According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	PERIOD ENDED December, 2012 (Prepared with Audited Dat
INSTRUCTIONS - See help in the online application.	BORROWER NAME Great Lakes Energy Cooperative

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

[X] All of the obligations under the RUS loan documents have been fulfilled in all material respects.

[ ] There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Steven Boeckman

3/25/2013
DATE

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT

INSTRUCTIONS - See help in the online application.

BORROWER DESIGNATION
MI0048

PLANT
Beaver Island

PERIOD ENDED
December, 2012

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. *(a)*	SIZE (kW) *(b)*	FUEL CONSUMPTION: OIL (1000 Gals.) *(c)*	GAS (1000 C.F.) *(d)*	OTHER *(e)*	TOTAL *(f)*	OPERATING HOURS: IN SERVICE *(g)*	ON STANDBY *(h)*	OUT OF SERVICE: SCHED. *(i)*	UNSCH. *(j)*	GROSS GENER.(MWh) *(k)*	BTU PER kWh *(l)*
1.	1	1,250	4.63				116	8,668			96	
2.	2	1,250	4.63				108	8,676			96	
3.	3	900	3.24				92	8,692			54	
4.												
5.												
6.	**Total**	3,400	12.50	0.00	0.00		316	26,036	0	0	246	
7.	Average BTU		140.00				Station Service (MWh)				246.00	7.11
8.	Total BTU (10^6)		1.75			1.75	Net Generation (MWh)				0.00	
9.	Total Del. Cost ($)		47,962.00				Station Service % of Gross				100.00	0.00

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll ($)	
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll ($)	
3.	**Total Employee Hours Worked**		7.	**Total Plant Payroll ($)**	
4.	Operating Plant Payroll ($)				

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	1.04%
2.	Plant Factor (%)	0.82%
3.	Running Plant Capacity Factor (%)	67.81%
4.	15 Min. Gross Max. Demand (kW)	2,700
5.	Indicated Gross Max. Demand (kW)	2,700

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) *(a)*	MILLS/NET (kWh) *(b)*	$/10^6 BTU *(c)*
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	61,585		
3.	Fuel, Gas	547.2	0		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	**Fuel SubTotal *(2 thru 5)***	547	61,585	0.00	
7.	Generation Expenses	548	116,351		
8.	Miscellaneous Other Power Generation Expenses	549	0		
9.	Rents	550	0		
10.	**Non-Fuel SubTotal *(1 + 7 thru 9)***		116,351	0.00	
11.	**Operation Expense *(6 + 10)***		177,936	0.00	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	4,341		
14.	Maintenance of Generating and Electric Plant	553	26,196		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	**Maintenance Expense *(12 thru 15)***		30,537	0.00	
17.	**Total Production Expense *(11 + 16)***		208,473	0.00	
18.	Depreciation	403.4, 411.10	85,144		
19.	Interest	427	0		
20.	**Total Fixed Cost *(18 + 19)***		85,144	0.00	
21.	**Power Cost *(17 + 20)***		293,617	0.00	

Remarks (including Unscheduled Outages)

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION MI0048

PERIOD ENDED December, 2012 (Prepared with Audited Data)

BORROWER NAME Great Lakes Energy Cooperative

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

[X] All of the obligations under the RUS loan documents have been fulfilled in all material respects.

[ ] There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Steven Boeckman

3/25/2013
DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	YEAR-TO-DATE BUDGET (c)	THIS MONTH (d)
1. Operating Revenue and Patronage Capital	164,335,520	178,556,612	176,562,869	14,576,974
2. Power Production Expense	188,808	208,473	188,711	20,868
3. Cost of Purchased Power	104,530,510	114,891,964	111,869,291	9,341,948
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	10,393,986	10,172,672	10,832,251	847,803
7. Distribution Expense - Maintenance	10,742,272	14,347,266	10,637,960	2,546,482
8. Customer Accounts Expense	4,521,359	4,669,816	4,580,992	398,730
9. Customer Service and Informational Expense	1,988,893	2,325,298	3,160,910	(179,332)
10. Sales Expense	456,560	469,088	490,187	55,236
11. Administrative and General Expense	7,731,323	7,626,177	7,941,802	681,722
12. Total Operation & Maintenance Expense (*2 thru 11*)	140,553,711	154,710,754	149,702,104	13,713,457
13. Depreciation and Amortization Expense	11,389,911	11,752,229	11,783,363	993,679
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	211,467	10,313	35,500	(23,260)
16. Interest on Long-Term Debt	9,968,973	9,641,770	10,259,394	791,536
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	113,924	123,458	110,000	21,474
19. Other Deductions	120,597	107,699	148,000	6,951
20. Total Cost of Electric Service (*12 thru 19*)	162,358,583	176,346,223	172,038,361	15,503,837
21. Patronage Capital & Operating Margins (*1 minus 20*)	1,976,937	2,210,389	4,524,508	(926,863)
22. Non Operating Margins - Interest	1,095,847	1,214,451	973,000	132,290
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	29,685	19,840	26,562	379
25. Non Operating Margins - Other	(420,699)	(367,444)	(414,000)	(69,692)
26. Generation and Transmission Capital Credits	6,053,018	8,436,633	9,166,920	(110,234)
27. Other Capital Credits and Patronage Dividends	349,584	388,703	388,500	32,578
28. Extraordinary Items				
29. Patronage Capital or Margins (*21 thru 28*)	9,084,372	11,902,572	14,665,490	(941,542)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)
1. New Services Connected	787	743	5. Miles Transmission		
2. Services Retired	749	405	6. Miles Distribution – Overhead	11,026.00	11,018.00
3. Total Services in Place	132,405	132,743	7. Miles Distribution - Underground	3,094.00	3,137.00
4. Idle Services (*Exclude Seasonals*)	9,135	9,387	**8. Total Miles Energized** ***(5 + 6 + 7)***	14,120.00	14,155.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	390,548,751	30. Memberships	519,740
2. Construction Work in Progress	7,591,450	31. Patronage Capital	141,077,622
3. Total Utility Plant *(1 + 2)*	398,140,201	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	109,853,315	33. Operating Margins - Current Year	11,035,725
5. Net Utility Plant *(3 - 4)*	288,286,886	34. Non-Operating Margins	866,847
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	3,486,429
7. Investments in Subsidiary Companies	583,125	**36. Total Margins & Equities *(30 thru 35)***	156,986,363
8. Invest. in Assoc. Org. - Patronage Capital	95,473,263	37. Long-Term Debt - RUS (Net)	49,781,024
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	87,335,127
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	4,839,909	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	647,226	40. Long-Term Debt Other (Net)	96,915,904
12. Other Investments	1,247,250	41. Long-Term Debt - RUS - Econ. Devel. (Net)	487,500
13. Special Funds	0	42. Payments – Unapplied	14,276,055
14. Total Other Property & Investments *(6 thru 13)*	102,790,773	**43. Total Long-Term Debt *(37 thru 41 - 42)***	220,243,500
15. Cash - General Funds	4,842,609	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	10,150,346
17. Special Deposits	0	**46. Total Other Noncurrent Liabilities *(44 + 45)***	10,150,346
18. Temporary Investments	0	47. Notes Payable	174,166
19. Notes Receivable (Net)	0	48. Accounts Payable	12,492,467
20. Accounts Receivable - Sales of Energy (Net)	22,806,421	49. Consumers Deposits	1,427,292
21. Accounts Receivable - Other (Net)	777,112		
22. Renewable Energy Credits	0	50. Current Maturities Long-Term Debt	6,839,933
23. Materials and Supplies - Electric & Other	2,308,579	51. Current Maturities Long-Term Debt - Economic Development	134,930
24. Prepayments	1,439,495	52. Current Maturities Capital Leases	0
25. Other Current and Accrued Assets	68,023	53. Other Current and Accrued Liabilities	7,924,114
26. Total Current and Accrued Assets *(15 thru 25)*	32,242,239	**54. Total Current & Accrued Liabilities *(47 thru 53)***	28,992,902
27. Regulatory Assets	1,265,544	55. Regulatory Liabilities	0
28. Other Deferred Debits	152,212	56. Other Deferred Credits	8,364,543
29. Total Assets and Other Debits *(5+14+26 thru 28)*	424,737,654	**57. Total Liabilities and Other Credits *(36 + 43 + 46 + 54 thru 56)***	424,737,654

PART D. NOTES TO FINANCIAL STATEMENTS

Regulation

In December 2011, the Board of Directors voted to become member-regulated as of March 20, 2012. On that date, the Company became self-regulated for rates, billing practices, and accounting standards. All other aspects of electric service will continue to be regulated by the MPSC. The Company's accounting policies and the accompanying financial statements will continue to follow generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012

PART D. CERTIFICATION LOAN DEFAULT NOTES

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
	PERIOD ENDED December, 2012
INSTRUCTIONS - See help in the online application.	

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (*a*)	ADDITIONS (*b*)	RETIREMENTS (*c*)	ADJUSTMENTS AND TRANSFERS (*d*)	BALANCE END OF YEAR (*e*)
1. Distribution Plant	335,092,734	17,012,544	2,629,413		349,475,865
2. General Plant	27,494,516	1,885,245	4,186,437		25,193,324
3. Headquarters Plant	13,854,951	74,515	37,231		13,892,235
4. Intangibles	23,557		5,430		18,127
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	1,953,008	16,192			1,969,200
8. Total Utility Plant in Service (*1 thru 7*)	378,418,766	18,988,496	6,858,511		390,548,751
9. Construction Work in Progress	7,328,288	263,162			7,591,450
10. Total Utility Plant (*8 + 9*)	385,747,054	19,251,658	6,858,511		398,140,201

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (*a*)	PURCHASED (*b*)	SALVAGED (*c*)	USED (NET) (*d*)	SOLD (*e*)	ADJUSTMENT (*f*)	BALANCE END OF YEAR (*g*)
1. Electric	2,192,061	5,882,171	82,420	5,569,660	342,689	64,276	2,308,579
2. Other	0						0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				
	POWER SUPPLIER (*a*)	MAJOR EVENT (*b*)	PLANNED (*c*)	ALL OTHER (*d*)	TOTAL (*e*)
1. Present Year	36.960	1,350.630	2.790	158.630	1,549.010
2. Five-Year Average	24.610	365.280	5.860	174.520	570.270

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	237	4. Payroll - Expensed	10,487,098
2. Employee - Hours Worked - Regular Time	482,138	5. Payroll – Capitalized	3,869,285
3. Employee - Hours Worked - Overtime	40,453	6. Payroll - Other	3,707,915

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (*a*)	CUMULATIVE (*b*)
1. Capital Credits - Distributions	a. General Retirements	3,809,241	
	b. Special Retirements	267,907	
	c. **Total Retirements (*a + b*)**	4,077,148	
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	1,683,430	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	194,230	
	c. **Total Cash Received (*a + b*)**	1,877,660	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	$ 766,543	2. Amount Written Off During Year	$ 262,459

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2012

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	kWh PURCHASED (e)	TOTAL COST (f)	AVERAGE COST (Cents/kWh) (g)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
1	Wolverine Pwr Supply Coop, Inc	20910			1,358,431,206	108,431,980	7.98		
2	Wolverine Pwr Supply Coop, Inc	20910	Wind Farm	Wind	80,930,394	6,459,983	7.98		
	Total				1,439,361,600	114,891,963	7.98		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2012

PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	
2	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Antenna Designs	Tower	4,200
2	Ew Marine	Tower	12,600
3	Paul La Torre	Tower	12
4	CSX Transport	Railroad	861
5	State of Michigan	Railroad	285
	TOTAL		17,958

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012

PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2. Total Number of Members	3. Number of Members Present at Meeting	4. Was Quorum Present?
8/22/2012	104,249	1	N
5. Number of Members Voting by Proxy or Mail	**6. Total Number of Board Members**	**7. Total Amount of Fees and Expenses for Board Members**	**8. Does Manager Have Written Contract?**
3,664	9	$ 508,364	Y

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012

PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	49,781,024	2,906,800	1,865,356	4,772,156
2	National Rural Utilities Cooperative Finance Corporation	9,875,234	261,386	1,428,524	1,689,910
3	CoBank, ACB	86,159,642	3,359,736	3,538,282	6,898,018
4	Federal Financing Bank	87,335,127	3,095,529	1,524,627	4,620,156
5	RUS - Economic Development Loans	487,500	0	105,000	105,000
6	Payments Unapplied	14,276,055			
7	Econ Dev City of Newaygo	400,000	0	0	0
8	IRP	481,028	5,403	29,634	35,037
	TOTAL	220,243,500	9,628,854	8,491,423	18,120,277

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER *(a)*	AVERAGE NO. CONSUMERS SERVED *(b)*	TOTAL YEAR TO DATE *(c)*
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	75,816	75,661	
	b. kWh Sold			702,322,829
	c. Revenue			96,660,358
2. Residential Sales - Seasonal	a. No. Consumers Served	36,719	36,753	
	b. kWh Sold			83,034,761
	c. Revenue			21,614,676
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	10,496	10,485	
	b. kWh Sold			170,693,821
	c. Revenue			21,908,005
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	325	317	
	b. kWh Sold			415,702,508
	c. Revenue			35,154,066
6. Public Street & Highway Lighting	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (*lines 1a thru 9a*)		123,356	123,216	
11. Total kWh Sold (*lines 1b thru 9b*)				1,371,753,919
12. Total Revenue Received From Sales of Electric Energy (*lines 1c thru 9c*)				175,337,105
13. Transmission Revenue				
14. Other Electric Revenue				3,219,507
15. kWh - Own Use				
16. Total kWh Purchased				1,439,361,600
17. Total kWh Generated				246,000
18. Cost of Purchases and Generation				115,100,437
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident X				288,951

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers *(a)*	**Amount Invested** *(b)*	**Estimated MMBTU Savings** *(c)*	**No. of Consumers** *(d)*	**Amount Invested** *(e)*	**Estimated MMBTU Savings** *(f)*
1. Residential Sales (excluding seasonal)	2,151	816,303	21,613	3,588	1,370,903	26,578
2. Residential Sales - Seasonal	245	93,385	2,473	414	158,876	3,059
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	46	430,917	7,068	64	753,234	9,109
5. Comm. and Ind. Over 1000 KVA	16	150,985	2,477	27	326,907	12,249
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	2,458	1,491,590	33,631	4,093	2,609,920	50,995

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2012

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED ($) (b)	EXCLUDED ($) (c)	INCOME OR LOSS ($) (d)	RURAL DEVELOPMENT (e)
2	**Investments in Associated Organizations**				
	Investment in Subsidiaries	583,125			
	WPC patronage - G&T		93,549,519		
	NRUCFC Patronage		760,752		
	Federated Patronage	353,457			
	CoBank patronage		378,139		
	NISC Patronage	156,965			
	Resco Patronage	274,431			
	Resco Stock	5,400			
	MECA Statewide Membership	141,720			
	WPC Membership - G&T	600			
	NRUCFC Membership		1,000		
	CoBank Membership		1,000		
	NRTC Membership	2,000			
	NISC Membership	25			
	Geothermal Energy Membership	600			
	NRUCFC CTC's/Membership Certificates		4,687,564		
	Totals	1,518,323	99,377,974		
3	**Investments in Economic Development Projects**				
	Boyne USA Resort				
	IRP Loans		79,995		X
	Revolving Loan Fund		82,231		X
	Kilwins Confections		485,000		X
	Totals		647,226		
4	**Other Investments**				
	Homestead Funds - GLE employees Def. comp.		138,617		
	Homestead funds - Director Def. Comp.		85,988		
	American Funds - Mutual Funds		1,022,645		
	Totals		1,247,250		
6	**Cash - General**				
	Fifth Third Bank	3,053,650	250,000		
	West Shore Bank		54,352		
	Choice One Bank	12,414			
	Huntington Bank		15,928		
	United Bank of Michigan		5,983		
	Choice One Bank - Economic Dev.	441,556			X
	Huntington Bank - Revolving Loan Fund	63,625	250,000		X
	Choice One Bank - IRP Account	441,026	250,000		X
	Working Funds - Petty Cash	4,075			
	Totals	4,016,346	826,263		
7	**Special Deposits**				
	Fifth Third Bank - See section D, note 1				
	Totals				
9	**Accounts and Notes Receivable - NET**				
	Other Accounts Receivable - Net		777,112		
	Totals		777,112		
11	TOTAL INVESTMENTS (1 thru 10)	5,534,669	102,875,825		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2012

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION II. LOAN GUARANTEES

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2012

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	1.39 %

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		15,285	5,435	
2	Energy Resources Conservation Loans				
	TOTAL		15,285	5,435	

Consolidated Financial Statements
December 31, 2012 and 2011

Great Lakes Energy Cooperative

GREAT LAKES ENERGY COOPERATIVE

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of Great Lakes Energy Cooperative, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, changes in equities, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Energy Cooperative as of December 31, 2012 and 2011, 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.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 3, 2013, on our consideration of Great Lakes Energy Cooperative'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 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Great Lakes Energy Cooperative's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
April 3, 2013

GREAT LAKES ENERGY COOPERATIVE
Consolidated Balance Sheets
as of December 31, 2012 and 2011

ASSETS	2012	2011
ELECTRIC PLANT:		
Distribution and generation plant, at cost	$ 398,140,201	$ 385,747,055
Less accumulated depreciation	109,853,315	104,969,483
Net electric plant	288,286,886	280,777,572
OTHER ASSETS AND INVESTMENTS:		
Nonutility property, net of accumulated depreciation	1,090	3,142
Investments and memberships	101,560,421	94,548,200
Notes and other receivables	417,407	520,762
Total other assets and investments	101,978,918	95,072,104
CURRENT ASSETS:		
Cash	5,393,818	1,153,023
Temporary investments and special funds	-	5,040,970
Accounts receivable, net of allowance for uncollectible accounts of $1,344,470 in 2012 and $1,355,264 in 2011	23,645,665	19,550,729
Materials and supplies	2,308,579	2,192,061
Other current assets, including current portion of notes and other receivables	3,004,553	1,837,390
Total current assets	34,352,615	29,774,173
DEFERRED CHARGES	120,244	149,654
Total assets	$ 424,738,663	$ 405,773,503

EQUITIES AND LIABILITIES	2012	2011
EQUITIES:		
Memberships	$ 519,740	$ 519,740
Patronage capital	152,295,887	144,386,718
Donated capital	3,486,429	3,250,427
Accumulated other comprehensive income (expense)	684,307	(7,703,580)
Total equities	156,986,363	140,453,305
LONG-TERM DEBT, net of current maturities	220,243,500	214,813,292
OTHER NON-CURRENT LIABILITIES	10,150,346	18,154,529
CURRENT LIABILITIES:		
Current maturities of long-term debt	6,974,863	4,991,213
Notes payable	174,166	173,902
Accounts payable	12,475,383	12,054,198
Accrued expenses	7,942,207	6,605,405
Customer deposits	1,427,292	1,411,271
Total current liabilities	28,993,911	25,235,989
DEFERRED CREDITS	8,364,543	7,116,388
Total equities and liabilities	$ 424,738,663	$ 405,773,503

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Revenue and Net Margins
for the years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES	$ 178,556,612	$ 164,335,520
OPERATING EXPENSES:		
Purchased and produced power	115,100,436	104,719,318
Distribution expenses:		
Operations	10,172,672	10,393,986
Maintenance	14,347,266	10,742,272
Customer accounts and service expense	7,464,202	6,966,811
Administration and general	7,631,705	7,732,129
Depreciation and amortization	11,754,281	11,393,031
Other operating expenses	165,290	392,627
Total operating expenses	166,635,852	152,340,174
OPERATING MARGINS BEFORE FIXED CHARGES	11,920,760	11,995,346
FIXED CHARGES, interest expense	9,765,228	10,082,897
OPERATING MARGINS AFTER FIXED CHARGES	2,155,532	1,912,449
NON-OPERATING MARGINS:		
Interest income	1,217,549	1,099,412
Other expenses, net of other income	(286,498)	(311,085)
Total non-operating margins	931,051	788,327
CAPITAL CREDITS, from associated organizations	8,825,336	6,402,602
Net margins before federal income taxes	11,911,919	9,103,378
PROVISION FOR FEDERAL INCOME TAX	9,347	19,006
Net margins	$ 11,902,572	$ 9,084,372

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Cash Flows
for the years ended December 31, 2012 and 2011

Increase (Decrease) in Cash

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	$ 11,902,572	$ 9,084,372
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	11,754,282	11,393,031
Capital credits from associated organizations	(8,825,336)	(6,402,602)
Net (gain) loss on sale of assets	(728)	15,495
Unrealized appreciation on investments	(16,228)	641
Bad debt provision	282,000	288,264
Changes in assets and liabilities:		
Accounts receivable	(4,572,297)	(16,369)
Materials and supplies	(33,916)	168,027
Other assets and deferred charges	(254,610)	389,052
Accounts payable	435,425	1,358,491
Accrued expenses and other liabilities	1,336,802	245,068
Customer deposits	16,021	125,943
Other non-current liabilities and deferred credits	1,284,323	1,948,140
Net cash provided by operating activities	13,308,310	18,597,553
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash from short-term investments	5,040,970	227,855
Net investments and memberships	1,923,172	2,940,524
Proceeds from sale of assets	139,942	22,875
Property additions	(18,973,164)	(19,423,989)
Plant removal costs	(1,500,679)	(1,518,086)
Additions to notes receivable	(4,678)	(610,899)
Collection on notes receivable	111,041	139,169
Changes in deferred charges	(1,186,601)	(204,311)
Net cash used in investing activities	(14,449,997)	(18,426,862)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions in aid of construction received net of refunds	1,532,641	1,411,524
Net proceeds from (payment of) short-term debt	264	(3,586,067)
Proceeds from long-term debt	10,858,043	19,163,000
Payment of long-term debt	(3,444,185)	(14,465,704)
Capital credits paid out	(3,800,283)	(3,926,107)
Recovery of previously paid out capital credits	236,002	(707)
Net cash provided by (used in) financing activities	5,382,482	(1,404,061)
Net change in cash	4,240,795	(1,233,370)
CASH, beginning of year	1,153,023	2,386,393
CASH, end of year	$ 5,393,818	$ 1,153,023

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Changes in Equities
Years ended December 31, 2012 and 2011

	Memberships	Patronage Capital	Donated Capital	AOCE	Total
Balance at December 31, 2010	$ 519,740	$ 139,391,458	$ 3,251,135	$ (7,001,905)	$ 136,160,428
Net margins	-	9,084,372	-	-	9,084,372
Other comprehensive income (expense):					
Unrealized holding loss on securities	-	-	-	(29,693)	(29,693)
Directors' Pension and Retiree Welfare Benefit Plan liability adjustment	-	-	-	(671,982)	(671,982)
Sales tax refund	-	68,432	-	-	68,432
Undeliverable retired patronage refunds to members	-	-	(197)	-	(197)
Patronage refunds to members:					
Cash refunds	-	(3,926,107)	-	-	(3,926,107)
Non-cash refunds	-	(231,437)	(511)	-	(231,948)
Balance at December 31, 2011	519,740	144,386,718	3,250,427	(7,703,580)	140,453,305
Net margins	-	11,902,572	-	-	11,902,572
Other comprehensive income (expense):					
Unrealized holding gain on securities	-	-	-	93,829	93,829
Directors' Pension and Retiree Welfare Benefit Plan liability adjustment	-	-	-	8,294,058	8,294,058
Sales tax returned	-	74,785	-	-	74,785
Undeliverable retired patronage refunds to members and other adjustments	-	-	236,002	-	236,002
Patronage refunds to members:					
Cash refunds	-	(3,800,283)	-	-	(3,800,283)
Non-cash refunds	-	(267,905)	-	-	(267,905)
Balance at December 31, 2012	$ 519,740	$ 152,295,887	$ 3,486,429	$ 684,307	$ 156,986,363

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Comprehensive Income
for the years ended December 31, 2012 and 2011

	2012	2011
NET MARGINS	$ 11,902,572	$ 9,084,372
Other comprehensive income (expense):		
Unrealized holding gain (loss) on securities arising during year	93,829	(29,693)
Directors' pension liability adjustment	(133,238)	(70,972)
Employees' Postretirement Health Insurance Benefit Plan liability adjustment	8,427,296	(601,010)
Net other comprehensive income (expense)	8,387,887	(701,675)
Comprehensive income	$ 20,290,459	$ 8,382,697

The accompanying notes are a part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Great Lakes Energy Cooperative (the Company) is an electric distribution company servicing rural areas in parts of 26 counties located in the western portion of Michigan's Lower Peninsula.

The Company is organized as a member cooperative with all customers being members. Each member who joins the cooperative is entitled to certain membership rights, including the right to vote on certain corporate matters. The Company is governed by a board of directors elected by the members.

As a cooperative, annual net margins are assigned to members as capital credits based on their relative purchase of electric power during the year. It is the Company's policy to retire these capital credits when the financial condition of the Company permits.

The Company has a wholly-owned subsidiary which engages in certain business activities unrelated to the distribution of electricity.

The Company is a nonprofit organization exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code, except for tax on any unrelated business income. The Company's subsidiary is a corporation that is not exempt from federal income tax. The Company and its subsidiary are both subject to income taxes levied by The State of Michigan.

Basis of Accounting

The Company is subject to the accounting and reporting rules and regulations of Rural Utilities Service, a Federal Government agency. The Company follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by the Rural Utilities Service.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Great Lakes Utilities Services Corporation (GLUS). All significant intercompany transactions have been eliminated in preparing the consolidated financial statements.

Electric Plant

Electric plant includes the electric distribution system, a small generating plant, real estate and various buildings and operating equipment. These assets are recorded at cost, net of any contributions received from customers to defray the cost of constructing the distribution system. Assets are depreciated over their estimated useful lives under the straight-line method.

The cost of any distribution system and generating plant that is retired, plus the cost of removal, net of any salvage value realized, is charged, in total, against accumulated depreciation; a gain or loss is not recognized. The cost and related accumulated depreciation of buildings and operating equipment retired or sold is removed from their respective accounts and a gain or loss is recognized.

Nonutility Property

At December 31, 2012 and 2011, non-utility property consisted of equipment which is being depreciated under the straight-line method over its estimated useful life using the lives permitted for income tax purposes.

Investments and Memberships

Investments and memberships include investments in other cooperatives and various mutual funds. The investments in cooperatives, which comprise the majority of investments, are carried at cost plus assigned capital credits less any capital credits paid to the Company. Income from investments in other cooperatives is recognized when capital credits are assigned by those cooperatives.

Investments in mutual funds are carried at market value. Certain of these investments are directly related to deferred-compensation obligations and changes in market value are recorded as changes in the related liability. The remaining investments are classified as available-for-sale with changes in market value reported in other comprehensive income until realized.

Notes and Other Receivables

Notes and other receivables include primarily low or zero interest loans made under Federal Rural Economic Development programs. These receivables, as reported in the balance sheets, are net of related allowances for uncollectible accounts of $80,987 in 2012 and $68,987 in 2011 with any additions to the allowance charged against margins. Interest income is recognized on these receivables by applying the stipulated interest rates to any unpaid balance; any fee revenue is recognized when assessed.

Special Funds

Special funds consisted of cash at the end of 2011. There were no special funds at the end of 2012.

Electric Revenues and Accounts Receivable

Rates for electricity charged to members are established by the Board of Directors and prior to March 20, 2012 were subject to approval by the Michigan Public Service Commission (MPSC) before becoming effective. As of March 20, 2012, the Company became member-regulated and the rates were no longer subject to MPSC approval. Revenue is recognized when electricity is delivered to customers. Bills are rendered in staggered cycles throughout each month for economic and business reasons. Consequently, at the end of each month a portion of the recorded revenue remains unbilled. The unbilled revenue is computed by applying approved revenue rates to the difference between total kilowatt hours (KWH) delivered to customers, as determined from electronic meter readings taken at month end, and the KWH used for cycle billing purposes.

The Company bills and collects Michigan sales tax related to electric revenue from most of its customers. The sales tax billed is reflected in accounts receivable and recorded as a liability; it is not recorded as revenue or as an expense.

Any electric accounts receivable not collected within one month of billing are assessed a one-time late fee of 2 percent This fee is included as part of operating revenue.

Allowances are provided for accounts receivable that may become uncollectible, with additions to the allowance charged against margins. Past collection experience is tracked by the Company and is used to determine additions to the allowance. Accounts receivable are written off by a charge against the allowance only after collection efforts have been exhausted and future collection appears unlikely.

Regulation

In December 2011, the Board of Directors voted to become member-regulated as of March 20, 2012. On that date, the Company became self-regulated for rates, billing practices, and accounting standards. All other aspects of electric service will continue to be regulated by the MPSC. The Company's accounting policies and the accompanying financial statements will continue to follow generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

Materials and Supplies

Materials and supplies, which are recorded at average cost, consist primarily of items necessary to construct and maintain the distribution system and fuel to operate the generating plant.

Deferred Charges

Deferred charges consist primarily of preliminary survey, pole inspection, and deferred Energy Optimization Program costs. The preliminary survey and pole inspection costs are being amortized straight-line over periods not exceeding twenty years, the Energy Optimization costs over a four-year period ending December 31, 2015, and the other deferred costs over various periods.

Deferred Credits

Deferred credits consist primarily of refundable contributions in aid of construction, which are refundable for a certain period of time, contributions received for future construction, and revenues billed in advance. Upon expiration of the refund period, any contributions not refunded are credited to the electric plant's distribution system. Contributions for future construction are applied against the distribution system when construction costs related to the contribution are incurred. Service availability charges billed in advance are amortized straight-line to revenue over the period covered by the advanced billing.

Fair Value of Financial Instruments

Certain investment assets are recorded at fair value, which is determined in accordance with fair value measuring criteria under generally accepted accounting principles. Fair value is defined as the price that would be received in exchange for an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at year end, the measurement date, in the principal or most advantageous market for the asset or liability being valued at its fair value.

Under generally accepted accounting principles a hierarchy has been established which prioritizes the techniques for determining fair value. The highest priority, level 1, is quoted market prices on an active market. Level 2 involves quoted market prices in a market that is not considered active while level 3 involves fair value established using other factors but without a market. The valuation level used in determining fair value depends on the Company’s ability to access the markets at the measurement date.

Financial instruments, such as cash, temporary investments and special funds, accounts receivable, accounts payable, accrued expenses and customer deposits are carried in the consolidated financial statements at cost. These amounts approximate the fair value of such instruments due to their short maturity. Notes and other receivables are carried at cost as they are made under various government programs which specify below-market interest rates. Investments and memberships in other cooperatives are carried at cost plus undistributed capital credits assigned by the investee cooperatives as there is no practical way to determine a market value for these investments. Investments in mutual funds are carried at active published market prices as of year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of any contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Areas requiring the use of significant estimates by management include useful lives of plant, potential uncollectible accounts, notes and other receivables, and postretirement benefit costs. Actual results could differ from the estimates embedded in the consolidated financial statements.

Cash Flows

The Company reports its cash flows using the indirect method in order to present a reconciliation of net margins to significant changes in cash. Cash reported on the consolidated statement of cash flows is cash reflected on the consolidated balance sheet; it does not include special funds.

NOTE B - ELECTRIC PLANT

Major classes of electric plant as of December 31, 2012 and 2011 are as follows:

	2012	2011
Distribution System	$ 349,475,865	$ 335,092,734
Generation plant	1,969,200	1,953,008
General plant	39,085,558	41,349,468
Intangible plant	18,128	23,557
Construction work in progress, net of related contributions in aid of construction	7,591,450	7,328,288
	398,140,201	385,747,055
Less accumulated depreciation	109,853,315	104,969,483
Total	$ 288,286,886	$ 280,777,572

During 2012 and 2011, the various components of the electric plant were depreciated based on management's estimate of their useful lives. The lives used equate to an annual composite rate of approximately 2.9 percent for the distribution system and 4.3 percent for the generation plant.

General plant is being depreciated over the following lives:

General Plant	
Structures and improvements	50 years
Office furniture and equipment:	
General office equipment and general purpose data processing equipment	3-16 years
Special purpose data processing equipment	3 years
Computer software	3 years
Transportation equipment:	
Automobile and pickup trucks	5-8.5 years
Heavy trucks	10 years
Power operated equipment	8 years
Communications equipment,	5-12.5 years
Load control equipment	10 years
Other	20 years

The nonutility property is being depreciated over the following lives:

Nonutility Plant	
Equipment	5-7 years
Computer software	3 years

NOTE C - INVESTMENTS AND MEMBERSHIPS

Investments consisted of the following as of December 31, 2012 and 2011:

	2012	2011
Wolverine Power Supply Cooperative, Inc:		
Patronage capital credits and membership	$ 93,550,119	$ 86,796,916
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	4,687,564	4,737,292
Patronage capital credits and membership	760,752	753,873
Other memberships, patronage capital and mutual fund investments	2,561,986	2,260,119
Total	$ 101,560,421	$ 94,548,200

Wolverine Power Cooperative, Inc. (Wolverine) is an electric generating and transmission cooperative in which the Company has an approximate 55 percent interest. According to the contract with Wolverine, all electric power required by the Company is to be purchased from Wolverine (see Note R).

The Company carries its investments in various mutual funds at their fair values. A portion of the investments aggregating $224,605 at December 31, 2012 and $191,170 at December 31, 2011 represent investments held on behalf of current and former directors and employees. Accordingly, annual changes in the fair values of these investments are recorded as an adjustment to their related liability accounts rather than as a part of accumulated other comprehensive income.

Management classifies the remaining investments as available-for-sale. Annual changes in fair value are determined under level 1 valuation techniques and are recorded as a component of accumulated other comprehensive income. A comparison of cost and fair value of these investments at December 31, 2012 and 2011 follows:

	2012	2011
Cost of remaining mutual fund investments	$ 986,979	$ 965,487
Unrealized gain (loss)	35,666	(58,163)
Fair value	$ 1,022,645	$ 907,324

NOTE D -NOTES AND LOANS RECEIVABLE

Notes receivable consisted of the following as of December 31, 2011 and 2010:

	2012	2011
Rural Economic Development loans, net of allowance for uncollectable loans	$ 566,239	$ 679,170
Land contract receivable	37,662	38,100
Employee loans	5,435	10,607
	609,336	727,877
Less current portion	191,929	207,115
Total	$ 417,407	$ 520,762

The current portion of notes receivable is classified with other current assets in the consolidated balance sheets.

Rural Economic Development Loans Receivable

The Rural Economic Development loans receivable are zero or low interest loans due in periodic installments of principal and, where appropriate, interest until final maturity. The loans are financed from grants or loans obtained by the Company under various federal programs established for the purpose of promoting loans through electric cooperatives to qualifying entities within their communities for the purpose of promoting economic development. The loans are collateralized by real estate mortgages, an irrevocable stand-by letter of credit or a security interest in equipment.

NOTE E –SPECIAL FUNDS

Special funds at December 31, 2011 consisted of cash in the amount of $5,040,970.

Prior to becoming member-regulated (See Note A), the Company was required by the MPSC to maintain funds to satisfy any refundable contributions in aid of construction (CIAC) plus any power supply cost recovery over collections net of any power supply cost under collections. Funds restricted to comply with the MPSC's requirements are considered special funds. At December 31, 2011, special funds were equal to the refundable CIAC plus the over collection of the power supply cost recovery charges. The status of refundable CIAC and power supply cost recovery net under or over collections is detailed below. At December 31, 2012, the Company was member regulated and did not maintain any special funds.

	2011
Refundable contributions in aid of construction	$ 3,826,537
Power supply cost recovery over collections	1,214,433
Special funds required by the MPSC	$ 5,040,970
Special funds available	$ 5,040,970

NOTE F – ACCOUNTS RECEIVABLE

Accounts receivable include both billed and unbilled revenues. At December 31, 2012 and 2011 accounts receivable consisted of the following:

	2012	2011
Billed accounts	$ 15,168,843	$ 10,579,520
Unbilled accounts	9,821,292	10,326,473
	24,990,135	20,905,993
Less allowance for uncollectible accounts	1,344,470	1,355,264
Net accounts receivable	$ 23,645,665	$ 19,550,729

NOTE G - DEFERRED CHARGES

Deferred charges at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Unamortized debt costs	$ 18,126	$ 20,520
Pole inspection	46,927	89,660
Preliminary survey costs	82,386	335,327
Deferred Energy Optimization Program costs	1,265,544	127,053
	1,412,983	572,560
Less current portion	1,292,739	422,906
Totals	$ 120,244	$ 149,654

NOTE H - EQUITY

At December 31, 2012 and 2011, cumulative transactions in patronage capital consisted of the following:

	2012	2011
Assigned and assignable margins	$ 201,738,530	$ 189,761,173
Retired	(45,956,214)	(43,140,534)
Undeliverable, transferred to donated capital	(3,486,429)	(2,233,921)
Balance	$ 152,295,887	$ 144,386,718

It is the practice of the Company to make patronage refunds to its patrons or members. Such refunds may be made provided total equity, after such refunds are made and excluding the results of GLUS, is greater than 30 percent of total assets. At both December 31, 2012 and 2011 equities of the Company, excluding GLUS, represented approximately 36.8 percent and 34.5 percent, respectively, of its total assets.

NOTE I - LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2012 and 2011:

	2012	2011
Rural Utilities Service ("RUS")	$ 51,365,558	$ 123,068,373
Less RUS Cushion of Credit, advance payment Earning 5 pct. Interest	(16,131,136)	(21,178,374)
	35,234,422	101,889,999
National Rural Utilities Cooperative Finance Corporation ("CFC")	11,311,737	9,354,931
CoBank ACB ("CoBank")	90,166,267	27,394,377
Federal Financing Bank ("FFB")	89,002,479	79,527,106
Rural Economic Development Loan Program ("REDLG")	1,503,458	1,638,092
	227,218,363	219,804,505
Less current maturities	6,974,863	4,991,213
Total long-term debt	$ 220,243,500	$ 214,813,292

Loans under the RUS mortgage carry fixed or semi-fixed interest rates as detailed below. They are payable in either monthly or quarterly installments, which include both principal and interest, until final maturity during 2035.

Mortgages with 3.00 percent to 4.87 percent, semi-fixed interest	$ 51,193,462
Mortgages with 5 percent fixed interest	172,096
Total	$ 51,365,558

CFC loans are payable in quarterly or bi-annual installments, including principal and interest, and have various maturity dates through 2041. They bear interest at variable or fixed rates ranging between 1.31 percent and 5.5 percent.

CoBank loans are payable in monthly or quarterly installments, including principal and interest, and have various maturity dates through 2031. They bear interest at fixed rates ranging between 2.53 percent and 6.48 percent.

FFB and REDLG loans are payable primarily in either monthly or quarterly installments, including principal and interest, and have various maturity dates. The FFB loans bear interest at various rates, which ranged between 2.55 percent and 7.43 percent The REDLG borrowings bear no interest or interest at one percent.

The loan agreement with FFB is collateralized by a joint mortgage agreement with RUS, CFC and CoBank. Under the joint agreement, substantially all of the Company's assets, except transportation and power operated equipment, certain investments and memberships, certain temporary investments and special funds, and some office equipment, are pledged as collateral under terms of the joint agreement.

In addition to pledging its assets as collateral for the above loans, the Company has agreed under terms of loan agreements with the RUS, CFC and CoBank, to maintain margins at adequate levels to meet certain financial ratios of times interest earned and debt service coverage. RUS, CFC and CoBank use the three most recent years, including the current year, to determine whether these loan covenants have been met through an averaging computation. The Company was in compliance with these loan covenants during 2012 and 2011.

Aggregate annual future maturities of long-term debt, net of amortization of the cushion of credit, are as follows:

Years	Loans
2013	$ 6,974,863
2014	6,887,345
2015	6,955,161
2016	7,182,335
2017	7,914,830
2018 and beyond	191,303,829
Total	$ 227,218,363

NOTE J – OTHER NON-CURRENT LIABILITIES

The other non-current liabilities at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Accumulated provision for directors' pension plan and employees' postretirement health insurance benefits	$ 9,925,741	$ 17,963,359
Employees' and directors' deferred Compensation	224,605	191,170
Total	$ 10,150,346	$ 18,154,529

NOTE K - NOTES PAYABLE

The Company has two revolving lines of credit aggregating $35,000,000. The first line of credit is with CFC and is an unsecured perpetual line in the amount of $25,000,000. The other line of credit is with CoBank. It is a one-year line expiring October 31, 2013 in the amount of $10,000,000. Any borrowings under the CoBank line are subject to a statutory first lien on the Company's equity, but are otherwise unsecured. At December 31, 2012 there were no outstanding loans under the CFC line. Loans outstanding under the CoBank line totaled $174,166 at that date with an interest rate of 2.96 percent. The remaining available balance under the two lines of credit aggregated $34,825,834 at December 31, 2012.

NOTE L - DEFERRED CREDITS

Deferred credits at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Customer advances to defray system construction costs:		
Non-refundable	$ 540,252	$ 540,252
Refundable	3,934,793	3,826,537
Total customer advances	4,475,045	4,366,789
Estimated labor cost associated with initial installation of transformers and meters	129,053	136,037
Deferred revenue associated with seasonal accounts	1,131,548	934,283
Deferred Energy Optimization Program surcharge Revenue	2,628,897	1,679,279
Total	$ 8,364,543	$ 7,116,388

NOTE M - CASH FLOW INFORMATION

Additional cash flow information for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Cash paid during the year for:		
Interest	$ 9,411,812	$ 10,636,796
Federal income tax	3,325	14,265

NOTE N - FEDERAL INCOME TAX AND MICHIGAN BUSINESS TAX

The Company, as a tax exempt entity, is exempt from federal income tax except for the rent it receives on its towers. Its subsidiary is subject to federal income tax. The Company and subsidiary file separate federal income tax returns to report their respective taxable income.

The Company and its subsidiary were also subject to Michigan business taxes. For 2012, the Company was subject to the Corporate Income Tax (CIT) and for 2011 the Company was subject to the Michigan Business Tax (MBT). Under both taxes, the Company and its subsidiary are considered a unitary business group and accordingly file a single return that includes both entities. The CIT is a tax based on a percentage of federal taxable income. The MBT is a tax on both gross receipts and taxable income, including the Company's income that is exempt from federal income tax.

Management believes that positions taken during prior years and to be taken for 2012 in reporting federal taxable income for the Company and for its subsidiary and reporting the taxable base subject to the MBT are not controversial and have a high degree of being sustained upon any future examination by the taxing authority.

The Company's Federal income tax returns are subject to examination by the IRS, generally for three years after they were filed. The Company's State tax returns are subject to examination by State authorities, generally for four years after they were filed.

NOTE O - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, special funds, investments and memberships, and accounts receivable.

Cash and special funds are maintained in credit worthy banks. Accordingly, the Company believes it has no significant credit risk regarding cash and temporary investments and special funds.

The majority of the Company's investments and memberships are invested in Wolverine, the Company's exclusive power supplier, in Capital Term Certificates issued by CFC, and in other cooperatives. The Company believes there is no significant credit risk associated with these investments. Mutual fund investments, which comprise 1 percent of investments, are subject to normal market fluctuations.

Any credit risk relative to accounts receivable is dissipated due to the large number of customers throughout the Company's service area.

Cash on deposit at December 31, 2012 and 2011, including the cash assigned to special funds, exceeded the Federal Depository Insurance limits by $1,240,151 and $6,795,424, respectively.

NOTE P - EMPLOYEE BENEFITS

The Company currently offers most employees several types of employee benefits, including retirement plans and health insurance benefits. The Company also provides certain directors a retirement plan.

Retirement Plans for Employees

The Company participates with other electric cooperatives in a multi-employer retirement and security program sponsored by the National Rural Electric Cooperative Association (NRECA). Substantially all employees are covered by this program. The 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 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.

The NRECA retirement and security program provides benefits based on years of service and the highest five years of compensation during the last 10 years of employment. The Company makes contributions to the program equal to the amounts reflected as an expense in the consolidated financial statements. The Company's contributions to the RS Plan in 2012 and 2011 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Company's contributions to the program for 2012 and 2011 were $2,697,811 and $2,482,627, respectively. There have been no significant changes that affect the comparability of 2012 and 2011 contributions.

In 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 Retirement Security Plan was between 65 percent and 80 percent funded at January 1, 2012 and January 1, 2011 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.

Retirement Plan for Directors

The Company has a non-qualified unfunded pension plan for certain directors. The plan covers directors who serve on the Board for at least ten years, who were on the Board as of June 22, 2005, and who, under normal circumstances, retire before reaching the age of 72. Directors elected to the Board subsequent to that date are not eligible for the Plan. The plan provides only for retirement benefits; it does not provide for death or disability benefits.

The Company accrues the annual cost associated with this plan and reports a liability for any unpaid benefits. However, there is no trust associated with this plan and monies to fund the plan come from the unrestricted assets of the Company.

The following table provides information regarding projected benefit obligations, plan assets and funded status of the directors' plan as of December 31, 2012 and 2011:

	2012	2011
Change in benefit obligation:		
Benefit obligation at January 1	$ 2,102,211	$ 1,989,691
Service cost	12,336	13,325
Interest cost	91,524	100,801
Actuarial loss (gain)	168,770	118,494
Benefits paid	(127,800)	(120,100)
Benefit obligation at December 31	$ 2,247,041	$ 2,102,211
Change in plan assets:		
Fair value of plan assets at January 1	$ -	$ -
Company contributions	127,800	120,100
Benefits paid	(127,800)	(120,100)
Fair value of plan assets at December 31	$ -	$ -
Reconciliation of funded status of plans:		
Projected benefit obligation	2,247,041	2,102,211
Fair value of plan assets	-	-
Recorded accrued benefit cost at December 31	$ 2,247,041	$ 2,102,211
Weighted average assumptions used to determine the benefit obligations as of December 31:		
Discount rate	3.75%	4.50%
Rate of compensation increase	4.00%	4.00%

Net period costs for the directors' plan were as follows for the years ended December 31, 2012 and 2011:

	2012	2011
Service cost	$ 12,336	$ 13,325
Interest cost	91,524	100,801
Amortization of prior service cost	-	9,587
Amortization of loss	37,206	37,935
Recorded net benefit cost	$ 141,066	$ 161,648

Future benefits expected to be paid during the next 10 years are as follows:

2013	$ 145,246
2014	149,786
2015	147,876
2016	145,940
2017	144,004
2018 – 2022	652,437
Total	$ 1,385,289

The Company believes its contributions for the Plan during 2013 will approximate the expected benefits to be paid for that year, as indicated above.

Retirement Savings Plan for Employees

The Company offers selective retirement savings plans to employees. The plans are offered to employees, pursuant to Section 401(k) of the Internal Revenue Code. The Company and employees make contributions to the employees' accounts. The Company's contributions are equal to the amounts reflected as an expense in the consolidated financial statements. The Company contributed approximately $390,289 and $387,071 during 2012 and 2011, respectively. Employees vest immediately in their contributions and in the contributions made by the Company.

Postretirement Health Insurance Benefits for Employees

The Company sponsors a defined benefit postretirement medical plan which covers most retired employees and provides partial or full medical insurance benefits for these employees and, under certain circumstances, their spouses and covered dependents. Determination of benefits is based on an employee's status upon retirement.

On May 3, 2012, the Company changed its post-retirement healthcare plan for employees retiring after January 2, 2013. The change reduced company plan contributions and limited the duration of coverage to retiring employees from the age of 62 through 64 years of age, after which no coverage or company contribution would be made.

Plan assets have been placed in a separate trust with a conservative investment approach and a strategy of diversification. The allocation of Plan assets at December 31, 2012 includes 3.37 percent in a money market fund, 14.77 percent in a fixed income fund, and 81.86 percent in an equity fund. The estimated overall long-term rate of return on Plan assets, based on historical rates for similar investments, is 7.75 percent.

The Medicare Prescription Drug, Improvement and Modernization Act (Act) provides for a refund to companies who provide a drug benefit as a part of their postretirement health benefit program that is at least actuarially equivalent to Medicare. The Company's program provides a level of drug benefits that meet these criteria. During 2012 and 2011, the Company received refunds under the Act in the amount of $27,920 and $35,389, respectively. These amounts have been included in net margins. Future refunds under this Act will be recorded in net margins during the year received.

The following table provides information regarding accumulated postretirement benefit obligations, plan assets and funded status of the plan as of December 31, 2012 and 2011:

	2012	2011
Change in benefit obligation:		
Benefit obligation at January 1	$ 18,018,471	$ 16,168,344
Service cost	291,428	518,518
Interest cost	544,594	913,417
Plan Changes	(10,561,670)	-
Actuarial loss (gain)	2,168,766	810,092
Benefits paid from plan assets	(379,490)	(391,900)
Benefit obligation at December 31	$ 10,082,099	$ 18,018,471
Change in plan assets:		
Fair value of plan assets at January 1	$ 2,155,647	$ 2,121,908
Actual return on plan assets	247,752	33,739
Company contributions	379,490	391,900
Benefits paid	(379,490)	(391,900)
Fair value of plan assets at December 31	$ 2,403,399	$ 2,155,647

	2012	2011
Reconciliation of funded status of plans:		
Benefit plan obligation at December 31	$ (10,082,099)	$ (18,018,471)
Fair value of plan assets at December 31	2,403,399	2,155,647
Recorded accrued benefit cost at December 31	$ (7,678,700)	$ (15,862,824)
Weighted average assumptions as of December 31:		
Discount rate used to determine accumulated postretirement benefit obligation	3.75%	4.75%
Expected long-term rate of return on plan assets	7.75%	7.75%

Net periodic costs include the following components for the years ended December 31, 2012 and 2011:

	2012	2011
Service cost	$ 291,428	$ 518,518
Interest cost	544,594	913,417
Expected return on plan assets	(176,158)	(164,448)
Amortization of prior service cost	(389,514)	112,997
Amortization of net loss	352,313	226,794
Recorded net benefit cost	$ 622,663	$ 1,607,278

Future benefits expected to be paid during the next 10 years are as follows:

2013	$ 554,215
2014	593,238
2015	607,653
2016	592,638
2017	599,883
2018 – 2022	3,094,281
Total	$ 6,041,908

The Company expects 2013 benefits to be paid by the Plan will approximate those listed above.

The 2012 costs were developed based on the health insurance plan in effect at January 1, 2012 and information regarding newly electing grandfathered participants as of May 3, 2012. For the year ended December 31, 2012, the actuary assumed that retiree medical cost increases would be 8.50 percent and would gradually decrease each year until the rate of increase was 5.00 percent by 2019. The health care cost trend rate assumption significantly affects the amounts reported. For example, a one percentage point increase in each year would increase the accumulated postretirement benefit obligation as of December 31, 2012 by approximately $1,097,538 and the aggregate of the service and interest cost components of net periodic retiree medical costs for 2012 by approximately $167,554.

NOTE Q - LEASES

The Company rents radio tower space under terms of non-cancelable operating leases expiring at various dates, including renewal options, through October 2030. Rent expense for 2012 and 2011 was approximately $17,958 and $17,537, respectively. Future rentals under the non-cancelable leases, including renewals with escalation clauses, are as follows:

2013	$	16,905
2014		17,220
2015		17,220
2016		17,220
2017		17,220
2018 and beyond		30,615
Total	$	116,400

NOTE R - RELATED PARTY TRANSACTIONS

Wolverine, the Company's exclusive power supplier, is owned by its member cooperative customers. The Company's investment in Wolverine includes a membership and Wolverine's capital credits allocated to the Company. During 2010 Wolverine sustained negative net margins. Under RUS accounting procedures negative net margins are not allocated to a cooperative's members, but are carried forward to offset any future non-operating margins.

During 2005 the Company entered into an agreement with Wolverine to extend the 1949 power purchase agreement through 2041. This agreement requires the Company to purchase all the electric power it sells from Wolverine at Wolverine's current prices. The cost of electric power purchased from Wolverine amounted to $114,891,964 in 2012 and to $104,530,510 in 2011.

The Company also joined Wolverine and two of its other cooperative members during 2009 in the operation of a phone and radio communication system. The Company's share of the operating costs of these systems was $257,234 during 2012 and $266,526 during 2011.

At December 31, 2012, the Company's share of Wolverine's capital credits amounted to $93,549,519, which equates to approximately 55 percent of all capital credits allocated by Wolverine. Capital Credits in the amount of $1,683,430 and $2,848,691 were paid by Wolverine in 2012 and 2011, respectively.

Amounts payable to Wolverine at December 31, 2012 and 2011 were $9,753,585 and $10,000,047, respectively. These payables were related to obligations under the purchase power agreement and the communication agreement.

NOTE S – COMMITMENTS & CONTINGENCIES

At December 31, 2012 the Company was committed for the purchase of six heavy duty trucks at an aggregate cost, when fully equipped, of approximately $1,274,000.

At December 31, 2012 the Company also has approximately 56% of its employees covered by a collective bargaining agreement. The collective bargaining agreement was negotiated and in force as of January of 2012 and expires in January of 2015.

NOTE T – SUBSEQUENT EVENTS

The Company reviewed events occurring subsequent to December 31, 2012 for any requiring disclosure in accordance with generally accepted accounting principles. No such events, other than those listed below, had occurred. The review covered the period from year end through April 3, 2013, the date the financial statements were available to be issued.

On March 14, 2013, the Company drew down and received $10,000,000 in loan funds from FFB.

Supplementary Information
December 31, 2012 and 2011

Great Lakes Energy Cooperative

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the financial statements of Great Lakes Energy Cooperative as of and for the years ended December 31, 2012 and 2011, and our report thereon dated April 3, 2013, which expressed an unqualified opinion on the financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information presented on pages 30-32 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Fargo, North Dakota
April 3, 2013

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GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING BALANCE SHEET
as of December 31, 2012

ASSETS	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
ELECTRIC PLANT:				
Distribution and generation plant, at cost	$ 398,140,201	$ -	$ -	$ 398,140,201
Less accumulated depreciation	109,853,315	-	-	109,853,315
Net electric plant	288,286,886	-	-	288,286,886
OTHER ASSETS AND INVESTMENTS:				
Nonutility property, net of accumulated depreciation	-	1,090	-	1,090
Investments and memberships	102,143,546	-	(583,125)	101,560,421
Notes and other receivables	379,745	37,662	-	417,407
Total other assets and investments	102,523,291	38,752	(583,125)	101,978,918
CURRENT ASSETS:				
Cash	4,842,609	551,209	-	5,393,818
Temporary investments and special funds	-	-	-	-
Accounts receivable, net of allowance for uncollectible accounts	23,659,086	11,897	(25,318)	23,645,665
Materials and supplies	2,308,579	-	-	2,308,579
Other current assets	2,996,959	7,594	-	3,004,553
Total current assets	33,807,233	570,700	(25,318)	34,352,615
DEFERRED CHARGES	120,244	-	-	120,244
Total assets	$ 424,737,654	$ 609,452	$ (608,443)	$ 424,738,663

GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING BALANCE SHEET
as of December 31, 2012

EQUITIES AND LIABILITIES	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
EQUITIES:				
Memberships	$ 519,740	$ -	$ -	$ 519,740
Patronage capital	152,295,887	-	-	152,295,887
Equity in subsidiaries	-	583,125	(583,125)	-
Total memberships, patronage capital, including equity in subsidiaries	152,815,627	583,125	(583,125)	152,815,627
Donated capital	3,486,429	-	-	3,486,429
Accumulated other comprehensive loss	684,307	-	-	684,307
Total equities	156,986,363	583,125	(583,125)	156,986,363
LONG-TERM DEBT, net of current maturities	220,243,500	-	-	220,243,500
OTHER NON-CURRENT LIABILITIES	10,150,346	-	-	10,150,346
CURRENT LIABILITIES:				
Current maturities of long-term debt	6,974,863	-	-	6,974,863
Notes payable	174,166	-	-	174,166
Accounts payable	12,492,467	8,234	(25,318)	12,475,383
Accrued expenses	7,924,114	18,093	-	7,942,207
Customer deposits	1,427,292	-	-	1,427,292
Total current liabilities	28,992,902	26,327	(25,318)	28,993,911
DEFERRED CREDITS	8,364,543	-	-	8,364,543
Total equities and liabilities	$ 424,737,654	$ 609,452	$ (608,443)	$ 424,738,663

GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING STATEMENT OF REVENUES AND NET MARGINS
for the year ended December 31, 2012

	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
OPERATING REVENUES	$ 178,556,612	$ -	$ -	$ 178,556,612
OPERATING EXPENSES:				
Purchased and produced power	115,100,436	-	-	115,100,436
Distribution expenses:				
Operations	10,172,672	-	-	10,172,672
Maintenance	14,347,266	-	-	14,347,266
Customer accounts, service and selling expenses	7,464,202	-	-	7,464,202
Administration and general	7,631,380	325	-	7,631,705
Depreciation and amortization	11,752,229	2,052	-	11,754,281
Other operating expenses	107,860	57,430	-	165,290
Total operating expenses	166,576,045	59,807	-	166,635,852
OPERATING MARGINS BEFORE FIXED CHARGES	11,980,567	(59,807)	-	11,920,760
FIXED CHARGES, interest expense	9,765,228	-	-	9,765,228
OPERATING MARGINS AFTER FIXED CHARGES	2,215,339	(59,807)	-	2,155,532
NON-OPERATING MARGINS:				
Interest income	1,214,450	3,099	-	1,217,549
Other income (expense), net	(366,547)	80,049	-	(286,498)
Total non-operating margins	847,903	83,148	-	931,051
CAPITAL CREDITS, and equity in subsidiary's net income:				
From associated organizations	8,825,336	-	-	8,825,336
Equity in subsidiary's net income	19,840	-	(19,840)	-
Total capital credits	8,845,176	-	(19,840)	8,825,336
Net margins before federal income tax	11,908,418	23,341	(19,840)	11,911,919
PROVISION FOR FEDERAL INCOME TAX	5,846	3,501	-	9,347
NET MARGINS	$ 11,902,572	$ 19,840	$ (19,840)	$ 11,902,572

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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
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the financial statements of Great Lakes Energy Cooperative, as of and for the year ended December 31, 2012, and have issued our report thereon dated April 3, 2013. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Great Lakes Energy Cooperative's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

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 Great Lakes Energy Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Auditor's Responsibility
As part of obtaining reasonable assurance about whether Great Lakes Energy Cooperative's financial statements are free of 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 determination of financial statement amounts. 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 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 over financial reporting and on compliance and other matters, and the results of that testing, and not to provide an opinion on the effectiveness of Great Lakes Energy Cooperative's internal control over financial reporting or on compliance and other matters. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Great Lakes Energy Cooperative's internal control over financial reporting and on compliance and other matters. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
April 3, 2013

INDEPENDENT AUDITOR'S MANAGEMENT LETTER TO RURAL UTILITY SERVICE

The Board of Directors
Great Lakes Energy Cooperative
Boyne City, Michigan

We have audited the financial statements of Great Lakes Energy Cooperative, for the year ended December 31, 2012, and have issued our report thereon April 3, 2013. We conducted our audit 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, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Code of Federal Regulations 7 CFR Part 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provision, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.33(e)(1), related party transactions and depreciation rates. The additional matters tested also include a schedule of deferred debits and credits and schedule of investments, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters and, accordingly we express no opinion thereon.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such control is set forth in our independent auditor's report on internal control over financial reporting and on compliance and other matters dated April 3, 2013, and should be read in conjunction with this report.

No reports (other than our independent auditor's report, and our independent auditor's report on internal control over financial reporting and on compliance, and our communication with those in charge of governance all dated April 3, 2013) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control structure, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Comments on Certain Specific Aspects of the Internal Control over Financial Reporting

We noted no matters regarding Great Lakes Energy Cooperative's internal control structure and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- The process for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- The materials control.

Comments on Compliance With Specific Loan and Security Instrument Provisions

Management's responsibility for compliance with laws, regulations, contracts and grants is set forth in our independent auditor's report on compliance and internal control over financial reporting dated April 3, 2013, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, and contracts. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of its property, or for the use of mortgaged property by others for the year ended December 31, 2012, of Great Lakes Energy Cooperative:
  - Obtained management's representation that there were no new contracts entered into during the year for the operation or maintenance of its property, or for the use of mortgaged property by others.
  - Reviewed board minutes and ascertained there were no such contracts.
- Procedure performed with respect to the requirement to submit RUS Form 7 to the RUS:
  - Agreed amounts reported in Form 7 to Great Lakes Energy Cooperative's records.

The results of our tests indicate that with respect to the items tested, Great Lakes Energy Cooperative, complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested include the requirements that:

- The borrower has submitted its Form 7 and Form 12 to RUS and the Form 7, Financial and Statistical Report, as of December 31, 2012, as represented by the cooperative as having been submitted to RUS, is in agreement with the Great Lakes Energy Cooperative's records in all material respects.
- The borrower has obtained written approval of the RUS to enter into any contract for the operation and maintenance of property, or for the use of mortgaged property by others as defined in § 1773.33(e)(1)(i).

Comments on Other Additional Matters

In connection with our audit of the financial statements of Great Lakes Energy Cooperative, nothing came to our attention that caused us to believe that Great Lakes Energy Cooperative, failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);

- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773. 33(c)(2);

- The retirement of plant addressed at 7 CFR Part 1773. 33(c)(3) and (4);

- Sales, lease or transfer of capital assets secured under the mortgage and proceeds from sale of plant, material or scrap addressed at 7 CFR Part 1773. 33(c)(5);

- The disclosure of material related party transactions, in accordance with ASC 850, Related Party Transactions, for the year ended December 31, 2012, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773. 33(f);

- Depreciation rates addressed at 7 CFR Part 1773.33(g);

- The detailed schedule of deferred debits and deferred credits addressed at 7 CFR Part 1773.33(h); and;

- The detailed schedule of investments addressed at 7 CFR Part 1773.33(i).

Detailed Schedule of Deferred Debits and Deferred Credits and Investments

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773.33(h) and the detailed schedule of investments required by 7 CFR Part 1773.33(i) and provided below, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DETAILED SCHEDULE OF DEFERRED DEBITS AND DEFERRED CREDITS

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR part 1773.33(h) and the detailed schedule of investments required by 7 CFR part 1773.33(i) and provided below is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

	2012	2011
Deferred debits		
Preliminary survey and investigation charges	$ 82,386	$ 335,327
Pole inspection costs	46,927	89,660
Deferred energy optimization program costs	359,204	127,053
Unamortized debt refinancing costs	18,126	20,520
	$ 506,643	$ 572,560
Deferred credits		
Consumer advances for contributions in aid of construction	$ 4,475,045	$ 4,366,790
Deferred revenue, seasonal accounts	1,131,547	934,284
Estimated installation cost - special equipment	129,053	136,038
Deferred energy optimization program surcharge	2,628,897	1,679,279
Total deferred credits	$ 8,364,542	$ 7,116,391

DETAILED SCHEDULE OF INVESTMENTS

	Great Lakes Utilities Service Corporation
Book value of investment as of December 31, 2010	$ 533,599
Dividends paid to parent	-
Undistributed earnings as of December 31, 2011	29,685
Book value of investment as of December 31, 2011	563,284
Dividends paid to parent	-
Undistributed earnings as of December 31, 2012	19,840
Book value of investment as of December 31, 2012	$ 583,124

This report is intended solely for the information and use of the Board of Directors and management of Great Lakes Energy Cooperative and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
April 3, 2013