



GRAND HAVEN BOARD OF LIGHT AND POWER

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**



Vredeveld Haefner LLC
CPAs and Consultants

GRAND HAVEN BOARD OF LIGHT AND POWER

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INDEPENDENT AUDITORS' REPORT

September 16, 2025

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

Opinions

We have audited the accompanying financial statements of the Grand Haven Board of Light and Power, Grand Haven, Michigan (an enterprise and OPEB trust fund of the City of Grand Haven, Michigan) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and the aggregate remaining fund information of the Grand Haven Board of Light and Power, as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. We are required to be independent of the Grand Haven Board of Light and Power and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Grand Haven Board of Light and Power's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Grand Haven Board of Light and Power's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the benefit plan trend information on pages 29 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2025, 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grand Haven Board of Light and Power's internal control over financial reporting and compliance.

Uradewald 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, 2025. 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

- Base retail rates remained unchanged in this fiscal year. Average Power Supply Cost Adjustments for FY2025 was .0099 cents per Kilowatt-hour.
- Total operating revenues increased by 3% with a 2% increase in retail sales revenue. Kilowatt-hour's consumption decreased 4% from the previous year. Total FY2025 Kwh consumption was consistent with FY2024. However, it did include a 5% decrease in industrial sales, offset by a 3.6% increase in residential sales. In FY2025 our largest industrial customer decreased and consolidated operations.
- The BLP provides a transfer to the City of Grand Haven's general fund in lieu of taxes of 5% of Sales. This transfer amounted to \$1,891,573 in FY2025.
- Beginning March 2020, all power is being purchased from the Michigan Public Power Agency (MPPA) as the BLP's Market Participant in the Midcontinent Independent System Operator (MISO) regional electric system and wholesale market. In FY2025, 27.04% of BLP energy was purchased from renewable resources through MPPA.
- Fuel related expenses increased by 7.6% in FY2025. While the amount of Kwhs purchased decreased slightly, the price per Kwh increased 7.8% to .07029 cents per Kilowatt-hour on average. This was the driver in the Power Supply Cost Adjustment increase mentioned above.
- Environmental remediation and mitigation are underway on the Sims's power plant property (the Island) following its demolition to address coal ash deposited on-site and the property's previous uses that included use as a City Dump site. An additional 949 thousand dollars has been added to the Asset Retirement Obligation liability to address the coal ash concerns in FY2025. Currently the City of Grand Haven is in discussions with the State of Michigan's Environmental, Great Lakes & Energy division to determine next steps for environmental mitigation and remediation of the site. An Environmental Remediation Surcharge of .0035 cents per kWh was added to the bill to address this cost going forward. The City of Grand Haven did bill the BLP 697 thousand dollars for Coal Combustion Clean up efforts in FY2025.
- In December of 2021, a 25-million-dollar Bond was issued using a Direct Purchase Bond instrument with Huntington Bank. The Direct Purchase was obtained with a 1.58% interest rate and 10-year maturity. This bond can be retired at year 8 with no penalty.
- The cash and investment balances held at the Michigan Public Insurance Authority (MPIA) increased to 11.1 thousand dollars. A deposit was made to the plan in FY2025 of 1.2 million dollars. Current balance is net of insurance expenses and investment returns. The purpose of this fund is to self-fund all non-employee risk including non-insurable assets.
- Pension and Other Post-Employment Benefits legacy liabilities resulted in a 950 thousand dollars of expenditure to the BLP this fiscal year. BLP is now 93% funded in their Defined Benefit plan administered by the Municipal Employees' Retirement System.
- In December of 2020, the BLP self-funded health care fund was separated from that of the City of Grand Haven. The BLP will be continuing its self-funded plan with BCBSM as the administrator.

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.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into two categories: proprietary funds and fiduciary funds.

Proprietary funds. The Board maintains one enterprise fund (considered to be a major fund) that is utilized to account for the operations of the Grand Haven Board of Light and Power.

The *Statement of Net Position* presents information on all of the Board's assets, deferred outflows, liabilities and deferred inflows with the difference between 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 *Statement 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.).

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Board's OPEB trust fund accounts for resources accumulated and disbursed to provide other post-employment benefits to eligible past employees. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 the Board's financial position. In the case of the Board, assets exceeded liabilities by \$63,106,785 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		
	<u>2025</u>	<u>2024</u>
Current and other assets	\$65,553,814	\$61,531,430
Capital assets	40,270,220	38,314,857
Total assets	105,824,034	99,846,287
Deferred outflows of resources	2,504,612	3,736,804
Other liabilities	6,069,728	5,364,589
Long-term liabilities	38,992,869	42,137,831
Total liabilities	45,062,597	47,502,420
Deferred inflows of resources	159,264	-
Net position		
Net Investment in capital assets	24,457,655	29,554,278
Restricted for revenue bond retirement	1,396,742	1,391,916
Unrestricted	37,252,388	25,134,477
Total net position	\$63,106,785	\$56,080,671

The total net position of the Board at June 30, 2025 is \$63,106,785; however, \$24,457,655 and \$1,396,742 represent net investment in capital assets and net position restricted for revenue bond retirement, respectively.

Changes in Net Position		
	<u>2025</u>	<u>2024</u>
Operating revenue	\$37,556,110	\$36,495,762
Operating expenses	30,581,300	29,544,115
Operating income (loss)	6,974,810	6,951,647
Nonoperating revenue (expense)	1,942,877	2,188,432
Change in net position before transfers	8,917,687	9,140,079
Transfers to the City of Grand Haven	1,891,573	1,853,665
Change in net position	7,026,114	7,286,414
Net position-beginning of year	56,080,671	48,794,257
Net position-end of year	\$63,106,785	\$56,080,671

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of June 30, 2025, amounted to \$40,270,220 (net of accumulated depreciation).

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

The Board's capital assets net of accumulated depreciation are summarized as follows:

Land	\$ 78,849
Construction in progress	2,182,283
Depreciable capital assets, net	<u>38,009,088</u>
Total	<u>\$40,270,220</u>

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:

Bond payable	<u>\$17,900,000</u>
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Additional information on the Board's long-term debt can be found in Note 4 of these financial statements.

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 31,124,825	\$ 23,058,021
Investments	14,718,050	14,645,900
Accounts receivable	4,195,484	4,316,798
Prepaid items	3,369	3,870
Total current assets	<u>50,041,728</u>	<u>42,024,589</u>
Non-current assets		
Restricted cash and cash equivalents	1,396,742	6,840,999
Deposit with MPIA and MPPA	13,622,678	12,043,361
Advance to City of Grand Haven	492,666	622,481
Capital assets		
Land	78,849	78,849
Construction in progress	2,182,283	2,856,068
Depreciable capital assets, net	<u>38,009,088</u>	<u>35,379,940</u>
Total non-current assets	<u>55,782,306</u>	<u>57,821,698</u>
Total assets	<u>105,824,034</u>	<u>99,846,287</u>
Deferred outflows of resources		
Pension related	2,119,779	3,239,279
OPEB related	<u>384,833</u>	<u>497,525</u>
Total deferred outflows of resources	<u>2,504,612</u>	<u>3,736,804</u>
Liabilities		
Current liabilities		
Accounts payable	2,185,200	1,452,797
Accrued liabilities	349,849	335,848
Customer deposits	977,587	1,016,396
Due to City of Grand Haven	157,092	159,548
Current portion of long-term debt	<u>2,400,000</u>	<u>2,400,000</u>
Total current liabilities	<u>6,069,728</u>	<u>5,364,589</u>
Long-term liabilities		
Accrued compensated absences	293,413	260,479
Asset retirement obligation	17,807,754	17,556,307
Net pension liability	4,747,289	5,491,563
Net OPEB liability	644,413	929,482
Bonds payable, net of current portion	<u>15,500,000</u>	<u>17,900,000</u>
Total long-term liabilities	<u>38,992,869</u>	<u>42,137,831</u>
Total liabilities	<u>45,062,597</u>	<u>47,502,420</u>
Deferred inflows of resources		
OPEB related	<u>159,264</u>	<u>-</u>
Net position		
Net investment in capital assets	24,457,655	29,554,278
Restricted for revenue bond retirement	1,396,742	1,391,916
Unrestricted	<u>37,252,388</u>	<u>25,134,477</u>
Total net position	<u>\$ 63,106,785</u>	<u>\$ 56,080,671</u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenue		
Residential sales	\$ 13,337,818	\$ 12,766,448
Commercial sales	10,640,245	10,305,682
Industrial sales	11,541,967	11,714,817
Municipal sales	995,987	1,007,147
Public street and highway lighting	337,324	338,039
Penalties	115,758	99,223
Rental income	38,262	35,833
Other	548,749	228,573
Total operating revenue	<u>37,556,110</u>	<u>36,495,762</u>
Operating expense		
Wholesale power net	19,680,612	18,281,810
Distribution	4,648,676	4,844,769
Customer accounts	651,722	710,774
Administrative	2,527,688	2,399,590
Change in pension and benefit costs	860,458	1,226,872
Depreciation	2,212,144	2,080,300
Total operating expense	<u>30,581,300</u>	<u>29,544,115</u>
Operating income (loss)	<u>6,974,810</u>	<u>6,951,647</u>
Non-operating revenue (expense)		
Interest income	1,226,348	1,373,378
Mitigation surcharge	948,544	953,037
Interest income including MPIA insurance reserve	973,902	1,018,031
Interest expense	(301,780)	(339,700)
Gain (loss) on disposal/demolition	(904,137)	(816,314)
Total non-operating revenue (expense)	<u>1,942,877</u>	<u>2,188,432</u>
Changes before transfers	8,917,687	9,140,079
Transfers to City of Grand Haven	<u>(1,891,573)</u>	<u>(1,853,665)</u>
Changes in net position	7,026,114	7,286,414
Net position, beginning of year	<u>56,080,671</u>	<u>48,794,257</u>
Net position, end of year	<u>\$ 63,106,785</u>	<u>\$ 56,080,671</u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Receipts from customers and users	\$ 37,638,615	\$ 36,596,701
Payments to employees	(3,764,113)	(4,228,349)
Payments to suppliers	<u>(24,893,633)</u>	<u>(24,652,776)</u>
Net cash provided by (used in) operating activities	<u>8,980,869</u>	<u>7,715,576</u>
Cash flows from non-capital financing activities		
Transfers to City of Grand Haven	<u>(1,894,029)</u>	<u>(1,853,269)</u>
Cash flows from capital and related financing activities		
Interest expense paid on long-term debt	(320,740)	(358,660)
Principal paid	(2,400,000)	(2,400,000)
Asset retirement	388,440	(142,525)
Acquisitions of capital assets	<u>(4,260,093)</u>	<u>(3,134,207)</u>
Net cash provided by (used in) capital and related financing activities	<u>(6,592,393)</u>	<u>(6,035,392)</u>
Cash flows from investing activities		
Purchases of investments	(14,405,504)	(8,744,597)
Sales of investments	14,333,354	4,874,632
Interest received	<u>2,200,250</u>	<u>2,391,409</u>
Net cash provided by (used in) investing activities	<u>2,128,100</u>	<u>(1,478,556)</u>
Net increase (decrease) in cash and cash equivalents	2,622,547	(1,651,641)
Cash and cash equivalents, beginning of year	<u>29,899,020</u>	<u>31,550,661</u>
Cash and cash equivalents, end of year	<u>\$ 32,521,567</u>	<u>\$ 29,899,020</u>
Cash and cash equivalents are included in the following captions on the statement of net position		
Cash and cash equivalents	\$ 31,124,825	\$ 23,058,021
Restricted cash and cash equivalents	<u>1,396,742</u>	<u>6,840,999</u>
	<u>\$ 32,521,567</u>	<u>\$ 29,899,020</u>

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Operating income (loss)	\$ 6,974,810	\$ 6,951,647
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	2,212,144	2,080,300
Net pension liability	(744,274)	(809,799)
Deferred outflows for pensions	1,119,500	1,393,604
Net OPEB liability	(285,069)	428,594
Deferred outflows for OPEB	112,692	(420,369)
Deferred inflows for OPEB	159,264	(28,927)
Due from city of Grand Haven	129,815	97,701
Change in operating assets and liabilities which provided (used) cash		
Receivables	121,314	(10,626)
Prepaid and other assets	501	(3,870)
Deposits with others	(1,579,317)	(1,727,092)
Accounts payable	732,403	(287,298)
Accrued liabilities	32,961	(40,973)
Customer deposits	(38,809)	111,565
Compensated absences	32,934	(18,881)
Net cash provided by (used in) operating activities	<u>\$ 8,980,869</u>	<u>\$ 7,715,576</u>

(concluded)

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

GRAND HAVEN BOARD OF LIGHT AND POWER

FIDUCIARY FUNDS *STATEMENT OF FIDUCIARY NET POSITION*

JUNE 30, 2025

	<u>OPEB Trust Fund</u>
Assets	
Investments	
MERS - Total Market Portfolio	<u>\$ 765,263</u>
Total assets	<u>765,263</u>
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net Position	
Restricted for pension and other post-employment benefits	<u>\$ 765,263</u>

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

GRAND HAVEN BOARD OF LIGHT AND POWER

FIDUCIARY FUNDS *STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*

FOR THE YEAR ENDED JUNE 30, 2025

	OPEB <u>Trust Fund</u>
Additions	
Contributions	
Employer	<u>\$ 174,713</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	68,050
Investment expense	<u>(1,527)</u>
Net investment income	<u>66,523</u>
Total additions	241,236
Deductions	
Health insurance premiums	<u>(174,713)</u>
Changes in net position	66,523
Net position, beginning of year	<u>698,740</u>
Net position, end of year	<u><u>\$ 765,263</u></u>

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

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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 made up of an Enterprise fund and another post-employment benefit trust fund of the City of Grand Haven, Michigan (the City). It operates under the direction of 5 elected Board Members as prescribed in the City Charter. 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 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 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.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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.
- h. The other post-employment benefit plan fund may also invest in corporate debt and equity securities.

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.

Deposits with MPIA and MPPA

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

Advance to City of Grand Haven

The balance of \$492,666 was advanced to City of Grand Haven for equipment and system components to produce and provide heat to the City of Grand Haven's downtown snow melt system. The amount is being paid by the City as a percentage of billings.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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
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

Employees earn paid time off (PTO) based on service. Up to 320 hours may be carried forward; amounts in excess of this limit are converted or paid out per policy. PTO is payable upon separation, and the Board records a liability for amounts more likely than not to be used or paid.

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.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents and investments consist of the following at June 30, 2025:

	Enterprise Fund	OPEB Fund	Total
Cash and cash equivalents	\$31,124,825	\$ -	\$31,124,825
Restricted cash and cash equivalents	1,396,742	-	1,396,742
Investments	14,718,050	765,263	15,483,313
Total	\$47,239,617	\$765,263	\$48,004,880

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 \$32,407,839, of which \$32,157,839 may be exposed to custodial credit risk.

Investments

As of year-end, the Board had the following deposits and investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
U.S. Treasury bills	12/26/25	\$ 4,898,300	Not applicable	N/A
U.S. Treasury bills	9/4/25	4,961,550	Not applicable	N/A
U.S. Treasury bills	3/19/26	4,858,200	Not applicable	N/A
MERS - Total Market	N/A	765,263	Unrated	N/A
		<u>\$15,483,313</u>		

The Board categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Board has the following recurring fair value measurements as of year-end.

- The Board's U.S. Treasury bills are valued using quoted market prices (Level 1 inputs).
- MERS total market portfolio is valued using a pricing model utilizing observable fair value measures and other observable inputs (Level 2 inputs).
- The Board does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Board's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each type of investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Board does not have, a policy for investment custodial credit risk. Of the above \$15,483,313 of investments, the Board has a custodial credit risk of \$14,718,050 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Custodial credit risk for the MERS total market portfolio cannot be determined as it does not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Board's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
Capital assets, not being depreciated				
Land	\$ 78,849	\$ -	\$ -	\$ 78,849
Construction in progress	2,856,068	4,260,091	4,933,876	2,182,283
Total capital assets, not being depreciated	2,934,917	4,260,091	4,933,876	2,261,132
Capital assets, being depreciated				
Transmission and distribution	62,641,631	4,822,702	434,894	67,029,439
General plant	2,726,437	111,174	-	2,837,611
Total capital assets, being depreciated	65,368,068	4,933,876	434,894	69,867,050
Less accumulated depreciation for:				
Transmission and distribution	28,542,662	2,065,434	342,308	30,265,788
General plant	1,445,464	146,710	-	1,592,174
Total accumulated depreciation	29,988,126	2,212,144	342,308	31,857,962
Net capital assets, being depreciated	35,379,942	2,721,732	92,586	38,009,088
Capital assets, net	\$38,314,859	\$6,981,823	\$5,026,462	\$40,270,220

4. LONG-TERM DEBT

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

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>
*Series 2021A Revenue Bonds (private placement) \$25,000,000. Payments due in semiannual installments ranging from \$2,300,000 to \$2,700,000 beginning July 1, 2022 through January 1, 2032; interest at 1.58%	\$20,300,000	\$ -	\$2,400,000	\$17,900,000	\$2,400,000
Compensated absences *	260,479	32,934	-	293,413	-
Total	\$20,560,479	\$ 32,934	\$2,400,000	\$18,193,413	\$2,400,000

* The change in compensated absences is presented as a net change

The Board has pledged the following for repayment of the revenue bonds: proceeds of bonds to be issued, income derived from rates charged for services, facilities, and commodities furnished by the Board and earnings on investments and Board assets.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

Future minimum payments on the long-term debt as of June 30, 2025 are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2026	\$ 2,400,000	\$ 282,820
2027	2,500,000	244,900
2028	2,500,000	205,400
2029	2,600,000	165,900
2030	2,600,000	124,820
2031-2032	5,300,000	126,400
Total	\$17,900,000	\$1,150,240

5. RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description

The Board participates 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. 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 Board are provided to all full-time participating employees hired before 7/1/17 based on division/bargaining unit. The plan is closed to new Board employees. Benefits provided include a multiplier of 2.25 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, 2024):

Active plan members	15
Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled but not yet receiving benefits	16
Total	107

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

Contributions

The Board is required to contribute at an actuarially determined rate, which for the current year was \$28,419 per month. Participating employees are required to contribute 10% of covered payroll to the Plan. 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 Board's net pension liability was measured as of December 31, 2024, 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, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: base wage inflation of 3.00% annually

Investment rate of return: 6.93%, net of investment expense, including inflation

Mortality rates used for non-disabled plan member were based on 106% of PubG-2010 tables with future mortality improvements using MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010. Mortality rates used for disabled plan member were based on PubNS-2010 Disabled Retiree Tables.

The actuarial assumptions used in the valuation were based on the results of the 2018 actuarial experience study first used in the December 31, 2020 valuation.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money Weighted Rate of Return*</u>
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	0.40%
Private Investments	20.0%	7.00%	1.40%
MERS gains adjustment			(0.07)%
Inflation			2.50%
Administrative fee			0.25%
			<hr/>
Discount rate			<u>7.18%</u>

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

Discount rate. The discount rate used to measure the total pension liability is 7.18%. 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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at December 31, 2023	\$47,557,297	\$42,065,734	\$5,491,563
Changes for the Year:			
Service cost	274,817	-	274,817
Interest	3,307,885	-	3,307,885
Change in benefits	-	-	-
Differences between expected and actual experience	(211,607)	-	(211,607)
Change in assumptions	(143,501)	-	(143,501)
Contributions: employer	-	750,824	(750,824)
Contributions: employee	-	190,835	(190,835)
Net investment income	-	3,122,325	(3,122,325)
Benefit payments, including refunds	(3,247,750)	(3,247,750)	-
Administrative expense	-	(92,116)	92,116
Other changes	-	-	-
Net changes	(20,156)	724,118	(744,274)
Balance at December 31, 2024	\$47,537,141	\$42,789,852	\$4,747,289

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 7.18%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or higher (8.18%) than the current rate.

	1% Decrease	Current discount rate	1% Increase
Total pension liability	\$53,099,879	\$47,537,141	\$42,928,428
Fiduciary net position	42,789,852	42,789,852	42,789,852
Net pension liability	\$10,310,027	\$ 4,747,289	\$ 138,576

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2025 the Board recognized pension expense of \$1,121,574. The Board reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ -
Differences in assumptions	-	-
(Excess) deficit investment returns	1,609,265	-
Contributions subsequent to the measurement date*	510,514	-
Total	<u>\$2,119,779</u>	<u>\$ -</u>

* 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 fiscal year ending 2026.

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

2026	\$ 792,408
2027	1,198,519
2028	(344,042)
2029	(37,620)
2030	-
Thereafter	-
Total	<u>\$1,609,265</u>

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 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 \$80,116 and the Board contributed \$160,231 to the plan.

6. POST-EMPLOYMENT BENEFITS

Plan Description

The Board participates 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 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 method used to determine the actuarial valuation of assets is market. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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 the Plan pays 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:

Retirees and beneficiaries receiving benefits	23
Covered spouses	-
Active plan members	23
Total	46

Net OPEB Liability

The net OPEB liability was based on an actuarial valuation as of June 30, 2024. The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5 %

Salary Increases: 3.5%

Investment rate of return: 6.93% including inflation

Healthcare cost trend rates: Pre-Medicare: 7.25% graded down 0.25% to an ultimate rate of 4.5%; post Medicare: 5.5% graded down by .25% to an ultimate rate of 4.5%

Mortality:

Healthy: Pub-2016 General Employees and Retirees, Headcount weighted

Disabled: Pub-2016 Disability mortality, Headcount weighted

Improvement scale: IRS 2024 Adjusted Scale MP-2021

An actuarial experience study was not conducted as the plan has fewer than 100 members.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global Equity	60.0%	4.50%
Global Fixed Income	20.0%	2.16%
Real Assets	20.0%	6.50%

The Board, 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 6.93%.

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

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

Rate of return. For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 9.09%. 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 6.93%. Because the employer continues to pay retiree health care benefits from general operating funds until the OPEB trust is sufficient to pay benefits, the assets are not projected to be depleted. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefits payments were not projected to be covered by projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rates that yields the same present value is calculated. This discount rate is used to determine the Total OPEB Liability. As of June 30, 2024 the discount rate used to value the OPEB liability was 7.00%.

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, 2024	\$1,628,222	\$698,740	\$ 929,482
Changes for the Year:			
Service cost	12,420	-	12,420
Interest	108,730	-	108,730
Change in benefits	-	-	-
Differences between expected and actual experience	(195,602)	-	(195,602)
Change in assumptions	30,619	-	30,619
Contributions to OPEB trust	-	-	-
Benefits paid from general operating funds	-	174,713	(174,713)
Net investment income	-	68,050	(68,050)
Benefit payments, including refunds	(174,713)	(174,713)	-
Administrative expense	-	(1,527)	1,527
Other changes	-	-	-
Net changes	(218,546)	66,523	(285,069)
Balance at June 30, 2025	\$1,409,676	\$765,263	\$ 644,413

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 6.93%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (5.93%) or higher (7.93%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total OPEB liability	\$1,478,613	\$1,409,676	\$1,347,564
Fiduciary net position	765,263	765,263	765,263
Net OPEB liability	\$ 713,350	\$ 644,413	\$ 582,301

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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 (6.25%) or higher (8.25%) than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$1,325,279	\$1,409,676	\$1,505,995
Fiduciary net position	765,263	765,263	765,263
Net OPEB liability	\$ 560,016	\$ 644,413	\$ 740,732

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

For the year ended June 30, 2025 the employer recognized OPEB expense of \$161,600. 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	\$349,384	\$150,739
Differences in assumptions	35,449	-
Excess(deficit) investment returns	-	8,525
Total	\$384,833	\$159,264

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

2026	\$108,795
2027	88,414
2028	45,822
2029	(17,462)
2030	-
Thereafter	-
Total	\$225,569

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 \$29,524 and the Board contributed \$54,984 to the plan.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

7. RISK MANAGEMENT

The Board is self-insured for employees' health benefits. The claims liability of \$61,900 reported at June 30, 2025 is based on the requirements of the Governmental Accounting Standards Board, which requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

An excess coverage insurance policy covers claims in excess of \$70,000 per covered individual with a 125% aggregate. 2021 was the first year of self-insurance of employees' health benefits by the Board. The liability 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, 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 the history of the self-insurance program.

The changes in the claims liability for the years ended June 30, 2025 was as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2025	\$ 21,100	\$ 869,889	\$ 829,089	\$ 61,900
2024	14,000	960,698	953,598	21,100
2023	40,813	1,048,756	1,075,569	14,000

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:

	<u>Deductible/Retention</u>	
	<u>2024</u>	<u>2025</u>
Property and equipment	\$50,000 - 500,000	\$50,000 - 500,000
General liability	50,000	50,000
Public officials liability	25,000	25,000
Employee benefits liability	50,000	50,000
Crime	25,000	25,000

The Board makes annual payment to the MPIA for administrative charges, insurance purchases and an estimated risk retention reserve. At year end the risk retention reserve balance held by the MPIA for the Board was \$11,122,678 which excluded assets set aside for estimated claims of \$150,034. 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

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

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, 2025 and 2024 was \$150,034 and \$104,938, 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, 2025 and 2024 was \$45,096 and \$18,395, respectively.

8. JOINT VENTURE

The Board is a member of a joint venture, the Michigan Public Power Agency (MPPA), with 21 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 participates in multiple MPPA projects for generation, purchase and transmission of electricity. The dollar amount of Board's commitments for participation in the various MPPA projects of \$142,134,409 declines from a commitment maximum of approximately \$15,297,000 in 2026 to approximately \$200,000 in 2048.

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 Board participates in multiple MPPA renewable energy projects to meet Michigan requirements.

The Energy Services Project provides 22 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	\$9,469,498
Payments to MPPA for electricity transmission	1,555,196
Payments to MPPA for renewable energy	4,736,968
Payments to MPPA for capacity	3,439,973
Payments to MPPA for other	448,403

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.

GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 and 2024

10. CONTINGENT LIABILITIES

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. ASSET RETIREMENT

The Board closed the Sims III 70-megawatt coal fired power plant in fiscal year 2020. The Board's operation of electricity generating facilities required use of fuel and ash management facilities that will require environmental remediation and mitigation under various state and federal laws. The Board has estimated the remaining cost of remediating fuel and ash management facilities at \$17,807,754 based on known costs of similar plant closures and engineering estimates.

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, 2016 through 2025

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability										
Service cost	\$ 1,784,375	\$ 1,938,292	\$ 1,896,453	\$ 1,876,313	\$ 1,787,913	\$ 1,719,873	\$ 346,845	\$ 356,420	\$ 332,669	\$ 274,817
Interest	6,970,006	7,719,273	7,931,391	8,390,678	8,623,429	8,876,309	3,205,780	3,189,558	3,249,780	3,307,885
Changes in benefit terms	(8,167)	(27,927)	(54,797)	2,423	(25,121)	(883,918)	-	-	-	-
Difference between expected and actual experience	1,069,871	(1,279,520)	2,035,707	(948,030)	1,579,667	1,505,496	(826,286)	339,916	533,973	(211,607)
Changes in assumptions	4,451,385	-	-	-	4,122,188	3,919,533	1,680,863	-	354,870	(143,501)
Benefit payments including employee refunds	(5,086,362)	(5,306,454)	(6,048,965)	(6,066,289)	(6,669,279)	(7,437,446)	(2,256,423)	(2,942,376)	(3,144,402)	(3,247,750)
Other	217,812	(1)	-	(4)	(2)	1	-	1	(1)	-
Net change in total pension liability	9,398,920	3,043,663	5,759,789	3,255,091	9,418,795	7,699,848	2,150,779	943,519	1,326,889	(20,156)
Total pension liability, beginning of year	88,776,073	98,174,993	101,218,656	106,978,445	110,233,536	119,652,331	43,136,110	45,286,889	46,230,408	47,557,297
Total pension liability, end of year	\$ 98,174,993	\$ 101,218,656	\$ 106,978,445	\$ 110,233,536	\$ 119,652,331	\$ 127,352,179	\$ 45,286,889	\$ 46,230,408	\$ 47,557,297	\$ 47,537,141
Plan Fiduciary Net Position										
Contributions-employer	\$ 1,351,197	\$ 1,528,835	\$ 6,969,429	\$ 2,803,011	\$ 2,096,764	\$ 6,530,362	\$ 1,062,160	\$ 3,133,328	\$ 821,166	\$ 750,824
Contributions-employee	1,188,014	1,399,568	1,649,872	1,583,711	1,619,918	1,519,254	233,792	223,524	205,503	190,835
Net investment income	(1,056,807)	7,662,061	9,637,326	(3,336,775)	10,759,791	10,939,329	5,038,183	(4,503,490)	4,346,844	3,122,325
Benefit payments including employee refunds	(5,086,362)	(5,306,454)	(6,048,965)	(6,066,289)	(6,669,279)	(7,437,446)	(2,256,423)	(2,942,376)	(3,144,402)	(3,247,750)
Administrative expense	(155,709)	(151,314)	(152,492)	(164,445)	(185,343)	(174,529)	(63,315)	(82,236)	(92,423)	(92,116)
Net change in plan fiduciary net position	(3,759,667)	5,132,696	12,055,170	(5,180,787)	7,621,851	11,376,970	4,014,397	(4,171,250)	2,136,688	724,118
Plan fiduciary net position, beginning of year	71,805,007	68,045,340	73,178,036	85,233,206	80,052,419	87,674,270	40,085,898	44,100,296	39,929,046	42,065,734
Plan fiduciary net position, end of year	\$ 68,045,340	\$ 73,178,036	\$ 85,233,206	\$ 80,052,419	\$ 87,674,270	\$ 99,051,240	\$ 44,100,296	\$ 39,929,046	\$ 42,065,734	\$ 42,789,852
Employer net pension liability	\$ 30,129,653	\$ 28,040,620	\$ 21,745,239	\$ 30,181,117	\$ 31,978,061	\$ 28,300,939	\$ 1,186,593	\$ 6,301,362	\$ 5,491,563	\$ 4,747,289
Employer net pension liability reported by Grand Haven Board of Light and Power **	\$ 12,039,809	\$ 11,524,695	\$ 4,196,831	\$ 4,941,117	\$ 7,520,756	\$ 4,450,113	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69%	72%	80%	73%	73%	78%	97%	86%	88%	90%
Covered employee payroll	\$ 11,535,426	\$ 12,103,488	\$ 11,544,999	\$ 11,230,904	\$ 10,471,556	\$ 9,766,065	\$ 2,164,742	\$ 2,084,285	\$ 2,774,545	\$ 2,213,797
Employer's net pension liability as a percentage of covered employee payroll	261%	232%	188%	269%	305%	290%	55%	302%	198%	214%

Notes to schedule:

**The above schedule provides information for the City of Grand Haven plan as a whole through 2020 with the exception of this item.

The Grand Haven Board of Light and Power defined benefit pension plan was split from, and is presented separately from, the City plan beginning in 2021.

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, 2016 through 2025

Fiscal Year end	Actuarially determined contributions **	Contributions in relation to the actuarially determined contribution **	Contribution deficiency (excess) **	Covered employee payroll **	Contributions as a percentage of covered employee payroll **
6/30/2016	\$ 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%
6/30/2019	525,540	1,525,540	(1,000,000)	3,771,656	40%
6/30/2020	525,804	753,552	(227,748)	3,188,749	24%
6/30/2021	960,000	4,960,000	(4,000,000)	3,692,923	134%
6/30/2022	832,788	1,324,320	(491,532)	2,351,628	56%
6/30/2023	991,534	2,991,534	(2,000,000)	2,239,798	134%
6/30/2024	699,996	864,988	(164,992)	2,774,545	31%
6/30/2025	341,028	681,028	(340,000)	2,213,797	31%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	14 years
Asset valuation method	5 year smoothed (10 year smothing 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.0% (7.35 through 2020, 7.75% for 2015 through 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

Notes to schedule:

**The above schedule provides information for the City of Grand Haven plan as a whole through 2020 with the exception of this item.

The Grand Haven Board of Light and Power defined benefit pension plan was split from, and is presented separately from, the City plan for 2021.

GRAND HAVEN BOARD OF LIGHT AND POWER

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

FOR THE YEARS ENDED JUNE 30, 2017 through 2025

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability									
Service cost	\$ 52,122	\$ 49,554	\$ 42,889	\$ 46,820	\$ 43,640	\$ 15,611	\$ 14,854	\$ 13,823	\$ 12,420
Interest	456,376	456,247	556,550	623,499	593,625	113,978	78,633	72,607	108,730
Changes in benefit terms	-	-	-	(34,994)	-	-	-	-	-
Difference between expected and actual experience	79,952	1,015,790	141,760	(101,970)	(75,976)	(42,424)	44,149	610,120	(195,602)
Change on plan terms	-	-	-	-	-	(334,645)	-	-	-
Changes in assumptions	-	292,450	864,802	207,572	(27,044)	110,853	12,160	20,699	30,619
Benefit payments including employee refunds	(535,595)	(639,638)	(779,102)	(713,057)	(699,661)	(335,192)	(244,837)	(224,869)	(174,713)
Other	-	-	-	-	-	-	-	-	-
Net change in total OPEB liability	52,855	1,174,403	826,899	27,870	(165,416)	(471,819)	(95,041)	492,380	(218,546)
Total OPEB liability, beginning of year	6,300,692	6,353,547	7,527,950	8,354,849	8,382,719	1,702,702	1,230,883	1,135,842	1,628,222
Total OPEB liability, end of year	\$ 6,353,547	\$ 7,527,950	\$ 8,354,849	\$ 8,382,719	\$ 8,217,303	\$ 1,230,883	\$ 1,135,842	\$ 1,628,222	\$ 1,409,676
Plan Fiduciary Net Position									
Contributions-employer	\$ 500,000	\$ -	\$ 779,102	\$ 713,057	\$ 699,661	\$ -	\$ -	\$ -	\$ -
Contributions/benefit payments made from general operating funds	535,595	639,638	-	-	-	335,192	244,837	224,869	174,713
Net Investment income	198,865	151,458	62,008	50,205	618,036	(54,370)	44,113	65,177	68,050
Benefit payments including employee refunds	(535,595)	(639,638)	(779,102)	(713,057)	(699,661)	(335,192)	(244,837)	(224,869)	(174,713)
Administrative expense	(4,014)	(4,917)	(4,396)	(3,939)	(4,546)	(687)	(1,117)	(1,391)	(1,527)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	694,851	146,541	57,612	46,266	613,490	(55,057)	42,996	63,786	66,523
Plan fiduciary net position, beginning of year	1,253,420	1,948,271	2,094,812	2,152,424	2,198,690	647,015	591,958	634,954	698,740
Plan fiduciary net position, end of year	\$ 1,948,271	\$ 2,094,812	\$ 2,152,424	\$ 2,198,690	\$ 2,812,180	\$ 591,958	\$ 634,954	\$ 698,740	\$ 765,263
Employer net OPEB liability	\$ 4,405,276	\$ 5,433,138	\$ 6,202,425	\$ 6,184,029	\$ 5,405,123	\$ 638,925	\$ 500,888	\$ 929,482	\$ 644,413
Employer net OPEB liability reported by Grand Haven Board of Light and Power **	\$ 1,013,548	\$ 1,319,831	\$ 1,146,013	\$ 1,091,795	\$ 1,055,687	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	31%	28%	26%	26%	34%	48%	56%	43%	54%
Covered employee payroll	\$ 11,180,895	\$ 5,433,138	\$ 5,833,306	\$ 4,286,167	\$ 4,228,786	\$ 1,187,543	\$ 1,097,102	\$ 2,218,649	\$ 880,788
Employer's net OPEB liability as a percentage of covered employee payroll	39%	100%	106%	144%	128%	54%	46%	42%	73%

Notes to schedule:

**The above schedule provides information for the City of Grand Haven plan as a whole through 2021 with the exception of this item.

The Grand Haven Board of Light and Power defined benefit pension plan was split from, and is presented separately from, the City plan beginning in 2022.

The above data is based on a measurement date of June 30.

The above data is being accumulated prospectively until ten years of data is presented.

GRAND HAVEN BOARD OF LIGHT AND POWER

DEFINED BENEFIT OPEB PLAN SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2017 through 2025

Fiscal Year end	Actuarially 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)	\$ 4,398,937	5%
6/30/2018	215,813	215,813	-	3,280,409	7%
6/30/2019	212,789	212,789	-	3,041,327	7%
6/30/2020	273,794	280,815	(7,021)	1,738,293	16%
6/30/2021	251,488	212,119	39,369	1,720,867	12%
6/30/2022	240,636	335,192	(94,556)	1,187,543	28%
6/30/2023	123,449	244,837	(121,388)	1,097,102	22%
6/30/2024	119,876	224,869	(104,993)	2,218,649	10%
6/30/2025	155,952	174,713	(18,761)	880,788	20%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percent, closed
Remaining amortization period	6 years
Asset valuation method	Market value
Inflation	2.25%
Healthcare cost trend rates	7.25% graded down .25% per year until reaching 4.5%
Salary increases	3.00%
Investment rate of return	6.93% (7% 2022-2024, 7.35% 2020-2021, 7.75% 2017-2019)
Retirement age	Varies depending on plan adoption
Mortality	Public 2016 tables, headcount weighted

SCHEDULE OF INVESTMENT RETURNS

FOR THE YEARS ENDED JUNE 30, 2017 through 2025

Fiscal Year end	Annual money-weighted rate of return net of investment expense
6/30/2017	12.2%
6/30/2018	7.7%
6/30/2019	2.9%
6/30/2020	7.2%
6/30/2021	28.1%
6/30/2022	-4.4%
6/30/2023	7.2%
6/30/2024	9.8%
6/30/2025	9.1%

Notes to schedule:

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

The above data is being accumulated prospectively until ten years of data is presented.

** The above schedule provides information for the City of Grand Haven plan as a whole through 2021 with the exception of this item.

The Grand Haven Board of Light and Power defined benefit pension plan was split from and is presented separately from the City plan beginning in 2022.



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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

September 16, 2025

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, 2025, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 16, 2025.

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.

Wrodenold Haefner LLC