GRAND HAVEN BOARD OF LIGHT AND POWER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Vredeveld Haefner LLC
CPAs and Consultants

GRAND HAVEN BOARD OF LIGHT AND POWER

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Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

October 10, 2017

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, Grand Haven, Michigan (an enterprise fund of the City of Grand Haven, Michigan) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Grand Haven Board of Light and Power as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in note 1, the financial statements 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, or the changes in its financial position or cash flows in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the trend information on pages 27 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Haven Board of Light and Power's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules included in the supplementary information section of this report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the Grand Haven Board of Light and Power's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Grand Haven Board of Light and Power's internal control over financial reporting and compliance.

Vredeveld Haefner LLC

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Grand Haven Board of Light and Power (the Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Retail sales were financially stable. Fiscal year 2017 experienced a 3% increase in sales volume that was offset by a 3% decrease in average retail rates due to rate changes effective July of 2016.
- Fuel costs decreased in fiscal year 2017 by approximately $1 million (8%).
- Net purchased and sold power (wholesale power) decreased by $2.1 million (53%).
- The resultant of the reductions in fuel expenses and the net wholesale power expenses was to decrease the average annual power cost adjustment factor (PCA) by $0.0077/kWh or $2.2 million in total.
- Pension expense (future and legacy) based on actuarial estimates decreased by approximately $1 million (51%) in fiscal year 2017.
- Power production and plant expenses increased by $1.2 million (19%) in fiscal year 2017 due to needed maintenance expenditures.
- The final power plant bond payment was made in July of 2016. This resulted in a $7.5 million (32%) decrease in liabilities. Eliminating these payments has contributed to strengthening GHBLP's cash position by $5.7 million (32%).
- A $1.4 million renovation to the customer service center was started in fiscal year 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's financial statements. The Board's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements.

The S*tatement of Net Position* presents information on all of the Board's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The S*tatement of Revenues, Expenses and Changes in Net Position* presents information showing how the Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash* flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Board's financial position. In the case of the Board, assets exceeded liabilities by $41,404,727 at the close of the most recent fiscal year.

A portion of the Board's net position reflects unrestricted net position which is available for future operation while a more significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to customers; consequently, these assets are *not* available for future spending. Although the Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	2017	**2016**
Current and other assets	$25,843,506	$27,502,479
Capital assets	27,167,318	27,036,046
Total assets	53,010,824	54,538,525
Deferred outflows of resources	2,457,570	4,108,018
Other liabilities	1,961,518	2,675,688
Long-term liabilities	12,102,149	20,191,627
Total liabilities	14,063,667	22,867,315
Net position		
Net Investment in capital assets	27,167,318	19,496,046
Restricted	-	7,746,525
Unrestricted	14,237,409	8,536,657
Total net position	41,404,727	$35,779,228

The total net position of the Board at June 30, 2017 is $41,404,727 however, $27,167,318 represents net investment in capital assets. Total net position increased by $5,625,499 for the year ended June 30, 2017.

Changes in Net Position

	2017	2016
Operating revenue	$38,231,330	$38,297,890
Operating expenses	30,791,614	33,469,449
Operating income (loss)	7,439,716	4,828,441
Nonoperating revenues (expense)	88,803	(477,837)
Change in net position before transfers	7,528,519	4,350,604
Transfers to the City of Grand Haven	1,903,020	1,903,946
Change in net position	5,625,499	2,446,658
Net position-beginning of year	35,779,228	33,332,570
Net position-end of year	$41,404,727	$35,779,228

During the year ended June 30, 2017, the Board had an increase in net position of $5,625,499 primarily as a result of pension cost fluctuations and decreasing wholesale power costs.

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of June 30, 2017, amounted to $27,167,318 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of equipment upgrades and replacements and distribution system improvements.

The Board's capital assets are summarized as follows:

Land	$ 222,281
Construction in progress	652,732
Depreciable capital assets, net	26,292,305
Total	**$27,167,318**

Additional information on the Board's capital assets can be found in Note 3 of these financial statements.

Debt. At the end of the current fiscal year, the Board had total debt outstanding as follows:

Compensated absences	$577,454
Bonds payable	-
Total	**$577,454**

The Board repaid $7,540,000 of bond principal during the year.

Additional information on the Board's long-term debt can be found in Note 4 of these financial statements.

Factors bearing on future budgets

- No retail rate increases are anticipated in FY2018.
- Fuel costs are expected to remain stable.
- Capital improvements are planned for the transmission and distribution systems in the amount of $4.2 Million. No significant capital improvements are planned at the power plant.
- The renovation of the customer service center and improvements to the customer service and accounting software will be completed in FY2018.

Requests for Information

This financial report is designed to provide interested individuals including citizens, property owners, customers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions or need additional financial information, please contact the Board's Accounting and Finance Manager, 616-846-6250

BASIC FINANCIAL STATEMENTS

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF NET POSITION

JUNE 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 13,036,594	$ 7,309,598
Accounts receivable	4,491,836	4,734,202
Prepaid items	64,832	66,023
Inventory	5,990,264	5,710,322
Total current assets	23,583,526	17,820,145
Non-current assets		
Restricted cash and cash equivalents	-	7,746,525
Deposit with MPIA and MPPA	2,259,980	1,935,809
Capital assets		
Land	222,281	222,281
Construction in progress	652,732	88,111
Depreciable capital assets, net	26,292,305	26,725,654
Total non-current assets	29,427,298	36,718,380
Total assets	53,010,824	54,538,525
Deferred outflows of resources		
Pension related	2,457,570	4,108,018
Liabilities		
Current liabilities		
Accounts payable	849,792	1,597,592
Accrued liabilities	437,840	195,086
Customer deposits	525,757	511,755
Interest payable from restricted assets	-	206,112
Due to City of Grand Haven	148,129	165,143
Current portion of long-term debt	-	7,540,000
Total current liabilities	1,961,518	10,215,688
Long-term liabilities		
Accrued compensated absences	577,454	605,907
Net pension liability	11,524,695	12,039,809
Net OPEB liability	-	5,911
Total long-term liabilities	12,102,149	12,651,627
Total liabilities	14,063,667	22,867,315
Net position		
Net investment in capital assets	27,167,318	19,496,046
Restricted for revenue bond retirement	-	7,746,525
Unrestricted	14,237,409	8,536,657
Total net position	$ 41,404,727	$ 35,779,228

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

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Operating revenue		
Residential sales	$ 11,743,477	$ 11,999,240
Commercial sales	10,627,620	10,775,262
Industrial sales	14,235,564	13,885,297
Municipal sales	909,444	882,530
Public street and highway lighting	521,606	550,618
Thermal energy	17,861	28,057
Penalties	124,034	113,717
Rental income	47,974	67,941
Other	3,750	(4,772)
Total operating revenue	38,231,330	38,297,890
Operating expense		
Power production	17,776,931	17,457,998
Wholesale power net	1,899,152	4,041,434
Distribution	2,730,158	2,061,023
Customer accounts	1,175,689	1,182,576
Administrative	2,027,622	2,247,879
Change in pension and benefit costs	1,135,334	2,327,192
Depreciation	4,046,728	4,151,347
Total operating expense	30,791,614	33,469,449
Operating income (loss)	7,439,716	4,828,441
Non-operating revenue (expense)		
Interest income	-	12,143
Interest income MPIA insurance reserve	146,397	19,307
Interest expense	-	(483,067)
Payment to City component units	(160,018)	(75,866)
Other	102,424	49,646
Total non-operating revenue (expense)	88,803	(477,837)
Changes before transfers	7,528,519	4,350,604
Transfers to City of Grand Haven	(1,903,020)	(1,903,946)
Changes in net position	5,625,499	2,446,658
Net position, beginning of year	35,779,228	33,332,570
Net position, end of year	$ 41,404,727	$ 35,779,228

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

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Receipts from customers and users	$ 38,590,122	$ 38,388,117
Payments to employees	(4,642,523)	(4,919,209)
Payments to suppliers	(22,109,361)	(24,613,397)
Net cash provided by (used in) operating activities	11,838,238	8,855,511
Cash flows from non-capital financing activities		
Transfers to City of Grand Haven	(1,920,034)	(1,898,245)
Transfers to City component units	(160,018)	(75,866)
Net cash provided by (used in) non-capital financing activities	(2,080,052)	(1,974,111)
Cash flows from capital and related financing activities		
Interest paid on long-term debt	(206,122)	(609,718)
Principal paid on bonds	(7,540,000)	(7,120,000)
Acquisitions of capital assets	(4,177,990)	(2,087,477)
Net cash provided by (used in) capital and related financing activities	(11,924,112)	(9,817,195)
Cash flows from investing activities		
Purchases of investments	-	2,677,801
Interest received	146,397	31,675
Net cash provided by (used in) investing activities	146,397	2,709,476
Net increase (decrease) in cash and cash equivalents	(2,019,529)	(226,319)
Cash and cash equivalents, beginning of year	15,056,123	15,282,442
Cash and cash equivalents, end of year	$ 13,036,594	$ 15,056,123

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Operating income (loss)	$ 7,439,716	$ 4,828,441
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	4,046,728	4,151,347
Other revenue	102,424	49,646
Net pension liability	(515,114)	5,898,770
Deferred outflows for pensions	1,650,448	(3,571,578)
Change in operating assets and liabilities which provided (used) cash		
Receivables	242,366	30,447
Prepaid and other assets	1,191	(107)
Inventory	(279,942)	188,368
Deposits with others	(324,171)	(72,653)
Net OPEB liability	(5,911)	(7,570)
Accounts payable	(747,800)	(2,589,008)
Accrued liabilities	242,754	(24,550)
Customer deposits	14,002	11,777
Unearned revenue	-	(1,643)
Compensated absences	(28,453)	(36,176)
Net cash provided by (used in) operating activities	$ 11,838,238	$ 8,855,511
Statement of net position classification of cash and cash equivalents		
Cash and cash equivalents	$ 13,036,594	$ 7,309,598
Restricted cash and cash equivalents	-	7,746,525
Total cash and cash equivalents	$ 13,036,594	$ 15,056,123

(concluded)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Grand Haven Board of Light and Power (the Board) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Board is an Enterprise fund of the City of Grand Haven, Michigan (the City). It operates under the direction of the City Charter and City Council resolution. The Board provides electric services to users in the City of Grand Haven and portions of the surrounding area.

As provided by generally accepted accounting principles, the financial statements of the Grand Haven Board of Light and Power enterprise fund exclude the funds of the City of Grand Haven and applicable component units of the City of Grand Haven. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Board.

Measurement Focus and Basis of Accounting

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Board's principal ongoing operations. The principal operating revenues of the Board are charges for services. Operating expenses of the Board include the cost of electricity generation and purchases, transmission and distribution, 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.

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 when purchased to be cash equivalents.

Investments

Investments are recorded at fair value.

City policy and state statutes authorize the Board to invest in:

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

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

c. 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.

d. Banker's acceptances of United States banks.

e. 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.

f. 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.

g. External investment pools as authorized by Public Act 20 as amended.

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

Receivables

All receivables are reported at their net value. Allowance for uncollectible receivables was immaterial at year end.

Prepaid Items

The Board made payment 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.

Inventory

Inventory consists principally of coal and supplies and is stated at the lower of costs, determined principally by the moving average method, or market.

Deposits with MPIA and MPPA

These deposits consist primarily of balances on account which will be returned or utilized for future purchases.

Restricted Assets

Certain proceeds of the Board's past revenue bonds, as well as certain resources set aside for revenue bond 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 are stated at cost and include items defined by the Board as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at fair value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net 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) until then. The Board has one item that qualifies for reporting in this category related to the net pension liability which is discussed in note 5.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has no items that qualify for reporting in this category.

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.

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents and investments are as follows:

Cash and cash equivalents	$13,036,594
Restricted cash and cash equivalents	-
	$13,036,594

Cash and cash equivalents and investment balances consist of the following at year end:

Deposits	$13,036,594

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Board's investing options to financial institutions located in Michigan. Board bond resolution provides for specific limits on the amount of deposits with each financial institution based on specific criteria. All accounts are in the name of the City of Grand Haven. They are recorded in the Board's records at fair value. Interest is recorded when earned.

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 does not have, a policy for deposit custodial credit risk. Insurance coverage pertains to all deposits of the City of Grand Haven; hence, the specific coverage pertaining to the Board's deposits, if any, is not readily determinable. As of year-end the Board had total bank balances of $13,599,437 that may be exposed to custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated				
Land	$ 222,281	$ -	$ -	$ 222,281
Construction in progress	88,111	652,732	88,111	652,732
Total capital assets, not being depreciated	310,392	652,732	88,111	875,013
Capital assets, being depreciated				
Steam production	97,249,097	1,004,075	-	98,253,172
Diesel production	6,265,125	-	-	6,265,125
Transmission and distribution	40,252,168	2,587,139	-	42,839,307
General plant	2,025,716	22,167	-	2,047,883
Total capital assets, being depreciated	145,792,106	3,613,381	-	149,405,487
Less accumulated depreciation for:				
Steam production	88,372,508	2,453,785	-	90,826,293
Diesel production	5,776,618	257,983	-	6,034,601
Transmission and distribution	23,195,474	1,230,683	-	24,426,157
General plant	1,721,854	104,277	-	1,826,131
Total accumulated depreciation	119,066,454	4,046,728	-	123,113,182
Net capital assets, being depreciated	26,725,652	(433,347)	-	26,292,305
Capital assets, net	**$27,036,044**	**$219,385**	**$88,111**	**$27,167,318**

4. LONG-TERM DEBT

The following is a summary of the debt transactions of the Board for the year:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
2003 Electric System Revenue Refunding Bonds, due in annual installments of $5,676,000 to $7,210,000 through 2017; interest paid semi-annually at 5.25% to 5.5%	$7,210,000	$ -	$7,210,000	$ -	$ -
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%	330,000	-	330,000	-	-
Total bonds	7,540,000	-	7,540,000	-	-
Employee benefits	605,907	-	28,453	577,454	-
Total long-term debt	$8,145,907	$ -	$7,568,453	$577,454	$ -

5. RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description

The Utility participates with the City of Grand Haven in the Municipal Employees Retirement System (MERS) of Michigan a defined benefit and hybrid plan providing certain retirement, disability and death benefits to plan members and beneficiaries. The plan information for the Utility is not always separately available from information provided for the City of Grand Haven as a whole. The following information is for the City as a whole unless otherwise noted.

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

Pension benefits approved by the City Council are provided to all full time employees based on division/bargaining unit. Benefits provided include a multiplier of 2.25 to 2.5 times final average compensation. Vesting period of 6 years. Normal retirement age is 60 with early retirement at 50 to 55 with from 15 to 25 years of service. Final average compensation is calculated based on a 3 year average.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2016):

	Total City
Active plan members	201
Inactive employees or beneficiaries currently receiving benefits	193
Inactive employees entitled but not yet receiving benefits	46
Total	440

Contributions

The Utility is required to contribute at an actuarially determined rate, which for the current year was from 11.68 to 12.58% of annual covered payroll depending on position and classification. Participating employees are required to contribute from 10 to 11.68% of covered payroll to the Plan based on position and classification. The contribution requirements of the Utility are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5% for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation (8.25% for 2014)

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retires. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the 2015 actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money Weighted Rate of Return*
Global Equity	57.5%	6.27%	3.60%
Global Fixed Income	20.0%	3.43%	0.68%
Real Assets	12.5%	5.48%	0.69%
Diversifying Strategies	10.0%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

Discount rate. The discount rate used to measure the total pension liability is 8.00% which declined by .25% from the prior year. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at December 31, 2016	$98,174,993	$68,045,340	$30,129,653
Changes for the Year:			
Service cost	1,938,292	-	1,938,292
Interest	7,719,273	-	7,719,273
Change in benefits	(27,927)	-	(27,927)
Differences between expected and actual experience	(1,279,520)	-	(1,279,520)
Change in assumptions	-	-	-
Contributions: employer	-	1,528,835	-1,528,835
Contributions: employee	-	1,399,568	-1,399,568
Net investment Income	-	7,662,061	-7,662,061
Benefit payments, including refunds	(5,306,454)	(5,306,454)	-
Administrative expense	-	(151,314)	151,314
Other changes	(1)	-	(1)
Net changes	3,043,663	5,132,696	(2,089,033)
Balance at December 31, 2017	$101,218,656	$73,178,036	$28,040,620

The Board's share of the City total net pension liability at year end was $11,524,695.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.
The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease	Current Discount rate	1 % Increase
Total Pension Liability	$113,463,898	$101,218,656	$90,991,898
Fiduciary Net Position	73,178,036	73,178,036	73,178,036
Net Pension Liability	$ 40,285,862	$ 28,040,620	$17,813,862

Pension Expense and Deferred Outflows of Resources Related to Pensions
For the year ended June 30, 2017 the Board recognized pension expense of $1,823,382. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	$ 381,693
Differences in assumptions	2,670,831
Excess (deficit) investment returns	2,671,333
Contributions subsequent to the measurement date*	992,575
Total	$6,716,432

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2018.

The Board's share of deferred outflow for differences in experience, assumptions and investment returns was $2,038,754 and contributions subsequent to the measurement date were $418,816.

Amounts reported as deferred outflows and inflows of resources related to City pensions (excluding contributions subsequent to the measurement date) will be recognized in pension expense as follows:

2018	$1,978,626
2019	1,978,626
2020	1,723,044
2021	(719,825)
2022	-
Thereafter	-
Total	$4,960,471

Defined Contribution Plan

The Board provides a defined contribution pension plan (the Plan) that provides pension benefits to all fulltime employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate after six months of employment. Employees are required to contribute 1% and the Board contributes 2% of each participant's compensation to the Plan. The Board's contributions are fully vested after four years of service. During the year employees contributed $21,862 and the Board contributed $43,724 to the plan.

6. POST-EMPLOYMENT BENEFITS

Plan Description

The Board participates with the City in a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health insurance premiums for retirees and their beneficiaries, which are advance-funded on a discretionary basis. Benefit provisions are established through the City's pension ordinance and negotiations between the Board and bargaining units and employee groups. The plan was closed to employees hired subsequent to September 30, 2013. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has been established for the plan. The following information is for the City as a whole unless otherwise noted.

Contributions

The Plan was established and is being funded under the authority of the City Council and under agreements with unions representing various classes of employees. The Plan's funding policy is that the employer will contribute any discretionary contributions. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

The contribution requirements of the plan members and the Board are determined and may be amended by the Board and the City. 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. For the current year the Board's annual required contribution (ARC) was $202,700 while actual contributions were $208,736.

OPEB Liability under GASB 45

The Board's annual other post-employment 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The most recent actuarial valuation of the Retiree Health Plan was performed as of June 30, 2017. The following table shows the components of the Boards annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's OPEB obligation and asset with the plan.

Annual required contribution	$202,700
Interest on Net OPEB obligation*	125
Adjustment to annual required contribution*	-
Annual OPEB cost (expense)	202,825
Contribution made	208,736
Change in net OPEB obligation	(5,911)
Net OPEB liability, beginning of year	5,911
Net OPEB liability, end of year	$ -

Three-Year Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/15	$185,419	74%	$13,481
6/30/16	199,381	104%	5,911
6/30/17	202,700	103%	-

Schedule of Funding Progress*

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/17	$2,363,998	$6,855,662	$(4,491,664)	34%	$6,232,128	72%

* This table presents information for the City of Grand Haven plan in total

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and 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 actuarial required contribution represents a level of funding, if paid on an ongoing basis, is projected to cover normal costs and the amortization of any unfunded actuarial accrued liability over a period not to exceed 30 year.

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 the plan members to that 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 perspective of the calculation.

Benefits provided
In accordance with the collective bargaining agreements, retirees receive an employer-paid benefit toward health and life insurance premiums for the retiree and spouse. For employees hired before October 1, 2013 based on hire date the Plan pay from 75% to 80% of the premium payment until age 65 and 0-10% thereafter.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2017):

Retirees and beneficiaries receiving benefits	74
Active plan members	105
Total	179

The plan is closed to new participants.

Net OPEB Liability

The total OPEB liability in the June 30, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.99%
Salary Increases: 2.0%
Investment rate of return: 4.51%, net of investment expense, including inflation
20 – year Aa Municipal Bond rate: 3.11%
Healthcare cost trend rates: 8%

As set forth in IRS Regulations for 2016 (1.430(h)(3)) for Non-annuitants, separately for males and females as well as annuitants and non-annuitants. Based on RP-2000 Tables with Scale AA.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on OPEB plan investments was determined using a building-block model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%
Cash	0.0%	0.00%

The City, as plan sponsor and investment fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long term rate of return of 7.5%.

Concentrations. 100% of the Plan’s investments are invested in the MERS total market portfolio.

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.17 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate. The discount rate used to measure the total OPEB liability is 7.5%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to changes in the discount rate.
The following presents the net OPEB liability of the employer, calculated using the discount rate of 7.5%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease	Current Discount rate	1 % increase
Total OPEB liability	$6,828,136	$6,353,547	$5,931,517
Fiduciary net position	1,948,271	1,948,271	1,948,271
Net OPEB liability	$4,879,865	$4,405,276	$3,983,246
Plan fiduciary position as a percentage of the total OPEB liability	28.53%	30.66%	32.85%

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.
The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower (7%) or 1% higher (9%) than the current rate.

	1% Decrease	Current healthcare cost trend rate	1 % increase
Total OPEB liability	$5,831,990	$6,353,547	$6,946,100
Fiduciary net position	1,948,271	1,948,271	1,948,271
Net OBEB liability	$3,883,719	$4,405,276	$4,997,829

Defined Contribution Plan

The Board provides a defined contribution post-employment benefit plan (the Plan) that provides a health care saving account to eligible employees hired after September 30, 2008. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate immediately upon employment. Employees are required to contribute 1% and the Board contributes 2% of each participant's compensation to the Plan. The Board's contributions are fully vested after five years of service. During the year employees contributed $24,927 and the Board contributed $33,054 to the plan.

Subsequent reporting

Effective for the year ending June 30, 2018, the Board will be required to implement a new reporting standard. This standard establishes new requirements for governments to report a "net OPEB liability" for the unfunded portion of its OPEB plan. Historically, governments have only been required to report a net OPEB obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, the Board will be required to report a net OPEB liability based on the funded status of the plan (actuarially accrued liability less plan assets). This liability will be reported on the accrual basis financial statements. Changes in this liability from year to year will largely be reflected on the accrual basis income statement, though certain amounts may be deferred and amortized over varying periods.

7. RISK MANAGEMENT

The Board is insured for employee medical benefits through the City's self-insurance program which charges premiums to the Board for coverage (City internal service fund). The City estimates the liability for 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.

The Board is exposed to various risks related to liability, damage or loss for which it participated in the creation of a self-insurance program known as the Michigan Professional Insurance Authority (MPIA). The 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 deposited by the Board to defend and protect the Board. MPIA has purchased commercial insurance for coverage in excess of the Board's self-insured reserve limits. MPIA assumes all risk of loss within the scope of the Memorandum of Coverage to the extent of the coverage limits offered by the Memorandum.

Following is insurance coverage and related deductibles in effect at year end:

	Deductible/Retention	
	2017	**2016**
Property, real and personal, including earthquake and flood excluding equipment breakdown	$250,000	$250,000
Equipment breakdown, excluding Sims #3	50,000	50,000
Equipment breakdown at Sims, excluding Sims #3	250,000	250,000
Equipment breakdown, specific to Sims #3 boiler	500,000	500,000
General liability	50,000	50,000
Public officials liability	50,000	50,000
Employee benefits liability	10,000	10,000
Crime	25,000	25,000
Open cargo	1% of value	1% of value

The Board makes annual payment to the MPIA for administrative charges, insurance purchases and an estimated risk retention reserves. At year end the risk retention reserve balance held by the MPIA for the Board was $2,239,980 which excluded assets set aside for estimated claims of $69,500. The estimated claims at the end of the year included claims already incurred and reported as well as an estimate for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation and recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. Settled claims have not exceeded insurance coverage in any of the past three years, and changes in insurance coverage are reflected above

The claims liability for the Board as reported by the MPIA for the year's ended June 30, 2017 and 2016 was $69,500 and $69,500, respectively. Claims adjustment expense cannot be specifically identified to each participant in the MPIA. Total claims expense reported by the MPIA for the years ended June 30, 2017 and 2016 was $65,906 and $0, respectively.

8. JOINT VENTURE

The Board is a member of 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. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

The MPPA operates various projects. The Board currently participates in the Transmission Project, Granger Project, North American Natural Resources Project, and the Energy Service Project. The dollar amount of Board's commitments for participation in the various MPPA projects of $40,000,000 increases from $2,100,000 in 2017 to $2,900,000 in 2025 at which point the commitments decline to zero in 2040.

The Transmission Project was financed with initial capital contributions of 13 MPPA participants which were utilized to purchase an undivided interest in the transmission grid by the MPPA.

The Granger and North American Natural Resources (NANR) Projects are landfill renewable energy programs operated by the MPPA which provides MPPA participants with renewable energy to meet Michigan Public Act 295 requirements.

The Energy Services Project provides 15 MPPA participants with capacity and energy provided by third parties through the MPPA.

During the current year the Board had the following transactions with the MPPA:

Electricity purchase from/through MPPA	$(654,975)
Payments to MPPA for electricity transmission	289,345
Payments to MPPA for renewable energy	2,057,358
Payments to MPPA for other	390,117

9. 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 and reflects balances receivable for these services as accounts receivable. The Board is required to pay five percent of gross retail sales to the City under provisions of the City Charter. The payment of the five percent of gross sales to the City is reported as transfers out to the City of Grand Haven.

10. 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.

11. COMMITMENTS

The Board has entered into long-term contracts for the purchase of a minimum of 120,000 tons of coal annually through December 31, 2017.

The Board has entered into an agreement to transfer a portion of electric revenue generated at the Grand Landing location to help fund payment of component unit debt. These transfers began during 2016 and are contingent upon electric sales revenue and future development at the Grand Landing location. The agreement provides for contingent transfers through 2019.

The Board has entered into construction commitments of approximately $1,300,000 at year end.

REQUIRED SUPPLEMENTARY INFORMATION

GRAND HAVEN BOARD OF LIGHT AND POWER

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEARS ENDED JUNE 30, 2015 through 2017

	2014	2015	2016	
Total pension liability				
Service cost	$ 1,714,380	$ 1,784,375	$ 1,938,292	
Interest	6,872,845	6,970,006	7,719,273	
Changes in benefit terms	-	(8,167)	(27,927)	
Difference between expected and actual experience	-	1,069,871	(1,279,520)	
Changes in assumptions	-	4,451,385	-	
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	
Other	-	217,812	(1)	
Net change in total pension liability	4,064,873	9,398,920	3,043,663	
Total pension liability, beginning of year	84,711,200	88,776,073	98,174,993	
Total pension liability, end of year	$ 88,776,073	$ 98,174,993	$ 101,218,656	
Plan Fiduciary Net Position				
Contributions-employer	$ 1,230,140	$ 1,351,197	$ 1,528,835	
Contributions-employee	1,017,387	1,188,014	1,399,568	
Net Investment income	4,384,730	(1,056,807)	7,662,061	
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	
Administrative expense	(160,769)	(155,709)	(151,314)	
Net change in plan fiduciary net position	1,949,136	(3,759,667)	5,132,696	
Plan fiduciary net position, beginning of year	69,855,871	71,805,007	68,045,340	
Plan fiduciary net position, end of year	$ 71,805,007	$ 68,045,340	$ 73,178,036	
Employer net pension liability	$ 16,971,066	$ 30,129,653	$ 28,040,620	
Employer net pension liability reported by Grand Haven Board of Light and Power	$ 6,141,039	$ 12,039,809	$ 11,524,695	**
Plan fiduciary net position as a percentage of the total pension liability	81%	69%	72%	
Covered employee payroll	$ 11,071,127	$ 11,535,426	$ 12,103,488	
Employer's net pension liability as a percentage of covered employee payroll	153%	261%	232%	

Notes to schedule:

**The above schedule provides information for the City of Grand Haven plan as a whole with the exception of this item.

Above data is based on a measurement date of December 31.

GRAND HAVEN BOARD OF LIGHT AND POWER

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2015 through 2017

	2015	2016	2017	
Actuarial determined contributions	$ 542,904	$ 582,225	$ 688,049	**
Contributions in relation to the actuarially determined contribution	542,904	582,225	688,049	**
Contribution deficiency (excess)	$ -	$ -	$ -	**
Covered employee payroll	4,672,250	4,689,604	5,733,742	**
Contributions as a percentage of covered employee payroll	12%	12%	12%	**

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed (10 year smothing 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.75% to 14.5% (4.5% 2014)
Investment rate of return	7.57 % (8.25% 2014)
Retirement age	Varies depending on plan adoption
Mortality	RP-2014 mortality tables of a 50% Male and 50% Female blend (50% female/ 50% male 1994 groupannuity mortality table 2014)

Notes to schedule:

**The above schedule provides information for the City of Grand Haven plan as a whole with the exception of this item.

GRAND HAVEN BOARD OF LIGHT AND POWER

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET OPEB LIABILTY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2017

	2017
Total OPEB liability	
Service cost	$ 52,122
Interest	456,376
Changes in benefit terms	-
Difference between expected and actual experience	79,952
Changes in assumptions	-
Benefit payments including employee refunds	(535,595)
Other	-
Net change in total OPEB liability	52,855
Total OPEB liability, beginning of year	6,300,692
Total OPEB liability, end of year	$ 6,353,547
Plan Fiduciary Net Position	
Contributions-employer	$ 500,000
Contributions/benefit payments made from general operating funds	535,595
Net Investment income	198,865
Benefit payments including employee refunds	(535,595)
Administrative expense	(4,014)
Other	-
Net change in plan fiduciary net position	694,851
Plan fiduciary net position, beginning of year	1,253,420
Plan fiduciary net position, end of year	$ 1,948,271
Employer net OPEB liability	$ 4,405,276
Plan fiduciary net position as a percentage of the total OPEB liability	31%
Covered employee payroll	$ 11,180,895
Employer's net OPEB liability as a percentage of covered employee payroll	39%

Notes to schedule:

The above schedule provides information for the City of Grand Haven plan as a whole.
Above data is based on a June 30 measurement date.

GRAND HAVEN BOARD OF LIGHT AND POWER

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2017

	2017	
Actuarial determined contributions	$ 202,700	**
Contributions in relation to the actuarially determined contribution	208,736	**
Contribution deficiency (excess)	$ (6,036)	**
Covered employee payroll	$ 4,126,602	**
Contributions as a percentage of covered employee payroll	5%	

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percent, closed
Remaining amortization period	7 years
Asset valuation method	Market value
Inflation	2.99%
Healthcare cost trend rates	8.00%
Salary increases	2.00%
Investment rate of return	4.51%
Retirement age	Varies depending on plan adoption
Mortality	RP-2000 tables with Scale AA

SCHEDULE OF INVESTMENT RETURNS

FOR THE YEAR ENDED JUNE 30, 2017

	2017
Annual money-weighted rate of return net of investment expense	12.2%

Notes to schedule:

Above returns are based on a measurement date of June 30.

**The above schedule provides information for the City of Grand Haven plan as a whole with the exception of this item.

SUPPLEMENTARY INFORMATION

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Power production		
Steam expense		
Operation		
Supervision and engineering	$ 116,708	$ 94,273
Vacation, sick and holiday pay	697,355	348,898
Fringe benefits	1,330,593	1,126,345
Fuel and fuel handling	10,127,647	11,036,344
Steam	739,712	730,088
Scrubber	374,288	336,742
Electric plant	294,477	367,926
Other	567,060	476,023
Total operation	14,247,840	14,516,639
Maintenance		
Supervision	126,464	54,176
Structures	69,535	70,017
Boiler plant	1,848,469	1,747,792
Scrubber	1,146,584	520,658
Electric plant	80,524	316,203
Other	43,461	96,991
Total maintenance	3,315,037	2,805,837
Total steam expense	17,562,877	17,322,476
Diesel expense		
Operation		
Supervision and engineering	2,139	1,925
Vacation, sick and holiday pay	12,173	7,342
Fringe benefits	23,976	28,355
Oil	-	11,100
Operating labor	25,926	34,670
Other	130,482	30,537
Total operation	194,696	113,929
Maintenance		
Structures	4,152	5,011
Engines	12,064	14,080
Total maintenance	16,216	19,091
Total diesel expense	210,912	133,020
Transmission	3,142	2,502
Total power production	17,776,931	17,457,998

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Wholesale power (net)	$ 1,899,152	$ 4,041,434
Distribution		
Operation		
Supervision and engineering	286,625	244,722
Vacation, sick and holiday pay	448,408	142,898
Fringe benefits	615,774	503,809
Station expense	61,745	27,435
Overhead lines		
Labor	374,271	311,810
Materials	11,694	851
Vehicle maintenance	102,303	110,849
Underground lines	69,093	71,682
Street lighting and signal system	9,713	26,149
Meter		
Labor	126,409	157,736
Other	8,718	8,927
Engineering supplies	4,496	28,677
Customer installation	9,990	50,501
Other	291,733	128,660
Total operation	2,420,972	1,814,706
Maintenance		
Tree trimming	161,802	162,561
Building and substations	68,746	28,658
Overhead system	130,522	67,594
Underground system	7,040	3,649
Storm damage	596	7,721
Street lighting and signal	19,538	16,632
Total maintenance	388,244	286,815
Reimbursements	(79,058)	(40,498)
Total distribution	2,730,158	2,061,023

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
Customer accounts		
Operation		
Supervision and engineering	$ 66,248	$ 60,153
Vacation, sick and holiday pay	141,827	49,059
Fringe benefits	191,923	148,909
Meter reading	125,574	136,210
Customer records and collection	227,979	223,810
Energy optimization	389,969	449,478
Uncollectable accounts, net	6,865	21,505
Other	25,304	93,452
Total customer accounts	1,175,689	1,182,576
Administrative and general		
Operation		
Salaries	577,167	560,957
Vacation, sick and holiday pay	88,484	73,141
Fringe benefits	16,274	263,492
Office supplies and expense	29,956	38,854
Outside services	189,088	147,076
Insurance	797,247	749,146
Advertising	30,537	29,776
Franchise requirement	17,661	17,922
Maintenance	23,421	25,821
Other	257,787	341,694
Total administrative and general	2,027,622	2,247,879
Change in pension and benefit costs	1,135,334	2,327,192
Depreciation		
Steam production	2,453,785	2,561,014
Diesel production	257,983	177,178
General plant	104,277	182,780
Transmission and distribution	1,230,683	1,230,375
Total depreciation	4,046,728	4,151,347
Total operating expenses	$ 30,791,614	$ 33,469,449

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INTERNAL CONTROL AND COMPLIANCE

Vredeveld Haefner LLC
CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

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 10, 2017

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 Grand Haven Board of Light and Power, Grand Haven, Michigan (the Board) as of and for the year ended June 30, 2017, 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 10, 2017.

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 opinions 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Vredeveld Haefner LLC