

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, 2022 and 2021, 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, 2022 and 2021, 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 12, 2023 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 12, 2023

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
ELECTRIC PLANT		
In service	\$ 143,001,793	\$ 140,291,976
Construction work in progress	6,262,288	1,750,712
Total electric plant	149,264,081	142,042,688
Less accumulated depreciation	(46,076,729)	(43,748,265)
Electric plant - net	103,187,352	98,294,423
OTHER PROPERTY AND INVESTMENTS		
Investment in associated companies	25,594,653	23,355,421
Other investments	219,089	196,663
Special funds - deferred compensation	132,911	141,015
Total other property and investments	25,946,653	23,693,099
CURRENT ASSETS		
Cash and cash equivalents	2,546,131	641,191
Restricted cash and cash equivalents	1,567,000	2,850,000
Temporary cash investments	4,484,894	-
Accounts receivable, less allowance for uncollectible accounts of \$14,576 and \$9,203 for 2022 and 2021, respectively	4,308,934	5,174,805
Materials and supplies	3,281,999	2,603,168
Other current assets	314,098	239,305
Total current assets	16,503,056	11,508,469
DEFERRED DEBITS		
	105,785	196,629
Total assets	\$ 145,742,846	\$ 133,692,620

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
BALANCE SHEETS - CONTINUED
DECEMBER 31, 2022 AND 2021

	2022	2021
EQUITIES AND LIABILITIES		
EQUITIES		
Patronage capital	\$ 42,265,143	\$ 40,536,453
Other equities	14,825,859	11,995,847
	57,091,002	52,532,300
LONG-TERM DEBT, LESS CURRENT PORTION	78,865,125	71,277,030
OTHER NONCURRENT LIABILITIES		
Deferred compensation, long term	132,911	141,015
CURRENT LIABILITIES		
Current maturities of long-term debt	3,204,732	2,725,411
Accounts payable	372,105	159,406
Accounts payable - purchased power	2,850,856	2,453,447
Customer deposits	121,985	129,430
Taxes accrued	683,356	633,219
Other current liabilities	609,854	599,251
	7,842,888	6,700,164
DEFERRED CREDITS	1,810,920	3,042,111
	\$ 145,742,846	\$ 133,692,620

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Electric	\$ 41,838,303	\$ 38,964,965
Other	74,614	72,701
Total operating revenues	41,912,917	39,037,666
OPERATING EXPENSES		
Cost of power	28,579,060	27,032,276
Distribution - operation	1,675,728	1,561,124
Distribution - maintenance	1,646,880	1,381,102
Customer accounts	939,674	740,500
Customer service and informational	428,793	314,402
Sales	257,965	259,494
Administrative and general	2,004,967	1,603,361
Depreciation	3,900,622	3,757,832
Taxes	337,850	321,400
Other	64,195	49,069
Total operating expenses	39,835,734	37,020,560
OPERATING MARGIN BEFORE FIXED CHARGES	2,077,183	2,017,106
FIXED CHARGES		
Interest expense	2,077,051	1,828,421
OPERATING MARGIN AFTER FIXED CHARGES	132	188,685
GENERATION AND TRANSMISSION AND OTHER COOPERATIVE CAPITAL CREDITS	3,271,595	1,517,266
NET OPERATING MARGIN	3,271,727	1,705,951
NON-OPERATING MARGINS		
Merchandising - net	9,404	2,503
Rental income	641,725	1,126,008
Rental expenses	(94,951)	(404,634)
Miscellaneous income	1,331	1,099
Interest income	144,408	101,473
Gain on disposal of assets	2,387,368	23,587
Total non-operating margins	3,089,285	850,036
NET MARGINS	\$ 6,361,012	\$ 2,555,987

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATEMENTS OF EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Patronage Capital	Other Equities	Total
BALANCE, JANUARY 1, 2021	\$ 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, net of gains	(1,888,780)	233,424	(1,655,356)
Unclaimed capital credits - reissued	-	(66,851)	(66,851)
BALANCE, DECEMBER 31, 2021	40,536,453	11,995,847	52,532,300
Net margins	6,361,012	-	6,361,012
Transfer of nonoperating margins	(3,939,321)	3,939,321	-
Transfer of operating loss	1,283,000	(1,283,000)	-
Capital credits retired, net of gains	(1,976,001)	276,973	(1,699,028)
Unclaimed capital credits - reissued	-	(103,282)	(103,282)
BALANCE, DECEMBER 31, 2022	<u>\$ 42,265,143</u>	<u>\$ 14,825,859</u>	<u>\$ 57,091,002</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, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 6,361,012	\$ 2,555,987
Adjustments to reconcile net margins to Net cash provided (used) by operating activities:		
Depreciation	4,137,247	3,972,862
Allocation of G&T and other capital credits	(3,271,595)	(1,517,266)
Bad debt expense	6,623	9,923
(Gain) loss on sale of plant	(2,387,368)	(23,587)
Interest income credited to RUS cushion of credit	-	(3,192)
Interest expense paid by RUS cushion of credit	-	141,712
PPP loan forgiveness	-	(907,595)
Net effects on operating cash flows due to changes in:		
Accounts receivable	859,248	(1,613,544)
Other current assets	(74,793)	(25,314)
Deferred debits	90,844	181,612
Accounts payable	610,108	214,156
Taxes accrued	50,137	20,166
Other current liabilities	2,499	(13,250)
Deferred credits	(1,231,191)	609,451
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	5,152,771	3,602,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Extension and replacement of plant, net	(10,515,843)	(7,707,745)
Proceeds from sale of plant	3,873,035	-
(Increase) decrease in materials and supplies	(678,831)	(564,849)
Purchase of investments	(4,484,894)	-
Collections on notes receivable	3,539	16,283
Change in special funds, net	8,104	8,884
Cash received from associated companies and other investments	1,006,398	707,565
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(10,788,492)	(7,539,862)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	11,000,000	8,000,000
Principal payments on long-term debt	(2,932,584)	(2,216,894)
Retirement of capital credits, net	(1,802,310)	(1,722,207)
(Decrease) increase in customer deposits	(7,445)	(39,164)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	6,257,661	4,021,735
NET CHANGE IN CASH AND CASH EQUIVALENTS	621,940	83,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,491,191	3,407,197
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,113,131	\$ 3,491,191
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash and cash equivalents	\$ 2,546,131	\$ 641,191
Restricted cash and cash equivalents	1,567,000	2,850,000
	\$ 4,113,131	\$ 3,491,191
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 2,076,992	\$ 1,692,216
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Principal payments made from RUS cushion of credit	\$ -	\$ 185,083
PPP loan forgiveness	-	907,595

See Notes to the Financial Statements