

GREAT LAKES UTILITIES

Annual Financial Report

For the Year Ended December 31, 2023

 **KerberRose**

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GREAT LAKES UTILITIES

Table of Contents

December 31, 2023

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 6
BASIC 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 – 16

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Independent Auditors' Report

To the Board of Directors
Great Lakes Utilities
Manitowoc, Wisconsin

Opinion

We have audited the accompanying financial statements of the Great Lakes Utilities (GLU), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Great Lakes Utilities' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Great Lakes Utilities, as of December 31, 2023, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GLU, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the GLU's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

To the Board of Directors
Great Lakes Utilities

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Great Lakes Utilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Great Lakes Utilities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 responses 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 Information

We previously audited GLU's 2022 financial statements and we expressed an unmodified opinion on those financial statements in our report dated April 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KerberRose SC

KerberRose SC
Certified Public Accountants
Oshkosh, Wisconsin
March 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

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, 2023.

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

Financial Highlights from 2023

GLU had a contract with Manitowoc Public Utilities (MPU) generating assets for the purchase of approximately 77 MW of capacity and associated energy that expired in 2026 unless extended by either party with a four-year notice. GLU and MPU mutually decided to end this agreement as of December 31, 2022. With the expiration of this contract, 64 MWs of capacity and associated energy sales to MPU also ended as of December 31, 2022.

The MPU-GLU Management Services and Operating Services agreements expired on June 2023; MPU did not pursue an extension. The GLU board completed an RFP process to procure management services, MISO market services and power supply planning in 2023 to replace the services MPU provided. ACES was selected to provide MISO market services and power supply planning services through a contract with an initial term of 5 years. A transfer of responsibility was completed between MPU and ACES by the end of June 2023. Marshfield Utilities (MU) was selected to provide administrative services, support MISO market services and support power supply planning in 2023 through a contract with an initial term of 5 years. A transfer of responsibility was completed between MPU and MU by the end of June 2023. GLU continues to perform market participant functions via ACES and MU in the Midcontinent Independent System Operator (MISO) on behalf of its GLU East and West power supply members as well as Marshfield. The City of Escanaba provided notice and terminated its GLU membership effective at the end of 2023. The City of Escanaba was only receiving MISO services from GLU.

In 2022, GLU created a Rate Stabilization Committee to monitor the rate stabilization funds developed for members.

GLU continues to meet the MISO collateral requirements through existing cash and \$1.9 million in notes payable to members. GLU must 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.

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

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 11 members: the Wisconsin communities of Bangor, Clintonville, Cornell, Kiel, Manitowoc, Marshfield, Medford, Shawano, Stratford, Trempealeau, and Wisconsin Rapids.

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>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets				
Cash and investments	\$ 15,860,057	\$ 22,135,247	\$ (6,275,190)	-28.3%
Other	7,919,943	8,956,761	(1,036,818)	-11.6%
	<u>23,780,000</u>	<u>31,092,008</u>	<u>(7,312,008)</u>	<u>-23.5%</u>
Restricted Assets	11,459,561	6,717,374	4,742,187	70.6%
Other Assets	2,809,820	2,809,820	-	0.0%
Total Assets	<u>\$ 38,049,381</u>	<u>\$ 40,619,202</u>	<u>\$ (2,569,821)</u>	<u>-6.3%</u>
Current Liabilities and Other Accrued Expenses	\$ 5,959,558	\$ 7,983,605	\$ (2,024,047)	-25.4%
Rate Stabilization Deposits	11,459,561	6,717,374	4,742,187	70.6%
Notes Payable	1,900,000	1,900,000	-	0.0%
Total Liabilities	<u>19,319,119</u>	<u>16,600,979</u>	<u>2,718,140</u>	<u>16.4%</u>
Net Position - Unrestricted	<u>18,730,262</u>	<u>24,018,223</u>	<u>(5,287,961)</u>	<u>-22.0%</u>
Total Liabilities and Net Position	<u>\$ 38,049,381</u>	<u>\$ 40,619,202</u>	<u>\$ (2,569,821)</u>	<u>-6.3%</u>

Variance Explanations

- Other current assets decreased due to a decrease in long-term investments and outstanding Accounts Receivable at year-end.
- Restricted assets increased due to the transfer of funds to the rate stabilization accounts by members in 2023.

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Table 2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Power Supply Billings	\$ 75,393,722	\$ 103,497,213	\$ (28,103,491)	-27.2%
Member Assessments	185,000	829,917	(644,917)	-77.7%
Total Revenues	<u>75,578,722</u>	<u>104,327,130</u>	<u>(28,748,408)</u>	-27.6%
East Power Supply Expenses	64,288,233	91,659,208	(27,370,975)	-29.9%
West Power Supply Expenses	11,156,817	12,255,417	(1,098,600)	-9.0%
Wind Expenses	(417,188)	(980,687)	563,499	-57.5%
Administrative and General Expenses	260,654	157,182	103,472	65.8%
RICE Project	-	13,181	(13,181)	
Total Expenses	<u>75,288,516</u>	<u>103,104,301</u>	<u>(27,815,785)</u>	-27.0%
Operating Income (Loss)	290,206	1,222,829	(932,623)	-76.3%
Nonoperating Revenues (Expenses)	<u>(5,578,167)</u>	<u>(941,554)</u>	<u>(4,636,613)</u>	492.4%
Change in Net Position	(5,287,961)	281,275	(5,569,236)	-1980.0%
Net Position - Beginning	<u>24,018,223</u>	<u>23,736,948</u>	<u>281,275</u>	1.2%
Net Position - Ending	<u>\$ 18,730,262</u>	<u>\$ 24,018,223</u>	<u>\$ (5,287,961)</u>	-22.0%

Variance Explanations

- Member Assessments decreased from 2022 due to member billings for the Reciprocating Internal Combustion Engine (RICE) project being included in 2022.
- East Power supply and West Power supply expenses decreased due to a decrease in natural gas prices resulting in lower energy prices in the MISO energy market.
- Wind expenses increased due to lower MISO energy prices which resulted in decreased revenues from the sales of the energy generated by the wind facility.
- Administrative expenses increased due to GLU management services switching from MPU to Marshfield Utilities. There was more time spent on setup, training and implementation.
- Investment income (Non-operating revenues) increased due to an increase in unrealized market gains on investments.
- The transfer of MPU funds to the Rate Stabilization account is included in Non-operating Expense, resulting in an increase in the total for the year.

Great Lakes Utilities

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Table 3

Net Plant Activity

	2023	2022	Dollar Change	Percent Change
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 mid-2029.
- GLU entered into a contract with Dairyland Power Cooperative for blocks of 25 MWs of On-Peak hours (5 x 16) and 20 MWs of ATC (7 x 24) hours energy starting January 1, 2023 through May 31, 2028.
- GLU entered into a contract with Dairyland Power Cooperative for 55 MWs of MISO LRZ 1 or 2 capacity for MISO Planning Year 2023/2024 through Planning Year 2027/2028.
- 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 credits 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, 2000 S. Central Ave., Marshfield, WI 54449.

BASIC FINANCIAL STATEMENTS

GREAT LAKES UTILITIES
Statement of Net Position
As of December 31, 2023
With Summarized Information from December 31, 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash	\$ 11,831,283	\$ 6,434,529
Investments	1,137,246	3,451,615
Customer Accounts Receivable	5,778,839	8,456,741
Prepayments	2,132,419	500,020
Parallel Project	8,685	-
Total Current Assets	<u>20,888,472</u>	<u>18,842,905</u>
NON-CURRENT ASSETS		
Restricted Assets:		
Cash and Investments	<u>11,459,561</u>	<u>6,717,374</u>
Other Assets:		
Long-term Investments	2,891,528	12,249,103
MISO Collateral Deposit	2,544,820	2,544,820
Investment in HCI	265,000	265,000
Total Other Assets	<u>5,701,348</u>	<u>15,058,923</u>
Total Non-Current Assets	<u>17,160,909</u>	<u>21,776,297</u>
TOTAL ASSETS	<u>38,049,381</u>	<u>40,619,202</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	<u>5,959,558</u>	<u>7,983,605</u>
NON-CURRENT LIABILITIES		
Rate Stabilization Deposits	11,459,561	6,717,374
Notes Payable	<u>1,900,000</u>	<u>1,900,000</u>
Total Non-Current Liabilities	<u>13,359,561</u>	<u>8,617,374</u>
TOTAL LIABILITIES	<u>19,319,119</u>	<u>16,600,979</u>
NET POSITION		
Unrestricted	<u>\$ 18,730,262</u>	<u>\$ 24,018,223</u>

See Accompanying Notes

GREAT LAKES UTILITIES

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended December 31, 2023

With Summarized Information from December 31, 2022

	2023	2022
OPERATING REVENUES		
Member Assessments	\$ 185,000	\$ 829,917
Power Supply:		
Billings	75,287,862	103,381,876
Supply Charges	105,860	115,337
Total Operating Revenues	75,578,722	104,327,130
OPERATING EXPENSES		
Power Supply:		
Purchased Power	61,510,515	89,854,688
Transmission Costs	12,634,381	12,432,256
Outside Services:		
Legal and Intervention	74,194	69,242
Technical Services - Consultant	235,032	248,522
Technical Services - Manitowoc Public Utilities	130,332	298,865
Insurance Expense	16,325	16,324
Administrative and General:		
Administrative Services - Manitowoc Public Utilities	54,061	81,045
Administrative Services - Marshfield Utilities	41,288	-
Meeting Expenses	22,774	9,537
Supplies and Other Expenses	110,336	80,641
RICE Project	-	13,181
ACES Services	332,522	-
Metering Services - Marshfield Utilities	55,179	-
Financial Services - Marshfield Utilities	71,577	-
Total Operating Expenses	75,288,516	103,104,301
OPERATING INCOME	290,206	1,222,829
NON-OPERATING REVENUE (EXPENSES)		
Investment Income	1,069,878	492,775
Unrealized Loss	(127,481)	(1,349,980)
Investment Fees	(24,867)	(57,950)
Interest Expense	(125,588)	(26,399)
Payment to Rate Stabilization	(6,370,109)	-
Total Non-Operating Revenue (Expenses)	(5,578,167)	(941,554)
CHANGE IN NET POSITION	(5,287,961)	281,275
NET POSITION - BEGINNING	24,018,223	23,736,948
NET POSITION - ENDING	\$ 18,730,262	\$ 24,018,223

See Accompanying Notes

GREAT LAKES UTILITIES
Statement of Cash Flows
For the Year Ended December 31, 2023
With Summarized Information from December 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$ 78,256,624	\$ 103,347,622
Paid to Suppliers for Goods and Services	(78,953,647)	(103,479,878)
Net Cash Flows From Operating Activities	(697,023)	(132,256)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Rate Stabilization Deposits Paid	(1,627,922)	(9,698,032)
Interest Paid on Notes	(125,588)	(26,399)
Net Cash Flows From Noncapital Financing Activities	(1,753,510)	(9,724,431)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	1,069,878	531,504
Investment Fees	(24,867)	(57,950)
Purchase of Investments	(1,989,121)	(5,218,035)
Proceeds from Maturity of Investments	8,791,397	15,510,964
Net Cash Flows From Investing Activities	7,847,287	10,766,483
NET INCREASE IN CASH AND EQUIVALENTS	5,396,754	909,796
CASH AND EQUIVALENTS - BEGINNING OF YEAR	6,434,529	5,524,733
CASH AND EQUIVALENTS - END OF YEAR	\$ 11,831,283	\$ 6,434,529
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 290,206	\$ 1,222,829
Noncash Items Included in Operating Income:		
Changes in Assets and Liabilities:		
Customer Accounts Receivable	2,677,902	(979,508)
Prepayments	(1,632,399)	-
Parallel Project Deposits	(8,685)	-
Accounts Payable	(2,024,047)	(375,577)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (697,023)	\$ (132,256)
RECONCILIATION OF CASH AND EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Investments in Current Assets	\$ 12,968,529	\$ 9,886,144
Cash and Investments in Non-Current Assets	2,891,528	12,249,103
Cash and Investments in Restricted Assets	11,459,561	6,717,374
Less: Investments	(15,488,335)	(22,418,092)
TOTAL CASH AND EQUIVALENTS	\$ 11,831,283	\$ 6,434,529

See Accompanying Notes

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2023

Note 1 - Summary of Significant Accounting Policies

Introduction

This summary of significant accounting policies of Great Lakes Utilities (GLU) is presented to assist in understanding GLU's financial statements. The financial statements and notes are representations of GLU's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity Enterprise Fund

The accounts of Great Lakes Utilities 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.

Measurement Focus, Basis of Accounting and Basis of Presentation

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 or related cash flows. Unpaid customer accounts receivable are recorded at year end.

Great Lakes Utilities distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with GLU's principal ongoing operations. The principal operating revenues of GLU are charges to customers for services. Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Investments

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 purpose 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 the date of acquisition are considered to be cash equivalents.

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables

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.

Prepayments

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

Investment in Hometown Connections, Inc. (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.

Capital Assets

Capital assets are generally defined by GLU as assets with an initial, individual cost of more than \$5,000 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	Service Lives (Years)
Equipment	<u>6</u>

Subscription-Based Information Technology Agreements

GLU adopted GASB Statement No. 96 for the year ended December 31, 2023, which requires recognition in the financial statements of certain subscription-based information technology agreements (SBITAs). A SBITA is any contract conveying control of the right to use another party's information technology software. This statement requires GLU to report a right-to-use subscription asset and corresponding subscription liability for any SBITAs. There were no material SBITAs that were required to be recorded for the year ended December 31, 2023.

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Position

Net position is classified into three components defined as follows:

- Net investment in capital assets – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted net position – Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, 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.

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

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences may be material.

Summarized Prior Year Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with GLU's financial statements for the year ended December 31, 2022 from which the summarized information was derived.

Note 2 - Cash and Investments

Wisconsin statutes authorize GLU to make deposits and invest in the accounts of banks, credit unions, savings banks, trust companies, and savings and loan associations, which are authorized to transact business in the State of Wisconsin. GLU is allowed to invest in:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, or the University of Wisconsin Hospitals and Clinics.
- Bonds or securities issued or guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2023

Note 2 - Cash and Investments (Continued)

- Securities of an open-end management investment company or investment trust subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant regulations of GLU.

The carrying amount of GLU's cash and investments totaled \$27,319,618 on December 31, 2023 as summarized below:

Deposits with financial institutions	\$ 11,831,283
Investments	15,488,335
	<u>\$ 27,319,618</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 15,860,057
Restricted cash and investments	11,459,561
Total Cash and Investments	<u>\$ 27,319,618</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, GLU 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 state statutes do not contain legal or policy requirements that would limit the exposure to custodial risks for deposits.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts); up to \$250,000 for the combined amount of all interest and noninterest bearing demand deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2023, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

The following represents a summary of deposits as of December 31, 2023:

Fully Insured Deposits	\$ 624,785
Collateralized	11,247,426
	<u>\$ 11,872,211</u>

The difference between bank deposits and carrying value is outstanding checks.

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2023

Note 2 - Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

As of December 31, 2023, GLU's investments were as follows:

Investments	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Securities	\$ 8,097,709	\$ 590,654	\$ 770,428	\$ 5,244,203	\$ 1,492,424
Corporate Bonds and Notes	6,214,289	546,592	2,766,362	2,079,976	821,359
Federal National Mortgage Association	764,534	-	-	-	764,534
Federal Home Loan Mortgage Corporation	411,803	-	-	-	411,803
	<u>\$ 15,488,335</u>	<u>\$ 1,137,246</u>	<u>\$ 3,536,790</u>	<u>\$ 7,324,179</u>	<u>\$ 3,490,120</u>

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. GLU's investment policy does not further limit its investment choices. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2023, GLU's credit quality ratings are as follows:

Investments	Fair Value	AAA	AA	A
U.S. Treasury Securities	\$ 8,097,709	\$ -	\$ -	\$ -
Corporate Bonds and Notes	6,214,289	317,982	1,130,504	4,456,854
Federal National Mortgage Association	764,534	764,534	-	-
Federal Home Loan Mortgage Corporation	411,803	411,803	-	-
	<u>\$ 15,488,335</u>	<u>\$ 1,494,319</u>	<u>\$ 1,130,504</u>	<u>\$ 4,456,854</u>

Investments	BBB+	Exempt
U.S. Treasury Securities	\$ -	\$ 8,097,709
Corporate Bonds and Notes	308,949	-
Federal National Mortgage Association	-	-
Federal Home Loan Mortgage Corporation	-	-
	<u>\$ 308,949</u>	<u>\$ 8,097,709</u>

Fair Value

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Adjustments necessary to record investments at fair value are recorded as increases or decreases in investment income.

- Level 1 – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources from market transactions involving identical assets.
- Level 2 – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 – Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

GREAT LAKES UTILITIES

Notes to Financial Statements

December 31, 2023

Note 2 - Cash and Investments (Continued)

As of December 31, 2023, GLU had the following investments at fair value:

Investments	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ -	\$ 8,097,709	\$ -
Corporate Bonds and Notes	-	6,214,289	-
Federal National Mortgage	-	764,534	-
Federal Home Loan Mortgage	-	411,803	-
	<u>\$ -</u>	<u>\$ 15,488,335</u>	<u>\$ -</u>

Note 3 - Midcontinent Independent System Operator Collateral Debt

As of December 31, 2023, GLU delivered \$2,544,820 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.

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

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

Note 5 - Long-Term Obligations

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, 2024 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, 2023 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, 2023

Note 6 - Risk Management

GLU is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omission, workers compensation, and health care of its employees. These risks, except those related to health care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in the past year. There were no significant reductions in coverage compared to the prior three years.

Note 7 - 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.

Note 8 - Related Party Transactions

At the present time, GLU has no employees. Therefore, in order to facilitate operations, GLU has contracted with members, Manitowoc Public Utilities (MPU) and Marshfield Utilities (MU), who took over the services during the year, to provide management, secretarial, accounting, and technical support services. GLU is charged for these services based upon the actual time spent by MPU and MU personnel on GLU operations. GLU is then billed for these services based upon contracted hourly rates. For the year ended December 31, 2023, technical and administrative services provided by MPU and MU totaled \$222,105.

Note 9 - 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%.

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