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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048
	PERIOD ENDED December, 2017 (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)

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

4/13/2018

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	186,029,182	186,526,473	186,530,793	17,588,840
2. Power Production Expense	210,509	216,640	198,921	17,908
3. Cost of Purchased Power	116,837,259	116,664,257	117,135,219	11,349,184
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	11,593,999	11,910,880	11,509,498	958,102
7. Distribution Expense - Maintenance	13,235,583	14,640,077	13,901,959	1,507,855
8. Customer Accounts Expense	5,098,973	5,308,120	5,340,886	507,088
9. Customer Service and Informational Expense	4,042,949	4,490,613	4,249,382	630,753
10. Sales Expense	430,541	446,764	476,915	56,956
11. Administrative and General Expense	8,527,417	8,637,791	8,942,949	678,279
12. Total Operation & Maintenance Expense (2 thru 11)	159,977,230	162,315,142	161,755,729	15,706,125
13. Depreciation and Amortization Expense	13,825,806	14,245,706	14,201,950	1,185,271
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	18,443	17,100	10,000	152
16. Interest on Long-Term Debt	10,213,901	10,214,082	9,995,312	861,892
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	50,252	201,667	114,150	91,746
19. Other Deductions	119,626	156,225	125,000	13,930
20. Total Cost of Electric Service (12 thru 19)	184,205,258	187,149,922	186,202,141	17,859,116
21. Patronage Capital & Operating Margins (1 minus 20)	1,823,924	(623,449)	328,652	(270,276)
22. Non Operating Margins - Interest	1,991,697	2,312,170	1,945,000	350,879
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	(15,253)	0	0	0
25. Non Operating Margins - Other	(36,737)	(182,827)	(983,000)	4,522
26. Generation and Transmission Capital Credits	5,629,937	7,573,681	8,902,960	(1,362,325)
27. Other Capital Credits and Patronage Dividends	1,095,431	1,400,878	1,450,000	71,712
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	10,488,999	10,480,453	11,643,612	(1,205,488)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2017

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	1,003	1,012	5. Miles Transmission		
2. Services Retired	557	258	6. Miles Distribution – Overhead	10,971.00	10,956.00
3. Total Services in Place	134,494	135,248	7. Miles Distribution - Underground	3,367.00	3,437.00
4. Idle Services (Exclude Seasonals)	10,162	10,222	8. Total Miles Energized (5 + 6 + 7)	14,338.00	14,393.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	478,354,149	30. Memberships	519,740
2. Construction Work in Progress	6,366,855	31. Patronage Capital	177,435,341
3. Total Utility Plant (1 + 2)	484,721,004	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	141,768,496	33. Operating Margins - Current Year	8,351,110
5. Net Utility Plant (3 - 4)	342,952,508	34. Non-Operating Margins	2,129,341
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	6,184,394
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	194,619,926
8. Invest. in Assoc. Org. - Patronage Capital	112,226,539	37. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	162,813,397
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	360,442	40. Long-Term Debt Other (Net)	114,975,882
12. Other Investments	2,094,254	41. Long-Term Debt - RUS - Econ. Devel. (Net)	120,000
13. Special Funds	0	42. Payments – Unapplied	31,298,241
14. Total Other Property & Investments (6 thru 13)	119,250,838	43. Total Long-Term Debt (37 thru 41 - 42)	246,611,038
15. Cash - General Funds	2,841,192	44. Obligations Under Capital Leases - Noncurrent	3,589,254
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	3,604,208
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	7,193,462
18. Temporary Investments	0	47. Notes Payable	159,292
19. Notes Receivable (Net)	0	48. Accounts Payable	13,446,756
20. Accounts Receivable - Sales of Energy (Net)	15,730,795	49. Consumers Deposits	1,599,562
21. Accounts Receivable - Other (Net)	1,049,762	50. Current Maturities Long-Term Debt	3,418,406
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	60,000
23. Materials and Supplies - Electric & Other	2,616,270	52. Current Maturities Capital Leases	588,990
24. Prepayments	827,870	53. Other Current and Accrued Liabilities	14,663,112
25. Other Current and Accrued Assets	55,522	54. Total Current & Accrued Liabilities (47 thru 53)	33,936,118
26. Total Current and Accrued Assets (15 thru 25)	23,121,411	55. Regulatory Liabilities	0
27. Regulatory Assets	1,007,187	56. Other Deferred Credits	9,509,614
28. Other Deferred Debits	5,538,214	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	491,870,158
29. Total Assets and Other Debits (5+14+26 thru 28)	491,870,158		

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, 2017
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, 2017
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2017
INSTRUCTIONS - See help in the online application.	

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	411,110,972	17,254,838	3,465,677		424,900,133
2. General Plant	30,741,059	1,632,559	47,732		32,325,886
3. Headquarters Plant	14,257,104	138,487			14,395,591
4. Intangibles	0				0
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	3,573,092	3,159,449			6,732,541
8. Total Utility Plant in Service (1 thru 7)	459,682,227	22,185,333	3,513,409		478,354,151
9. Construction Work in Progress	4,545,697	1,821,158			6,366,855
10. Total Utility Plant (8 + 9)	464,227,924	24,006,491	3,513,409		484,721,006

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	2,567,991	5,322,501	51,102	5,383,828	0	58,504	2,616,270
2. Other	0	0	0	0	0	0	0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	12.070	156.790	3.900	161.990	334.750
2. Five-Year Average	12.870	253.350	4.910	147.860	418.990

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	238	4. Payroll - Expensed	12,106,331
2. Employee - Hours Worked - Regular Time	486,987	5. Payroll - Capitalized	4,322,955
3. Employee - Hours Worked - Overtime	33,974	6. Payroll - Other	4,578,525

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	10,300,000	
	b. Special Retirements	292,602	
	c. Total Retirements (a + b)	10,592,602	
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	7,822,177	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	954,235	
	c. Total Cash Received (a + b)	8,776,412	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 493,809	2. Amount Written Off During Year	\$ 161,047
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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
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2017
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PART K. kWh PURCHASED AND TOTAL COST

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
1	Wolverine Pwr Supply Coop, Inc	20910	Wind	Wind	90,303,100	7,116,520	7.88		
2	Wolverine Pwr Supply Coop, Inc	20910			1,390,075,595	109,547,737	7.88		
	Total				1,480,378,695	116,664,257	7.88		

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, 2017
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, 2017

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
1	EW Marine	Tower	12,600
2	Antenna Designs	Tower	4,620
3	State of Michigan	Railroad	2,385
4	CSX Transport	Railroad	474
	TOTAL		20,079

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0048	
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2017	
INSTRUCTIONS - See help in the online application.			
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 8/23/2017	2. Total Number of Members 105,196	3. Number of Members Present at Meeting 0	4. Was Quorum Present? N
5. Number of Members Voting by Proxy or Mail 906	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 400,236	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		MI0048			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2017			
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	7,593,830	261,278	837,137	1,098,415
3	CoBank, ACB	106,982,052	4,682,753	7,540,704	12,223,457
4	Federal Financing Bank	162,813,397	5,206,993	3,616,779	8,823,772
5	RUS - Economic Development Loans	120,000	0	60,000	60,000
6	Payments Unapplied	31,298,241			
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 Newagyo	400,000	0	0	0
11	Farm Credit Leasing - Cobank	2,577,899	88,136	260,190	348,326
12	Altec Capital Services Leasing	973,765	12,816	66,193	79,009
13	Enterprise Leasing	37,590	588	2,135	2,723
	TOTAL	250,200,292	10,252,564	12,383,138	22,635,702

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0048		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2017		
INSTRUCTIONS - See help in the online application.				
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	74,841	74,560	
	b. kWh Sold			693,169,785
	c. Revenue			97,098,173
2. Residential Sales - Seasonal	a. No. Consumers Served	39,278	39,205	
	b. kWh Sold			133,948,799
	c. Revenue			28,127,909
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	10,573	10,522	
	b. kWh Sold			163,799,411
	c. Revenue			21,341,289
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	334	335	
	b. kWh Sold			425,685,707
	c. Revenue			34,966,892
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)	125,026	124,622	
11.	Total kWh Sold (lines 1b thru 9b)			1,416,603,702
12.	Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)			181,534,263
13.	Transmission Revenue			
14.	Other Electric Revenue			4,992,209
15.	kWh - Own Use			135,000
16.	Total kWh Purchased			1,480,378,695
17.	Total kWh Generated			224,000
18.	Cost of Purchases and Generation			116,880,897
19.	Interchange - kWh - Net			
20.	Peak - Sum All kW Input (Metered) Non-coincident ___ Coincident <u>X</u>			255,483

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2017
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)	9,261	2,061,520	22,806	36,282	7,917,399	146,610
2. Residential Sales - Seasonal	1,758	391,268	4,329	5,928	1,275,362	22,672
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	113	529,127	8,371	820	3,616,889	76,865
5. Comm. and Ind. Over 1000 KVA	63	292,849	4,633	334	1,828,799	47,581
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	11,195	3,274,764	40,139	43,364	14,638,449	293,728

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0048			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2017			
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	25,561			
	WPC patronage - G&T		108,830,737		
	NRUCFC Patronage		780,241		
	Federated Patronage	533,100			
	CoBank patronage		1,594,336		
	NISC Patronage	156,966			
	Resco Patronage	305,598			
	Resco Stock	500			
	WPC Membership - G&T	600	0		
	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	1,024,950	115,771,192		
3	Investments in Economic Development Projects				
	IRP Loans				
	Revolving Loan Fund		180,442		X
	Kilwins Confections		180,000		X
	Totals		360,442		
4	Other Investments				
	Homestead Funds - GLE employees Def. comp.		454,702		
	Homestead funds - Director Def. Comp.		17,651		
	American Funds - Mutual Funds		1,621,901		
	Totals		2,094,254		
6	Cash - General				
	Fifth Third Bank	1,015,217	250,000		
	West Shore Bank	45,175	250,000		
	Choice One Bank	258,873			
	Huntington Bank	8,401	207,124		
	United Bank of Michigan	20,063	118,325		
	Choice One Bank - Economic Dev.		443,166		X
	Choice One Bank - Revolving Loan Fund	12,414	208,351		X
	Choice One Bank - IRP Account	7			X
	Working Funds - Petty Cash	4,075			
	Totals	1,364,225	1,476,966		
9	Accounts and Notes Receivable - NET				
	Other Accounts Receivable - Net		1,049,762		
	Totals		1,049,762		
11	TOTAL INVESTMENTS (1 thru 10)	2,389,175	120,752,616		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2017

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	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2017

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]	0.49 %
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SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		21,529	7,194	
2	Energy Resources Conservation Loans				
	TOTAL		21,529	7,194	

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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, 2017 (Prepared with Audited Data)
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)

- 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

4/13/2018

DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0048
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT	PLANT Beaver Island
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2017

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS				BTU PER kWh (l)	
			OIL (1000 Gals.) (c)	GAS (1000 C.F.) (d)	OTHER (e)	TOTAL (f)	IN SERVICE (g)	ON STANDBY (h)	OUT OF SERVICE			GROSS GENER.(MWh) (k)
			SCHED.		UNSCH.							
			(i)	(j)						(k)		
1.	1	1,250	5.79				102	8,658			84	
2.	2	1,250	5.79				102	8,658			83	
3.	3	900	5.50				97	8,663			57	
4.												
5.												
6.	Total	3,400	17.08	0.00	0.00		301	25,979	0	0	224	
7.	Average BTU		139,812.64				Station Service (MWh)				135.00	
8.	Total BTU (10 ⁶)		2,388.00			2,388.00	Net Generation (MWh)				89.00	
9.	Total Del. Cost (\$)		61,757.00				Station Service % of Gross				60.27	26,831.46

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	0.95%
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	0.75%
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	65.44%
4.	Operating Plant Payroll (\$)					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	59,235		
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	59,235	665.56	
7.	Generation Expenses	548	126,724		
8.	Miscellaneous Other Power Generation Expenses	549	0		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		126,724	1,423.87	
11.	Operation Expense (6 + 10)		185,959	2,089.43	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	30,681		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		30,681	344.73	
17.	Total Production Expense (11 + 16)		216,640	2,434.16	
18.	Depreciation	403.4, 411.10	43,511		
19.	Interest	427	0		
20.	Total Fixed Cost (18 + 19)		43,511	488.89	
21.	Power Cost (17 + 20)		260,151	2,923.04	

Remarks (including Unscheduled Outages)



Financial Statements
December 31, 2017 and 2016
Great Lakes Energy Cooperative

GREAT LAKES ENERGY COOPERATIVE

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Great Lakes Energy Cooperative, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations, changes in equities, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Energy Cooperative as of December 31, 2017 and 2016, 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 12, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Great Lakes Energy Cooperative's 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.

Report on Other Legal and Regulatory Requirements

In accordance with the *Rural Utility Service's* requirements set forth in 7 CFR Part 1773, we have also issued a report dated April 12, 2018, on our consideration of Great Lakes Energy Cooperative's compliance with aspects of contractual agreements and regulatory requirements for electric borrowers. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Rural Utility Service's requirements in considering Great Lakes Energy Cooperative's compliance with certain regulatory requirements.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
April 12, 2018

GREAT LAKES ENERGY COOPERATIVE

BALANCE SHEETS

as of December 31, 2017 and 2016

ASSETS	2017	2016	EQUITIES AND LIABILITIES	2017	2016
ELECTRIC PLANT:			EQUITIES:		
Distribution and generation plant, at cost	\$ 484,721,004	\$ 464,227,922	Memberships	\$ 519,740	\$ 519,740
Less accumulated depreciation	<u>141,768,496</u>	<u>131,332,688</u>	Patronage capital	182,313,757	182,453,359
Net electric plant	<u>342,952,508</u>	<u>332,895,234</u>	Donated capital	6,184,394	5,334,340
			Accumulated other comprehensive income	<u>5,602,036</u>	<u>2,465,732</u>
			Total equities	<u>194,619,927</u>	<u>190,773,171</u>
OTHER ASSETS AND INVESTMENTS:			LONG-TERM LIABILITIES:		
Investments and memberships	118,890,395	118,512,851	Long-term debt, net of current maturities	246,611,039	244,538,510
Notes and other receivables, net of current maturities	<u>138,216</u>	<u>234,876</u>	Obligation under capital lease	3,589,254	1,336,138
Total other assets and investments	<u>119,028,611</u>	<u>118,747,727</u>	Obligation under interest rate swap	648,142	1,083,590
			Other non-current liabilities	<u>2,956,067</u>	<u>6,029,266</u>
CURRENT ASSETS:			Total long-term liabilities	<u>253,804,502</u>	<u>252,987,504</u>
Cash	2,841,192	7,689,168	CURRENT LIABILITIES:		
Accounts receivable, net of allowance for uncollectible			Current maturities of long-term debt	3,478,406	4,429,236
accounts of \$1,544,444 in 2017 and \$1,485,781 in 2016	16,914,351	18,007,359	Current maturities of lease obligations	588,990	208,265
Materials and supplies	2,616,270	2,567,991	Notes payable	159,292	159,007
Other current assets, including current portion of notes			Accounts payable	13,446,756	14,407,515
and other receivables	<u>1,822,944</u>	<u>2,007,560</u>	Accrued expenses	14,663,111	13,677,108
Total current assets	<u>24,194,757</u>	<u>30,272,078</u>	Customer deposits	<u>1,599,562</u>	<u>1,618,739</u>
			Total current liabilities	<u>33,936,117</u>	<u>34,499,870</u>
DEFERRED CHARGES	<u>5,694,283</u>	<u>6,041,325</u>	DEFERRED CREDITS	<u>9,509,613</u>	<u>9,695,819</u>
Total assets	<u>\$ 491,870,159</u>	<u>\$ 487,956,364</u>	Total equities and liabilities	<u>\$ 491,870,159</u>	<u>\$ 487,956,364</u>

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE

STATEMENTS OF OPERATIONS

for the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES	\$ 186,526,472	\$ 186,029,181
OPERATING EXPENSES:		
Purchased and produced power	116,880,898	117,047,768
Distribution expenses:		
Operations	11,910,880	11,593,999
Maintenance	14,640,077	13,235,583
Customer accounts and service expense	10,245,497	9,572,463
Administration and general	8,637,791	8,527,742
Depreciation and amortization	14,245,706	13,825,806
Other operating expenses	<u>158,000</u>	<u>136,417</u>
Total operating expenses	<u>176,718,849</u>	<u>173,939,778</u>
OPERATING MARGINS BEFORE FIXED CHARGES	9,807,623	12,089,403
FIXED CHARGES, interest expense	<u>10,415,748</u>	<u>10,264,152</u>
OPERATING MARGINS (LOSSES) AFTER FIXED CHARGES	(608,125)	1,825,251
NON-OPERATING MARGINS:		
Interest income	2,312,170	1,991,866
Other expenses, net of other income	<u>(182,751)</u>	<u>(36,824)</u>
Total non-operating margins	2,129,419	1,955,042
CAPITAL CREDITS, from associated organizations	<u>8,974,559</u>	<u>6,725,368</u>
Net margins before federal income taxes	10,495,853	10,505,661
PROVISION FOR FEDERAL INCOME TAX	<u>15,400</u>	<u>16,663</u>
Net margins	<u><u>\$ 10,480,453</u></u>	<u><u>\$ 10,488,998</u></u>

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 10,480,453	\$ 10,488,998
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	14,245,706	13,825,806
Capital credits from associated organizations	(8,974,559)	(6,725,368)
Net gain on sale of assets	(39,262)	(37,957)
Unrealized appreciation on investments	(67,971)	(24,669)
Bad debt provision	246,696	296,700
Changes in assets and liabilities:		
Accounts receivable	570,734	4,029,937
Materials and supplies	2,823	235,216
Retirement security plan prepayment	(174,046)	-
Other assets and deferred charges	589,676	1,136,182
Accounts payable	(960,759)	1,470,563
Accrued expenses and other liabilities	986,002	2,081,477
Customer deposits	(19,178)	9,433
Other non-current liabilities and deferred credits	(1,821,141)	(3,433,489)
Net cash provided by operating activities	15,065,174	23,352,829
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investments and memberships	8,801,760	9,054,531
Proceeds from sale of assets	45,801	49,057
Property additions	(23,324,312)	(22,007,484)
Plant removal costs	(2,053,363)	(2,166,747)
Additions to notes receivable	(11,298)	(16,045)
Collection on notes receivable	207,268	183,973
Net cash used in investing activities	(16,334,144)	(14,902,715)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions in aid of construction received net of refunds	2,147,588	1,741,274
Net proceeds from (payment of) short-term debt	286	159,007
Proceeds from capital leases	2,633,842	1,544,402
Proceeds from long-term debt	19,000,000	17,000,000
Payment of long-term debt	(17,878,301)	(19,163,808)
Capital credits paid out	(10,332,475)	(10,000,000)
Capital credits paid out of donated capital	-	(797)
Recovery of previously paid out capital credits	850,054	759,160
Net cash used in financing activities	(3,579,006)	(7,960,762)
Net change in cash	(4,847,976)	489,352
CASH, beginning of year	7,689,168	7,199,816
CASH, end of year	\$ 2,841,192	\$ 7,689,168

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
STATEMENTS OF CHANGES IN EQUITIES

Years ended December 31, 2017 and 2016

	Memberships	Patronage Capital	Donated Capital	AOCI	Total
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
Net margins	-	10,480,453	-	-	10,480,453
Other comprehensive income (expense):					
Unrealized holding gain on securities	-	-	-	136,774	136,774
Directors' pension and retiree welfare benefit plan liability adjustment	-	-	-	2,564,082	2,564,082
Unrealized gain on interest rate swap	-	-	-	435,448	435,448
Sales tax returned	-	(1,461)	-	-	(1,461)
Undeliverable retired patronage refunds to members and other adjustments	-	-	850,054	-	850,054
Patronage refunds to members:					
Cash refunds	-	(10,332,476)	-	-	(10,332,476)
Non-cash refunds	-	(286,118)	-	-	(286,118)
Balance at December 31, 2017	<u>\$ 519,740</u>	<u>\$ 182,313,757</u>	<u>\$ 6,184,394</u>	<u>\$ 5,602,036</u>	<u>\$ 194,619,927</u>

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
STATEMENTS OF COMPREHENSIVE INCOME
for the years ended December 31, 2017 and 2016

	2017	2016
NET MARGINS	\$ 10,480,452.67	\$ 10,488,997.85
Other comprehensive income (expense):		
Unrealized holding gain on securities arising during year	136,774.00	53,765.00
Directors' pension liability adjustment	-	35,493.00
Employees' Postretirement Health Insurance Benefit Plan liability adjustment	2,564,082.00	(274,265.00)
Reduction in fair value of interest rate swap	435,448.00	729,823.00
Net other comprehensive income (loss)	3,136,304.00	544,816.00
Comprehensive income	\$ 13,616,756.67	\$ 11,033,813.85

The accompanying notes are a part of these financial statements.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

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 had a wholly-owned subsidiary which engaged 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 is 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.

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.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

Nonutility Property

At December 31, 2017 and 2016, 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 \$140,987 in 2017 and \$128,987 in 2016 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.

GREAT LAKES ENERGY COOPERATIVE

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

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 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.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

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 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 statement of cash flows is cash reflected on the balance sheet.

NOTE B - ELECTRIC PLANT

Major classes of electric plant as of December 31, 2017 and 2016 are as follows:

	2017	2016
Distribution System	\$ 424,900,130	\$ 411,110,969
Generation plant	2,225,778	2,028,690
General plant	46,721,478	44,998,164
Assets under capital lease	4,506,762	1,544,402
Construction work in progress, net of related contributions in aid of construction	6,366,856	4,545,697
	484,721,004	464,227,922
Less accumulated depreciation	141,768,496	131,332,688
Total	\$ 342,952,508	\$ 332,895,234

During 2017 and 2016, 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 3.0 percent for the distribution system and 2.0 percent for the generation plant for 2017 and 2.9 percent for the distribution system and 2.0 percent for the generation plant for 2016.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

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, 2017 and 2016:

	2017	2016
Wolverine Power Cooperative, Inc:		
Patronage capital credits and membership	\$ 108,831,337	\$ 109,079,833
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	4,563,878	4,563,878
Patronage capital credits and membership	781,241	775,914
Other memberships, patronage capital and mutual fund investments	4,713,939	4,093,226
Total	\$ 118,890,395	\$ 118,512,851

Wolverine Power Cooperative, Inc. (Wolverine) is an electric generating and transmission cooperative in which the Company has an approximate 51.0 percent interest. According to the contract with Wolverine, all electric power required by the Company is to be purchased from Wolverine (see Note R).

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The Company carries its investments in various mutual funds at their fair values as determined under level 1 valuation techniques. A portion of the investments aggregating \$472,353 at December 31, 2017 and \$396,623 at December 31, 2016 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, 2017 and 2016 follows:

	2017	2016
Cost of remaining mutual fund investments	\$ 1,278,889	\$ 1,201,633
Unrealized gain (loss)	343,012	206,238
Fair value	\$ 1,621,901	\$ 1,407,871

NOTE D - NOTES AND LOANS RECEIVABLE

Notes receivable consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Rural Economic Development loans, net of allowance for uncollectable loans	\$ 219,455	\$ 424,389
Employee loans	7,194	10,231
	226,649	434,620
Less current portion	88,433	199,744
Total	\$ 138,216	\$ 234,876

The current portions of notes receivable are classified with other current assets in the 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 \$140,987 and \$128,987 as of December 31, 2017 and 2016, respectively.

GREAT LAKES ENERGY COOPERATIVE
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NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable include both billed and unbilled revenues. At December 31, 2017 and 2016 accounts receivable consisted of the following:

	2017	2016
Billed accounts	\$ 6,847,353	\$ 7,238,647
Unbilled accounts	11,611,442	12,254,493
	18,458,795	19,493,140
Less allowance for uncollectible accounts	1,544,444	1,485,781
	\$ 16,914,351	\$ 18,007,359

NOTE F - DEFERRED CHARGES

Deferred charges at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Preliminary survey costs	\$ 235,812	\$ 123,533
Pension related costs (see Note P)	5,979,559	6,430,878
Deferred Energy Optimization Program costs	321,407	321,407
	6,536,778	6,875,818
Less current portion	842,495	834,493
	\$ 5,694,283	\$ 6,041,325

NOTE G - EQUITY

At December 31, 2017 and 2016, cumulative transactions in patronage capital consisted of the following:

	2017	2016
Assigned and assignable margins	\$ 270,716,783	\$ 260,237,791
Retired	(83,402,533)	(73,070,057)
Undeliverable, transferred to donated capital	(5,000,493)	(4,714,375)
	\$ 182,313,757	\$ 182,453,359
Balance	\$ 182,313,757	\$ 182,453,359

GREAT LAKES ENERGY COOPERATIVE
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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, is greater than 20 percent of total assets. At December 31, 2017 and 2016 equities of the Company represented approximately 39.6 percent and 39.1 percent, respectively, of its total assets.

NOTE H - LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2017 and 2016:

	2017	2016
Federal Financing Bank ("FFB")	\$ 167,954,372	\$ 152,571,151
Less RUS Cushion of Credit, advance payment Earning 5 pct. Interest	(41,620,001)	(35,796,321)
	126,334,371	116,774,830
National Rural Utilities Cooperative Finance Corporation ("CFC")	8,340,985	9,178,123
CoBank ACB ("CoBank")	114,834,089	122,374,793
Rural Economic Development Loan Program ("REDLG")	580,000	640,000
	250,089,445	248,967,746
Less current maturities	3,478,406	4,429,236
Total long-term debt	\$ 246,611,039	\$ 244,538,510

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 2.3 percent and 4.4 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.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

In 2015, GLE entered into three interest rate swap agreements. As of December 31, 2017 and 2016, GLE had three variable rate notes outstanding with Cobank totaling \$41,941,219 and \$44,140,530, 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 2018. Since the critical terms of the swap and the note are the same, the swap is assumed to be completely effective as a hedge, therefore any change to its fair value is not included in operating income. Accordingly, adjustment of the swap's carrying amount is reported as other comprehensive gain or 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 2017 and 2016.

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

<u>Years</u>	<u>Loans</u>
2018	\$ 3,478,406
2019	2,783,355
2020	2,846,782
2021	3,080,058
2022	13,618,985
2023 and beyond	224,281,859
Total	<u><u>\$ 250,089,445</u></u>

GREAT LAKES ENERGY COOPERATIVE
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Years ended December 31, 2017 and 2016

NOTE I – CAPITAL LEASES

The Company leases equipment under capital leases. 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	\$ 136,265	\$ 1,012,476	\$ 1,148,741
Farm Credit Leasing	3.45%	02/01/24	84,923	633,851	718,774
Farm Credit Leasing	3.41%	08/01/24	113,988	931,572	1,045,560
Altec Capital Services	3.70%	07/01/21	90,349	343,568	433,917
Altec Capital Services	3.69%	09/01/21	51,836	207,137	258,973
Altec Capital Services	3.69%	11/01/21	103,354	423,060	526,414
Enterprise Fleet Mgmt	4.35%	10/01/21	3,542	17,418	20,960
Enterprise Fleet Mgmt	4.37%	09/01/21	4,733	20,172	24,905
			<u>\$ 588,990</u>	<u>\$ 3,589,254</u>	<u>\$ 4,178,244</u>

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

2018	\$ 588,990
2019	610,620
2020	633,045
2021	576,953
2022	656,304
2023 and beyond	<u>1,112,332</u>
Total	<u>\$ 4,178,244</u>

The original cost of the equipment leased totaled \$4,506,762 and \$1,544,402 and the accumulated depreciation related to the capital leases was \$406,915 and \$14,709 as of the years ended December 31, 2017 and 2016, respectively.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

NOTE J – OTHER NON-CURRENT LIABILITIES

The other non-current liabilities at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Accumulated provision for directors' pension plan and employees' postretirement health insurance benefits	\$ 2,398,668	\$ 5,477,687
Employees' and directors' deferred compensation	562,140	429,361
Accumulated power supply cost recovery charges	(4,741)	122,218
Total	\$ 2,956,067	\$ 6,029,266

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, 2018 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. Interest on unpaid principal is payable monthly at rates established by CFC, which was 2.35% and 2.10% at December 31, 2017 and 2016, respectively. At December 31, 2017 there was no balance on the CFC line of credit and there was a \$159,292 balance on the CoBank line of credit. Interest on unpaid principal is payable monthly at rates established by CoBank, which was 3.52% and 2.72% as of December 31, 2017 and 2016, respectively. The remaining available balance under the two lines of credit aggregated \$34,840,706 at December 31, 2017.

NOTE L - DEFERRED CREDITS

Deferred credits at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Customer advances to defray system construction costs:		
Non-refundable	\$ 540,251	\$ 540,252
Refundable	5,178,839	4,408,547
Total customer advances	5,719,090	4,948,799
Estimated labor cost associated with initial installation of transformers and meters	410,572	379,860
Deferred Energy Optimization Program surcharge		
Revenue	3,379,951	4,083,827
Other Deferred Credits	-	283,333
Total	\$ 9,509,613	\$ 9,695,819

GREAT LAKES ENERGY COOPERATIVE
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Years ended December 31, 2017 and 2016

NOTE M - CASH FLOW INFORMATION

Additional cash flow information for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash paid during the year for:		
Interest	\$ 10,151,024	\$ 8,928,668
Federal income tax	18,000	10,000

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.

Management believes that positions taken during prior years and to be taken for 2017 in reporting federal taxable income for the Company 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, 2017 and 2016, exceeded the Federal Depository Insurance limits by \$4,323,712 and \$6,095,213, 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 1.8 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.

GREAT LAKES ENERGY COOPERATIVE
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Years ended December 31, 2017 and 2016

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 financial statements. The Company's contributions to the RS Plan in 2017 and 2016 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 2017 and 2016 were \$2,824,796 and \$2,586,327, 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, 2017 and January 1, 2016, based on the PPA funding target and PPA actuarial value of assets on those dates.

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

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 2017 and 2016.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

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 benefit obligations are included in the accrued expenses 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, 2017 and 2016:

	2017	2016
Change in benefit obligation:		
Benefit obligation at January 1	\$ 2,085,587	\$ 2,124,302
Service cost	36,645	29,622
Interest cost	79,461	96,656
Actuarial loss (gain)	88,036	(35,493)
Benefits paid	(143,100)	(129,500)
	\$ 2,146,629	\$ 2,085,587
Change in plan assets:		
Fair value of plan assets at January 1	\$ -	\$ -
Company contributions	143,100	129,500
Benefits paid	(143,100)	(129,500)
	\$ -	\$ -

GREAT LAKES ENERGY COOPERATIVE
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	2017	2016
Reconciliation of funded status of plans:		
Projected benefit obligation	\$ 2,146,629	\$ 2,085,587
Fair value of plan assets	-	-
	<u>\$ 2,146,629</u>	<u>\$ 2,085,587</u>
Recorded accrued benefit cost at December 31	<u>\$ 2,146,629</u>	<u>\$ 2,085,587</u>

Weighted average assumptions used to determine the benefit obligations as of December 31:

Discount rate	3.81%	4.55%
Rate of compensation increase	3.00%	3.00%

Net period costs for the directors' plan were as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Service cost	\$ 36,645	\$ 29,622
Interest cost	79,461	96,656
	<u>\$ 116,106</u>	<u>\$ 126,278</u>
Recorded net benefit cost	<u>\$ 116,106</u>	<u>\$ 126,278</u>

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

2018	\$ 134,100
2019	104,700
2020	104,700
2021	104,700
2022	104,700
2023 – 2027	510,300
	<u>1,063,200</u>
Total	<u>\$ 1,063,200</u>

The Company believes its contributions for the Plan during 2018 will approximate the expected benefits to be paid for that year, as indicated above.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

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 financial statements. The Company contributed approximately \$475,790 and \$466,726 during 2017 and 2016, 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, 2017 includes 1.78 percent in a money market fund, 8.32 percent in a fixed income fund, and 89.9 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 2017 and 2016, the Company received refunds under the Act in the amount of \$35,340 and \$35,359, respectively. These amounts have been included in net margins. Future refunds under this Act will be recorded in net margins during the year received.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
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The following table provides information regarding accumulated postretirement benefit obligations, plan assets and funded status of the plan as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Benefit obligation at January 1	\$ 7,194,286	\$ 7,127,241
Service cost	86,256	55,168
Interest cost	116,316	169,976
Plan Changes	(2,942,016)	-
Actuarial loss (gain)	971,584	389,449
Benefits paid from plan assets	(527,361)	(547,548)
	<u>\$ 4,899,065</u>	<u>\$ 7,194,286</u>
Change in plan assets:		
Fair value of plan assets at January 1	\$ 3,819,455	\$ 3,445,607
Actual return on plan assets	752,075	373,848
Company contributions	527,361	547,548
	<u>(527,361)</u>	<u>(547,548)</u>
Fair value of plan assets at December 31	<u>\$ 4,571,530</u>	<u>\$ 3,819,455</u>
	<u>2017</u>	<u>2016</u>
Reconciliation of funded status of plans:		
Benefit plan obligation at December 31	\$ (4,899,065)	\$ (7,194,286)
Fair value of plan assets at December 31	<u>4,571,530</u>	<u>3,819,455</u>
Recorded accrued benefit cost at December 31	<u>\$ (327,535)</u>	<u>\$ (3,374,831)</u>
Weighted average assumptions as of December 31:		
Discount rate used to determine accumulated postretirement benefit obligation	3.81%	4.55%
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, 2017 and 2016:

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
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	2017	2016
Service cost	\$ 86,256	\$ 55,168
Interest cost	116,316	169,976
Expected return on plan assets	(190,973)	(172,280)
Amortization of prior service cost	(592,190)	(753,767)
Amortization of net loss	624,738	667,384
Recorded net benefit cost	\$ 44,147	\$ (33,519)

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

2018	\$ 313,685
2019	307,697
2020	311,415
2021	334,918
2022	353,478
2023 – 2027	1,796,790
Total	\$ 3,417,983

The Company expects 2018 benefits to be paid by the Plan will approximate those listed above.

The 2017 costs were developed based on the health insurance plan in effect at January 1, 2017 and information regarding newly electing grandfathered participants as of May 3, 2012. For the year ended December 31, 2017, the assumptions are that retiree medical cost increases would be 6.5 percent and would decrease to 6.0 percent by 2023. 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, 2017 by approximately \$288,626 and the interest cost components of net periodic retiree medical costs for 2017 by approximately \$10,997.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
Years ended December 31, 2017 and 2016

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, 2017 and 2016 was \$17,220.

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

2018		\$	13,815
2019			7,200
2020			7,200
2021			<u>2,400</u>
Total		<u>\$</u>	<u>30,615</u>

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 \$116,664,257 in 2017 and to \$116,837,259 in 2016.

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 \$334,301 during 2017 and \$306,610 during 2016.

At December 31, 2017, the Company's share of Wolverine's capital credits amounted to \$108,830,737, which equates to approximately 51.0 percent of all capital credits allocated by Wolverine. Wolverine allocated \$7,573,681 and \$5,629,937 in capital credits to the Company during 2017 and 2016, respectively. Capital Credits in the amount of \$7,822,177 and \$8,290,958 were paid by Wolverine in 2017 and 2016, respectively.

Amounts payable to Wolverine at December 31, 2017 and 2016 were \$11,369,350 and \$11,273,674, respectively. These payables were related to obligations under the purchase power agreement and the communication agreement.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE S – COMMITMENTS & CONTINGENCIES

At December 31, 2017, the Company was committed for the purchase or lease of 24 heavy duty vehicles at an aggregate cost, when fully equipped, of approximately \$3,070,000.

At December 31, 2017, the Company also has approximately 55% 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 2018 which expires in January of 2021.

NOTE T – SUBSEQUENT EVENTS

The Company reviewed events occurring subsequent to December 31, 2017 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 12, 2018, the date the financial statements were available to be issued.



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 financial statements of Great Lakes Energy Cooperative, which comprise the balance sheets as of December 31, 2017 and 2016, 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 financial statements, and have issued our report thereon dated April 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
April 12, 2018



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 financial statements of Great Lakes Energy Cooperative which comprise the balance sheets as of December 31, 2017, and the related statements of operations, statements of comprehensive income, changes in equities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2018. In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2018 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;

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

	<u>2017</u>	<u>2016</u>
Deferred debits		
Preliminary survey and investigation charges	\$ 235,813	\$ 123,533
Deferred energy optimization program costs	321,407	321,407
Pension related costs	<u>5,979,559</u>	<u>6,430,878</u>
Total	<u>\$ 6,536,779</u>	<u>\$ 6,875,818</u>
Deferred credits		
Consumer advances for contributions in aid of construction	\$ 5,719,090	\$ 4,948,799
Deferred revenue, insurance	-	283,333
Estimated installation cost - special equipment	410,572	379,860
Deferred energy optimization program surcharge	<u>3,379,951</u>	<u>4,083,827</u>
Total	<u>\$ 9,509,613</u>	<u>\$ 9,695,819</u>

Detailed Schedule of Investments

	Great Lakes Utilities Service Corporation
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	<u>(573,135)</u>
Book value of investment as of December 31, 2016	-
Dividends paid to parent	-
Undistributed earnings as of December 31, 2017	-
Liquidation of investment	<u>-</u>
Book value of investment as of December 31, 2017	<u><u>\$ -</u></u>

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.



Fargo, North Dakota
April 12, 2018