Grand Haven Board of Light and Power

Years Ended June 30, 2013 and 2012

Financial Statements and Supplementary Information

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GRAND HAVEN BOARD OF LIGHT AND POWER

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INDEPENDENT AUDITORS' REPORT

October 9, 2013

Board of Directors
Grand Haven Board of Light and Power
Grand Haven, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the *Grand Haven Board of Light and Power* (the "Board", an enterprise fund of the City of Grand Haven, Michigan), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic 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.

Independent 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Haven Board of Light and Power as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above present only the Grand Haven Board of Light and Power and do not purport to, and do not, present fairly the financial position of the City of Grand Haven, Michigan, as of June 30, 2013 and 2012, and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Grand Haven Board of Light and Power's basic financial statements. The supplementary information as listed on the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The management's discussion and analysis and the Schedules of Funding Progress and Employer Contributions for the pension and other postemployment benefit plans as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 9, 2013 on our consideration of the Grand Haven Board of Light and Power's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Rehmann Robson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (Unaudited)

This section of the Grand Haven Board of Light & Power's (BLP) annual financial report presents the analysis of the BLP's financial performance during the fiscal years ending June 30, 2013 and 2012. Please read it in conjunction with the financial statements, which follow this section.

Overview of Business

The BLP owns and operates an electric system, which generates, purchases, and distributes electric energy, and provides electric service to over 13,500 residential, commercial, and industrial customers in the City of Grand Haven and portions of the surrounding communities. The BLP generated 62 percent of its retail sales and 100 percent of its wholesale sales. The BLP purchased the balance of their energy requirements and made all wholesale sales through the Michigan Public Power Agency's Energy Services Project.

Condensed Financial Information

Net Position

	June 30,		
	2013	2012	2011
Current and other assets	$ 28,134,128	$ 30,892,905	$ 30,500,435
Capital assets, net	33,543,083	36,416,791	39,388,703
Total assets	61,677,211	67,309,696	69,889,138
Deferred outflows of resources	759,715	1,238,359	1,817,332
Long-term liabilities	28,702,752	34,984,349	40,679,760
Other liabilities	2,821,549	5,522,085	5,816,534
Total liabilities	31,524,301	40,506,434	46,496,294
Net investment in capital assets	6,192,033	3,283,503	847,357
Restricted	9,049,150	8,716,847	8,546,157
Unrestricted	15,671,442	16,041,271	15,816,662
Total net position, as restated	$ 30,912,625	$ 28,041,621	$ 25,210,176

Current and other assets decreased primarily due to timing of the accounts payable cycle at year end.

The decrease in capital assets is a result of the depreciation expense exceeding new capital investment.

GASB 63 and GASB 65 have dictated that we make a couple of changes to our financial statements. Our unamortized bond issuance costs have had to be fully expensed as a prior period adjustment. Also, our unamortized loss on refunding has been reclassified on the balance sheet as a Deferred outflow of resources. The term "net assets" has been changed to "net position" as well.

Long-term liabilities decreased due to the current year principal payment of long-term debt.

Other liabilities decreased primarily with the reduction in current assets, related to the timing of the accounts payable cycle at year end.

Results of Operations

	June 30,		
	2013	2012	2011
Operating revenues	$ 36,142,804	$ 34,997,091	$ 35,750,670
Operating expenses	(31,545,565)	(30,064,681)	(30,870,688)
Nonoperating expense, net	(1,726,235)	(2,100,965)	(2,493,619)
Net income	2,871,004	2,831,445	2,386,363
Beginning net position, as restated	28,041,621	25,210,176	22,823,813
Ending net position, as restated	$ 30,912,625	$ 28,041,621	$ 25,210,176

The increase in operating revenues is primarily the result of an increase in retail sales partially offset by a decrease in wholesale sales. Retail kWh sales increased in Residential as well as Commercial and Industrial categories. An average rate increase of 4.8% in retail sales was effective July 1, 2012. Retail sales now includes a calculation for unbilled revenue. A prior period adjustment was applied to fiscal year 2011 to allow for year to year comparisons. A decrease in wholesale sales was the result of decreased market opportunities.

Fiscal 2013 included a scheduled outage. Additionally there were unscheduled outages primarily related to tube leaks and a turbine oil leak with related fire damage.

The Energy Optimization Program and the Renewable Portfolio Standard Program both began in fiscal 2010. Revenue from surcharges billed to customers for Energy Optimization was $412,000 for fiscal 2013 while expenses incurred for the program were $350,000. Revenue from surcharges billed to customers for Renewable Portfolio Standard Program was $313,000. The BLP began purchasing power produced from landfill gas through the Granger Project at the Michigan Public Power Agency in July 2010 and the NANR project in September 2012 at the Michigan Public Power Agency.

Revenue from thermal energy related to snowmelt system operations was $23,500.

Capital contributions - transfers in are funds received from the City of Grand Haven and are included in Operating Revenues.

Budget

The BLP approved a $31,797,000 operating expense budget for fiscal year 2013. Actual operating expenses were $31,546,000.

Management's Discussion and Analysis (Unaudited)

Capital Asset and Debt Administration

Capital improvements are driven by the need to expand or maintain the systems of the BLP to meet growing customer needs and to maintain a satisfactory level of service reliability. The BLP invests essentially all revenues not paid out for operations and maintenance expense, non-operating expenses, or debt principal back into capital improvement for the electric systems. Total capital expenditures were $1,208,502 in fiscal year 2013, which was paid by internally generated funds.

Capital Assets
(net of depreciation)

	June 30,		
	2013	2012	2011
Land	$ 222,281	$ 222,281	$ 222,281
Construction in progress	507,961	304,184	396,722
Steam production	16,839,507	19,699,357	22,116,732
Diesel production	710,388	767,999	825,684
Transmission and distribution plant	14,969,817	15,200,395	15,680,494
General plant	293,129	222,575	146,790
Total	$ 33,543,083	$ 36,416,791	$ 39,388,703

Additional information on the BLP's capital assets can be found in Note 4 of this report.

Long-term Debt

	June 30,		
	2013	2012	2011
2003 electric system refunding bonds	$ 26,530,000	$ 32,295,000	$ 37,750,000
2007 electric system bonds	1,230,000	1,505,000	1,770,000
Unamortized bond premium	350,765	571,647	838,678
Compensated absences	591,987	612,702	321,082
Total	$ 28,702,752	$ 34,984,349	$ 40,679,760

Additional information on the BLP's long-term debt can be found in Note 6 of this report.

Management's Discussion and Analysis (Unaudited)

Next Year’s Budget and Rates

The budget approved for the fiscal year 2014 reflects no base rate increase for our customers. There is no scheduled maintenance outage for fiscal 2014.

The capital improvement budget for next year includes several improvements to the generation and distribution systems.

Requests for Information

This financial report is designed to provide a general overview of the BLP's finances for all those with an interest in the Grand Haven Board of Light and Power's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Kristin Kratt, Controller, 616-846-6250.

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BASIC FINANCIAL STATEMENTS

GRAND HAVEN BOARD OF LIGHT AND POWER

Statements of Net Position

	June 30	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	$ 8,280,454	$ 11,289,983
Receivables:		
Accounts	4,632,171	4,843,378
Interest	268	199
Inventories	5,349,568	5,058,722
Prepaid expenses and other current assets	71,260	75,688
Total current assets	18,333,721	21,267,970
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	7,121,734	6,948,369
Investments	2,678,113	2,676,037
Interest receivable	560	529
Capital assets not being depreciated	730,242	526,465
Capital assets being depreciated, net	32,812,841	35,890,326
Total noncurrent assets	43,343,490	46,041,726
Total assets	61,677,211	67,309,696
Deferred outflows of resources		
Deferred charge on refunding	759,715	1,238,359
Liabilities		
Current liabilities:		
Accounts payable	1,241,235	3,745,967
Due to other funds of the City of Grand Haven	136,365	139,017
Accrued payroll	140,610	103,391
Customer deposits	444,522	438,482
Unearned revenue	8,727	6,397
Accrued interest payable from restricted assets	751,257	908,088
Current portion of long-term debt	6,851,580	6,545,100
Total current liabilities	9,574,296	11,886,442
Noncurrent liabilities:		
Unearned revenue	5,916	14,643
Net other postemployment benefit obligation	92,917	166,100
Long-term debt - net of current portion	21,851,172	28,439,249
Total noncurrent liabilities	21,950,005	28,619,992
Total liabilities	31,524,301	40,506,434
Net position		
Net investment in capital assets	6,192,033	3,283,503
Restricted:		
Debt service	9,049,150	8,716,847
Unrestricted	15,671,442	16,041,271
Total net position, as restated	$ 30,912,625	$ 28,041,621

The accompanying notes are an integral part of these basic financial statements.

GRAND HAVEN BOARD OF LIGHT AND POWER

Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended June 30	
	2013	**2012**
Operating revenues		
Residential sales	$ 10,908,047	$ 10,383,416
Commercial and industrial sales	22,893,539	21,947,343
Public street and highway lighting	554,877	511,149
Other sales to public authorities	801,865	705,423
Wholesale sales	744,583	1,273,652
Thermal energy	23,486	25,520
Forfeited discounts	120,829	99,891
Rental income	42,060	43,745
Capital contributions	52,018	4,702
Other services	1,500	2,250
Total operating revenues	36,142,804	34,997,091
Operating expenses		
Power production	20,728,009	19,501,223
Distribution	2,128,673	2,068,439
Customer accounts	1,039,834	937,843
Administrative and general	1,791,527	1,846,542
Depreciation	4,082,210	4,058,120
Statutory charge	1,775,312	1,652,514
Total operating expenses	31,545,565	30,064,681
Operating income	4,597,239	4,932,410
Nonoperating income (expense)		
Interest income	12,379	3,911
Interest expense	(1,761,571)	(2,129,324)
Emission allowances	6,404	2,770
Other revenue	16,553	21,678
Total nonoperating expense, net	(1,726,235)	(2,100,965)
Change in net position, as restated	2,871,004	2,831,445
Net position, beginning of year, as restated	28,041,621	25,210,176
Net position, end of year, as restated	$ 30,912,625	$ 28,041,621

The accompanying notes are an integral part of these basic financial statements.

GRAND HAVEN BOARD OF LIGHT AND POWER

Statements of Cash Flows

	For the Year Ended June 30	
	2013	2012
Cash flows from operating activities		
Receipts from customers and users	$ 36,323,005	$ 34,607,316
Payments to suppliers	(26,633,454)	(20,375,733)
Payments to employees	(3,633,180)	(3,910,839)
Net cash provided by operating activities	6,056,371	10,320,744
Cash flows from noncapital financing activities		
Emission allowances	6,404	2,770
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(6,040,000)	(5,720,000)
Interest paid on long-term debt	(1,660,640)	(1,965,875)
Purchase of capital assets	(1,208,502)	(1,086,208)
Net cash used in capital and related financing activities	(8,909,142)	(8,772,083)
Cash flows from investing activities		
Cash received for interest	6,941	8,602
Purchases of investment securities	(14,320,738)	(9,647,564)
Proceeds from sale or maturities of investment securities	14,324,000	9,648,000
Net cash provided by investing activities	10,203	9,038
Net increase (decrease) in cash and cash equivalents	(2,836,164)	1,560,469
Cash and cash equivalents, beginning of year	18,238,352	16,677,883
Cash and cash equivalents, end of year	$ 15,402,188	$ 18,238,352
Statement of net position classification of cash and cash equivalents:		
Cash and cash equivalents	$ 8,280,454	$ 11,289,983
Restricted assets, cash and cash equivalents	7,121,734	6,948,369
Total cash and cash equivalents	$ 15,402,188	$ 18,238,352

continued…

The accompanying notes are an integral part of these basic financial statements.

GRAND HAVEN BOARD OF LIGHT AND POWER

Statements of Cash Flows

	For the Year Ended June 30	
	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 4,597,239	$ 4,932,410
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,082,210	4,058,120
Other revenue	16,553	21,678
Bad debt expense	41,162	34,646
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	170,045	(408,701)
Inventories	(290,846)	1,534,494
Prepaid expenses and other current assets	4,428	2,433
Accounts payable	(2,504,732)	(13,800)
Due to other funds of the City of Grand Haven	(2,652)	(446)
Due to component units of the City of Grand Haven	-	(20,979)
Accrued payroll	37,219	(163,170)
Customer deposits	6,040	32,165
Unearned revenue	(6,397)	(2,752)
Compensated absences	(20,715)	291,620
Net other postemployment benefit obligation	(73,183)	23,026
Net cash provided by operating activities	$ 6,056,371	$ 10,320,744

concluded

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Grand Haven Board of Light and Power (the "Board") is an Enterprise Fund of the City of Grand Haven, Michigan (the "City"). It operates under direction of the City Charter. The Board provides electric services to users in the City of Grand Haven and portions of the surrounding area. The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of Presentation

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board are charges to customers for sales and services. Operating expenses include the cost of sales and 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 Board's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value, which approximates cost on the balance sheet date.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories

Inventories consist of coal and fuel oil and are stated at the lower of cost, determined principally by the moving average method, or market.

Prepaid Items

The Board incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Board records an asset to reflect the investment in future services.

Restricted Assets

Certain proceeds of the Board's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because they are maintained in separate accounts and their use is limited by applicable bond covenants. The Board has separate accounts used to: 1) report resources set aside to subsidize potential deficiencies from the Board's operation that could adversely affect debt service payments, (2) segregate resources accumulated for debt service payments over the next twelve months, (3) report resources set aside to make up potential future deficiencies in the revenue bond current debt service account and (4) report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Board 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 fair market value at the date of donation.

Estimated useful lives of the related assets by asset category are as follows:

	Years
Steam production	5-50
Diesel production	5-33
Transmission and distribution plant	5-33
General plant	5-30

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Board only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Notes to Financial Statements

Compensated absences

Eligible employees are permitted to accumulate paid time off benefits in varying amounts based on length of service and other established criteria. Paid time off is accrued when incurred in the Board's financial statements.

Premiums, Discounts and Deferred Refunding Costs

Premiums, discounts and deferred refunding costs associated with various bond issues are being amortized by the interest or straight-line methods over the repayment periods of the related bonds. Amortization of these items is charged to interest expense.

Revenue Recognition

Revenue is recognized when customers are billed for services.

Electric System Revenue Bond Resolution

The Board is required to adhere to the terms of the Electric System Revenue Bond Resolution (the "Resolution") adopted August 23, 1979. Pursuant to the Resolution, the City, acting through the Board, has covenanted to at all times fix, establish, maintain and collect rates, fees and charges for the sale of the output, capacity, use or service of the Electric System which, together with other income, are reasonably expected to yield Net Revenues for the forthcoming twelve month period and, promptly upon any material change in the circumstances which were contemplated at the time such rates, fees and charges were most recently reviewed, but not less frequently than once in each fiscal year, shall review the rates, fees and charges for such sale of the output, capacity, use or service of the Electric System and shall promptly revise the same as necessary to comply with the foregoing requirement; provided, however, that, such rates, fees and charges shall in any event produce revenues sufficient to enable compliance with all covenants in the Resolution and to pay all charges or liens whatsoever payable out of revenues in such twelve month period.

2. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of June 30:

	2013	2012
Cash and cash equivalents	$ 8,280,454	$ 11,289,983
Restricted cash and cash equivalents	7,121,734	6,948,369
Restricted investments	2,678,113	2,676,037
Total	$ 18,080,301	$ 20,914,389

	2013	2012
Deposits and investments		
Checking and savings accounts	$ 8,279,654	$ 14,071,552
Investments	9,799,847	6,842,037
Petty cash	800	800
	$ 18,080,301	$ 20,914,389

Statutory Authority

State statutes authorize the Board to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

External investment pools as authorized by Public Act 20 as amended through 12/31/97.

However, the Board's investment policy is further restricted by Bond Resolution.

At June 30, 2013, the Board had the following investments:

Investment	Maturity Date	Fair Market Value	Rating
Government obligation mutual funds	N/A	$ 7,121,734	N/A
U.S. Treasury Bill	08/01/2013	1,339,327	N/A
U.S. Treasury Bill	10/17/2013	1,338,786	N/A
		$ 9,799,847	

At June 30, 2012, the Board had the following investments:

Investment	Maturity Date	Fair Market Value	Rating
Money market investment	N/A	$ 4,166,000	N/A
U.S. Treasury Bill	08/02/2012	1,339,713	N/A
U.S. Treasury Bill	08/23/2012	1,336,324	N/A
		$ 6,842,037	

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Board's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Revenue Bond Resolution provides additional resources on the Board's investment choices.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. State law does not require and the Board's investment policy does not have specific limits in excess of state law on custodial credit risk. Insurance coverage pertains to all deposits of the City; hence, the specific coverage pertaining to the Board's deposits, if any, is not readily determinable.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Board does not have a policy for investment custodial credit risk which is more restrictive than state law. The Board is not exposed to custodial credit risk because all investments are held in the name of the Board.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The Board will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Notes to Financial Statements

3. RESTRICTED NET POSITION

Restricted net position consist of the following at June 30:

	2013	2012
Bond and interest redemption account –		
Cash and cash equivalents	$ 7,121,257	$ 6,948,196
Debt service reserve account –		
Cash and cash equivalents	477	173
United States Treasury bills & notes	2,678,113	2,676,037
Interest receivable	560	529
Total revenue bond restricted assets	9,800,407	9,624,935
Less current liabilities payable from restricted assets -		
Accrued interest	751,257	908,088
Total restricted net position	$ 9,049,150	$ 8,716,847

These assets are restricted pursuant to the Revenue Resolution for revenue bond debt service. Net position is restricted for the purposes noted above.

4. CAPITAL ASSETS

A summary of capital assets as of and for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 222,281	$ -	$ -	$ -	$ 222,281
Construction in progress	304,184	1,208,502	-	(1,004,725)	507,961
	526,465	1,208,502	-	(1,004,725)	730,242
Capital assets, being depreciated:					
Steam production	96,635,842	-	-	154,673	96,790,515
Diesel production	6,183,435	-	-	-	6,183,435
Transmission and distribution plant	34,323,644	-	-	727,767	35,051,411
General plant	1,561,203	-	-	122,285	1,683,488
	138,704,124	-	-	1,004,725	139,708,849
Less accumulated depreciation for:					
Steam production	(76,936,485)	(3,014,523)	-	-	(79,951,008)
Diesel production	(5,415,436)	(57,611)	-	-	(5,473,047)
Transmission and distribution plant	(19,123,249)	(958,345)	-	-	(20,081,594)
General plant	(1,338,628)	(51,731)	-	-	(1,390,359)
	(102,813,798)	(4,082,210)	-	-	(106,896,008)
Total capital assets being depreciated, net	35,890,326	(4,082,210)	-	1,004,725	32,812,841
Total capital assets, net	$ 36,416,791	$ (2,873,708)	$ -	$ -	$ 33,543,083

A summary of capital assets as of and for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 222,281	$ -	$ -	$ -	$ 222,281
Construction in progress	396,722	1,086,208	-	(1,178,746)	304,184
	619,003	1,086,208	-	(1,178,746)	526,465
Capital assets, being depreciated:					
Steam production	96,025,730	-	-	610,112	96,635,842
Diesel production	6,183,435	-	-	-	6,183,435
Transmission and distribution plant	33,868,072	-	-	455,572	34,323,644
General plant	1,448,141	-	-	113,062	1,561,203
	137,525,378	-	-	1,178,746	138,704,124
Less accumulated depreciation for:					
Steam production	(73,908,998)	(3,027,487)	-	-	(76,936,485)
Diesel production	(5,357,751)	(57,685)	-	-	(5,415,436)
Transmission and distribution plant	(18,187,578)	(935,671)	-	-	(19,123,249)
General plant	(1,301,351)	(37,277)	-	-	(1,338,628)
	(98,755,678)	(4,058,120)	-	-	(102,813,798)
Total capital assets being depreciated, net	38,769,700	(4,058,120)	-	1,178,746	35,890,326
Total capital assets, net	$ 39,388,703	$ (2,971,912)	$ -	$ -	$ 36,416,791

Notes to Financial Statements

5. UNEARNED REVENUE

The Board receives revenue from allowances that are withheld by the EPA and are being sold at auction. The Board recognized $6,404 and $2,770 in emission allowances revenue for the years ended June 30, 2013 and 2012, respectively.

6. LONG-TERM DEBT

Long-term debt activity as of and for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2003 Electric System Revenue Refunding Bonds, due in annual installments of $6,085,000 to $7,210,000 through 2017; interest paid semi-annually at 5.25% to 5.5%.	$ 32,295,000	$ -	$ (5,765,000)	$ 26,530,000	$ 6,085,000
2007 Electric System Revenue Bonds, due in annual installments of $285,000 to $330,000 through 2017; interest paid semi-annually at 4.5% to 5.0%.	1,505,000	-	(275,000)	1,230,000	285,000
Total installment debt	33,800,000	-	(6,040,000)	27,760,000	6,370,000
Unamortized bond premium	571,647	-	(220,882)	350,765	172,028
Compensated absences	612,702	288,837	(309,552)	591,987	309,552
Total long-term debt	$ 34,984,349	$ 288,837	$ (6,570,434)	$ 28,702,752	$ 6,851,580

Notes to Financial Statements

Long-term debt activity as of and for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2003 Electric System Revenue Refunding Bonds, due in annual installments of $5,765,000 to $7,210,000 through 2017; interest paid semi-annually at 5.25% to 5.5%.	$ 37,750,000	$ -	$ (5,455,000)	$ 32,295,000	$ 5,765,000
2007 Electric System Revenue Bonds, due in annual installments of $275,000 to $330,000 through 2017; interest paid semi-annually at 4.0% to 5.0%.	$ 1,770,000	$ -	$ (265,000)	$ 1,505,000	$ 275,000
Installment debt	39,520,000	-	(5,720,000)	33,800,000	6,040,000
Unamortized bond premium	838,678	-	(267,031)	571,647	220,881
Compensated absences	321,082	575,839	(284,219)	612,702	284,219
Total long-term debt	$ 40,679,760	$ 575,839	$ (6,271,250)	$ 34,984,349	$ 6,545,100

Debt Service Requirements

The annual requirements to maturity on debt outstanding as of June 30, 2013, excluding the unamortized premium on bonds payable, are as follows:

Year Ended June 30,	Principal	Interest
2014	$ 6,370,000	$ 1,496,100
2015	6,730,000	1,163,475
2016	7,120,000	795,200
2017	7,540,000	404,800
Total	$ 27,760,000	$ 3,859,575

Covenants of the Revenue Bond Resolution provide for, among other things, guidance on rate setting (requires anticipation of debt coverage ratio), various restrictions on the transfer of funds, issuance of additional debt, creation of liens and the sale and lease of property.

7. PENSION PLANS

Defined Benefit Pension Plan

The information for the Board's defined benefit pension plan is as of December 31, 2012, which is the most recent information available.

Plan Description

The Board participates with the City in a defined benefit pension plan. The City's defined benefit pension plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan ("MERS"), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The Board is required to contribute at an actuarially determined rate; the current rate is 12.79% and 7.52% of annual covered payroll for union and non-union employees, respectively. The required employee contribution rates are 4.0% and 7.52% for union and non-union employees, respectively. Total employee contributions were $228,952 and $223,280 for the years ended June 30, 2013 and 2012, respectively. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the Board.

Annual Pension Cost

For the year ended June 30, 2013, the Board's annual pension cost of $468,773 for MERS was equal to the Board's required and actual contributions. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, ranges from 5 to 26 years, depending on the specific employee group.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011	$ 422,568	100%	$ -
2012	467,070	100%	-
2013	468,773	100%	-

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation, the plan was 86% funded. The actuarial accrued liability for benefits was $13,989,542, and the actuarial value of assets was $11,964,702, resulting in an unfunded actuarial accrued liability (UAAL) of $2,024,840. The covered payroll (annual payroll of the active employees covered by the Plan) was $2,660,226 and the ratio of the UAAL to the covered payroll was 76 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

8. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Board participates with the City in a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the City's policy, the City provides health care benefits to retirees in accordance with the pension ordinance. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible.

Contributions. The contribution requirements of Plan members, the Board and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For the year ended June 30, 2013, the Board contributed $135,333 to the Plan.

Annual OPEB Cost and Net OPEB Obligation. The Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Board's net OPEB obligation as of and for the years ended June 30:

	2013	2012
Annual required contribution	$ 179,757	$ 164,444
Interest on net OPEB obligation	8,132	9,785
Adjustment to annual required contribution	(125,739)	(14,627)
Net OPEB cost	62,150	159,602
Contributions made	135,333	136,576
Change in net OPEB	(73,183)	23,026
Net OPEB obligation, beginning of year	166,100	143,074
Net OPEB obligation, end of year	$ 92,917	$ 166,100

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 158,896	64.04%	$ 143,074
2012	159,602	85.57%	166,100
2013	62,150	217.75%	92,917

Funded status and funding progress. As of June 30, 2012, the most recent actuarial valuation, the plan was 20% funded. The actuarial accrued liability for benefits was $1,566,016, and the actuarial value of assets was $316,280, resulting in an unfunded actuarial accrued liability (UAAL) of $1,249,736. The covered payroll (annual payroll of the active employees covered by the Plan) was $3,039,960 and the ratio of the UAAL to the covered payroll was 41 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

The accompanying schedules of employer contributions presented as RSI present trend information about the amounts contributed to the plan by employers in comparison with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to the point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

In the June 30, 2012 actuarial valuation, the entry age normal (level percent) cost method was used. The actuarial assumptions included a 7.5% discount rate. Life expectancies were based on rates from the IRS 2012 mortality table for healthy and the IRS 2012 mortality table set forward 10 years for disabled. The unfunded actuarial accrued liability is being amortized as a level percent on a closed basis. The remaining amortization period at June 30, 2012 was 13 years.

9. RISK MANAGEMENT

The Board is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Board is self-insured for these risks through the City's self-insurance program except as detailed below. As an enterprise fund of the City, the Board is partially uninsured for health claims and has purchased commercial insurance for coverage related to claims in excess of certain stop-loss limits. The City estimates the liability for health claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City's Health Benefits Internal Service Fund. The Board also participates in the Michigan Municipal League risk pool for workers' compensation and with the Michigan Professional Insurance Authority for other types of insurance including general and property insurance.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Board is exposed to various risks related to liability, damage or loss of fiscal assets for which it has participated in the creation of a self-insurance program known as the Michigan Professional Insurance Authority (MPIA). MPIA was established pursuant to the State of Michigan Act 35 of 1951; Intergovernmental Contracts between Municipal Corporations.

MPIA administers an actuarially based risk management fund and utilizes such funds contributed by the Board to defend and protect stated liability and property. MPIA has purchased commercial insurance for coverage in excess of self-insured reserve limits and for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past five fiscal years. There is no open or pending claim litigation.

All participants in the MPIA make payments to the MPIA based on experience estimates of the amounts needed to pay prior and current year claims.

Years Ended June 30,	Beginning of Year Liability	Current Year Premium Equivalent Costs	Premium Equivalent Payments	Balance at Year End
2013	$ -	$ 802,500	$ 802,500	$ -
2012	-	802,500	802,500	-

10. COMMITMENTS

The Board has entered into a coal purchase agreement to purchase a minimum of 1,296,800 tons of coal at fixed prices ending on various dates through December 31, 2017. At June 30, 2013, approximately 569,000 tons of coal had been purchased under this agreement.

Amounts required to complete various construction projects are not material to the financial statements.

11. JOINT VENTURE

The Board entered into a joint venture, the Michigan Public Power Agency (MPPA), with 16 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The Board is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Board did not have an initial equity interest and does not participate in net income or losses. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing MI 48917.

The MPPA operates various projects. The Board currently participates in the Transmission Project, Granger Project, North American Natural Resources Project, and the Energy Services Project. The Board had the following activity with the MPPA during the years ended June 30:

	2013	2012
Sales	$ 744,585	$ 1,102,105
Purchases	5,877,782	1,773,325
Receivables	-	157,877

Notes to Financial Statements

12. LITIGATION

In the normal course of its activities, the Board is a party to various legal actions and subject to certain asserted and unasserted claims and assessments. Although some actions have been brought, the Board has not experienced significant losses or costs. The Board is of the opinion that the outcome of any pending actions will not have a material effect on the Board's financial position or results of operations.

13. RELATED PARTY TRANSACTIONS

City-owned facilities are users of Board electric services. The Board includes the sale of such services in its charges for services revenue. The Board is required to pay five percent of gross retail sales to the City under provisions of the City Charter.

A summary of related-party transactions with the City is as follows as of and for the years ended June 30:

	2013	2012
Operating revenue from City-owned facilities	$ 1,131,047	$ 993,147
Operating expenses - statutory charge	1,775,312	1,652,514
Accounts receivable	97,893	120,576
Accounts payable	12,311	15,758
Due to other funds of the City	136,365	139,017

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets was as follows as of June 30:

	2013	2012
Capital assets:		
Capital assets not being depreciated	$ 730,242	$ 526,465
Capital assets being depreciated, net	32,812,841	35,890,326
	33,543,083	36,416,791
Related debt:		
Total installment debt	27,760,000	33,800,000
Bond premium	350,765	571,647
Deferred loss on refunding	(759,715)	(1,238,359)
	27,351,050	33,133,288
Net investment in capital assets	$ 6,192,033	$ 3,283,503

Notes to Financial Statements

15. RESTATEMENTS

The Board adopted the provisions of GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and No. 65, *Items Previously Reported as Assets and Liabilities,* in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in the elimination of bond issuance costs as an asset. As a result of this change, beginning net position decreased by $138,322 for the year ended June 30, 2012. The change in net position increased by $44,377 for the year ended June 30, 2012 as a result of this new standard.

The Board began recording unbilled accounts receivable for services provided between the last meter read and June 30. Beginning net position was increased by $1,505,014 for the year ended June 30, 2012 for unbilled accounts receivable not recorded in prior years. The change in net position increased by $497,050 for the year ended June 30, 2012 as a result of this adjustment.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Municipal Employees Retirement System

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/06	$ 8,438,691	$ 9,310,403	$ 871,712	90.64%	$ 2,289,194	38.08%
12/31/07	9,294,218	9,988,669	694,451	93.05%	2,416,428	28.74%
12/31/08	9,856,695	11,443,610	1,586,915	86.13%	2,473,434	64.16%
12/31/09	10,381,674	12,053,072	1,671,398	86.13%	2,604,817	64.17%
12/31/10	10,995,682	12,628,061	1,632,379	87.07%	2,522,851	64.70%
12/31/12	11,964,702	13,989,542	2,024,840	85.53%	2,660,226	76.12%

Schedule of Employer Contributions

Year Ended	Annual Required Contributions	Percentage Contributed
06/30/08	$ 247,413	100%
06/30/09	291,800	100%
06/30/10	290,184	100%
06/30/11	422,568	100%
06/30/12	467,070	100%
06/30/13	468,773	100%

Required Supplementary Information
Other Postemployment Benefit Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
06/30/08	$ -	$ 1,506,491	$ 1,506,491	0.00%	$ 3,645,317	41.33%
06/30/10	158,626	1,373,246	1,214,620	11.55%	3,561,740	34.10%
06/30/12	316,280	1,566,016	1,249,736	20.20%	3,039,960	41.11%

Schedule of Employer Contributions

Year Ended	Annual Required Contributions	Percentage Contributed
06/30/09	$ 188,579	86.5%
06/30/10	393,099	63.4%
06/30/11	163,170	95.5%
06/30/12	164,444	83.1%
06/30/13	179,757	75.3%

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SUPPLEMENTARY INFORMATION

GRAND HAVEN BOARD OF LIGHT AND POWER

Schedules of Revenues, Expenses and Changes in Net Position

	For the Year Ended June 30		Increase (Decrease)	Percentage of Operating Revenues	
	2013	2012		2013	2012
Operating revenues					
Residential sales	$ 10,908,047	$ 10,383,416	$ 524,631	30.18%	29.67%
Commercial and industrial sales	22,893,539	21,947,343	946,196	63.34%	62.71%
Public street and highway lighting	554,877	511,149	43,728	1.54%	1.46%
Other sales to public authorities	801,865	705,423	96,442	2.22%	2.02%
Sales for resale	744,583	1,273,652	(529,069)	2.06%	3.64%
Thermal energy	23,486	25,520	(2,034)	0.06%	0.07%
Forfeited discounts	120,829	99,891	20,938	0.33%	0.29%
Rental income	42,060	43,745	(1,685)	0.12%	0.12%
Capital contributions	52,018	4,702	47,316	0.14%	0.01%
Other services	1,500	2,250	(750)	0.00%	0.01%
Total operating revenues	36,142,804	34,997,091	1,145,713	99.99%	100.00%
Operating expenses					
Power production	20,728,009	19,501,223	1,226,786	57.35%	55.72%
Distribution	2,128,673	2,068,439	60,234	5.89%	5.91%
Customer accounts	1,039,834	937,843	101,991	2.88%	2.68%
Administrative and general	1,791,527	1,846,542	(55,015)	4.96%	5.28%
Depreciation	4,082,210	4,058,120	24,090	11.29%	11.60%
Statutory charge	1,775,312	1,652,514	122,798	4.91%	4.72%
Total operating expenses	31,545,565	30,064,681	1,480,884	87.28%	85.91%
Operating income	4,597,239	4,932,410	(335,171)	12.71%	14.09%
Nonoperating income (expense)					
Interest income	12,379	3,911	8,468	0.03%	0.01%
Interest expense	(1,761,571)	(2,129,324)	367,753	-4.87%	-6.08%
Emission allowances	6,404	2,770	3,634	0.02%	0.01%
Other revenue	16,553	21,678	(5,125)	0.05%	0.06%
Total nonoperating expense, net	(1,726,235)	(2,100,965)	374,730	-4.77%	-6.00%
Change in net position, as restated	$ 2,871,004	$ 2,831,445	$ 39,559	7.94%	8.09%

GRAND HAVEN BOARD OF LIGHT AND POWER

Schedules of Operating Expenses

	For the Year Ended June 30		Increase (Decrease)	Percentage of Operating Revenues	
	2013	2012		2013	2012
Power production					
Steam expense:					
Operation:					
Supervision and engineering	$ 74,567	$ 78,173	$ (3,606)	0.21%	0.22%
Vacation, sick and holiday pay	286,299	454,205	(167,906)	0.79%	1.30%
Fringe benefits	975,087	1,113,574	(138,487)	2.70%	3.18%
Fuel and fuel handling	8,838,492	12,521,996	(3,683,504)	24.46%	35.78%
Steam	588,731	560,345	28,386	1.63%	1.60%
Scrubber	336,762	383,244	(46,482)	0.93%	1.10%
Electric plant	280,655	309,089	(28,434)	0.78%	0.88%
Other	322,307	376,039	(53,732)	0.89%	1.07%
Total operation	11,702,900	15,796,665	(4,093,765)	32.39%	45.13%
Maintenance:					
Supervision	44,264	49,340	(5,076)	0.12%	0.14%
Structures	56,899	89,778	(32,879)	0.16%	0.26%
Boiler plant	2,042,922	808,411	1,234,511	5.65%	2.31%
Scrubber	492,737	295,458	197,279	1.36%	0.84%
Electric plant	115,609	27,065	88,544	0.32%	0.08%
Other	8,325	(4,706)	13,031	0.02%	-0.01%
Total maintenance	2,760,756	1,265,346	1,495,410	7.63%	3.62%
Total steam expense	14,463,656	17,062,011	(2,598,355)	40.02%	48.75%
Diesel expense:					
Operation:					
Supervision and engineering	-	159	(159)	0.00%	0.00%
Vacation, sick and holiday pay	14,721	40,462	(25,741)	0.04%	0.12%
Fringe benefits	51,092	96,666	(45,574)	0.14%	0.28%
Fuel:					
Oil	64,804	67,378	(2,574)	0.18%	0.19%
Gas	22,086	18,845	3,241	0.06%	0.05%
Operating labor	35,824	47,367	(11,543)	0.10%	0.14%
Other	47,252	36,863	10,389	0.13%	0.11%
Total operation	235,779	307,740	(71,961)	0.65%	0.89%
Maintenance:					
Structures	9,226	6,150	3,076	0.02%	0.02%
Engines	59,645	120,404	(60,759)	0.17%	0.34%
Other	-	6,430	(6,430)	0.00%	0.02%
Total maintenance	68,871	132,984	(64,113)	0.19%	0.38%
Total diesel expense	304,650	440,724	(136,074)	0.84%	1.27%
System control	78,964	(14,852)	93,816	0.22%	-0.04%
Purchased power	5,120,861	1,894,965	3,225,896	14.17%	5.41%
Transmission	759,878	118,375	641,503	2.10%	0.33%
Total power production	20,728,009	19,501,223	1,226,786	57.35%	55.72%

continued…

GRAND HAVEN BOARD OF LIGHT AND POWER

Schedules of Operating Expenses

	For the Year Ended June 30		Increase (Decrease)	Percentage of Operating Revenues	
	2013	2012		2013	2012
Distribution					
Operation:					
Supervision and engineering	$ 194,172	$ 191,577	$ 2,595	0.54%	0.55%
Vacation, sick and holiday pay	165,872	217,572	(51,700)	0.46%	0.62%
Fringe benefits	531,668	549,831	(18,163)	1.47%	1.57%
Station expense	59,469	78,201	(18,732)	0.16%	0.22%
Overhead lines:					
Labor	392,366	334,109	58,257	1.09%	0.95%
Materials	214	5,423	(5,209)	0.00%	0.02%
Transportation	100,366	89,006	11,360	0.28%	0.25%
Underground lines	64,235	58,961	5,274	0.18%	0.17%
Street lighting and signal system	22,262	27,469	(5,207)	0.06%	0.08%
Meters:					
Labor	112,758	122,140	(9,382)	0.31%	0.36%
Other	10,056	13,661	(3,605)	0.03%	0.04%
Heating	14,075	37,487	(23,412)	0.04%	0.11%
Engineering supplies	66,530	36,178	30,352	0.18%	0.10%
Customer installation	69,979	69,704	275	0.19%	0.20%
Other	122,985	93,018	29,967	0.34%	0.27%
Total operation	1,927,007	1,924,337	2,670	5.33%	5.51%
Maintenance:					
Tree trimming	139,277	129,317	9,960	0.39%	0.36%
Buildings and substations	22,386	16,565	5,821	0.06%	0.05%
Overhead system	34,169	32,518	1,651	0.09%	0.09%
Underground system	4,019	1,577	2,442	0.01%	0.00%
Storm damage	75	26,484	(26,409)	0.00%	0.08%
Street lighting and signal system	12,498	8,344	4,154	0.04%	0.02%
Other	17	548	(531)	0.00%	0.00%
Total maintenance	212,441	215,353	(2,912)	0.59%	0.60%
Reimbursements	(10,775)	(71,251)	60,476	-0.03%	-0.20%
Total distribution	2,128,673	2,068,439	60,234	5.89%	5.91%
Customer accounts					
Operation:					
Supervision and engineering	41,672	76,022	(34,350)	0.14%	0.22%
Vacation, sick and holiday pay	45,136	48,601	(3,465)	0.12%	0.14%
Fringe benefits	135,406	167,280	(31,874)	0.37%	0.48%
Meter reading	120,547	116,795	3,752	0.33%	0.33%
Customer records and collection	304,314	248,825	55,489	0.84%	0.71%
EO expense	349,846	244,634	105,212	0.97%	0.70%
Uncollectible accounts, net	41,162	34,646	6,516	0.11%	0.10%
Other	1,751	1,040	711	0.00%	0.00%
Total customer accounts	1,039,834	937,843	101,991	2.88%	2.68%

continued…

Schedules of Operating Expenses

	For the Year Ended June 30		Increase (Decrease)	Percentage of Operating Revenues	
	2013	2012		2013	2012
Administrative and general					
Operation:					
Salaries	$ 312,706	$ 290,548	$ 22,158	0.87%	0.85%
Vacation, sick and holiday pay	45,426	64,237	(18,811)	0.13%	0.18%
Fringe benefits	117,465	120,452	(2,987)	0.33%	0.34%
Office supplies and expense	62,718	95,796	(33,078)	0.17%	0.27%
Outside services	175,303	221,513	(46,210)	0.49%	0.63%
Transfers to component units	93,919	84,788	9,131	0.26%	0.24%
Insurance	802,500	802,500	-	2.22%	2.29%
Advertising	18,185	21,343	(3,158)	0.05%	0.06%
Franchise requirement	18,406	16,966	1,440	0.05%	0.05%
Maintenance	21,792	19,318	2,474	0.06%	0.06%
Other	123,107	109,081	14,026	0.33%	0.31%
Total administrative and general	1,791,527	1,846,542	(55,015)	4.96%	5.28%
Depreciation					
Steam production	3,014,523	3,027,487	(12,964)	8.34%	8.66%
Diesel production	57,611	57,685	(74)	0.16%	0.16%
Transmission and distribution plant	958,345	935,671	22,674	2.65%	2.67%
General plant	51,731	37,277	14,454	0.14%	0.11%
Total depreciation	4,082,210	4,058,120	24,090	11.29%	11.60%
Statutory charge	1,775,312	1,652,514	122,798	4.91%	4.72%
Total operating expenses	$ 31,545,565	$ 30,064,681	$ 1,480,884	87.28%	85.91%

concluded

Schedule of Long-Term Debt Maturity

Bond Issue	Interest Rate (Percent)	Date of Maturity	Annual Maturity	Principal Outstanding June 30, 2013
Amount of issue – $47,850,000				
Date of issue – April 3, 2003	5.25	7/1/2013	$ 6,085,000	$ 6,085,000
	5.50	7/1/2014	6,430,000	6,430,000
	5.50	7/1/2015	6,805,000	6,805,000
	5.50	7/1/2016	7,210,000	7,210,000
Total face value				26,530,000
Plus unamortized premium				339,798
				26,869,798
Amount of issue – $2,400,000				
Date of issue – March 9, 2007	4.50	7/1/2013	285,000	285,000
	4.50	7/1/2014	300,000	300,000
	5.00	7/1/2015	315,000	315,000
	5.00	7/1/2016	330,000	330,000
Total face value				1,230,000
Plus unamortized premium				10,967
				1,240,967
Total				$ 28,110,765

GRAND HAVEN BOARD OF LIGHT AND POWER

Schedules of Debt Service Coverage Ratio

	For the Year Ended June 30	
	2013	2012
Operating revenues	$ 36,142,804	$ 34,997,091
Operating expenses	31,545,565	30,064,681
Operating income	4,597,239	4,932,410
Non-operating expenses – net	(1,726,235)	(2,100,965)
Change in net position, as restated	2,871,004	2,831,445
Reconciliation of change in net position to net revenues under the Electric System Revenue Bond Resolution		
Additions:		
Depreciation	4,082,210	4,058,120
Statutory charge	1,775,312	1,652,514
Bond interest expense	1,981,157	2,350,771
Amortization of debt premiums	(220,882)	(222,655)
Transfers to component units of the City of Grand Haven	93,919	84,788
Total additions	7,711,716	7,923,538
Deductions:		
Interest income – debt service reserve	(2,411)	(3,345)
Capital contributions	(52,018)	(4,702)
Total deductions	(54,429)	(8,047)
Net revenue under the resolution	$ 10,528,291	$ 10,746,936
Aggregate debt service		
Debt service	$ 7,872,513	$ 7,811,798
Less interest income on debt service	(2,411)	(3,345)
Aggregate debt service under the resolution	$ 7,870,102	$ 7,808,453
Ratio of aggregate debt service to net revenue	1.34	1.38

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INTERNAL CONTROL AND COMPLIANCE

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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*

October 9, 2013

Board of Directors
Grand Haven Board of Light and Power
Grand Haven, Michigan

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 the *Grand Haven Board of Light and Power* (the "Board", and enterprise fund of the City of Grand Haven, Michigan), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 9, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-FS-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-FS-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Grand Haven Board of Light and Power's Response to Findings

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Board's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Robson LLC

Schedule of Findings and Responses
For the Year Ended June 30, 2013

2012-FS-01 – Preparation of Governmental Financial Statements, Material Audit Adjustments and Prior Period Restatement (repeat comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting

Criteria. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Board's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting the Board's financial statements, including the related footnotes (i.e., external financial reporting.)

Condition. During our audit, we identified and proposed material audit adjustments related to the Board's cash and investments, accruals for sick and vacation, and unbilled accounts receivable which were reviewed, approved, and posted by management. The audit adjustment for the unbilled accounts receivable resulted in a prior period adjustment as described in Note 15 of the financial statements. In our opinion, these adjustments had a material effect on the Board's financial statements. In addition, the Board relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process, rather than obtaining the training and experience necessary to complete that task internally. Accordingly, the Board's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Board's internal controls.

Cause. This condition was caused by a financial software limitations to record a liability for potential cash payouts and related payroll taxes for sick time upon employee retirement correctly. Also contributing to the condition was a misunderstanding of the requirement to record unbilled accounts receivable for services provided but not billed at year end. In addition, this condition was caused by the Organization’s decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Organization to perform this task internally.

Effect. As a result of this condition, the Board's accounting records were initially misstated by amounts material to the financial statements. Further, the Board lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task.

Recommendation. The Board has already reviewed and approved the necessary adjustments identified during the audit, and their effect has been included in the Board's financial statements. The Board's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided that it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. Therefore, no specific corrective action is required at this time.

View of Responsible Officials. The Board has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Board to outsource this task to its external auditors, and to carefully review the proposed journal entries, draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Schedule of Findings and Responses

For the Year Ended June 30, 2013

2012-FS-02 – Bank Account Reconciliations (repeat comment)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting

Criteria. As part of the month and year-end closing process, all bank accounts should be fully reconciled to the general ledger and reviewed by an independent individual in order to ensure accurate financial information is presented. The State of Michigan requires that bank reconciliations be completed within six weeks of each month and year end.

Condition. The Board's bank accounts were not fully reconciled in a timely period subsequent to year end. In addition, audit adjustments were made to correct various reconciliations. We also noted that various reconciliations included items that had cleared the bank but were not recorded in the Board's general ledger on a timely basis.

Cause. This condition was the result of staffing turnover and caused by various oversights in maintaining and reconciling the general ledger to supporting detail.

Effect. As a result of this condition, the Board's bank accounts were not fully reconciled within six weeks of the month end. These conditions expose the Board to an increased risk that errors could exist and not be detected and corrected by management on a timely basis.

Recommendation. We would encourage management to actively seek ways to further strengthen its internal control structure and recommend that the Board review its bank reconciliations and record items that have cleared the bank within the general ledger on a monthly basis.

View of Responsible Officials. Management recognizes the importance of reconciling these items at least monthly throughout the year.

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 9, 2013

Board of Directors
Grand Haven Board of Light and Power

We have audited the financial statements of the *Grand Haven Board of Light and Power* (the "Board", an enterprise fund of the City of Grand Haven, Michigan) for the year ended June 30, 2013, and have issued our report thereon dated October 9, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter dated July 18, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Board's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on August 7, 2013.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Board are described in Note 1 to the financial statements. The Board adopted Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. The cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred, other than the restatements described in Note 15 to the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures and corrected by management are described in the summary of findings and responses within the financial statements.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated October 9, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the Grand Haven Board of Light and Power and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Robson LLC

Board of Light and Power
1700 Eaton Drive
Grand Haven, Michigan 49417
616/846-9200
Fax 616/846-3114

General Manager
Annette S. Allen

October 9, 2013

Rehmann Robson
570 Seminole Road, Suite 200
Muskegon, Michigan 49444

This representation letter is provided in connection with your audit of the financial statements of the ***Grand Haven Board of Light and Power*** (the "Board"), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 9, 2013:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 18, 2013, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

9. With regard to items reported at fair value:
   a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
   b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
   c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
   d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Special items and extraordinary items have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

22. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
    b. Additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

25. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the financial statements.
26. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
27. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
28. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
29. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
30. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
31. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
32. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
33. There are no:
    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
34. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
35. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
36. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

37. With respect to the supplementary information accompanying the financial statements:
    a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
    c. The methods of measurement or presentation have not changed from those used in the prior period.

d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

38. With respect to the required supplementary information accompanying the financial statements:
   a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
   b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
   c. The methods of measurement or presentation have not changed from those used in the prior period.
   d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Annette Allen, General Manager

Kristin Kratt

Kristin Kratt, Controller