

Barrow Utilities and Electric Cooperative, Inc.

Financial Statements
Years Ended December 31, 2023 and 2022

The report accompanying these financial statements was issued by
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of
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Barrow Utilities and Electric Cooperative, Inc.

Financial Statements
Years Ended December 31, 2023 and 2022

Barrow Utilities and Electric Cooperative, Inc.

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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, 2023 and 2022, 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, 2023 and 2022, 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 available to be issued.

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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, P.C.

Anchorage, Alaska
April 30, 2024

Financial Statements

Barrow Utilities and Electric Cooperative, Inc.

Balance Sheets

December 31,	2023	2022
Assets		
Utility Plant		
Electric utility plant	\$ 26,979,994	\$ 25,219,582
Gas utility plant	3,214,361	3,109,063
Water utility plant	24,440,660	24,423,823
Buildings and improvements	8,697,613	8,790,779
Vehicles and heavy equipment	3,161,928	3,150,766
Other general plant	1,926,608	1,675,580
Right of use asset - operating lease	715,999	715,999
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Total utility plant in service	69,137,163	67,085,592
Construction work in progress	1,566,750	878,581
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Total utility plant	70,703,913	67,964,173
Less accumulated depreciation and amortization	(36,731,974)	(33,989,211)
<hr/>		
Net Utility Plant	33,971,939	33,974,962
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Other Assets and Investments		
Restricted cash:		
Consumer deposits	130,435	125,550
Emergency fund	487,000	487,000
Restricted investments - certificate of deposit	25,000	25,000
Investments in associated organizations	3,116,939	3,306,664
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Total Other Assets and Investments	3,759,374	3,944,214
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Current Assets		
Cash - general	3,995,821	5,128,386
Investments	-	104,723
Consumer accounts receivable net of allowance for expected credit losses of \$122,596 in 2023 and \$121,901 in 2022	1,979,142	2,033,371
Other accounts receivable, net	3,903,347	2,976,860
Materials, fuel and supplies inventories	2,166,155	1,934,943
Prepayments	-	14,158
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Total Current Assets	12,044,465	12,192,441
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Deferred Charges	2,165,956	2,406,617
<hr/>		
Total Assets	\$ 51,941,734	\$ 52,518,234

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Balance Sheets, continued

December 31,	2023	2022
Equities and Liabilities		
Equities		
Memberships	\$ 4,698	\$ 4,698
Patronage capital	23,223,474	22,464,310
Other equities	2,216,504	2,202,124
Total Equities	25,444,676	24,671,132
Liabilities		
Long-term Liabilities		
Long-term debt, net of current portion	20,973,327	22,365,052
Leases payable, net of current portion	647,319	669,412
Total Long-term Liabilities	21,620,646	23,034,464
Current Liabilities		
Current maturities of long-term debt	1,390,817	1,635,515
Current portion of leases payable	34,340	46,587
Accounts payable	1,235,376	1,184,798
Consumer deposits	130,435	125,550
Accrued payroll and benefits	747,761	627,238
Accrued taxes	-	23,985
Accrued interest	8,865	9,200
Total Current Liabilities	3,547,594	3,652,873
Deferred Credits		
Consumer advances	307,457	4,978
Allocations due to North Slope Borough	1,021,361	1,154,787
Total Deferred Credits	1,328,818	1,159,765
Total Liabilities	26,497,058	27,847,102
Total Equities and Liabilities	\$ 51,941,734	\$ 52,518,234

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>	2023	2022
Operating Revenues		
Electric service	\$ 7,036,031	\$ 7,250,510
Gas service	2,939,599	3,017,544
Water sales	4,907,590	4,362,180
Service revenue:		
Barrow Utilidor System water distribution	9,408,094	7,851,916
Barrow Utilidor System sewage collection	8,472,155	8,167,270
Total Operating Revenues	32,763,469	30,649,420
Operating Expenses		
Gas for generation	766,089	762,320
Gas for resale	733,739	749,954
Water for resale	3,824,509	3,261,552
Operations and maintenance:		
Electric production	1,567,083	1,249,762
Electric distribution	1,168,759	963,796
Gas distribution	737,054	599,829
Water production and distribution	1,395,178	1,154,920
Barrow Utilidor System water distribution	3,240,074	2,547,650
Barrow Utilidor System sewage collection	5,115,386	4,817,678
Consumer accounts	663,651	564,285
Administrative and general	8,105,966	7,555,306
Taxes	797,443	718,372
Depreciation	2,538,402	2,754,278
Total Operating Expenses	30,653,333	27,699,702
Operating margins before fixed charges	2,110,136	2,949,718
Fixed Charges - interest on long-term debt	889,903	960,414
Operating margins after fixed charges	1,220,233	1,989,304
Nonoperating Margins		
Interest income	378,327	34,738
Interest on consumer deposits	(774)	(1,936)
Income (loss) from investments in associated organizations	(7,235)	103,180
Donations	(137,114)	(152,753)
Net Nonoperating Margins	233,204	(16,771)
Net margins	1,453,437	1,972,533
Patronage Capital , beginning of year	22,464,310	20,491,777
Patronage capital distributions	(694,273)	-
Patronage Capital , end of year	\$ 23,223,474	\$ 22,464,310

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Statements of Cash Flows

<i>Years Ended December 31,</i>	2023	2022
Cash Flows from Operating Activities		
Cash received from consumers	\$ 31,891,211	\$ 31,905,312
Cash paid to employees and suppliers	(27,543,465)	(25,342,594)
Interest paid	(890,677)	(962,350)
Interest received	378,327	34,738
Net cash from operating activities	3,835,396	5,635,106
Cash Flows for Investing Activities		
Plant additions, including retirement cost	(2,805,432)	(540,608)
Funds received from associated organizations, net of payments to North Slope Borough	49,064	61,325
Purchases of investments	-	(3,596)
Proceeds from sales of investments	104,723	612,550
Net cash (for) from investing activities	(2,651,645)	129,671
Cash Flows for Financing Activities		
Retirement of capital credits	-	(359)
Patronage capital distributions	(694,273)	-
Increase (decrease) in other equities	14,380	282,646
Consumer deposits received (returned)	4,885	(10,355)
Repayment of long-term debt	(1,636,423)	(1,907,872)
Net cash for financing activities	(2,311,431)	(1,635,940)
Net increase (decrease) in cash and cash equivalents	(1,127,680)	4,128,837
Cash and Cash Equivalents, beginning of year	5,740,936	1,612,099
Cash and Cash Equivalents, end of year	\$ 4,613,256	\$ 5,740,936

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Statements of Cash Flows, continued

Years Ended December 31,	2023	2022
Reconciliation of Net Margins to Net Cash from		
Operating Activities		
Net margins	\$ 1,453,437	\$ 1,972,533
Adjustments to reconcile net margins to net cash from operating activities:		
Depreciation	2,808,455	2,846,036
Deferred charges related to operations	240,661	329,874
(Income) loss allocation from investments in associated organizations	7,235	(103,180)
(Increase) decrease in assets:		
Consumer accounts receivable, net	54,229	(84,516)
Other accounts receivable, net	(926,487)	1,340,408
Materials, fuel and supplies inventories	(231,212)	(212,470)
Prepayments	14,158	27,615
Increase (decrease) in liabilities:		
Accounts payable	50,578	(305,761)
Accrued payroll and benefits	120,523	(176,303)
Accrued taxes	(23,985)	314
Accrued interest	(335)	(2,206)
Consumer advances	302,479	2,762
Leases payable	(34,340)	-
Net Cash From Operating Activities	\$ 3,835,396	\$ 5,635,106

See accompanying notes to financial statements.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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.

Leases

The Cooperative leases certain real and personal property under noncancelable operating leases. The Cooperative determines if an arrangement is a lease at inception if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the arrangement is a lease, the Cooperative determines whether the lease should be classified as an operating or a finance lease. The Cooperative recognizes a right-of-use (“ROU”) asset and a lease liability based on the present value of the future minimum lease payments over the lease term at the commencement date. The Cooperative adjusts the ROU assets for any prepayments, lease incentives and initial direct costs.

The Cooperative elected to use an incremental borrowing rate at commencement date to calculate the present value of future lease payments. The rate is updated for new leases that commence during the period unless a triggering event occurs requiring more frequent reassessment. Some leases give the Cooperative options to renew. The Cooperative usually has to give advance notice of its intention to renew a lease. The Cooperative defines the initial lease term to include renewal options determined to be reasonably certain of being exercised. Lease assets are evaluated for impairment in a manner consistent with the treatment of other long-lived assets.

Certain leases require the Cooperative to pay routine maintenance, utilities and operating expenses. These expenses are variable in nature and are typically a percentage of costs incurred by the landlord. Variable expenses are not included in the determination of lease assets and liabilities but are recognized as incurred and disclosed in the financial statements. As of December 31, 2023, the Cooperative did not have any lease agreements with residual value guarantees or material restrictions or covenants. The Cooperative has no lessor arrangements.

The Cooperative includes amortization of the right of use asset within accumulated depreciation and amortization on the balance sheet.

The Cooperative includes changes in lease payable in cash paid to employees and suppliers on the statement of cash flows.

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.

Restricted Funds

Consumer deposits included in restricted funds have restrictions placed on them by third parties. The emergency fund is 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 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 21% and 24% of operating revenue for the years ended December 31, 2023 and 2022, respectively. 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 9% and 10% of operating revenue for the years ended December 31, 2023 and 2022, respectively. 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, 2023 and 2022, respectively. Water sales consist of commercial sales to large wholesale customers and are billed monthly. Approximately 87% 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.

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 current expected credit losses 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.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

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.

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 ASC 740 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 2021-2023 remain open to examination.

Reclassification

Certain amounts for the year ended December 31, 2022 have been reclassified to conform to the current year presentation.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

Subsequent Events

The Cooperative has evaluated subsequent events through April 30, 2024, the date on which the financial statements were available to be issued.

Adoption of Accounting Pronouncements

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were accounts receivable.

The Cooperative has adopted the standard effective January 1, 2023. The impact of adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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 \$15,667,868 and \$13,884,757 for the years ended December 31, 2023 and 2022, 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.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

BUS revenues consisted of the following:

<i>Years Ended December 31,</i>	2023	2022
BUS water distribution revenue	\$ 2,052,070	\$ 1,971,741
BUS water distribution Borough subsidy	7,356,024	5,880,175
Total BUS water distribution revenue	9,408,094	7,851,916
BUS sewer collection revenue	160,311	162,688
BUS sewer collection Borough subsidy	8,311,844	8,004,582
Total BUS sewer collection revenue	8,472,155	8,167,270
Total BUS Revenue	\$ 17,880,249	\$ 16,019,186

4. Utility Plant

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

<i>December 31,</i>	2023	2022
General plant	\$ 13,786,149	\$ 13,617,125
Electric utility plant	26,979,994	25,219,582
Gas utility plant	3,214,361	3,109,063
Water utility plant	24,440,660	24,423,823
Right of use asset - operating lease	715,999	715,999
Total plant in service	69,137,163	67,085,592
Construction work in progress	1,566,750	878,581
Total Utility Plant	\$ 70,703,913	\$ 67,964,173

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%

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

The following is a summary of depreciation expense:

<i>Years Ended December 31,</i>	2023	2022
Depreciation	\$ 2,538,402	\$ 2,754,278
Depreciation charged to clearing accounts	270,053	91,758
Total Depreciation	\$ 2,808,455	\$ 2,846,036

Amortization of the right of use asset was \$34,340 for year ended December 31, 2023.

6. Deferred Charges

Deferred charges, net of accumulated amortization, at December 31, 2023 and 2022 consisted of employee benefit related charges of \$2,165,956 and \$2,406,617, respectively. During 2015, the Cooperative joined the NRECA Retirement Security Plan (see Note 15) 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 \$5,298,161 and \$5,273,625 as of December 31, 2023 and 2022, respectively. The balances insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2023 and 2022 were limited to \$250,000. The Cooperative's uninsured bank balances at December 31, 2023 and 2022 were \$5,048,161 and \$5,023,625, respectively.

Cash and cash equivalents consisted of the following:

<i>December 31,</i>	2023	2022
Cash - general	\$ 3,995,821	\$ 5,128,386
Restricted cash:		
Consumer deposits	130,435	125,550
Emergency fund	487,000	487,000
Total Cash and Cash Equivalents	\$ 4,613,256	\$ 5,740,936

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 ASC 820, the Cooperative's investments were held in certificates of deposit, which 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, 2023 and 2022.

Barrow Utilities and Electric Cooperative, Inc.

Notes to Financial Statements

In the financial statements, investments are presented as follows:

<i>December 31,</i>	2023	2022
Certificate of deposit	\$ 25,000	\$ 25,000
Current investments	-	104,723
Total Investments	\$ 25,000	\$ 129,723

9. Investments in Associated Organizations

Investments in associated organizations consisted of the following:

<i>December 31,</i>	2023	2022
National Rural Utilities Cooperative Finance Corporation (NRUCFC):		
Capital term certificates	\$ 671,250	\$ 631,499
Patronage capital credits	154,475	154,475
Statutory income allocations from Alaska Rural Electric Cooperative Association (ARECA) Insurance Exchange	2,136,486	2,368,094
Arctic Slope Telephone Association Cooperative	120,114	120,114
National Information Solutions Cooperative	34,614	32,482
Total Investments in Associated Organizations	\$ 3,116,939	\$ 3,306,664

The decrease in the balance of investments in associated organizations allocated to the North Slope Borough was \$127,477 and \$8,911 in 2023 and 2022, respectively. The amount of income allocated to the North Slope Borough was \$5,949 and \$20,624 in 2023 and 2022, respectively.

10. Patronage Capital

Patronage capital consisted of the following:

<i>December 31,</i>	2023	2022
Assigned	\$ 21,770,037	\$ 20,491,777
Assignable	1,453,437	1,972,533
Total Patronage Capital	\$ 23,223,474	\$ 22,464,310

Under provisions of its long-term debt agreements (Note 13), unless the total of equities and margins is equal to or greater than 20 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 20 percent of total assets.

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11. Other Equities

Other equities consisted of the following:

<i>December 31,</i>		2023		2022
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 \$356,057 in 2023 and \$356,057 in 2022		399,533		399,533
Retired capital credit gains		704,352		689,972
Deceased membership capital transferred to equity		5,000		5,000
Total Other Equities	\$	2,216,504	\$	2,202,124

12. Line of Credit

At December 31, 2023, 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. The applicable rate at December 31, 2023 was 7.05%. There was no balance outstanding under the line of credit at December 31, 2023 and 2022. The remaining balance was available to be drawn.

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. Average debt service coverage ratio at December 31, 2023 and 2022 were 1.97 and 2.02, respectively. 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 preapproved 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 had an unadvanced loan balance of \$17,500,000 at December 31, 2023 and 2022.

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The following are the outstanding balances on the loans:

<i>December 31,</i>	2023	2022
NRUCFC Powervision notes, quarterly installments currently at \$621,344 including interest at varying rates from 3.40% to 7.05% through 2052	\$ 22,364,144	\$ 24,000,567
Less current maturities	(1,390,817)	(1,635,515)
Long-term Debt, net of current maturities	\$ 20,973,327	\$ 22,365,052

Future principal payments are due as follows:

<i>Year Ending December 31,</i>	Amount
2024	\$ 1,390,817
2025	1,319,064
2026	1,295,539
2027	1,273,158
2028	1,250,476
Thereafter	15,835,090
	\$ 22,364,144

14. Leases

The Cooperative has an operating lease with State of Alaska Department of Transportation and Public Facilities for leased land at the Barrow Airport which commenced April 1, 1997 and expires March 31, 2047. Lease expenses related to this lease payable are \$46,587, annually. Cash paid for operating lease costs, including variable lease costs, was \$51,246 and \$46,587 for the years ended December 31, 2023 and 2022, respectively. The discount rate at December 31, 2023 is 4.34%.

Payments on maturities of lease liabilities are as follows for the year ending:

<i>Year Ending December 31,</i>	Amount
2024	\$ 46,587
2025	46,587
2026	46,587
2027	46,587
2028	46,587
Thereafter	838,568
Total future lease payments	1,071,503
Less interest	(389,844)
Total lease liability	681,659
Less: current portion	(34,340)
Lease Liability, Long-Term Portion	\$ 647,319

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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.

The Cooperative contributions to the RS Plan in 2023 and 2022 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 \$872,214 in 2023 and \$877,744 in 2022. This plan is 100% paid by employer (ER) contributions. There have been no significant changes that affect the comparability of 2023 and 2022 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, 2023 and 2022 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 2023 and in 2022 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan of \$1,107,229 in 2023 and \$1,008,803 in 2022. There have been no significant changes that affect the comparability of 2023 and 2022 contributions.

In total, the Alaska Electrical Pension Plan was more than 80% funded at December 31, 2023 and 2022 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.

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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 \$185,304 and \$166,283 during the years ended December 31, 2023 and 2022, 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 \$2,216,097 and \$2,221,255 for the years ended December 31, 2023 and 2022, respectively.

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.

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. Since December 31, 2000, 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.