



# **Barrow Utilities and Electric Cooperative, Inc.**

## **Financial Statements** Years Ended December 31, 2021 and 2020

# **Barrow Utilities and Electric Cooperative, Inc.**

---

Financial Statements  
Years Ended December 31, 2021 and 2020

# Barrow Utilities and Electric Cooperative, Inc.

## Contents

---

	Page
Independent Auditor's Report	1-2
<b>Financial Statements</b>	
Balance Sheets	4-5
Statements of Revenues and Changes in Patronage Capital	6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-20



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.  
Utqiagvik, Alaska

### ***Opinion***

We have audited the financial statements of Barrow Utilities and Electric Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cooperative 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 (GAAS). 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 the Cooperative 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Cooperative's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the Cooperative'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 the Cooperative'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.

*BDO USA, LLP*

Anchorage, Alaska  
November 8, 2022

## Financial Statements

---

# Barrow Utilities and Electric Cooperative, Inc.

## Balance Sheets

December 31,	2021	2020
<b>Assets</b>		
<b>Utility Plant</b>		
Electric utility plant	\$ 25,359,122	\$ 25,173,381
Gas utility plant	3,262,543	3,010,349
Water utility plant	24,347,634	24,599,350
Buildings and improvements	8,789,812	6,485,658
Vehicles and heavy equipment	2,885,200	2,938,710
Unclassified plant	110,268	12,949
Other general plant	1,658,202	1,586,022
<hr/>		
Total utility plant in service	66,412,781	63,806,419
Construction work in progress	576,966	819,925
<hr/>		
Total utility plant	66,989,747	64,626,344
Less accumulated depreciation	(31,425,356)	(29,318,016)
<hr/>		
<b>Net Utility Plant</b>	<b>35,564,391</b>	<b>35,308,328</b>
<hr/>		
<b>Other Assets and Investments</b>		
Restricted funds:		
Consumer deposits	135,905	131,664
Certificate of deposit	25,000	25,000
Emergency fund investments	487,000	487,000
Investments in associated organizations	3,273,720	3,037,903
<hr/>		
<b>Total Other Assets and Investments</b>	<b>3,921,625</b>	<b>3,681,567</b>
<hr/>		
<b>Current Assets</b>		
Cash - general	1,612,099	2,803,151
Investments	90,772	94,748
Consumer accounts receivable net of allowance for doubtful accounts of \$121,901 in 2021 and \$120,819 in 2020	1,948,855	1,940,253
Other accounts receivable, net	4,317,268	2,654,624
Materials, fuel and supplies inventories	1,722,473	1,611,889
Prepayments	41,773	28,696
<hr/>		
<b>Total Current Assets</b>	<b>9,733,240</b>	<b>9,133,361</b>
<hr/>		
<b>Deferred Charges</b>	<b>2,736,491</b>	<b>2,936,235</b>
<hr/>		
<b>Total Assets</b>	<b>\$ 51,955,747</b>	<b>\$ 51,059,491</b>

*See accompanying notes to financial statements.*

# Barrow Utilities and Electric Cooperative, Inc.

## Balance Sheets, continued

December 31,	2021	2020
<b>Equities and Liabilities</b>		
<b>Equities</b>		
Memberships	\$ 4,698	\$ 4,698
Patronage capital	20,491,777	18,022,788
Other equities	1,919,478	1,911,048
<b>Total Equities</b>	<b>22,415,953</b>	<b>19,938,534</b>
<b>Liabilities</b>		
<b>Long-term Liabilities</b>		
Long-term debt	25,908,439	27,787,959
Less current maturities	(1,906,997)	(2,281,891)
<b>Total Long-term Liabilities</b>	<b>24,001,442</b>	<b>25,506,068</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	1,906,997	2,281,891
Accounts payable	1,490,559	1,430,717
Consumer deposits	135,905	131,664
Accrued payroll and benefits	803,541	801,426
Accrued taxes	23,671	23,864
Accrued interest	11,406	10,900
Patronage capital credits payable	359	477
<b>Total Current Liabilities</b>	<b>4,372,438</b>	<b>4,680,939</b>
<b>Deferred Credits</b>		
Consumer advances	2,216	1,523
ARECA allocation due to North Slope Borough	1,163,698	932,427
<b>Total Deferred Credits</b>	<b>1,165,914</b>	<b>933,950</b>
<b>Total Liabilities</b>	<b>29,539,794</b>	<b>31,120,957</b>
<b>Total Equities and Liabilities</b>	<b>\$ 51,955,747</b>	<b>\$ 51,059,491</b>

*See accompanying notes to financial statements.*



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

<i>Years Ended December 31,</i>	2021	2020
<b>Operating Revenues</b>		
Electric service	\$ 7,117,453	\$ 7,041,407
Gas service	2,917,187	2,895,255
Water sales	4,534,351	3,977,247
Service revenue:		
Barrow Utilidor System water distribution	7,525,153	7,172,930
Barrow Utilidor System sewage collection	7,197,674	7,298,885
<b>Total Operating Revenues</b>	<b>29,291,818</b>	<b>28,385,724</b>
<b>Operating Expenses</b>		
Gas for generation	749,126	756,378
Gas for resale	765,154	779,024
Water for resale	3,305,615	2,978,759
Operations and maintenance:		
Electric production	1,142,184	1,141,570
Electric distribution	685,442	873,456
Gas distribution	623,167	772,981
Water production and distribution	1,073,038	1,076,472
Barrow Utilidor System water distribution	2,563,751	2,444,848
Barrow Utilidor System sewage collection	4,713,030	4,719,122
Consumer accounts	589,947	664,670
Administrative and general	6,809,722	5,933,244
Taxes	685,710	664,581
Depreciation	2,928,361	2,872,171
<b>Total Operating Expenses</b>	<b>26,634,247</b>	<b>25,677,276</b>
Operating margins before fixed charges	2,657,571	2,708,448
<b>Fixed Charges</b> - interest on long-term debt	<b>1,042,230</b>	<b>1,123,844</b>
Operating margins after fixed charges	1,615,341	1,584,604
<b>Nonoperating Margins</b>		
Interest income	16,521	23,595
Interest on consumer deposits	(2,117)	(2,106)
Income from investments in associated organizations	71,760	202,684
Loan forgiveness	1,420,687	-
Donations	(115,910)	(112,619)
Other expenses	3,730	-
<b>Net Nonoperating Margins</b>	<b>1,394,671</b>	<b>111,554</b>
Net margins	3,010,012	1,696,158
<b>Patronage Capital</b> , beginning of year	<b>18,022,788</b>	<b>16,326,630</b>
Patronage capital distributions	(541,023)	-
<b>Patronage Capital</b> , end of year	<b>\$ 20,491,777</b>	<b>\$ 18,022,788</b>

*See accompanying notes to financial statements.*

# Barrow Utilities and Electric Cooperative, Inc.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2021	2020
<b>Cash Flows from Operating Activities</b>		
Cash received from consumers	\$ 27,620,572	\$ 27,853,027
Cash paid to employees and suppliers	(23,584,600)	(24,956,337)
Interest paid	(1,044,347)	(1,092,489)
Interest received	16,521	23,595
<b>Net cash from operating activities</b>	<b>3,008,146</b>	<b>1,827,796</b>
<b>Cash Flows for Investing Activities</b>		
Plant additions, including retirement cost	(3,278,844)	(1,333,109)
Funds received from associated organizations, net of payments to North Slope Borough	67,214	55,381
Purchases of investments	(265)	(3,933)
<b>Net cash for investing activities</b>	<b>(3,211,895)</b>	<b>(1,281,661)</b>
<b>Cash Flows for Financing Activities</b>		
Retirement of capital credits	(118)	(927)
Patronage capital distributions	(541,023)	-
Increase (decrease) in other equities	8,430	(3,215)
Consumer deposits received (returned)	4,241	11,590
Payments on line of credit, net	-	(375,000)
Proceeds from long-term debt	1,600,000	1,420,687
Repayment of long-term debt	(2,058,833)	(1,956,663)
<b>Net cash for financing activities</b>	<b>(987,303)</b>	<b>(903,528)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,191,052)</b>	<b>(357,393)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,803,151</b>	<b>3,160,544</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,612,099</b>	<b>\$ 2,803,151</b>

*See accompanying notes to financial statements.*

## Barrow Utilities and Electric Cooperative, Inc.

### Statements of Cash Flows, continued

Years Ended December 31,	2021	2020
<b>Reconciliation of Net Margins to Net Cash from</b>		
<b>Operating Activities</b>		
Net margins	\$ 3,010,012	\$ 1,696,158
Adjustments to reconcile net margins to net cash from operating activities:		
Depreciation	3,022,781	3,003,764
Deferred charges related to operations	199,744	240,505
Income allocation from investments in associated organizations	(71,760)	(202,684)
Loan forgiveness	(1,420,687)	-
(Increase) decrease in assets:		
Consumer accounts receivable, net	(8,602)	(166,443)
Other accounts receivable, net	(1,662,644)	(366,254)
Materials, fuel and supplies inventories	(110,584)	(116,676)
Prepayments	(13,077)	1,428
Increase (decrease) in liabilities:		
Accounts payable	59,842	(2,409,895)
Accrued payroll and benefits	2,115	125,656
Accrued taxes	(193)	23,859
Accrued interest	506	(929)
Consumer advances	693	(693)
<b>Net Cash From Operating Activities</b>	<b>\$ 3,008,146</b>	<b>\$ 1,827,796</b>
<b>Supplemental Disclosure of Noncash Information</b>		
Forgiveness of long-term debt	\$ 1,420,687	\$ -

*See accompanying notes to financial statements.*

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

---

### 1. Organization

Barrow Utilities Electric Cooperative, Inc., (Cooperative) operates electric, natural gas, water and sewer utilities in Utqiagvik, 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.

### *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*

#### *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, 2021 and 2020. 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, 2021 and 2020. 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 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 15% of operating revenue and 14% of operating revenue for the years ended December 31, 2021 and 2020, respectively. 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 less than 1% of total 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.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

---

### ***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 condition, 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.

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.

### ***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.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

---

### *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 2019-2021 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 November 8, 2022, the date on which the financial statements were available to be issued.

## **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 \$12,615,678 and \$12,345,496 for the years ended December 31, 2021 and 2020, respectively, are included in BUS revenues.

*The remainder of this page intentionally left blank.*

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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>	2021	2020
BUS water distribution revenue	\$ 1,945,357	\$ 1,964,604
BUS water distribution Borough subsidy	5,579,796	5,208,326
<b>Total BUS water distribution revenue</b>	<b>7,525,153</b>	<b>7,172,930</b>
BUS sewer collection revenue	161,792	161,715
BUS sewer collection Borough subsidy	7,035,882	7,137,170
<b>Total BUS sewer collection revenue</b>	<b>7,197,674</b>	<b>7,298,885</b>
<b>Total BUS Revenue</b>	<b>\$ 14,722,827</b>	<b>\$ 14,471,815</b>

#### 4. Utility Plant

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

<i>December 31,</i>	2021	2020
General plant	\$ 13,333,214	\$ 11,010,390
Electric utility plant	25,359,122	25,173,381
Gas utility plant	3,262,543	3,010,349
Water utility plant	24,347,634	24,599,350
Unclassified plant	110,268	12,949
<b>Total plant in service</b>	<b>66,412,781</b>	<b>63,806,419</b>
Construction work in progress	576,966	819,925
<b>Total Utility Plant</b>	<b>\$ 66,989,747</b>	<b>\$ 64,626,344</b>



# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

### 5. Depreciation and Amortization

In 2013, the Cooperative performed a depreciation study, which resulted in adjusted depreciation rates beginning in 2014. 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>	2021	2020
Depreciation	\$ 2,928,361	\$ 2,872,171
Depreciation charged to clearing accounts	94,420	131,593
<b>Total Depreciation</b>	<b>\$ 3,022,781</b>	<b>\$ 3,003,764</b>

### 6. Deferred Charges

Deferred charges, net of accumulated amortization, at December 31, 2021 and 2020 consisted of employee benefit related charges of \$2,736,491 and \$2,936,235, respectively. During 2015, the Cooperative joined the NRECA Retirement Security Plan (see Note 14) and in doing so, was required to pay into the Plan. Employee benefit deferred charges are amortized over the average 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 \$2,000,530 and \$3,664,026 as of December 31, 2021 and 2020, respectively. The balances insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2021 and 2020 were limited to \$250,000. The Cooperative's uninsured bank balances at December 31, 2021 and 2020 were \$1,750,530 and \$3,414,026, 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.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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, 2021 and 2020.

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.

Investments consisted of the following:

<i>December 31,</i>	2021	2020
Certificates of deposit	\$ 106,590	\$ 493,141
Cash sweep accounts	632,087	245,271
<b>Total Investments</b>	<b>\$ 738,677</b>	<b>\$ 738,412</b>

In the financial statements, investments are presented as follows:

<i>December 31,</i>	2021	2020
Consumer deposits	\$ 135,905	\$ 131,664
Certificate of deposit	25,000	25,000
Emergency fund investments	487,000	487,000
Total restricted investments	647,905	643,664
Current investments	90,772	94,748
<b>Total Investments</b>	<b>\$ 738,677</b>	<b>\$ 738,412</b>

## 9. Investments in Associated Organizations

Investments in associated organizations consisted of the following:

<i>December 31,</i>	2021	2020
National Rural Utilities Cooperative Finance Corporation (NRUCFC):		
Capital term certificates	\$ 590,380	\$ 543,343
Patronage capital credits	154,475	155,503
Statutory income allocations from Alaska Rural Electric Cooperative Association (ARECA) Insurance Exchange	2,378,651	2,192,430
Arctic Slope Telephone Association Cooperative	120,114	120,114
National Information Solutions Cooperative	30,100	26,513
<b>Total Investments in Associated Organizations</b>	<b>\$ 3,273,720</b>	<b>\$ 3,037,903</b>

The increase in the balance of investments in associated organizations allocated to the North Slope Borough was \$231,964 and \$16,678 in 2021 and 2020, respectively. The amount of income allocated to the North Slope Borough was \$1,346 and \$9,030 in 2021 and 2020, respectively.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

---

### 10. Patronage Capital

Patronage capital consisted of the following:

<i>December 31,</i>	2021	2020
Assigned	\$ 17,481,765	\$ 16,326,630
Assignable	3,010,012	1,696,158
<b>Total Patronage Capital</b>	<b>\$ 20,491,777</b>	<b>\$ 18,022,788</b>

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>	2021	2020
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 \$352,542 in 2021 and \$349,027 in 2020	403,048	406,563
Retired capital credit gains	403,811	391,866
Deceased membership capital transferred to equity	5,000	5,000
<b>Total Other Equities</b>	<b>\$ 1,919,478</b>	<b>\$ 1,911,048</b>

### 12. Line of Credit

At December 31, 2021, 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. There was no balance outstanding under the line of credit at December 31, 2021 and 2020. 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 3.40% 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 \$71 million accessible upon Board approval and by maintaining certain debt covenants. The Cooperative has an unadvanced loan balance of \$17,500,000 at December 31, 2021. In April 2021, the Cooperative obtained a \$1,600,000 loan from NRUCFC to purchase a property.

In June 2020, the Cooperative received a \$1,420,687 Small Business Administration (SBA) Paycheck Protection Program (PPP) loan as part of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was forgiven in 2021.

The following are the outstanding balances on the loans:

<i>December 31,</i>	2021	2020
NRUCFC Powervision notes, quarterly installments currently at \$795,082 including interest at varying rates from 3.40% to 7.05% through 2052	\$ 25,908,439	\$ 26,367,272
Paycheck Protection Program loan	-	1,420,687
Total long-term debt	25,908,439	27,787,959
Less current maturities	(1,906,997)	(2,281,891)
<b>Long-term Debt, net of current maturities</b>	<b>\$ 24,001,442</b>	<b>\$ 25,506,068</b>

Future principal payments are due as follows:

<i>Year Ending December 31,</i>	Amount
2022	\$ 1,906,997
2023	1,635,515
2024	1,390,817
2025	1,318,144
2026	1,294,581
Thereafter	18,362,385
	<b>\$ 25,908,439</b>

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

---

### 14. 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.

The Cooperative 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. The Cooperative made contributions to the RS Plan of \$703,228 in 2021 and \$723,984 in 2020. This plan is 100% paid by employer (ER) contributions. There have been no significant changes that affect the comparability of 2021 and 2020 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, 2021 and 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.

#### *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 2021 and in 2020 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan of \$991,708 in 2021 and \$994,453 in 2020. There have been no significant changes that affect the comparability of 2021 and 2020 contributions.

In total, the Alaska Electrical Pension Plan was more than 80% funded at December 31, 2021 and 2020 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.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

---

### **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 \$172,935 and \$166,752 during the years ended December 31, 2021 and 2020, 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 \$2,144,682 and \$2,012,945 for the years ended December 31, 2021 and 2020, respectively.

## **15. Operating Leases**

The Cooperative has two land lease agreements with the State of Alaska. The first lease, for which the Cooperative pays \$10,044 annually, expires April 1, 2023 and is renewable upon expiration. The second lease requires future annual payments of \$46,587 and expires April 1, 2047.

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

<i>Year Ending December 31,</i>	<i>Amount</i>
2022	\$ 105,999
2023	58,866
2024	56,355
2025	56,355
2026	56,355
Thereafter	1,141,196
<b>Total</b>	<b>\$ 1,475,126</b>

## **16. Concentrations**

The Cooperative sells utility services and grants credit to customers in Utqiagvik, 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.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

---

### 17. 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, 2021, 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.

### 18. Related Parties

Certain utility plant construction contracts were awarded to a company which a Board member of the Cooperative was also a Board member. Total costs incurred during the year ended December 31, 2021 and 2020 on these contracts were \$0 and \$1,363,707, respectively.

### 19. Adoption of New Accounting Standard

#### Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, which supersedes the current lease guidance under Leases (Topic 840) and makes several changes, such as requiring an entity to recognize a right-of-use ("ROU") asset and corresponding lease obligation on the balance sheet, classified as financing or operating, as appropriate. The update was effective for private companies for annual and interim reporting periods beginning after December 15, 2019 and is adopted under the modified retrospective approach.

In July 2018, the FASB issued ASU 2018-10 "Codification Improvements to Topic 842, Leases" to add clarity to certain areas within ASU 2016-02 and ASU 2018-11 "Targeted Improvements", to add an additional and optional transition method, to adopt the new leases standard by allowing recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In December 2018, the FASB issued ASU 2018-20 "Narrow-Scope Improvements for Lessors" to add clarity to lessors accounting for sales taxes and other similar taxes collected from lessees, accounting for variable payments for contracts with lease and nonlease components, and accounting for certain lessor costs. The effective date and transition requirements of these updates will be the same as ASU 2016-02. However, on July 17, 2019, the FASB decided to postpone the effective date for private companies for twelve months pending a public comment period. On May 20, 2020, the FASB decided to postpone the effective date for private companies to fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The Cooperative will evaluate the effect that adoption of this new standard will have on the Cooperative's financial statements.