0-	$ 70,120,055
Other equities	43,777,420	856	(856)	43,777,420
Total Equities and Margins	**113,897,475**	**856**	**(856)**	**113,897,475**
LONG-TERM DEBT				
Mortgage notes	157,797,462	-0-	-0-	157,797,462
Less: current maturities	(4,385,000)	-0-	-0-	(4,385,000)
Total Long-Term Debt	**153,412,462**	**-0-**	**-0-**	**153,412,462**
CURRENT LIABILITIES				
Current maturities on long-term debt	4,385,000	-0-	-0-	4,385,000
Accounts payable	6,728,244	-0-	-0-	6,728,244
Notes payable - line-of-credit	3,000,000	-0-	-0-	3,000,000
Accrued interest payable	306,643	-0-	-0-	306,643
Accrued taxes	1,813,061	-0-	-0-	1,813,061
Other current liabilities	5,865,616	-0-	-0-	5,865,616
Total Current Liabilities	**22,098,564**	**-0-**	**-0-**	**22,098,564**
DEFERRED CREDITS	**15,955,986**	**-0-**	**-0-**	**15,955,986**
TOTAL MEMBERS' EQUITY AND LIABILITIES	**$ 305,364,487**	**$856**	**$(856)**	**$ 305,364,487**

HOLY CROSS ELECTRIC ASSOCIATION, INC.

CONSOLIDATING STATEMENT OF REVENUE

April 30, 2015

	Holy Cross Electric Association	Energy and Services Experts	Eliminations	Consolidated 4/30/15
OPERATING REVENUE				
Operating revenue	$116,117,555	$-0-	$-0-	$116,117,555
Other operating revenue	2,489,033	-0-	-0-	2,489,033
Total Operating Revenue	**118,606,588**	**-0-**	**-0-**	**118,606,588**
OPERATING EXPENSE				
Production power expense	10,206,541	-0-	-0-	10,206,541
Cost of power	50,121,333	-0-	-0-	50,121,333
Transmission expense	1,795,658	-0-	-0-	1,795,658
Distribution - operations	10,407,836	-0-	-0-	10,407,836
Distribution - maintenance	3,452,276	-0-	-0-	3,452,276
Consumer accounts	4,144,027	-0-	-0-	4,144,027
Customer service and information	2,341,081	-0-	-0-	2,341,081
Administrative and general	9,518,572	-0-	-0-	9,518,572
Depreciation & amortization	10,216,000	-0-	-0-	10,216,000
Interest on long-term debt	8,287,267	-0-	-0-	8,287,267
Other interest	21,489	-0-	-0-	21,489
Total Operating Expense	**110,512,080**	**-0-**	**-0-**	**110,512,080**
NON-OPERATING MARGIN				
Interest income	128,898	-0-	-0-	128,898
Other non-operating revenue	7,302	-0-	-0-	7,302
Total Non Operating Margin	**136,200**	**-0-**	**-0-**	**136,200**
CAPITAL CREDITS	**727,697**	**-0-**	**-0-**	**727,697**
NET MARGIN	**$ 8,958,405**	**$-0-**	**$-0-**	**$ 8,958,405**

HOLY CROSS ELECTRIC ASSOCIATION, INC.

DETAILED SCHEDULE OF INVESTMENTS

FOR THE YEAR ENDED APRIL 30, 2016

Energy and Services Experts, Inc.:

Original investment	$ 1,166,667
Book value of investment 4/30/98	1,166,667
Investment advances	4,533,306
Undistributed share of loss, 4/30/99	(4,721)
Book value of investment 4/30/99	5,695,252
Investment advances	7,500
Book value of investment 4/30/00	5,702,752
Investment advances	2,989,897
Undistributed share of loss, 4/30/01	(255,904)
Book value of investment 4/30/01	8,436,745
Investment advances	20,090
Undistributed share of loss, 4/30/02	(2,094,599)
Book value of investment 4/30/02	6,362,236
Investment advances	2,331
Undistributed share of loss, 4/30/03	(364,863)
Book value of investment 4/30/03	5,999,704
Investment advances	7,398
Undistributed share of loss, 4/30/04	(663,055)
Book value of investment 4/30/04	5,344,047
Investment advances	2,000
Undistributed share of loss, 4/30/05	(213,182)
Book value of investment 4/30/05	5,132,865
Write down of investment	(5,131,359)
Undistributed share of loss, 4/30/06	(1,025)
Book value of investment 4/30/06	481
Investment advances	425,000
Undistributed share of loss, 4/30/07	(45,089)
Write down of investment	(379,911)
Book value of investment 4/30/07	481

HOLY CROSS ELECTRIC ASSOCIATION, INC.

DETAILED SCHEDULE OF INVESTMENTS

FOR THE YEAR ENDED APRIL 30, 2016

Investment advances	$ 5,000
Undistributed share of loss, 4/30/08	(825)
Book value of investment 4/30/08	4,656
Undistributed share of loss, 4/30/09	(575)
Book value of investment 4/30/09	4,081
Undistributed share of loss, 4/30/10	(525)
Book value of investment 4/30/10	3,556
Undistributed share of loss, 4/30/11	(540)
Book value of investment 4/30/11	3,016
Undistributed share of loss, 4/30/12	(540)
Book value of investment 4/30/12	2,476
Undistributed share of loss, 4/30/13	(540)
Book value of investment 4/30/13	1,936
Undistributed share of loss, 4/30/14	(540)
Book value of investment 4/30/14	1,396
Undistributed share of loss, 4/30/15	(540)
Book value of investment 4/30/15	856
Investment advances	8,607
Undistributed share of loss, 4/30/16	(540)
Book value of investment 4/30/16	**$ 8,923**

Energy and Services Experts, Inc. is a wholly owned subsidiary providing various non-electric services. The Association accounts for the investment on the equity basis.

KEVIN S. KELSO, CPA, P.C., P.A.

CERTIFIED PUBLIC ACCOUNTANT

6700 SQUIBB ROAD, SUITE 215
MISSION, KS 66202
913-831-1150 FAX: 913-831-0538

INDEPENDENT AUDITOR'S REPORT ON LOAN FUND EXPENDITURES

The Board of Directors
Holy Cross Electric Association, Inc.
Glenwood Springs, CO

I have audited, in accordance with generally accepted auditing standards, the balance sheet of Holy Cross Electric Association, Inc. as of April 30, 2016 and the related statements of operations and patronage capital and cash flows for the year then ended, and have issued my report thereon dated July 28, 2016.

During the period of this review, Holy Cross Electric Association, Inc. received advances of $12,000,000 on CFC loan 9024-1, and $3,000,000 on CFC loan 9024-2 as controlled by CFC's Loan Agreements and Mortgage. In conducting my audit, nothing came to my attention that caused me to believe that the Association was in noncompliance with the intended purpose of the loan funds as contemplated in the Loan Agreement for CFC loan 9024-1, and loan 9024-2. However, my audit was not primarily directed toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of Holy Cross Electric Association, Inc. and National Rural Utilities Cooperative Finance Corporation and should not be used by anyone other than these specified parties.

Kevin S. Kelso, CPA, P.C., P.A.

July 28, 2016