THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
MONROE, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS AS OF
JUNE 30, 2021 AND 2020 AND
INDEPENDENT AUDITOR'S REPORT

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES

CONTENTS

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November 15, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Walton Electric Membership Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of **The Walton Electric Membership Corporation and Subsidiaries** (the Corporation), which comprise the consolidated balance sheets as of June 30, 2021 and 2020 and the related consolidated statements of operations, comprehensive income, changes in members' equity, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Corporation'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 Corporation'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 The Walton Electric Membership Corporation and Subsidiaries as of June 30, 2021 and 2020 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.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30

ASSETS

	2021	2020
Utility Plant		
Electric Plant in Service - At Cost	**$ 512,633,374**	$ 493,295,167
Construction Work in Progress	**4,592,180**	3,107,899
	517,225,554	496,403,066
Accumulated Provision for Depreciation	**(199,499,461)**	(188,321,494)
	317,726,093	308,081,572
Other Property and Investments		
Investments in Associated Organizations	**126,146,556**	120,417,539
Other Investments	**3,122,735**	32,499,393
	129,269,291	152,916,932
Current Assets		
Cash and Cash Equivalents	**35,972,686**	47,603,134
Interest Receivable	**46,100**	565,417
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $19,094 in 2021 and $3,109 in 2020)	**45,589,519**	44,207,622
Materials and Supplies	**3,271,755**	2,412,497
Prepayments	**13,722,811**	13,478,514
	98,602,871	108,267,184
Other Assets	**15,772,414**	17,413,534
Total Assets	**$ 561,370,669**	$ 586,679,222

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30

MEMBERS' EQUITIES AND LIABILITIES

	2021	2020
Members' Equities		
Membership Fees	**$ 973,780**	$ 987,200
Patronage Capital	**202,712,934**	191,805,379
Donated Capital	**4,029,883**	3,573,408
Other Equities	**44,085,326**	44,088,160
Accumulated Other Comprehensive Loss	**(37,151,797)**	(56,470,428)
	214,650,126	183,983,719
Long-Term Debt	**135,614,689**	143,467,143
Accumulated Provision for Postretirement Benefits		
Pension Plan	**9,749,261**	24,129,208
Healthcare Benefits	**67,284,934**	66,942,368
	77,034,195	91,071,576
Other Long-Term Liabilities	**1,750,726**	889,498
Current Liabilities		
Current Maturities of Mortgage Notes	**6,570,479**	5,372,246
Line-of-Credit	**5,600,000**	8,000,000
Accounts Payable	**35,934,604**	32,613,170
Consumer Deposits	**10,123,214**	10,028,592
Current Portion of Healthcare Benefits	**1,424,000**	1,329,000
Accrued and Withheld Taxes	**3,874,748**	3,663,128
Accrued Interest	**869,185**	870,061
Other	**5,432,695**	5,232,477
	69,828,925	67,108,674
Deferred Credits	**62,492,008**	100,158,612
Total Members' Equities and Liabilities	**$ 561,370,669**	$ 586,679,222

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30

	2021	2020
Operating Revenues	**$ 399,138,411**	$ 380,619,080
Cost of Revenues	**303,991,535**	300,530,070
Gross Margins	**95,146,876**	80,089,010
Operating Expenses		
Distribution Operations	**11,224,034**	11,378,475
Distribution Maintenance	**13,381,175**	14,005,934
Consumer Accounts	**4,932,648**	5,657,339
Consumer Service and Information	**7,848,201**	7,942,395
Sales	**83,000**	30,400
Administrative and General	**17,952,623**	10,908,128
Depreciation and Amortization	**16,474,805**	15,882,103
Other	**192,530**	183,356
	72,089,016	65,988,130
Operating Margins Before Interest Expense	**23,057,860**	14,100,880
Interest Expense	**5,258,031**	5,171,130
Operating Margins After Interest Expense	**17,799,829**	8,929,750
Nonoperating Margins	**(2,969,896)**	(795,106)
Generation and Transmission Cooperative Capital Credits	**5,745,349**	5,507,815
Other Capital Credits and Patronage Capital Allocations	**701,648**	714,136
Income Tax (Benefit) Expense	**138,000**	(111,500)
Net Margins	**$ 21,138,930**	$ 14,468,095

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED JUNE 30

	2021	2020
Net Margins	**$ 21,138,930**	$ 14,468,095
Other Comprehensive Income (Loss)		
Change in Fair Value of Costs Related to Pension Plans	**(1,099,552)**	(8,535,136)
Change in Fair Value of Costs Related to Healthcare	**2,105,322**	(7,143,976)
Amortization of Actuarial Changes	**15,747,288**	852,252
Loss Due to Settlement	**2,081,886**	-
Amortization of Prior Service Cost	**(180,223)**	(180,223)
Amortization of Net Transition Obligation	**663,910**	663,910
Other Comprehensive Income (Loss)	**19,318,631**	(14,343,173)
Comprehensive Income	**$ 40,457,561**	$ 124,922

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Membership Fees	Patronage Capital	Donated Capital	Other Equities	Accumulated Other Comprehensive Income (Loss)	Total
Balance, June 30, 2019	$ 999,150	$ 186,697,314	$ 3,010,567	$ 44,456,840	$ (42,127,255)	$ 193,036,616
Net Margins	-	14,836,775	-	(368,680)	-	14,468,095
Patronage Capital Retirements	-	(9,728,710)	562,841	-	-	(9,165,869)
Membership Fees	(11,950)	-	-	-	-	(11,950)
Postretirement Benefits	-	-	-	-	(14,343,173)	(14,343,173)
Balance, June 30, 2020	987,200	191,805,379	3,573,408	44,088,160	(56,470,428)	183,983,719
Net Margins	-	21,141,764	-	(2,834)	-	21,138,930
Patronage Capital Retirements	-	(10,234,209)	456,475	-	-	(9,777,734)
Membership Fees	(13,420)	-	-	-	-	(13,420)
Postretirement Benefits	-	-	-	-	19,318,631	19,318,631
Balance, June 30, 2021	**$ 973,780**	**$ 202,712,934**	**$ 4,029,883**	**$ 44,085,326**	**$ (37,151,797)**	**$ 214,650,126**

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

	2021	2020
Cash Flows from Operating Activities		
Net Margins	**$ 21,138,930**	$ 14,468,095
Adjustments to Reconcile Net Margins to Net Cash		
Provided by Operating Activities		
Depreciation and Amortization	**16,778,054**	16,191,434
Patronage Capital from Associated Organizations	**(6,446,997)**	(6,221,951)
Medical Benefits Cost	**5,252,655**	4,401,979
Pension Plan Costs	**7,336,946**	4,381,449
Deferred Revenue Recognition	**(19,800,000)**	(14,800,000)
Funding of Medical Benefits	**(1,213,351)**	(1,303,976)
Funding of Pension Plan Costs	**(6,000,000)**	(6,000,000)
Power Cost Rebate	**(976,841)**	4,856,493
Change In		
Accounts Receivable (Net)	**(1,381,897)**	2,795,426
Other Current Assets	**275,020**	12,927,720
Other Assets	**1,641,120**	(9,755)
Accounts Payable	**3,321,434**	(674,140)
Consumer Deposits	**94,622**	7,183
Accrued and Withheld Taxes	**211,620**	(250,799)
Other Current and Accrued Liabilities	**199,342**	604,180
Deferred Credits	**(16,889,763)**	7,089,233
	3,540,894	38,462,571
Cash Flows from Investing Activities		
Extension and Replacement of Plant	**(26,422,575)**	(24,408,204)
Return of Equity from Associated Organizations	**717,980**	680,873
Materials and Supplies	**(859,258)**	(74,205)
Other Investments	**30,237,886**	(30,446,169)
	3,674,033	(54,247,705)
Balance - Carried Forward	**$ 7,214,927**	$ (15,785,134)

See accompanying notes which are an integral part of these financial statements.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

	2021	2020
Balance - Brought Forward	**$ 7,214,927**	$ (15,785,134)
Cash Flows from Financing Activities		
Advances on Long-Term Debt	**-**	30,000,000
Line-of-Credit	**(2,400,000)**	(5,500,000)
Membership Fees	**(13,420)**	(11,950)
Principal Payments on Long-Term Debt	**(6,654,221)**	(5,590,015)
Retirement of Patronage Capital	**(9,777,734)**	(9,165,869)
	(18,845,375)	9,732,166
Net Decrease in Cash and Cash Equivalents	**(11,630,448)**	(6,052,968)
Cash and Cash Equivalents - Beginning	**47,603,134**	53,656,102
Cash and Cash Equivalents - Ending	**$ 35,972,686**	$ 47,603,134

See accompanying notes which are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Accounting policies of The Walton Electric Membership Corporation and Subsidiaries (the Corporation) reflect practices appropriate to the electric utility industry, the Georgia Natural Gas Consumption and Deregulation Act, and accounting principles generally accepted in the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The following describes the more significant of those policies.

Consolidation

The consolidated financial statements include the accounts and results of operations of The Walton Electric Membership Corporation (Walton EMC) and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Nature of Operations

Walton EMC is a member-owned, not-for-profit corporation whose purpose is to provide electric service to its members. Walton EMC operates as a cooperative whereby all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

Walton Energy, Inc. d/b/a Walton EMC Natural Gas, a wholly-owned subsidiary of Walton EMC, is a natural gas affiliate whose purpose is to provide natural gas service to its customers. Walton Solar, LLC, a wholly-owned subsidiary of Walton Energy, Inc., is an entity whose purpose is to own and operate cooperative solar projects for wholesale renewable electricity generation and sale.

Walton Discover, LLC and Walton Bainbridge, LLC, wholly-owned subsidiaries of Walton EMC, are generation facilities whose purpose is to provide Morgan Stanley Capital Group, Inc. with all of the facility output, pursuant to a tolling agreement.

Regulated Operations

The Corporation, in its rate-making capacity, has the ability to account for certain revenue and expense deferrals in accordance with *Accounting Standards Codification (ASC) 980*.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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.

(1) Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For the assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required.

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

Utility Plant

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Depreciation and Maintenance

Depreciation of the capitalized cost is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant at a straight-line composite rate of 3.2 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2.0 percent to 20.0 percent per annum.

Depreciation of generation plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 3.45 percent to 20.0 percent per annum.

The costs of maintenance, repairs, and replacements of minor items of property are charged to maintenance expense accounts.

(1) Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

The Corporation classifies all of its debt securities as held-to-maturity (HTM). HTM debt securities are those debt securities in which the Corporation has the ability and intent to hold the security until maturity. HTM debt securities are recorded at cost, as there are no associated premiums and discounts to amortize. A decline in the market value of any HTM security below cost that is deemed to be other than temporary results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other than temporary, the Corporation considers all available information relevant to the collectibility of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performances of the investee, and the general market conditions in the geographical area or industry in which the investee operates. The Corporation's debt securities investments are invested at the National Rural Utilities Cooperative Finance Corporation (NRUCFC).

The carrying value of the debt securities investments included in cash and cash equivalents approximated fair value with interest rates ranging from 0.11 percent to .33 percent at June 30, 2021, and have maturities of three months or less.

Accounts Receivable and Credit Policies

Accounts receivable are stated at the net realizable value. Once a consumer's service is shut off and the account is deemed uncollectible, the Corporation writes off the associated accounts receivable. An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the consolidated balance sheets net of such accumulated allowance. Delinquent accounts receivable for natural gas is borne by a third-party gas asset manager through a contractual relationship.

Credit evaluations are performed on most potential consumers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a consumer does not pay its bill based on the terms of the Corporation's service agreement, the Corporation may require an additional deposit as a condition of continued service.

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work, and are not for resale. Cost is determined by the moving average method of inventory valuation. Materials and supplies are charged to construction or operations at moving average cost when used.

Advertising

The Corporation expenses advertising cost as it is incurred.

(1) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Electric revenue is generated from contracts (service agreements) with retail electric customers. This revenue, generated from the integrated service to deliver electricity when and if called upon by the customer, is recognized as a single performance obligation satisfied over time and as electricity is delivered to the customer during the month. Unbilled revenue related to retail sales is accrued at the end of each fiscal period. Accrued, but unbilled, electric revenue totaled $19,573,550 and $18,151,107 as of June 30, 2021 and 2020, respectively.

Electric revenue includes patronage capital and is billed monthly to consumers on a cycle basis. Electric rates for the Corporation include provisions to permit the board of directors to adjust billings for fluctuations in fuel costs, purchased power costs, and certain other costs.

Revenue from the sale of natural gas is generated from contracts (service agreements) with customers and is billed monthly to customers on a cycle basis. Revenue is recognized when the natural gas is delivered to the customer based upon meter reading data provided by the local distribution company (LDC) as a single performance obligation satisfied over time as natural gas is consumed. Unbilled revenue is recorded for estimated deliveries of natural gas at the end of each period. Unbilled receivables of $1,174,362 and $937,926 are included in accounts receivable for the years ended June 30, 2021 and 2020, respectively.

Revenue from solar sales is billed monthly based on meter readings of solar generation output of each solar facility. Meter readings of solar generation output are recorded at month end and billed according to contractual rates. There were no unbilled receivables related to solar sales for the years ended June 30, 2021 and 2020.

Sales Tax

A portion of the Corporation’s sales are subject to sales taxes. The Corporation collects the sales taxes from the customers and remits the taxes to the appropriate taxing authority. The Corporation excludes the taxes collected and remitted from revenues and cost of sales.

Cost of Revenues

Cost of revenues for electricity and natural gas is expensed as consumed.

Cost of natural gas includes charges to purchase, transport, and store gas. The Corporation’s contractual relationship with a third-party gas asset manager requires earnings by the unrelated party’s operations derived from the Corporation to be shared at a 70 to 30 percent ratio. Payments in the amount of $1,777,163 and $1,546,501 are included as a component of cost of revenues for the years ended June 30, 2021 and 2020, respectively.

Generation and Transmission Cooperative Capital Credits

Generation and transmission cooperative capital credits represent the annual capital furnished generation and transmission cooperatives through payment of power bills. The capital is recorded in the year provided, even though notification of the capital allocation is not received until later.

(1) Summary of Significant Accounting Policies (Continued)

Other Comprehensive Income (Loss)

The objective of comprehensive income (loss) is to report a measure of all changes in equity of the entity that result from transactions and events of the period other than transactions with members. Comprehensive income consists of net margins and costs not yet recognized as a component of income related to retirement plans. Amounts reclassified out of accumulated other comprehensive income (loss) related to the Corporation's benefit plans are spread based on direct labor costs.

Recent Accounting Pronouncement

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* for lease accounting under U.S. GAAP. The new standard is intended to eliminate off-balance-sheet recording of lease obligations in an effort to create financial statements that more accurately reflect leasing activities. In general, an entity will record on the balance sheet the right-of-use assets and the corresponding lease obligations. The new standard was to become effective for private companies for fiscal years beginning after December 15, 2020. On June 3, 2020, as a result of COVID-19, the FASB amended the effective dates for *Topic 842*, through the issuance of ASU 2020-05, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Comparative periods presented in financial statements must use the same standards, as if ASU 2016-02 was in effect for the prior year presented. The adoption of ASU 2016-02 is not expected to have a material impact on the consolidated financial statements.

Income Taxes

Walton EMC operates under the Internal Revenue Code Section (IRC) 501(c)(12) as a tax-exempt cooperative. Wholly-owned subsidiaries, Walton Discover, LLC and Walton Bainbridge, LLC, are disregarded entities for income tax reporting purposes with operations reported in the Corporation's filings. Walton EMC is exempt from federal and state income taxes under Section 501(c)(12) of the IRC which provides, in part, that Walton EMC derive at least 85 percent of its annual gross income from members to retain the exemption. Walton EMC has met the requirement for the year ended December 31, 2020, which is on extension through November 15, 2021. As a tax-exempt cooperative, Walton EMC files a federal information return as of December 31 each year.

Walton Energy, Inc. operates under the Georgia Corporation Code as a for-profit corporation. The Corporation accounts for income taxes under the asset and liability method prescribed by U.S. GAAP. Wholly-owned subsidiary, Walton Solar, LLC, is a disregarded entity for income tax reporting purposes with operations reported in the Walton Energy, Inc.'s filings.

Walton Energy, Inc.'s deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the enactment date.

(1) Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Walton Energy, Inc.'s taxable subsidiaries record interest and penalties related to federal and state income tax returns as a component of interest expense and nonoperating margins, respectively. No interest or penalties are included on the consolidated statements of operations for the years ended June 30, 2021 and 2020. Walton Energy, Inc. recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on technical merits of the position. As of June 30, 2021 and 2020, there were no known items which would result in a material accrual resulting from Walton Energy, Inc.'s federal or state tax positions. Additional information pertinent to the valuation of income taxes is provided in Note 10.

Investments in Associated Organizations

Investments in associated organizations primarily include investments in other cooperative organizations. Representing capital investments are made primarily to obtain an economical source of financing, product or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with *ASC 905-325-30*.

Capital credit allocations from associated organizations are included on the consolidated statements of operations as generation and transmission cooperative capital credits and other capital credits and patronage capital allocations.

Generation and transmission cooperative capital credits represent the annual capital furnished to generation and transmission cooperatives through payment of power bills. The capital is recorded in the year provided, even though notification of the capital allocation is not received until later.

Patronage Capital and Margins

Walton EMC is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of patronage. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 20 percent of the total assets of Walton EMC, the return to patrons of capital contributed by them is limited. Distributions to members are made at the discretion of the board of directors in accordance with the bylaws, subject to the restrictions contained in the long-term debt agreements and the policies of Walton EMC.

Reclassifications

Certain reclassifications have been made within the June 30, 2020 consolidated financial statements to conform to the June 30, 2021 presentation. The reclassifications had no effect on net margins for the year ended June 30, 2020.

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 15, 2021, the date the consolidated financial statements were available to be issued.

(2) Utility Plant

Listed below are the major classes of the electric utility plant as of June 30:

	2021	2020
Distribution Plant	**$ 446,924,374**	$ 430,560,647
General Plant	**46,133,760**	43,166,410
Generation Plant	**19,575,240**	19,568,110
Electric Plant in Service	**512,633,374**	493,295,167
Construction Work in Progress	**4,592,180**	3,107,899
	$ 517,225,554	$ 496,403,066

(3) Investments in Associated Organizations

Investments in associated organizations consist of the following at June 30:

	2021	2020
National Rural Utilities Cooperative Finance Corporation		
Capital Term Certificates	**$ 7,137,698**	$ 7,515,746
Capital Credits	**7,727,366**	7,546,567
Oglethorpe Power Corporation		
Capital Credits	**86,330,225**	81,499,152
Georgia Transmission Corporation		
Contributed Capital	**3,743,638**	3,743,638
Capital Credits	**16,995,927**	16,081,652
Georgia System Operations Corporation	**18,021**	18,021
GRESCO Utility Supply, Inc.	**564,370**	546,887
Southeastern Data Cooperative, Inc.	**566,190**	559,578
Georgia Electric Membership Corporation	**44,459**	44,459
Smarr EMC		
Contributed Capital	**423,079**	423,079
Capital Credits	**916,797**	916,797
Federated Rural Electric Insurance Exchange		
Capital Credits	**665,192**	598,006
The National Rural Telecommunications Cooperative	**13,950**	13,858
Green Power EMC	**21,899**	21,899
Georgia Right-of-Way Company, Inc.	**973,635**	884,090
Other	**4,110**	4,110
	$ 126,146,556	$ 120,417,539

(4) Other Investments

Other investments consist of the following at June 30:

		2021		2020
NRUCFC Select Term Note	**$**	**-**	$	30,000,000
Investment in Cooperative Choice, LLC		**1,333,281**		1,552,366
Deferred Compensation Holdings		**1,750,726**		889,498
Other		**38,728**		57,529
	$	**3,122,735**	$	32,499,393

The Corporation accounts for its investments in Cooperative Choice, LLC utilizing the equity method. For the years ended June 30, 2021 and 2020, the Corporation recorded income of $1,496,078 and $1,441,973, respectively, as a component of nonoperating margins, related to these investments.

The Corporation has deposited funds, representing deferred compensation, on behalf of qualified employees who have elected to defer certain amounts of compensation. The Corporation is subject to assessment for any amounts by which the market valuation of the funds might fall short of contracted and guaranteed amounts due the employees. It is believed that any ultimate liability will not be material in relation to the total assets of the Corporation. The annual deferral of the compensation plans is calculated in accordance with IRC 457, subject to changes under IRC Section 457(b). The plan assets and liabilities are measured at fair value using quoted prices in active markets for identical assets and considered level 1 investments valued using the market approach. The amounts are invested in mutual funds and totaled $1,750,726 and $889,498 for the years ended June 30, 2021 and 2020, respectively.

NRUCFC Select Term Note represents HTM Debt securities in which the Walton EMC has the ability to hold the security until maturity. The carrying value of the debt securities approximated fair value.

(5) Prepayments

Prepayments consist of the following at June 30:

		2021		2020
Prepaid Gas Cost	**$**	**13,000,000**	$	13,000,000
Other		**722,811**		479,124
	$	**13,722,811**		13,478,514

(5) Prepayments (Continued)

During the years ended June 30, 2021 and 2020, the Corporation elected to participate in a prepayment of power bills program initiated by one of its wholesale power providers. Under the terms of the program, the Corporation prepaid its wholesale power costs and earned a prepayment discount on its power bills during the years ended June 30, 2021 and 2020.

Prepaid natural gas consists of prepayments for customers from the Corporation to Texican Industrial Energy Marketing of $13,000,000 for the years ended June 30, 2021 and 2020. Of these prepayments, $3,000,000 represents a noninterest-bearing deposit with the remaining balance accruing interest at a rate of 5.2 percent along with principal. The prepayments have an annual maturity date of May 31.

(6) Patronage Capital

Patronage capital consist of the following at June 30:

	2021	2020
Assignable	**$ (54,114,833)**	$ (67,005,356)
Assigned	**381,212,569**	372,961,328
	327,097,736	305,955,972
Retired	**(124,384,802)**	(114,150,593)
	$ 202,712,934	$ 191,805,379

(7) Debt

Long-term debt consists of mortgage notes payable to the NRUCFC. The notes are secured by a mortgage agreement between Walton EMC and NRUCFC. Substantially all the assets of Walton EMC are pledged as security for long-term debt of the Corporation. The notes have maturity periods varying from November 23, 2020 to January 13, 2055 and are payable on an installment basis. The notes contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreement. At June 30, 2021 and 2020, the Corporation was in compliance with the covenants.

Holder of Note	Interest Rate at June 30, 2021	2021	2020
NRUCFC	2.81% to 7.05%	**$ 142,185,168**	$ 148,839,389
Maturities Due Within One Year		**(6,570,479)**	(5,372,246)
		$ 135,614,689	$ 143,467,143

Walton EMC has a $24,000,000 line-of-credit at 2.45 percent with NRUCFC which had no outstanding balance for the years ended June 30, 2021 and 2020.

(7) Debt (Continued)

Walton EMC has a $75,000,000 letter-of-credit with NRUCFC which is irrevocable and unconditionally guaranteed. The letter-of-credit would be payable to a third party under the terms of a power purchase and scheduling agent agreement entered into by the Corporation. Additional information pertinent to the agreement is provided in Note 13.

Walton Energy, Inc. has a $30,000,000 line-of-credit with the National Cooperative Services Corporation (NCSC) with an interest rate of 3.20 percent. The line-of-credit is secured by substantially all of the general assets of the Corporation. The line-of-credit has an outstanding balance of $5,600,000 and $8,000,000 as of June 30, 2021 and 2020, respectively.

Approximate principal maturities of long-term debt for each of the next five years are as follows:

Year	Amount
2022	$ 6,570,479
2023	7,180,000
2024	7,846,000
2025	8,574,000
2026	10,486,000
Thereafter	101,528,689
	$142,185,168

Cash payments of interest totaled $5,159,717 and $4,840,799 for June 30, 2021 and 2020, respectively.

(8) Postretirement Benefits

Defined Contribution Plan

The Corporation provides employee benefits to substantially all employees through a sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of the costs totaled $1,489,801 and $1,328,601 for the years ended June 30, 2021 and 2020, respectively.

(8) Postretirement Benefits (Continued)

Defined Benefit Pension Plan

The status of the Corporation's pension plan as of June 30 is detailed as follows:

	2021	2020
Accumulated Postretirement Benefit Obligation, Beginning of Year	**$ 75,190,201**	$ 65,732,077
Service Cost	**3,365,884**	3,118,650
Interest Cost	**1,693,080**	1,869,415
Change in Actuarial Assumptions	**1,099,552**	8,535,136
Benefits Paid	**(7,393,485)**	(4,065,077)
Accumulated Postretirement Benefit Obligation, End of Year	**73,955,232**	75,190,201
Fair Value of Plan Assets, Beginning of Year	**51,060,993**	48,048,571
Actual Return of Plan Assets	**14,538,463**	1,077,499
Contributions	**6,000,000**	6,000,000
Benefits Paid	**(7,393,485)**	(4,065,077)
Fair Value of Plan Assets, End of Year	**64,205,971**	51,060,993
Funded Status	**$ 9,749,261**	$ 24,129,208

Amounts recognized in accumulated other comprehensive income:

	2021	2020
Transition Obligation	**$ 1,387,572**	$ 2,051,482
Prior Service Cost	**(522,640)**	(702,863)
Actuarial Loss	**16,323,729**	31,556,935
	$ 17,188,661	$ 32,905,554

Changes in benefit obligations recognized as net periodic benefit cost are as follows:

	2021	2020
Service Cost	**$ 3,365,884**	$ 3,118,650
Interest Cost	**1,693,080**	1,869,415
Amortization of Unrecognized Amounts	**14,734,559**	470,883
Loss Due to Settlement	**2,081,886**	-
Actual Return on Plan Assets	**(14,538,463)**	(1,077,499)
	$ 7,336,946	$ 4,381,449

(8) Postretirement Benefits (Continued)

Defined Benefit Pension Plan (Continued)

Changes in benefit obligations recognized in other comprehensive income as of June 30 are as follows:

	2021	2020
Actuarial Loss	**$ 1,099,552**	$ 8,535,136
Amortization of Unrecognized Amounts	**(14,250,872)**	12,804
Amortization of Prior Service Cost	**180,223**	180,223
Loss Due to Settlement	**(2,081,886)**	-
Amortization of Net Transition Obligation	**(663,910)**	(663,910)
	$ (15,716,893)	$ 8,064,253

The following table shows key assumptions used for the measurement of obligations for the plan:

Description	**June 30** **2021**	2020	2019
Discount Rate			
APBO	**2.65%**	2.40%	2.93%
Net Periodic Postretirement Expense	**2.40%**	2.93%	3.77%
Expected Long-Term Rate of Return on Plan Assets	**7.50%**	7.50%	7.50%
Rate of Compensation Increase	**3.00%**	3.00%	3.00%
Plan Asset Allocation			
Equity	**63.00%**	76.00%	58.00%
Fixed	**35.00%**	22.00%	40.00%
Other	**2.00%**	2.00%	2.00%
Total Plan Asset Allocation	**100.00%**	100.00%	100.00%

The Corporation employs a total-return investment approach whereby a mix of equities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk. The current asset allocation adheres to the Corporation's overall investment strategy for plan assets. Plan assets are measured at fair value. The investments are considered a Level 1 measurement based on quoted market prices in active markets for identical assets.

The components of net periodic postretirement benefit cost, other than the service cost component, are included in the line item nonoperating margins for the years ended June 30, 2021 and 2020.

(8) Postretirement Benefits (Continued)

Defined Benefit Pension Plan (Continued)

Level 2 inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

The Corporation expects to contribute $6,000,000 to the pension plan for the year ending June 30, 2022.

The Corporation expects to amortize the following amounts from accumulated other comprehensive income during the next fiscal year:

Net Loss	$1,755,886
Prior Service Credit	(180,233)
Net Transition Obligation	663,910

The following benefits are expected to be paid:

Year	Amount
2022	$ 4,801,000
2023	4,749,000
2024	5,412,000
2025	5,261,000
2026	6,273,000
2027-2031	18,767,000

(8) Postretirement Benefits (Continued)

Postretirement Healthcare Benefits

The status of the Corporation's postretirement healthcare plan as of June 30 is detailed as follows:

	2021	2020
Accumulated Postretirement Benefit Obligation,		
Beginning of Year	**$ 68,271,368**	$ 58,894,445
Service Cost	**1,907,051**	1,579,584
Interest Cost	**1,849,188**	1,957,339
Participant Contributions	**203,956**	204,738
Change in Actuarial Assumptions	**(2,105,322)**	7,143,976
Benefits Paid	**(1,417,307)**	(1,508,714)
Accumulated Postretirement Benefit Obligation, End of Year	**68,708,934**	68,271,368
Fair Value of Plan Assets, Beginning of Year		
Actual Return on Plan Assets	**-**	-
Employer Contributions	**1,213,351**	1,303,976
Participant Contributions	**203,956**	204,738
Benefits Paid	**(1,417,307)**	(1,508,714)
Fair Value of Plan Assets, End of Year	-	-
Funded Status	**$ 68,708,934**	$ 68,271,368

Amounts recognized in the consolidated balance sheets consisted of:

Noncurrent Liabilities	**$ 67,284,934**	$ 66,942,368
Current Liabilities	**1,424,000**	1,329,000
	$ 68,708,934	$ 68,271,368

Amounts recognized in accumulated other comprehensive income consisted of:

Actuarial Loss	**$ 19,963,136**	$ 23,564,874

(8) Postretirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

Change in benefit obligation recognized in patronage capital are as follows:

	2021	2020
Service Cost	**$ 1,907,051**	$ 1,579,584
Interest Cost	**1,849,188**	1,957,339
Amortization of Actuarial Loss	**1,496,416**	865,056
	$ 5,252,655	$ 4,401,979

Other changes in benefit obligations recognized in other comprehensive income as of June 30 are as follows:

Change in benefit obligation recognized in other comprehensive income are as follows:

	2021	2020
Actuarial Loss	**$ (2,105,322)**	$ 7,143,976
Amortization of Actuarial Loss	**(1,496,416)**	(865,056)

The following table shows key assumptions used for the measurement of obligations for the plan.

	June 30		
Description	**2021**	2020	2019
Discount Rate			
APBO	**2.81%**	2.68%	3.50%
Net Periodic Benefit Cost	**2.68%**	3.50%	4.12%
Medical Trend Rate			
Initial	**6.20%**	6.30%	6.40%
Ultimate	**5.00%**	5.00%	5.00%
Fiscal Year Reached	**2033**	2033	2033

The Corporation expects to contribute $1,424,000 to this postretirement healthcare plan for the fiscal year ending 2022.

The Corporation expects to amortize $1,119,781 of net loss from accumulated other comprehensive loss during the next fiscal year.

The components of net periodic benefit cost, other than the service cost component, are included in the line item nonoperating margins for the years ended June 30, 2021 and 2020.

(8) Postretirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The following benefits are expected to be paid:

Year	Amount
2022	$ 1,424,000
2023	1,500,000
2024	1,585,000
2025	1,681,000
2026	1,762,000
2027-2031	10,634,000

(9) Other Assets

Other assets are comprised of the following as of June 30:

	2021	2020
Notes Receivable - Other	**$ 10,000,000**	$ 10,000,000
AGLC	**2,688,473**	2,419,294
Various Clearing Accounts	**32,286**	1,809,883
Deferred Tax Asset	**3,046,000**	3,184,000
Miscellaneous Deferred Debits	**5,655**	357
	$ 15,772,414	$ 17,413,534

AGLC charges for Walton Energy, Inc. are reported by the Corporation related to cost for pipeline, storage, and supporting services to be incurred the month following actual billing. The Corporation accounts for the charges as a deferred item and expenses them in the appropriate month.

Walton Energy, Inc. has a credit agreement with an unrelated party for $10,000,000 for the years ended June 30, 2021 and 2020. The agreement bears an interest rate of 5 percent and matured on June 30, 2021. Walton Energy, Inc. will be paid accrued interest annually along with principal upon maturity. Interest receivable on the agreement totaled $2,740 and $500,000 as of June 30, 2021 and 2020, respectively. Walton Energy, Inc. intends to continue to extend the agreement in subsequent years and has reported the amount as a component of other assets accordingly.

(10) Income Taxes

Details of income tax expense (benefit) are as follows:

	2021	2020
Federal		
Current	**$ 37,000**	$ (91,000)
Deferred	**59,000**	1,000
State		
Current	**11,000**	(22,000)
Deferred	**31,000**	500
	$138,000	$(111,500)

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax basis, which give rise to deferred tax assets and liabilities computed at statutory rates, are as follows as of June 30:

	2021	2020
Deferred Tax Assets		
Net Operating Loss Carryforwards	**$ 2,237,036**	$ 2,213,900
Unrealized Federal Tax Credits	**2,831,752**	2,831,752
Deferred Tax Liabilities		
Accelerated Depreciation and Other Property Basis Differences	**(2,022,788)**	(1,861,652)
	$ 3,046,000	$ 3,184,000

For the years ended June 30, 2021 and 2020, the Corporation had a federal net operating loss carryforward resulting in a deferred tax asset. No valuation allowance has been established due to the likelihood that the full tax benefit will be realized before expiration beginning in 2036 through 2040.

Unrealized federal tax credits are a result of the federal investment tax credit related to construction of solar plant. No valuation allowance has been established due to the likelihood that the full tax benefit will be realized before expiration beginning in 2036 through 2038.

Deferred tax liabilities are the result of property-related timing differences for depreciation. The application of bonus depreciation for solar plant significantly increased deferred tax liabilities for the years ended June 30, 2021 and 2020.

(11) Deferred Credits

Deferred credits are comprised of the following as of June 30:

		2021		2020
Unclaimed Property	**$**	**7,612,129**	$	7,255,837
Deferred Revenue		**41,500,000**		61,300,000
Power Cost Rebate		**13,379,879**		14,356,720
Construction Performance Deposits		**-**		17,246,055
	$	**62,492,008**	$	100,158,612

The power cost revenue deferrals represent a revenue deferral plan to reduce the impact of the future power cost increases by various power suppliers on the Corporation's rate structure. The revenue deferral is in compliance with U.S. GAAP related to the effects of certain types of regulations and has been approved by the board of directors.

The power cost rebate represents funds received from a purchased power supplier to offset a portion of the cost incurred related to providing credit support for the power purchase and scheduling agent agreement detailed in Note 13. The rebate will be recorded as a reduction in future power cost over the term of the agreement. The treatment is in compliance with U.S. GAAP related to the effects of certain types of regulations and has been approved by the board of directors.

The construction performance deposits represent funds received for three solar generation construction projects currently in progress. The deposits are refundable to contracted parties at the time the generation facilities are placed into service and the performance terms of the agreements are met. Additional information pertinent to the agreements is provided in Note 13.

(12) Accumulated Other Comprehensive Loss

The following table summarizes the components of accumulated other comprehensive loss and the changes in accumulated other comprehensive loss for the years ended June 30:

	Pension Plan	Postretirement Healthcare	Accumulated Other Comprehensive Loss
Balance, June 30, 2019	$24,841,301	$17,285,954	$42,127,255
Change in Fair Value Costs	8,535,136	7,143,976	15,679,112
Amortization of Actuarial Changes	12,804	(865,056)	(852,252)
Amortization of Prior Service Cost	180,223	-	180,223
Amortization of Net Transition Obligation	(663,910)	-	(663,910)
Balance, June 30, 2020	32,905,554	23,564,874	56,470,428
Change in Fair Value Costs	1,099,552	(2,105,322)	(1,005,770)
Amortization of Actuarial Changes	(14,250,872)	(1,496,416)	(15,747,288)
Amortization of Prior Service Cost	180,223	-	180,223
Loss Due to Settlement	(2,081,886)	-	(2,081,886)
Amortization of Net Transition Obligation	(663,910)	-	(663,910)
Balance, June 30, 2021	**$17,188,661**	**$19,963,136**	**$37,151,797**

(13) Commitments

Walton EMC has entered into various long-term contracts to meet the power supply demands of its consumers. The Corporation has a commitment to pay for its assignment of fixed costs through the term of these contracts, as well as any variable cost incurred above the allocated fixed cost amounts. The Corporation is a member of a generation cooperative known as Oglethorpe Power Corporation (OPC) and has contracted with OPC based on a percentage of fixed or designated costs to purchase power supply from various facilities owned by OPC. The Corporation has multiple contracts with various expiration terms through 2050. Related fixed costs under these contracts were $102,242,000 in 2021 and are expected to remain relatively constant in the immediate future.

Walton EMC elected to participate in OPC's "5 for 5 Rate Management Program." The objective of this program is to provide a means by which existing obligations of OPC that would otherwise be recognized as expense and billed in the future can be billed to OPC members over a five-year period then credited back against the OPC member's power bill in the subsequent five years. The Corporation elected to make payments through 2021 and receive credits from 2022 through 2026. The Corporation paid approximately $19,800,000 into OPC's 5 for 5 Rate Management Program for the year ended June 30, 2021. The Corporation earns a return on the amounts funded into this program which are credited against the Corporation's power bill.

(13) Commitments (Continued)

Effective January 1, 2016, Walton EMC entered into a power purchase and scheduling agent services agreement. The agreement will continue through December 31, 2025. Effective March 19, 2018, Walton EMC entered into an additional power purchase and scheduling agent services agreement with the same supplier extending the terms through December 31, 2035. Under the terms of the agreements, Walton EMC is required to maintain a modified debt service coverage ratio equal to or greater than 1.35 and a debt to equity ratio less than 2.5 to 1. In the event these conditions are not met, Walton EMC will be required to provide the supplier with acceptable credit support in an amount equal to $100 million through 2025. As a result of the additional agreement, Walton EMC was required to provide a credit enhancement in the form of an irrevocable standby letter of credit for an initial amount not less than $75 million. In the event the conditions outlined previously are not met from 2026 through 2035, Walton EMC will be required to provide the supplier additional acceptable credit not to exceed $75 million. Once conditions are again met by Walton EMC, the remaining amount of credit support will be returned.

Under the terms of the agreement, the supplier will supply 100 percent of regulation, spinning reserves, supplemental reserves, and planning reserve capacity. The Corporation is in compliance as of June 30, 2021.

Walton EMC is a member of a transmission cooperative known as Georgia Transmission Corporation (GTC) and as such, has a Member Transmission Service Agreement (MTSA) executed in 1996 and amended in 2005 and 2012. The MTSA revision of 2012 requires Walton EMC to take transmission-related services through 2060 and allows for a reduction in service at prescribed periods. Transmission service under the MTSA was $20,259,000 in 2021 and is expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

Walton EMC has entered into various assignment and assumption agreements through Green Power EMC and their participating EMCs. These agreements are in support of Walton EMC receiving capacity and energy from the various renewable generation projects that Walton EMC has chosen to participate in through Green Power EMC. In 2021, Walton EMC made $1,915,000 in capacity and energy payments for these assets.

Effective August 31, 2018, Walton Solar, LLC entered into a solar power purchase agreement to accept and purchase all the generated quantity at the agreed upon contract price. The agreement will stay in force for a term ending on the later of 16 years from commercial operating date or December 31, 2035 with an option to extend the initial term 5 years upon written notice at least one year prior to the end of the initial term.

Effective October 1, 2018, Walton Solar, LLC entered into two solar power purchase agreements to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreements will stay in force for a term ending on the later of 15 years from commercial operating dates or December 31, 2035.

Effective November 19, 2019, Walton Solar, LLC entered into a solar power purchase agreement to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2035.

(13) Commitments (Continued)

Effective December 17, 2019, Walton Solar, LLC entered into a solar power purchase agreement to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2035.

Effective October 24, 2019, Walton Solar, LLC entered into a solar power purchase agreement to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2035.

Effective April 5, 2021, Walton Solar, LLC entered into a solar power purchase agreement to accept and purchase all the generated quantity at agreed upon contract prices with contracted suppliers. The agreement will stay in force for a term ending on December 31, 2037.

Under current law, the Corporation has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

In addition, Walton Energy, Inc. is subject to a natural gas supply management agreement, as amended, with an outside third party. The third party acts as the gas asset manager and is responsible for "management services" which include, but are not limited to, performing all administrative and operational tasks associated with providing the Corporation with transportation services, storage services, consulting services, and nominating services.

Walton Energy, Inc. services both fixed- and variable-rate customers. The third party bills the Corporation monthly for the volume of gas used by each customer type. When fixed-rate customers lock their rate in with Walton Energy, Inc., the third party is required by the agreement to sell that volume at a negotiated fixed price to the Corporation. Therefore, the transaction is not considered a hedging activity, and no exposure to the Corporation exists as of the balance sheet date unless the third party fails to perform.

Walton Energy, Inc. has an obligation to deliver a volume of natural gas required by AGLC. If a natural gas marketer does not deliver the required amount of natural gas, penalties may apply in accordance with the AGLC Tariff. Since the amounts required by AGLC are based on estimates, an imbalance, either positive or negative, occurs with some natural gas marketers delivering more natural gas than their consumers actually consume and other natural gas marketers delivering less natural gas than their consumers actually consume. An imbalance in deliveries of natural gas results in some marketers owing other marketers for excess natural gas (short marketer) and some marketers being owed by other marketers for deficient deliveries of natural gas (long marketer). An imbalance from the short marketers is settled with the long marketers, pursuant to the AGLC Tariff.

On December 12, 2008, Georgia Public Service Commission (GPSC) approved an order which changed the methodology to determine the amount of natural gas each marketer is required to deliver, established an escrow fund to receive imbalance amounts from short marketers, required letters-of-credit to secure payment obligations, and shortened the time period associated with the settlement process. GPSC conducts an audit to determine Walton Energy, Inc.'s letter-of-credit requirement. As a result of the audit, Walton Energy, Inc.'s letter-of-credit requirement totaled $263,841 and was obtained from NCSC for the year ended June 30, 2021. The letter-of-credit requirement is determined on a quarterly basis and has been guaranteed by Walton EMC.

(13) Commitments (Continued)

Walton Energy, Inc. is also required by AGLC's Tariff to provide liquidity support to secure payment of their obligations to AGLC. The liquidity support required is adjusted semiannually based upon a calculation defined in the AGLC Tariff. The liquidity support requirement can be satisfied by cash deposits, a letter-of-credit, or a combination of each. Walton Energy, Inc. has elected to secure a letter-of-credit in the amount of $5,978,000 from NCSC to meet requirements for the year ended June 30, 2021. The letter-of-credit has been guaranteed by Walton EMC.

(14) Concentrations of Credit Risk

The Corporation maintains interest-bearing cash balances in multiple financial institutions; those cash balances throughout the year periodically exceed the federally insured deposit limits. The Corporation believes that its cash is not exposed to any significant risk and the Corporation has not experienced any loss in accounts which exceed federally insured limits. At June 30, 2021, bank balances exceeded federally insured deposit limits by $6,129,584.

At June 30, 2021, debt instruments of the NRUCFC in the amount of $27,000,000 were held by the Corporation. The amount is not secured or otherwise subject to federally insured deposit liability coverage.

The Corporation serves customers in the state of Georgia. The geographic concentrations of the Corporation's customers result in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a customer does not pay its bill based on the terms of its service agreement, the Corporation may require a consumer deposit as a condition for continued service.

(15) Litigation

The Corporation is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Corporation's future financial position or results from operations.

MCNAIR MCLEMORE
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November 15, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

The Board of Directors
The Walton Electric Membership Corporation

We have audited the consolidated financial statements of **The Walton Electric Membership Corporation and Subsidiaries** as of and for the years ended June 30, 2021 and 2020 and have issued our report thereon dated November 15, 2021, which contained an unmodified opinion on the consolidated financial statements. Those audits were performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying information on pages 33 through 36 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 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 audits 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 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 basic consolidated financial statements as a whole.

McNair, McLemore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2021

	The Walton Electric Membership Corporation	Walton Energy, Inc. and Subsidiary	Walton Bainbridge, LLC	Walton Discover, LLC	Total	Eliminating Entries Debit	Eliminating Entries Credit	The Walton EMC and Subsidiaries
ASSETS								
Utility Plant								
Electric Plant in Service - At Cost	$ 493,011,506	$ 12,412,692	$ 3,145,535	$ 4,063,641	$ 512,633,374	$ -	$ -	**$ 512,633,374**
Construction Work in Progress	4,592,180	-	-	-	4,592,180	-	-	**4,592,180**
	497,603,686	12,412,692	3,145,535	4,063,641	517,225,554	-	-	**517,225,554**
Accumulated Provision for Depreciation	(195,795,506)	(1,736,579)	(999,738)	(967,638)	(199,499,461)	-	-	**(199,499,461)**
	301,808,180	10,676,113	2,145,797	3,096,003	317,726,093	-	-	**317,726,093**
Other Property and Investments								
Investments in Associated Organizations	126,146,556	-	-	-	126,146,556	-	-	**126,146,556**
Investment in Subsidiary	36,446,172	-	-	-	36,446,172	-	36,446,172	**-**
Other Investments	3,122,735	-	-	-	3,122,735	-	-	**3,122,735**
	165,715,463	-	-	-	165,715,463	-	36,446,172	**129,269,291**
Current Assets								
Cash and Cash Equivalents	32,559,672	1,499,269	1,093,634	820,111	35,972,686	-	-	**35,972,686**
Interest Receivable	41,936	4,164	-	-	46,100	-	-	**46,100**
Accounts Receivable (Net)	40,800,665	5,129,884	114,600	139,600	46,184,749	-	595,230	**45,589,519**
Materials and Supplies	2,971,631	-	104,159	195,965	3,271,755	-	-	**3,271,755**
Prepayments	98,767	13,028,000	274,575	321,469	13,722,811	-	-	**13,722,811**
	76,472,671	19,661,317	1,586,968	1,477,145	99,198,101	-	595,230	**98,602,871**
Other Assets	32,286	15,740,128	-	-	15,772,414	-	-	**15,772,414**
Total Assets	$ 544,028,600	$ 46,077,558	$ 3,732,765	$ 4,573,148	$ 598,412,071	$ -	$ 37,041,402	**$ 561,370,669**
MEMBERS' EQUITIES AND LIABILITIES								
Members' Equities								
Membership Fees	$ 973,780	$ -	$ -	$ -	$ 973,780	$ -	$ -	**$ 973,780**
Patronage Capital	202,712,934	-	-	-	202,712,934	-	-	**202,712,934**
Retained Earnings	-	8,265,329	-	-	8,265,329	8,265,329	-	**-**
Common Stock	-	10,000	-	-	10,000	10,000	-	**-**
Members' Equity	-	-	3,678,975	4,501,868	8,180,843	8,180,843	-	**-**
Paid-In Capital	-	19,990,000	-	-	19,990,000	19,990,000	-	**-**
Donated Capital	4,029,883	-	-	-	4,029,883	-	-	**4,029,883**
Other Equities	44,085,326	-	-	-	44,085,326	-	-	**44,085,326**
Accumulated Other Comprehensive Loss	(37,151,797)	-	-	-	(37,151,797)	-	-	**(37,151,797)**
	214,650,126	28,265,329	3,678,975	4,501,868	251,096,298	36,446,172	-	**214,650,126**
Long-Term Debt	135,614,689	-	-	-	135,614,689	-	-	**135,614,689**
Accumulated Provision for Postretirement Benefits								
Pension Plan	9,749,261	-	-	-	9,749,261	-	-	**9,749,261**
Healthcare Benefits	67,284,934	-	-	-	67,284,934	-	-	**67,284,934**
	77,034,195	-	-	-	77,034,195	-	-	**77,034,195**
Other Long-Term Liabilities	1,750,726	-	-	-	1,750,726	-	-	**1,750,726**
Current Liabilities								
Current Maturities of Mortgage Notes	6,570,479	-	-	-	6,570,479	-	-	**6,570,479**
Line-of-Credit	-	5,600,000	-	-	5,600,000	-	-	**5,600,000**
Accounts Payable	25,275,118	11,166,696	32,790	55,230	36,529,834	595,230	-	**35,934,604**
Consumer Deposits	9,385,154	738,060	-	-	10,123,214	-	-	**10,123,214**
Current Portion of Healthcare Benefits	1,424,000	-	-	-	1,424,000	-	-	**1,424,000**
Accrued and Withheld Taxes	3,557,960	279,738	21,000	16,050	3,874,748	-	-	**3,874,748**
Accrued Interest	869,185	-	-	-	869,185	-	-	**869,185**
Other	5,432,695	-	-	-	5,432,695	-	-	**5,432,695**
	52,514,591	17,784,494	53,790	71,280	70,424,155	595,230	-	**69,828,925**
Deferred Credits	62,464,273	27,735	-	-	62,492,008	-	-	**62,492,008**
Total Members' Equities and Liabilities	$ 544,028,600	$ 46,077,558	$ 3,732,765	$ 4,573,148	$ 598,412,071	$ 37,041,402	$ -	**$ 561,370,669**

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2021

	The Walton Electric Membership Corporation	Walton Energy, Inc. and Subsidiary	Walton Bainbridge, LLC	Walton Discover, LLC	Total	Eliminating Entries Debit	Eliminating Entries Credit	The Walton EMC and Subsidiaries
Operating Revenues	$ 330,846,599	$ 65,351,812	$ 1,320,000	$ 1,620,000	$ 399,138,411	$ -	$ -	**$ 399,138,411**
Cost of Revenues	246,350,898	57,640,637	-	-	303,991,535	-	-	**303,991,535**
Gross Margins	84,495,701	7,711,175	1,320,000	1,620,000	95,146,876	-	-	**95,146,876**
Operating Expenses								
Operations	10,777,551	-	182,521	263,962	11,224,034	-	-	**11,224,034**
Maintenance	12,782,781	-	258,276	340,118	13,381,175	-	-	**13,381,175**
Consumer Accounts	4,932,648	-	-	-	4,932,648	-	-	**4,932,648**
Consumer Service and Information	1,637,447	6,210,754	-	-	7,848,201	-	-	**7,848,201**
Sales	83,000	-	-	-	83,000	-	-	**83,000**
Administrative and General	15,529,933	1,424,591	441,755	556,344	17,952,623	-	-	**17,952,623**
Depreciation and Amortization	15,697,086	395,601	194,487	187,631	16,474,805	-	-	**16,474,805**
Other	129,559	-	34,778	28,193	192,530	-	-	**192,530**
	61,570,005	8,030,946	1,111,817	1,376,248	72,089,016	-	-	**72,089,016**
Operating Margins (Loss) Before Interest Expense	22,925,696	(319,771)	208,183	243,752	23,057,860	-	-	**23,057,860**
Interest Expense	5,204,511	53,520	-	-	5,258,031	-	-	**5,258,031**
Operating Margins (Loss) After Interest Expense	17,721,185	(373,291)	208,183	243,752	17,799,829	-	-	**17,799,829**
Nonoperating Margins	(3,029,252)	508,457	1,505	1,314	(2,517,976)	451,920	-	**(2,969,896)**
Generation and Transmission Cooperative Capital Credits	5,745,349	-	-	-	5,745,349	-	-	**5,745,349**
Other Capital Credits and Patronage Capital Allocations	701,648	-	-	-	701,648	-	-	**701,648**
Income Tax Expense	-	138,000	-	-	138,000	-	-	**138,000**
Net Margins	$ 21,138,930	$ (2,834)	$ 209,688	$ 245,066	$ 21,590,850	$ 451,920	$ -	**$ 21,138,930**

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2020

	The Walton Electric Membership Corporation	Walton Energy, Inc. and Subsidiary	Walton Bainbridge, LLC	Walton Discover, LLC	Total	Eliminating Entries Debit	Eliminating Entries Credit	The Walton EMC and Subsidiaries
ASSETS								
Utility Plant								
Electric Plant in Service - At Cost	$ 473,680,429	$ 12,405,564	$ 3,145,535	$ 4,063,639	$ 493,295,167	$ -	$ -	$ 493,295,167
Construction Work in Progress	3,107,899	-	-	-	3,107,899	-	-	3,107,899
	476,788,328	12,405,564	3,145,535	4,063,639	496,403,066	-	-	496,403,066
Accumulated Provision for Depreciation	(185,395,257)	(1,340,979)	(805,250)	(780,008)	(188,321,494)	-	-	(188,321,494)
	291,393,071	11,064,585	2,340,285	3,283,631	308,081,572	-	-	308,081,572
Other Property and Investments								
Investments in Associated Organizations	120,417,539	-	-	-	120,417,539	-	-	120,417,539
Investment in Subsidiary	39,994,255	-	-	-	39,994,255	-	39,994,255	-
Other Investments	32,499,393	-	-	-	32,499,393	-	-	32,499,393
	192,911,187	-	-	-	192,911,187	-	39,994,255	152,916,932
Current Assets								
Cash and Cash Equivalents	39,559,694	2,825,539	2,756,433	2,461,468	47,603,134	-	-	47,603,134
Interest Receivable	59,746	505,671	-	-	565,417	-	-	565,417
Accounts Receivable (Net)	39,667,515	4,868,159	114,510	139,510	44,789,694	-	582,072	44,207,622
Materials and Supplies	2,110,212	-	106,140	196,145	2,412,497	-	-	2,412,497
Prepayments	33,100	13,000,000	201,618	243,796	13,478,514	-	-	13,478,514
	81,430,267	21,199,369	3,178,701	3,040,919	108,849,256	-	582,072	108,267,184
Other Assets	1,809,883	15,603,651	-	-	17,413,534	-	-	17,413,534
Total Assets	$ 567,544,408	$ 47,867,605	$ 5,518,986	$ 6,324,550	$ 627,255,549	$ -	$ 40,576,327	$ 586,679,222
MEMBERS' EQUITIES AND LIABILITIES								
Members' Equities								
Membership Fees	$ 987,200	$ -	$ -	$ -	$ 987,200	$ -	$ -	$ 987,200
Patronage Capital	191,805,379	-	-	-	191,805,379	-	-	191,805,379
Retained Earnings	-	8,268,163	-	-	8,268,163	8,268,163	-	-
Common Stock	-	10,000	-	-	10,000	10,000	-	-
Members' Equity	-	-	5,469,287	6,256,805	11,726,092	11,726,092	-	-
Paid-In Capital	-	19,990,000	-	-	19,990,000	19,990,000	-	-
Donated Capital	3,573,408	-	-	-	3,573,408	-	-	3,573,408
Other Equities	44,088,160	-	-	-	44,088,160	-	-	44,088,160
Accumulated Other Comprehensive Loss	(56,470,428)	-	-	-	(56,470,428)	-	-	(56,470,428)
	183,983,719	28,268,163	5,469,287	6,256,805	223,977,974	39,994,255	-	183,983,719
Long-Term Debt	143,467,143	-	-	-	143,467,143	-	-	143,467,143
Accumulated Provision for Postretirement Benefits								
Pension Plan	24,129,208	-	-	-	24,129,208	-	-	24,129,208
Healthcare Benefits	66,942,368	-	-	-	66,942,368	-	-	66,942,368
	91,071,576	-	-	-	91,071,576	-	-	91,071,576
Other Long-Term Liabilities	889,498	-	-	-	889,498	-	-	889,498
Current Liabilities								
Current Maturities of Mortgage Notes	5,372,246	-	-	-	5,372,246	-	-	5,372,246
Line-of-Credit	-	8,000,000	-	-	8,000,000	-	-	8,000,000
Accounts Payable	22,574,494	10,540,404	28,699	51,645	33,195,242	582,072	-	32,613,170
Consumer Deposits	9,254,165	774,427	-	-	10,028,592	-	-	10,028,592
Current Portion of Healthcare Benefits	1,329,000	-	-	-	1,329,000	-	-	1,329,000
Accrued and Withheld Taxes	3,368,482	257,546	21,000	16,100	3,663,128	-	-	3,663,128
Accrued Interest	870,061	-	-	-	870,061	-	-	870,061
Other	5,232,477	-	-	-	5,232,477	-	-	5,232,477
	48,000,925	19,572,377	49,699	67,745	67,690,746	582,072	-	67,108,674
Deferred Credits	100,131,547	27,065	-	-	100,158,612	-	-	100,158,612
Total Members' Equities and Liabilities	$ 567,544,408	$ 47,867,605	$ 5,518,986	$ 6,324,550	$ 627,255,549	$ 40,576,327	$ -	$ 586,679,222

THE WALTON ELECTRIC MEMBERSHIP CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2020

	The Walton Electric Membership Corporation	Walton Energy, Inc. and Subsidiary	Walton Bainbridge, LLC	Walton Discover, LLC	Total	Eliminating Entries		The Walton EMC and Subsidiaries
						Debit	Credit	
Operating Revenues	$ 314,542,072	$ 63,137,008	$ 1,320,000	$ 1,620,000	$ 380,619,080	$ -	$ -	$ 380,619,080
Cost of Revenues	244,400,099	56,129,971	-	-	300,530,070	-	-	300,530,070
Gross Margins	70,141,973	7,007,037	1,320,000	1,620,000	80,089,010	-	-	80,089,010
Operating Expenses								
Operations	10,961,984	-	156,077	260,414	11,378,475	-	-	11,378,475
Maintenance	13,174,260	-	282,412	549,262	14,005,934	-	-	14,005,934
Consumer Accounts	5,657,339	-	-	-	5,657,339	-	-	5,657,339
Consumer Service and Information	1,789,789	6,152,606	-	-	7,942,395	-	-	7,942,395
Sales	30,400	-	-	-	30,400	-	-	30,400
Administrative and General	8,713,027	1,482,007	292,747	420,347	10,908,128	-	-	10,908,128
Depreciation and Amortization	15,104,730	394,888	194,488	187,997	15,882,103	-	-	15,882,103
Other	114,992	-	38,050	30,314	183,356	-	-	183,356
	55,546,521	8,029,501	963,774	1,448,334	65,988,130	-	-	65,988,130
Operating Margins (Loss) Before Interest Expense	14,595,452	(1,022,464)	356,226	171,666	14,100,880	-	-	14,100,880
Interest Expense	4,907,666	263,464	-	-	5,171,130	-	-	5,171,130
Operating Margins (Loss) After Interest Expense	9,687,786	(1,285,928)	356,226	171,666	8,929,750	-	-	8,929,750
Nonoperating Margins	(1,441,642)	805,749	2,458	2,210	(631,225)	163,881	-	(795,106)
Generation and Transmission Cooperative Capital Credits	5,507,815	-	-	-	5,507,815	-	-	5,507,815
Other Capital Credits and Patronage Capital Allocations	714,136	-	-	-	714,136	-	-	714,136
Income Tax Benefit	-	(111,500)	-	-	(111,500)	-	-	(111,500)
Net Margins	$ 14,468,095	$ (368,679)	$ 358,684	$ 173,876	$ 14,631,976	$ 163,881	$ -	$ 14,468,095

MCNAIR MCLEMORE
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November 15, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Board of Directors
The Walton Electric Membership Corporation and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of **The Walton Electric Membership Corporation and Subsidiaries** as of June 30, 2021 and 2020 and the related consolidated statements of operations, comprehensive income, changes in members' equity, and cash flows for the years then ended, and have issued our report thereon dated November 15, 2021.

In connection with our audits, nothing came to our attention that caused us to believe that The Walton Electric Membership Corporation (Walton EMC) 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. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Walton EMC's noncompliance with the above-referenced terms insofar as they relate to accounting matters.

This report is intended solely for the information and use of the boards of directors and management of The Walton Electric Membership Corporation 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.

McNair, McLemore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

Auditor's Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter, the auditors are responsible for forming and expressing an opinion about whether the consolidated financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles in the United States of America. The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.

Planned Scope and Timing of the Audit

The audit was performed according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection of appropriate accounting policies. The significant accounting policies used by The Walton Electric Membership Corporation and Subsidiaries (the Corporation) are outlined in Note 1 to the financial statements. There were no new accounting policies adopted during the year. We noted no transaction entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a period other than when the transaction occurred.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting the estimates may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

- Construction work in progress
- Useful lives of utility plant
- Reserve for uncollectible accounts
- Expense accruals
- Accrued utility revenue
- Actuarial assumptions related to postretirement benefits accruals

We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the consolidated financial statements as a whole. The consolidated financial statement disclosures are neutral, consistent, and clear.

Significant Audit Adjustments and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Attachment A lists adjustments to the consolidated financial statements.

Disagreements with Management

Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2021.

Consultation with Other Accountants

To our knowledge, management did not consult with other accountants relating to auditing or accounting matters.

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management related to the performance of the audit.

Supplementary Information

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

Restriction of Use

This report is intended solely for the information and use of the board of directors, management, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

THE WALTON ELECTRIC MEMBERSHIP CORPORATION
AUDIT ENTRIES
FOR THE YEAR ENDED JUNE 30, 2021

	Debit	Credit
Adjustment 1		
Equity in Earnings of Subsidiaries	$ 138,000	
Investment in Subsidiary Companies		$ 138,000
To record current year adjustments for earnings in subsidiaries		
Adjustment 2		
Pension Plan Assets	7,144,978	
Administrative and General	2,820,618	
Pension Plan Liability	5,751,297	
Pension Plan Equity Adjustment		15,716,893
To record current year adjustments for actuarially determined pension liability		
Adjustment 3		
Postretirement Medical Benefit Liability	2,282,406	
Administrative and General	1,319,332	
Medical Plan Equity Adjustment		3,601,738
To record current year adjustments for actuarially determined postretirement medical benefit liability		
Adjustment 4		
Other Investments	718,228	
Other Long-Term Liabilities		718,228
To record current year adjustments for deferred compensation funds		