

20

YEARS OF SUCCESS



Great Lakes Utilities 2020 Annual Report

Bangor
Clintonville
Cornell
Escanaba
Kiel
Manitowoc

Marshfield
Medford
Shawano
Stratford
Trempealeau
Wisconsin Rapids

TABLE OF CONTENTS

- 1// Letter from GLU Leadership
- 2// Highlights from 2020
- 2// 2021 Planned Activities
- 3// Commitment to Renewables
- 4// 20 Years of Success Timeline
- 8// Keeping Costs Low
- 10// Member Community Highlights
- 12// Hometown Connections
- 12// Financial Highlights
- 13// Board Members



Great Lakes Utilities (GLU) is a municipal electric company formed under Wisconsin Statute 66.0825. As such, it is a public body and a subdivision of the State of Wisconsin with a legal nature and authority separate from its municipal members. GLU was formed in 2000 as a power supply alternative for members in order to increase their ability to obtain reliable electric capacity and energy at reasonable costs. GLU currently has 12 members: the Wisconsin communities of Bangor, Clintonville, Cornell, Kiel, Manitowoc, Marshfield, Medford, Shawano, Stratford, Trempealeau, Wisconsin Rapids; and Escanaba, Michigan. These member communities provide electric service to over 70,000 customers in Wisconsin and upper Michigan.

Letter from GLU Leadership

The year 2020 will be remembered like no other by the world and here in Wisconsin due to the Corona-virus pandemic that affected all of our lives so dramatically. For Great Lakes Utilities (GLU) it was a special year for a different reason. In February 2020 GLU celebrated its 20th anniversary. From being called a “fledgling” organization in the initial years of its formation, GLU leadership learned to innovate, compete and stay relevant with the changing electric industry.

The pandemic resulted in GLU having to delay its plans for recognizing the 20th anniversary. However, GLU continued to stay focused on its primary mission. Following are the key highlights of this 2020 Annual Report:

- Great Lakes Utilities was laser focused on implementing the key priorities of the 2020-2025 strategic plan that was approved in 2019: leadership transition and generation resource development.
- The Board developed a balanced and low cost long term power supply plan, which includes generation ownership, renewable resources and power supply contracts.
- A request for proposals was issued for both a utility scale solar project and behind the meter solar projects.
- GLU negotiated an agreement to purchase dual fuel reciprocating internal combustion engines and generators from TOTE Marine services, subject to Public Service Commission of Wisconsin approval of a Certificate of Authority to build the natural gas power plant in Manitowoc.
- On January 1, 2020, GLU implemented a 3.5% decrease in the wholesale power supply rates of GLU East Power Supply Pool and a 2.3% decrease in the rates of the West Power Supply Pool. This was the third consecutive year of decreasing power supply rates.

The vision of ten Utility leaders in 1999-2000 to create a project-based joint action agency in order to provide public power communities an option to choose the services they desired, rather than the “one size fits all model,” has proved to be a success. GLU continues to be a nimble organization and is ready to face future challenges so that it can remain a strong and viable organization. To meet the demands of an ever-changing electric industry, GLU will need the assistance of many resources from both inside and outside the organization. This will require working together as a team.

As we look to the future, GLU remains committed to its original vision as a project-based joint action agency, offering a variety of services to its members, including long-term, reliable and highly competitive full or partial requirements power supply. We are confident that the GLU Board will continue to work together collaboratively to achieve this vision, building on our success and serving our member communities with insight and dedication.

In closing, I want to thank all the Board members and their communities with whom I had the honor to work for the last twenty years. In 2021 and beyond, Troy Adams will transition into the role of Managing Director and lead the organization to achieve even greater success. I wish him and the entire organization all the very best.



Nilaksh Kothari,
GLU MANAGING DIRECTOR



Jem Brown, Chair,
WISCONSIN RAPIDS

GLU's Mission Statement:

Providing value to our members through offering reliable and cost-effective solutions centered on power supply to enhance the quality of life in each of the communities.

GLU's Vision Statement:

To strengthen our members' local status by enhanced service offering, cost-effective power supply solutions, and increased member participation.



“Reliable and cost effective solutions centered on power supply enhance the quality of life.”

2021 PLANNED ACTIVITIES

The three focus areas are:

- Continue to pursue renewable energy resources such as solar and wind to develop a diversified power supply portfolio.
- Focus on the transition of the Managing Director.
- Continue to pursue the various activities of the dual fuel Reciprocating Internal Combustion Engine (RICE) project including: approval of the project from members interested in the project; retain needed engineering consultants to support the filing of the Certificate of Authority with the Public Service Commission of Wisconsin and design-build consulting services; and several other related services.

Highlights from 2020

In 2020 GLU authorized multiple power supply studies to identify the most cost-effective long-term power supply plan. The analysis concluded that for a balanced power supply portfolio, GLU should pursue ownership of a dual fuel generation with Reciprocating Internal Combustion Engine (RICE) units in combination with a front-of-the-meter solar power purchase agreement and behind-the-meter solar generation.

GLU is negotiating with TOTE Marine Services to obtain rights for the purchase of four unused 11.4 MW Wartsila marine-based RICE units and GE generators subject to the approval of Public Service Commission of Wisconsin to construct a 45 MW RICE power plant. The units are dual-fueled, which provides added resiliency.

Through its operating services agreement with Manitowoc Public Utilities (MPU), GLU performs market participant functions in the Midcontinent Independent System Operator (MISO) on behalf of its GLU-East and GLU-West power supply members as well as Escanaba and Marshfield.

Commitment to Renewables

Increasing numbers of extreme weather events, prolonged droughts and massive wildfires around the globe have punctuated concern for climate change and increased attention on decarbonizing our electric grid. These concerns are not lost on GLU members and we continue our long-term supply of renewable wind energy from the Lakeswind Project. The Lakeswind Project is a 50 MW nominal wind energy facility, composed of 32 x 1.5 MW wind turbines, developed by Project Resources Corporation (PRC) on behalf of Lakeswind Power Partners, LLC near the community of Rollag, Minnesota, located approximately 30 miles east of Moorhead, Minnesota. GLU manages the market operations for the Lakeswind project on behalf of the GLU-East and GLU-West power supply pools as well as non-member project participants including several municipal utilities in western Wisconsin, the Northwestern Wisconsin Electric Company and North Central Power Co. Inc.

Additionally, GLU intends to add solar generation to our supply portfolio and ended 2020 with a request for proposals to provide both large utility-scale and smaller behind-the-meter solar projects. GLU will receive and consider those proposals in 2021 with the hope of selecting a developer partner to move projects forward. GLU is committed to increasing our renewable portfolio and expect our efforts to seek economical and reliable low carbon power supply to be a focus for years to come.



GLU Pandemic Response

The COVID-19 pandemic made 2020 a year like no other for nearly all of us. Business and school closures, regulatory mandates, the complications of working and learning from home, unemployment, lost business and income, illness, and death of community members and loved ones, all created much uncertainty and disruption across the country and throughout the world.

GLU members pulled together to support their communities and worked to ensure the reliable operation of our respective electric systems. Despite the challenges and uncertainty of the pandemic, GLU and its members continued to operate seamlessly and efficiently for another successful year.





2000

2001

GLU enters into contract with Manitowoc Public Utilities to provide administrative services.

2003



GLU adds Clintonville as a member; Oconto Falls, Reedsburg, and Plymouth withdraw.

2004

GLU enters into interim requirements power supply contracts with GLU (East) power supply project committee members.



2005

GLU enters into long-term power supply requirements contracts with power supply project committee members (Manitowoc, Wisconsin Rapids, Kiel, Clintonville, and Shawano).



GLU enters into first long-term power supply resource agreement on behalf of members and passes resolution to integrate member load and begin developing system rates.

2007



2009

GLU enters into an energy services agreement with Marshfield Utilities allowing GLU to provide energy market services for Marshfield's new 55 MW M-1 peak generation facility.



GLU submits winning bid to acquire 25 MW of NewPage hydroelectric assets; project ultimately canceled due to regulatory concerns.

2010

OUR BEGINNINGS

GLU files formation contract with Wisconsin Secretary of State and registers initial Board of Directors. Initial membership includes 10 Wisconsin municipal utilities (Manitowoc, Wisconsin Rapids, Kiel, Marshfield, Shawano, Rice Lake, Medford, Oconto Falls, Reedsburg, and Plymouth).

2011

GLU enters into a wind energy generation purchase agreement with Lakeswind Power Partners, LLC, securing rights to a new 50 MW wind project located in western Minnesota.

GLU enters into 77 MW long-term steam generation system participation purchase agreement with Manitowoc Public Utilities.



GLU revises formation agreement to permit non-Wisconsin members, opening the door for Escanaba, Michigan to join GLU.

GLU welcomes eight new members formerly served by Northern States Power Company-Wisconsin, including Barron, Bloomer, Cadott, Spooner, Trempealeau, Cornell, Bangor, and Wakefield, Michigan.

2013



GLU forms GLU West Power Supply Pool allowing GLU to provide market services to GLU West members in MISO.

GLU enters into long-term power supply requirements contracts with GLU West power supply project committee members (Medford, Trempealeau, Bangor, Cornell).

2014



GLU creates the GLU West Power Supply Project Committee; Rice Lake, Barron, Bloomer, Cadott, Spooner and Wakefield withdraw from GLU.

2016



GLU welcomes Village of Stratford as its 12th member.

2018



GLU enters into master power purchase and sales agreement with Marshfield Utilities.

2019



GLU initiates planning for the generation ownership for natural gas units and solar projects.

2020



GLU purchases equity interest and becomes 6th joint action agency owner of Hometown Connections, Inc.

GLU approves 5-year Strategic Plan focusing on generation ownership, succession planning and member retention/strategic growth.

GLU enters into long-term power supply requirements agreement with Stratford, which joins the GLU East power supply project committee and power pool.

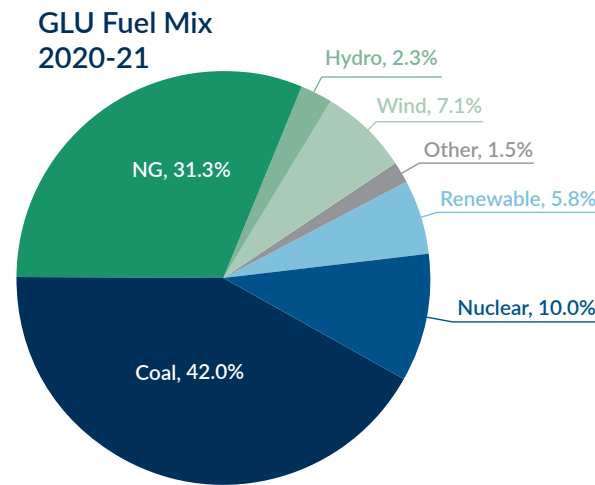


Keeping Costs Low for Our Members

Power Supply Costs

The total power supply cost, excluding transmission charges, for the GLU-East power supply pool in 2020 was \$67.9 million versus \$71.9 million in 2019, a reduction of 5.4% reflecting a decrease in power sales as well as the cost of power supply. The 2020 budgeted total power supply cost was \$72.3 million. As of January 1, 2020, power supply rates for the GLU-East members were reduced by approximately 3.5%.

The total power supply cost, excluding transmission charges, for the GLU-West power supply pool in 2020 was \$8.6 million versus \$8.8 million in 2019, a reduction of 2.3%. The 2020 budgeted total power supply costs were \$8.4 million.

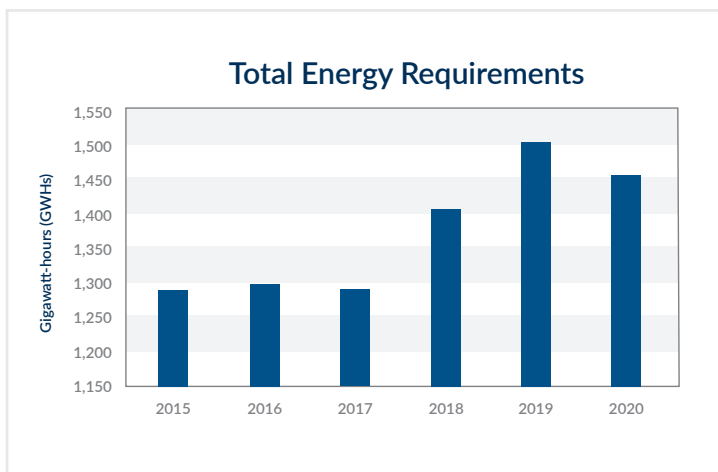


Total Energy Requirements

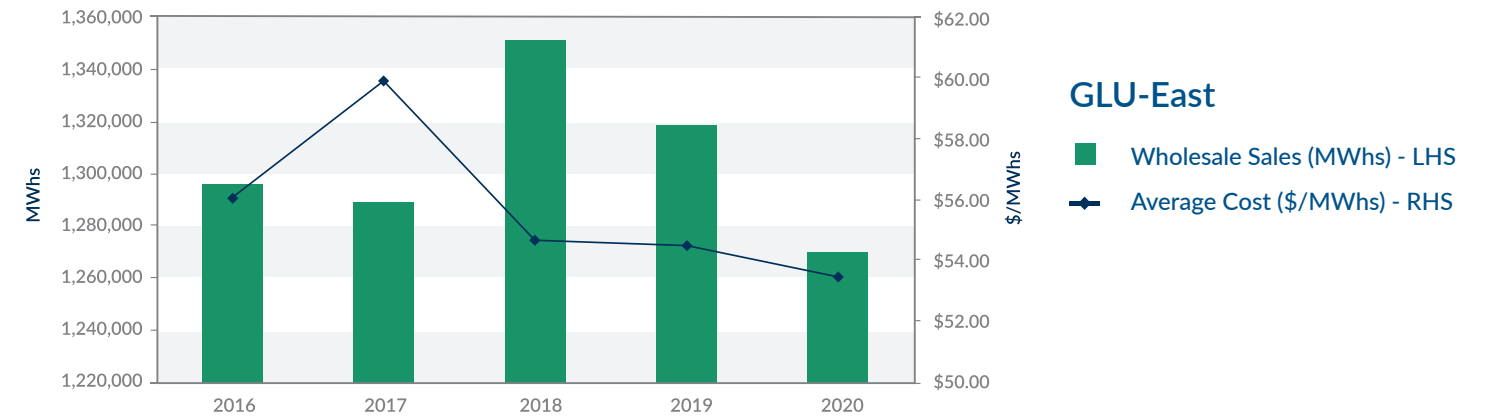
The total energy requirements for the GLU-East power supply pool for 2020 was 1,270,397 MWhs versus 1,319,085 MWhs in 2019, a reduction of 3.7%. The total billed demand for the GLU-East power supply pool for 2020 was 2,365 MWs versus 2,399 MWs in 2019, a reduction of 1.4%.

The total energy requirements for the GLU-West power supply pool for 2020 was 181,314 MWhs versus 185,102 MWhs in 2019, a reduction of 2.1%. The total billed demand for the GLU-West power supply pool for 2020 was 356 MWs versus 368 MWs in 2019, a reduction of 3.3%.

Both energy sales and billed demand volume fell short of 2020 budget projections, -6.5% and -3.5% respectively, largely due to COVID-19 impacts on business activity.

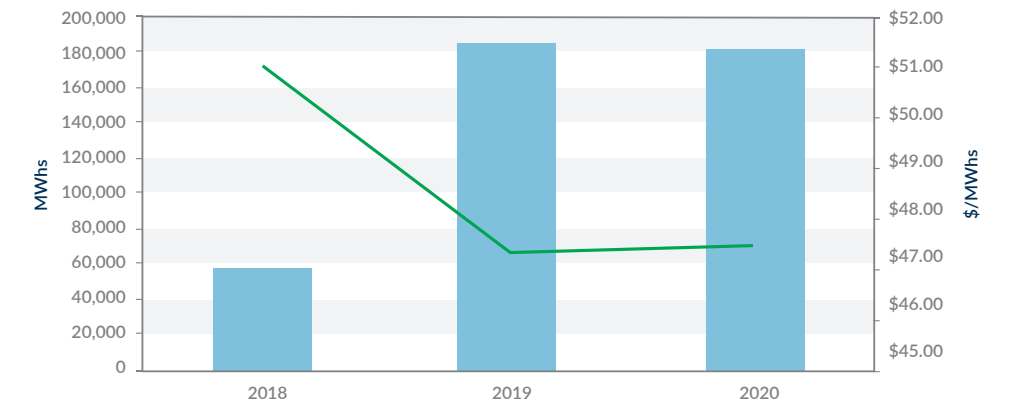


Average Power Supply Costs



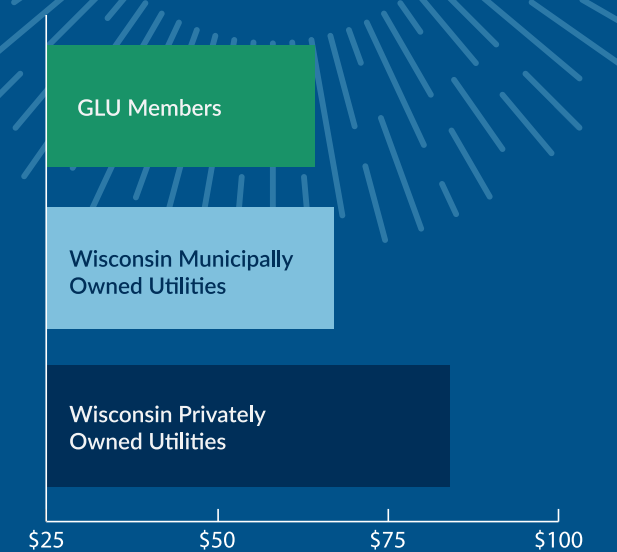
GLU-West

■ Wholesale Sales (MWhs) - LHS
 — Average Cost (\$/MWhs) - RHS



Residential ELECTRIC RATE COMPARISON

FOR THE MONTH OF DECEMBER 2020	Total Bill*
Trempealeau Municipal Electric and Water Utility	\$85.94
WI Privately Owned Utilities (Average)	\$83.94
Escanaba	\$74.05
Bangor Municipal Utility	\$72.42
Stratford Municipal Electric Utility	\$69.18
WI Municipally Owned Utilities (Average)	\$67.22
Clintonville Electric Utility	\$65.60
GLU Members (Average)	\$64.25
Wisconsin Rapids Water Works and Lighting Commission	\$64.10
Shawano Municipal Utilities	\$62.25
City of Kiel Utilities	\$62.18
Cornell Municipal Water And Electric Utility	\$60.60
Marshfield Utilities	\$56.16
Manitowoc Public Utilities	\$54.72
Medford Electric Utility	\$53.60



*Data taken from the Public Service Commission of Wisconsin Electric Residential Monthly Bill Comparison where available as of December 2020. Averages based on 600 kwh monthly usage.

Member Community Highlights



Bangor

The La Crosse River State trail is a 22-mile biking and hiking trail that runs through the Village of Bangor. Pictured above is the iron railroad bridge over Dutch Creek in the Village.



Clintonville

Clintonville is a small town in rural Wisconsin, established in 1855. It is the birthplace of four-wheel drive technology and Wisconsin Central Airlines.



Marshfield

The world's largest round barn, located in the City of Marshfield, is a prominent feature at the Central Wisconsin State Fair held annually in the City.



Medford

The Medford Veterans Flag Field Legacy Wall located along the Black River was recently updated in 2021 to include a memorial for those Killed in Action (KIA).



Cornell

Listed on the National Register of Historic Places is the Cornell Pulpwood Stacker. The stacker was used up until 1971 to move pulpwood logs into piles before they were placed in waterways to their final destination at a paper mill.



Escanaba, MI

The Sand Point Lighthouse is located in Ludington Park at Escanaba, on the northeast shore of Lake Michigan, serving mariners continuously from 1868 until 1939.



Shawano

The Shawano Park & Recreation Department hosts "Thursdays at Franklin", a free music event in Franklin Park every Thursday evening during the summer.



Stratford

Named after the Canadian hometown of the Connor Family, Stratford began as a company town in the late 1800's, settled primarily by lumberjacks and farmers. Stratford was platted in 1891 and incorporated in 1910. Now Stratford bursts with a diverse population topping 1,600.



Kiel

Located on the northern edge of Kettle Moraine along the Sheboygan River, Kiel is 'the little city that does BIG things'. Kiel has developed a beautiful set of trails for use by hikers, bikers, roller bladers, joggers, and more.



Manitowoc

The Port of Manitowoc is a deep draft commercial harbor located on the west coast of Lake Michigan in Manitowoc. The Port has access to the Gulf of Mexico via the Mississippi River and the Atlantic Ocean via the St. Lawrence Seaway. Many visitors are drawn here each year to explore the USS Cobia World War II submarine and traverse Lake Michigan on the S. S. Badger.



Trempealeau

Located on the Mississippi River, Lock & Dam #6 was built in 1936 and provides a safe channel for the flow of commercial goods. The lock and dam are owned and operated by the St. Paul District of the United States Army Corps of Engineers and are part of a 9-foot navigation channel and 13 locks and dams in the Upper Mississippi River channel stretching from Minneapolis to Guttenberg, Iowa.



Wisconsin Rapids

The City of Wisconsin Rapids' newest park, the Wisconsin Rapids Recreation Center (WRRC), features an ice skating circle, a skate park, new playground equipment, a splash pad, an outdoor shelter, a tennis court and six pickleball courts on roughly eight acres. The Aquatics Center offers three pools, two lazy rivers, slides, splash features, a climbing wall, a zip line, a bath house and a concession stand.

FINANCIAL HIGHLIGHTS

Summary Statements Of Net Position

December 31,	2020	2019
Assets		
Current Assets	\$34,059,578	\$33,150,744
Non-current Assets	11,460,049	10,348,311
Other Assets	2,809,820	2,820,255
Total Assets	48,329,447	46,319,310
Liabilities		
Current Liabilities	7,535,457	7,357,677
Long-Term Obligations	13,360,049	12,248,311
Total Liabilities	20,895,506	19,605,988
Net Position	\$27,433,941	\$26,713,322

Summary Statements Of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31,	2020	2019
Operating Revenues	\$91,129,097	\$95,195,394
Operating Expenses	91,393,596	93,777,021
Operating Income	(264,449)	1,418,373
Non-operating Income	985,118	917,887
Change in Net Position	720,619	2,336,260
Net Position, Start of Year	26,713,322	24,377,062
Net Position, End of Year	\$27,433,941	\$26,713,322

Hometown Connections

In 2019, GLU purchased an equity interest in Hometown Connections LLC (HCI). HCI is a non-profit utility services organization owned by the Alabama Municipal Electric Authority, American Municipal Power, Inc., Great Lakes Utilities of Wisconsin, Missouri Public Utility Alliance, Northern California Power Agency, and Vermont Public Power Supply Authority. By joining HCI, we expect to help identify and promote the offering of programs and services that serve the needs of GLU members and similar public power communities around the country. In 2020, HCI developed a cybersecurity program that focuses on public power communities by evaluating their cybersecurity requirements, develop plans for cyber risk management, and deploy effective cybersecurity defenses that include ongoing monitoring, training, remediation, and maintenance services. Cybersecurity risk management is a focal point for GLU members and the tools from HCI will better position GLU members to resist and respond to a cyber attack.



BOARD MEMBERS



GLU MANAGING DIRECTOR
Nilaksh Kothari



WISCONSIN RAPIDS
Jem Brown,
Chair



SHAWANO
Brian Knapp,
Vice-Chair



CORNELL
Dave DeJongh,
Treasurer



MARSHFIELD
Nicolas Kumm,
Secretary



BANGOR
Pat Reilley



CLINTONVILLE
Jim Supanich



ESCANABA, MI
Gerald Pirkola



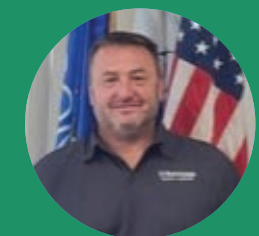
KIEL
Kris August



MANITOWOC
Troy Adams



MEDFORD
Joe Harris



STRATFORD
Scott Dennee



TREMPEALEAU
Kurt Wood



Great Lakes Utilities

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GREAT LAKES UTILITIES
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020



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WEALTH ADVISORY
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CONSULTING

**GREAT LAKES UTILITIES
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR FINANCIAL STATEMENTS	
INDEPENDENT AUDITORS' 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>	18



INDEPENDENT AUDITORS' REPORT

Board of Directors
Great Lakes Utilities
Manitowoc, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Great Lakes Utilities (GLU) as of and for the year ended December 31, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GLU as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Summarized Financial Information

We have previously audited the 2019 financial statements, and we expressed an unmodified opinion on the respective financial statements in our report dated May 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021, on our consideration of GLU'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GLU's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GLU's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 22, 2021

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

The management of Great Lakes Utilities (GLU) offers all parties interested in the financial position of GLU the following overview and analysis of GLU's financial performance during the year ending December 31, 2020.

Please read the narrative in conjunction with GLU's financial statements.

Financial Highlights from 2020

In 2020 GLU authorized multiple power supply studies to identify the most cost-effective long-term power supply plan. The analysis concluded that for a balanced power supply portfolio, GLU should pursue ownership of a dual fuel generation with RICE units in combination with a front of the meter solar power purchase agreement and behind the meter solar generation.

GLU is negotiating with TOTE Marine services to obtain four unused 11.3 MW Wartsila marine based RICE units and GE generators that were slated for upgrading a ship which sunk in the Atlantic before these engines and generators could be installed.

As of January 1, 2020, the power supply rates for the GLU-East members were reduced by approximately 3.5%. Rates for the GLU-West power supply members were reduced by 7% as of January 1, 2019.

In 2019, GLU purchased an equity interest in Hometown Connections LLC for \$265,000. Hometown Connections is a national non-profit service organization created to provide value-added services to public power utilities throughout the country. GLU is the sixth member-owner.

Also in 2019 GLU completed a Strategic Plan for 2020 – 2022 and updated the Mission and Vision of the organization as follows:

Vision: To strengthen our members' local status by enhanced service offering, cost effective power supply solutions, and increased member participation.

Mission: Providing value to our members through offering reliable and cost-effective solutions centered on power supply to enhance the quality of life in each of the communities.

In 2019 GLU initiated phase 2 of the long-term power supply plan with an outside consultant to review options for capacity and energy. The preliminary findings of the study concluded that GLU should begin reviewing options for a balanced power supply portfolio due to the projected shortfall of 70 MW capacity beginning MISO planning year 2023.

In 2019, the Village of Stratford entered into a 25-year power supply contract with GLU for all of their capacity and energy needs.

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

\$1.9 million in notes payable to members were obtained so that GLU could meet credit requirements necessary to function as a market participant in the MISO energy markets on behalf of GLU members. The deposit is recorded in the Statement of Net Position as an asset.

Please see the Condensed statements and the presented management comments for additional detailed financial highlights.

Overview of the Financial Statements

Great Lakes Utilities is a municipal electric company formed under Wisconsin Statute 66.0825. As such, it is a public body and a subdivision of the State of Wisconsin with a legal nature and authority separate from its municipal members. GLU was formed in 2000 as a power supply alternative for members in order to increase their ability to obtain reliable electric capacity and energy at reasonable costs. GLU currently has 12 members: the Wisconsin communities of Bangor, Clintonville, Cornell, Kiel, Manitowoc, Marshfield, Medford, Shawano, Stratford, Trempealeau, Wisconsin Rapids; and Escanaba, MI.

The Statement of Net Position (Table 1) and the Statement of Revenue, Expenses, and Changes in Net Position (Table 2) provide an indication of GLU's change in financial condition during the last year. GLU's net position reflects the difference between assets and liabilities. The Statement of Revenues, Expenses and Changes in Net Position reflects the income and expenses of GLU for the year.

Financial Analysis

Table 1

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets:				
Cash and investments	\$ 26,848,663	\$ 26,073,517	\$ 775,146	3.0%
Other	7,210,915	7,087,662	123,253	1.7%
	<u>34,059,578</u>	<u>33,161,179</u>	898,399	2.7%
Restricted Assets	11,460,049	10,348,311	1,111,738	10.7%
Other Assets	2,809,820	2,809,820	-	0.0%
Total Assets	<u>\$ 48,329,447</u>	<u>\$ 46,319,310</u>	<u>\$ 2,010,137</u>	4.3%
Current Liabilities and Other Accrued Expenses	\$ 7,535,457	\$ 7,357,677	\$ 177,780	2.4%
Rate Stabilization Deposits	11,460,049	10,348,311	1,111,738	10.7%
Notes Payable	1,900,000	1,900,000	-	0.0%
Total Liabilities	20,895,506	19,605,988	1,289,518	6.6%
Net Position - Unrestricted	<u>27,433,941</u>	<u>26,713,322</u>	<u>720,619</u>	2.7%
Total Liabilities and Net Position	<u>\$ 48,329,447</u>	<u>\$ 46,319,310</u>	<u>\$ 2,010,137</u>	4.3%

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Variance Explanations

- Investments of money market and fixed income securities were purchased during 2020 and 2019.

Table 2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2020	2019	Dollar Change	Percent Change
Power Supply Billings	\$ 90,920,766	\$ 95,090,394	\$ (4,169,628)	-4.4%
Member Assessments	208,331	105,000	103,331	98.4%
Total Revenues	<u>91,129,097</u>	<u>95,195,394</u>	<u>(4,066,297)</u>	-4.3%
Power Supply Expenses	77,658,324	80,706,155	(3,047,831)	-3.8%
West Power Supply Expenses	10,457,117	10,724,560	(267,443)	-2.5%
Wind Expenses	3,144,003	2,196,470	947,533	43.1%
Hometown Connections	3,137	-	3,137	n/a
Administrative and General Expenses	<u>131,015</u>	<u>149,836</u>	<u>(18,821)</u>	-12.6%
Total Expenses	<u>91,393,596</u>	<u>93,777,021</u>	<u>(2,383,425)</u>	-2.5%
Operating Income (Loss)	(264,499)	1,418,373	(1,682,872)	-118.6%
Nonoperating Revenues (Expenses)	<u>985,118</u>	<u>917,887</u>	<u>67,231</u>	7.3%
Change in Net Position	720,619	2,336,260	(1,615,641)	-69.2%
Net Position - Beginning	<u>26,713,322</u>	<u>24,377,062</u>	<u>2,336,260</u>	9.6%
Net Position - Ending	<u>\$ 27,433,941</u>	<u>\$ 26,713,322</u>	<u>\$ 720,619</u>	2.7%

Variance Explanations

- Power supply (East) rates were reduced 3.5% in January 2020.
- Assessments increased in 2020 largely due to the Hometown Connections assessment to members.
- Power supply expenses decreased due to a 3.7% decrease in energy sales due to the impacts from the COVID-19 pandemic along with decreased costs on the short term energy contracts.
- West Power Supply expenses decreased due to lower costs on the short term capacity contracts.
- Wind expenses increased due to a 25% reduction in the MISO energy pricing received for the output of the wind generators.
- Investment income (nonoperating revenues) increased due to increased investments and income.

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

Table 3

Net Plant Activity

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Equipment	\$ 237,935	\$ 237,935	\$ -	0.0%
Less Accumulated Depreciation	(237,935)	(237,935)	-	0.0%
Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%

Variance Explanations

- Nothing significant to report.

Power Supply Cost Factors/ Other Issues

GLU's policy is to manage power supply costs in order to achieve a low risk profile. GLU manages power supply costs for its members as follows:

- The long-term power supply contracts presently in place are as follows:
 - Wisconsin Public Service – 0 to 55 MWs through 2031.
 - WE Energies – 30 to 80 MWs through 2029.
- GLU has a contract with Manitowoc Public Utilities (MPU) generating assets for the purchase of approximately 77 MW of capacity and associated energy that expires in 2026 unless extended by either party with a four-year notice.
- GLU is a member of the North American Energy Markets Association (NAEMA). Through this association, GLU makes short to medium term energy and/or capacity purchases with various energy marketers to meet a portion of its requirements.
- GLU makes short-term, non-firm energy purchases and sales when economic to do so via participation in the MISO market.
- GLU receives renewable energy through its contracted power supply purchases and Lakeswind power purchase agreement.

Contacting Financial Management

This financial report is designed to provide our members, investors, and other interested parties with a general overview of the utilities' financial operations and condition. If you have questions regarding the information provided in this report or wish to request additional financial information, contact the Managing Director, Great Lakes Utilities, and P.O. Box 965, Manitowoc, WI 54221-0965.

GREAT LAKES UTILITIES
STATEMENT OF NET POSITION
DECEMBER 31, 2020
(WITH SUMMARIZED AMOUNTS AS OF DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and Investments	\$ 26,848,663	\$ 26,073,517
Receivables:		
Customer Accounts	6,660,895	6,836,982
Prepaid Items	550,020	250,680
Total Current Assets	<u>34,059,578</u>	<u>33,161,179</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and investments	11,460,049	10,348,311
Other Assets:		
MISO Collateral Deposit	2,544,820	2,544,820
Investment in HCI	265,000	265,000
Total Other Assets	<u>2,809,820</u>	<u>2,809,820</u>
Total Assets	<u>\$ 48,329,447</u>	<u>\$ 46,319,310</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 7,535,457	\$ 7,357,677
Long-Term Obligations, Less Current Portion:		
Rate Stabilization Deposits	11,460,049	10,348,311
Notes Payable	1,900,000	1,900,000
Total Long-Term Obligations	<u>13,360,049</u>	<u>12,248,311</u>
Total Liabilities	<u>20,895,506</u>	<u>19,605,988</u>
NET POSITION		
Unrestricted	<u>\$ 27,433,941</u>	<u>\$ 26,713,322</u>

See accompanying Notes to Financial Statements.

GREAT LAKES UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Member Assessments	\$ 208,331	\$ 105,000
Power Supply:		
Billings	90,807,025	94,979,339
Supply Charges	113,741	111,055
Total Operating Revenues	<u>91,129,097</u>	<u>95,195,394</u>
OPERATING EXPENSES		
Power Supply:		
Purchased Power	79,194,466	81,791,041
Transmission Costs	11,408,679	11,208,426
Outside Services:		
Legal and Intervention	69,710	48,334
Technical Services - Consultant	218,647	222,770
Technical Services - Manitowoc Public Utilities	275,476	292,992
Insurance Expense	12,883	11,458
Administrative and General:		
Administrative Services - Manitowoc Public Utilities	109,115	83,825
Meeting Expenses	14,350	37,890
Supplies and Other Expenses	90,270	80,285
Total Operating Expenses	<u>91,393,596</u>	<u>93,777,021</u>
OPERATING INCOME (LOSS)	(264,499)	1,418,373
NONOPERATING REVENUES (EXPENSES)		
Investment Income	1,013,879	972,923
Interest Expense	(28,761)	(55,036)
Total Nonoperating Revenues (Expenses)	<u>985,118</u>	<u>917,887</u>
CHANGE IN NET POSITION	720,619	2,336,260
Net Position - Beginning of Year	<u>26,713,322</u>	<u>24,377,062</u>
NET POSITION - END OF YEAR	<u>\$ 27,433,941</u>	<u>\$ 26,713,322</u>

See accompanying Notes to Financial Statements.

GREAT LAKES UTILITIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 91,305,184	\$ 95,651,525
Cash Paid to Suppliers	(91,515,156)	(93,946,037)
Net Cash Provided (Used) by Operating Activities	<u>(209,972)</u>	<u>1,705,488</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rate Stabilization Deposits Received (Paid)	1,111,738	1,774,657
Interest Allocated to Rate Stabilization Deposit	(470,105)	(413,352)
Interest Paid on Notes	441,344	360,835
Net Cash Provided by Noncapital Financing Activities	<u>1,082,977</u>	<u>1,722,140</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Return	1,013,879	972,923
Cash Paid to HC	-	(265,000)
Purchase of Investments	(6,814,069)	(6,916,151)
Proceeds From Maturity of Investments	4,480,814	6,362,896
Net Cash Provided (Used) by Investing Activities	<u>(1,319,376)</u>	<u>154,668</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(446,371)	3,582,296
Cash and Cash Equivalents - Beginning of Year	<u>7,471,904</u>	<u>3,889,608</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,025,533</u>	<u>\$ 7,471,904</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (264,499)	1,418,373
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Change in Operating Assets and Liabilities:		
Accounts Receivable	176,087	456,131
Prepaid Items	(299,340)	125,000
Accounts Payable	177,780	(294,016)
Net Cash Provided (Used) by Operating Activities	<u>\$ (209,972)</u>	<u>\$ 1,705,488</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents in Current Assets	\$ 26,848,663	\$ 26,073,517
Cash and Cash Equivalents in Restricted Assets	11,460,049	10,348,311
Less: Long-term Investments	(31,283,179)	(28,949,924)
Total Cash and Cash Equivalents	<u>\$ 7,025,533</u>	<u>\$ 7,471,904</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
None		

See accompanying Notes to Financial Statements.

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Great Lakes Utilities (GLU) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by GLU are described below:

A. Reporting Entity Enterprise Fund

The accounts of GLU are accounted for as an enterprise fund as required by GAAP. An enterprise fund is used to account for government operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

B. Measurement Focus and Basis of Accounting

GLU's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Unpaid customer accounts receivable are recorded at year end.

GLU distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with GLU's principal ongoing operations. The principal operating revenues of GLU is charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the GLU's policy to use restricted resources first, then unrestricted resources, as they are needed.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

2. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the financial statements.

3. Investment in HCI

GLU holds an equal ownership interest in Hometown Connections, Inc. (HCI), a non-profit entity that was created with six other utilities to provide greater value to public power utilities by offering a variety of consulting and technology services, as well as advanced metering programs. By combining resources through this organization, HCI will help public power utilities of all sizes (including the GLU members) obtain the products and services they need to keep their electric systems robust and to preserve the benefits of community-owned electric utilities.

In accordance GASB Statement No. 72, GLU considers its unrestricted investment in HCI as level 3 inputs and is reported at cost, which is management estimate of fair market value as no quotable market is available.

4. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

5. Capital Assets

Capital assets, which include equipment, are reported in the financial statements. Capital assets are defined by GLU as assets with an initial, individual costs of \$5,000 or higher and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
(Continued)**

5. Capital Assets (Continued)

Capital assets of GLU are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities Years
Equipment	6

6. Net Position

Net position is displayed in three components:

- **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

E. Prior Year Information

Comparative amounts for the prior year have been presented in the financial statements to provide an understanding of changes in GLU's financial position and operations. Accordingly, such information should be read in conjunction with GLU's financial statements for the year ended December 31, 2019, from which the comparative information was derived.

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, or changes in net position.

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

GLU maintains various cash and investment accounts that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of GLU's cash and investments totaled \$38,308,712 on December 31, 2020 as summarized below:

Deposits with Financial Institutions	\$ 7,025,433
Investments	31,283,279
Total	<u>\$ 38,308,712</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position:	
Cash and Investments	\$ 26,848,663
Restricted Cash and Investments	11,460,049
Total	<u>\$ 38,308,712</u>

Fair Value Measurements

GLU categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. GLU has the following fair value measurements as of December 31, 2020:

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Fair Value Measurements (Continued)

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments:			
U.S. Treasury Securities	\$ -	\$ 15,834,356	\$ -
Money Market Mutual Funds	19,270	-	-
Corporate Bonds and Notes	-	13,900,416	-
Federal National Mortgage Association	-	825,966	-
Federal Home Loan Mortgage Corporation	-	703,271	-
Total	<u>\$ 19,270</u>	<u>\$ 31,264,009</u>	<u>\$ -</u>

Deposits and investments of GLU are subject to various risks. Presented below is a discussion of GLU's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. GLU does not have an additional custodial credit policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the state of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of December 31, 2020, \$6,039,308 of GLU's deposits with financial institutions were in excess of federal and state depository insurance limits. All uninsured amounts were collateralized with securities held by the pledging financial institution's agent in GLU's name.

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	BBB+	AAA	AA	A	Not Rated
U.S. Treasury Securities	\$ 15,834,356	\$ 15,834,356	\$ -	\$ -	\$ -	\$ -	\$ -
Money Market Mutual Funds	19,270	-	-	-	-	-	19,270
Corporate Bonds and Notes	13,900,416	-	584,739	643,957	1,976,391	10,695,329	-
Federal National Mortgage Association	825,966	-	-	825,966	-	-	-
Federal Home Loan Mortgage Corporation	703,271	-	-	703,271	-	-	-
Totals	\$ 31,283,279	\$ 15,834,356	\$ 584,739	\$ 2,173,194	\$ 1,976,391	\$ 10,695,329	\$ 19,270

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. GLU does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of GLU's investments to market interest rate fluctuations is provided by the following table that shows the distribution of GLU's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 15,834,356	\$ 2,308,442	\$ 2,377,607	\$ 6,810,172	\$ 4,338,135
Money Market Mutual Funds	19,270	19,270	-	-	-
Corporate Bonds and Notes	13,900,416	1,880,526	4,392,178	6,622,252	1,005,460
Federal National Mortgage Association	825,966	-	-	-	825,966
Federal Home Loan Mortgage Corporation	703,271	-	-	-	703,271
Totals	\$ 31,283,279	\$ 4,208,238	\$ 6,769,785	\$ 13,432,424	\$ 6,872,832

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Restricted Cash and Investments

Restricted assets on December 31, 2020 totaled \$11,495,446 and consisted of cash and investments held for rate stabilization deposits.

C. Midcontinent Independent System Operator Collateral Debt

As of December 31, 2020, GLU delivered \$2,545,059 to Midcontinent Independent System Operator, Inc. (MISO), under a cash collateral agreement. The deposit will be held under the name of MISO for the benefit of GLU. The deposit account shall be drawn upon in case of payment default by GLU. The deposit shall be interest bearing and interest payments will be made payable to GLU quarterly, provided there are no instances of default.

D. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Equipment	\$ 237,935	\$ -	\$ -	\$ 237,935
Less: Accumulated Depreciation	237,935	-	-	237,935
Total Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

E. Notes Payable

GLU issued notes payable to three members to procure funds to provide necessary collateral as a market participant in accordance with the Transmission and Energy Market Tariff of the Midwest Independent Transmission System Operator (MISO). The notes are due on January 31, 2021 and, in accordance with the terms of the notes, the term of the notes was extended for a year. The notes will automatically renew at the due date for another year unless either party decides to terminate the note on provisions of 120 days prior written notice prior to the end of the term. Interest is paid on a quarterly basis based on the JP Morgan Prime Capital Daily Fluctuating Rate plus an adder equivalent to 75% of the cost of borrowing or obtaining a letter of credit for the principal amount (whichever is less) from a designated local private lender. The outstanding balance as of December 31, 2020 was \$1,900,000 detailed as follows:

Outstanding Notes Payable:	
Manitowoc Public Utilities	\$ 720,000
Badger Power Marketing Authority, Inc.	680,000
Wisconsin Rapids Water Works and Lighting Commission	500,000
Total	<u>\$ 1,900,000</u>

**GREAT LAKES UTILITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 OTHER INFORMATION

A. Risk Management

GLU has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of GLU. Settlements have not exceeded insurance coverage and there has been no change in coverage in any of the past three years and no changes to coverage.

B. Contingencies

From time to time, GLU is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on GLU's financial position or results of operations.

C. Related Party Transactions

At the present time, GLU has no employees. Therefore, in order to facilitate operations, GLU has contracted with one of its members, Manitowoc Public Utilities (MPU), to provide management, secretarial, accounting and technical support services. GLU is charged for these services based upon the actual time spent by MPU personnel on GLU operations. GLU is then billed for these services based upon contracted hourly rates. For the year ended December 31, 2020, technical and administrative services provided by MPU totaled \$384,592, with a current liability to MPU of \$30,482 for services rendered.

In addition, GLU has purchased power totaling \$22,121,932 from MPU for the year ended December 31, 2020, with a current liability to MPU of \$2,029,862.

D. Purchase Power Contract

In October 2011, GLU approved an authorization to enter a purchased power contract with Lakeswind LLC. GLU's commitment will be 71.3% of 50MW for 20 years that began in 2014. In July 2013, GLU approved assignment of Rice Lake's PPA for 9.7% to GLU, making the total commitment 81.0%.

E. Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has affected global markets, supply chains, employees of organizations, and local communities. Specific to GLU, COVID-19 may impact parts of its 2021 operations and financial results. Management believes GLU is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.



**INDEPENDENT AUDITORS' 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**

Board of Directors
Great Lakes Utilities
Manitowoc, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Great Lakes Utilities (GLU) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise GLU's financial statements, and have issued our report thereon dated April 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GLU's internal control over financial reporting (internal control) as a basis for designing 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 GLU's internal control. Accordingly, we do not express an opinion on the effectiveness of GLU'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of GLU's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GLU's financial statements are free from 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 financial statements. 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 or other matters 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 GLU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GLU's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
April 22, 2021