

**DAKOTA ELECTRIC ASSOCIATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**DAKOTA ELECTRIC ASSOCIATION  
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## Independent Auditor's Report

The Board of Directors  
Dakota Electric Association  
Farmington, Minnesota

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Dakota Electric Association, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dakota Electric Association as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Dakota Electric Association 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dakota Electric Association's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Dakota Electric Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dakota Electric Association'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.

*Eide Sully LLP*

Sioux Falls, South Dakota  
March 3, 2022

**DAKOTA ELECTRIC ASSOCIATION  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(DOLLARS IN THOUSANDS)**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 197	\$ 141
Accounts Receivable, Less Allowance for Uncollectible Accounts (2021 - \$1,644; 2020 - \$1,182)	35,533	31,278
Conservation Cost and Property Tax Recovery	-	396
Inventories, Materials and Supplies	8,103	9,750
Prepayments and Interest Receivable	1,924	1,018
Total Current Assets	45,757	42,583
<b>INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS</b>	133,521	127,032
<b>UTILITY PLANT</b>		
Distribution System	302,234	285,450
General Plant	36,029	35,601
Construction Work in Process	7,858	6,128
Less Accumulated Depreciation	(139,499)	(135,216)
Net Utility Plant and Work in Progress	206,622	191,963
<b>REGULATORY ASSETS</b>	960	-
<b>DEFERRED CHARGES AND OTHER ASSETS</b>	76	80
Total Assets	\$ 386,936	\$ 361,658

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES, PATRONAGE CAPITAL &amp; OTHER EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 28,860	\$ 28,978
Notes Payable	15,300	15,300
Current Portion of Long-Term Debt	8,559	7,352
Current Portion of Capital Lease Obligation	508	293
Advanced Meter, Conservation Cost and Property Tax Over-Recovery	930	257
Customer Security Deposits	418	479
Accrued Property and Other Taxes	4,940	4,742
Other Current Liabilities	9,154	8,317
Total Current Liabilities	<u>68,669</u>	<u>65,718</u>
<b>LONG-TERM DEBT</b>	124,639	110,939
<b>LONG-TERM CAPITAL LEASE OBLIGATION</b>	961	1,006
<b>POST-RETIREMENT BENEFIT OBLIGATION</b>	4,864	4,891
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	104	141
Total Liabilities	<u>199,237</u>	<u>182,695</u>
<b>PATRONAGE CAPITAL &amp; OTHER EQUITY</b>	<u>187,699</u>	<u>178,963</u>
Total Liabilities, Patronage Capital and Other Equity	<u>\$ 386,936</u>	<u>\$ 361,658</u>

See accompanying Notes to Consolidated Financial Statements

**DAKOTA ELECTRIC ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

	<u>2021</u>	<u>2020</u>
<b>NET SALES</b>	\$ 217,534	\$ 209,661
<b>COST OF SALES</b>	<u>155,629</u>	<u>148,626</u>
<b>GROSS MARGIN</b>	61,905	61,035
<b>OPERATING EXPENSES</b>		
Labor and Related Benefits	25,750	26,604
Professional Fees and Services	5,855	5,871
Rebates and Marketing	942	1,311
Office Expense	2,697	2,469
Operations and Maintenance	895	834
Depreciation and Amortization	12,300	11,232
Property and Real Estate Taxes	3,247	3,090
Net Interest Expense	4,506	4,287
Other Expenses (Reimbursements)	869	785
Total Operating Expenses	<u>57,061</u>	<u>56,483</u>
<b>NET OPERATING MARGIN</b>	4,844	4,552
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	143	146
Capital Credits from GRE, CFC, CoBank, & Others	9,621	4,262
Other Income (Expense)	27	(14)
Total Other Income	<u>9,791</u>	<u>4,394</u>
<b>NET OPERATING MARGIN AND OTHER INCOME</b>	14,635	8,946
Income Tax on Nonregulated Operations	<u>-</u>	<u>10</u>
<b>NET INCOME</b>	<u>\$ 14,635</u>	<u>\$ 8,936</u>

See accompanying Notes to Consolidated Financial Statements

**DAKOTA ELECTRIC ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

	<u>Patronage Capital</u>	<u>Other Equity</u>	<u>Patronage Capital and Other Equity</u>
<b>BALANCE, DECEMBER 31, 2019</b>	\$ 148,841	\$ 25,391	\$ 174,232
Net Income 2020	8,936	-	8,936
Transfer to Other Equity	(637)	637	-
Capital Credits Retired	<u>(4,635)</u>	<u>430</u>	<u>(4,205)</u>
<b>BALANCE, DECEMBER 31, 2020</b>	152,505	26,458	178,963
Net Income 2021	14,635	-	14,635
Transfer to Other Equity	(616)	616	-
Capital Credits Retired	<u>(6,439)</u>	<u>540</u>	<u>(5,899)</u>
<b>BALANCE, DECEMBER 31, 2021</b>	<u>\$ 160,085</u>	<u>\$ 27,614</u>	<u>\$ 187,699</u>

*See accompanying Notes to Consolidated Financial Statements*



**DAKOTA ELECTRIC ASSOCIATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 14,635	\$ 8,936
Adjustments:		
Depreciation and Amortization	12,300	11,232
GRE, CFC, CoBank, and Other Capital Credit Allocations	(9,621)	(4,262)
Increase in Current Assets	(3,118)	(8,812)
(Increase) Decrease in Other Assets	(956)	4
Increase in Current Liabilities	1,529	1,992
(Decrease) Increase in Other Liabilities	(64)	432
Net Cash from Operating Activities	14,705	9,522
<b>INVESTING ACTIVITIES</b>		
Plant Additions, Net	(26,457)	(21,784)
GRE, CFC, CoBank, and Other Capital Credits Refunded	3,093	1,305
Funds Received from Maturity of CFC Investment Certificates	39	279
Net Cash Used for Investing Activities	(23,325)	(20,200)
<b>FINANCING ACTIVITIES</b>		
Loan Advances Received	23,000	22,000
Principal Payments on Long-Term Debt	(8,093)	(7,101)
Principal Payments Capital Lease Obligations	(332)	(399)
Increase in Notes Payable	-	100
Patronage Capital Retirements Paid	(5,899)	(4,205)
Net Cash from Financing Activities	8,676	10,395
Net Change in Cash and Cash Equivalents	56	(283)
Cash and Cash Equivalents, Beginning of Year	141	424
Cash and Cash Equivalents, End of Year	\$ 197	\$ 141
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for		
Interest	\$ 4,528	\$ 4,268
Income Taxes	-	17
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES</b>		
Equipment Acquired Through Capital Leases	\$ 502	\$ 218

See accompanying Notes to Consolidated Financial Statements

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

Dakota Electric Association (Dakota Electric) is a 113,000-member not-for-profit, member-owned electric distribution cooperative serving homes and businesses primarily in Dakota County, Minnesota. Dakota Electric wholly owned Midwest Energy Services (MES) until November 2020 when MES was dissolved and all remaining assets were paid as a dividend to the parent.

As a rate-regulated cooperative, Dakota Electric applies Accounting Standards Codification (ASC) 980 Regulated Operations. The application of generally accepted accounting principles by Dakota Electric differs in certain respects from the application by nonregulated 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.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or equity.

**Consolidation Policy and Preparation of Financial Statements**

The accompanying consolidated financial statements include the accounts of Dakota Electric and its wholly owned subsidiary. All significant intercompany transactions and balances have been eliminated.

**Regulation**

Dakota Electric is subject to regulation by the Minnesota Public Utilities Commission (MPUC). Dakota Electric's accounting policies and the accompanying consolidated financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

**Property and Depreciation**

Plant is recorded at original cost. The cost of additions to utility plant and replacement of retirement units of property are capitalized. Maintenance costs and replacements of minor items of property are charged to expense as incurred. Costs of depreciable units of utility plant retired are eliminated from the plant accounts. Such costs plus removal expenses less salvage are charged to accumulated depreciation.

Depreciation of Dakota Electric utility plant is computed using rates approved by the MPUC based on estimated useful lives of the various classes of property. In 2021 and 2020, provisions for depreciation approximated 3.73% and 3.57%, respectively, of the average original cost of depreciable property.

**Cash and Cash Equivalents**

Dakota Electric considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Materials and Supplies**

Materials and supplies are stated at average cost.

**Investments in Associated Companies**

Investments principally represent undistributed allocated margins of other cooperatives and investment certificates in the Cooperative Finance Corporation (CFC). Investments in associated companies, other than subordinate certificates, and other investments are accounted for as equity securities. Dakota Electric has determined that these investments do not have a readily determinable fair value. Investments in associated companies are recorded at the Dakota Electric's share of allocated patronage capital and the other investments are recorded at cost. 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. Dakota Electric has not identified any impairments and there has not been observable price changes during the years ended December 31, 2021 and 2020. Subordinate certificates are debt securities and are accounted for at amortized cost, net of any impairment.

**Patronage Capital**

Dakota Electric operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to members on a patronage basis. Other amounts received by Dakota Electric from its operations in excess of costs and expenses are either allocated to members on a patronage basis or included in other equity in accordance with the bylaws.

**Sales Taxes**

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

**Income Taxes**

Dakota Electric is exempt from income taxes under Section 501 (c) (12) of the Internal Revenue Code and the State of Minnesota. MES provided for deferred taxes on temporary differences arising from assets and liabilities whose basis was different for financial reporting and income tax purposes prior to its dissolution.

Dakota Electric will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such penalties and interest are incurred. Under normal circumstances, Dakota Electric and its former subsidiary, MES, are no longer subject to federal or state tax examinations by tax authorities for years before 2019.

Dakota Electric and its former subsidiary undergo an annual analysis of various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10. The unrecognized tax benefit accrual was zero as of December 31, 2021 and 2020.

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Gain on RUS Buyout**

In 1994 and 1995, Dakota Electric refinanced long-term debt payable to the Rural Utilities Service (RUS) with CFC. The early extinguishments resulted in gains of \$11.3 million, which are being amortized over the lives of the related CFC debt (24 and 32 years, respectively) using the sum of the year's digits method. Interest expense is net of amortization of \$37,000 and \$42,000 in 2021 and 2020, respectively.

**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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentrations of Credit Risk**

Financial instruments, which potentially subject Dakota Electric to concentrations of credit risk, consist primarily of temporary cash investments and trade receivables. Dakota Electric invests excess cash with various high-quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to Dakota Electric's large number of members and their dispersion across many industries. Dakota Electric does not obtain collateral to support trade receivables. Dakota Electric has not incurred and does not expect to incur significant credit losses.

Dakota Electric maintains its cash accounts in area financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the year, Dakota Electric's cash balances exceed the insurance limits.

**Concentration of Sources of Labor**

At December 31, 2021, Dakota Electric had collective bargaining agreements covering 102 employees which represented 54% of total full-time employees. The collective bargaining agreements expired on December 31, 2020. A new agreement through December 31, 2024 was approved on November 17, 2020.

**Subsequent Events**

Dakota Electric has evaluated subsequent events through March 3, 2022, the date which the consolidated financial statements were available to be issued.

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

**NOTE 2 SUBSIDIARY OPERATING RESULTS**

MES operating results for the year ended December 31, 2020 are summarized below.

	2020
	(in thousands)
Revenues	\$ -
Operating Expenses, Other Income and Expense	(47)
Income Before Taxes	47
Income Tax Expense (Credit)	11
Net Income	\$ 36

In November of 2020, MES was dissolved and there were no deferred tax assets or liabilities at the date of dissolution.

**NOTE 3 INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS**

	2021	2020
	(in thousands)	
Great River Energy		
Patronage Capital	\$ 123,432	\$ 116,896
Cooperative Finance Corporation		
Capital Term Certificates -		
Maturities 2070 - 2080, Interest Rate 5.0%	1,419	1,419
Loan Term Certificates -		
Maturities 2025 - 2030, Interest Rate 3.0%	440	440
Loan Term Certificates -		
Maturities 2022 - 2044, Interest Rate 0.0%	705	744
Member Capital Securities -		
Maturity 2044, Interest Rate 5.0%	1,000	1,000
Patronage Capital	4,151	4,245
	7,715	7,848
Other Investments	2,374	2,288
Total Investments in Associated Companies and Other Investments	\$ 133,521	\$ 127,032

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

**NOTE 3 INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS**  
**(CONTINUED)**

Investment in Great River Energy (GRE) represents undistributed allocated margins. Dakota Electric's share of annual GRE margins is generally based on the percentage of GRE's total power generation purchased by Dakota Electric. Under its wholesale power purchase agreement, Dakota Electric is committed to purchase at least 95% of its electric power requirements from GRE until December 31, 2045. The rates paid are subject to change annually.

Investments in CFC represent undistributed patronage capital allocated to Dakota Electric as well as loan and capital term certificates, and member capital securities. The certificates represent investments made pursuant to CFC borrowing requirements.

**NOTE 4 REGULATORY ASSETS**

The accounting standards for regulated operations (ASC 980) allow rate-regulated enterprises to recognize regulatory assets for costs incurred or accrued that have a probability of being collected in the future from customers, as required under regulation. During 2021, Dakota Electric recognized a regulatory asset of \$960,000 resulting from unrecovered and deferred costs related to meter replacements which were part of the Advanced Grid Infrastructure (AGI) project. The regulatory assets are expected to be amortized between 2022 and 2024 at approximately \$320,000 per year. There was no amortization expense recognized in 2021.

**NOTE 5 PATRONAGE CAPITAL AND OTHER EQUITY**

Dakota Electric has covenants with its lenders that restrict the retirement of patronage capital. After retirement, the capital of Dakota Electric must equal at least 30% of its total assets. No distributions can be made if there is unpaid, when due, any installments of principal or interest on the notes.

Capital credit retirements for estates, members reaching age 65, arrearage forgiveness, and members moving off-line after July 1, 1998 are made upon request. Patronage capital credits arising from prior years' margins are retired as determined annually by the board of directors. As of December 31, 2021, capital credits through 1998 have substantially been retired.

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

**NOTE 6 LONG-TERM DEBT**

	2021	2020
	(in thousands)	
Cooperative Finance Corporation (CFC) mortgage notes 1.87% to 4.50%, due in quarterly installments through 2048	\$ 85,065	\$ 81,919
CoBank mortgage notes 2.30% to 4.56%, due in monthly installments through 2046	48,133	36,371
	133,198	118,290
Less Current Portion	(8,559)	(7,352)
Long-Term Debt	\$ 124,639	\$ 110,938

Substantially all assets are pledged as security on the mortgage notes. There are certain notes that contain provisions for changing interest rates at specified future dates.

Dakota Electric's debt agreements contain various restrictive covenants. Management believes Dakota Electric was in compliance with all restrictive covenants as of December 31, 2021 and 2020.

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

Years Ending December 31,	Total (in thousands)
2022	\$ 8,559
2023	8,332
2024	7,323
2025	7,495
2026	6,593
Thereafter	94,896
	\$ 133,198

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(DOLLARS IN THOUSANDS)**

**NOTE 7 CAPITAL LEASE PROVISION**

Dakota Electric leases heavy vehicles under various long-term lease agreements. The leases expire at various dates through 2026.

Future minimum lease payments are as follows:

Years Ending December 31,	Capital Leases (in thousands)
2022	\$ 562
2023	518
2024	163
2025	157
2026	188
Total minimum lease payments	1,588
Less portion representing interest	(119)
Present value of minimum lease payments	\$ 1,469

Leased property under capital leases at December 31, 2021 and 2020 includes:

	2021	2020
	(in thousands)	
Heavy Equipment	\$ 2,613	\$ 2,100
Less Accumulated Amortization	(618)	(433)
Net Book Value	\$ 1,995	\$ 1,667

**NOTE 8 NOTES PAYABLE (LINES OF CREDIT)**

Dakota Electric has a \$30 million line of credit agreement with CoBank, which expires September 30, 2022 and is reviewed annually for subsequent renewal. This agreement imposes a maximum of \$30 million outstanding unsecured debt at any one time to all lenders. Interest on the unpaid principal is payable monthly at rates established by CoBank on a weekly basis (1.46% at December 31, 2021). This is a committed line of credit with fees charged based on the unused balance. The committed line guarantees Dakota Electric access to funds under any economic condition. There was an outstanding balance of \$15,300,000 on this line of credit at December 31, 2021 and 2020.

Dakota Electric has executed an as-offered uncommitted perpetual line of credit agreement providing Dakota Electric with short term loans of up to \$30 million on a revolving basis with CFC. Interest on unpaid principal is payable quarterly at rates established by CFC; this rate was 2.25% at December 31, 2021. There was no outstanding balance on this line of credit at December 31, 2021 or December 31, 2020.



**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 OTHER CURRENT LIABILITIES**

	2021	2020
	(in thousands)	
Accrued Interest	\$ 643	\$ 634
Accrued Payroll	518	360
Accrued Sick Leave	1,195	1,334
Accrued Vacation	1,687	1,707
Unclaimed Capital Credits	4,979	4,262
Other	132	20
	\$ 9,154	\$ 8,317

**NOTE 10 PENSION PLANS**

A portion of the employees of Dakota Electric participate in the National Rural Electric Cooperative Association (NRECA) Retirement & Security Plan (RS Plan), 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 multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Dakota Electric makes contributions to the RS Plan equal to the amounts accrued for pension expense except for the periods when a moratorium on contributions has been in effect due to the plan reaching full funding limitations. Dakota Electric's contributions to the RS Plan in 2021 and in 2020 represented less than 5 percent of the total contributions made to the plan by all participating employers. Contributions to the plan for the years ended December 31, 2021 and 2020, were approximately \$2,637,000 and \$2,834,000, respectively. There have been no significant changes that affect the comparability of 2021 and 2020 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2021 and over 80% funded on January 1, 2020, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

**NOTE 10 PENSION PLANS (CONTINUED)**

Dakota Electric has defined contribution savings plans for employees who meet certain age and service requirements. Dakota Electric contributed between 4.0% and 10.0% in 2021 and 2020 of eligible employees' compensation. Savings plan company contributions for the years ended December 31, 2021 and 2020, were approximately \$1,255,000 and \$1,224,000, respectively.

**NOTE 11 POST-RETIREMENT BENEFITS OTHER THAN PENSIONS**

Dakota Electric provides certain health care benefits for salaried and hourly retired employees. Employees may become eligible for these health care benefits after attaining specified age and service requirements prior to retiring from Dakota Electric.

Dakota Electric is required to disclose the following information according to Accounting Standards Codification (ASC) 715 Compensation-Retirement Benefits in the notes to the consolidated financial statements.

The following table sets forth the plan's funded status reconciled with the obligation recognized in the accompanying balance sheet at December 31:

	<u>2021</u>	<u>2020</u>
	(in thousands)	
Change in Post-retirement Benefit Obligation		
Accumulated Post-retirement		
Benefit Obligation at Beginning of Year	\$ 4,891	\$ 4,417
Interest and Service Cost	229	706
Benefits Paid-Net of Retiree Contributions	<u>(256)</u>	<u>(232)</u>
Accumulated Post-retirement		
Benefit Obligation at End of Year	<u>4,864</u>	<u>4,891</u>
Change in Plan Assets		
Plan Assets at Beginning of Year	-	-
Employer Contributions	256	232
Benefits Paid-Net of Retiree Contributions	<u>(256)</u>	<u>(232)</u>
Plan Assets at End of Year	<u>-</u>	<u>-</u>
Funded Status	<u>(4,864)</u>	<u>(4,891)</u>
Net Post-retirement Benefit Obligation Recognized	<u>\$ (4,864)</u>	<u>\$ (4,891)</u>
Weighted Average Assumptions at December 31:		
Discount Rate	3.77%	3.77%

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

**NOTE 11 POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

For measurement purposes, a 4.49% and 4.36% annual rate of increase in per capita cost of health care benefits was assumed for 2021 and 2020, respectively. Accelerating the rate of assumed health care costs by 1% each year would increase the benefit obligation as of December 31, 2021 and 2020 by \$439,000 and \$434,000, respectively.

Post-retirement benefit payments over the next 10 years are estimated to be as follows:

Years Ending December 31,	Estimated Payments (in thousands)
2022	\$ 387
2023	405
2024	423
2025	442
2026	462
2027 - 2031	2,638

**NOTE 12 REVENUE RECOGNITION**

Dakota Electric accounts for customer revenues under Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers.

Dakota Electric'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. Rates charged to members are established by the board of directors and are subject to approval by the MPUC before becoming effective. Billings are rendered on a cycle basis and revenue is accrued for service provided but not yet billed. Electric rates include adjustment clauses, which bill or credit members for purchased power, conservation, and property tax costs above or below the base levels in rate schedules.

Dakota Electric's performance obligation related to electrical services are satisfied at the point in time when projects have been completed; therefore, revenue is recorded upon the completion of the service.

Dakota Electric does not have any significant financing components related to contracts with customers as payment is received shortly after being billed to customers.

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(DOLLARS IN THOUSANDS)**

**NOTE 12 REVENUE RECOGNITION (CONTINUED)**

The following table depicts revenues by timing of revenue recognition and type of revenue for the years ended December 31, 2021 and 2020, respectively:

	2021	2020
	(in thousands)	
Electric revenues (transferred over time)	\$ 216,598	\$ 208,676
Other Revenues (specific point in time)	614	463
Total Revenue from Contracts with Customers	217,212	209,139
Lease Revenue	322	522
Net Sales	\$ 217,534	\$ 209,661

**NOTE 13 RECEIVABLES AND CREDIT POLICY**

Dakota Electric'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 Dakota Electric provides energy to its customers. The unconditional right to consideration is represented by contract receivables which are presented on the balance sheet as accounts receivable which includes unbilled revenues.

Trade receivables are uncollateralized member obligations due under normal trade terms requiring payment within 25 days from the billing date. Unpaid trade receivables with dates over 30 days old are assessed a \$1 late fee or interest at 1.5% of the unpaid balance, whichever is greater. Payments on trade and notes receivable are allocated to the earliest unpaid billings. During 2021 and 2020, the MPUC ordered all regulated utilities in Minnesota, including Dakota Electric, to temporarily waive charging late fees on past due balances to provide members relief during COVID. The carrying amounts of trade and notes receivable are reduced by a valuation 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.

**DAKOTA ELECTRIC ASSOCIATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(DOLLARS IN THOUSANDS)**

**NOTE 13 RECEIVABLES AND CREDIT POLICY (CONTINUED)**

The beginning and ending balances for accounts receivable including unbilled revenues, net of allowances for doubtful accounts, and contract liabilities were as follows for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020	January 1, 2020
		(in thousands)	
Billed	\$ 29,661	\$ 26,361	\$ 22,364
Unbilled	5,872	4,917	5,458
Total Accounts Receivable	<u>\$ 35,533</u>	<u>\$ 31,278</u>	<u>\$ 27,822</u>
Customer Deposits	<u>\$ 418</u>	<u>\$ 479</u>	<u>\$ 522</u>

**NOTE 14 RELATED PARTY TRANSACTIONS**

Dakota Electric is a member of and purchases its wholesale power from Great River Energy. The following is a summary of material transactions with Great River Energy for the years ended December 31, 2021 and 2020:

	2021	2020
	(in thousands)	
Purchase of Wholesale Power	<u>\$ 155,206</u>	<u>\$ 148,225</u>
Accounts Receivable	<u>\$ 6,062</u>	<u>\$ 510</u>
Accounts Payable for Purchased Power	<u>\$ 23,716</u>	<u>\$ 23,455</u>
Capital Credit Allocation	<u>\$ 9,175</u>	<u>\$ 3,794</u>
Capital Credits Refunded	<u>\$ 2,639</u>	<u>\$ 916</u>
Accumulated Investment in Patronage Capital	<u>\$ 123,432</u>	<u>\$ 116,896</u>