

# Barrow Utilities and Electric Cooperative, Inc.

Financial Statements  
Years Ended December 31, 2025 and 2024

The report accompanying these financial statements was issued by  
BDO USA, P.C., a Virginia professional corporation, and the U.S. member of  
BDO International Limited, a UK company limited by guarantee.



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

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Financial Statements  
Years Ended December 31, 2025 and 2024

# 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, 2025 and 2024, 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, 2025 and 2024, 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.



### ***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.**

May 26, 2026

## Financial Statements

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## Barrow Utilities and Electric Cooperative, Inc.

### Balance Sheets

December 31,	2025	2024
<b>Assets</b>		
<b>Utility Plant</b>		
Electric utility plant	\$ 27,606,977	\$ 27,315,411
Gas utility plant	3,231,085	3,214,361
Water utility plant	24,689,930	24,680,549
Buildings and improvements	9,281,257	9,072,830
Vehicles and heavy equipment	3,260,102	3,161,928
Other general plant	1,958,980	2,044,891
Right of use asset - operating lease	715,999	715,999
<b>Total Utility Plant in Service</b>	<b>70,744,330</b>	<b>70,205,969</b>
Construction work in progress	5,301,500	2,176,767
<b>Total Utility Plant</b>	<b>76,045,830</b>	<b>72,382,736</b>
Less: accumulated depreciation and amortization	(40,637,553)	(39,008,269)
<b>Net Utility Plant</b>	<b>35,408,277</b>	<b>33,374,467</b>
<b>Other Assets and Investments</b>		
Restricted cash:		
Consumer deposits	132,966	128,372
Emergency fund	487,000	487,000
Restricted investments - certificate of deposit	25,000	25,000
Investments in associated organizations	3,263,070	3,025,690
<b>Total Other Assets and Investments</b>	<b>3,908,036</b>	<b>3,666,062</b>
<b>Current Assets</b>		
Cash - general	3,783,388	2,412,056
Consumer accounts receivable net of allowance for expected credit losses of \$123,396 in 2025 and \$122,723 in 2024	2,948,466	2,090,052
Other accounts receivable, net	4,997,029	5,065,900
Materials, fuel and supplies inventories	1,797,047	2,283,997
Prepayments	81,303	-
<b>Total Current Assets</b>	<b>13,607,233</b>	<b>11,852,005</b>
<b>Deferred Charges</b>	<b>1,684,632</b>	<b>1,925,294</b>
<b>Total Assets</b>	<b>\$ 54,608,178</b>	<b>\$ 50,817,828</b>

*See accompanying notes to financial statements.*

# Barrow Utilities and Electric Cooperative, Inc.

## Balance Sheets, continued

<i>December 31,</i>	<b>2025</b>	<b>2024</b>
<b>Equities and Liabilities</b>		
<b>Equities</b>		
Memberships	\$ 4,698	\$ 4,698
Patronage capital	27,383,699	23,442,860
Other equities	2,248,032	2,238,541
<b>Total Equities</b>	<b>29,636,429</b>	<b>25,686,099</b>
<b>Liabilities</b>		
<b>Long-term Liabilities</b>		
Long-term debt, net of current portion	19,387,574	19,653,320
Leases payable, net of current portion	641,161	662,569
<b>Total Long-term Liabilities</b>	<b>20,028,735</b>	<b>20,315,889</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	1,324,111	1,319,064
Current portion of leases payable	19,918	19,090
Accounts payable	1,387,750	1,675,705
Consumer deposits	132,966	128,972
Accrued payroll and benefits	637,639	353,876
Accrued interest	6,892	7,471
<b>Total Current Liabilities</b>	<b>3,509,276</b>	<b>3,504,178</b>
<b>Deferred Credits</b>		
Consumer advances	301,762	304,506
Allocations due to North Slope Borough	1,131,976	1,007,156
<b>Total Liabilities</b>	<b>24,971,749</b>	<b>25,131,729</b>
<b>Total Equities and Liabilities</b>	<b>\$ 54,608,178</b>	<b>\$ 50,817,828</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>	<b>2025</b>	<b>2024</b>
<b>Operating Revenues</b>		
Electric service	\$ 8,139,549	\$ 7,131,115
Gas service	2,990,746	2,898,005
Water sales	9,161,851	4,895,496
Service revenue:		
Barrow Utilidor System water distribution	13,216,432	9,469,208
Barrow Utilidor System sewage collection	9,156,977	8,735,182
<b>Total Operating Revenues</b>	<b>42,665,555</b>	<b>33,129,006</b>
<b>Operating Expenses</b>		
Gas for generation	763,631	743,963
Gas for resale	693,064	755,674
Water for resale	7,293,642	3,708,523
Operations and maintenance:		
Electric production	1,844,754	1,595,293
Electric distribution	1,742,954	1,434,969
Gas distribution	1,691,849	1,235,383
Water production and distribution	1,809,408	1,597,333
Barrow Utilidor System water distribution	3,309,008	3,224,376
Barrow Utilidor System sewage collection	5,437,540	5,228,085
Consumer accounts	641,506	653,989
Administrative and general	9,443,612	8,895,250
Taxes	911,701	878,777
Depreciation	2,153,636	2,206,791
<b>Total Operating Expenses</b>	<b>37,736,305</b>	<b>32,158,406</b>
Operating margins before fixed charges	4,929,250	970,600
<b>Fixed Charges</b> - interest on long-term debt	<b>805,311</b>	<b>826,744</b>
Operating margins after fixed charges	4,123,939	143,856
<b>Nonoperating Margins</b>		
Interest income	443,942	285,545
Income from investments in associated organizations	178,227	27,553
Donations	(257,660)	(237,568)
<b>Net Nonoperating Margins</b>	<b>364,509</b>	<b>75,530</b>
Net margins	4,488,448	219,386
<b>Patronage Capital</b> , beginning of year	<b>23,442,860</b>	<b>23,223,474</b>
Patronage capital distributions	(547,609)	-
<b>Patronage Capital</b> , end of year	<b>\$ 27,383,699</b>	<b>\$ 23,442,860</b>

*See accompanying notes to financial statements.*

# Barrow Utilities and Electric Cooperative, Inc.

## Statements of Cash Flows

Years ended December 31,	2025	2024
<b>Cash Flows from Operating Activities</b>		
Cash received from consumers	\$ 41,876,012	\$ 31,855,543
Cash paid to employees and suppliers	(34,956,735)	(29,880,900)
Interest paid	(805,311)	(826,744)
Interest received	443,942	285,545
<b>Net Cash from Operating Activities</b>	<b>6,557,908</b>	<b>1,433,444</b>
<b>Cash Flows for Investing Activities</b>		
Plant additions, including retirement cost	(4,452,826)	(1,752,683)
Funds received from associated organizations, net of payments to North Slope Borough	65,667	104,597
<b>Net Cash for Investing Activities</b>	<b>(4,387,159)</b>	<b>(1,648,086)</b>
<b>Cash Flows for Financing Activities</b>		
Patronage capital distributions	(547,609)	-
Increase in other equities	9,491	22,037
Consumer deposits received (returned)	3,994	(1,463)
Proceeds from long-term debt	1,072,000	-
Repayment of long-term debt	(1,332,699)	(1,391,760)
<b>Net Cash for Financing Activities</b>	<b>(794,823)</b>	<b>(1,371,186)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,375,926</b>	<b>(1,585,828)</b>
Cash and Cash Equivalents, beginning of year	\$ 3,027,428	\$ 4,613,256
Cash and Cash Equivalents, end of year	\$ 4,403,354	\$ 3,027,428

*See accompanying notes to financial statements.*

## Barrow Utilities and Electric Cooperative, Inc.

### Statements of Cash Flows, continued

Years ended December 31,	2025	2024
<b>Reconciliation of Net Margins to Net Cash from Operating Activities</b>		
Net margins	\$ 4,488,448	\$ 219,386
Adjustments to reconcile net margins to net cash from operating activities:		
Depreciation	2,419,016	2,350,155
Amortization of deferred charges	240,662	240,662
Income allocation from investments in associated organizations	(178,227)	(27,553)
(Increase) decrease in assets:		
Consumer accounts receivable, net	(858,414)	(110,910)
Other accounts receivable, net	68,871	(1,162,553)
Materials, fuel and supplies inventories	486,950	(117,842)
Prepayments	(81,303)	-
Increase (decrease) in liabilities:		
Accounts payable	(287,955)	440,329
Accrued payroll and benefits	283,763	(393,885)
Accrued interest	(579)	(1,394)
Consumer advances	(2,744)	(2,951)
Leases payable	(20,580)	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 6,557,908</b>	<b>\$ 1,433,444</b>

*See accompanying notes to financial statements.*

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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### 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 (GAAP), 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

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### *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, 2025, 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 ROU 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.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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### ***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.

### ***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 19% and 22% of operating revenue for the years ended December 31, 2025 and 2024, 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 7% and 9% of operating revenue for the years ended December 31, 2025 and 2024, 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 22% and 15% of operating revenue for the years ended December 31, 2025 and 2024, respectively. Water sales consist of commercial sales to large wholesale customers and are billed monthly. Approximately 80% 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

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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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 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 15-year rotation cycle and water capital credits are currently retired on a 12-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.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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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 2022-2024 remain open to examination.

### *Reclassification*

Certain amounts for the year ended December 31, 2024 have been reclassified to conform to the current year presentation.

### *Subsequent Events*

The Cooperative has evaluated subsequent events through May 26, 2026, the date on which the financial statements were available to be issued.

### **3. Barrow Utilidor System**

The Cooperative operates and maintains the 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 based on a cost recovery arrangement established under the contract. Under the agreement, utility costs are billed at actual rates as defined by tariff; equipment rentals are billed at agreed-upon rates; labor is billed at a rate consisting of benefits plus a fixed general and administrative percentage; and supplies and subcontract costs are subject to a fixed general and administrative rate. Accordingly, revenues are intended to recover allowable costs as defined in the contract. A portion of the reimbursement is derived from BUS metered water and sewer fees billed monthly, with the majority of the remaining costs reimbursed through the Borough in accordance with the contract terms.

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 \$18,208,341 and \$15,923,897 for the years ended December 31, 2025 and 2024, respectively, are included in BUS revenues.

The contract with the North Slope Borough was effective through December 31, 2025, and subsequently renewed for one year through December 31, 2026.

<i>December 31,</i>	<b>2025</b>		<b>2024</b>	
BUS water distribution revenue	\$	<b>3,902,572</b>	\$	2,119,858
BUS water distribution Borough subsidy		<b>9,313,860</b>		7,349,350
<b>Total BUS Water Distribution Revenue</b>		<b>13,216,432</b>		<b>9,469,208</b>
BUS sewer collection revenue		<b>262,496</b>		160,635
BUS sewer collection Borough subsidy		<b>8,894,481</b>		8,574,547
<b>Total BUS Sewer Collection Revenue</b>		<b>9,156,977</b>		<b>8,735,182</b>
<b>Total BUS Revenue</b>	\$	<b>22,373,409</b>	\$	<b>18,204,390</b>

# 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>	<b>2025</b>	<b>2024</b>
General plant	\$ 14,500,339	\$ 14,279,649
Electric utility plant	27,606,977	27,315,411
Gas utility plant	3,231,085	3,214,361
Water utility plant	24,689,930	24,680,549
Right of use asset - operating lease	715,999	715,999
<b>Total Plant in Service</b>	<b>70,744,330</b>	<b>70,205,969</b>
Construction work in progress	5,301,500	2,176,767
<b>Total Utility Plant</b>	<b>\$ 76,045,830</b>	<b>\$ 72,382,736</b>

### 5. Depreciation and Amortization

Depreciation is computed using the straight-line method based on composite annual rates as follows:

	<b>Rates (%)</b>
Water utility plant	5.00-10.00
Electric utility plant	4.47-11.89
Street lighting	0.0- 15.81
Gas utility plant	3.15-13.24
Buildings and improvements	3.00-20.00
Vehicles and heavy equipment	7.00-20.00
Other general plant	5.00-20.00
Generators	3.20-20.00

The following is a summary of depreciation expense:

<i>Years ended December 31,</i>	<b>2025</b>	<b>2024</b>
Depreciation	\$ 2,153,636	\$ 2,206,791
Depreciation charged to clearing accounts	265,380	143,364
<b>Total Depreciation</b>	<b>\$ 2,419,016</b>	<b>\$ 2,350,155</b>

Amortization of the ROU asset was \$19,090 and \$18,296 for the years ended December 31, 2025 and 2024, respectively.

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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### 6. Deferred Charges

Deferred charges, net of accumulated amortization, at December 31, 2025 and 2024 consisted of employee benefit related charges of \$1,684,632 and \$1,925,294, 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. Amortization of the deferred charge was \$240,662 for the years ended December 31, 2025 and 2024.

### 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 \$5,031,605 and \$3,531,199 as of December 31, 2025 and 2024, respectively. The balances insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2025 and 2024 were limited to \$250,000. The Cooperative's uninsured bank balances at December 31, 2025 and 2024 were \$4,781,605 and \$3,281,199, respectively.

Cash and cash equivalents consisted of the following:

<i>December 31,</i>	<b>2025</b>	<b>2024</b>
Cash - general	\$ 3,783,388	\$ 2,412,056
Restricted cash:		
Consumer deposits	132,966	128,372
Emergency fund	487,000	487,000
<b>Total Cash and Cash Equivalents</b>	<b>\$ 4,403,354</b>	<b>\$ 3,027,428</b>

### 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, 2025 and 2024.

In the financial statements, investments are presented as a restricted certificate of deposit in the amount of \$25,000 at December 31, 2025 and 2024.

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# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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### 9. Investments in Associated Organizations

Investments in associated organizations consisted of the following:

<i>December 31,</i>	<b>2025</b>	<b>2024</b>
National Rural Utilities Cooperative Finance Corporation (NRUCFC):		
Capital term certificates	\$ 697,395	\$ 687,091
Patronage capital credits	154,475	154,475
Statutory income allocations from Alaska Rural Electric Cooperative Association (ARECA) Insurance Exchange	2,234,753	2,033,508
Arctic Slope Telephone Association Cooperative	139,291	116,758
National Information Solutions Cooperative	37,156	33,858
<b>Total Investments in Associated Organizations</b>	<b>\$ 3,263,070</b>	<b>\$ 3,025,690</b>

Balances of investments in associated organizations allocated to the North Slope Borough increased \$124,821 and decreased \$14,205 in 2025 and 2024, respectively. The amount of income allocated to the North Slope Borough was \$33,101 and \$2,621 in 2025 and 2024, respectively.

### 10. Patronage Capital

Patronage capital consisted of the following:

<i>December 31,</i>	<b>2025</b>	<b>2024</b>
Assigned	\$ 22,895,251	\$ 23,223,474
Assignable	4,488,448	219,386
<b>Total Patronage Capital</b>	<b>\$ 27,383,699</b>	<b>\$ 23,442,860</b>

Under provisions of its long-term debt agreements (Note 13), unless the total of equities and margins is equal to or greater than 20% of the total assets of the Cooperative, returns to patrons are limited to 30% 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% of total assets.

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# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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### 11. Other Equities

Other equities consisted of the following:

<i>December 31,</i>		<b>2025</b>		<b>2024</b>
Donated capital	\$	<b>126,114</b>	\$	126,114
Cancellation of debt by the Bureau of Indian Affairs		<b>981,504</b>		981,504
Excess fire insurance proceeds, net of administrative building accumulated amortization of \$7,032 in 2025 and \$3,516 in 2024		<b>392,500</b>		396,016
Retired capital credit gains		<b>742,914</b>		729,907
Deceased membership capital transferred to equity		<b>5,000</b>		5,000
<b>Total Other Equities</b>	<b>\$</b>	<b>2,248,032</b>	<b>\$</b>	<b>2,238,541</b>

### 12. Line of Credit

At December 31, 2025, 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, 2025 and 2024. 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 3.95% to 6.55%. 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, 2025 and 2024 were 1.40. 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 \$16,428,000 and \$17,500,000 at December 31, 2025 and 2024, respectively.

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# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

The following are the outstanding balances on the loans:

<i>December 31,</i>	<b>2025</b>	<b>2024</b>
NRUCFC Powervision notes, quarterly installments currently at \$553,882 including interest at varying rates from 3.95% to 6.55% through 2052	\$ 20,711,685	\$ 20,972,384
Less current maturities	(1,324,111)	(1,319,064)
<b>Long-term Debt</b> , net of current maturities	<b>\$ 19,387,574</b>	<b>\$ 19,653,320</b>

Future principal payments are due as follows:

<i>Year ending December 31,</i>	<b>Amount</b>
2026	\$ 1,324,111
2027	1,303,518
2028	1,283,003
2029	1,184,033
2030	1,186,821
Thereafter	14,430,199
	<b>\$ 20,711,685</b>

### 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 \$56,355 for the years ended December 31, 2025 and 2024. The discount rate at December 31, 2025 is 4.34%.

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

<i>Year ending December 31,</i>	<b>Amount</b>
2026	\$ 46,587
2027	46,587
2028	46,587
2029	46,587
2030	46,587
Thereafter	745,394
<b>Total Future Lease Payments</b>	<b>978,329</b>
Less: interest	(317,250)
<b>Total Lease Liability</b>	<b>661,079</b>
Less: current portion	(19,918)
<b>Lease Liability, Long-Term Portion</b>	<b>\$ 641,161</b>

# Barrow Utilities and Electric Cooperative, Inc.

## Notes to Financial Statements

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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 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 2025 and 2024 represented less than 5% of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$923,139 in 2025 and \$991,351 in 2024. This plan is 100% paid by employer (ER) contributions. There have been no significant changes that affect the comparability of 2025 and 2024 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% funded on January 1, 2025 and 2024 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 2025 and in 2024 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan of \$1,384,844 in 2025 and \$1,215,173 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

In total, the Alaska Electrical Pension Plan was more than 80% funded at December 31, 2025 and 2024 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

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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 NRECA. 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% of the eligible nonunion salaries. Contributions to the Plan by the Cooperative totaled \$213,797 and \$215,063 during the years ended December 31, 2025 and 2024, 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 \$2,700,789 and \$2,465,705 for the years ended December 31, 2025 and 2024, 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.