

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

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY**

BORROWER DESIGNATION MI0048

PERIOD ENDED December, 2014 (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 A Section C of this report.

Steven Boeckman

3/18/2015

DATE

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

BORROWER DESIGNATION
MI0048

PLANT
Beaver Island

PERIOD ENDED
December, 2014

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION				OPERATING HOURS					
			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)	BTU PER kWh (l)
			SCHED.		UNSCH.							
1.	1	1,250	5.31				94	8,666			91	
2.	2	1,250	5.27				93	8,667			91	
3.	3	900	4.92				87	8,673			60	
4.												
5.												
6.	Total	3,400	15.50	0.00	0.00		274	26,006	0	0	242	
7.	Average BTU		140,000.00				Station Service (MWh)				167.00	8,966.94
8.	Total BTU (10 ⁶)		2,170.00			2,170.00	Net Generation (MWh)				75.00	
9.	Total Del. Cost (\$)						Station Service % of Gross				69.01	28,933.33

SECTION B. LABOR REPORT

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE	NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5.	Maintenance Plant Payroll (\$)		1.	Load Factor (%)	1.02%
2.	No. Employees Part Time		6.	Other Accounts Plant Payroll (\$)		2.	Plant Factor (%)	0.81%
3.	Total Employee Hours Worked		7.	Total Plant Payroll (\$)		3.	Running Plant Capacity Factor (%)	77.55%
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	64,710		
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	64,710	862.80	
7.	Generation Expenses	548	115,643		
8.	Miscellaneous Other Power Generation Expenses	549	0		
9.	Rents	550	0		
10.	Non-Fuel SubTotal (1 + 7 thru 9)		115,643	1,541.91	
11.	Operation Expense (6 + 10)		180,353	2,404.71	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	16,726		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	Maintenance Expense (12 thru 15)		16,726	223.01	
17.	Total Production Expense (11 + 16)		197,079	2,627.72	
18.	Depreciation	403.4, 411.10	87,386		
19.	Interest	427	0		
20.	Total Fixed Cost (18 + 19)		87,386	1,165.15	
21.	Power Cost (17 + 20)		284,465	3,792.87	

Remarks (including Unscheduled Outages)

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

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION
MI0048

PERIOD ENDED December, 2014 (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.

Steven Boeckman

3/19/2015

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	183,742,114	189,493,758	182,221,699	16,452,220
2. Power Production Expense	181,454	197,078	190,200	16,596
3. Cost of Purchased Power	116,254,341	122,074,400	116,499,671	11,187,465
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	10,257,547	10,909,294	10,533,011	1,075,880
7. Distribution Expense - Maintenance	12,276,352	11,103,107	11,761,257	600,623
8. Customer Accounts Expense	4,817,976	5,048,410	5,246,650	512,719
9. Customer Service and Informational Expense	3,036,490	2,784,844	3,491,280	(37,711)
10. Sales Expense	443,495	350,604	494,871	60,300
11. Administrative and General Expense	7,817,106	8,300,345	8,223,325	793,225
12. Total Operation & Maintenance Expense (2 thru 11)	155,084,761	160,768,082	156,440,265	14,209,097
13. Depreciation and Amortization Expense	12,200,519	12,741,910	12,718,192	1,212,602
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	1,940	13,769	10,300	1,765
16. Interest on Long-Term Debt	9,844,158	10,109,722	10,229,440	872,638
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	182,273	195,486	121,600	53,112
19. Other Deductions	125,688	151,303	106,100	11,560
20. Total Cost of Electric Service (12 thru 19)	177,439,339	183,980,272	179,625,897	16,360,774
21. Patronage Capital & Operating Margins (1 minus 20)	6,302,775	5,513,486	2,595,802	91,446
22. Non Operating Margins - Interest	1,542,870	1,708,758	1,445,000	237,094
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	8,774	4,929	7,361	(1,124)
25. Non Operating Margins - Other	(275,896)	(175,495)	(355,000)	(5,394)
26. Generation and Transmission Capital Credits	9,565,374	7,220,892	5,697,070	(7,883)
27. Other Capital Credits and Patronage Dividends	913,896	1,092,813	933,034	117,697
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	18,057,793	15,365,383	10,323,267	431,836

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

BORROWER DESIGNATION

MI0048

PERIOD ENDED

December, 2014

INSTRUCTIONS - See help in the online application.

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	823	777	5. Miles Transmission		
2. Services Retired	372	477	6. Miles Distribution – Overhead	11,015.00	11,000.00
3. Total Services in Place	133,194	133,494	7. Miles Distribution - Underground	3,192.00	3,245.00
4. Idle Services (Exclude Seasonals)	10,194	10,572	8. Total Miles Energized (5 + 6 + 7)	14,207.00	14,245.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	427,574,572	30. Memberships	519,740
2. Construction Work in Progress	6,717,951	31. Patronage Capital	161,862,201
3. Total Utility Plant (1 + 2)	434,292,523	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	118,937,146	33. Operating Margins - Current Year	13,827,190
5. Net Utility Plant (3 - 4)	315,355,377	34. Non-Operating Margins	1,538,193
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	3,885,138
7. Investments in Subsidiary Companies	596,828	36. Total Margins & Equities (30 thru 35)	181,632,462
8. Invest. in Assoc. Org. - Patronage Capital	106,122,197	37. Long-Term Debt - RUS (Net)	46,381,003
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	125,063,335
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	4,649,188	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	767,005	40. Long-Term Debt Other (Net)	91,782,356
12. Other Investments	1,641,984	41. Long-Term Debt - RUS - Econ. Devel. (Net)	300,000
13. Special Funds	0	42. Payments – Unapplied	23,609,638
14. Total Other Property & Investments (6 thru 13)	113,777,202	43. Total Long-Term Debt (37 thru 41 - 42)	239,917,056
15. Cash - General Funds	(361,592)	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	3,000,000	45. Accumulated Operating Provisions and Asset Retirement Obligations	6,761,992
17. Special Deposits	0	46. Total Other Noncurrent Liabilities (44 + 45)	6,761,992
18. Temporary Investments	0	47. Notes Payable	158,487
19. Notes Receivable (Net)	0	48. Accounts Payable	13,299,179
20. Accounts Receivable - Sales of Energy (Net)	23,261,364	49. Consumers Deposits	1,600,152
21. Accounts Receivable - Other (Net)	1,069,691	50. Current Maturities Long-Term Debt	5,483,520
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	82,500
23. Materials and Supplies - Electric & Other	2,763,213	52. Current Maturities Capital Leases	0
24. Prepayments	1,449,579	53. Other Current and Accrued Liabilities	10,687,045
25. Other Current and Accrued Assets	55,522	54. Total Current & Accrued Liabilities (47 thru 53)	31,310,883
26. Total Current and Accrued Assets (15 thru 25)	31,237,777	55. Regulatory Liabilities	0
27. Regulatory Assets	1,152,122	56. Other Deferred Credits	8,520,578
28. Other Deferred Debits	6,620,493	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	468,142,971
29. Total Assets and Other Debits (5+14+26 thru 28)	468,142,971		

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION MI0048</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2014</p>
<p>PART D. NOTES TO FINANCIAL STATEMENTS</p>	

<p style="text-align: center;">UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION</p>	<p>BORROWER DESIGNATION MI0048</p>
<p>INSTRUCTIONS - See help in the online application.</p>	<p>PERIOD ENDED December, 2014</p>
<p>PART D. CERTIFICATION LOAN DEFAULT NOTES</p>	
Empty space for notes	

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0048

PERIOD ENDED December, 2014

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	366,403,329	20,917,243	8,369,243	2,612,199	381,563,528
2. General Plant	26,672,128	3,915,438	867,812	7,830	29,727,584
3. Headquarters Plant	14,035,617	220,107		(7,830)	14,247,894
4. Intangibles	12,698		5,430		7,268
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	2,003,963	24,335			2,028,298
8. Total Utility Plant in Service (1 thru 7)	409,127,735	25,077,123	9,242,485	2,612,199	427,574,572
9. Construction Work in Progress	6,669,023	48,928			6,717,951
10. Total Utility Plant (8 + 9)	415,796,758	25,126,051	9,242,485	2,612,199	434,292,523

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	2,610,387	6,477,415	56,648	6,118,460	307,037	44,260	2,763,213
2. Other	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	12.550	113.980	4.860	118.790	250.180
2. Five-Year Average	21.230	404.670	6.680	157.680	590.260

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	260	4. Payroll - Expensed	10,371,664
2. Employee - Hours Worked - Regular Time	485,863	5. Payroll - Capitalized	3,993,470
3. Employee - Hours Worked - Overtime	30,383	6. Payroll - Other	4,051,019

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	7,143,391	
	b. Special Retirements	336,139	
	c. Total Retirements (a + b)	7,479,530	
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	4,697,805	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	708,122	
	c. Total Cash Received (a + b)	5,405,927	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 900,760	2. Amount Written Off During Year	\$ 200,706
----------------------------	------------	-----------------------------------	------------

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, 2014
---	--------------------------------

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			1,408,305,097	115,604,457	8.21		
2	Wolverine Pwr Supply Coop, Inc	20910	Wind Farm	Wind	78,817,498	6,469,943	8.21		
	Total				1,487,122,595	122,074,400	8.21		

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, 2014
---	--------------------------------

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, 2014

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	EW Marine	Tower	12,600
3	CSX Transport	Railroad	3,714
4	State of Michigan	Railroad	315
	TOTAL		21,249

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, 2014	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 8/27/2014	2. Total Number of Members 103,700	3. Number of Members Present at Meeting 54	4. Was Quorum Present? N
5. Number of Members Voting by Proxy or Mail 2,914	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 322,810	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 FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0048
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2014

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)	46,381,003	1,950,249	1,662,414	3,612,663
2	National Rural Utilities Cooperative Finance Corporation	8,043,015	239,306	986,628	1,225,934
3	CoBank, ACB	83,339,341	3,811,250	4,812,602	8,623,852
4	Federal Financing Bank	125,063,335	4,119,478	2,385,339	6,504,817
5	RUS - Economic Development Loans	300,000	0	105,000	105,000
6	Payments Unapplied	23,609,638			
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	Economic Dev. City of Newaygo	400,000	0	0	0
	TOTAL	239,917,056	10,120,283	9,951,983	20,072,266

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, 2014

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	73,998	74,016	
	b. kWh Sold			715,961,718
	c. Revenue			101,086,176
2. Residential Sales - Seasonal	a. No. Consumers Served	38,162	38,055	
	b. kWh Sold			119,120,400
	c. Revenue			26,605,071
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	10,435	10,440	
	b. kWh Sold			172,768,064
	c. Revenue			22,525,442
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	327	326	
	b. kWh Sold			414,774,125
	c. Revenue			35,707,518
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)		122,922	122,837	
11. Total kWh Sold (lines 1b thru 9b)				1,422,624,307
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				185,924,207
13. Transmission Revenue				
14. Other Electric Revenue				3,569,549
15. kWh - Own Use				
16. Total kWh Purchased				1,487,122,595
17. Total kWh Generated				242,000
18. Cost of Purchases and Generation				122,271,478
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident ___ Coincident <u>X</u>				244,528

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0048

PERIOD ENDED December, 2014

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)	5,318	935,832	21,332	14,516	3,274,726	79,052
2. Residential Sales - Seasonal	844	148,470	3,384	1,994	434,348	10,530
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	111	507,360	14,239	408	1,962,079	43,037
5. Comm. and Ind. Over 1000 KVA	57	258,103	7,244	202	942,519	29,527
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	6,330	1,849,765	46,199	17,120	6,613,672	162,146

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

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, 2014
--	--

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

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

No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	Investment in Subsidiaries	596,828			
	WPC patronage - G&T		103,657,838		
	NRUCFC Patronage		768,662		
	Federated Patronage	393,130			
	CoBank patronage		811,552		
	NISC Patronage	156,965			
	Resco Patronage	334,050			
	Resco Stock	5,400			
	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		4,638,563		
	Totals	1,489,598	109,878,615		
3	Investments in Economic Development Projects				
	IRP Loans		74,774		X
	Revolving Loan Fund		332,231		X
	Kilwins Confections		360,000		X
	Totals		767,005		
4	Other Investments				
	Homestead Funds - GLE employees Def. comp.		270,631		
	Homestead funds - Director Def. Comp.		66,361		
	American Funds - Mutual Funds		1,304,992		
	Totals		1,641,984		
6	Cash - General				
	Fifth Third Bank	(1,077,556)			
	West Shore Bank	2,496	76,774		
	Choice One Bank	5,471	51,999		
	Huntington Bank	2,528	37,788		
	United Bank of Michigan	836	26,857		X
	Choice One Bank - Economic Dev.		64,455		X
	Choice One Bank - Revolving Loan Fund		442,677		X
	Choice One Bank - IRP Account		7		
	Working Funds - Petty Cash	4,075			
	Totals	(1,062,150)	700,557		
9	Accounts and Notes Receivable - NET				
	Other Accounts Receivable - Net		1,069,692		
	Totals		1,069,692		
11	TOTAL INVESTMENTS (1 thru 10)	427,448	114,057,853		

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, 2014
--	--

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, 2014

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]	0.10 %
--	--------

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		15,365	5,579	
2	Energy Resources Conservation Loans				
	TOTAL		15,365	5,579	



Consolidated Financial Statements
December 31, 2014 and 2013

Great Lakes Energy Cooperative

GREAT LAKES ENERGY COOPERATIVE

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF REVENUES AND NET MARGINS	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITIES	6
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8-25
SUPPLEMENTARY INFORMATION:	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	26
CONSOLIDATING BALANCE SHEET	27-28
CONSOLIDATING STATEMENT OF REVENUES AND NET MARGINS	29
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 <i>GOVERNMENT AUDITING STANDARDS</i>	30-31
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS	32-34



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, 2014 and 2013, and the related consolidated statements of operations, changes in equities, 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.

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, 2014 and 2013, 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 March 17, 2015March 17, 2015March 17, 2015March 17, 2015, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
March 17, 2015

GREAT LAKES ENERGY COOPERATIVE
Consolidated Balance Sheets
as of December 31, 2014 and 2013

ASSETS	2014	2013	EQUITIES AND LIABILITIES	2014	2013
ELECTRIC PLANT:			EQUITIES:		
Distribution and generation plant, at cost	\$ 434,292,524	\$ 415,796,758	Memberships	\$ 519,740	\$ 519,740
Less accumulated depreciation	118,937,146	113,587,558	Patronage capital	173,125,003	165,057,286
Net electric plant	315,355,378	302,209,200	Donated capital	3,885,138	3,651,828
			Accumulated other comprehensive income	4,102,581	4,073,555
			Total equities	181,632,462	173,302,409
OTHER ASSETS AND INVESTMENTS:					
Nonutility property, net of accumulated depreciation	996	1,043			
Investments and memberships	112,413,369	109,469,275	LONG-TERM DEBT, net of current maturities	239,917,056	233,305,050
Notes and other receivables	473,171	329,609			
Total other assets and investments	112,887,536	109,799,927	OTHER NON-CURRENT LIABILITIES	6,761,992	7,028,398
CURRENT ASSETS:					
Cash	3,189,831	3,707,634	CURRENT LIABILITIES:		
Accounts receivable, net of allowance for uncollectible accounts of \$1,440,313 in 2014 and \$1,376,638 in 2013	24,431,036	22,631,064	Current maturities of long-term debt	5,566,020	5,432,934
Materials and supplies	2,763,213	2,610,385	Notes payable	158,487	158,239
Other current assets, including current portion of notes and other receivables	2,546,615	2,073,140	Accounts payable	13,300,143	13,281,893
Total current assets	32,930,695	31,022,223	Accrued expenses	10,687,045	8,827,775
			Customer deposits	1,600,152	1,433,689
DEFERRED CHARGES	6,970,326	7,400,691	Total current liabilities	31,311,847	29,134,530
			DEFERRED CREDITS	8,520,578	7,661,654
Total assets	\$ 468,143,935	\$ 450,432,041	Total equities and liabilities	\$ 468,143,935	\$ 450,432,041

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

GREAT LAKES ENERGY COOPERATIVE
Consolidated Statements of Revenues and Net Margins
for the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	\$ 189,493,758	\$ 183,742,114
OPERATING EXPENSES:		
Purchased and produced power	122,271,478	116,435,795
Distribution expenses:		
Operations	10,909,294	10,257,547
Maintenance	11,103,107	12,276,352
Customer accounts and service expense	8,183,858	8,297,961
Administration and general	8,300,670	7,806,623
Depreciation and amortization	12,741,957	12,200,566
Other operating expenses	<u>211,056</u>	<u>185,093</u>
Total operating expenses	<u>173,721,420</u>	<u>167,459,937</u>
OPERATING MARGINS BEFORE FIXED CHARGES	15,772,338	16,282,177
FIXED CHARGES, interest expense	<u>10,305,208</u>	<u>10,026,432</u>
OPERATING MARGINS AFTER FIXED CHARGES	5,467,130	6,255,745
NON-OPERATING MARGINS:		
Interest income	1,712,043	1,546,632
Other expenses, net of other income	<u>(114,604)</u>	<u>(212,116)</u>
Total non-operating margins	1,597,439	1,334,516
CAPITAL CREDITS, from associated organizations	<u>8,313,705</u>	<u>10,479,270</u>
Net margins before federal income taxes	15,378,274	18,069,531
PROVISION FOR FEDERAL INCOME TAX	<u>12,890</u>	<u>11,738</u>
Net margins	<u><u>\$ 15,365,384</u></u>	<u><u>\$ 18,057,793</u></u>

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 15,365,384	\$ 18,057,793
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	12,741,987	12,200,566
Capital credits from associated organizations	(8,313,705)	(10,479,270)
Net gain on sale of assets	(149,130)	(80,734)
Unrealized appreciation on investments	(27,208)	(48,962)
Bad debt provision	292,500	287,001
Changes in assets and liabilities:		
Accounts receivable	(2,238,677)	724,330
Materials and supplies	(96,181)	(241,459)
Retirement security plan prepayment	(50,517)	(7,329,821)
Other assets and deferred charges	104,163	1,297,032
Accounts payable	22,178	788,000
Accrued expenses and other liabilities	1,859,270	885,568
Customer deposits	166,463	6,397
Other non-current liabilities and deferred credits	128,070	(1,194,378)
Net cash provided by operating activities	<u>19,804,597</u>	<u>14,872,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net investments and memberships	5,409,382	2,784,470
Proceeds from sale of assets	159,966	176,969
Property additions	(24,186,806)	(24,927,165)
Plant removal costs	(2,327,698)	(2,360,565)
Additions to notes receivable	(256,258)	(13,051)
Collection on notes receivable	71,400	77,848
Net cash used in investing activities	<u>(21,130,014)</u>	<u>(24,261,494)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions in aid of construction received net of refunds	972,355	1,296,769
Net proceeds from (payment of) short-term debt	247	(15,928)
Proceeds from long-term debt	17,912,000	31,840,218
Payment of long-term debt	(11,166,908)	(20,320,597)
Capital credits paid out	(7,143,391)	(5,262,613)
Capital credits paid out of donated capital	(262)	(196)
Recovery of previously paid out capital credits	233,573	165,594
Net cash provided by financing activities	<u>807,614</u>	<u>7,703,247</u>
Net change in cash	(517,803)	(1,686,184)
CASH, beginning of year	3,707,634	5,393,818
CASH, end of year	<u>\$ 3,189,831</u>	<u>\$ 3,707,634</u>

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, 2014 and 2013

	Memberships	Patronage Capital	Donated Capital	AOCI	Total
Balance at December 31, 2012	\$ 519,740	\$ 152,295,887	\$ 3,486,429	\$ 684,307	\$ 156,986,363
Net margins	-	18,057,793	-	-	18,057,793
Other comprehensive income (expense):					
Unrealized holding gain on securities	-	-	-	165,091	165,091
Directors' Pension and Retiree Welfare Benefit Plan liability adjustment	-	-	-	3,224,157	3,224,157
Sales tax returned	-	216,180	-	-	216,180
Undeliverable retired patronage refunds to members and other adjustments	-	-	165,399	-	165,399
Patronage refunds to members:					
Cash refunds	-	(5,262,614)	-	-	(5,262,614)
Non-cash refunds	-	(249,960)	-	-	(249,960)
Balance at December 31, 2013	519,740	165,057,286	3,651,828	4,073,555	173,302,409
Net margins	-	15,365,384	-	-	15,365,384
Other comprehensive income (expense):					
Unrealized holding gain on securities	-	-	-	12,563	12,563
Directors' Pension and Retiree Welfare Benefit Plan liability adjustment	-	-	-	16,463	16,463
Sales tax returned	-	181,864	-	-	181,864
Undeliverable retired patronage refunds to members and other adjustments	-	-	233,310	-	233,310
Patronage refunds to members:					
Cash refunds	-	(7,143,392)	-	-	(7,143,392)
Non-cash refunds	-	(336,139)	-	-	(336,139)
Balance at December 31, 2014	<u>\$ 519,740</u>	<u>\$ 173,125,003</u>	<u>\$ 3,885,138</u>	<u>\$ 4,102,581</u>	<u>\$ 181,632,462</u>

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, 2014 and 2013

	2014	2013
NET MARGINS	\$ 15,365,384	\$ 18,057,793
Other comprehensive income (expense):		
Unrealized holding gain on securities arising during year	12,563	165,091
Directors' pension liability adjustment	164,470	-
Employees' Postretirement Health Insurance Benefit Plan liability adjustment	(148,007)	3,224,157
Net other comprehensive income	29,026	3,389,248
Comprehensive income	\$ 15,394,410	\$ 21,447,041

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

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

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

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

The Company is a nonprofit organization exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code, except for tax on any unrelated business income. The Company's subsidiary is a corporation that is not exempt from federal income tax. The Company and its subsidiary are both 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 is removed from their respective accounts and a gain or loss is recognized.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

Nonutility Property

At December 31, 2014 and 2013, 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.

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 \$104,987 in 2014 and \$92,987 in 2013 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 CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

Materials and Supplies

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

Deferred Charges

Deferred charges consist primarily of preliminary survey, pole inspection, pension related costs, and deferred Energy Optimization program costs. The preliminary survey and pole inspection costs are being amortized straight-line over periods not exceeding twenty years, the Energy Optimization costs over a four-year period ending December 31, 2015, and the other deferred costs over various periods. 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 on an active market. Level 2 involves quoted market prices in a market that is not considered active while level 3 involves fair value established using other factors but without a market. The valuation level used in determining fair value depends on the Company's ability to access the markets at the measurement date.

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

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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, 2014 and 2013 are as follows:

	2014	2013
Distribution System	\$ 381,563,528	\$ 366,403,329
Generation plant	2,028,298	2,003,963
General plant	43,975,478	40,707,745
Intangible plant	7,269	12,698
Construction work in progress, net of related contributions in aid of construction	6,717,951	6,669,023
	434,292,524	415,796,758
Less accumulated depreciation	118,937,146	113,587,558
Total	\$ 315,355,378	\$ 302,209,200

During 2014 and 2013, the various components of the electric plant were depreciated based on management's estimate of their useful lives. The lives used equate to an annual composite rate of approximately 2.9 percent for the distribution system and 4.3 percent for the generation plant.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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	20 years

The nonutility property is being depreciated over the following lives:

Nonutility Plant	Life
Equipment	5-7 years
Computer software	3 years

NOTE C - INVESTMENTS AND MEMBERSHIPS

Investments consisted of the following as of December 31, 2014 and 2013:

	2014	2013
Wolverine Power Supply Cooperative, Inc:		
Patronage capital credits and membership	\$ 103,658,438	\$ 101,135,350
National Rural Utilities Cooperative Finance Corporation:		
Capital Term Certificates	4,638,563	4,647,282
Patronage capital credits and membership	769,662	766,816
Other memberships, patronage capital and mutual fund investments	3,346,706	2,919,827
Total	\$ 112,413,369	\$ 109,469,275

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

The Company carries its investments in various mutual funds at their fair values. A portion of the investments aggregating \$336,992 at December 31, 2014 and \$291,033 at December 31, 2013 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, 2014 and 2013 follows:

	2014	2013
Cost of remaining mutual fund investments	\$ 1,091,672	\$ 1,024,636
Unrealized gain (loss)	213,320	200,757
Fair value	\$ 1,304,992	\$ 1,225,393

NOTE D - NOTES AND LOANS RECEIVABLE

Notes receivable consisted of the following as of December 31, 2014 and 2013:

	2014	2013
Rural Economic Development loans, net of allowance for uncollectable loans	\$ 662,018	\$ 484,018
Land contract receivable	37,718	38,581
Employee loans	5,801	10,616
	705,537	533,215
Less current portion	232,366	203,606
Total	\$ 473,171	\$ 329,609

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.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable include both billed and unbilled revenues. At December 31, 2014 and 2013 accounts receivable consisted of the following:

	2014	2013
Billed accounts	\$ 13,992,889	\$ 13,641,814
Unbilled accounts	11,878,460	10,365,888
	25,871,349	24,007,702
Less allowance for uncollectible accounts	1,440,313	1,376,638
	\$ 24,431,036	\$ 22,631,064

NOTE F - DEFERRED CHARGES

Deferred charges at December 31, 2014 and 2013 consisted of the following:

	2014	2013
Unamortized debt costs	\$ 13,337	\$ 15,731
Pole inspection	-	17,211
Preliminary survey costs	91,753	62,104
Pension related costs	7,333,518	7,784,838
Deferred Energy Optimization Program costs	334,006	346,605
	7,772,614	8,226,489
Less current portion	802,288	825,798
	\$ 6,970,326	\$ 7,400,691

NOTE G - EQUITY

At December 31, 2014 and 2013, cumulative transactions in patronage capital consisted of the following:

	2014	2013
Assigned and assignable margins	\$ 235,559,751	\$ 220,012,502
Retired	(58,362,220)	(51,218,827)
Undeliverable, transferred to donated capital	(4,072,528)	(3,736,389)
	\$ 173,125,003	\$ 165,057,286

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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 both December 31, 2014 and 2013 equities of the Company, excluding GLUS, represented approximately 38.7 percent and 37.6 percent, respectively, of its total assets.

NOTE H - LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2014 and 2013:

	2014	2013
Rural Utilities Service ("RUS")	\$ 48,109,971	\$ 49,772,384
Less RUS Cushion of Credit, advance payment Earning 5 pct. Interest	(28,207,453)	(26,992,528)
	19,902,518	22,779,856
National Rural Utilities Cooperative Finance Corporation ("CFC")	8,888,435	9,875,064
CoBank ACB ("CoBank")	88,268,227	93,080,830
Federal Financing Bank ("FFB")	127,641,396	112,114,734
Rural Economic Development Loan Program ("REDLG")	782,500	887,500
	245,483,076	238,737,984
Less current maturities	5,566,020	5,432,934
Total long-term debt	\$ 239,917,056	\$ 233,305,050

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

Mortgages with 2.75 percent to 4.50 percent, semi-fixed interest	\$ 48,014,881
Mortgages with 5 percent fixed interest	95,090
Total	\$ 48,109,971

CFC loans are payable in quarterly or bi-annual installments, including principal and interest, and have various maturity dates through 2041. They bear interest at variable or fixed rates ranging between 1.29 percent and 5.5 percent.

CoBank loans are payable in monthly or quarterly installments, including principal and interest, and have various maturity dates through 2032. They bear interest at fixed rates ranging between 2.70 percent and 4.93 percent.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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 2.55 percent and 7.43 percent. The REDLG borrowings bear no interest or interest at one percent.

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

In addition to pledging its assets as collateral for the above loans, the Company has agreed under terms of loan agreements with the RUS, CFC and CoBank, to maintain margins at adequate levels to meet certain financial ratios of times interest earned and debt service coverage. RUS, CFC and CoBank use the three most recent years, including the current year, to determine whether these loan covenants have been met through an averaging computation. The Company was in compliance with these loan covenants during 2014 and 2013.

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>
2015	\$ 5,566,020
2016	5,982,341
2017	6,366,606
2018	7,082,266
2019	6,856,777
2020 and beyond	<u>213,629,066</u>
Total	<u><u>\$ 245,483,076</u></u>

NOTE I – OTHER NON-CURRENT LIABILITIES

The other non-current liabilities at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Accumulated provision for directors' pension plan and employees' postretirement health insurance benefits	\$ 6,011,144	\$ 6,411,836
Employees' and directors' deferred compensation	<u>750,848</u>	<u>616,562</u>
Total	<u><u>\$ 6,761,992</u></u>	<u><u>\$ 7,028,398</u></u>

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

NOTE J - 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, 2015 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, 2014 there were no outstanding loans under the CFC line. Loans outstanding under the CoBank line totaled \$158,487 at that date with an interest rate of 2.92 percent. The remaining available balance under the two lines of credit aggregated \$34,841,513 at December 31, 2014.

NOTE K - DEFERRED CREDITS

Deferred credits at December 31, 2014 and 2013 consisted of the following:

	2014	2013
Customer advances to defray system construction costs:		
Non-refundable	\$ 540,252	\$ 540,252
Refundable	3,961,381	3,952,506
Total customer advances	4,501,633	4,492,758
Estimated labor cost associated with initial installation of transformers and meters	281,254	152,800
Deferred Energy Optimization Program surcharge Revenue	3,737,691	3,016,096
Total	\$ 8,520,578	\$ 7,661,654

NOTE L - CASH FLOW INFORMATION

Additional cash flow information for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Cash paid during the year for:		
Interest	\$ 10,120,283	\$ 9,840,151
Federal income tax	11,602	9,000

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

NOTE M - 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 2014 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 N - 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, 2014 and 2013, exceeded the Federal Depository Insurance limits by \$4,598,718 and \$3,328,108, 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 O - 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.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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 2014 and 2013 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 2014 and 2013 were \$2,246,701 and \$2,138,553, 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, 2014 and over 80 percent funded on January 1, 2013, 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 2014 and \$407,212 in 2013.

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.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

The following table provides information regarding projected benefit obligations, plan assets and funded status of the directors' plan as of December 31, 2014 and 2013:

	2014	2013
Change in benefit obligation:		
Benefit obligation at January 1	\$ 2,278,791	\$ 2,247,041
Service cost	14,857	70,736
Interest cost	85,455	84,264
Actuarial loss (gain)	(107,606)	-
Benefits paid	(120,000)	(123,250)
Benefit obligation at December 31	\$ 2,151,497	\$ 2,278,791
Change in plan assets:		
Fair value of plan assets at January 1	\$ -	\$ -
Company contributions	120,000	123,250
Benefits paid	(120,000)	(123,250)
Fair value of plan assets at December 31	\$ -	\$ -
Reconciliation of funded status of plans:		
Projected benefit obligation	\$ 2,151,497	\$ 2,278,791
Fair value of plan assets	-	-
Recorded accrued benefit cost at December 31	\$ 2,151,497	\$ 2,278,791
Weighted average assumptions used to determine the benefit obligations as of December 31:		
Discount rate	3.75%	3.75%
Rate of compensation increase	3.00%	4.00%

Net period costs for the directors' plan were as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Service cost	\$ 14,857	\$ 70,736
Interest cost	85,455	84,264
Amortization of loss	27,154	-
Recorded net benefit cost	\$ 127,466	\$ 155,000

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

2015	\$ 145,758
2016	144,346
2017	142,917
2018	142,317
2019	128,369
2020 – 2024	<u>633,941</u>
Total	<u>\$ 1,337,648</u>

The Company believes its contributions for the Plan during 2015 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 \$419,358 and \$403,504 during 2014 and 2013, 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, 2014 includes 2.33 percent in a money market fund, 10.52 percent in a fixed income fund, and 87.15 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.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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 2014 and 2013, the Company received refunds under the Act in the amount of \$30,518 and \$29,070, 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Change in benefit obligation:		
Benefit obligation at January 1	\$ 7,245,350	\$ 10,082,099
Service cost	67,297	135,244
Interest cost	177,308	320,610
Plan Changes	-	-
Actuarial loss (gain)	327,765	(2,908,104)
Benefits paid from plan assets	(475,322)	(384,499)
 Benefit obligation at December 31	 <u>\$ 7,342,398</u>	 <u>\$ 7,245,350</u>
 Change in plan assets:		
Fair value of plan assets at January 1	\$ 3,112,306	\$ 2,403,399
Actual return on plan assets	370,444	708,907
Company contributions	475,322	384,499
 Benefits paid	 (475,322)	 (384,499)
 Fair value of plan assets at December 31	 <u>\$ 3,482,750</u>	 <u>\$ 3,112,306</u>
	<u>2014</u>	<u>2013</u>
Reconciliation of funded status of plans:		
Benefit plan obligation at December 31	\$ (7,342,398)	\$ (7,245,350)
Fair value of plan assets at December 31	<u>3,482,750</u>	<u>3,112,306</u>
 Recorded accrued benefit cost at December 31	 <u>\$ (3,859,648)</u>	 <u>\$ (4,133,044)</u>
Weighted average assumptions as of December 31:		
Discount rate used to determine accumulated postretirement benefit obligation	4.29%	5.12%
Expected long-term rate of return on plan assets	7.75%	7.75%

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

Net periodic costs include the following components for the years ended December 31, 2014 and 2013:

	2014	2013
Service cost	\$ 67,297	\$ 135,244
Interest cost	177,308	320,610
Expected return on plan assets	(241,204)	(186,000)
Amortization of prior service cost	(640,770)	(640,770)
Amortization of net loss	691,287	433,916
Recorded net benefit cost	\$ 53,918	\$ 63,000

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

2016	\$ 468,434
2017	410,118
2018	410,417
2019	434,324
2020	444,817
2021 – 2025	2,329,780
Total	\$ 4,497,890

The Company expects 2015 benefits to be paid by the Plan will approximate those listed above.

The 2014 costs were developed based on the health insurance plan in effect at January 1, 2014 and information regarding newly electing grandfathered participants as of May 3, 2012. For the year ended December 31, 2014, the assumptions are that retiree medical cost increases would be 10.00 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, 2014 by approximately \$500,873 and the interest cost components of net periodic retiree medical costs for 2014 by approximately \$21,487.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

NOTE P – 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 2014 and 2013 was approximately \$17,220 and \$19,995, respectively.

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

2015	\$	17,220
2016		17,220
2017		17,220
2018		13,815
2019		7,200
2020 and beyond		<u>9,600</u>
Total	\$	<u>82,275</u>

NOTE Q - 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 \$122,074,400 in 2014 and to \$116,254,341 in 2013.

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 \$269,539 during 2014 and \$283,524 during 2013.

At December 31, 2014, the Company's share of Wolverine's capital credits amounted to \$103,657,838, which equates to approximately 55 percent of all capital credits allocated by Wolverine. Capital Credits in the amount of \$4,697,805 and \$1,980,143 were paid by Wolverine in 2014 and 2013, respectively.

Amounts payable to Wolverine at December 31, 2014 and 2013 were \$10,596,044 and \$11,009,128, respectively. These payables were related to obligations under the purchase power agreement and the communication agreement.

GREAT LAKES ENERGY COOPERATIVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2014 and 2013

NOTE R – COMMITMENTS & CONTINGENCIES

At December 31, 2014, the Company was committed for the purchase of three heavy duty trucks at an aggregate cost, when fully equipped, of approximately \$788,000.

At December 31, 2014, 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 2015 which expires in January of 2018.

NOTE S – SUBSEQUENT EVENTS

The Company reviewed events occurring subsequent to December 31, 2014 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 March 6, 2015, the date the financial statements were available to be issued.



Supplementary Information
December 31, 2014 and 2013

Great Lakes Energy Cooperative



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, 2014 and 2013, and our report thereon dated March 17, 2015, 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 27-29 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
March 17, 2015

GREAT LAKES ENERGY COOPERATIVE
 DETAIL CONSOLIDATING BALANCE SHEET
 as of December 31, 2014

ASSETS	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
ELECTRIC PLANT:				
Distribution and generation plant, at cost	\$ 434,292,524	\$ -	\$ -	\$ 434,292,524
Less accumulated depreciation	118,937,146	-	-	118,937,146
Net electric plant	<u>315,355,378</u>	<u>-</u>	<u>-</u>	<u>315,355,378</u>
OTHER ASSETS AND INVESTMENTS:				
Nonutility property, net of accumulated depreciation	-	996	-	996
Investments and memberships	113,010,197	-	(596,828)	112,413,369
Notes and other receivables	435,453	37,718	-	473,171
Total other assets and investments	<u>113,445,650</u>	<u>38,714</u>	<u>(596,828)</u>	<u>112,887,536</u>
CURRENT ASSETS:				
Cash	2,638,408	551,423	-	3,189,831
Accounts receivable, net of allowance for uncollectible accounts	24,430,242	11,531	(10,737)	24,431,036
Materials and supplies	2,763,213	-	-	2,763,213
Other current assets	2,539,755	6,860	-	2,546,615
Total current assets	<u>32,371,618</u>	<u>569,814</u>	<u>(10,737)</u>	<u>32,930,695</u>
DEFERRED CHARGES	6,970,326	-	-	6,970,326
Total assets	<u>\$ 468,142,972</u>	<u>\$ 608,528</u>	<u>\$ (607,565)</u>	<u>\$ 468,143,935</u>

GREAT LAKES ENERGY COOPERATIVE
 DETAIL CONSOLIDATING BALANCE SHEET
 as of December 31, 2014

EQUITIES AND LIABILITIES	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
EQUITIES:				
Memberships	\$ 519,740	\$ -	\$ -	\$ 519,740
Patronage capital	173,125,003	-	-	173,125,003
Equity in subsidiaries	-	596,828	(596,828)	-
Total memberships, patronage capital, including equity in subsidiaries	173,644,743	596,828	(596,828)	173,644,743
Donated capital	3,885,138	-	-	3,885,138
Accumulated other comprehensive loss	4,102,581	-	-	4,102,581
Total equities	181,632,462	596,828	(596,828)	181,632,462
LONG-TERM DEBT, net of current maturities	239,917,056	-	-	239,917,056
OTHER NON-CURRENT LIABILITIES	6,761,992	-	-	6,761,992
CURRENT LIABILITIES:				
Current maturities of long-term debt	5,566,020	-	-	5,566,020
Notes payable	158,487	-	-	158,487
Accounts payable	13,299,180	11,700	(10,737)	13,300,143
Accrued expenses	10,687,045	-	-	10,687,045
Customer deposits	1,600,152	-	-	1,600,152
Total current liabilities	31,310,884	11,700	(10,737)	31,311,847
DEFERRED CREDITS	8,520,578	-	-	8,520,578
Total equities and liabilities	\$ 468,142,972	\$ 608,528	\$ (607,565)	\$ 468,143,935

GREAT LAKES ENERGY COOPERATIVE
 DETAIL CONSOLIDATING STATEMENT OF REVENUES AND NET MARGINS
 for the year ended December 31, 2014

	Great Lakes Energy Cooperative	Great Lakes Utilities Services Corporation	Adjustments and Eliminations	Consolidated
OPERATING REVENUES	\$ 189,493,758	\$ -	\$ -	\$ 189,493,758
OPERATING EXPENSES:				
Purchased and produced power	122,271,478	-	-	122,271,478
Distribution expenses:				
Operations	10,909,294	-	-	10,909,294
Maintenance	11,103,107	-	-	11,103,107
Customer accounts, service and selling expenses	8,183,858	-	-	8,183,858
Administration and general	8,300,345	325	-	8,300,670
Depreciation and amortization	12,741,910	47	-	12,741,957
Other operating expenses	153,571	57,485	-	211,056
Total operating expenses	<u>173,663,563</u>	<u>57,857</u>	<u>-</u>	<u>173,721,420</u>
OPERATING MARGINS BEFORE FIXED CHARGES	15,830,195	(57,857)	-	15,772,338
FIXED CHARGES, interest expense	10,305,208	-	-	10,305,208
OPERATING MARGINS AFTER FIXED CHARGES	<u>5,524,987</u>	<u>(57,857)</u>	<u>-</u>	<u>5,467,130</u>
NON-OPERATING MARGINS:				
Interest income	1,708,759	3,284	-	1,712,043
Other income (expense), net	(174,976)	60,372	-	(114,604)
Total non-operating margins	<u>1,533,783</u>	<u>63,656</u>	<u>-</u>	<u>1,597,439</u>
CAPITAL CREDITS, and equity in subsidiary's net income:				
From associated organizations	8,313,705	-	-	8,313,705
Equity in subsidiary's net income	4,929	-	(4,929)	-
Total capital credits	<u>8,318,634</u>	<u>-</u>	<u>(4,929)</u>	<u>8,313,705</u>
Net margins before federal income tax	<u>15,377,404</u>	<u>5,799</u>	<u>(4,929)</u>	<u>15,378,274</u>
PROVISION FOR FEDERAL INCOME TAX	12,020	870	-	12,890
NET MARGINS	<u>\$ 15,365,384</u>	<u>\$ 4,929</u>	<u>\$ (4,929)</u>	<u>\$ 15,365,384</u>



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, 2014 and 2013, and the related statements of revenues and net margins, cash flows, 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 March 17, 2015.

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 significant deficiencies or material weaknesses. 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 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.

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

Fargo, North Dakota
March 17, 2015



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, 2014, 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 March 17, 2015. In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015 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>2014</u>	<u>2013</u>
Deferred debits		
Preliminary survey and investigation charges	\$ 91,753	\$ 62,104
Pole inspection costs	-	17,211
Unamortized debt refinancing costs	13,337	15,731
Deferred energy optimization program costs	334,006	346,605
Pension related costs	7,333,518	7,784,838
	<u>\$ 7,772,614</u>	<u>\$ 8,226,489</u>
Deferred credits		
Consumer advances for contributions in aid of construction	\$ 4,501,633	\$ 4,492,759
Estimated installation cost - special equipment	281,254	152,800
Deferred energy optimization program surcharge	3,737,691	3,016,096
	<u>\$ 8,520,578</u>	<u>\$ 7,661,655</u>

Detailed Schedule of Investments

	<u>Great Lakes Utilities Service Corporation</u>
Book value of investment as of December 31, 2012	\$ 583,124
Dividends paid to parent	-
Undistributed earnings as of December 31, 2013	<u>8,774</u>
Book value of investment as of December 31, 2013	591,898
Dividends paid to parent	-
Undistributed earnings as of December 31, 2014	<u>4,929</u>
Book value of investment as of December 31, 2014	<u><u>\$ 596,827</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
March 17, 2015