

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Dakota 35 Burleigh
Capital Electric Cooperative, Inc.
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Electric Cooperative, Inc. (a North Dakota nonprofit cooperative), which are comprised of the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, equities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Capital Electric Cooperative, Inc., as of December 31, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of long-term debt, detailed schedule of deferred debits and deferred credits, and the detailed schedule of investments are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The listing of directors, officers, and manager, and the statistical information have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021 on our consideration of Capital Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Capital Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capital Electric Cooperative, Inc.'s internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

May 17, 2021

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
ELECTRIC PLANT		
In service	\$ 132,223,179	\$ 114,333,166
Construction work in progress	4,925,283	4,314,230
Total electric plant	137,148,462	118,647,396
Less accumulated depreciation	(42,612,509)	(40,589,766)
Electric plant - net	94,535,953	78,057,630
OTHER PROPERTY AND INVESTMENTS		
Investment in associated companies	22,579,826	21,407,767
Other investments	178,839	165,995
Special funds - deferred compensation	149,899	159,669
Total other property and investments	22,908,564	21,733,431
CURRENT ASSETS		
Cash and cash equivalents	1,522,197	1,250,614
Restricted cash and cash equivalents	1,885,000	-
Accounts receivable, less allowance for uncollectible accounts of \$16,111 and \$32,927 for 2020 and 2019, respectively	3,571,184	3,971,441
Materials and supplies	2,038,319	2,138,410
Prepayments	209,514	122,723
Interest receivable	4,477	4,546
Total current assets	9,230,691	7,487,734
DEFERRED DEBITS		
	378,241	538,491
Total assets	\$ 127,053,449	\$ 107,817,286

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
BALANCE SHEETS - CONTINUED
DECEMBER 31, 2020 AND 2019

EQUITIES AND LIABILITIES

	2020	2019
EQUITIES		
Patronage capital	\$ 42,597,984	\$ 40,884,804
Other equities	9,465,536	8,910,383
	52,063,520	49,795,187
LONG-TERM DEBT, LESS CURRENT PORTION AND CUSHION OF CREDIT		
	65,886,531	50,056,949
OTHER NONCURRENT LIABILITIES		
Deferred compensation, long term	100,380	110,982
CURRENT LIABILITIES		
Current maturities of long-term debt	3,101,879	2,031,987
Accounts payable	356,779	188,349
Accounts payable - purchased power	2,041,918	2,118,143
Customer deposits	168,594	196,194
Taxes accrued	613,053	603,148
Deferred compensation, current portion	49,520	48,687
Other current liabilities	603,615	238,752
	6,935,358	5,425,260
DEFERRED CREDITS		
	2,067,660	2,428,908
	\$ 127,053,449	\$ 107,817,286

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING REVENUE		
Electric	\$ 39,300,829	\$ 37,995,611
Other	59,830	166,372
Total operating revenue	39,360,659	38,161,983
OPERATING EXPENSES		
Cost of power	27,176,404	26,447,506
Distribution - operation	1,760,846	1,516,432
Distribution - maintenance	1,503,162	1,619,182
Customer accounts	822,501	692,809
Customer service and informational	368,666	443,190
Sales	243,507	263,891
Administrative and general	1,564,551	1,677,660
Depreciation	3,587,535	3,294,147
Taxes	301,525	289,053
Other	41,755	17,075
Total operating expenses	37,370,452	36,260,945
OPERATING MARGIN BEFORE FIXED CHARGES	1,990,207	1,901,038
FIXED CHARGES		
Interest expense	1,805,898	1,694,343
OPERATING MARGIN AFTER FIXED CHARGES	184,309	206,695
GENERATION AND TRANSMISSION AND OTHER COOPERATIVE CAPITAL CREDITS		
Generation and transmission	1,645,886	1,417,806
Other cooperative capital credits	125,919	130,361
Total G&T and other cooperative capital credits	1,771,805	1,548,167
NET OPERATING MARGIN	1,956,114	1,754,862
NON-OPERATING MARGINS		
Merchandising - net	17,582	46,429
Rental income	873,077	-
Miscellaneous income	1,812	21,206
Interest income	205,644	325,463
Gain on disposal of assets	1,268,993	37,051
Total non-operating margins	2,367,108	430,149
NET MARGINS	\$ 4,323,222	\$ 2,185,011

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
STATEMENTS OF EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Patronage Capital	Other Equities	Total
BALANCE, JANUARY 1, 2019	\$ 40,874,221	\$ 8,540,762	\$ 49,414,983
Net margins	2,185,011	-	2,185,011
Transfer of nonoperating margins	(261,492)	261,492	-
Capital credits retired	(1,912,936)	-	(1,912,936)
Capital credits gains	-	245,879	245,879
Unclaimed capital credits - reissued	-	(137,750)	(137,750)
BALANCE, DECEMBER 31, 2019	40,884,804	8,910,383	49,795,187
Net margins	4,323,222	-	4,323,222
Transfer of nonoperating margins	(430,149)	430,149	-
Capital credits retired	(2,179,893)	-	(2,179,893)
Capital credits gains	-	256,730	256,730
Unclaimed capital credits - reissued	-	(131,726)	(131,726)
BALANCE, DECEMBER 31, 2020	<u>\$ 42,597,984</u>	<u>\$ 9,465,536</u>	<u>\$ 52,063,520</u>

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 4,323,222	\$ 2,185,011
Adjustments to reconcile net margins to Net cash provided (used) by operating activities:		
Depreciation	3,780,377	3,439,352
Allocation of G&T and other capital credits	(1,771,805)	(1,548,167)
Bad debt expense	16,816	17,927
Power cost reserve	-	(71,097)
(Gain) loss on sale of plant	(1,268,993)	(37,051)
Interest income credited to RUS cushion of credit	(108,904)	(284,567)
Interest expense paid by RUS cushion of credit	1,440,390	1,329,313
Net effects on operating cash flows due to changes in:		
Accounts receivable	383,441	(117,123)
Prepayments	(86,791)	14,893
Interest receivable	69	56
Deferred debits	160,250	150,232
Accounts payable	92,205	(404,177)
Taxes accrued	9,905	5,042
Other current liabilities	355,094	(23,731)
Deferred credits	(361,248)	743,969
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,964,028	5,399,882
CASH FLOWS FROM INVESTING ACTIVITIES		
Extension and replacement of plant, net	(20,291,391)	(7,298,056)
Proceeds from sale of plant	1,301,684	37,051
(Increase) decrease in materials and supplies	100,091	598,058
Collections on notes receivable	13,333	34,361
Change in special funds, net	9,770	20,157
Cash received from other associated companies and investments	573,569	812,892
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(18,292,944)	(5,795,537)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	16,187,595	4,000,000
Advances (payments) on line of credit	-	(2,000,000)
Principal payments on long-term debt	(619,607)	(579,948)
Retirement of capital credits, net	(2,054,889)	(1,804,807)
(Decrease) increase in customer deposits	(27,600)	7,350
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	13,485,499	(377,405)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,156,583	(773,060)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,250,614	2,023,674
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,407,197	\$ 1,250,614
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash and cash equivalents	\$ 1,522,197	\$ 1,250,614
Restricted cash and cash equivalents	1,885,000	-
	\$ 3,407,197	\$ 1,250,614
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 366,783	\$ 363,517
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired through acquisition of debt	\$ 12,750,000	\$ -
Capitalization of special assessments through debt	-	5,183
Principal payments made from RUS cushion of credit	1,624,654	3,098,398

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Capital Electric Cooperative, Inc. (the Cooperative) is a Touchstone Energy Cooperative located in Bismarck, North Dakota. The Cooperative purchases wholesale electricity and sells it to its member consumers located in Burleigh, Emmons, Kidder, McLean, and Sheridan counties in North Dakota.

Method of Accounting

The Cooperative is subject to the accounting and reporting rules and regulations of Rural Utility Services (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS.

As a result of the ratemaking process, the Cooperative applies Accounting Standards Codification (ASC) 980 *Regulated Operations*. The application of generally accepted accounting principles by the Cooperative differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally related to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Revenue Recognition

Revenues are primarily from electric sales to members. Electric revenues are recognized over time as electricity is delivered to customers, and include billed components. The billed component is based on the reading of customers' meters, which occurs on a monthly basis throughout each reporting period and represents the fair value of the electricity delivered.

Electric Revenues are recognized equivalent to the value of the electricity supplied during each period, including amounts billed during each period. The Cooperative has elected to apply the invoice method to measure progress towards completing performance obligations to transfer electricity to their customers.

Power Costs

Monthly billing from wholesale power supplier for power costs are reflected in the financial statements to the end of the month.

Electric Plant and Retirements

Electric plant is stated at cost less contributions in aid of construction. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement reserve and renewal of items determined to be less than units of property are charged to maintenance expense.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Electric Rates

Rates charged to customers are established by the board of directors.

Depreciation

Depreciation is computed using the straight-line method based upon the estimated useful lives of the various classes of property.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are comprised of the Cooperative's investment in associated and affiliated organizations. The investments are stated at cost plus undistributed allocated equities from other cooperatives and decreased by retirements.

Materials and Supplies

The inventory of materials and supplies are used in the repair and replacement of plant and are stated at average cost.

Patronage Capital

The Cooperative operates on a non-profit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses may also be allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior losses, or may be credited to a general unallocated reserve which may be utilized for any other purpose determined in accordance with generally accepted accounting principles, at the discretion of the board.

Pension Costs

The Cooperative's policy is to fund accrued pension cost.

Income Taxes

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Service Code. The Cooperative files Federal Form 990T for its unrelated business taxable income (UBIT).

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The Cooperative's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Sales and Similar Taxes

The Cooperative has customers in which those governmental units impose a sales tax on certain sales. The Cooperative collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Cooperative is subject to a state tax of \$0.80 per MWH sold. This amount is due subsequent to year end and is accrued as a liability on the financial statements. Sales and use taxes on the Cooperative's purchases were expensed with the cost of the item purchased.

Advertising Costs

Advertising and promotional costs are expensed as incurred.

Management's Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts and Notes Receivable

Accounts receivable are carried at original invoice amount less an estimate made for uncollectible receivables based on a review of all outstanding amounts on a periodic basis. Notes receivable are stated at principal balance amount and are collateralized by equipment. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An accounts receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Unpaid receivables with dates over 30 days old are assessed interest at 18% annually of the unpaid balance.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Recently Adopted Accounting Standards

In 2014, the FASB issued ASC 606, *Revenue from Contracts with Customers* (ASC 606), replacing the existing accounting standard and industry-specific guidance for revenue recognition with five-step model for recognizing and measuring revenue from contracts with customers. The underlying principle of the standards is to recognize revenue to depict the transfer of goods or services to customers at the amount expected to be collected. ASC 606 became effective on January 1, 2019 and the Cooperative adopted it using the modified retrospective method applied to open contracts and only to the version of contracts in effect as of January 1, 2019.

In accordance with the modified retrospective method, the Cooperative's previously issued financial statements have not been restated. The adoption of ASC 606 by the Cooperative had no significant impact on the timing of revenue recognition in either the current or prior year. As such, no cumulative effect adjustment to retained earnings was required, and there was no material impact to the amounts reported in the current year financial statements. ASC 606 did however require enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and the related cash flows arising from contracts with customers, which are included in Note 10.

NOTE 2 ELECTRIC PLANT AND DEPRECIATION

Listed below are the major classes of the electric plant as of December 31, 2020 and 2019:

	<u>2020</u>	<u>Depreciation</u>	<u>2019</u>	<u>Depreciation</u>
	<u>Plant</u>	<u>Rates</u>	<u>Plant</u>	<u>Rates</u>
Distribution plant	\$ 109,921,356	2.0% - 6.67%	\$ 105,047,742	2.0% - 6.67%
General plant	<u>22,301,823</u>	5.0% - 25.0%	<u>9,285,424</u>	5.0% - 25.0%
Electric plant in service	132,223,179		114,333,166	
Construction work in progress	<u>4,925,283</u>		<u>4,314,230</u>	
Total	<u>\$ 137,148,462</u>		<u>\$ 118,647,396</u>	

Depreciation charges by year were as follows:

	<u>2020</u>	<u>2019</u>
Directly to Expense	\$ 3,587,535	\$ 3,294,147
Changes in Accumulated Depreciation Charged to Clearing Accounts	<u>192,842</u>	<u>145,205</u>
Totals	<u>\$ 3,780,377</u>	<u>\$ 3,439,352</u>

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Memberships	\$ 2,755	\$ 2,755
Patronage Capital Credits:		
Basin Electric Power Cooperative	5,608,160	6,070,479
Central Power	15,487,855	13,880,760
CFC	167,666	165,698
NISC	127,766	131,984
RESCO	417,010	407,649
CoBank	343,829	321,254
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	<u>424,785</u>	<u>427,188</u>
Totals	<u>\$22,579,826</u>	<u>\$21,407,767</u>

NOTE 4 OTHER INVESTMENTS

Other investments as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Patronage capital credits from non-profit service organizations	\$ 38,279	\$ 29,125
Energy Resource Conservation	12,832	15,151
Bismarck Industries, Inc.	3,000	3,000
Federated Rural Electric Insurance	119,728	113,719
BISMAN Food Cooperative	<u>5,000</u>	<u>5,000</u>
Totals	<u>\$ 178,839</u>	<u>\$ 165,995</u>

NOTE 5 OTHER SPECIAL FUNDS/MARGINS STABILIZATION RESERVE

During 2007, the Cooperative established a revenue deferral plan approved by RUS allowing the Cooperative to defer the Dakota Gasification dividends received from Basin Electric through 2020 not to exceed \$2,500,000. As of December 31, 2020, the Cooperative had a deferred balance of \$1,545,000 of Dakota Gasification dividends, which were properly segregated as restricted cash on the balance sheet. As of December 31, 2019, the Cooperative had a deferred balance of \$1,910,000 of Dakota Gasification dividends, which were properly segregated within the RUS cushion of credit as allowable by RUS. The Cooperative recognized \$365,000 of revenue from this deferral during the year ended December 31, 2020, and this amount is recorded in electric revenue on the statement revenue and expenses. The Cooperative deferred an additional \$706,049 of revenue during the year ended December 31, 2019.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

During 2015, the Cooperative received bill credits from Basin Electric and Central Power Electric Cooperative in the amount of \$614,968 as part of a settlement between Basin Electric and BNSF Railroad. The Cooperative obtained RUS approval to defer up to the entire amount as part of their current revenue deferral plan. As of December 31, 2020 and 2019, \$340,000 was deferred and the balance was held as restricted cash and within the RUS cushion of credit for those year-ends, respectively.

NOTE 6 PATRONAGE CAPITAL

Components of patronage capital at December 31, 2020 and 2019 are as follows:

	2020	2019
Assignable	\$ 4,323,222	\$ 2,891,060
Assigned to date	67,624,655	63,984,793
Deferred revenue	(1,885,000)	(706,049)
Total	70,062,877	66,169,804
Retired to date	(27,464,893)	(25,285,000)
	\$ 42,597,984	\$ 40,884,804

Under the provisions of the long-term debt agreements with RUS, until the total of equities and margins equals or exceeds 30 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25 percent of the patronage capital or margins received by the cooperative in the immediately preceding year. During 2020 and 2019, the Cooperative's capital exceeded 30% of total assets.

NOTE 7 OTHER EQUITIES

Other equities as of December 31, 2020 and 2019 consist of:

	2020	2019
Unallocated margins - nonoperating	\$ 7,939,393	\$ 7,509,244
Retired capital credits - gain	739,246	685,255
Retired capital credits - discounted	767,287	696,274
Donated capital	19,610	19,610
	\$ 9,465,536	\$ 8,910,383

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 8 LONG-TERM DEBT

Long-term debt as of December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Federal Financing Bank (FFB) mortgage notes 1.065% - 5.054% due in quarterly installments through December 2047	\$ 60,788,985	\$ 47,133,640
Less advance payments held in cushion of credit 5%	<u>(323,603)</u>	<u>(3,279,743)</u>
	60,465,382	43,853,897
National Rural Utilities Cooperative Finance Corporation (CFC) notes Fixed and variable interest rates from 2.5% - 4.75% due in quarterly installments through September 2030	1,425,846	1,604,588
Cooperative Bank (CoBank) notes Fixed interest rates from 1.979% - 4.478% due in monthly installments through July 2042	6,129,612	6,560,713
City of Bismarck Special Assessments Fixed interest rates from 3.832% - 4.220% due annually through 2034	59,975	69,738
*First Community Credit Union - PPP 1.0% due in monthly installments through April 2022	907,595	-
	<u>68,988,410</u>	<u>52,088,936</u>
Less current portion	<u>3,101,879</u>	<u>2,031,987</u>
Total long-term portion	<u>\$ 65,886,531</u>	<u>\$ 50,056,949</u>

Substantially all assets are pledged as collateral on long-term debt payable to Federal Financial Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank.

*On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES ACT) which established the Paycheck Protection Program (the "Program"). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Cooperative applied for a loan under this Program and received a loan from First Community Credit Union in the amount of \$907,595 on April 24, 2020. The loan is forgivable provided the funds are used for qualifying expenses including payroll, rent, and utilities as required by SBA loan program. The Cooperative will seek forgiveness in fiscal year 2021. The Cooperative anticipates there may be further guidance issued by the Small Business Administration (SBA), the U.S. Department of Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any portion of the loan not forgiven will be due April 24, 2022 and will accrue interest at a rate of 1.0%. The loan does not require personal guarantees or any other collateral from the Cooperative.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

It is estimated that principal payments on the above debt for the next five years will be as follows:

	FFB	CFC	CoBank	Special Assessments	PPP Loan	Total
2021	\$ 1,752,129	\$ 189,623	\$ 450,464	\$ 5,950	\$ 703,713	\$ 3,101,879
2022	1,910,372	142,860	470,707	5,950	203,882	2,733,771
2023	1,974,224	147,963	491,783	5,950	-	2,619,920
2024	1,992,566	153,258	514,003	5,950	-	2,665,777
2025	2,007,395	158,754	537,143	5,950	-	2,709,242
Thereafter	51,152,299	633,388	3,665,512	30,225	-	55,481,424
					Total Long-Term Debt	69,312,013
					Less advanced payments held in cushion of credit	(323,603)
						<u>\$ 68,988,410</u>

All loan funds advanced by FFB and CFC are deposited in a special trust bank account, the disbursements from which are restricted by the provisions of the loan agreement for purposes approved by RUS.

The terms of the loan agreements contain certain financial covenants, of which the Cooperative was in compliance with as of December 31, 2020 and 2019.

The security agreement (mortgage) restricts the Cooperative's debt limit to \$75,000,000.

NOTE 9 LINE OF CREDIT

A perpetual line of credit agreement has been executed with CFC providing the Cooperative with available short-term loans in the total amount of \$1,000,000 on a revolving basis. Interest on unpaid principal is payable quarterly at rates established by CFC, which are not to exceed the lowest prime rate as published in the "Money Rates" column of "The Wall Street Journal" plus 1% per annum. No advances on this line of credit were outstanding as of December 31, 2020 and 2019.

NOTE 10 REVENUES FROM CONTRACTS WITH CUSTOMERS

The revenues of the cooperative are primarily derived from providing retail electric service to its members. Revenues from contracts with customers represent over 95% of all cooperative revenues for the years ended December 31, 2020 and 2019. Below is a disaggregated view of the cooperative's revenues from contracts with customers as well as other revenues, including their location on the statement of operations.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Electric Revenue

Electric revenues consist of retail electric power sales to members, who are located within the cooperative's defined service territory, through the membership agreement and cooperative bylaws. All of the electric revenue meets the criteria to be classified as revenue from contracts with customers and are recognized over time as energy is delivered. Revenue is recognized based on the metered quantity of electricity delivered at the applicable board approved rates.

Revenue Streams	Electric Revenue	
	2020	2019
Member electric sales - rural	\$ 13,205,990	\$ 12,668,315
Member electric sales - urban	11,335,475	10,599,191
Member electric sales - wells	257,333	242,477
Member electric sales - irrigation	262,384	143,388
Member electric sales - small commercial & industrial	4,167,363	5,077,011
Member electric sales - urban commercial & industrial	7,774,244	7,017,307
Member electric sales - large commercial & industrial	2,013,728	2,154,048
Member electric sales - other	284,312	93,874
Total revenues from contracts with customers	\$ 39,300,829	\$ 37,995,611
Timing of Revenue Recognition		
Services transferred over time	\$ 39,300,829	\$ 37,995,611

Contract Assets – Customer Receivables

The Cooperative had accounts receivable from contract with customers of \$3,571,184, \$3,971,441, and \$3,872,245 on December 31, 2020, 2019, and 2018, respectively, net of uncollectible amounts.

Contract Liabilities – Customer Deposits and Prepayments

The Cooperative had customer deposits and prepayments of \$351,254, \$375,104, and \$329,834, on December 31, 2020, 2019, and 2018, respectively.

NOTE 11 COMMITMENTS

Wholesale Power Contracts

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Central Power Electric Cooperative of Minot, North Dakota through December 31, 2075. The rate paid by the cooperative under the contract are subject to review by the seller at such intervals as it deems appropriate.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Concentration of Sources of Labor

At December 31, 2020, the Cooperative had approximately 42% of its employees covered by a collective bargaining agreement. The collective bargaining agreement expires on October 31, 2023, at such time negotiations will take place.

NOTE 12 EMPLOYEE BENEFIT PLAN

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Capital Electric Cooperative, Inc. contributions to the RS Plan in 2020 and 2019 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. Capital Electric Cooperative, Inc. made contributions to the RS Plan of \$686,007 in 2020 and \$641,485 in 2019. There have been no significant changes that affect the comparability in 2020 and 2019.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2020 and January 1, 2019 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.

Retirement Security Prepayment Plan

At the December 2012 meeting of the Insurance and Financial Services Committee (I&FS) of the NRECA Board of Directors, the Committee approved the option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount equaled approximately 2.5 times the cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, the billing rate was reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns, and other plan experiences different from expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15-year period.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

In 2013, the Cooperative made a prepayment of \$1,617,973 to the NRECA RS Plan. In accordance with RUS accounting requirements, the prepayment is recorded as a long-term deferred debit. The Cooperative is amortizing this amount over ten years.

As of December 31, 2020 and 2019, the remaining deferred debit to amortize related to the NRECA RS Plan prepayment was \$323,594 and \$485,392, respectively.

Savings Plan

In addition to the previously mentioned retirement plan, employees of the Cooperative are eligible for a 401(k) savings plan. This plan is offered through NRECA. The Cooperative makes matching contributions up to 4 percent of each employee's base wages in this plan. The Cooperative's contributions for the years ended December 31, 2020 and 2019 were \$120,490 and \$127,461, respectively.

NOTE 13 CONCENTRATION OF CREDIT RISK

The Cooperative provides electrical service on account to its members which are located primarily in Burleigh County.

The Cooperative maintains its cash in bank deposit accounts which, at times, may exceed federal insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). The Cooperative maintains its cash deposits in large, well-capitalized financial institutions. The Cooperative has not experienced any losses in such accounts nor does the Cooperative believe it is exposed to any significant credit risk on cash accounts.

NOTE 14 RELATED PARTY TRANSACTIONS

The Cooperative is a member of and purchases the majority of its wholesale power from Central Power Electric Cooperative, Inc. The following is a summary of the transactions with Central Power for the years ended December 31, 2020 and 2019:

	2020	2019
Purchases of wholesale power	\$ 27,176,404	\$ 26,447,506
Accounts payable at December 31	2,041,918	2,118,143
Capital credit allocation received	1,645,886	1,417,807
Capital credit cash payments	38,791	4,810
Accumulated investment in patronage capital credits	15,487,855	13,880,760

The Cooperative purchased power from Basin Electric Power Cooperative, Inc. in the past, and still has remaining investment in patronage capital credits outstanding. The Cooperative received cash patronage payments of \$462,319 and \$743,330 during the years ended December 31, 2020 and 2019, respectively. The remaining investment in Basin Electric Power Cooperative, Inc. was \$5,608,160 and \$6,070,479 as of December 31, 2020 and 2019, respectively.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 15 ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

It is the opinion of management that the Cooperative has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Cooperative are subject to examination by the IRS, generally for three years after they were filed. All required filings are current.

NOTE 16 FUTURE PRONOUNCEMENTS

ASU 2016-02, Leases (Topic 842)

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of this ASU is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The FASB has delayed the effective date of this ASU to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning December 15, 2022.

Management has not yet determined what effect this pronouncement will have on the Cooperative's financial statements.

With the exception of the new standard discussed above, management has not identified any other new accounting pronouncements that have potential significance to the Cooperative's financial statements.

NOTE 17 SUBSEQUENT EVENTS

No significant event occurred subsequent to the Cooperative's year end. Subsequent events have been evaluated through May 17, 2021, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
LISTING OF DIRECTORS, OFFICERS AND MANAGER (UNAUDITED)
DECEMBER 31, 2020

Directors

Name	Address	Business
Rex Hollenbeck	McClusky, North Dakota	Farmer / Rancher
Sheri Haugen-Hoffart	Bismarck, North Dakota	Human Resources Manager Office of the State Tax Commissioner
Kyle Hilken	Wilton, North Dakota	Farmer / Rancher
David Straley	Bismarck, North Dakota	Attorney North American Coal
Kyle Tschosik	Bismarck, North Dakota	Great River Energy (retired)
David Charles	Bismarck, North Dakota	Retired
Arlene Olson	Wing, North Dakota	Farmer / Rancher (Retired)
Deon Vilhauer	Bismarck, North Dakota	North Dakota D.O.T. Pilot
Dwight Wrangham	Bismarck, North Dakota	Legislator (Retired)

Officers and Manager

Sheri Haugen-Hoffart	President
David Charles	Vice-President
David Straley	Secretary-Treasurer
Deon Vilhauer	Assistant Secretary-Treasurer
Paul Fitterer	General Manager

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
SCHEDULE OF LONG-TERM DEBT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Note	Interest Rate	Maturity Date	Principal Amount	Principal Payments	Net Obligation	
					2020	2019
RUS cushion of credit						
Cushion of credit	4.000%				\$ (323,603)	\$ (3,279,743)
Total RUS cushion of credit					(323,603)	(3,279,743)
Federal Financing Bank						
AH8-1	1.877%	03/31/19	1,000,000	242,608	757,392	782,156
AH8-2	1.877%	03/31/19	1,000,000	242,608	757,392	782,156
AH8-3	2.917%	01/03/45	2,000,000	364,324	1,635,676	1,682,125
AH8-4	2.758%	01/03/45	2,000,000	372,634	1,627,366	1,674,600
AH8-5	2.357%	01/03/45	2,000,000	383,376	1,616,624	1,666,181
AH8-6	2.292%	01/03/45	2,000,000	395,266	1,604,734	1,654,361
AH8-7	2.292%	01/03/45	2,500,000	478,558	2,021,442	2,083,955
AH8-8	3.541%	01/03/45	2,500,000	362,208	2,137,792	2,193,452
AK8-1	2.342%	12/31/47	1,000,000	116,041	883,959	907,183
AK8-2	3.020%	12/31/47	1,000,000	104,361	895,639	916,823
AK8-3	2.189%	12/31/47	2,000,000	237,588	1,762,412	1,809,811
AK8-4	1.927%	03/31/19	1,000,000	128,743	871,257	895,638
AK8-5	2.627%	12/31/47	1,000,000	111,028	888,972	911,326
AK8-6	1.927%	03/31/19	1,000,000	135,519	864,481	888,672
AK8-7	2.703%	12/31/47	1,000,000	113,514	886,486	908,516
AK8-8	2.298%	12/31/47	2,000,000	205,184	1,794,816	1,842,290
AK8-9	1.927%	03/31/19	1,000,000	108,444	891,556	916,506
AK8-10	1.959%	12/31/47	1,000,000	102,861	897,139	922,124
AK8-11	2.543%	12/31/47	2,000,000	258,064	1,741,936	1,806,452
AK8-12	2.774%	12/31/47	1,700,000	219,355	1,480,645	1,535,484
AK8-13	2.758%	12/31/47	2,000,000	243,902	1,756,098	1,821,138
AK8-14	2.716%	12/31/47	2,000,000	243,902	1,756,098	1,836,066
AK8-15	2.549%	12/31/47	2,000,000	200,000	1,800,000	1,866,667
AK8-16	2.942%	12/31/47	3,000,000	277,311	2,722,689	2,823,528
AK8-17	3.029%	12/31/47	3,000,000	254,237	2,745,763	2,847,457
AK8-18	2.996%	12/31/47	3,300,000	253,846	3,046,154	3,158,973
AL8-1	3.033%	12/31/52	2,000,000	45,802	1,954,198	2,000,000
AL8-2	2.696%	12/31/52	2,000,000	45,802	1,954,198	2,000,000
AL8-3	1.922%	12/31/52	2,000,000	45,802	1,954,198	2,000,000
AL8-4	2.165%	12/31/52	4,800,000	95,529	4,704,471	-
AL8-5	1.171%	12/31/52	4,480,000	102,596	4,377,404	-
AM8-1	1.011%	12/31/54	4,000,000	-	4,000,000	-
AM8-2	1.451%	12/31/54	2,000,000	-	2,000,000	-
Total FFB			67,280,000	6,491,015	60,788,985	47,133,640

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
SCHEDULE OF LONG-TERM DEBT - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Note	Interest Rate	Maturity Date	Principal Amount	Principal Payments	Net Obligation	
					2020	2019
CFC						
9002001	3.650%	01/01/22	\$ 861,053	\$ 809,372	\$ 51,681	\$ 101,518
9004001	3.330%	07/01/27	1,063,542	696,863	366,679	417,226
9005001	4.750%	09/30/30	1,100,000	587,402	512,598	553,033
9005002	4.900%	09/30/30	1,060,000	565,112	494,888	532,811
		Total CFC	<u>4,084,595</u>	<u>2,658,749</u>	<u>1,425,846</u>	<u>1,604,588</u>
CoBank						
2640067	4.050%	09/20/34	5,309,937	1,466,423	3,843,514	4,048,369
2908142	3.555%	11/20/30	3,393,541	1,107,443	2,286,098	2,512,344
		Total CoBank	<u>8,703,478</u>	<u>2,573,866</u>	<u>6,129,612</u>	<u>6,560,713</u>
Special Assessments						
Various	Various	Various	-	-	59,975	69,738
PPP Loan						
46228-121	1.00%	04/24/22	907,595	-	907,595	-
		Total Long-Term Debt	<u>\$ 80,068,073</u>	<u>\$ 11,723,630</u>	<u>68,988,410</u>	<u>52,088,936</u>
		Less Current Maturities			<u>3,101,879</u>	<u>2,031,987</u>
		Total Long-Term Portion			<u>\$ 65,886,531</u>	<u>\$ 50,056,949</u>

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
DETAILED SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS
DECEMBER 31, 2020

Deferred Debits

Retirement security prepayment	\$ 323,594	RUS Approval Not Required
Deferred survey costs	29,172	RUS Approval Not Required
Other deferred costs	16,261	RUS Approval Not Required
Deferred work plan	<u>9,214</u>	RUS Approval Not Required
Total deferred debits	<u><u>\$ 378,241</u></u>	

Deferred Credits

Dakota Gasification dividends	\$ 1,545,000	RUS Approved
BNSF Railroad settlement funds	340,000	RUS Approved
Customer prepayments	<u>182,660</u>	RUS Approval Not Required
Total deferred credits	<u><u>\$ 2,067,660</u></u>	

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
DETAILED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2020**

Bismarck Industries, Inc. (cost method)	
6 shares of common stock (less than 1%)	<u>\$ 3,000</u>

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
STATISTICAL INFORMATION (UNAUDITED)
DECEMBER 31, 2020**

	2019 CFC Borrowers Statistical Profile Median Values			Capital Electric Cooperative, Inc. Years Ended December 31			
	U.S.	N.D.	Power Supplier Peer Group	2020	2019	2018	
1.	Times Interest Earned Ratio (TIER)	2.64	2.64	2.62	3.46	2.31	4.38
2.	Average TIER	2.90	3.46	3.46	3.92	3.67	3.94
3.	Operating TIER (OTIER)	2.03	2.26	1.77	1.37	1.60	1.71
4.	Average OTIER	2.24	2.45	2.14	1.49	1.86	1.86
5.	Debt Service Coverage (DSC)	2.11	2.01	1.81	1.72	1.99	2.63
6.	Average DSC	2.21	2.25	2.06	1.85	2.46	2.69
7.	Operating DSC (ODSC)	1.81	1.81	1.49	1.45	1.66	1.54
8.	Average ODSC	1.90	1.83	1.69	1.56	1.79	1.80
9.	Average Interest Rate	3.98	3.40	3.37	4.50	3.35	3.32
10.	Plant Revenue Ratio	7.10	8.16	8.16	11.25	10.13	10.11
11.	Equity Ratio	45.61	38.66	36.03	41.84	46.18	47.19
12.	Debt Ratio	41.65	48.90	50.13	51.10	46.37	43.46
13.	General Funds / Total Plant	4.06	9.23	10.14	3.57	2.56	3.35
14.	Current Ratio	1.20	1.93	2.02	1.34	1.39	1.13
15.	Rate of Return	5.99	7.08	8.17	8.01	4.39	10.30
16.	Patronage Capital Retired / Prior Years Margins	27.99	30.45	33.73	35.99	32.99	31.37

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATISTICAL INFORMATION (UNAUDITED) - CONTINUED
DECEMBER 31, 2020

	2019 CFC Borrowers Statistical Profile Median Values			Capital Electric Cooperative, Inc. Years Ended December 31		
	U.S.	N.D.	Power Supplier Peer Group	2020	2019	2018
17. Total Customers (Average Number Receiving Service)	14,610	10,116	9,669	21,104	20,937	20,626
18. Customers / Mile	6.17	2.36	2.30	7.66	7.64	7.57
19. Plant Investment / Customer	\$ 6,573	\$ 12,664	\$ 11,472	\$ 6,499	\$ 5,667	\$ 5,488
20. Total Margins / Customer	\$ 165.25	\$ 300.47	\$ 300.47	\$ 204.85	\$ 104.36	\$ 246.82
21. Customer Accounts Expense / Customer	\$ 58.61	\$ 62.61	\$ 64.41	\$ 38.97	\$ 33.09	\$ 33.13
22. Administrative and General Expense / Customer	\$ 154.99	\$ 227.63	\$ 170.99	\$ 74.14	\$ 80.13	\$ 87.65
23. Operations and Maintenance / \$1,000 Plant (Excludes Plant Leased to Others)	\$ 42.57	\$ 27.73	\$ 31.07	\$ 23.98	\$ 26.43	\$ 24.54
24. Plant / Mile	\$ 38,498	\$ 27,826	\$ 26,109	\$ 49,800	\$ 43,293	\$ 41,531
25. Accumulated Depreciation / Total Plant	33.75	31.15	32.03	32.23	35.50	35.86
26. Revenue / KWH Sold (Mills)	115.05	102.91	98.90	106.41	102.50	103.90
27. Power Cost / KWH Sold (Mills)	70.65	62.73	63.58	73.46	71.04	73.68
28. Power Cost / Revenue	59.75	68.16	68.16	69.04	69.30	70.91
29. System Loss %	5.04%	3.82%	3.78%	4.06%	3.52%	3.69%

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

Board of Directors
North Dakota 35 Burleigh
Capital Electric Cooperative, Inc.
Bismarck, North Dakota

We 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 financial statements of Capital Electric Cooperative, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of operations, equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital Electric Cooperative, Inc.'s internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capital Electric Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Capital Electric Cooperative, 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 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 Capital Electric Cooperative, Inc.'s financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

May 17, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRICAL BORROWERS

Board of Directors
North Dakota 35 Burleigh
Capital Electric Cooperative, Inc.
Bismarck, North Dakota

We have audited, 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, the financial statements of Capital Electric Cooperative, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of operations, equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 17, 2021. In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021, on our consideration of Capital Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Capital Electric Cooperative, Inc. failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*, §1773.33, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Capital Electric Cooperative, Inc.'s noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Capital Electric Cooperative, Inc.'s accounting and records to indicate that Capital Electric Cooperative, Inc. did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments.

This purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Services Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

May 17, 2021