

Financial Statements

December 31, 2023 and 2022

North Dakota 17 McHenry

Verendrye Electric Cooperative, Inc.

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Table of Contents
December 31, 2023 and 2022

Independent Auditor’s Report	1
Balance Sheets - Assets	4
Balance Sheets - Equities and Liabilities	5
Statements of Operations	6
Statements of Comprehensive Income.....	7
Statements of Changes in Equities	8
Statements of Cash Flows	9
Notes to Financial Statements	11
Supplementary Information	
Directors, Officers and Manager (Unaudited)	32
Schedule of Long-Term Debt	33
Statistical Information (Unaudited)	34
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Independent Auditors’ Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Electric Borrowers	38



Independent Auditor's Report

To the Board of Directors
North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Velva, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Verendrye Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, comprehensive margin, changes in equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Verendrye Electric Cooperative, Inc. as of December 31, 2023 and 2022, and the results of its operations and 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Verendrye 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; 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 Verendrye Electric Cooperative, Inc.'s ability to continue as a going concern for 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 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 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 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 Verendrye 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 Verendrye 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 that collectively comprise the Cooperative's basic financial statements. The listing of directors, officers and manager, the schedule of long-term debt, and the statistical information are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. With the exception of the listing of directors, officers, and managers and the statistical information, 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 schedule of long-term debt is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The listing of directors, officers, and management and statistical information have not been subjected to the auditing procedures applied in the audit of the financial statements and, in accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 22, 2024 on our consideration of Verendrye 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 Verendrye Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Verendrye Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Rural Utility Service's requirements, we have also issued a report dated April 22, 2024, on our consideration of Verendrye Electric Cooperative, Inc.'s compliance with aspects of contractual agreements and regulatory requirements for electric borrowers. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Rural utility Service's requirements in considering Verendrye Electric Cooperative, Inc. with certain regulatory requirements.



Fargo, North Dakota
April 22, 2024

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Balance Sheets - Assets
December 31, 2023 and 2022

	2023	2022
Assets		
Electric Plant		
In service	\$ 150,965,222	\$ 145,640,364
Construction work in progress	913,582	446,024
Total electric plant	151,878,804	146,086,388
Less accumulated depreciation	(41,848,722)	(39,773,643)
Electric plant - net	110,030,082	106,312,745
Other Property and Investments		
Investments in available-for-sale securities	2,936,155	2,773,653
Investment in associated companies	36,535,606	34,296,842
Other investments	1,180,172	1,125,138
Investment in economic development projects	106,291	241,731
Special funds	5,390,083	5,276,925
Total other property and investments	46,148,307	43,714,289
Current Assets		
Cash and cash equivalents	5,205,578	425,978
Temporary cash investments	5,704,474	6,216,148
Notes receivable	142,228	143,595
Accounts receivable, less allowance for credit losses - (2023 - \$49,244; 2022 - \$48,073)	7,411,393	8,971,578
Material and supplies	6,287,187	4,787,820
Prepayments	267,877	161,514
Interest receivable	2,846	319
Total current assets	25,021,583	20,706,952
	\$ 181,199,972	\$ 170,733,986

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Balance Sheets - Equities and Liabilities
December 31, 2023 and 2022

	2023	2022
Equities and Liabilities		
Equities		
Patronage capital	\$ 47,979,771	\$ 45,374,756
Other equities	20,731,910	18,462,748
Accumulated other comprehensive income (loss)	(215,533)	(285,991)
Total equities	68,496,148	63,551,513
Long-Term Debt, Less Current Portion	82,893,699	78,688,395
Other Noncurrent Liabilities		
Finance lease liability, net of current portion	20,753	-
Accumulated provision for benefits, net of current portion	191,712	180,812
Deferred compensation	457,001	367,848
Other regulatory liabilities	5,000,000	5,000,000
Total other noncurrent liabilities	5,669,466	5,548,660
Current Liabilities		
Current portion of long-term debt	3,317,000	3,193,200
Current portion of finance lease liability	17,586	512
Current portion of accumulated provision for benefits	7,200	7,200
Accounts payable	3,362,425	4,268,715
Customers' deposits	868,148	748,935
Taxes accrued	1,063,660	1,043,312
Accrued compensation	1,154,750	1,080,805
Other current liabilities	78,651	79,621
Total current liabilities	9,869,420	10,422,300
Deferred Credits		
Customers' energy prepayments	307,512	249,555
Aid to construction in excess of costs	83,253	37,602
Contract reserve	13,877,474	12,232,961
Other	3,000	3,000
Total deferred credits	14,271,239	12,523,118
	\$ 181,199,972	\$ 170,733,986

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenue		
Electric	\$ 52,842,070	\$ 52,585,203
Other	124,759	144,118
Total operating revenue	52,966,829	52,729,321
Operating Expenses		
Cost of power	35,518,300	35,754,801
Distribution - operation	2,954,888	2,912,581
Distribution - maintenance	2,243,166	1,942,868
Customer accounts	1,029,593	929,452
Customer service and informational	735,306	688,470
Administrative and general	2,503,645	2,482,969
Depreciation	3,659,750	3,477,370
Taxes	442,479	456,908
Interest on long-term debt	2,367,697	2,268,853
Other income deductions	64,620	62,143
Total operating expenses	51,519,444	50,976,415
Operating Income Before Capital Credits	1,447,385	1,752,906
Generation and Transmission and Other Cooperative Capital Credits	3,507,537	4,088,123
Net Operating Margins	4,954,922	5,841,029
Non-Operating Margins		
Merchandising, jobbing, contract - net	894,785	1,114,516
Investment income	906,001	313,788
Gain on sale of general plant	54,479	7,605
Total non-operating margins	1,855,265	1,435,909
Net Margins	\$ 6,810,187	\$ 7,276,938

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Margins Attributed to the Cooperative	\$ 6,810,187	\$ 7,276,938
Other Comprehensive Income (Loss)		
Unrealized gain (loss) of available-for-sale securities	<u>70,458</u>	<u>(270,807)</u>
Comprehensive Margin	<u>\$ 6,880,645</u>	<u>\$ 7,006,131</u>

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Statements of Changes in Equities
Years Ended December 31, 2023 and 2022

	Patronage Capital	Other Equities	Accumulated Other Comprehensive Income (Loss)	Totals
Balance at December 31, 2021	\$ 42,169,515	\$ 16,912,298	\$ (15,184)	\$ 59,066,629
Net margins	7,276,938	-	-	7,276,938
Unrealized loss on available-for-sale securities			(270,807)	(270,807)
Transfer non-operating margins	(1,435,909)	1,435,909	-	-
Retirement of capital credits	(2,635,788)	-	-	(2,635,788)
Gain on retirement of capital credits	-	98,168	-	98,168
Unclaimed capital credits	-	16,373	-	16,373
Balance at December 31, 2022	45,374,756	18,462,748	(285,991)	63,551,513
Net margins	6,810,187	-	-	6,810,187
Unrealized gain on available-for-sale securities			70,458	70,458
Transfer non-operating margins	(1,855,265)	1,855,265	-	-
Retirement of capital credits	(2,349,907)	-	-	(2,349,907)
Gain on retirement of capital credits	-	105,847	-	105,847
Unclaimed capital credits	-	308,050	-	308,050
Balance at December 31, 2023	<u>\$ 47,979,771</u>	<u>\$ 20,731,910</u>	<u>\$ (215,533)</u>	<u>\$ 68,496,148</u>

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Net margins	\$ 6,810,187	\$ 7,276,938
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	4,068,307	3,929,058
Noncash patronage allocations	(3,507,537)	(4,088,123)
Post retirement benefit obligation accruals	220,411	4,120
Gain on sale of equipment	(54,479)	(7,605)
Changes in assets and liabilities		
Accounts receivable	1,618,142	(1,614,564)
Prepayments	(106,363)	62,707
Interest receivable	(2,527)	(6)
Deferred debits	-	341,884
Accounts payable	(906,290)	522,381
Customers' deposits	119,213	188,489
Taxes accrued	20,348	10,397
Accrued compensation	73,945	9,003
Other current liabilities	(970)	(4,037)
Net Cash from Operating Activities	<u>8,352,387</u>	<u>6,630,642</u>
Investing Activities		
Extensions and replacements of utility plant, net	(7,733,452)	(9,689,115)
Proceeds received on disposition of equipment	55,139	7,605
Change in aid to construction in excess of costs	45,651	37,602
Purchase of temporary cash investments	(48,904,950)	(76,225,976)
Redemption of temporary cash investments	49,416,623	80,006,087
Redemption of other investments	32,921	14,766
Extension of economic development loans	-	(98,500)
Redemption of economic development loans	134,440	269,444
Return of G&T and other cooperative capital credits	1,213,319	1,376,732
Purchase of available-for-sale securities	(92,044)	(1,048,448)
Net change in notes receivable	(633)	(328)
Change in materials and supplies, net of ERC loans	(1,528,867)	(1,184,170)
Net Cash used for Investing Activities	<u>(7,361,853)</u>	<u>(6,534,301)</u>

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Financing Activities		
Loan funds advanced	\$ 7,589,000	\$ 4,000,000
Principal payments on long-term debt	(3,259,896)	(3,473,044)
Payments on capital leases	(15,025)	(7,155)
Post-retirement benefit obligation payments	(7,200)	(10,500)
Deferred compensation	(113,158)	(17,571)
Change in contract reserve	1,644,513	968,860
Retirements of capital credits	(2,270,714)	(2,611,675)
Change in other equities	334,704	90,428
	3,902,224	(1,060,657)
Net Cash from (used for) Financing Activities		
Net Change in Cash, Cash Equivalents, and Restricted Cash	4,892,758	(964,316)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	5,702,903	6,667,219
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 10,595,661	\$ 5,702,903
Cash and Cash Equivalents	\$ 5,205,578	\$ 425,978
Other Investments		
Special funds	5,390,083	5,276,925
	\$ 10,595,661	\$ 5,702,903
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest on long-term debt	\$ 2,371,847	\$ 2,273,587
Supplemental Schedule of Noncash Activities		
Capital credit retirements	\$ 79,193	\$ 24,113
Unrealized gain (loss) on available-for-sale securities	70,458	(270,807)
Capital expenditures funded by capital lease borrowings	52,852	-
	\$ 202,503	\$ (246,694)

Note 1 - Summary of Significant Accounting Policies

General

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS.

Regulation

Rates charged to customers are established by the Board of Directors and are subject to approval by RUS.

The Cooperative's accounting policies and the accompanying financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

As a result of the ratemaking process, the Cooperative applies Accounting Standards Codification (ASC) 980, Regulated Operations (previously Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulations*). The application of generally accepted accounting principles by the Cooperative differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Electric Plant and Retirements

Electric plant is stated at cost less contributions in aid of construction. The cost of additions to electric plant includes contracted work, direct labor and materials and allocable overheads. When units of property that are specifically identifiable are retired, sold or otherwise disposed of in the ordinary course of business, their book cost less net salvage is recognized as a gain or loss. For all other units of property, which are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation

Depreciation is computed using the straight-line method based upon the estimated useful lives of the various classes of property. Such provisions, as a percentage of the average balance of depreciable electric distribution property in service were 2.76% in 2023 and 2.75% in 2022, respectively.

Investments

The Cooperative determines the classification of investments in mutual bond fund securities as held-to-maturity, available-for-sale, or trading. Management determines the appropriate classification of securities at the time of purchase and reevaluates such designation as of each balance sheet date.

Mutual bond fund securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses included in other comprehensive income. Realized gains and losses are computed by the first-in first-out method at the time of disposition and are included as a component of the statement of operations. A decline in the market value of any marketable security below cost that is deemed other than temporary is charged to net realized/unrealized gains on investments, resulting in a new cost basis for the investment security.

Investments in associated companies and other investments include investments in other cooperatives and other investments. The Cooperative has determined that these investments do not have a readily determinable fair value and records these investments at the Cooperative's share of allocated patronage capital. These investments are assessed for impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Cooperative has not identified any impairments and there has not been observable price changes during the years ended December 31, 2023 and 2022.

Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Other-Than-Temporary Declines in Fair Value

The Cooperative regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. Some factors considered in evaluating whether a decline in fair value is other than temporary include: the Cooperative's ability and intent to retain the investment for a period sufficient to allow for a recovery in value; the duration and extent to which fair value has been less than cost; and the financial condition and prospects of the issuer. When an other-than-temporary impairment is recognized, the security is written down to the estimated fair value and the amount of the write-down is recorded as a realized loss.

Other Comprehensive Income

The Cooperative follows Accounting Standards Codification (ASC) 220, Comprehensive Income, which establishes rules for reporting of comprehensive income and its components. Comprehensive income for the years ended December 31, 2023 and 2022 consists of unrealized gains and losses on available-for-sale debt securities and is presented in the Statements of Comprehensive Income and Statements of Changes in Equity.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Cooperative considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market, except for inventory held for resale which is stated at the lower of actual cost or net realizable value.

Patronage Capital

The Cooperative operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. Other amounts received by the Cooperative from its operations in excess of costs and expenses and to the extent they are not needed to offset current or prior losses, may be allocated to its member patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credit to the accounts of member patrons, or may be credited to a general unallocated reserve which may be utilized for any other purpose determined in accordance with generally accepted accounting principles at the discretion of the board of directors.

Revenue Recognition

The Cooperative accounts for customer revenues under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

The Cooperative's performance obligation related to the sale of energy is satisfied as energy is delivered to customers; therefore, revenue from the delivery of energy is recognized over time as energy is delivered to the customers. The Cooperative reads customer meters and bills customers each month based on various billing cycles.

The Cooperative's performance obligation related to merchandising and electrical services are satisfied at the point in time when projects have been completed; therefore, revenue is recorded upon the completion of the service. The Cooperative does not have any significant financing components related to contracts with customers as payment is received shortly after being billed to customers.

The following table depicts revenues by timing of revenue recognition and type of revenue for the years ended December 31, 2023 and 2022, respectively:

	2023	2022
Electric revenues (transferred over time)	\$ 52,842,070	\$ 52,585,203
Other revenues (transferred at a point in time)	124,759	144,118
Revenue from contracts with customers	\$ 52,966,829	\$ 52,729,321

Deferred Credits

Deferred credits consist primarily of customer electric bill prepayments, a contract reserve related to the contract with the Minot Air Force Base, and other miscellaneous deferred credits.

Power Costs

Monthly billings from the wholesale power suppliers for power costs are reflected in the financial statements to the end of each month.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Pension Plan

It is the policy of the Cooperative to fund pension costs accrued.

Accumulated Provision for Benefits

The Cooperative provides certain benefits for certain retired employees that meet eligibility requirements. The Cooperative's share of the estimated costs that will be paid after retirement is generally being accrued by charges to expense over the employee's active service periods to the dates they are fully eligible for benefits.

The Cooperative offers eligible employees a deferred compensation plan which allows them to defer compensation up to the IRS annually adjusted limits and recognize that compensation during retirement.

Receivables and Credit Policy

The Cooperative's revenue contracts provide it with the unconditional right to consideration upon delivery of electricity to its customers; therefore, a receivable is recognized in the period the Cooperative provides energy to its customers, so no contract assets or liabilities exist. The unconditional right to consideration is represented by contract receivables which are presented on the balance sheet as accounts receivable.

The Cooperative provides electrical service on account to its members, which are located primarily in Ward, McHenry, Wells, Pierce, Sheridan, Renville and McLean counties in central North Dakota.

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the billing date. If an account is unpaid within 30 days, a monthly late payment charge of 1.5% (18% per year) of the unpaid credit price will be charged and collected thereafter.

Payments on trade and notes receivable are allocated to the earliest unpaid billings. The carrying amounts of trade and notes receivable are reduced by a credit loss allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all trade and notes receivable balances periodically and adjusts the allowance accounts based on current economic conditions and past experience.

The Cooperative has tracked historical loss information for its receivables and compiled historical credit loss percentages for different aging categories (current, 1-30 days past due, 31-60 days past due, 61-90 days past due, and more than 90 days past due). When a member's account become past due and uncollectible, the member's service is terminated. The Board of Directors approves all accounts charged off.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivables held at December 31, 2023 and 2022 because the composition of the receivables at those dates are consistent with that used in developing the historical credit-loss percentage (i.e. the similar risk characteristics of its customers and its lending practices have not changed significantly overtime). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2023 and 2022 totaled \$49,244 and \$48,073, respectively.

Changes in the allowance for credit losses for receivables are as follows for the years ended December 31:

	2023	2022
Opening Allowance for Credit Losses	\$ 48,073	\$ 64,974
Provision for credit losses	8,960	1,008
Charge-offs	(7,789)	(17,909)
	\$ 49,244	\$ 48,073

The beginning and ending balances for accounts receivable, net of allowances for credit losses, customer deposits, and customer prepayments were as follows for the years ended December 31, 2023 and 2022. Included in the "Billed" value as of December 31, 2023 and December 31, 2022 is \$340,664 and \$1,795,007, respectively of a FEMA/State of ND receivable for reimbursement of 85% of ice storm costs incurred during April 2022.

	December 31, 2023	December 31, 2022	January 1, 2022
Billed	\$ 7,411,393	\$ 8,971,578	7,374,574
Customer deposits (contract liability)	(868,148)	(748,935)	(560,446)
Customer prepayments (deferred credit)	(307,512)	(249,555)	(267,115)
	\$ 6,235,733	\$ 7,973,088	\$ 6,547,013

The Cooperative maintains its cash in bank deposit accounts. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and December 31, 2022, the Cooperative had approximately \$6,257,000 and \$964,000, respectively, at one banking institution which sweeps daily to other banking institutions and placed in to demand deposit accounts, money market accounts, or both, which are fully covered by the FDIC.

Advertising

The Cooperative expenses the cost of advertising as incurred.

Income Taxes

The Cooperative is exempt from income taxes under Section 501(c)(12). The Cooperative is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

The Cooperative evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2023 and 2022, the unrecognized tax benefit accrual was zero. The Cooperative will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Sales Tax

The Cooperative has customers in North Dakota and municipalities in which those governmental units impose a sales tax on certain sales. The Cooperative collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Cooperative's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Adoption of New Accounting Standard

As of January 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Company adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2022, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact the Company's financial statements.

Note 2 - Electric Plant and Depreciation

	2023		2022	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Production plant	\$ 29,711		\$ 29,711	
Distribution plant	135,237,885	2.3% - 6.8%	130,113,598	2.3% - 6.8%
General plant	15,697,626	2.6% - 33.3%	15,497,055	2.6% - 33.3%
Electric plant in service	150,965,222		145,640,364	
Construction work-in-progress	913,582		446,024	
Total electric plant	<u>\$ 151,878,804</u>		<u>\$ 146,086,388</u>	

Note 3 - Fair Value of Available-for-Sale Securities

	2023			2022	
	Amortized Cost	Unrealized		Fair Value Quoted Prices in Active Markets (Level 1)	Fair Value Quoted Prices in Active Markets (Level 1)
		Gain	Loss		
Mutual Bond Funds	\$ 3,151,688	\$ -	\$ 215,533	\$ 2,936,155	\$ 2,773,653

Investments in available-for-sale securities are recorded at fair market value. The difference between the amortized cost and the fair market value is reported as “other comprehensive income” in the statement of operations. The effective purchase yields on these securities range from 5.40%-6.35%.

There are three general valuation techniques that may be used to measure fair value, as described below:

Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets above were measured at fair value during the year ended using the market approach.

Note 4 - Investments in Associated Companies

	2023	2022
Memberships	\$ 1,510	\$ 1,510
Patronage capital credits		
Central Power Electric Cooperative, Inc.	35,729,141	33,608,574
Rural Electric Supply Cooperative	570,887	456,159
National Information Solutions Cooperative	144,679	141,210
Rural Electric Supply Cooperative		
Retained Earnings	88,889	88,889
Common stock	500	500
	\$ 36,535,606	\$ 34,296,842

Note 5 - Other Investments

	2023	2022
Patronage capital credits from other non-profit organizations	\$ 244,950	\$ 245,320
Energy resource conservation loans, 5% interest, 5-year maturities	4,592	6,204
Irrigation loans, various interest rates, 10-year maturities	-	2,055
Aid to Construction - various interest rates, various maturities	23,262	27,383
Generator loans, 5% interest-year maturities	4,367	-
CoBank, Class 'E' stock	694,970	647,277
Federated Rural Insurance equity	213,031	204,899
	1,185,172	1,133,138
Less current portion of loans (See note 9)	(5,000)	(8,000)
	\$ 1,180,172	\$ 1,125,138

Note 6 - Economic Development Investments

	2023	2022
Economic development USDA loan to Gooseneck Implement, 0% interest, due in monthly installments of \$9,259 beginning March 2016, maturing February 2025, secured by an irrevocable letter of credit with AgCountry Farm Credit Services	\$ 129,630	\$ 240,741
Economic development USDA revolving loan to Glint's Carwash, 1% interest and 1% admin fee, due in monthly installments of \$829 beginning September 2017, maturing August 2027, secured by the carwash building	34,367	44,274
Economic development USDA revolving loan to MeMas Meats LLC, 1% interest and 1% admin fee, due in monthly installments of \$1,258 beginning May 2022, maturing April 2029, secured by equipment	76,294	89,716
	240,291	374,731
Less current portion of loans (See note 9)	(134,000)	(133,000)
	\$ 106,291	\$ 241,731

USDA rural economic development granted funds to Verendrye Electric Cooperative, Inc. under its Rural Economic Development Grant Program (REDG). The Cooperative is considered a pass-through entity for these funds. Under the grant program, the Cooperative received \$300,000 for Kid's Academy and \$160,000 for the City of Velva. The Cooperative had to match 20% of the grants, which totaled \$60,000 and \$32,000, respectively.

Verendrye Electric Cooperative, Inc. established its own revolving loan fund from the payments received from the initial two grants listed above. During 2017, the Cooperative entered into a revolving loan agreement with Clint and Jamie Gjellstad DBA Glint's Carwash of Velva, ND totaling \$90,000. During 2022, the Cooperative entered into a revolving loan agreement with Phil & Kim Newman DBA MeMas Meats, LLC of Berthold, ND totaling \$98,500. Terms of the loans are stated above.

USDA rural economic development has loaned funds to Verendrye Electric Cooperative, Inc. under its Rural Economic Development Loan Program (REDL). The Cooperative is considered a pass-through entity for these funds. Under the loan program, the Cooperative received \$1 million for Gooseneck Implement.

Note 7 - Cash and Cash Equivalents

	2023	2022
Cash - general	\$ 5,205,074	\$ 425,475
Deposits with credit unions	504	503
Member Investment Program in Basin, interest at 3.85%-5.90%	5,450,000	5,950,000
Time savings certificates - various local financial institutions and credit unions, interest at .35%-3.55%	254,474	266,148
	10,910,052	6,642,126
Less temporary cash investments	5,704,474	6,216,148
	\$ 5,205,578	\$ 425,978

Note 8 - Special Funds

	2023	2022
Provision for deferred compensation	\$ 390,083	\$ 276,925
Other regulatory liabilities - deferred revenue	5,000,000	5,000,000
Total special funds	\$ 5,390,083	\$ 5,276,925

Provision for Deferred Compensation

The Cooperative provides a benefit to management to invest a portion of a participant's paycheck into National Rural Electric Association Homestead Fund. Funds are invested for the purpose of generating returns to be paid back to the employee in full at the time of their choosing after age 70 ½, at no cost or monetary benefit to the Cooperative.

Other Regulatory Liabilities

Rural Utilities Service approved an amended revenue deferral plan allowing the Cooperative to defer up to \$5,000,000 of extraordinary income during its financial forecast period from 2016 to 2025 and recognize the revenue during that same timeframe. The original revenue deferral plan spanned from 2008 to 2011 which was amended to extend through 2016 and then again to 2025. The Cooperative has invested a total of \$5,000,000 as of December 31, 2023 and 2022, to fund the revenue deferral balance. The money is invested in short-term investments at Basin Electric bearing interest ranging from 3.85% to 5.90%.

Year	Deferred	Recognized	Balance
2006	\$ 300,000	\$ -	\$ 300,000
2007	400,000	-	700,000
2008	370,000	-	1,070,000
2009	698,000	-	1,768,000
2010	632,000	-	2,400,000
2011-2012	-	-	2,400,000
2013	-	(830,000)	1,570,000
2014	-	-	1,570,000
2015	902,000	-	2,472,000
2016	-	(915,000)	1,557,000
2017	1,600,000	-	3,157,000
2018	1,843,000	-	5,000,000
2019-2023	-	-	5,000,000
	<u>\$ 6,745,000</u>	<u>\$ (1,745,000)</u>	<u>\$ 5,000,000</u>

Note 9 - Notes Receivable

	2023	2022
Current portion of other investments	\$ 5,000	\$ 8,000
Current portion of economic development loans	134,000	133,000
Notes receivable - other	3,228	2,595
	<u>\$ 142,228</u>	<u>\$ 143,595</u>

Note 10 - Patronage Capital

	2023	2022
Assignable	\$ 4,954,921	\$ 5,841,031
Assigned to date	69,438,216	63,597,184
Total	74,393,137	69,438,215
Retired to date	(26,413,366)	(24,063,459)
Balance	\$ 47,979,771	\$ 45,374,756

The mortgage provisions restrict the retirement of patronage capital unless, after retirement, the capital of the Cooperative equals at least 30 percent of the total assets of the Cooperative; provided, however, that retirements can be made if such distributions do not exceed 25 percent of the preceding year's margins. No distribution can be made if there is unpaid, when due, any installments of principal or interest on the notes, or if, after giving effect to any distribution, the total current and accrued assets would be less than the total current and accrued liabilities. During 2023 and 2022, the Cooperative's equity exceeded 30 percent of total assets.

Note 11 - Other Equities

	2023	2022
Non-operating margins	\$ 18,153,201	\$ 16,297,936
Retired capital credits	2,384,263	1,970,365
Donated capital	125,512	125,513
Other margins	68,934	68,934
	\$ 20,731,910	\$ 18,462,748

Note 12 - Leases

The Cooperative leases a vehicle at an interest rate of 1.061% under a long-term, non-cancelable finance lease agreement. The lease expires February 2026 with no renewal options.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Cooperative estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Cooperative's applicable borrowing rates and the contractual lease term.

The lease agreement also requires the Cooperative to comply with certain covenants. As of December 31, 2023 and 2022, the Cooperative was in compliance with all covenants.

The Cooperative has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total right-of-use assets and lease liabilities at December 31, 2023 and 2022 were as follows:

Balance Sheet Classification

<u>Lease Assets</u>	<u>Classification</u>	<u>2023</u>	<u>2022</u>
Finance right-of-use assets	Electric plant	\$ 40,463	\$ 569
<u>Lease Liabilities</u>	<u>Classification</u>	<u>2023</u>	<u>2022</u>
Current:			
Finance lease liabilities	Current liabilities	\$ 17,586	\$ 512
Noncurrent:			
Finance lease liabilities	Other noncurrent liabilities	\$ 20,753	\$ -

Total lease costs for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Finance lease cost:		
Interest expense	\$ 661	\$ 1,482
Amortization of right-of-use assets	15,563	6,832

Total lease expense under noncancelable leases was \$15,174 and \$8,637 for the years ending December 31, 2023 and 2022, respectively.

The following table summarizes the supplemental cash flow information for the years ended December 31:

	2023	2022
Cash paid for amounts included in measurement of lease liabilities		
Operating cash flows from finance leases	\$ 661	\$ 1,482
Financing cash flows from finance leases	14,513	7,115

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of December 31:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 17,586	\$ 623	\$ 18,209
2025	17,773	436	18,209
2026	2,980	54	3,034
	\$ 38,339	\$ 1,113	\$ 39,452

Note 13 - Long-Term Debt

	2023	2022
Federal Financing Bank mortgage notes		
2.115%-4.512% due in quarterly installments through Dec 2042	\$ 7,627,557	\$ 7,937,628
1.949%-3.261% due in quarterly installments through Dec 2047	36,103,164	37,140,297
1.462%-3.609% due in quarterly installments through Dec 2053	28,803,263	21,810,680
	72,533,984	66,888,605
CoBank mortgage notes		
4.468% due in monthly installments through June 2024	13,216	46,656
5.00% due in monthly installments through September 2029	145,796	166,056
4.646% due in monthly installments through June 2033	277,250	297,362
2.978% due in monthly installments through March 2023	-	94,345
4.0% due in monthly installments through August 2033	12,515,823	13,552,830
	12,952,085	14,157,249
Economic Development Loans (pass-through items)		
1.0% note payable to Central Power Electric Cooperative, interest payments due June 1st and December 1st, principal amount due December 31, 2027	135,000	135,000
0% USDA revolving loan fund payable only upon elimination of program	460,000	460,000
0% USDA loan due in monthly installments through Feb 2025	129,630	240,741
	724,630	835,741
	86,210,699	81,881,595
Less current portion	3,317,000	3,193,200
Total long-term portion	\$ 82,893,699	\$ 78,688,395

Substantially all assets are pledged as security on the mortgage notes.

It is estimated that principal repayments for the next five years and thereafter will be as follows:

Years Ending December 31,	Amount
2024	\$ 3,317,000
2025	3,303,300
2026	3,352,600
2027	3,488,600
2028	3,614,900
Thereafter	69,134,299
	\$ 86,210,699

All loan funds advanced by RUS, FFB and CoBank are deposited in a special trust bank account, the disbursements from which are restricted by the provisions of the loan agreement to purposes approved by RUS. At December 31, 2023, there were unadvanced loan funds totaling \$37,549,000 available to the Cooperative from RUS Treasury Direct.

The Cooperative does not have a maximum debt limit.

Note 14 - Line of Credit

A line of credit agreement expiring January 31, 2025 was executed with CoBank providing the Cooperative with short-term loans in the total amount of \$1,000,000 on a revolving basis. Interest on unpaid principal is payable monthly at rates established by CoBank, which was 7.41% at December 31, 2023 and 6.35% at December 31, 2022. There was no outstanding balance as of December 31, 2023 and 2022.

Note 15 - Accumulated Provision for Benefits

Deferred Compensation

The Cooperative offers eligible employees a deferred compensation plan which allows them to defer compensation up to the IRS annually adjusted limits and recognize that compensation during retirement. The value of deferred compensation as of December 31, 2023 and 2022 totaled \$390,083 and \$276,925, respectively. This value is reflected both as an asset and liability on the Cooperative's financials which is included in the special funds line item and accumulated provision for benefits line item.

The Cooperative has a retiree only health reimbursement arrangement (HRA) for eligible retirees. The HRA can be used for health insurance premiums. The value of the HRA as of December 31, 2023 and 2022 totaled \$66,918 and \$90,923, respectively.

Post-Retirement Benefit Obligation

As of January 1, 2001, the Cooperative adopted a defined post-retirement plan for all employees that meet eligibility requirements. For those employees that meet eligibility requirements, the Cooperative pays a fixed dollar amount of health insurance costs as set by policy for a defined period of time, generally from retirement until age 65. The plan is unfunded at December 31, 2023 and 2022.

	2023	2022
Accumulated postretirement benefit obligation beginning of year	\$ 188,012	\$ 232,075
Service cost - benefits attributed to employee services during year	8,095	(43,377)
Interest cost	10,005	9,814
Benefits paid	(7,200)	(10,500)
Net change in accumulated postretirement benefit obligation	10,900	(44,063)
Accumulated postretirement benefit obligation	198,912	188,012
Less current portion	(7,200)	(7,200)
Long-term	\$ 191,712	\$ 180,812
Contribution to plan	\$ 7,200	\$ 10,500
Benefit payments	(7,200)	(10,500)
Net plan funding	\$ -	\$ -
Weighted average assumptions on December 31		
Discount rate	5.03%	5.22%

The components of net period postretirement health insurance benefit costs are as follows:

	2023	2022
Service Cost (Benefits Attributed to Employee Services During the Year)	\$ 8,095	\$ (43,377)
Interest Cost on Accumulated Postretirement Benefit Obligations	10,005	9,814
	\$ 18,100	\$ (33,563)

The weighted average discount rate used in the calculation was 5.03% and 5.22% for the years ending December 31, 2023 and 2022. Changing the discount rate by a 1% increase, decreases the obligation by approximately \$14,000. Changing the discount rate by a 1% decrease, increases the obligation by approximately \$17,000.

Note 16 - Commitments and Contingencies

Wholesale Power Agreement

The Cooperative has a wholesale power contract with Central Power Electric Cooperative, Inc., (Central) of Minot, North Dakota, whereby the Cooperative purchases firm power and energy at wholesale until December 31, 2075. The rates paid by the Cooperative under the contract are subject to review by the seller at such intervals as it deems appropriate.

Concentration of Sources of Labor

At December 31, 2023, the Cooperative has approximately 46% of its employees covered by a collective bargaining agreement. The collective bargaining agreement expires on October 31, 2024, at such time negotiations will take place.

Contracts

During 2012 Verendrye Electric Cooperative, Inc. was awarded a 50-year contract to own, operate, maintain, replace and renew the Minot Air Force Base electric distribution system. All costs associated with these functions are being 100% reimbursed under the contract. The contract is structured where the monthly payments being received are constant, whereas the work performed as outlined in the contract varies month to month. Thus, a contract reserve account has been established to maintain this uneven matching of revenues versus expenses. Contract reserve balance as of December 31, 2023 and December 31, 2022 totaled \$13,877,474 and \$12,232,961, respectively.

Loan Guarantee

During 2022, Verendrye Electric Cooperative, Inc. provided to National Rural Utilities Cooperative Finance Corporation (CFC), a guarantee of up to \$151,667 of indebtedness for the North Dakota Association of Rural Electric Cooperatives (NDAREC). This guarantee would become payable only in the event of default on the loan by NDAREC, which is remote. Thus, a liability is not recorded.

Note 17 - Employee Benefit Plans

Pension Plan

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer 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.

Verendrye Electric Cooperative, Inc.'s contributions to the RS Plan in 2023 and in 2022 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. Verendrye Electric Cooperative, Inc. made contributions to the RS Plan of \$1,851,285 in 2023 and \$2,008,835 in 2022. There have been no significant changes that affect the comparability of the 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 at January 1, 2023 and January 1, 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 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.

Savings Plan

In addition to the above retirement plan, employees of the Cooperative are eligible for a 401(k) savings plan. This plan is offered through the NRECA. Employees hired January 1, 2017 and after, the Cooperative makes a base contribution of 4% and matching contributions of 4% for each union employee's and of 1% to 4% for each non-union employee's base wage in the plan. Employees hired prior to January 1, 2017, the Cooperative makes matching contributions of 4% for each union employee's and of 1% to 4% for each non-union employee's base wage in the plan. The Cooperative made contributions of \$323,165 and \$316,999 for the years ended December 31, 2023 and 2022, respectively.

Note 18 - Related Party Transactions

The Cooperative is a member of and purchases most of its wholesale power from Central Power Electric Cooperative, Inc. and Basin Electric Power Cooperative. Following is a summary of the transactions with Central Power and Basin Electric for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Purchases of wholesale power from Central Power Dollars	<u>\$ 35,518,300</u>	<u>\$ 35,754,801</u>
Kilowatt Hours	<u>596,500,146</u>	<u>605,818,751</u>
Accounts receivable at December 31 Central Power	<u>\$ 3,491</u>	<u>\$ 22,466</u>
Accounts payable at December 31 Central Power	<u>\$ 3,076,272</u>	<u>\$ 3,632,515</u>
Capital credit allocation received from Central Power	<u>\$ 3,130,438</u>	<u>\$ 3,791,109</u>
Accumulated investment in patronage capital credits Central Power	<u>\$ 35,729,141</u>	<u>\$ 33,608,574</u>

Note 19 - Subsequent Events

The Cooperative has evaluated subsequent events through April 22, 2024, the date on which the financial statements were available to be issued.

Supplementary Information
December 31, 2023 and 2022

**North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.**

Directors

Name	Address	Business
Clint Gjellstad	Velva, North Dakota	Farmer
Blaine Bruner	Drake, North Dakota	Farmer
Jon Hansen	Ryder, North Dakota	Telecom Field Engineer
Shawn Kaylor	Velva, North Dakota	Farmer
Karen Hennessy	Des Lacs, North Dakota	Rancher
Maxine Rognlien	Towner, North Dakota	Retired School Teacher
Ken Schild	Harvey, North Dakota	Farmer
Robert Wolf	Minot, North Dakota	Training Director
Robert Hargrave	Douglas, North Dakota	Retired Electrician

Officers and Manager

Blaine Bruner	President
Karen Hennessy	Vice-President
Shawn Kaylor	Secretary-Treasurer
Maxine Rognlien	Assist. Secretary-Treasurer
Randy Hauck	Manager

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Schedule of Long-Term Debt
Year Ended December 31, 2023 and 2022

Note	Interest Rate	Date of Note	Maturity Date	Principal Amount	Unadvanced Funds	Principal Payments	Net Obligation	
							2023	2022
FFB								
FFB2-1	2.715	12/18/08	12/31/42	\$ 3,521,000	\$ -	\$ 1,100,870	\$ 2,420,130	\$ 2,516,434
FFB2-15	2.804	11/1/11	12/31/42	1,150,000	-	332,546	817,454	849,676
FFB2-16	2.724	2/21/12	12/31/42	673,000	-	193,849	479,151	498,200
FFB2-17	2.469	5/15/12	12/31/42	1,430,000	-	418,224	1,011,776	1,053,103
FFB2-18	2.115	7/2/12	12/31/42	1,181,000	-	354,189	826,811	861,866
FFB2-19	2.332	9/10/12	12/31/42	668,000	-	195,027	472,973	492,573
FFB2-20	2.229	11/19/12	12/31/42	1,283,000	-	374,737	908,263	946,313
FFB2-21	2.389	4/16/13	12/31/42	958,000	-	267,001	690,999	719,463
FFB3-1	3.261	3/4/14	12/31/47	5,997,000	-	1,016,117	4,980,883	5,116,185
FFB3-2	3.175	6/10/14	12/31/47	1,653,000	-	283,604	1,369,396	1,407,038
FFB3-3	3.019	9/11/14	12/31/47	3,000,000	-	526,436	2,473,564	2,543,027
FFB3-4	2.317	2/10/15	12/31/47	1,000,000	-	193,764	806,236	831,136
FFB3-5	2.718	5/22/15	12/31/47	1,000,000	-	183,182	816,818	840,717
FFB3-6	2.676	8/6/15	12/31/47	2,500,000	-	466,177	2,033,823	2,093,669
FFB3-7	2.714	9/22/15	12/31/47	1,000,000	-	178,893	821,107	845,145
FFB3-8	2.66	12/8/15	12/31/47	1,000,000	-	175,371	824,629	848,947
FFB3-9	2.35	4/22/17	12/31/47	1,500,000	-	263,680	1,236,320	1,274,334
FFB3-10	2.298	5/24/17	12/31/47	2,000,000	-	354,098	1,645,902	1,696,864
FFB3-11	1.954	8/4/17	12/31/47	2,000,000	-	361,686	1,638,314	1,691,421
FFB3-12	1.949	9/1/17	12/31/47	1,000,000	-	179,707	820,293	846,901
FFB3-13	2.779	2/14/18	12/31/47	1,000,000	-	152,799	847,201	871,784
FFB3-14	2.966	3/14/18	12/31/47	1,000,000	-	147,658	852,342	876,452
FFB3-15	2.621	4/14/18	12/31/47	4,000,000	-	606,739	3,393,261	3,493,855
FFB3-16	2.754	1/26/18	12/31/47	1,000,000	-	135,313	864,687	889,863
FFB3-17	3.008	2/20/18	12/31/47	1,500,000	-	195,906	1,304,094	1,340,771
FFB3-18	2.852	3/30/18	12/31/47	1,000,000	-	133,281	866,719	891,620
FFB3-19	3.033	5/11/18	12/31/47	2,381,845	-	299,108	2,082,737	2,141,113
FFB3-20	2.942	6/26/18	12/31/47	355,076	-	45,012	310,064	318,863
FFB3-21	3.017	8/1/18	12/31/47	1,437,000	-	174,161	1,262,839	1,298,312
FFB3-23	2.94	9/4/18	12/31/47	3,954,855	-	477,248	3,477,607	3,576,326
FFB4-1	2.881	3/30/18	12/31/47	1,509,000	-	134,672	1,374,328	1,405,954
FFB5-1	1.462	3/18/20	12/31/53	7,384,000	-	409,330	6,974,670	7,158,907
FFB5-2	1.61	1/8/21	12/31/53	1,200,000	-	64,925	1,135,075	1,164,338
FFB5-3	2.034	3/4/21	12/31/53	5,800,000	-	292,393	5,507,607	5,639,923
FFB5-4	1.82	12/9/21	12/31/53	4,000,000	-	183,205	3,816,795	3,911,827
FFB5-5	2.25	2/25/22	12/31/53	4,000,000	-	153,425	3,846,575	3,935,685
FFB5-6	3.609	5/10/23	12/31/53	7,589,000	-	66,459	7,522,541	-
Total FFB				<u>83,624,776</u>	<u>-</u>	<u>11,024,333</u>	<u>72,533,984</u>	<u>66,888,605</u>
CoBank								
00677	4.468	1/28/94	6/1/24	566,000	-	552,784	13,216	46,656
00678	5.00	9/08/94	9/1/29	403,000	-	257,204	145,796	166,056
00681	4.646	3/18/98	6/1/33	518,000	-	240,750	277,250	297,362
228917	2.978	2/28/13	3/20/23	3,279,237	-	3,279,237	-	94,345
273714	4.00	8/21/15	8/20/33	19,995,825	-	7,480,002	12,515,823	13,552,830
Total CoBank				<u>24,762,062</u>	<u>-</u>	<u>11,809,977</u>	<u>12,952,085</u>	<u>14,157,249</u>
Economic Development Loan								
1.0		6/30/08	12/31/27	135,000	-	-	135,000	135,000
0.0		3/29/12	None	300,000	-	-	300,000	300,000
0.0		7/18/14	None	160,000	-	-	160,000	160,000
0.0		3/9/15	2/28/25	1,000,000	-	870,370	129,630	240,741
Total Economic Development				<u>1,595,000</u>	<u>-</u>	<u>870,370</u>	<u>724,630</u>	<u>835,741</u>
Total debt				<u>\$ 109,981,838</u>	<u>\$ -</u>	<u>\$ 23,704,680</u>	<u>\$ 86,210,699</u>	<u>\$ 81,881,595</u>

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Statistical Information (Unaudited)

	2022 CFC Key Ratio Trend Analysis Median Values			Verendrye Electric Cooperative Years Ended December 31		
	US	ND	Peer Group	2023	2022	2021
	Financial Ratios					
1. Times Interest Earned Ratio (TIER)	2.57	3.99	3.59	3.90	4.21	3.75
2. Average TIER	3.07	3.74	3.35	4.06	3.98	3.26
3. Operating TIER	2.10	2.17	1.96	2.13	2.38	2.37
4. Average OTIER	2.37	2.28	2.08	2.26	2.38	2.11
5. Debt Service Coverage (DSC)	2.04	2.29	2.23	2.32	2.35	2.29
6. Average DSC	2.29	2.38	2.20	2.34	2.32	2.02
7. Operating DSC	1.89	1.69	1.55	1.57	1.60	1.69
8. Average ODSC	1.97	1.70	1.61	1.59	1.65	1.52
9. MDSC	1.87	1.78	1.64	1.69	1.61	1.89
10. Plant Revenue Ratio	7.42	8.86	9.15	8.70	8.61	8.32
11. Equity Ratio	44.91	41.71	38.20	37.80	37.22	36.01
12. Distribution Equity	36.34	31.43	25.50	22.14	21.49	20.75
13. General Funds/TUP	4.28	8.74	8.39	13.49	10.87	14.28
14. Current Ratio	1.32	2.10	1.83	2.53	1.98	2.29
15. Rate of Return/Capitalization	4.29	6.09	5.93	6.05	6.71	6.01
16. Annual Capital Credits Retired/ Total Equity	2.54	2.92	3.25	3.43	4.15	3.19
Consumer Ratios						
17. Total Consumers (Average number receiving service)	15,043	11,000	9,725	16,637	16,586	16,528
18. Average Consumers/Mile	6.30	2.47	2.31	3.60	3.58	3.58
19. Total Margins/Avg Consumer	\$ 152.89	\$ 403.65	\$ 403.65	\$ 409.34	\$ 438.74	\$ 365.16
20. Consumer Accounting Expense/ Avg Consumer	\$ 58.79	\$ 50.39	\$ 62.88	\$ 61.89	\$ 56.04	\$ 61.47
21. Administrative and General Expense/Avg Consumer	\$ 167.52	\$ 240.50	\$ 171.16	\$ 150.49	\$ 149.70	\$ 135.24
22. Total Controllable Expenses/ Avg Consumer	\$ 582.53	\$ 815.70	\$ 708.37	\$ 569.01	\$ 539.99	\$ 522.74
23. TUP Investment/Avg Consumer	\$ 7,442	\$ 13,952	\$ 12,487	\$ 9,129	\$ 8,808	\$ 8,376

North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Statistical Information (Unaudited)

	2022 CFC Key Ratio Trend Analysis Median Values			Verendrye Electric Cooperative Years Ended December 31		
	US	ND	Peer Group	2023	2022	2021
Plant Investment Ratios						
24. TUP investment/Mile	\$ 44,415	\$ 31,396	\$ 29,602	\$ 32,896	\$ 31,545	\$ 29,983
Operations and Maintenance Ratios						
25. Operations and Maintenance/ \$1,000 Plant (Excludes Plant Leased to Others)	\$ 41.66	\$ 30.67	\$ 33.22	\$ 34.23	\$ 33.24	\$ 34.07
26. Accum Depr/Plant in Service	34.24	31.44	30.07	27.72	27.31	27.41
Long-term Debt Ratios						
27. Debt Ratio	42.98	46.72	50.32	45.75	46.09	47.52
28. Blended Interest Rate	3.42	2.98	2.98	2.79	2.78	2.81
Revenue and Power Cost Ratios						
29. Power Cost/KWH Sold (mills)	79.43	59.96	62.09	61.32	60.82	60.18
30. Electric Rev/KWH Sold (mills)	121.87	103.10	100.17	91.23	89.44	89.96
31. Electric Revenue less Power Cost/KWH Sold (mills)	42.44	43.14	38.08	29.91	28.63	29.78
Operating Ratios						
32. System Loss %	5.24	4.20	4.04	2.73	2.77	3.05
33. Outage Minutes/Consumer	125.2	105.5	101.1	46.8	446.4	87.6
34. Accounts Receivable write- offs per Operating Revenue %	0.06	0.02	0.03	0.01	0.03	0.05
Growth Ratio						
35. Annual Growth in KWH Sold %	3.55	5.56	5.46	(1.48)	6.14	(3.22)



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Velva, North Dakota

We have audited, 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 (*Government Auditing Standards*), the financial statements of Verendrye Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2023, and the related statements of operations, comprehensive margin, changes in equities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Verendrye Electric Cooperative, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Verendrye Electric Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Verendrye Electric Cooperative, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Verendrye Electric Cooperative, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, professional style.

Fargo, North Dakota
April 22, 2024



Independent Auditors' Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements for Electric Borrowers

The Board of Directors
North Dakota 17 McHenry
Verendrye Electric Cooperative, Inc.
Velva, North Dakota

We have audited, 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, the financial statements of Verendrye Electric Cooperative, Inc. which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, statements of comprehensive income, changes in equities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2024. In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024 on our consideration of Verendrye 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. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Verendrye Electric Cooperative, Inc. failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Verendrye Electric Cooperative, Inc.'s noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Verendrye Electric Cooperative, Inc.'s accounting and records to indicate that Verendrye Electric Cooperative, Inc. did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

During the period of this audit, the Cooperative did not receive any long-term loan fund advances from CFC on loans controlled by the CFC Mortgage and Loan Agreement;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and


Comply with the requirements for the detailed schedule of investments.

Detailed Schedule of Deferred Credits

Deferred Credits

	<u>2023</u>	<u>2022</u>
Deferred credits		
Other	\$ 3,000	\$ 3,000
Customer energy prepayments	307,512	249,555
Contract reserve	13,877,474	12,232,961
Aid to construction in excess of costs	83,253	37,602
	<u>\$ 14,271,239</u>	<u>\$ 12,523,118</u>

This report is intended solely for the information and use of the board of directors, management and the Rural Utilities Service and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Eric Bailly LLP
Fargo, North Dakota
April 22, 2024



Federal Awards Reports in Accordance
with the Uniform Guidance
December 31, 2023

Verendrye Electric Cooperative, Inc.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Verendrye Electric Cooperative
Velva, North Dakota

We have audited 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 (*Government Auditing Standards*), the financial statements of Verendrye Electric Cooperative (“the Cooperative”), which comprise the Cooperative’s balance sheet as of December 31, 2023, and the related statements of operations, comprehensive income, changes in equities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 22, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
May 20, 2024



**Independent Auditor’s Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance**

To the Board of Directors
Verendrye Electric Cooperative, Inc.
Velva, North Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Verendrye Electric Cooperative’s (“the Cooperative”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Cooperative’s major federal program for the year ended December 31, 2023. The Cooperative’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Verendrye Electric Cooperative complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Cooperative’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Cooperative's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cooperative's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Cooperative as of and for the year ended December 31, 2023, and have issued our report thereon dated April 22, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Fargo, North Dakota
May 20, 2024

Verendrye Electric Cooperative, Inc.
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
Department of Homeland Security and Emergency Management <i>Passed through North Dakota Department of Emergency Services</i> Disaster Grant - Public Assistance	97.036	UEI# FPQQJ1B2T1K1	<u>\$ 1,459,989</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Verendrye Electric Cooperative, Inc. (“the Cooperative”) under programs of the federal government for the year ended December 31, 2023. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the balance sheets, statements of operations, comprehensive income, changes in equities and cash flows of the Cooperative.

Note 2 - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Cooperative does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

Note 4 - Disaster Grants – Public Assistance

Per the OMB Compliance Supplement, nonfederal entities must record expenditures on the schedule of expenditures of federal awards when FEMA has approved the entity’s project. These expenditures were incurred in fiscal year 2022 but approved for payment by the federal agency in 2023 and therefore are included in the schedule when approved.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a):	No

Identification of major program:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Disaster Grant - Public Assistance	97.036
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None Reported

Section III – Federal Award Findings and Questioned Costs

None Reported