



Barrow Utilities and Electric Cooperative, Inc.

Financial Statements Years Ended December 31, 2019 and 2018

Barrow Utilities and Electric Cooperative, Inc.

Financial Statements
Years Ended December 31, 2019 and 2018

Barrow Utilities and Electric Cooperative, Inc.

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Board of Directors
Barrow Utilities and Electric Cooperative, Inc.
Barrow, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Barrow Utilities and Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of revenues and changes in patronage capital, 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. 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 financial position of Barrow Utilities and Electric Cooperative, Inc. as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Cooperative adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* using the modified retrospective method as of and for the year ended December 31, 2019. The requirements of the ASC 606 have been retrospectively applied to all periods presented. Our opinion is not modified with respect to this matter.

As discussed in Note 20 to the financial statements, the World Health Organization has declared COVID-19 a global pandemic leading to broader global economic uncertainties. Our opinion is not modified with respect to this matter.

BDO USA, LLP

Anchorage, Alaska
May 5, 2020

Financial Statements

Barrow Utilities and Electric Cooperative, Inc.

Balance Sheets

December 31,	2019	2018
Assets		
Utility Plant		
Electric utility plant	\$ 23,936,267	\$ 21,506,957
Gas utility plant	2,981,537	2,962,993
Water utility plant	23,833,513	20,323,995
Buildings and improvements	6,449,507	6,401,813
Vehicles and heavy equipment	2,808,367	2,911,740
Other general plant	1,538,029	1,235,499
<hr/>		
Total utility plant in service	61,547,220	55,342,997
Construction work in progress	1,747,844	4,042,063
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Total utility plant	63,295,064	59,385,060
Less accumulated depreciation	(26,316,081)	(25,029,643)
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Net Utility Plant	36,978,983	34,355,417
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Other Assets and Investments		
Restricted funds:		
Consumer deposits	120,074	122,792
Certificate of deposit	25,000	25,000
Emergency fund investments	487,000	487,000
Investments in associated organizations	2,873,922	2,636,307
<hr/>		
Total Other Assets and Investments	3,505,996	3,271,099
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Current Assets		
Cash - general	3,160,544	1,237,698
Investments	102,405	83,455
Consumer accounts receivable net of allowance for doubtful accounts of \$120,891 in 2019 and \$118,314 in 2018	1,773,810	1,771,052
Other accounts receivable, net	2,288,370	2,722,078
Materials, fuel and supplies inventories	1,495,213	1,446,876
Prepayments	30,124	32,642
<hr/>		
Total Current Assets	8,850,466	7,293,801
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Deferred Charges	3,176,740	3,665,807
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Total Assets	\$ 52,512,185	\$ 48,586,124

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Balance Sheets, continued

December 31,	2019	2018
Equities and Liabilities		
Equities		
Memberships	\$ 4,698	\$ 120,123
Patronage capital	16,326,630	16,069,658
Other equities	1,914,263	2,087,667
Total Equities	18,245,591	18,277,448
Liabilities		
Long-term Liabilities		
Long-term debt	28,323,935	26,218,506
Less current maturities	(1,955,862)	(1,743,599)
Total Long-term Liabilities	26,368,073	24,474,907
Current Liabilities		
Current maturities of long-term debt	1,955,862	1,743,599
Accounts payable	3,840,612	1,974,574
Consumer deposits	120,074	122,792
Accrued payroll and benefits	675,770	704,649
Accrued taxes	5	22,632
Accrued interest	11,829	11,114
Line of credit payable	375,000	375,000
Patronage capital credits payable	1,404	1,878
Total Current Liabilities	6,980,556	4,956,238
Deferred Credits		
Consumer advances	2,216	(4,768)
ARECA allocation due to North Slope Borough	915,749	882,299
Total Deferred Credits	917,965	877,531
Total Liabilities	34,266,594	30,308,676
Total Equities and Liabilities	\$ 52,512,185	\$ 48,586,124

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.
Statements of Revenues and Changes in Patronage Capital

Years Ended December 31,	2019	2018
Operating Revenues		
Electric service	\$ 6,428,332	\$ 6,061,097
Gas service	2,582,189	2,288,411
Water sales	3,624,515	3,599,395
Service revenue:		
Barrow Utilidor System water distribution	7,127,073	6,940,355
Barrow Utilidor System sewage collection	6,992,218	6,734,424
Total Operating Revenues	26,754,327	25,623,682
Operating Expenses		
Gas for generation	749,061	759,274
Gas for resale	755,390	768,502
Water for resale	2,787,242	2,786,024
Operations and maintenance:		
Electric production	1,140,598	1,090,339
Electric distribution	912,858	737,801
Gas distribution	755,977	679,252
Water production and distribution	1,158,537	1,065,421
Barrow Utilidor System water distribution	2,350,652	2,244,991
Barrow Utilidor System sewage collection	4,280,394	4,046,374
Consumer accounts	733,441	645,295
Administrative and general	6,336,013	6,246,206
Taxes	659,802	624,483
Depreciation	2,676,646	2,649,855
Total Operating Expenses	25,296,611	24,343,817
Operating margins before fixed charges	1,457,716	1,279,865
Fixed Charges - interest on long-term debt	1,138,270	1,107,415
Operating margins after fixed charges	319,446	172,450
Nonoperating Margins		
Interest income	20,034	12,217
Interest on consumer deposits	(3,743)	(3,777)
Income from investments in associated organizations	259,984	148,902
Donations	(123,569)	(120,697)
Other expenses	-	(6,664)
Net Nonoperating Margins	152,706	29,981
Net margins	472,152	202,431
Patronage Capital , beginning of year	16,069,658	15,867,227
Patronage capital distributions	(215,180)	-
Patronage Capital , end of year	\$ 16,326,630	\$ 16,069,658

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Statements of Cash Flows

Years Ended December 31,	2019	2018
Cash Flows from Operating Activities		
Cash received from consumers	\$ 27,069,852	\$ 24,656,580
Cash paid to employees and suppliers	(20,404,044)	(20,736,946)
Interest paid	(1,108,552)	(1,077,731)
Interest received	20,034	12,217
Net cash from operating activities	5,577,290	2,854,120
Cash Flows for Investing Activities		
Plant additions, including retirement cost	(5,407,684)	(3,072,788)
Funds received from associated organizations, net of payments to North Slope Borough	55,819	84,580
Purchases of investments	(16,232)	(6,031)
Net cash for investing activities	(5,368,097)	(2,994,239)
Cash Flows from (for) Financing Activities		
Retirement of capital credits	(474)	1,401
Patronage capital distributions	(215,180)	-
Decrease in other equities	(173,404)	(3,515)
Consumer deposits received (returned)	(2,718)	10,381
New memberships	-	450
Payments on line of credit, net	-	(483,000)
Proceeds from long-term debt	3,982,000	1,193,324
Repayment of long-term debt	(1,876,571)	(1,715,325)
Net cash from (for) financing activities	1,713,653	(996,284)
Net increase (decrease) in cash and cash equivalents	1,922,846	(1,136,403)
Cash and Cash Equivalents, beginning of year	1,237,698	2,374,101
Cash and Cash Equivalents, end of year	\$ 3,160,544	\$ 1,237,698

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Statements of Cash Flows, continued

Years Ended December 31,	2019	2018
Reconciliation of Net Margins to Net Cash from Operating Activities		
Net margins	\$ 472,152	\$ 202,431
Adjustments to reconcile net margins to net cash from operating activities:		
Depreciation	2,784,118	2,755,448
Amortization of deferred charges	33,461	33,461
Deferred charges related to operations	455,606	493,766
Income allocation from investments in associated organizations	(259,984)	(148,902)
Membership deposits applied towards billings	(115,425)	-
(Increase) decrease in assets:		
Consumer accounts receivable, net	(2,758)	69,698
Other accounts receivable, net	433,708	(1,036,800)
Materials, fuel and supplies inventories	(48,337)	(30,878)
Prepayments	2,518	(6,318)
Increase (decrease) in liabilities:		
Accounts payable	1,866,038	677,859
Accrued payroll and benefits	(28,879)	(152,031)
Accrued taxes	(22,627)	(3,289)
Accrued interest	715	2,301
Consumer advances	6,984	(2,626)
Net Cash From Operating Activities	\$ 5,577,290	\$ 2,854,120

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

1. Organization

Barrow Utilities Electric Cooperative, Inc., (Cooperative) operates electric, natural gas, water and sewer utilities in Barrow, Alaska. A substantial portion of the Cooperative's revenues is derived from services provided to and subsidies received from the North Slope Borough.

The Cooperative operates on a not-for-profit basis and, accordingly, seeks only to generate revenues sufficient to pay operating and maintenance costs, capital expenditures, depreciation, and principal and interest on indebtedness and to provide for the establishment of reasonable margins and reserves. The Cooperative is deregulated and is responsible for its own rates and tariffs.

The accounting records of the Cooperative conform to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as modified for electric borrowers of the Rural Utilities Service (RUS) and the National Association of Regulatory Utility Commissioners. However, the Cooperative has no outstanding debt or other contractual agreements with RUS.

Net operating margins in excess of current period costs in any year are considered assignable margins. Retained assignable margins are included on the Cooperative's balance sheet as patronage capital, which is assigned to each member on the basis of patronage. This patronage capital constitutes the principal equity of the Cooperative.

Net operating losses in any year are accumulated separately within patronage capital and are offset by future nonoperating margins.

2. Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required 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.

Utility Plant in Service

Utility plant in service is recorded at cost including direct labor, materials, freight and indirect overhead charges. General plant is recorded at cost. Depreciation is computed using the straight-line method. For property replaced or retired, the average unit cost of the property unit replaced or retired plus removal cost less salvage is charged to accumulated provision for depreciation. The cost of related replacements and renewals is added to plant. Generally, no gain or loss on sale or retirement is recognized for property other than general plant.

A portion of the electric generation and water production plant is owned by the North Slope Borough and is not included in these financial statements. The Cooperative has agreed to operate and maintain the plant.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

Contributions in Aid of Construction

Contributions in aid of construction are credited to the associated cost of construction of the related property units.

Deferred Plant and Equipment Maintenance Costs

Scheduled major overhauls and extraordinary maintenance costs incurred by the Cooperative are initially deferred and subsequently amortized to operating expenses over periods generally ranging from one to five years. Utility rates are stabilized at levels intended to fund these maintenance costs as they are amortized.

Materials, Fuel and Supplies

Inventories of materials, fuel and supplies are stated at average cost.

Cash and Cash Equivalents

The Cooperative considers cash and short-term investments that are readily convertible to known amounts of cash and that present an insignificant risk of change in value due to changes in interest rates or other factors to be cash equivalents.

Investments in Associated Organizations

Investments in associated organizations are accounted for at cost and adjusted for the Cooperative's proportionate share of earnings and distributions.

Revenue Recognition

In 2019, the Cooperative adopted ASC Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09), which provides guidance for the recognition, measurement and disclosure of revenue related to the transfer of promised goods or services to customers. The Cooperative elected to use the modified retrospective transition method, which resulted in no cumulative effect adjustment, nor any significant change to the timing or process for revenue recognition.

In adopting ASC 606, the Cooperative elected to use certain practical expedients permitted by the standard including using the portfolio approach where contracts with similar characteristics were assessed collectively to evaluate risk over the impact of ASC 606.

Utility Revenue

The Cooperative generates revenue primarily from sales of electric energy, natural gas, and water sales. Electric energy sales represent approximately 24% of operating revenue for the years ended December 31, 2019 and 2018. Energy sales are recognized upon a customer's use of electricity, based on a reading at the calendar month end. Electric sales consist entirely of retail usage by residential, commercial, and industrial customers. Actual usage per kilowatt hour is applied to standard tariff rates that are approved by the Board of Directors. Natural gas sales represent approximately 10% of operating revenue for the years ended December 31, 2019 and 2018. Gas sales are recognized upon consumer's consumption, based on a meter reading at the calendar month end. Gas sales consist entirely of retail usage by residential, commercial, and industrial customers. Actual usage per cubic foot is applied to standard tariff rates that are approved by the

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

Board of Directors. In addition to the billing for actual gas and electricity consumed, customers are billed a customer charge that is a monthly access charge applied by meter. Other charges can include new permanent and temporary electric and gas service connections, late fees, name changes and other related charges. Water sales represent approximately 14% of operating revenue for the years ended December 31, 2019 and 2018. Water sales consist of commercial sales to large wholesale customers and are billed monthly. Approximately 95% of water is sold to the Barrow Utilidor System (BUS). Payments on utility invoices are due within 30 days.

Other Miscellaneous Revenue

Other miscellaneous revenues include interest income and income from investments in associated organizations, which represent approximately 1% of total operating revenue. These accounts are generally highly collectible, and no allowance for collectability has been recorded.

A proportionate share of the income from investments in associated organizations is allocated to the North Slope Borough and recorded as a deferred credit. Capital credit distributions are allocated and distributed in the same proportions.

Accounts Receivable

Accounts receivable are carried at original billed amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial contribution, credit history, and current economic conditions. Trade receivables are generally highly collectible, and management believes write offs to be insignificant. Uncollectible amounts can be deducted from patronage capital balances upon distribution.

Consumer accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 55 days. After the receivable becomes past due, the Cooperative implements procedures to disconnect utility access on past due accounts. In some cases, the Cooperative attempts to make alternative payment arrangements with the utility consumer. Other accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not accrued on past due accounts receivable.

Fair Value Measurements

The Cooperative applies the provision of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements.

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, other than in a forced liquidation or distress sale.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

The Cooperative's financial assets carried at fair value have been classified based on a hierarchy defined by ASC 820. All of the Cooperative's assets are considered to be Level 1, as they are determined using unadjusted quoted prices in active markets for identical assets and liabilities.

Unamortized Debt Refinance Charges

Unamortized debt refinance charges relate to the Cooperative's long-term debt, including current maturities, and are amortized over the life of the related debt. Annual amortization is computed using the straight-line method and is included in interest expense in the statements of revenues and changes in patronage capital.

Patronage Capital

Patronage capital consists of net margins accumulated since inception less the retirement of capital credits to members. The distribution of such patronage capital to members of the Cooperative is restricted under the covenants of the National Rural Utilities Cooperative Finance Corporation (NRUCFC) mortgage notes. Electric and gas capital credits are currently retired on a fifteen-year rotation cycle and water capital credits are currently retired on a twelve-year rotation cycle, as authorized by the Board of Directors. Unclaimed retired capital credits may be transferred to other equities one year after the date authorized for the distribution.

Nonoperating Margins

Nonoperating margins are an accumulation of all nonoperating margins reduced by nonoperating losses. If a positive balance exists at year-end, it is first used to offset any accumulated net operating losses from previous years. Any remaining margin amounts are transferred to patronage capital assignable.

Income Taxes

The Cooperative is exempt from federal and state income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code.

The Cooperative applies the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes. The Cooperative annually reviews its tax return and positions taken in accordance with the recognition standards. The Cooperative believes that it has no uncertain tax positions which would require disclosure or adjustment in these financial statements. Tax years 2016-2018 remain open to examination.

Reclassifications

Certain amounts have been reclassified from the prior period presentation to conform to the current year presentation.

Subsequent Events

The Cooperative has evaluated subsequent events through May 5, 2020, the date on which the financial statements were available to be issued.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

3. Barrow Utilidor System

The Cooperative operates and maintains the Barrow Utilidor System (BUS) under a contract with the North Slope Borough, which is subject to appropriation by the Borough Assembly. The BUS is owned by the North Slope Borough and any additions to the system are the property of the North Slope Borough.

Reimbursement to the Cooperative for maintenance of the BUS is on a cost basis, with zero profit. Therefore, annual revenues cannot exceed related operating expenses. A portion of the reimbursement is derived from BUS metered water and sewer fees, billed monthly, with the remainder of the costs reimbursed from the BUS.

Any deficiencies, up to an annually predetermined limit, are paid by the North Slope Borough on a monthly basis and excesses, if any, are remitted to the North Slope Borough. Deficiencies reimbursed by the North Slope Borough totaling \$11,762,983 and \$11,278,581 for the years ended December 31, 2019 and 2018, respectively, are included in BUS revenues.

The BUS water and sewage rates are set by the North Slope Borough. The water rate for residential customers is \$55 per month, and the rate for senior citizen residential customers is \$11 per month. There is an additional charge of 2 cents per gallon for usage exceeding 3,000 gallons of water per month for all residential customers. The monthly water rate for commercial customers is 8 cents per gallon. The sewer rate is \$14 per month for residential customers and \$3 per month for senior citizen residential customers. There is no sewer charge for commercial customers.

BUS revenues consisted of the following:

<i>Years Ended December 31,</i>	2019	2018
BUS water distribution revenue	\$ 2,195,812	\$ 2,233,894
BUS water distribution Borough subsidy	4,931,261	4,706,461
Total BUS water distribution revenue	7,127,073	6,940,355
BUS sewer collection revenue	160,496	162,304
BUS sewer collection Borough subsidy	6,831,722	6,572,120
Total BUS sewer collection revenue	6,992,218	6,734,424
Total BUS Revenue	\$ 14,119,291	\$ 13,674,779

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

4. Utility Plant

Listed below are the major classes of the Cooperative's utility plant:

<i>December 31,</i>	2019	2018
General plant	\$ 10,795,903	\$ 10,549,052
Electric utility plant	23,936,267	21,506,957
Gas utility plant	2,981,537	2,922,993
Water utility plant	23,833,513	20,323,995
Total plant in service	61,547,220	55,342,997
Construction work in progress	1,747,844	4,042,063
Total Utility Plant	\$ 63,295,064	\$ 59,385,060

5. Depreciation and Amortization

In 2010, the Cooperative performed a depreciation study, which resulted in adjusted depreciation rates beginning in 2011. Depreciation is computed using the straight-line method based on composite annual rates as follows:

	Rates		
Water utility plant	5.00%	to	10.00%
Electric utility plant	4.47%	to	11.89%
Street lighting	-	to	15.81%
Gas utility plant	3.15%	to	13.24%
Buildings and improvements	3.00%	to	20.00%
Vehicles and heavy equipment	7.00%	to	20.00%
Other general plant	5.00%	to	20.00%
Generators	3.20%	to	20.00%

The following is a summary of depreciation expense:

<i>Years Ended December 31,</i>	2019	2018
Depreciation	\$ 2,676,646	\$ 2,649,855
Depreciation charged to clearing accounts	107,472	105,593
Total Depreciation	\$ 2,784,118	\$ 2,755,448

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

6. Deferred Charges

Deferred charges, net of accumulated amortization, at December 31, 2019 and 2018 consisted of the following:

<i>December 31,</i>	2019	2018
Employee benefits	\$ 3,155,356	\$ 3,599,201
NARL preliminary work	21,384	42,767
Cost of service study	-	23,839
Total Deferred Charges	\$ 3,176,740	\$ 3,665,807

Included in deferred charges are preliminary study and research expenses. Such costs are originally deferred and subsequently capitalized to resultant construction or amortized over three to five years if construction does not materialize. During 2015, the Cooperative joined the NRECA Retirement Security Plan (see Note 15) and incurred other employee benefit costs. Employee benefit deferred charges are amortized over approximately 17 years, based on estimated remaining years of employee service.

7. Cash and Cash Equivalents

The Cooperative maintains its cash and cash equivalents with Wells Fargo Bank Alaska, N.A. Amounts held by the bank (bank balances) totaled \$4,751,761 and \$1,414,686 as of December 31, 2019 and 2018, respectively. The balances insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2019 and 2018 were limited to \$250,000. The Cooperative's uninsured bank balances at December 31, 2019 and 2018 were \$4,501,761 and 1,164,686, respectively.

8. Investments

The Cooperative's investment policy allows for a variety of investments with maturities of five years or less, including investments in obligations of U.S. Government agencies, certificates of deposit, repurchase agreements, commercial paper, money market funds, and certain U.S. corporate obligations. In accordance with Accounting Standards Codification 820, the Cooperative's investments are held at fair value as determined through Level 1 inputs as described in Note 2 under "Fair Value Measurements." All investments were fully insured at December 31, 2019 and 2018.

Consumer deposits and certificate of deposit included in restricted funds have restrictions placed on them by third parties. The emergency fund investments are restricted by choice of the Board of Directors of Barrow Utilities and Electric Cooperative, Inc.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

Investments consisted of the following:

<i>December 31,</i>	2019	2018
Certificates of deposit	\$ 481,264	\$ 593,859
Cash sweep accounts	253,215	124,388
Total Investments	\$ 734,479	\$ 718,247

In the financial statements, investments are presented as follows:

<i>December 31,</i>	2019	2018
Consumer deposits	\$ 120,074	\$ 122,792
Certificate of deposit	25,000	25,000
Emergency fund investments	487,000	487,000
Total restricted investments	632,074	634,792
Current investments	102,405	83,455
Total Investments	\$ 734,479	\$ 718,247

9. Investments in Associated Organizations

Investments in associated organizations consisted of the following:

<i>December 31,</i>	2019	2018
National Rural Utilities Cooperative Finance Corporation (NRUCFC):		
Capital term certificates	\$ 491,054	\$ 440,034
Patronage capital credits	155,503	155,503
Statutory income allocations from Alaska Rural Electric Cooperative Association (ARECA) Insurance Exchange	2,083,355	1,908,928
Arctic Slope Telephone Association Cooperative	120,115	110,658
National Information Solutions Cooperative	23,895	21,184
Total Investments in Associated Organizations	\$ 2,873,922	\$ 2,636,307

The balance of investments in associated organizations allocated to the North Slope Borough was \$40,884 and \$27,869 in 2019 and 2018, respectively. The amount distributed was \$7,434 and \$8,178 in 2019 and 2018, respectively.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

10. Patronage Capital

Patronage capital consisted of the following:

<i>December 31,</i>	2019	2018
Assigned	\$ 15,854,478	\$ 15,867,227
Assignable	472,152	202,431
Total Patronage Capital	\$ 16,326,630	\$ 16,069,658

Under provisions of its long-term debt agreements (Note 13), unless the total of equities and margins is equal to or greater than 40 percent of the total assets of the Cooperative, returns to patrons are limited to 30 percent of the patronage capital and margins in the prior year. In addition, no returns to patrons are permitted if the Cooperative is in default under the agreement or accrued liabilities are in excess of current assets. Also, annual distributions of capital credits cannot reduce total equity below 21 percent of total assets.

11. Other Equities

Other equities consisted of the following:

<i>December 31,</i>	2019	2018
Donated capital	\$ 126,114	\$ 126,114
Cancellation of debt by the Bureau of Indian Affairs	981,505	981,505
Excess fire insurance proceeds, net of administration building accumulated amortization of \$345,512 in 2019 and \$341,997 in 2018	410,078	413,593
Retired capital credit gains	391,566	561,455
Deceased membership capital transferred to equity	5,000	5,000
Total Other Equities	\$ 1,914,263	\$ 2,087,667

12. Line of Credit

At December 31, 2019, the Cooperative had a \$3,000,000 unsecured line of credit available with NRUCFC. It is a perpetual line of credit that is renewed automatically each year. Interest is based on the prevailing bank prime rate plus one percent per annum or a lesser rate as may be established by NRUCFC. In addition, the agreement requires the outstanding balance to be reduced to zero for at least five consecutive days in each year. There was \$375,000 outstanding under the line of credit at December 31, 2019 and 2018. The remaining balance was available to be drawn.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

13. Long-term Debt

The Cooperative has a loan agreement with NRUCFC. Loan payments are due quarterly with interest until final maturities, which vary through 2052. The interest rates are fixed on each loan and vary from 3.10% to 7.05%. The loans are collateralized by all of the Cooperative's assets except for vehicles. The loan agreements require the Cooperative to maintain an average debt service coverage ratio of not less than 1.35. Additional debt covenants are discussed in Note 10.

The Cooperative participates in NRUCFC's Powervision loan program. This program allows a qualifying utility to be pre-approved for general-purpose loans that are secured by the assets and revenues of the utility. The Cooperative was approved for an aggregate commitment of \$74,000,000 accessible upon Board approval and by maintaining certain debt covenants. The Cooperative has an unadvanced loan balance of \$21,872,515 at December 31, 2019.

The following are the outstanding balances on the loans:

<i>December 31,</i>	2019	2018
NRUCFC Powervision notes, quarterly installments currently at \$769,151 including interest at varying rates from 3.40% to 7.05% through 2052	\$ 28,323,935	26,218,506
Less current maturities	(1,955,862)	(1,743,599)
Long-term Debt, net of current maturities	\$ 26,368,073	\$ 24,474,907

Future principal payments are due as follows:

<i>Year Ending December 31,</i>	Amount
2020	\$ 1,955,862
2021	2,044,633
2022	1,879,384
2023	1,606,684
2024	1,360,714
Thereafter	19,476,658
	\$ 28,323,935

Barrow Utilities and Electric Cooperative, Inc.

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14. Revenue From Contracts With Customers

Disaggregation of Revenue

Operating revenue recognized for the years ended December 31, 2019 and 2018 consists of the following:

<i>Years Ended December 31,</i>	2019	2018
Electric Service:		
Base rate	\$ 6,038,572	\$ 5,914,033
Access charge	934,943	678,036
Other charges	950	22,257
Discounts	(546,133)	(553,229)
Total Electric Service	\$ 6,428,332	\$ 6,061,097
Natural Gas Service:		
Base rate	\$ 2,362,629	\$ 2,108,510
Access charge	433,542	388,452
Other charges	240	622
Discounts	(214,222)	(209,173)
Total Natural Gas Service	\$ 2,582,189	\$ 2,288,411
Water Sales:		
Base rate	\$ 3,185,551	\$ 3,180,101
Access charge	661,046	642,715
Other charges	10,578	8,364
Discounts	(232,660)	(231,785)
Total Water Sales	\$ 3,624,515	\$ 3,599,395

15. Employee Benefit Plans

Defined Benefit Pension Plans

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) and Alaska Electrical Trust Fund retirement programs. Both plans are master multi-employer defined benefit plans qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code.

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.

NRECA Retirement Security Plan Information

The National Rural Electric Cooperative Association (NRECA), Retirement Security Plan (RS Plan) sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

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The Cooperative contributions to the RS Plan in 2019 and 2018 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$644,092 in 2019 and \$589,599 in 2018. This plan is 100% paid by employer (ER) contributions. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

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, 2019 and 2018 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.

Alaska Electrical Pension Plan Information

The Alaska Electrical Pension Plan sponsor’s Employer Identification Number is 92-6005171 and the Plan Number is 001. The Cooperative’s contributions to the Plan in 2019 and in 2018 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan of \$908,794 in 2019 and \$802,687 in 2018. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

In total, the Alaska Electrical Pension Plan was more than 80% funded at December 31, 2019 and 2018 as certified by the Plan actuary. The Plan is not subject to funding improvement plans or rehabilitation plans and as a result, the Cooperative is not subject to contribution surcharges. There are no minimum funding commitments as negotiated contributions currently satisfy the Cooperative’s commitment towards meeting the annual minimum funding requirement for the Alaska Electrical Pension Plan. 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.

401(k) Plan

The Cooperative participates in a defined contribution employee savings plan created in accordance with Section 401(k) of the Internal Revenue Code and sponsored by the National Rural Electric Cooperative Association. The Plan is a master multiple-employer plan in which all nonunion and other eligible employees who have completed three months of employment are participants. The Cooperative contributes 6.0 percent of the eligible nonunion salaries. Contributions to the Plan by the Cooperative totaled \$165,107 and \$146,096 during the years ended December 31, 2019 and 2018, respectively. Eligible nonunion and union employees may also contribute to the Plan from their annual compensation.

Health and Welfare Benefit Plans

The Cooperative participates in multi-employer plans that provide all employees with healthcare, life insurance, and other welfare benefits during their working lives and certain benefits after retirement. Amounts charged to benefit cost and contributed to the health and welfare plans for those benefits totaled \$3,887,700 and \$3,789,560 for the years ended December 31, 2019 and 2018, respectively.

Barrow Utilities and Electric Cooperative, Inc.

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16. Operating Leases

The Cooperative has two land lease agreements with the State of Alaska. The first lease, for which the Cooperative pays \$6,901 annually, expires April 1, 2023 and is renewable upon expiration. The second lease requires future annual payments of \$42,379 and expires April 1, 2047. The Cooperative also leases employee housing from an unrelated party.

The following is a schedule of future minimum lease payments for the operating leases:

<i>Year Ending December 31,</i>	<i>Amount</i>
2020	\$ 94,331
2021	61,290
2022	66,399
2023	58,866
2024	56,355
Thereafter	1,253,907
Total	\$ 1,591,148

17. Concentrations

The Cooperative sells utility services and grants credit to customers in Barrow, Alaska, including operations of the BUS under the contract with the North Slope Borough. Accordingly, the risk exists that the ability to collect amounts due from customers could be affected by economic fluctuations and operations could be affected by the geography and climate in this area. Historically credit losses have not been significant.

18. Commitments and Contingencies

The Cooperative purchases all of the natural gas used for generation and resale from the North Slope Borough under an agreement which was to terminate on December 31, 2000. Under this agreement, if a new agreement was not negotiated by December 31, 2000, then the terms of the original agreement will stay in effect until such time that the parties renegotiate and renew the agreement. As of December 31, 2019, no new agreement has been negotiated. The Cooperative is not required to take any gas in excess of its use requirements at any given time.

The Cooperative, in the normal course of its activities, is involved in various claims and litigation. In the opinion of management and legal counsel for the Cooperative, the disposition of these matters is not expected to have a material positive or adverse effect on the Cooperative's financial statements.

19. Adoption of New Accounting Standard

On January 1, 2019, the Cooperative adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* using the modified retrospective method; however, there were no contracts that were not substantially complete as of January 1, 2019. The adoption of ASC 606 did not result in a cumulative effect adjustment to patronage capital, and there was no change to revenue for the year ended December 31, 2018 as a result of applying ASC 606.

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20. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally, and Governor Dunleavy issued a public health disaster emergency for the State of Alaska.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Cooperative’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Cooperative is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

- Various suppliers have decreased production due to factory closures or reduced operating hours in those facilities. While the Cooperative considers this disruption to be temporary, continued disruption in the supply chain may lead to a delayed receipt by the Cooperative of necessary materials and supplies.
- The Cooperative is dependent on its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives may impact the Cooperative’s ability to deploy its workforce as effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact performance of services or require use of emergency personnel.
- The Cooperative anticipates a longer receivables cycle in 2020.

Although the Cooperative cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Cooperative’s results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. At this time, the Cooperative does not plan to pursue deferral of tax payments or loan funding or does not qualify for the loan programs as they are currently designed.

The Cooperative continues to examine the impact that the CARES Act may have on the Cooperative’s business. Currently, management is unable to determine the impact that the CARES Act will have on the Cooperative’s financial condition, results of operation or liquidity.