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, 2016 (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.

William Scott

4/20/2017
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	185,392,635	186,029,182	185,759,160	17,714,471
2. Power Production Expense	224,912	210,509	198,920	19,337
3. Cost of Purchased Power	117,708,918	116,837,259	117,482,351	11,187,526
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	11,292,495	11,593,999	11,430,767	1,136,321
7. Distribution Expense - Maintenance	13,978,527	13,235,583	13,664,930	1,320,618
8. Customer Accounts Expense	5,165,427	5,098,973	5,492,891	430,802
9. Customer Service and Informational Expense	2,885,742	4,042,949	3,002,328	995,890
10. Sales Expense	389,353	430,541	408,753	64,493
11. Administrative and General Expense	8,335,886	8,527,417	8,731,362	807,414
12. Total Operation & Maintenance Expense (*2 thru 11*)	159,981,260	159,977,230	160,412,302	15,962,401
13. Depreciation and Amortization Expense	13,306,891	13,825,806	13,933,355	1,173,140
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	11,618	18,443	10,000	7,645
16. Interest on Long-Term Debt	10,170,829	10,213,901	10,175,705	860,038
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	46,881	50,252	45,150	36,800
19. Other Deductions	181,765	119,626	130,000	7,025
20. Total Cost of Electric Service (*12 thru 19*)	183,699,244	184,205,258	184,706,512	18,047,049
21. Patronage Capital & Operating Margins (*1 minus 20*)	1,693,391	1,823,924	1,052,648	(332,578)
22. Non Operating Margins - Interest	1,651,595	1,991,697	1,495,000	253,554
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	(8,439)	(15,253)	1,500	0
25. Non Operating Margins - Other	(117,570)	(36,737)	(90,000)	(14,267)
26. Generation and Transmission Capital Credits	9,768,492	5,629,937	9,850,000	(3,835,343)
27. Other Capital Credits and Patronage Dividends	1,078,198	1,095,431	1,090,000	96,268
28. Extraordinary Items				
29. Patronage Capital or Margins (*21 thru 28*)	14,065,667	10,488,999	13,399,148	(3,832,366)

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, 2016

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	771	1,003	5. Miles Transmission		
2. Services Retired	217	557	6. Miles Distribution – Overhead	10,988.00	10,971.00
3. Total Services in Place	134,048	134,494	7. Miles Distribution - Underground	3,307.00	3,367.00
4. Idle Services *(Exclude Seasonals)*	10,477	10,162	**8. Total Miles Energized** *(5 + 6 + 7)*	14,295.00	14,338.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1.	Total Utility Plant in Service	459,682,226	30.	Memberships	519,740
2.	Construction Work in Progress	4,545,696	31.	Patronage Capital	174,430,093
3.	**Total Utility Plant *(1 + 2)***	464,227,922	32.	Operating Margins - Prior Years	0
4.	Accum. Provision for Depreciation and Amort.	131,332,688	33.	Operating Margins - Current Year	8,549,291
5.	**Net Utility Plant *(3 - 4)***	332,895,234	34.	Non-Operating Margins	1,939,707
6.	Non-Utility Property (Net)	0	35.	Other Margins and Equities	5,334,340
7.	Investments in Subsidiary Companies	0	**36.**	**Total Margins & Equities *(30 thru 35)***	190,773,171
8.	Invest. in Assoc. Org. - Patronage Capital	112,138,754	37.	Long-Term Debt - RUS (Net)	0
9.	Invest. in Assoc. Org. - Other - General Funds	0	38.	Long-Term Debt - FFB - RUS Guaranteed	148,164,412
10.	Invest. in Assoc. Org. - Other - Nongeneral Funds	4,569,603	39.	Long-Term Debt - Other - RUS Guaranteed	0
11.	Investments in Economic Development Projects	553,375	40.	Long-Term Debt Other (Net)	123,578,283
12.	Other Investments	1,804,494	41.	Long-Term Debt - RUS - Econ. Devel. (Net)	180,000
13.	Special Funds	0	42.	Payments – Unapplied	27,384,185
14.	**Total Other Property & Investments *(6 thru 13)***	119,066,226	**43.**	**Total Long-Term Debt *(37 thru 41 - 42)***	244,538,510
15.	Cash - General Funds	7,689,168	44.	Obligations Under Capital Leases - Noncurrent	1,336,138
16.	Cash - Construction Funds - Trustee	0	45.	Accumulated Operating Provisions and Asset Retirement Obligations	7,112,855
17.	Special Deposits	0	**46.**	**Total Other Noncurrent Liabilities *(44 + 45)***	8,448,993
18.	Temporary Investments	0	47.	Notes Payable	159,007
19.	Notes Receivable (Net)	0	48.	Accounts Payable	14,407,514
20.	Accounts Receivable - Sales of Energy (Net)	16,912,045	49.	Consumers Deposits	1,618,739
21.	Accounts Receivable - Other (Net)	976,559			
22.	Renewable Energy Credits	0	50.	Current Maturities Long-Term Debt	4,369,236
23.	Materials and Supplies - Electric & Other	2,567,991	51.	Current Maturities Long-Term Debt - Economic Development	60,000
24.	Prepayments	918,071	52.	Current Maturities Capital Leases	208,265
25.	Other Current and Accrued Assets	55,523	53.	Other Current and Accrued Liabilities	13,677,111
26.	**Total Current and Accrued Assets *(15 thru 25)***	29,119,357	**54.**	**Total Current & Accrued Liabilities *(47 thru 53)***	34,499,872
27.	Regulatory Assets	1,051,299	55.	Regulatory Liabilities	0
28.	Other Deferred Debits	5,824,249	56.	Other Deferred Credits	9,695,819
29.	**Total Assets and Other Debits *(5+14+26 thru 28)***	487,956,365	**57.**	**Total Liabilities and Other Credits *(36 + 43 + 46 + 54 thru 56)***	487,956,365

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, 2016

PART D. NOTES TO FINANCIAL STATEMENTS

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, 2016

PART D. CERTIFICATION LOAN DEFAULT NOTES

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, 2016

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	396,841,297	18,826,684	4,557,009		411,110,972
2. General Plant	29,590,818	1,508,338	366,286	8,189	30,741,059
3. Headquarters Plant	14,217,429	47,864		(8,189)	14,257,104
4. Intangibles	1,838		1,838		0
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	2,028,690	1,544,402			3,573,092
8. Total Utility Plant in Service (*1 thru 7*)	442,680,072	21,927,288	4,925,133	0	459,682,227
9. Construction Work in Progress	4,098,537	447,160			4,545,697
10. Total Utility Plant (*8 + 9*)	446,778,609	22,374,448	4,925,133	0	464,227,924

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	2,755,330	5,374,096	47,876	5,633,449	0	24,138	2,567,991
2. Other	0	0	0	0	0	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	18.560	95.890	4.550	138.610	257.610
2. Five-Year Average	17.850	492.120	4.690	147.190	661.850

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	237	4. Payroll - Expensed	11,625,356
2. Employee - Hours Worked - Regular Time	486,274	5. Payroll – Capitalized	4,357,951
3. Employee - Hours Worked - Overtime	34,837	6. Payroll - Other	4,473,836

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (*a*)	CUMULATIVE (*b*)
1. Capital Credits - Distributions	a. General Retirements	10,000,000	
	b. Special Retirements	265,511	
	c. **Total Retirements (*a + b*)**	10,265,511	
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	8,290,958	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	717,111	
	c. **Total Cash Received (*a + b*)**	9,008,069	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	$ 648,027	2. Amount Written Off During Year	$ 196,531

ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM

1. Anticipated Loan Delinquency %		4. Anticipated Loan Default %	
2. Actual Loan Delinquency %		5. Actual Loan Default %	
3. Total Loan Delinquency Dollars YTD	$	6. Total Loan Default Dollars YTD	$

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, 2016

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	Wind	Wind	90,193,705	7,127,073	7.90		
2	Wolverine Pwr Supply Coop, Inc	20910			1,388,391,623	109,710,186	7.90		
	Total				1,478,585,328	116,837,259	7.90		

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, 2016

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, 2016

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	Antenna Designs	Tower	4,620
2	State of Michigan	Railroad	2,585
3	CSX	Railroad	469
4	EW Marine	Tower	12,600
	TOTAL		20,274

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, 2016

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?
8/24/2016	104,620	0	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?**
1,859	9	$ 416,623	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, 2016

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)	0	0	0	0
2	National Rural Utilities Cooperative Finance Corporation	8,344,194	272,967	866,509	1,139,476
3	CoBank, ACB	114,834,089	4,988,626	7,228,672	12,217,298
4	Federal Financing Bank	148,164,411	4,964,081	3,248,015	8,212,096
5	RUS - Economic Development Loans	180,000	0	60,000	60,000
6	Payments Unapplied	27,384,185			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
10	City of Newaygo	400,000	0	0	0
11	CoBank Farm Leasing Services	1,336,138	0	0	0
	TOTAL	245,874,647	10,225,674	11,403,196	21,628,870

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, 2016

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	74,446	74,225	
	b. kWh Sold			699,117,491
	c. Revenue			97,215,799
2. Residential Sales - Seasonal	a. No. Consumers Served	39,069	38,836	
	b. kWh Sold			128,072,539
	c. Revenue			27,355,801
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	10,483	10,480	
	b. kWh Sold			166,250,681
	c. Revenue			21,513,821
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	334	333	
	b. kWh Sold			426,743,513
	c. Revenue			35,320,826
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*)		124,332	123,874	
11. Total kWh Sold (*lines 1b thru 9b*)				1,420,184,224
12. Total Revenue Received From Sales of Electric Energy (*lines 1c thru 9c*)				181,406,247
13. Transmission Revenue				
14. Other Electric Revenue				4,622,933
15. kWh - Own Use				150,000
16. Total kWh Purchased				1,478,585,328
17. Total kWh Generated				222,800
18. Cost of Purchases and Generation				117,047,768
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident_X_				299,112

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION MI0048 PERIOD ENDED December, 2016
INSTRUCTIONS - See help in the online application.	

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)	7,918	1,676,985	30,575	27,021	5,855,879	123,804
2. Residential Sales - Seasonal	1,409	298,409	5,441	4,170	884,094	18,343
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	154	596,278	13,475	648	3,087,762	68,494
5. Comm. and Ind. Over 1000 KVA	83	319,894	7,229	330	1,535,950	42,947
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	9,564	2,891,566	56,720	32,169	11,363,685	253,588

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, 2016

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**				
	NRTC patronage capital	21,641			
	WPC patronage - G&T		109,079,233		
	NRUCFC Patronage		774,914		
	Federated Patronage	500,641			
	CoBank patronage		1,278,034		
	NISC Patronage	156,965			
	Resco Patronage	327,327			
	Resco Stock	500			
	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		4,563,878		
	Totals	1,010,299	115,698,059		
3	**Investments in Economic Development Projects**				
	IRP Loans		26,992		X
	Revolving Loan Fund		286,384		X
	Kilwins Confections		240,000		X
	Totals		553,376		
4	**Other Investments**				
	Homestead Funds - GLE employees Def. comp.		365,642		
	Homestead funds - Director Def. Comp.		30,981		
	American Funds - Mutual Funds		1,407,871		
	Totals		1,804,494		
6	**Cash - General**				
	Fifth Third Bank	5,704,166	250,000		
	West Shore Bank	159,713	250,000		
	Choice One Bank	236,036	118,407		
	Huntington Bank	2,480	183,416		
	United Bank of Michigan	1,199	246,673		
	Choice One Bank - Economic Dev.		443,045		X
	Choice One Bank - Revolving Loan Fund		89,950		X
	Choice One Bank - IRP Account		7		X
	Working Funds - Petty Cash	4,075			
	Totals	6,107,669	1,581,498		
9	**Accounts and Notes Receivable - NET**				
	Other Accounts Receivable - Net		976,559		
	Totals		976,559		
11	TOTAL INVESTMENTS (1 thru 10)	7,117,968	120,613,986		

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, 2016

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, 2016

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]	1.53 %

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		23,307	10,231	
2	Energy Resources Conservation Loans				
	TOTAL		23,307	10,231	

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	PERIOD ENDED December, 2016 (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.

William Scott

4/20/2017

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, 2016

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	5.18				92	8,692			82	
2.	2	1,250	5.16				91	8,693			83	
3.	3	900	4.90				87	8,697			58	
4.												
5.												
6.	**Total**	3,400	15.24	0.00	0.00		270	26,082	0	0	223	
7.	Average BTU		139,960.62				Station Service (MWh)				150.00	
8.	Total BTU (10^6)		2,133.00			2,133.00	Net Generation (MWh)				73.00	
9.	Total Del. Cost ($)						Station Service % of Gross				67.26	29,219.18

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 (%)	0.94%
2.	Plant Factor (%)	0.75%
3.	Running Plant Capacity Factor (%)	72.63%
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	58,946		
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	58,946	807.48	
7.	Generation Expenses	548	127,540		
8.	Miscellaneous Other Power Generation Expenses	549	0		
9.	Rents	550	0		
10.	**Non-Fuel SubTotal (*1 + 7 thru 9*)**		127,540	1,747.12	
11.	**Operation Expense (*6 + 10*)**		186,486	2,554.60	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	24,047		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	**Maintenance Expense (*12 thru 15*)**		24,047	329.41	
17.	**Total Production Expense (*11 + 16*)**		210,533	2,884.01	
18.	Depreciation	403.4, 411.10	41,222		
19.	Interest	427	0		
20.	**Total Fixed Cost (*18 + 19*)**		41,222	564.68	
21.	**Power Cost (*17 + 20*)**		251,755	3,448.70	

Remarks (including Unscheduled Outages)

Consolidated Financial Statements
December 31, 2016 and 2015

Great Lakes Energy Cooperative

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GREAT LAKES ENERGY COOPERATIVE

TABLE OF CONTENTS

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Great Lakes Energy Cooperative, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in equities, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

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

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

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Energy Cooperative as of December 31, 2016 and 2015, 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 15, 2016, 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 20, 2017

GREAT LAKES ENERGY COOPERATIVE
Consolidated Balance Sheets
as of December 31, 2016 and 2015

ASSETS	2016	2015
ELECTRIC PLANT:		
Distribution and generation plant, at cost	$ 464,227,922	$ 446,778,610
Less accumulated depreciation	131,332,688	123,088,405
Net electric plant	332,895,234	323,690,205
OTHER ASSETS AND INVESTMENTS:		
Investments and memberships	118,512,851	120,763,580
Notes and other receivables	234,876	368,436
Total other assets and investments	118,747,727	121,132,016
CURRENT ASSETS:		
Cash	7,689,168	7,199,816
Accounts receivable, net of allowance for uncollectible accounts of $1,485,781 in 2016 and $1,404,241 in 2015	18,007,359	22,513,000
Materials and supplies	2,567,991	2,755,330
Other current assets, including current portion of notes and other receivables	2,007,560	2,574,821
Total current assets	30,272,078	35,042,967
DEFERRED CHARGES	6,041,325	6,587,905
Total assets	$ 487,956,364	$ 486,453,093

EQUITIES AND LIABILITIES	2016	2015
EQUITIES:		
Memberships	$ 519,740	$ 519,740
Patronage capital	182,453,359	182,165,318
Donated capital	5,334,340	4,575,977
Accumulated other comprehensive income	2,465,732	1,920,916
Total equities	190,773,171	189,181,951
LONG-TERM LIABILITIES:		
Long-term debt, net of current maturities	244,538,510	245,287,333
Obligation under capital lease	1,336,138	-
Obligation under interest rate swap	1,083,590	1,813,413
Other non-current liabilities	6,029,266	8,225,499
Total long-term liabilities	252,987,504	255,326,245
CURRENT LIABILITIES:		
Current maturities of long-term debt	4,429,236	5,844,221
Current maturities of lease obligations	208,265	-
Notes payable	159,007	-
Accounts payable	14,407,515	12,926,989
Accrued expenses	13,677,108	11,595,632
Customer deposits	1,618,739	1,609,306
Total current liabilities	34,499,870	31,976,148
DEFERRED CREDITS	9,695,819	9,968,749
Total equities and liabilities	$ 487,956,364	$ 486,453,093

The accompanying notes are a part of these consolidated financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Operations
for the years ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES	$ 186,029,181	$ 185,392,635
OPERATING EXPENSES:		
Purchased and produced power	117,047,768	117,933,830
Distribution expenses:		
Operations	11,593,999	11,292,495
Maintenance	13,235,583	13,978,527
Customer accounts and service expense	9,572,463	8,440,522
Administration and general	8,527,742	8,336,211
Depreciation and amortization	13,825,806	13,306,911
Other operating expenses	136,417	219,103
Total operating expenses	173,939,778	173,507,599
OPERATING MARGINS BEFORE FIXED CHARGES	12,089,403	11,885,036
FIXED CHARGES, interest expense	10,264,152	10,217,710
OPERATING MARGINS AFTER FIXED CHARGES	1,825,251	1,667,326
NON-OPERATING MARGINS:		
Interest income	1,991,866	1,654,235
Other expenses, net of other income	(36,824)	(92,638)
Total non-operating margins	1,955,042	1,561,597
CAPITAL CREDITS, from associated organizations	6,725,368	10,846,690
Net margins before federal income taxes	10,505,661	14,075,613
PROVISION FOR FEDERAL INCOME TAX	16,663	9,946
Net margins	$ 10,488,998	$ 14,065,667

The accompanying notes are a part of these consolidated financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Cash Flows
for the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	$ 10,488,998	$ 14,065,667
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	13,825,806	13,306,911
Capital credits from associated organizations	(6,725,368)	(10,846,690)
Net gain on sale of assets	(37,957)	(120,966)
Unrealized appreciation on investments	(24,669)	7,480
Bad debt provision	296,700	292,500
Changes in assets and liabilities:		
Accounts receivable	4,029,937	1,320,795
Materials and supplies	235,216	84,470
Retirement security plan prepayment	-	(107,008)
Other assets and deferred charges	1,136,182	580,315
Accounts payable	1,470,563	(373,927)
Accrued expenses and other liabilities	2,081,477	908,588
Customer deposits	9,433	9,155
Other non-current liabilities and deferred credits	(3,433,489)	2,031,769
Net cash provided by operating activities	23,352,829	21,159,059
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investments and memberships	9,054,531	2,428,150
Proceeds from sale of assets	49,057	159,970
Property additions	(22,007,484)	(20,841,481)
Plant removal costs	(2,166,747)	(2,716,394)
Additions to notes receivable	(16,045)	(11,367)
Collection on notes receivable	183,973	90,893
Net cash used in investing activities	(14,902,715)	(20,890,229)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions in aid of construction received net of refunds	1,741,274	2,268,161
Net proceeds from (payment of) short-term debt	159,007	(158,488)
Proceeds from capital leases	1,544,402	-
Proceeds from long-term debt	17,000,000	15,001,856
Payment of long-term debt	(19,163,808)	(9,353,377)
Capital credits paid out	(10,000,000)	(4,707,836)
Capital credits paid out of donated capital	(797)	(449)
Recovery of previously paid out capital credits	759,160	691,288
Net cash provided by (used in) financing activities	(7,960,762)	3,741,155
Net change in cash	489,352	4,009,985
CASH, beginning of year	7,199,816	3,189,831
CASH, end of year	$ 7,689,168	$ 7,199,816

The accompanying notes are a part of these consolidated financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Changes in Equities
Years ended December 31, 2016 and 2015

	Memberships	Patronage Capital	Donated Capital	AOCI	Total
Balance at December 31, 2014	$ 519,740	$ 173,125,003	$ 3,885,138	$ 4,102,581	$ 181,632,462
Net margins	-	14,065,667	-	-	14,065,667
Other comprehensive income (expense):					
Unrealized holding loss on securities	-	-	-	(60,847)	(60,847)
Directors' pension and retiree welfare benefit plan liability adjustment	-	-	-	(307,405)	(307,405)
Unrealized loss on interest rate swap				(1,813,413)	(1,813,413)
Sales tax returned	-	58,831	-	-	58,831
Undeliverable retired patronage refunds to members and other adjustments	-	-	690,839	-	690,839
Patronage refunds to members:					
Cash refunds	-	(4,707,837)	-	-	(4,707,837)
Non-cash refunds	-	(376,346)	-	-	(376,346)
Balance at December 31, 2015	519,740	182,165,318	4,575,977	1,920,916	189,181,951
Net margins	-	10,488,998	-	-	10,488,998
Other comprehensive income (expense):					
Unrealized holding gain on securities	-	-	-	53,765	53,765
Directors' pension and retiree welfare benefit plan liability adjustment	-	-	-	(238,772)	(238,772)
Unrealized gain on interest rate swap				729,823	729,823
Sales tax returned	-	64,544	-	-	64,544
Undeliverable retired patronage refunds to members and other adjustments	-	-	758,363	-	758,363
Patronage refunds to members:					
Cash refunds	-	(10,000,000)	-	-	(10,000,000)
Non-cash refunds	-	(265,501)	-	-	(265,501)
Balance at December 31, 2016	$ 519,740	$ 182,453,359	$ 5,334,340	$ 2,465,732	$ 190,773,171

The accompanying notes are a part of these consolidated financial statements.

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Comprehensive Income
for the years ended December 31, 2016 and 2015

	2016	2015
NET MARGINS	$ 10,488,998	$ 14,065,667
Other comprehensive income (expense):		
Unrealized holding gain (loss) on securities arising during year	53,765	(60,847)
Directors' pension liability adjustment	35,493	-
Employees' Postretirement Health Insurance Benefit Plan liability adjustment	(274,265)	(307,405)
Increase (reduction) in fair value of interest rate swap	729,823	(1,813,413)
Net other comprehensive income (loss)	544,816	(2,181,665)
Comprehensive income	$ 11,033,814	$ 11,884,002

The accompanying notes are a part of these consolidated 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 dissolved its wholly-owned subsidiary during 2016.

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 exempt from 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 are removed from their respective accounts and a gain or loss is recognized.

Nonutility Property

At December 31, 2016 and 2015, non-utility property consisted of equipment being depreciated under the straight-line method over its estimated useful life using the lives permitted for income tax purposes. Amortization of leased plant is included in depreciation expense.

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 $128,987 in 2016 and $116,987 in 2015 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.

Electric Revenues and Accounts Receivable

Rates for electricity charged to members are established by the Board of Directors. 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.

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, pension related costs, and deferred Energy Optimization program costs. The preliminary survey costs are being amortized straight-line over periods not exceeding twenty years, and the other deferred costs over various periods. In 2013, the Company made a prepayment which totaled $7,329,821 to the National Rural Electric Cooperative Association for the Retirement Security Plan to enhance the Plan's funded status. The prepayment is being amortized over 18 years, which is the weighted average life of the Company's workforce.

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 Energy Optimization program revenues. 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. Energy Optimization program revenues are recognized as program expenses are incurred.

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 in 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.

NOTE B - ELECTRIC PLANT

Major classes of electric plant as of December 31, 2016 and 2015 are as follows:

	2016	2015
Distribution System	$ 411,110,969	$ 396,841,297
Generation plant	2,028,690	2,028,690
General plant	44,998,164	43,808,247
Assets under capital lease	1,544,402	-
Intangible plant	-	1,839
Construction work in progress, net of related contributions in aid of construction	4,545,697	4,098,537
	464,227,922	446,778,610
Less accumulated depreciation	131,332,688	123,088,405
Total	$ 332,895,234	$ 323,690,205

During 2016 and 2015, 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 2.0 percent for the generation plant for 2016 and 2.9 percent for the distribution system and 2.8 percent for the generation plant for 2015.

General plant is being depreciated over the following lives:

General Plant	Life
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	10-20 years

NOTE C - INVESTMENTS AND MEMBERSHIPS

Investments consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Wolverine Power Cooperative, Inc:		
Patronage capital credits and membership	$ 109,079,833	$ 111,740,854
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	4,563,878	4,597,538
Patronage capital credits and membership	775,914	771,763
Other memberships, patronage capital and mutual fund investments	4,093,226	3,653,425
Total	$ 118,512,851	$ 120,763,580

Wolverine Power Cooperative, Inc. (Wolverine) is an electric generating and transmission cooperative in which the Company has an approximate 51.6 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 $396,623 at December 31, 2016 and $354,279 at December 31, 2015 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, 2016 and 2015 follows:

	2016	2015
Cost of remaining mutual fund investments	$ 1,201,633	$ 1,152,452
Unrealized gain (loss)	206,238	152,473
Fair value	$ 1,407,871	$ 1,304,925

NOTE D - NOTES AND LOANS RECEIVABLE

Notes receivable consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Rural Economic Development loans, net of allowance for uncollectable loans	$ 424,389	$ 569,309
Land contract receivable	-	37,246
Employee loans	10,231	7,262
	434,620	613,817
Less current portion	199,744	245,381
Total	$ 234,876	$ 368,436

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 or an irrevocable stand-by letter of credit

The allowance for uncollectible loans was $128,987 and $116,987 as of December 31, 2016 and 2015, respectively.

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable include both billed and unbilled revenues. At December 31, 2016 and 2015 accounts receivable consisted of the following:

	2016	2015
Billed accounts	$ 7,238,647	$ 13,166,439
Unbilled accounts	12,254,493	10,750,802
	19,493,140	23,917,241
Less allowance for uncollectible accounts	1,485,781	1,404,241
Net accounts receivable	$ 18,007,359	$ 22,513,000

NOTE F - DEFERRED CHARGES

Deferred charges at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Unamortized debt costs	$ -	$ 2,394
Preliminary survey costs	123,533	177,893
Pension related costs	6,430,878	6,882,199
Deferred Energy Optimization Program costs	321,407	321,407
	6,875,818	7,383,893
Less current portion	834,493	795,988
Totals	$ 6,041,325	$ 6,587,905

NOTE G - EQUITY

At December 31, 2016 and 2015, cumulative transactions in patronage capital consisted of the following:

	2016	2015
Assigned and assignable margins	$ 260,237,791	$ 249,684,249
Retired	(73,070,057)	(63,070,057)
Undeliverable, transferred to donated capital	(4,714,375)	(4,448,874)
Balance	$ 182,453,359	$ 182,165,318

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 20 percent of total assets. At December 31, 2016 and 2015 equities of the Company, excluding GLUS, represented approximately 39.1 percent of its total assets.

NOTE H - LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2016 and 2015:

	2016	2015
Federal Financing Bank (“FFB”)	$ 152,571,151	$ 138,009,201
Less RUS Cushion of Credit, advance payment Earning 5 pct. Interest	(35,796,321)	(27,225,743)
	116,774,830	110,783,458
National Rural Utilities Cooperative Finance Corporation (“CFC”)	9,178,123	10,044,632
CoBank ACB (“CoBank”)	122,374,793	129,603,464
Rural Economic Development Loan Program (“REDLG”)	640,000	700,000
	248,967,746	251,131,554
Less current maturities	4,429,236	5,844,221
Total long-term debt	$ 244,538,510	$ 245,287,333

FFB and REDLG loans are payable primarily in either monthly or quarterly installments, including principal and interest, and have various maturity dates through 2047. The FFB loans bear interest at various rates, which ranged between 2.17 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 some office equipment, are pledged as collateral under terms of the joint agreement.

CFC loans are payable in quarterly or bi-annual installments, including principal and interest, and have various maturity dates through 2044. They bear interest at variable or fixed rates ranging between 1.78 percent and 3.9 percent.

CoBank loans are payable in monthly or quarterly installments, including principal and interest, and have various maturity dates through 2033. They bear interest at fixed rates ranging between 2.81 percent and 4.93 percent.

In 2015, GLE entered into three interest rate swap agreements. As of December 31, 2016 and 2015, GLE had three variable rate notes outstanding with Cobank totaling $44,140,530 and $46,264,123, respectively. This debt was refinanced in 2015 from fixed interest debt to variable rate debt. The notes accrue interest at 1-month LIBOR plus 1%. Prior to refinancing, the fixed rate debt bore interest at an average rate of 3.91% In order to hedge interest rate risk, GLE entered into three corresponding interest rate swaps with notional amounts equaling the principal balances of the variable rate notes. The swap agreement notes bear interest at 1-month Libor plus 2.29%, 2.39% and 2.51%. The interest payments are due monthly with payments settled on a net basis. The net effect of the swap was to convert variable rate debt into fixed rate debt with an effective interest rate of 3.5%.

The notional amount under the swap decreases as principal payments are made on the note so that the notional amount equals the principal outstanding under the note. The swap is designed to hedge the risk of changes in interest payments on the note caused by changes in LIBOR.

The swap was issued at market terms so that it had no fair value at its inception. The carrying amount of the swap has been adjusted to its fair value at the end of the year, which because of changes in forecasted levels of LIBOR resulted in reporting a liability for the fair value of the future net payments forecasted under the swap. The liability is classified as noncurrent since management does not intend to settle it during 2017. Since the critical terms of the swap and the note are the same, the swap is assumed to be completely effective as a hedge, and none of the change in its fair value is included in operating income. Accordingly, all of the adjustment of the swap's carrying amount is reported as other comprehensive loss.

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 2016 and 2015.

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

Years	Loans
2017	$ 4,429,236
2018	3,810,106
2019	4,001,366
2020	4,712,922
2021	11,103,248
2022 and beyond	220,910,868
Total	$ 248,967,746

NOTE I – CAPITAL LEASES

The Company began leasing equipment under capital leases in 2016. Details related to the leases are as follows:

Payee	Interest Rate	Final Maturity	Current Portion	Long-term Portion	Total
Farm Credit Leasing	3.41%	02/01/24	$ 26,245	$ 239,812	$ 266,057
Farm Credit Leasing	3.45%	02/01/24	182,020	1,096,326	1,278,346
			$ 208,265	$ 1,336,138	$ 1,544,403

Future minimum payments under capital lease obligations as of December 31 are as follows:

2017	$ 208,265
2018	221,188
2019	228,884
2020	236,847
2021	245,088
2022 and beyond	404,131
Total	$ 1,544,403

The original cost of the equipment leased totaled $1,544,403 and the accumulated depreciation related to the capital leases was $14,709 as of the year ended December 31, 2016.

NOTE J – OTHER NON-CURRENT LIABILITIES

The other non-current liabilities at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Accumulated provision for directors' pension plan and employees' postretirement health insurance benefits	$ 5,477,687	$ 5,865,760
Employees' and directors' deferred compensation	429,361	894,886
Accumulated power supply cost recovery charges	122,218	1,464,853
Total	$ 6,029,266	$ 8,225,499

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, 2017 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, 2016 there was no balance on the CFC line of credit and there was a $159,007 balance on the CoBank line of credit. The remaining available balance under the two lines of credit aggregated $34,840,993 at December 31, 2016.

NOTE L - DEFERRED CREDITS

Deferred credits at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Customer advances to defray system construction costs:		
Non-refundable	$ 540,252	$ 540,252
Refundable	4,408,547	4,053,147
Total customer advances	4,948,799	4,593,399
Estimated labor cost associated with initial installation of transformers and meters	379,860	379,164
Deferred Energy Optimization Program surcharge Revenue	4,083,827	4,429,520
Other Deferred Credits	283,333	566,666
Total	$ 9,695,819	$ 9,968,749

NOTE M - CASH FLOW INFORMATION

Additional cash flow information for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Cash paid during the year for:		
Interest	$ 8,928,668	$ 10,142,505
Federal income tax	10,000	13,488

NOTE N - FEDERAL INCOME 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.

Management believes that positions taken during prior years and to be taken for 2016 in reporting federal taxable income for the Company and for its subsidiary 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 are 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, investments and memberships, and accounts receivable.

Cash is maintained in credit worthy banks. Accordingly, the Company believes it has no significant credit risk regarding cash and temporary investments. Cash on deposit at December 31, 2016 and 2015, exceeded the Federal Depository Insurance limits by $6,095,213 and $8,116,183, respectively.

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 1.5 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.

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 considered a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

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 2016 and 2015 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 2016 and 2015 were $2,586,327 and $2,389,999, respectively. In 2013, the company elected to participate in a prepayment option offered to participating employers. See the description below for more information on the prepayment program.

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 over 80 percent funded on January 1, 2016 and January 1, 2015, 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.

RS Plan Prepayment Option

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. In 2013, the Company made the prepayment which totaled $7,329,821 to the National Rural Electric Cooperative Association for the Retirement Security Plan to enhance the Plan's funded status. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives, the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period. The prepayment will be amortized over 18 years which is the weighted average life of the Company's workforce. The amortization expense was $407,208 in 2016 and 2015.

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, 2016 and 2015:

	2016	2015
Change in benefit obligation:		
Benefit obligation at January 1	$ 2,124,302	$ 2,151,497
Service cost	29,622	14,857
Interest cost	96,656	77,948
Actuarial loss (gain)	(35,493)	-
Benefits paid	(129,500)	(120,000)
Benefit obligation at December 31	$ 2,085,587	$ 2,124,302
Change in plan assets:		
Fair value of plan assets at January 1	$ -	$ -
Company contributions	129,500	120,000
Benefits paid	(129,500)	(120,000)
Fair value of plan assets at December 31	$ -	$ -
Reconciliation of funded status of plans:		
Projected benefit obligation	$ 2,085,587	$ 2,124,302
Fair value of plan assets	-	-
Recorded accrued benefit cost at December 31	$ 2,085,587	$ 2,124,302
Weighted average assumptions used to determine the benefit obligations as of December 31:		
Discount rate	4.55%	3.75%
Rate of compensation increase	3.00%	3.00%

Net period costs for the directors' plan were as follows for the years ended December 31, 2016 and 2015:

	2016	2015
Service cost	$ 29,622	$ 14,857
Interest cost	96,656	77,948
Amortization of loss	-	27,154
Recorded net benefit cost	$ 126,278	$ 119,959

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

2017	$ 144,900
2018	136,500
2019	104,700
2020	104,700
2021	104,700
2022 – 2026	523,500
Total	$ 1,119,000

The Company believes its contributions for the Plan during 2017 will approximate the expected benefits to be paid for that year, as indicated above.

Benefit Restoration Plan

The Company adopted a non-qualified benefit restoration plan (BRP) for corporate employees subject to an RS Plan pension limitation as provided by Sections 415 and 401(a)(7) of the Internal Revenue Code of 1986. This plan provides for a lump sum payment to the participants or their estate, if deceased, upon the lapse of substantial risk of forfeiture specified by the Company in the amount of the RS Plan payment calculation.

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 $466,726 and $450,594 during 2016 and 2015, 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, 2016 includes 2.12 percent in a money market fund, 9.80 percent in a fixed income fund, and 88.08 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 2016 and 2015, the Company received refunds under the Act in the amount of $35,359 and $31,808, 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, 2016 and 2015:

Benefit obligation at January 1	$ 7,127,241	$ 7,342,398
Service cost	55,168	58,495
Interest cost	169,976	184,338
Plan Changes	-	-
Actuarial loss (gain)	389,449	51,327
Benefits paid from plan assets	(547,548)	(509,317)
Benefit obligation at December 31	$ 7,194,286	$ 7,127,241
Change in plan assets:		
Fair value of plan assets at January 1	$ 3,445,607	$ 3,482,750
Actual return on plan assets	373,848	(37,143)
Company contributions	547,548	509,317
Benefits paid	(547,548)	(509,317)
Fair value of plan assets at December 31	$ 3,819,455	$ 3,445,607

	2016	2015
Reconciliation of funded status of plans:		
Benefit plan obligation at December 31	$ (7,194,286)	$ (7,127,241)
Fair value of plan assets at December 31	3,819,455	3,445,607
Recorded accrued benefit cost at December 31	$ (3,374,831)	$ (3,681,634)
Weighted average assumptions as of December 31:		
Discount rate used to determine accumulated postretirement benefit obligation	4.55%	4.71%
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, 2016 and 2015:

	2016	2015
Service cost	$ 55,168	$ 58,495
Interest cost	169,976	184,338
Expected return on plan assets	(172,280)	(269,913)
Amortization of prior service cost	(753,767)	(632,340)
Amortization of net loss	667,384	683,318
Recorded net benefit cost	$ (33,519)	$ 23,898

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

2017	$ 578,022
2018	500,673
2019	520,796
2020	530,999
2021	554,545
2022 – 2026	2,899,937
Total	$ 5,584,972

The Company expects 2017 benefits to be paid by the Plan will approximate those listed above.

The 2016 costs were developed based on the health insurance plan in effect at January 1, 2016 and information regarding newly electing grandfathered participants as of May 3, 2012. For the year ended December 31, 2016, the assumptions are that retiree medical cost increases would be 14.17 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, 2016 by approximately $472,572 and the interest cost components of net periodic retiree medical costs for 2016 by approximately $22,258.

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 the years ended December 31, 2016 and 2015 was $17,220.

Future rentals under the non-cancelable leases, including renewals with escalation clauses, are as follows:

2017	$	17,220
2018		13,815
2019		7,200
2020		7,200
2021		2,400
2022 and beyond		0
Total	$	47,835

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 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 $116,837,259 in 2016 and to $117,708,918 in 2015.

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 $306,610 during 2016 and $290,964 during 2015.

At December 31, 2016, the Company’s share of Wolverine’s capital credits amounted to $109,079,233, which equates to approximately 51.6 percent of all capital credits allocated by Wolverine. Wolverine allocated $5,629,937 and $9,768,492 in capital credits to the Company during 2016 and 2015, respectively. Capital Credits in the amount of $8,290,958 and $1,686,076 were paid by Wolverine in 2016 and 2015, respectively.

Amounts payable to Wolverine at December 31, 2016 and 2015 were $11,273,674 and $11,513,595, respectively. These payables were related to obligations under the purchase power agreement and the communication agreement.

NOTE S – COMMITMENTS & CONTINGENCIES

At December 31, 2016, the Company was committed for the purchase or lease of 18 heavy duty vehicles at an aggregate cost, when fully equipped, of approximately $3,444,866.

At December 31, 2016, the Company also has approximately 53% of its employees covered by a collective bargaining agreement. The collective bargaining agreement was renegotiated and a new contract was entered into in January of 2015 which expires in January of 2018.

NOTE T – SUBSEQUENT EVENTS

The Company reviewed events occurring subsequent to December 31, 2016 for any requiring disclosure in accordance with generally accepted accounting principles. No such events had occurred. The review covered the period from year end through April 20, 2017 the date the financial statements were available to be issued

Supplementary Information
December 31, 2016 and 2015

Great Lakes Energy Cooperative

EideBailly

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 consolidated financial statements of Great Lakes Energy Cooperative and Subsidiary as of and for the years ended December 31, 2016 and 2015, and our report thereon dated April 20, 2017, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information presented on pages 28-30 is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Eide Bailly LLP

Fargo, North Dakota
April 20, 2017

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GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING BALANCE SHEET
as of December 31, 2016

ASSETS	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
ELECTRIC PLANT:				
Distribution and generation plant, at cost	$464,227,922	$ -	$ -	$ 464,227,922
Less accumulated depreciation	131,332,688	-	-	131,332,688
Net electric plant	332,895,234	-	-	332,895,234
OTHER ASSETS AND INVESTMENTS:				
Investments and memberships	118,512,851	-	-	118,512,851
Notes and other receivables	234,876	-	-	234,876
Total other assets and investments	118,747,727	-	-	118,747,727
CURRENT ASSETS:				
Cash	7,689,168	-	-	7,689,168
Accounts receivable, net of allowance for uncollectible accounts	18,007,359	-	-	18,007,359
Materials and supplies	2,567,991	-	-	2,567,991
Other current assets	2,007,560	-	-	2,007,560
Total current assets	30,272,078	-	-	30,272,078
DEFERRED CHARGES	6,041,325	-	-	6,041,325
Total assets	$487,956,364	$ -	$ -	$ 487,956,364

GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING BALANCE SHEET
as of December 31, 2016

EQUITIES AND LIABILITIES	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
EQUITIES:				
Memberships	$ 519,740	$ -	$ -	$ 519,740
Patronage capital	182,453,359	-	-	182,453,359
Total memberships, patronage capital, including equity in subsidiaries	182,973,099	-	-	182,973,099
Donated capital	5,334,340	-	-	5,334,340
Accumulated other comprehensive loss	2,465,732	-	-	2,465,732
Total equities	190,773,171	-	-	190,773,171
LONG-TERM DEBT, net of current maturities	244,538,510	-	-	244,538,510
OBLIGATION UNDER CAPITAL LEASE	1,336,138	-	-	1,336,138
OBLIGATION UNDER INTEREST RATE SWAP	1,083,590	-	-	1,083,590
OTHER NON-CURRENT LIABILITIES	6,029,266	-	-	6,029,266
CURRENT LIABILITIES:				
Current maturities of long-term debt	4,429,236	-	-	4,429,236
Current maturities of capital leases	208,265	-	-	208,265
Notes payable	159,007	-	-	159,007
Accounts payable	14,407,515	-	-	14,407,515
Accrued expenses	13,677,108	-	-	13,677,108
Customer deposits	1,618,739	-	-	1,618,739
Total current liabilities	34,499,870	-	-	34,499,870
DEFERRED CREDITS	9,695,819	-	-	9,695,819
Total equities and liabilities	$487,956,364	$ -	$ -	$ 487,956,364

GREAT LAKES ENERGY COOPERATIVE
DETAIL CONSOLIDATING STATEMENT OF OPERATIONS
for the year ended December 31, 2016

	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
OPERATING REVENUES	$ 186,029,181	$ -	$ -	$ 186,029,181
OPERATING EXPENSES:				
Purchased and produced power	117,047,768	-	-	117,047,768
Distribution expenses:				
Operations	11,593,999	-	-	11,593,999
Maintenance	13,235,583	-	-	13,235,583
Customer accounts, service and selling expenses	9,572,463	-	-	9,572,463
Administration and general	8,527,417	325	-	8,527,742
Depreciation and amortization	13,825,806	-	-	13,825,806
Other operating expenses	121,695	14,722	-	136,417
Total operating expenses	173,924,731	15,047	-	173,939,778
OPERATING MARGINS BEFORE FIXED CHARGES	12,104,450	(15,047)	-	12,089,403
FIXED CHARGES, interest expense	10,264,152	-	-	10,264,152
OPERATING MARGINS AFTER FIXED CHARGES	1,840,298	(15,047)	-	1,825,251
NON-OPERATING MARGINS:				
Interest income	1,991,697	169	-	1,991,866
Other income (expense), net	(36,449)	(375)	-	(36,824)
Total non-operating margins	1,955,248	(206)	-	1,955,042
CAPITAL CREDITS, and equity in subsidiary's net income:				
From associated organizations	6,725,368	-	-	6,725,368
Equity in subsidiary's net income	(15,253)	-	15,253	-
Total capital credits	6,710,115	-	15,253	6,725,368
Net margins before federal income tax	10,505,661	(15,253)	15,253	10,505,661
PROVISION FOR FEDERAL INCOME TAX	16,663	-	-	16,663
NET MARGINS	$ 10,488,998	$ (15,253)	$ 15,253	$ 10,488,998

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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards, issued by the Comptroller General of the United States, the consolidated financial statements of Great Lakes Energy Cooperative, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related statements of operations, cash flows, comprehensive income, and changes in equities for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Great Lakes Energy Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Great Lakes Energy Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of Great Lakes Energy Cooperative's internal control.

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Great Lakes Energy Cooperative's consolidated 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 consolidated 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Great Lakes Energy Cooperative’s internal control or on compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Great Lakes Energy Cooperative’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
April 20, 2017

Independent Auditor's Report on Compliance with Aspects of Contractual Agreements and Regulatory Requirements

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Great Lakes Energy Cooperative which comprise the balance sheets as of December 31, 2016, and the related consolidated statements of operations, statements of comprehensive income, changes in equities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2017. In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2017 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. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

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

Maintain adequate and effective accounting procedures;

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

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

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

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

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

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

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

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

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

Comply with the requirements for the detailed schedule of investments.

Detailed Schedule of Deferred Debits and Deferred Credits

	2016	2015
Deferred debits		
Preliminary survey and investigation charges	$ 123,533	$ 177,893
Unamortized debt refinancing costs	-	2,394
Deferred energy optimization program costs	321,407	321,407
Pension related costs	6,430,878	6,882,199
	$ 6,875,818	$ 7,383,893
Deferred credits		
Consumer advances for contributions in aid of construction	$ 4,948,801	$ 4,593,398
Deferred revenue, seasonal accounts	283,333	566,666
Estimated installation cost - special equipment	379,860	379,164
Deferred energy optimization program surcharge	4,083,828	4,429,520
Total deferred credits	$ 9,695,822	$ 9,968,748

Detailed Schedule of Investments

	Great Lakes Utilities Service Corporation
Book value of investment as of December 31, 2014	$ 596,827
Dividends paid to parent	-
Undistributed earnings as of December 31, 2015	(8,439)
Book value of investment as of December 31, 2015	588,388
Dividends paid to parent	-
Undistributed earnings as of December 31, 2016	(15,253)
Liquidation of investment	(573,135)
Book value of investment as of December 31, 2016	$ -

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 20, 2017