

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Capital Electric Cooperative, Inc. (a North Dakota nonprofit cooperative), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Electric Cooperative, Inc., as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Capital Electric Cooperative, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Electric Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Capital Electric Cooperative, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Electric Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the listing of directors, officers, and managers and statistical information but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2022 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

April 13, 2022

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020 (As restated)
ELECTRIC PLANT		
In service	\$ 140,291,976	\$ 132,223,179
Construction work in progress	1,750,712	4,925,283
Total electric plant	142,042,688	137,148,462
Less accumulated depreciation	(43,748,265)	(42,612,509)
Electric plant - net	98,294,423	94,535,953
OTHER PROPERTY AND INVESTMENTS		
Investment in associated companies	23,355,421	22,579,826
Other investments	196,663	178,839
Special funds - deferred compensation	141,015	149,899
Total other property and investments	23,693,099	22,908,564
CURRENT ASSETS		
Cash and cash equivalents	641,191	1,157,197
Restricted cash and cash equivalents	2,850,000	2,250,000
Accounts receivable, less allowance for uncollectible accounts of \$9,203 and \$16,111 for 2021 and 2020, respectively	5,174,805	3,571,184
Materials and supplies	2,603,168	2,038,319
Other current assets	239,305	213,991
Total current assets	11,508,469	9,230,691
DEFERRED DEBITS		
Total assets	196,629	378,241
Total assets	<u>\$ 133,692,620</u>	<u>\$ 127,053,449</u>

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
BALANCE SHEETS - CONTINUED
DECEMBER 31, 2021 AND 2020

EQUITIES AND LIABILITIES

	2021	2020 (As restated)
EQUITIES		
Patronage capital	\$ 40,536,453	\$ 42,232,984
Other equities	11,995,847	9,465,536
	52,532,300	51,698,520
LONG-TERM DEBT, LESS CURRENT PORTION AND CUSHION OF CREDIT		
	71,277,030	65,886,531
OTHER NONCURRENT LIABILITIES		
Deferred compensation, long term	141,015	100,380
CURRENT LIABILITIES		
Current maturities of long-term debt	2,725,411	3,101,879
Accounts payable	159,406	356,779
Accounts payable - purchased power	2,453,447	2,041,918
Customer deposits	129,430	168,594
Taxes accrued	633,219	613,053
Deferred compensation, current portion	-	49,520
Other current liabilities	599,251	603,615
	6,700,164	6,935,358
DEFERRED CREDITS		
	3,042,111	2,432,660
	\$ 133,692,620	\$ 127,053,449

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020 (As restated)</u>
OPERATING REVENUE		
Electric	\$ 38,964,965	\$ 38,935,829
Other	82,005	59,830
	<u>39,046,970</u>	<u>38,995,659</u>
OPERATING EXPENSES		
Cost of power	27,032,276	27,176,404
Distribution - operation	1,561,124	1,760,846
Distribution - maintenance	1,381,102	1,503,162
Customer accounts	740,500	822,501
Customer service and informational	314,402	368,666
Sales	259,494	243,507
Administrative and general	1,603,361	1,564,551
Depreciation	3,757,832	3,587,535
Taxes	321,400	301,525
Other	49,069	41,755
	<u>37,020,560</u>	<u>37,370,452</u>
OPERATING MARGIN BEFORE FIXED CHARGES	2,026,410	1,625,207
FIXED CHARGES		
Interest expense	<u>1,828,421</u>	<u>1,805,898</u>
OPERATING MARGIN AFTER FIXED CHARGES	197,989	(180,691)
GENERATION AND TRANSMISSION AND OTHER COOPERATIVE CAPITAL CREDITS	<u>1,517,266</u>	<u>1,771,805</u>
NET OPERATING MARGIN	<u>1,715,255</u>	<u>1,591,114</u>
NON-OPERATING MARGINS		
Merchandising - net	(6,801)	17,582
Rental income	1,126,008	873,077
Rental expenses	(404,634)	-
Miscellaneous income	1,099	1,812
Interest income	101,473	205,644
Gain on disposal of assets	<u>23,587</u>	<u>1,268,993</u>
	<u>840,732</u>	<u>2,367,108</u>
NET MARGINS	<u>\$ 2,555,987</u>	<u>\$ 3,958,222</u>

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATEMENTS OF EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Patronage Capital	Other Equities	Total
	<u> </u>	<u> </u>	<u> </u>
BALANCE, JANUARY 1, 2020	\$ 40,884,804	\$ 8,910,383	\$ 49,795,187
Net margins, as restated	3,958,222	-	3,958,222
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)
	<u> </u>	<u> </u>	<u> </u>
BALANCE, DECEMBER 31, 2020, AS RESTATED	42,232,984	9,465,536	51,698,520
Net margins	2,555,987	-	2,555,987
Transfer of nonoperating margins	(2,363,738)	2,363,738	-
Capital credits retired	(1,888,780)	-	(1,888,780)
Capital credits gains	-	233,424	233,424
Unclaimed capital credits - reissued	-	(66,851)	(66,851)
	<u> </u>	<u> </u>	<u> </u>
BALANCE, DECEMBER 31, 2021	<u>\$ 40,536,453</u>	<u>\$ 11,995,847</u>	<u>\$ 52,532,300</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, 2021 AND 2020**

	2021	2020 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 2,555,987	\$ 3,958,222
Adjustments to reconcile net margins to Net cash provided (used) by operating activities:		
Depreciation	3,972,862	3,780,377
Allocation of G&T and other capital credits	(1,517,267)	(1,771,805)
Bad debt expense	9,923	16,816
(Gain) loss on sale of plant	(23,587)	(1,268,993)
Interest income credited to RUS cushion of credit	(3,192)	(108,904)
Interest expense paid by RUS cushion of credit	141,712	1,440,390
PPP loan forgiveness	(907,595)	-
Net effects on operating cash flows due to changes in:		
Accounts receivable	(1,613,544)	383,441
Other current assets	(25,314)	(86,722)
Deferred debits	181,612	160,250
Accounts payable	214,156	92,205
Taxes accrued	20,166	9,905
Other current liabilities	(13,249)	355,094
Deferred credits	609,451	3,752
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,602,121	6,964,028
CASH FLOWS FROM INVESTING ACTIVITIES		
Extension and replacement of plant, net	(7,707,745)	(20,291,391)
Proceeds from sale of plant	-	1,301,684
(Increase) decrease in materials and supplies	(564,849)	100,091
Collections on notes receivable	16,283	13,333
Change in special funds, net	8,884	9,770
Cash received from associated companies and other investments	707,565	573,569
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,539,862)	(18,292,944)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	8,000,000	16,187,595
Principal payments on long-term debt	(2,216,894)	(619,607)
Retirement of capital credits, net	(1,722,207)	(2,054,889)
(Decrease) increase in customer deposits	(39,164)	(27,600)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	4,021,735	13,485,499
NET CHANGE IN CASH AND CASH EQUIVALENTS	83,994	2,156,583
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,407,197	1,250,614
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,491,191	\$ 3,407,197
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash and cash equivalents	\$ 641,191	\$ 1,157,197
Restricted cash and cash equivalents	2,850,000	2,250,000
	\$ 3,491,191	\$ 3,407,197
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,692,216	\$ 366,783
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired through acquisition of debt	\$ -	\$ 12,750,000
Principal payments made from RUS cushion of credit	185,083	1,624,654
PPP loan forgiveness	907,595	

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, 2021 AND 2020**

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 monthly 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 billings 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, 2021 AND 2020

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 costs.

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).

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.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 receivables 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 receivables 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 receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An accounts receivable is considered 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.

NOTE 2 ELECTRIC PLANT AND DEPRECIATION

Listed below are the major classes of the electric plant as of December 31, 2021 and 2020:

	2021	Depreciation	2020	Depreciation
	Plant	Rates	Plant	Rates
Distribution plant	\$ 118,175,403	2.0% - 6.67%	\$ 109,921,356	2.0% - 6.67%
General plant	22,116,573	5.0% - 25.0%	22,301,823	5.0% - 25.0%
Electric plant in service	140,291,976		132,223,179	
Construction work in progress	1,750,712		4,925,283	
Total	<u>\$ 142,042,688</u>		<u>\$ 137,148,462</u>	

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Depreciation charges by year were as follows:

	<u>2021</u>	<u>2020</u>
Directly to Expense	\$ 3,757,832	\$ 3,587,535
Changes in Accumulated Depreciation Charged to Clearing Accounts	<u>215,030</u>	<u>192,842</u>
Totals	<u>\$ 3,972,862</u>	<u>\$ 3,780,377</u>

NOTE 3 INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Memberships	\$ 2,755	\$ 2,755
Patronage Capital Credits:		
Basin Electric Power Cooperative	5,062,397	5,608,159
Central Power	16,824,087	15,487,855
CFC	166,718	167,667
NISC	146,798	127,766
RESCO	407,185	417,010
CoBank	323,188	343,829
National Rural Utilities Cooperative Finance Corporation:		
Subscription capital term certificates - 5% due		
10/1/2075	23,091	23,091
10/1/2080	70,141	70,141
10/1/2085	103,988	103,988
10/1/2090	188,756	188,756
Subscription capital term certificates - 3% due		
10/1/2030	31,255	31,255
Zero term certificates - non-interest bearing		
1/1/2022	2,584	5,076
1/1/2031	<u>2,478</u>	<u>2,478</u>
Totals	<u>\$ 23,355,421</u>	<u>\$ 22,579,826</u>

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 OTHER INVESTMENTS

Other investments as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Patronage capital credits from non-profit service organizations	\$ 49,821	\$ 38,279
Energy Resource Conservation	6,907	12,832
Bismarck Industries, Inc.	3,000	3,000
Federated Rural Electric Insurance	131,935	119,728
BISMAN Food Cooperative	<u>5,000</u>	<u>5,000</u>
Totals	<u>\$ 196,663</u>	<u>\$ 178,839</u>

NOTE 5 RESTRICTED CASH AND CASH EQUIVALENTS

As of December 31, 2021 and 2020, the Cooperative had restricted cash funds on deposit with First Community Credit Union in the amount of \$2,850,000 and \$2,250,000, respectively. The uses of these funds are restricted by the revenue deferral plan approved by RUS (Note 6).

NOTE 6 OTHER SPECIAL FUNDS/ REVENUE DEFERRAL

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. During 2021, the Cooperative amended this revenue deferral plan due to uncertainties from the COVID-19 pandemic and other uncommon fluctuations. RUS approved an additional revenue deferral through 2022 not to exceed \$1,000,000. As of December 31, 2021 and 2020, the Cooperative had a deferred balance of \$2,510,000 and \$1,910,000, respectively, which was properly segregated as restricted cash on the balance sheet (Note 5).

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, 2021 and 2020, \$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 5).

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7 PATRONAGE CAPITAL

Components of patronage capital at December 31, 2021 and 2020 are as follows:

	2021	2020 (As restated)
Assignable	\$ 2,555,987	\$ 3,958,222
Assigned to date	70,184,139	67,989,655
Deferred revenue	(2,850,000)	(2,250,000)
Total	69,890,126	69,697,877
Retired to date	(29,353,673)	(27,464,893)
	\$ 40,536,453	\$ 42,232,984

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 2021 and 2020, the Cooperative's capital exceeded 30% of total assets.

NOTE 8 OTHER EQUITIES

Other equities as of December 31, 2021 and 2020 consist of:

	2021	2020
Unallocated margins - nonoperating	\$ 10,303,131	\$ 7,939,393
Retired capital credits - gain	815,095	739,246
Retired capital credits - discounted	858,011	767,287
Donated capital	19,610	19,610
	\$ 11,995,847	\$ 9,465,536

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9 LONG-TERM DEBT

Long-term debt as of December 31, 2021 and 2020 consists of the following:

	2021	2020
Federal Financing Bank (FFB) mortgage notes 0.058% - 3.541% due in quarterly installments through December 2054	\$ 67,036,322	\$ 60,788,985
Less advance payments held in cushion of credit 5%	-	(323,603)
	67,036,322	60,465,382
National Rural Utilities Cooperative Finance Corporation (CFC) notes Fixed and variable interest rates from 2.45% - 4.90% due in quarterly installments through September 2030	1,239,697	1,425,846
Cooperative Bank (CoBank) notes Fixed interest rates from 3.555% - 4.050% due in monthly installments through September 2034	5,679,148	6,129,612
City of Bismarck Special Assessments Fixed interest rates from 3.832% - 4.220% due annually through 2034	47,274	59,975
*First Community Credit Union - PPP	-	907,595
	74,002,441	68,988,410
Less current portion	2,725,411	3,101,879
Total long-term portion	\$ 71,277,030	\$ 65,886,531

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 was fully forgiven during the year ended December 31, 2021 and is included in the statement of operations, offsetting qualified expenses.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	FFB	CFC	CoBank	Special Assessments	Total
2022	\$ 2,109,380	\$ 140,280	\$ 470,707	\$ 5,044	\$ 2,725,411
2023	2,219,032	146,350	491,783	5,044	2,862,209
2024	2,237,374	152,690	514,003	5,044	2,909,111
2025	2,252,203	159,314	537,143	5,044	2,953,704
2026	2,270,186	166,233	561,339	5,044	3,002,802
Thereafter	55,948,148	474,830	3,104,173	22,053	59,549,204
			Total Long-Term Debt		<u>\$ 74,002,441</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, 2021 and 2020.

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

NOTE 10 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, 2021 and 2020.

NOTE 11 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, 2021 and 2020. 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, 2021 AND 2020

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	
	2021	2020 (As restated)
Member electric sales - rural	\$ 12,915,676	\$ 13,083,342
Member electric sales - urban	11,403,897	11,230,199
Member electric sales - wells	262,515	254,943
Member electric sales - irrigation	324,710	259,947
Member electric sales - small commercial & industrial	4,187,756	4,128,659
Member electric sales - urban commercial & industrial	8,594,966	7,702,042
Member electric sales - large commercial & industrial	1,000,752	1,995,026
Member electric sales - other	274,693	281,671
Total revenues from contracts with customers	\$ 38,964,965	\$ 38,935,829
Timing of Revenue Recognition		
Services transferred over time	\$ 38,964,965	\$ 38,935,829

Contract Assets – Customer Receivables

The Cooperative had accounts receivable from contract with customers of \$5,174,805, \$3,571,184, and \$3,971,441 on December 31, 2021, 2020, and 2019, respectively, net of uncollectible amounts.

Contract Liabilities – Customer Deposits and Prepayments

The Cooperative had customer deposits and prepayments of \$321,542, \$351,255, and \$375,104, on December 31, 2021, 2020, and 2019, respectively.

NOTE 12 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 is 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, 2021 AND 2020

Concentration of Sources of Labor

At December 31, 2021, the Cooperative had approximately 39% 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.

Loan Guarantee

The Cooperative has guaranteed debt up to \$180,000 on behalf of the North Dakota Association of Rural Electric Cooperatives (NDAREC or "Statewide") pursuant to a \$7,000,000 nonrevolving line of credit between Statewide and NRUCFC.

NOTE 13 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 2021 and 2020 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 \$679,733 in 2021 and \$686,007 in 2020. There have been no significant changes that affect the comparability in 2021 and 2020.

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, 2021 and January 1, 2020 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.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

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, 2021 and 2020, the remaining deferred debit to amortize related to the NRECA RS Plan prepayment was \$161,798 and \$323,594, 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. Employees hired after January 1, 2019 receive an additional 4 percent nonelective contribution. The Cooperative's contributions for the years ended December 31, 2021 and 2020 were \$135,613 and \$120,490, respectively.

NOTE 14 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.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 15 RELATED PARTY TRANSACTIONS

The Cooperative is a member of and purchases 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, 2021 and 2020:

	2021	2020
Purchases of wholesale power	\$ 27,032,276	\$ 27,176,404
Accounts payable at December 31	2,453,447	2,041,918
Capital credit allocation received	1,390,635	1,645,886
Capital credit cash payments	54,403	38,791
Accumulated investment in patronage capital credits	16,824,087	15,487,855

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 \$545,762 and \$462,319 during the years ended December 31, 2021 and 2020, respectively. The remaining investment in Basin Electric Power Cooperative, Inc. was \$5,062,397 and \$5,608,159 as of December 31, 2021 and 2020, respectively.

NOTE 16 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 17 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.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 18 PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded to adjust deferred revenue that was recognized to meet debt covenant ratios, but was later determined not to be necessary. The impact of the prior period adjustment on the December 31, 2020 restated financial statements are as follows:

- Restricted cash and cash equivalents and deferred credits on the balance sheet increased by \$365,000.
- Electric revenue and net margins decreased by \$365,000 on the statement of operations.
- Patronage capital decreased by \$365,000 on the statement of equities.

NOTE 19 SUBSEQUENT EVENTS

On April 5, 2022, the Cooperative reached an agreement to sell their service center, pole yard and vacant land for a purchase price of \$2,625,000. The closing date of this transaction shall be on or before September 30, 2022.

Subsequent to year end the Cooperative reached a verbal agreement to sell their headquarters building, but no formal agreement has been signed as of the date the report.

Subsequent events have been evaluated through April 13, 2022, 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, 2021

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, 2021 AND 2020**

Note	Interest Rate	Maturity Date	Principal Amount	Principal Payments	Net Obligation	
					2021	2020
RUS cushion of credit						
Cushion of credit	4.000%				\$ -	\$ (323,603)
Total RUS cushion of credit					-	(323,603)
Federal Financing Bank						
FFB-3-1	1.877%	01/03/45	1,000,000	267,727	732,273	757,392
FFB-3-2	1.877%	01/03/45	1,000,000	267,727	732,273	757,392
FFB-3-3	2.917%	01/03/45	2,000,000	411,762	1,588,238	1,635,676
FFB-3-4	2.758%	01/03/45	2,000,000	420,826	1,579,174	1,627,366
FFB-3-5	2.357%	01/03/45	2,000,000	433,808	1,566,192	1,616,624
FFB-3-6	2.292%	01/03/45	2,000,000	445,747	1,554,253	1,604,734
FFB-3-7	2.292%	01/03/45	2,500,000	542,148	1,957,852	2,021,442
FFB-3-8	3.541%	01/03/45	2,500,000	419,261	2,080,739	2,137,792
FFB-4-1	2.342%	12/31/47	1,000,000	139,648	860,352	883,959
FFB-4-2	3.020%	12/31/47	1,000,000	125,975	874,025	895,639
FFB-4-3	2.189%	12/31/47	2,000,000	285,724	1,714,276	1,762,412
FFB-4-4	1.927%	12/31/47	1,000,000	153,463	846,537	871,257
FFB-4-5	2.627%	12/31/47	1,000,000	133,788	866,212	888,972
FFB-4-6	1.927%	12/31/47	1,000,000	160,047	839,953	864,481
FFB-4-7	2.703%	12/31/47	1,000,000	135,954	864,046	886,486
FFB-4-8	2.298%	12/31/47	2,000,000	253,429	1,746,571	1,794,816
FFB-4-9	1.927%	12/31/47	1,000,000	133,740	866,260	891,556
FFB-4-10	1.959%	12/31/47	1,000,000	128,198	871,802	897,139
FFB-4-11	2.543%	12/31/47	2,000,000	322,581	1,677,419	1,741,936
FFB-4-12	2.774%	12/31/47	1,700,000	274,194	1,425,806	1,480,645
FFB-4-13	2.758%	12/31/47	2,000,000	308,943	1,691,057	1,756,098
FFB-4-14	2.716%	12/31/47	2,000,000	295,082	1,704,918	1,756,098
FFB-4-15	2.549%	12/31/47	2,000,000	266,667	1,733,333	1,800,000
FFB-4-16	2.942%	12/31/47	3,000,000	378,151	2,621,849	2,722,689
FFB-4-17	3.029%	12/31/47	3,000,000	355,932	2,644,068	2,745,763
FFB-4-18	2.996%	12/31/47	3,300,000	366,667	2,933,333	3,046,154
FFB-5-1	3.033%	12/31/52	2,000,000	106,870	1,893,130	1,954,198
FFB-5-2	2.696%	12/31/52	2,000,000	106,870	1,893,130	1,954,198
FFB-5-3	1.922%	12/31/52	2,000,000	106,870	1,893,130	1,954,198
FFB-5-4	2.165%	12/31/52	4,800,000	256,489	4,543,511	4,704,471
FFB-5-5	1.171%	12/31/52	4,480,000	239,389	4,240,611	4,377,404
FFB-5-6	2.522%	12/31/52	2,000,000	-	2,000,000	-
FFB-6-1	1.011%	12/31/54	4,000,000	-	4,000,000	4,000,000
FFB-6-2	1.451%	12/31/54	2,000,000	-	2,000,000	2,000,000
FFB-6-3	1.965%	12/31/54	2,000,000	-	2,000,000	-
FFB-6-4	1.746%	12/31/54	2,000,000	-	2,000,000	-
FFB-6-5	1.713%	12/31/54	2,000,000	-	2,000,000	-
Total FFB			75,280,000	8,243,677	67,036,323	60,788,985

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
SCHEDULE OF LONG-TERM DEBT - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Note	Interest Rate	Maturity Date	Principal Amount	Principal Payments	Net Obligation	
					2021	2020
CFC						
9002001	3.650%	01/01/22	\$ 861,053	\$ 861,053	\$ -	\$ 51,681
9004001	3.330%	06/30/27	1,063,542	747,636	315,906	367,406
9005001	4.750%	09/30/30	1,100,000	629,792	470,208	512,598
9005002	4.900%	09/30/30	1,060,000	606,418	453,582	494,161
		Total CFC	<u>4,084,595</u>	<u>2,844,898</u>	<u>1,239,697</u>	<u>1,425,846</u>
CoBank						
2640067	4.050%	09/20/34	5,309,937	1,679,726	3,630,211	3,843,514
2908142	3.555%	11/20/30	3,393,541	1,344,604	2,048,937	2,286,098
		Total CoBank	<u>8,703,478</u>	<u>3,024,330</u>	<u>5,679,148</u>	<u>6,129,612</u>
Special Assessments						
Various	Various	Various	-	-	47,274	59,975
PPP Loan						
46228-121	1.00%	04/24/22	907,595	907,595 *	-	907,595
		Total Long-Term	<u>\$ 88,068,073</u>	<u>\$ 14,112,906</u>	<u>74,002,441</u>	<u>68,988,410</u>
		Less Current Maturities			<u>2,725,411</u>	<u>3,101,879</u>
		Total Long-Term Portion			<u>\$ 71,277,030</u>	<u>\$ 65,886,531</u>

* - PPP loan was forgiven during the year ended December 31, 2021. See Note 9 for details.

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
DETAILED SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS
DECEMBER 31, 2021

Deferred Debits

Retirement security prepayment	\$ 161,798	RUS Approval Not Required
Deferred survey costs	22,659	RUS Approval Not Required
Other deferred costs	4,641	RUS Approval Not Required
Deferred work plan	<u>7,531</u>	RUS Approval Not Required
Total deferred debits	<u><u>\$ 196,629</u></u>	

Deferred Credits

Dakota Gasification dividends	\$ 2,510,000	RUS Approved
BNSF Railroad settlement funds	340,000	RUS Approved
Customer prepayments	<u>192,111</u>	RUS Approval Not Required
Total deferred credits	<u><u>\$ 3,042,111</u></u>	

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
DETAILED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2021**

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, 2021**

	2020 CFC Borrowers Statistical Profile Median Values			Capital Electric Cooperative, Inc. Years Ended December 31			
	U.S.	N.D.	Power Supplier Peer Group	2021	2020	2019	
1.	Times Interest Earned Ratio (TIER)	2.80	3.10	2.68	2.40	3.25	2.31
2.	Average TIER	2.98	3.10	3.20	2.82	3.82	3.67
3.	Operating TIER (OTIER)	2.24	2.12	1.79	1.41	1.23	1.60
4.	Average OTIER	2.35	2.35	1.98	1.51	1.66	1.86
5.	Debt Service Coverage (DSC)	2.13	1.97	1.75	2.01	2.32	1.99
6.	Average DSC	2.24	2.29	1.93	2.17	2.48	2.49
7.	Operating DSC (ODSC)	1.88	1.58	1.44	1.20	1.43	1.66
8.	Average ODSC	1.95	1.93	1.55	1.55	1.60	1.79
9.	Average Interest Rate	3.69	3.19	3.19	2.49	2.91	3.35
10.	Plant Revenue Ratio	7.23	8.40	9.09	11.82	11.60	10.13
11.	Equity Ratio	45.80	40.36	37.07	39.29	40.69	46.18
12.	Debt Ratio	42.08	48.91	51.38	53.31	51.86	46.37
13.	General Funds / Total Plant	4.60	8.83	9.69	2.76	3.81	2.56
14.	Current Ratio	1.34	2.13	2.06	1.72	1.34	1.39
15.	Rate of Return	5.99	7.51	7.24	4.87	7.66	4.39
16.	Patronage Capital Retired / Prior Years Margins	28.71	33.73	35.13	42.00	34.05	32.99

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATISTICAL INFORMATION (UNAUDITED) - CONTINUED
DECEMBER 31, 2021

	2020 CFC Borrowers Statistical Profile Median Values			Capital Electric Cooperative, Inc. Years Ended December 31		
	U.S.	N.D.	Power Supplier Peer Group	2021	2020	2019
17. Total Customers (Average Number Receiving Service)	14,796	10,147	9,652	21,711	21,104	20,937
18. Customers / Mile	6.19	2.31	2.29	7.82	7.66	7.64
19. Plant Investment / Customer	\$ 6,837	\$ 13,178	\$ 11,808	\$ 6,542	\$ 6,499	\$ 5,667
20. Total Margins / Customer	\$ 175.66	\$ 298.58	\$ 245.89	\$ 117.73	\$ 187.56	\$ 104.36
21. Customer Accounts Expense / Customer	\$ 58.28	\$ 61.14	\$ 63.18	\$ 34.11	\$ 38.97	\$ 33.09
22. Administrative and General Expense / Customer	\$ 152.61	\$ 213.62	\$ 159.34	\$ 73.85	\$ 74.14	\$ 80.13
23. Operations and Maintenance / \$1,000 Plant (Excludes Plant Leased to Others)	\$ 41.07	\$ 31.31	\$ 29.75	\$ 20.71	\$ 23.98	\$ 26.43
24. Plant / Mile	\$ 40,465	\$ 29,034	\$ 27,228	\$ 51,168	\$ 49,804	\$ 43,293
25. Accumulated Depreciation / Total Plant	33.80	30.23	30.23	31.18	32.23	35.50
26. Revenue / KWH Sold (Mills)	115.66	105.36	100.85	103.52	102.50	102.50
27. Power Cost / KWH Sold (Mills)	68.16	62.29	62.96	71.67	73.46	71.04
28. Power Cost / Revenue	58.63	66.75	67.34	69.23	69.68	69.30
29. System Loss %	5.25%	4.35%	4.09%	3.83%	4.06%	3.52%

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, 2021, 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 April 13, 2022.

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

April 13, 2022

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, 2021, 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 April 13, 2022. In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2022, 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 above 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.

The 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

April 13, 2022