DAKOTA ELECTRIC ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

DAKOTA ELECTRIC ASSOCIATION
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YEARS ENDED DECEMBER 31, 2017 AND 2016

Independent Auditor's Report

The Board of Directors
Dakota Electric Association
Farmington, Minnesota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Dakota Electric Association which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

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, 2017 and 2016, and the consolidated results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Sioux Falls, South Dakota
March 14, 2018

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DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,081	$ 3,848
Accounts Receivable, Less Allowance for Uncollectible Accounts (2017 - $676; 2016 - $1,001)	25,541	22,656
Conservation Cost and Property Tax Recovery	1,009	918
Inventories, Materials and Supplies	4,473	4,070
Prepayments and Interest Receivable	1,012	1,080
Deferred Charges	2	15
Total Current Assets	35,118	32,587
INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS	117,009	110,393
UTILITY PLANT		
Distribution System	261,606	252,281
General Plant	30,581	30,727
Construction Work in Process	5,114	5,009
Less Accumulated Depreciation	(122,693)	(118,630)
Net Utility Plant and Work in Progress	174,608	169,387
DEFERRED CHARGES AND OTHER ASSETS	92	96
Total Assets	$ 326,827	$ 312,463

See accompanying Notes to Consolidated Financial Statements

	2017	2016
LIABILITIES AND EQUITIES		
CURRENT LIABILITIES		
Accounts Payable	$ 29,492	$ 28,268
Notes Payable	12,000	10,900
Current Portion of Long-Term Debt	7,695	7,228
Customer Security Deposits	529	537
Accrued Property and Other Taxes	4,925	4,836
Other Current Liabilities	7,785	7,324
Total Current Liabilities	62,426	59,093
LONG-TERM DEBT	90,658	87,598
POST-RETIREMENT BENEFIT OBLIGATION	4,207	3,925
DEFERRED CREDITS AND OTHER LIABILITIES	337	553
Total Liabilities	157,628	151,169
MEMBERS' EQUITY	169,199	161,294
Total Liabilities and Members' Equity	$ 326,827	$ 312,463

DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017	2016
NET SALES	$ 202,277	$ 202,746
COST OF SALES	148,448	149,205
GROSS MARGIN	53,829	53,541
OPERATING EXPENSES		
Labor and Related Benefits	23,960	23,089
Professional Fees and Services	3,803	3,702
Rebates and Marketing	1,806	1,543
Office Expense	2,234	2,434
Operations and Maintenance	907	933
Depreciation and Amortization	9,775	9,188
Property and Real Estate Taxes	3,609	3,598
Net Interest Expense	4,068	4,295
Other Expenses (Reimbursements)	(88)	(365)
Total Operating Expenses	50,074	48,417
NET OPERATING MARGIN	3,755	5,124
OTHER INCOME (EXPENSE)		
Interest Income	215	167
Capital Credits from GRE, CFC, & Others	7,166	8,217
Other Expense	(72)	(79)
Total Other Income	7,309	8,305
NET OPERATING MARGIN AND OTHER INCOME	11,064	13,429
Income Tax (Credit) on Nonregulated Operations	(80)	(60)
NET INCOME	$ 11,144	$ 13,489

See accompanying Notes to Consolidated Financial Statements

DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	Patronage Capital and Other Equity
BALANCE, DECEMBER 31, 2015	$ 150,976
Net Income 2016	13,489
Capital Credits Retired - Net	(3,171)
BALANCE, DECEMBER 31, 2016	161,294
Net Income 2017	11,144
Capital Credits Retired - Net	(3,239)
BALANCE, DECEMBER 31, 2017	$ 169,199

See accompanying Notes to Consolidated Financial Statements

DAKOTA ELECTRIC ASSOCIATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(DOLLARS IN THOUSANDS)

	2017	2016
OPERATING ACTIVITIES		
Net Income	$ 11,144	$ 13,489
Adjustments:		
Depreciation and Amortization	9,775	9,188
GRE, CFC, CoBank, and Other Capital Credit Allocations	(7,166)	(8,217)
Increase in Current Assets	(3,298)	(1,464)
Decrease in Other Assets	4	2,505
Increase in Current Liabilities	1,766	1,674
Increase (decrease) in Other Liabilities	66	(358)
Net Cash from Operating Activities	12,291	16,817
INVESTING ACTIVITIES		
Asset Additions	(15,217)	(12,147)
Asset Disposals	221	189
CFC, CoBank and Other Capital Credits Refunded	492	540
Decrease in Equity Investments	58	265
Net Cash Used for Investing Activities	(14,446)	(11,153)
FINANCING ACTIVITIES		
Loan Advances Received	10,000	5,000
Principal Payments on Long-Term Debt	(6,473)	(6,259)
Increase in Notes Payable	1,100	1,800
Patronage Capital Retirements Paid	(3,239)	(3,171)
Net Cash from (Used for) Financing Activities	1,388	(2,630)
Net Change in Cash and Cash Equivalents	(767)	3,034
Cash and Cash Equivalents, Beginning of Year	3,848	814
Cash and Cash Equivalents, End of Year	$ 3,081	$ 3,848
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for		
Interest	$ 4,142	$ 4,570
Income Taxes	2	21
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES		
Refinancing of Long-Term Debt	$ -	$ 6,616
Equipment acquired through Capital Leases	$ 777	$ 303

See accompanying Notes to Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Dakota Electric Association (Dakota Electric) is a 107,000 member not-for-profit, member-owned electric distribution cooperative serving homes and businesses primarily in Dakota County, Minnesota. Dakota Electric also has a for-profit wholly-owned subsidiary, Midwest Energy Services (MES), which wholly-owns Energy Alternatives Parent (EA). EA wholly-owns Energy Alternatives Solar L.L.C. (EAS). EAS leases non-member customer-sited solar photovoltaic generation.

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.

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.

Revenue Recognition

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.

Receivables and Credit Policies

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. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2017 and 2016, provisions for depreciation approximated 3.4% and 3.3%, 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.

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). These investments are recorded at cost.

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 equities 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 provides for deferred taxes on temporary differences arising from assets and liabilities whose basis is different for financial reporting and income tax purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, MES and its subsidiaries are no longer subject to federal or state tax examinations by tax authorities for years before 2015.

Dakota Electric and subsidiaries 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, 2017 and December 31, 2016.

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 $110,000 and $143,000 in 2017 and 2016, 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 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 insurance.

Concentration of Sources of Labor

At December 31, 2017, Dakota Electric had collective bargaining agreements covering 108 employees which represented 56% of total full-time employees. The collective bargaining agreements expired on December 31, 2017. A new agreement through December 31, 2020 was approved on December 13, 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Dakota Electric has evaluated subsequent events through March 14, 2018, the date which the financial statements were available to be issued.

NOTE 2 SUBSIDIARY OPERATING RESULTS

MES' operating results for the years ended December 31, 2017 and 2016 are summarized below.

	2017	2016
	(in thousands)	
Revenues	$ 63	$ 170
Operating Expenses, Other Income and Expense	302	345
Income (Loss) Before Taxes	(239)	(175)
Income Tax Credit	(80)	(60)
Net Income (Loss)	$ (159)	$ (115)

At December 31, 2017 and 2016, MES' deferred tax liability totaled $30,000 and $128,000, respectively. MES' significant temporary differences result from differences in depreciation for financial reporting and income tax reporting. Net current deferred tax assets relate to the difference in timing of deferred lease revenue and state net operating loss carryforwards. An offsetting valuation allowance is recorded as the certainty of realizing the future tax benefits of the state operating loss carryforward is uncertain at this time. The deferred tax asset balance was $2,000 and $15,000 in 2017 and 2016, respectively.

NOTE 3 INVESTMENTS IN ASSOCIATED COMPANIES

	2017	2016
	(in thousands)	
Great River Energy		
Patronage Capital	$ 106,442	$ 100,038
Cooperative Finance Corporation		
Capital Term Certificates -		
Maturities 2070 - 2080, Interest Rate 5.0%	1,419	1,419
Loan Term Certificates -		
Maturities 2020 - 2030, Interest Rate 3.0%	532	532
Loan Term Certificates -		
Maturities 2018- 2044, Interest Rate 0.0%	1,564	1,622
Member Capital Securities -		
Maturity 2044, Interest Rate 5.0%	1,000	1,000
Patronage Capital	4,155	4,055
	8,670	8,628
Other Investments	1,897	1,727
Total Investments in Associated Companies	$ 117,009	$ 110,393

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 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, 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, 2017, capital credits through 1989 and 50% of 1990 have substantially been retired.

NOTE 5 LONG-TERM DEBT

	2017	2016
	(in thousands)	
Cooperative Finance Corporation (CFC) mortgage notes 2.50% to 7.25% in 2017 and 2016, due in quarterly installments through 2043.	$ 61,776	$ 55,824
CoBank mortgage notes 1.91% to 4.56% in 2017 and 2016, due in monthly installments through 2043.	35,292	38,055
Capital Lease Provision	1,285	947
	98,353	94,826
Less Current Portion	(7,695)	(7,228)
Long-Term Debt	$ 90,658	$ 87,598

Substantially all assets are pledged as security on the mortgage notes. The notes 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, 2017 and 2016.

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)
2018	$ 7,695
2019	6,443
2020	6,297
2021	5,977
2022	6,214
Thereafter	65,727
	$ 98,353

NOTE 6 NOTES PAYABLE (LINES OF CREDIT)

Dakota Electric has executed an as-offered uncommitted perpetual line of credit agreement providing Dakota Electric with short term loans of up to $20 million on a revolving basis with CFC. Interest on unpaid principal is payable quarterly at rates established by CFC; this rate was 2.35% at December 31, 2017. There were no outstanding balances on this line of credit at December 31, 2017 and 2016.

NOTE 6 NOTES PAYABLE (LINES OF CREDIT) (CONTINUED)

Dakota Electric has a $30 million line of credit agreement with CoBank, which expires July 31, 2018 and will subsequently be renewed. This agreement imposes a maximum of $30 million outstanding unsecured debt at any one time to all lenders. Interest on unpaid principal is payable monthly at rates established by CoBank on a weekly basis (3.02% at December 31, 2017). There was an outstanding balance of $12,000,000 on this line of credit at December 31, 2017 and $10,900,000 at December 31, 2016.

NOTE 7 OTHER CURRENT LIABILITIES

	2017	2016
	(in thousands)	
Accrued Interest	$ 626	$ 594
Accrued Payroll	463	438
Accrued Sick Leave	1,284	1,270
Accrued Vacation	1,473	1,426
Unclaimed Capital Credits	3,835	3,370
Other	104	226
	$ 7,785	$ 7,324

NOTE 8 PENSION PLANS

The majority of 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.

NOTE 8 PENSION PLANS (CONTINUED)

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 2017 and in 2016 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, 2017 and 2016, were approximately $3,085,000 and $3,045,000, respectively. There have been no significant changes that affect the comparability of 2017 and 2016 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, 2017 and over 80% funded on January 1, 2016, 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 has defined contribution savings plans for employees who meet certain age and service requirements. Dakota Electric contributed between 4.0% and 10.0% in 2017 and 2016 of eligible employees' compensation. Savings plan company contributions for the years ended December 31, 2017 and 2016, were approximately $992,000 and $912,000, respectively.

NOTE 9 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 financial statements.

NOTE 9 POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

	2017	2016
	(in thousands)	
Change in Post-retirement Benefit Obligation		
Accumulated Post-retirement		
Benefit Obligation at Beginning of Year	$ 3,925	$ 4,016
Interest and Service Cost	414	43
Benefits Paid-Net of Retiree Contributions	(132)	(134)
Accumulated Post-retirement Benefit Obligation at End of Year	4,207	3,925
Change in Plan Assets		
Plan Assets at Beginning of Year	-	-
Employer Contributions	132	134
Benefits Paid-Net of Retiree Contributions	(132)	(134)
Plan Assets at End of Year	-	-
Funded Status	(4,207)	(3,925)
Net Post-retirement Benefit Obligation Recognized	$ (4,207)	$ (3,925)
Weighted Average Assumptions at December 31:		
Discount Rate	4.87%	4.87%

For measurement purposes, a 4.96% and 5.55% annual rate of increase in per capita cost of health care benefits was assumed for 2017 and 2016, respectively. Accelerating the rate of assumed health care costs by 1% each year would increase the benefit obligation as of December 31, 2017 and 2016 by $360,000 and $347,000, respectively.

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

Years ending December 31,	Estimated Payments (in thousands)
2018	$ 132
2019	139
2020	146
2021	153
2022	160
2023 - 2027	930

NOTE 10 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, 2017 and 2016:

	2017	2016
	(in thousands)	
Purchase of Wholesale Power	$ 147,875	$ 148,624
Accounts Payable for Purchased Power	$ 21,957	$ 22,278
Capital Credit Allocation	$ 6,404	$ 7,347
Accumulated Investment in Patronage Capital	$ 106,442	$ 100,038

NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Association. The following disclosures represent financial instruments in which the ending balances at December 31, 2017 and 2016 are not carried at fair value in their entirety on the Consolidated Balance Sheets.

The following methods and assumptions were used to estimate the fair value of a class of financial instruments at December 31, 2017 and 2016 for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short term maturity of these instruments.

Investment in Associated Companies

The investments are not actively traded and fair value is not readily estimable.

Notes Payable and Long-Term Debt

The carrying amount approximates fair value based on current rates available to Dakota Electric for debt of similar maturities.