

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Dakota 35 Burleigh
Capital Electric Cooperative, Inc.
Bismarck, North Dakota

Opinion

We have audited the accompanying financial statements of Capital Electric Cooperative, Inc. (a North Dakota nonprofit cooperative), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Electric Cooperative, Inc., as of December 31, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Capital Electric Cooperative, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Electric Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Capital Electric Cooperative, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Capital Electric Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of long-term debt, detailed schedule of deferred debits and deferred credits, and the detailed schedule of investments are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the listing of directors, officers, and managers and statistical information but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024 on our consideration of Capital Electric Cooperative, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Capital Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capital Electric Cooperative, Inc.'s internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

April 26, 2024

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022**

ASSETS

	2023	2022
ELECTRIC PLANT		
In service	\$ 151,561,547	\$ 143,001,793
Construction work in progress	5,430,807	6,262,288
Total electric plant	156,992,354	149,264,081
Less accumulated depreciation	(46,668,622)	(46,076,729)
Electric plant - net	110,323,732	103,187,352
OTHER PROPERTY AND INVESTMENTS		
Investment in associated companies	27,873,724	25,594,653
Other investments	261,411	219,089
Special funds - deferred compensation	189,132	132,911
Total other property and investments	28,324,267	25,946,653
CURRENT ASSETS		
Cash and cash equivalents	2,205,782	2,546,131
Restricted cash and cash equivalents	676,000	1,567,000
Temporary cash investments	-	4,484,894
Accounts receivable, less allowance for credit losses of \$15,302 and \$14,576 for 2023 and 2022, respectively	4,125,986	4,308,934
Materials and supplies	4,178,622	3,281,999
Other current assets	187,005	314,098
Total current assets	11,373,395	16,503,056
DEFERRED DEBITS		
Total assets	\$ 150,150,055	\$ 145,742,846

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
BALANCE SHEETS - CONTINUED
DECEMBER 31, 2023 AND 2022

EQUITIES AND LIABILITIES

	2023	2022
EQUITIES		
Patronage capital	\$ 44,105,228	\$ 42,265,143
Other equities	14,246,627	14,825,859
Total equities	58,351,855	57,091,002
LONG-TERM DEBT, LESS CURRENT PORTION	77,243,586	78,865,125
OTHER NONCURRENT LIABILITIES		
Deferred compensation, long term	189,132	132,911
CURRENT LIABILITIES		
Current maturities of long-term debt	3,301,580	3,204,732
Line of credit	6,000,000	-
Accounts payable	429,592	372,105
Accounts payable - purchased power	2,268,426	2,850,856
Customer deposits	114,157	121,985
Taxes accrued	676,275	683,356
Other current liabilities	677,615	609,854
Total current liabilities	13,467,645	7,842,888
DEFERRED CREDITS	897,837	1,810,920
Total equities and liabilities	\$ 150,150,055	\$ 145,742,846

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.**
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Electric	\$ 43,145,222	\$ 41,838,303
Other	74,051	74,614
	43,219,273	41,912,917
OPERATING EXPENSES		
Cost of power	29,284,637	28,579,060
Distribution - operation	1,631,097	1,675,728
Distribution - maintenance	1,568,641	1,646,880
Customer accounts	1,002,202	939,674
Customer service and informational	429,817	428,793
Sales	281,252	257,965
Administrative and general	2,217,372	2,004,967
Depreciation	4,097,529	3,900,622
Taxes	348,021	337,850
Other	82,955	64,195
	40,943,523	39,835,734
OPERATING MARGIN BEFORE FIXED CHARGES	2,275,750	2,077,183
FIXED CHARGES		
Interest expense	2,275,270	2,077,051
	480	132
OPERATING MARGIN AFTER FIXED CHARGES		
GENERATION AND TRANSMISSION AND OTHER COOPERATIVE CAPITAL CREDITS	3,009,310	3,271,595
	3,009,790	3,271,727
NET OPERATING MARGIN		
NON-OPERATING MARGINS		
Merchandising - net	26,261	9,404
Rental income	-	641,725
Rental expenses	(1,000)	(94,951)
Miscellaneous income	50,365	1,331
Interest income	261,697	144,408
Gain (loss) on disposal of assets	(250,878)	2,387,368
	86,445	3,089,285
NET MARGINS	\$ 3,096,235	\$ 6,361,012

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
STATEMENTS OF EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Patronage Capital	Other Equities	Total
BALANCE, JANUARY 1, 2022	\$ 40,536,453	\$ 11,995,847	\$ 52,532,300
Net margins	6,361,012	-	6,361,012
Transfer of nonoperating margins	(3,939,321)	3,939,321	-
Transfer of operating loss	1,283,000	(1,283,000)	-
Capital credits retired, net of gains	(1,976,001)	276,973	(1,699,028)
Unclaimed capital credits - reissued	-	(103,282)	(103,282)
BALANCE, DECEMBER 31, 2022	42,265,143	14,825,859	57,091,002
Net margins	3,096,235	-	3,096,235
Transfer of nonoperating margins	(86,445)	86,445	-
Transfer of operating loss	891,000	(891,000)	-
Capital credits retired, net of gains	(2,060,705)	287,473	(1,773,232)
Unclaimed capital credits - reissued	-	(62,150)	(62,150)
BALANCE, DECEMBER 31, 2023	<u>\$ 44,105,228</u>	<u>\$ 14,246,627</u>	<u>\$ 58,351,855</u>

See Notes to the Financial Statements

**NORTH DAKOTA 35 BURLEIGH
CAPITAL ELECTRIC COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 3,096,235	\$ 6,361,012
Adjustments to reconcile net margins to Net cash provided (used) by operating activities:		
Depreciation	4,377,013	4,137,247
Allocation of G&T and other capital credits	(3,009,310)	(3,271,595)
(Gain) loss on sale of plant	250,878	(2,387,368)
Net effects on operating cash flows due to changes in:		
Accounts receivable	182,948	865,871
Other current assets	127,093	(74,793)
Deferred debits	(22,876)	90,844
Accounts payable	(524,943)	610,108
Taxes accrued	(7,081)	50,137
Other current liabilities	123,982	2,499
Deferred credits	(913,083)	(1,231,191)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,680,856	5,152,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Extension and replacement of plant, net	(13,002,978)	(10,515,843)
Proceeds from sale of plant	1,238,707	3,873,035
(Increase) decrease in materials and supplies	(896,623)	(678,831)
Sale (purchase) of investments	4,484,894	(4,484,894)
Advances of notes receivable	(37,974)	-
Collections on notes receivable	8,649	3,539
Change in special funds, net	(56,221)	8,104
Cash received from associated companies and other investments	717,242	1,006,398
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,544,304)	(10,788,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,720,000	11,000,000
Advances (payments) on line of credit	6,000,000	-
Principal payments on long-term debt	(3,244,691)	(2,932,584)
Retirement of capital credits, net	(1,835,382)	(1,802,310)
(Decrease) increase in customer deposits	(7,828)	(7,445)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	2,632,099	6,257,661
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,231,349)	621,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,113,131	3,491,191
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,881,782	\$ 4,113,131
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash and cash equivalents	\$ 2,205,782	\$ 2,546,131
Restricted cash and cash equivalents	676,000	1,567,000
	\$ 2,881,782	\$ 4,113,131
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 2,270,916	\$ 2,076,992

See Notes to the Financial Statements