GRAND HAVEN BOARD OF LIGHT AND POWER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Vredeveld Haefner LLC
CPAs and Consultants

GRAND HAVEN BOARD OF LIGHT AND POWER

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INDEPENDENT AUDITORS' REPORT

October 1, 2018

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, 2018 and 2017, 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, 2018 and 2017, 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 1, 2018, 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, 2018. 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 rates were lower through the power cost adjustment on average 3.3%. Operating revenue also decreased due to reduced retail usage of 2.2%. Weather and energy optimization initiatives contributed to this decrease.
- The BLP generated 26% less power as compared to FY2017 and fuel cost decreased in FY2017 by approximately $1.7 Million (17%).
- With less power being generated, more was purchased and net purchased and sold power (wholesale Power) increased by $3.2 Million (167%).
- The net decrease in generation and increases in purchased power resulted in reduced collections from customers of nearly $1.7 million in the power cost adjustment (PCA).
- The defined benefit plan was closed for new hires July of 2017. An additional $5 million payment was made in December of 2017 to reduce the net pension liability. These two factors contributed to the resulting reduction in the net pension liability of $7.3 Million (future and legacy) based on December 31, 2017 actuarial estimates.
- A $1.6 million renovation to the customer service center was complete in FY2018.

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 $45,087,612 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

	2018	**2017**
Current and other assets	$25,410,950	$25,843,506
Capital assets	26,573,755	27,167,318
Total assets	51,984,705	53,010,824
Deferred outflows of resources	1,062,547	2,457,570
Other liabilities	1,607,657	1,961,518
Long-term liabilities	6,013,583	12,102,149
Total liabilities	7,621,240	14,063,667
Deferred inflows of resources	338,400	-
Net position		
Net Investment in capital assets	26,573,755	27,167,318
Restricted	-	-
Unrestricted	18,513,857	14,237,409
Total net position	$45,087,612	$41,404,727

The total net position of the Board at June 30, 2018 is $45,087,612 however, $26,573,755 represents net investment in capital assets. Total net position increased by $4,696,433 for the year ended June 30, 2018.

Changes in Net Position

	2018	2017
Operating revenue	$36,147,924	$38,231,330
Operating expenses	29,672,860	30,791,614
Operating income (loss)	6,475,064	7,439,716
Nonoperating revenues (expense)	23,593	88,803
Change in net position before transfers	6,498,657	7,528,519
Transfers to the City of Grand Haven	1,802,224	1,903,020
Change in net position	4,696,433	5,625,499
Net position-beginning of year (restated)	40,391,179	35,779,228
Net position-end of year	$45,087,612	$41,404,727

During the year ended June 30, 2018, the Board had an increase in net position of $4,696,433. The change in net position for 2017 was $5,625,499. Revenues and expenditures declined from 2017 to 2018 as a result of a reduced power cost adjustment factor for 2018 energy billings and reduced energy costs.

As a result of implementing GASB 75 relating to other post-employment benefits, beginning net position at July 1, 2017 was restated downward by $1,013,548.

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of June 30, 2018, amounted to $26,573,755 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of equipment upgrades and replacements and construction projects.

The Board's capital assets are summarized as follows:

Land	$ 222,281
Construction in progress	362,706
Depreciable capital assets, net	25,988,768
Total	**$26,573,755**

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	$496,921
Bonds payable	-
Total	**$496,921**

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 FY2019. Retail volume is anticipated to increase at a rate of 2.3% due to normal growth in FY2019.
- Fuel unit costs are expected to increase by 8% in FY2019.
- More power will be purchased in FY2019, with less again being generated.
- Capital improvements are planned for transmission and distribution systems in the amount of $5.6 Million. No capital improvements are planned at the power plant.
- An additional pension liability reduction payment of $1 Million is planned for FY2019.

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, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 11,179,288	$ 13,036,594
Accounts receivable	4,658,995	4,491,836
Prepaid items	29,910	64,832
Inventory	6,509,600	5,990,264
Total current assets	22,377,793	23,583,526
Non-current assets		
Deposit with MPIA and MPPA	3,033,157	2,259,980
Capital assets		
Land	222,281	222,281
Construction in progress	362,706	652,732
Depreciable capital assets, net	25,988,768	26,292,305
Total non-current assets	29,606,912	29,427,298
Total assets	51,984,705	53,010,824
Deferred outflows of resources		
Pension related	806,134	2,457,570
OPEB related	256,413	-
Total deferred outflows of resources	1,062,547	2,457,570
Liabilities		
Current liabilities		
Accounts payable	552,696	849,792
Accrued liabilities	296,568	437,840
Customer deposits	541,263	525,757
Due to City of Grand Haven	217,130	148,129
Total current liabilities	1,607,657	1,961,518
Long-term liabilities		
Accrued compensated absences	496,921	577,454
Net pension liability	4,196,831	11,524,695
Net OPEB liability	1,319,831	-
Total long-term liabilities	6,013,583	12,102,149
Total liabilities	7,621,240	14,063,667
Deferred inflows of resources		
Pension related	337,326	-
OPEB related	1,074	-
Total deferred inflows of resources	338,400	-
Net position		
Net investment in capital assets	26,573,755	27,167,318
Unrestricted	18,513,857	14,237,409
Total net position	$ 45,087,612	$ 41,404,727

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, 2018 and 2017

	2018	2017
Operating revenue		
Residential sales	$ 11,281,506	$ 11,743,477
Commercial sales	10,080,514	10,627,620
Industrial sales	13,145,237	14,235,564
Municipal sales	926,260	909,444
Public street and highway lighting	508,271	521,606
Thermal energy	32,697	17,861
Penalties	119,264	124,034
Rental income	50,050	47,974
Other	4,125	3,750
Total operating revenue	36,147,924	38,231,330
Operating expense		
Power production	14,780,397	17,776,931
Wholesale power net	5,082,618	1,899,152
Distribution	2,585,086	2,730,158
Customer accounts	1,110,506	1,175,689
Administrative	2,092,782	2,027,622
Change in pension and benefit costs	41,000	1,135,334
Depreciation	3,980,471	4,046,728
Total operating expense	29,672,860	30,791,614
Operating income (loss)	6,475,064	7,439,716
Non-operating revenue (expense)		
Interest income MPIA insurance reserve	129,127	146,397
Payment to City component units	(178,144)	(160,018)
Other	72,610	102,424
Total non-operating revenue (expense)	23,593	88,803
Changes before transfers	6,498,657	7,528,519
Transfers to City of Grand Haven	(1,802,224)	(1,903,020)
Changes in net position	4,696,433	5,625,499
Net position, beginning of year, as restated	40,391,179	35,779,228
Net position, end of year	$ 45,087,612	$ 41,404,727

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, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Receipts from customers and users	$ 36,068,881	$ 38,590,122
Payments to employees	(4,766,435)	(4,642,523)
Payments to suppliers	(27,990,604)	(22,109,361)
Net cash provided by (used in) operating activities	3,311,842	11,838,238
Cash flows from non-capital financing activities		
Transfers to City of Grand Haven	(1,733,223)	(1,920,034)
Transfers to City component units	(178,144)	(160,018)
Net cash provided by (used in) non-capital financing activities	(1,911,367)	(2,080,052)
Cash flows from capital and related financing activities		
Interest paid on long-term debt	-	(206,122)
Principal paid on bonds	-	(7,540,000)
Acquisitions of capital assets	(3,386,908)	(4,177,990)
Net cash provided by (used in) capital and related financing activities	(3,386,908)	(11,924,112)
Cash flows from investing activities		
Interest received	129,127	146,397
Net cash provided by (used in) investing activities	129,127	146,397
Net increase (decrease) in cash and cash equivalents	(1,857,306)	(2,019,529)
Cash and cash equivalents, beginning of year	13,036,594	15,056,123
Cash and cash equivalents, end of year	$ 11,179,288	$ 13,036,594

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Operating income (loss)	$ 6,475,064	$ 7,439,716
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	3,980,471	4,046,728
Other revenue	72,610	102,424
Net pension liability	(7,327,864)	(515,114)
Deferred outflows for pensions	1,651,436	1,650,448
Deferred inflows for pensions	337,326	-
Net OPEB liability	306,283	(5,911)
Deferred outflows for OPEB	(256,413)	-
Deferred inflows for OPEB	1,074	-
Change in operating assets and liabilities which provided (used) cash		
Receivables	(167,159)	242,366
Prepaid and other assets	34,922	1,191
Inventory	(519,336)	(279,942)
Deposits with others	(773,177)	(324,171)
Accounts payable	(297,096)	(747,800)
Accrued liabilities	(141,272)	242,754
Customer deposits	15,506	14,002
Compensated absences	(80,533)	(28,453)
Net cash provided by (used in) operating activities	$ 3,311,842	$ 11,838,238
Statement of net position classification of cash and cash equivalents		
Cash and cash equivalents	$ 11,179,288	$ 13,036,594
Restricted cash and cash equivalents	-	-
Total cash and cash equivalents	$ 11,179,288	$ 13,036,594

(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.

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.

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 items that qualify for reporting in this category related to the net pension and net OPEB liabilities which is discussed in notes 5 and 6.

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 items that qualify for reporting in this category related to the net pension and net OPEB liabilities which is discussed in notes 5 and 6.

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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at year end consisted for deposits with financial institutions as follows:

Cash and cash equivalents	$11,179,288

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. 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 $11,142,372 that may be exposed to custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated				
Land	$ 222,281	$ -	$ -	$ 222,281
Construction in progress	652,732	350,891	640,917	362,706
Total capital assets, not being depreciated	875,013	350,891	640,917	584,987
Capital assets, being depreciated				
Steam production	98,253,172	-	-	98,253,172
Diesel production	6,265,125	98,352	323,154	6,040,323
Transmission and distribution	42,839,307	2,505,345	553,057	44,791,595
General plant	2,047,883	1,679,131	1,248,664	2,478,350
Total capital assets, being depreciated	149,405,487	4,282,828	2,124,875	151,563,440
Less accumulated depreciation for:				
Steam production	90,826,293	2,121,843	-	92,948,136
Diesel production	6,034,601	-	-	6,034,601
Transmission and distribution	24,426,157	1,656,536	301,148	25,781,545
General plant	1,826,131	202,092	1,217,833	810,390
Total accumulated depreciation	123,113,182	3,980,471	1,518,981	125,574,672
Net capital assets, being depreciated	26,292,305	302,357	605,894	25,988,768
Capital assets, net	**$27,167,318**	**$653,248**	**$1,246,811**	**$26,573,755**

4. LONG-TERM DEBT

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated absences	$577,454	$ -	$80,533	$496,921	$ -

5. RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description

The Board 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 participating employees based on division/bargaining unit. The plan is closed to new Board employees. Benefits provided include a multiplier of 2.25 to 2.5 times final average compensation. Vesting period of 6 to 10 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, 2017):

	Total City
Active plan members	179
Inactive employees or beneficiaries currently receiving benefits	196
Inactive employees entitled but not yet receiving benefits	51
Total	426

Contributions

The Utility is required to contribute at an actuarially determined rate, which for the current year was $19,541 to $36,190 per month 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, 2017, 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, 2017 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 did not change 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	$101,218,656	$73,178,036	$28,040,620
Changes for the Year:			
Service cost	1,896,453	-	1,896,453
Interest	7,931,391	-	7,931,391
Change in benefits	(54,797)	-	(54,797)
Differences between expected and actual experience	2,035,707	-	2,035,707
Change in assumptions	-	-	-
Contributions: employer	-	6,969,429	(6,969,429)
Contributions: employee	-	1,649,872	(1,649,872)
Net investment income	-	9,637,326	(9,637,326)
Benefit payments, including refunds	(6,048,965)	(6,048,965)	-
Administrative expense	-	(152,492)	152,492
Other changes	-	-	-
Net changes	5,759,789	12,055,170	(6,295,381)
Balance at December 31, 2017	$106,978,445	$85,233,206	$21,745,239

The Board's share of the City total net pension liability at year end was $4,196,831.

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	$119,782,143	$106,978,445	$96,288,035
Fiduciary net position	85,233,206	85,233,206	85,233,206
Net pension liability	$ 34,548,937	$ 21,745,239	$11,054,829

Pension Expense and Deferred Outflows of Resources Related to Pensions
For the year ended June 30, 2018 the City recognized pension expense of $4,303,337. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	$ (339,763)
Differences in assumptions	3,307,334
(Excess) deficit investment returns	(1,408,042)
Contributions subsequent to the measurement date*	869,531
Total	$2,429,060

* 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 2019.

The Board's share of deferred outflow for differences in assumptions was $638,315, contributions subsequent to the measurement date were $167,819, and deferred inflows for investment returns $271,752 and experiences $65,574.

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:

2019	$1,750,279
2020	1,494,696
2021	(948,173)
2022	(737,273)
2023	-
Thereafter	-
Total	$1,559,529

Defined Contribution Plan (401A Plan)

The Board provides a defined contribution pension plan (the Plan) that provides pension benefits to all participating full-time 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 4% and the Board contributes 8% 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 $35,412 and the Board contributed $734,140 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. The method used to determine the actuarial valuation of assets is market.

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.

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, 2018):

Retirees and beneficiaries receiving benefits	68
Covered spouses	34
Active plan members	86
Total	188

The plan is closed to new participants.

Net OPEB Liability

The total OPEB liability in the June 30, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5 % (2.99% in 2017)
Salary Increases: 2.0%
Investment rate of return: 5.25%, net of investment expense, including inflation
20 – year Aa Municipal Bond rate: 3.00%
Healthcare cost trend rates: 7% graded down 0.5% to an ultimate rate of 5%

As set forth in IRS Regulations for 2018 (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	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying Strategies	12.5%	5.00%
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 5.25%.

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

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.65 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 7.75%. 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. The discount rate used for the beginning of year total OPEB liability was 7.5%.

Year ended June 30	Annual OPEB Cost	Net OPEB Obligation	Percentage Funded
2015	$137,545	$185,419	74%
2016	199,381	191,811	104%
2017	215,813	215,813	100%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a)-(b)**
Balance at June 30, 2017	$6,353,547	$1,948,271	$4,405,276
Changes for the Year:			
Service cost	49,554	-	49,554
Interest	456,247	-	456,247
Change in benefits	-	-	-
Differences between expected and actual experience	1,015,790	-	1,015,790
Change in assumptions	292,450	-	292,450
Contributions to OPEB trust	-	-	-
Benefits paid from general operating funds	-	639,638	(639,638)
Net investment income	-	151,458	(151,458)
Benefit payments, including refunds	(639,638)	(639,638)	-
Administrative expense	-	(4,917)	4,917
Other changes	-	-	-
Net changes	1,174,403	146,541	1,027,862
Balance at June 30, 2018	$7,527,950	$2,094,812	$5,433,138

The Board's share of the City total net OPEB liability at year end was $1,319,831.

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 7.75%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (6.75%) or 1% higher (8.75%) than the current rate.

	1% Decrease	**Current Discount rate**	**1 % increase**
Total OPEB liability	$8,036,907	$7,527,950	$7,071,071
Fiduciary net position	2,094,812	2,094,812	2,094,812
Net OPEB liability	5,942,095	5,433,138	4,976,259
Plan fiduciary position as a percentage of the total OPEB liability	26.06%	27.83%	29.63%

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, 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	$7,028,662	$7,527,950	$8,085,947
Fiduciary net position	2,094,812	2,094,812	2,094,812
Net OBEB liability	$4,933,850	$5,433,138	$5,991,135

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018 the employer recognized OPEB expense of $616,723. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ 819,312	$ -
Differences in assumptions	235,883	-
Excess(deficit) investment returns	-	4,418
Total	$1,055,195	$4,418

The Board's share of deferred outflows for differences in experience and assumptions was $256,413 and deferred inflows for investment returns was $1,074.

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	$ 251,941
2020	251,941
2021	251,941
2022	251,939
2023	43,015
Thereafter	-
Total	$1,050,777

Defined Contribution Plan (MERS Healthcare Savings Program)

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 $26,670 and the Board contributed $38,648 to the plan.

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	
	2018	**2017**
Property and equipment	$50,000 - 500,000	$50,000 - 500,000
General liability	50,000	50,000
Public officials liability	50,000	50,000
Employee benefits liability	100,000	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 $3,013,157 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, 2018 and 2017 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, 2018 and 2017 was $2,452 and $65,906, 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 $90,000,000 declines from a high of approximately $5,200,000 in 2025 to zero in 2047.

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 21 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	$1,872,216
Payments to MPPA for electricity transmission	816,644
Payments to MPPA for renewable energy	2,251,734
Payments to MPPA for other	303,780

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 80,000 tons of coal in 2018.

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.

12. RESTATEMENT

GASB statement Number 75 was implemented during 2018 which resulted in a reduction in the Board's net position at July 1, 2017 of $1,013,548 to reflect the Board's share of the City of Grand Haven's entire other posted employment benefit liability.

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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 2018

	2014	2015	2016	2017	
Total pension liability					
Service cost	$ 1,714,380	$ 1,784,375	$ 1,938,292	$ 1,896,453	
Interest	6,872,845	6,970,006	7,719,273	7,931,391	
Changes in benefit terms	-	(8,167)	(27,927)	(54,797)	
Difference between expected and actual experience	-	1,069,871	(1,279,520)	2,035,707	
Changes in assumptions	-	4,451,385	-	-	
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	(6,048,965)	
Other	-	217,812	(1)	-	
Net change in total pension liability	4,064,873	9,398,920	3,043,663	5,759,789	
Total pension liability, beginning of year	84,711,200	88,776,073	98,174,993	101,218,656	
Total pension liability, end of year	$ 88,776,073	$ 98,174,993	$ 101,218,656	$ 106,978,445	
Plan Fiduciary Net Position					
Contributions-employer	$ 1,230,140	$ 1,351,197	$ 1,528,835	$ 6,969,429	
Contributions-employee	1,017,387	1,188,014	1,399,568	1,649,872	
Net Investment income	4,384,730	(1,056,807)	7,662,061	9,637,326	
Benefit payments including employee refunds	(4,522,352)	(5,086,362)	(5,306,454)	(6,048,965)	
Administrative expense	(160,769)	(155,709)	(151,314)	(152,492)	
Net change in plan fiduciary net position	1,949,136	(3,759,667)	5,132,696	12,055,170	
Plan fiduciary net position, beginning of year	69,855,871	71,805,007	68,045,340	73,178,036	
Plan fiduciary net position, end of year	$ 71,805,007	$ 68,045,340	$ 73,178,036	$ 85,233,206	
Employer net pension liability	$ 16,971,066	$ 30,129,653	$ 28,040,620	$ 21,745,239	
Employer net pension liability reported by Grand Haven Board of Light and Power	$ 6,141,039	$ 12,039,809	$ 11,524,695	$ 4,196,831	**
Plan fiduciary net position as a percentage of the total pension liability	81%	69%	72%	80%	
Covered employee payroll	$ 11,071,127	$ 11,535,426	$ 12,103,488	$ 11,544,999	
Employer's net pension liability as a percentage of covered employee payroll	153%	261%	232%	188%	

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 2018

Fiscal Year end	Actuarial determined contributions **	Contributions in relation to the actuarially determined contribution **	Contribution deficiency (excess) **	Covered employee payroll **	Contributions as a percentage of covered employee payroll **
6/30/2015	$ 542,904	$ 542,904	$ -	$ 4,672,250	12%
6/30/2016	582,225	582,225	-	4,689,604	12%
6/30/2017	688,049	688,049	-	5,733,742	12%
6/30/2018	657,368	5,657,368	(5,000,000)	4,265,218	133%

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	7.75 % (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 YEARS ENDED JUNE 30, 2018 and 2017

	2017	2018
Total OPEB liability		
Service cost	$ 52,122	$ 49,554
Interest	456,376	456,247
Changes in benefit terms	-	-
Difference between expected and actual experience	79,952	1,015,790
Changes in assumptions	-	292,450
Benefit payments including employee refunds	(535,595)	(639,638)
Other	-	-
Net change in total OPEB liability	52,855	1,174,403
Total OPEB liability, beginning of year	6,300,692	6,353,547
Total OPEB liability, end of year	$ 6,353,547	$ 7,527,950
Plan Fiduciary Net Position		
Contributions-employer	$ 500,000	$ -
Contributions/benefit payments made from general operating funds	535,595	639,638
Net Investment income	198,865	151,458
Benefit payments including employee refunds	(535,595)	(639,638)
Administrative expense	(4,014)	(4,917)
Other	-	-
Net change in plan fiduciary net position	694,851	146,541
Plan fiduciary net position, beginning of year	1,253,420	1,948,271
Plan fiduciary net position, end of year	$ 1,948,271	$ 2,094,812
Employer net OPEB liability	$ 4,405,276	$ 5,433,138
Employer net OPEB liability reported by Grand Haven Board of Light and Power	$ 1,013,548	$ 1,319,831
Plan fiduciary net position as a percentage of the total OPEB liability	31%	28%
Covered employee payroll	$ 11,180,895	$ 9,528,743
Employer's net OPEB liability as a percentage of covered employee payroll	39%	57%

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 YEARS ENDED JUNE 30, 2018 and 2017

Fiscal Year end	Actuarial determined contributions **	Contributions in relation to the actuarially determined contribution **	Contribution deficiency (excess) **	Covered employee payroll **	Contributions as a percentage of covered employee payroll **
6/30/2017	$ 202,700	$ 208,736	$ (6,036)	$ 4,126,602	5%
6/30/2018	215,813	215,813	-	4,147,078	5%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percent, closed
Remaining amortization perio	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 YEARS ENDED JUNE 30, 2018 and 2017

	2017	2018
Annual money-weighted rate of return net of investment expense	12.2%	7.7%

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, 2018 and 2017

	2018	2017
Power production		
Steam expense		
Operation		
Supervision and engineering	$ 115,668	$ 116,708
Vacation, sick and holiday pay	283,543	697,355
Fringe benefits	1,231,432	1,330,593
Fuel and fuel handling	8,367,999	10,127,647
Steam	482,996	739,712
Scrubber	423,047	374,288
Electric plant	351,307	294,477
Other	747,050	567,060
Total operation	12,003,042	14,247,840
Maintenance		
Supervision	69,183	126,464
Structures	125,337	69,535
Boiler plant	1,173,751	1,848,469
Scrubber	1,160,963	1,146,584
Electric plant	40,610	80,524
Other	56,531	43,461
Total maintenance	2,626,375	3,315,037
Total steam expense	14,629,417	17,562,877
Diesel expense		
Operation		
Supervision and engineering	-	2,139
Vacation, sick and holiday pay	3,675	12,173
Fringe benefits	19,849	23,976
Fuel	18,700	-
Operating labor	20,538	25,926
Other	46,328	130,482
Total operation	109,090	194,696
Maintenance		
Structures	5,820	4,152
Engines	36,070	12,064
Total maintenance	41,890	16,216
Total diesel expense	150,980	210,912
Transmission	-	3,142
Total power production	14,780,397	17,776,931

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	2018	2017
Wholesale power (net)	$ 5,082,618	$ 1,899,152
Distribution		
Operation		
Supervision and engineering	227,369	286,625
Vacation, sick and holiday pay	164,543	448,408
Fringe benefits	628,277	615,774
Station expense	43,875	61,745
Overhead lines		
Labor	283,908	374,271
Materials	-	11,694
Vehicle maintenance	87,766	102,303
Underground lines	68,345	69,093
Street lighting and signal system	6,886	9,713
Meter		
Labor	156,568	126,409
Other	7,171	8,718
Engineering supplies	3,159	4,496
Customer installation	7,697	9,990
Other	275,998	291,733
Total operation	1,961,562	2,420,972
Maintenance		
Tree trimming	182,116	161,802
Building and substations	41,966	68,746
Overhead system	290,771	130,522
Underground system	36,408	7,040
Storm damage	121,560	596
Street lighting and signal	18,604	19,538
Total maintenance	691,425	388,244
Reimbursements	(67,901)	(79,058)
Total distribution	2,585,086	2,730,158

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	2018	2017
Customer accounts		
Operation		
Supervision and engineering	$ 56,098	$ 66,248
Vacation, sick and holiday pay	66,531	141,827
Fringe benefits	255,957	191,923
Meter reading	141,439	125,574
Customer records and collection	247,348	227,979
Energy optimization	316,605	389,969
Uncollectable accounts, net	12,397	6,865
Other	14,131	25,304
Total customer accounts	1,110,506	1,175,689
Administrative and general		
Operation		
Salaries	642,239	577,167
Vacation, sick and holiday pay	82,852	88,484
Fringe benefits	365,189	16,274
Office supplies and expense	35,064	29,956
Outside services	72,009	189,088
Insurance	555,952	797,247
Advertising	37,736	30,537
Franchise requirement	18,146	17,661
Maintenance	36,763	23,421
Other	246,832	257,787
Total administrative and general	2,092,782	2,027,622
Change in benefit plan costs	41,000	1,135,334
Depreciation		
Steam production	3,949,639	2,453,785
Diesel production	-	257,983
General plant	30,832	104,277
Transmission and distribution	-	1,230,683
Total depreciation	3,980,471	4,046,728
Total operating expenses	$ 29,672,860	$ 30,791,614

(concluded)

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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 1, 2018

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, 2018, 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 1, 2018.

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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vredeveld Haefner LLC