GRAND HAVEN BOARD OF LIGHT AND POWER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

VH CPA's Vredeveld Haefner LLC

GRAND HAVEN BOARD OF LIGHT AND POWER

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INDEPENDENT AUDITORS' REPORT

September 30, 2015

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 year ended June 30, 2015, 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, 2015, 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.

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 23 through 25 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 September 30, 2015, 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, 2015. 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

- Current assets decreased primarily due to the decreased cash from the scheduled outage and the inventory purchases and shipments.
- The OPEB asset balance was adjusted down to show a liability balance for fiscal 2015.
- Net capital assets decreased as a result of depreciation expense exceeding new capital investment.
- GASB 68 requires the net pension liability to be recorded in the financials beginning fiscal 2015, with a prior period adjustment to record the liability measured prior to fiscal 2015. This has added a net pension liability of $6,141,000, as well as deferred outflow of resources for the pension contribution subsequent to the measurement date and the deficit investment return of $536,400. There is also an additional expense to record changes in the net pension liability. For fiscal 15 that amount is a decrease of $535,000.
- Long-term liabilities decreased due to the current year principle payment of long-term debt.
- Retail sales were up slightly for the year. There was a 4% base retail rate increase in fiscal 2015, most of which was returned to customers in the power cost adjustment.
- Wholesale sales is now showing net of purchase power on the financials. In past years, this was shown as a separate item from the purchased power expense. The BLP made all wholesale sales through the Michigan Public Power Agency's Energy Services Project.
- Purchases from Beebe Wind Farm project began in fiscal 2015.
- Fiscal 2015 included a scheduled outage which increased purchased power and transmission cost as well as production maintenance costs. This also decreased fuel costs. In addition there were unscheduled outages related to boiler tube leaks and circulating water discharge pipe repair.
- Revenue from surcharges billed to customers for Energy Optimization was $470,000 for fiscal 2015 while expenses incurred for the program were $393,000. Revenue from surcharges billed to customers for Renewable Portfolio Standard program was $245,000.
- Revenue from thermal energy related to snowmelt system operations was down from last year due to a milder winter.
- The BLP approved a $30,627,000 operating expense budget for fiscal year 2015. Actual operating expenses were $32,191,000.
- The BLP invests essentially all revenues not paid out for operations and maintenance expense, non-operating expenses, or debt principal back into capital improvement for the electrical systems. Total capital expenditures were $1,159,000 in fiscal year 2015, which was paid by internally generated funds.

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 *Statement 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 *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.).

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 $33,332,570 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

	2014	2015
Current and other assets	$32,171,572	$30,553,224
Capital assets	30,980,701	29,097,916
Total assets	63,152,273	59,651,140
Deferred outflows of resources	386,968	667,891
Other liabilities	4,818,940	5,467,194
Long-term liabilities	22,235,599	21,519,267
Total liabilities	27,054,539	26,986,461
Net position		
Net investment in capital assets	9,798,932	14,508,346
Restricted	9,411,149	9,801,045
Unrestricted	17,274,621	9,023,179
Total net position	$36,484,702	$33,332,570

The total net position of the Board at June 30, 2015 is $33,332,570 however, $14,508,346 represents net investment in capital assets and $9,801,045 is restricted for revenue bond retirement. Total net position increased by $2,897,940 for the year ended June 30, 2015. A prior period adjustment reducing net position at June 30, 2014 by $6,050,008 is reflected in the below table (implementation of GASB Statements 68 and 71, Pension Accounting during 2015). The increase in net position occurred while operating revenues declined due to schedule and unscheduled outages.

Changes in Net Position

	2014	2015
Operating revenue	$39,738,529	$37,853,276
Operating expenses	32,612,470	32,190,925
Operating income (loss)	7,126,059	5,662,351
Nonoperating revenues (expense)	(983,823)	(855,222)
Change in net position before transfers	6,142,236	4,807,129
Transfers to the City of Grand Haven	1,814,122	1,909,189
Change in net position	4,328,114	2,897,940
Net position-beginning of year	32,156,588	30,434,630
Net position-end of year	$36,484,702	$33,332,570

During the year ended June 30, 2015, the Board had an increase in net position of $2,897,940 primarily as a result of revenue exceeding expense including outage costs. The operating revenues decreased by $1.9 million due to reduced wholesale revenues during scheduled and unscheduled outages.

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of June 30, 2015, amounted to $29,097,916 (net of accumulated depreciation).

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

The Board's capital assets are summarized as follows:

Land	$ 222,281
Construction in progress	1,835,780
Depreciable capital assets, net	27,039,855
Total	**$29,097,916**

Additional information on the Board's capital assets can be found in Note 4 of these financial statements.

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

Compensated absences	$ 642,083
Bond premiums	61,021
Bonds payable	14,660,000
Total	**$15,363,104**

The Board repaid $6,730,000 of bond principal during the year.

Additional information on the Board's long-term debt can be found in Note 5 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Board's budget for the 2015-16 fiscal year:

- The budget approved for fiscal year 2016 reflects no base rate increase for our customers. There are two scheduled maintenance outages for fiscal 2016.
- The capital improvement budget for fiscal 2016 includes several improvements to the generation and distribution systems.
- Transfers to component units of the City of a portion of electric revenue generated at the Grand Landing location will help fund payment of component unit debt. These transfers are expected to begin after January 2016 pursuant to an amended agreement.
- The new e-billing and online access and payment system was implemented at the end of fiscal 2015.

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 Kristin Kratt, Controller, 616-846-6250

BASIC FINANCIAL STATEMENTS

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF NET POSITION

JUNE 30, 2015

	2015
Assets	
Current assets	
Cash and cash equivalents	$ 7,758,230
Accounts receivable	4,764,649
Prepaid items	65,916
Inventory	5,898,690
Total current assets	18,487,485
Non-current assets	
Restricted cash and cash equivalents	7,524,212
Restricted investments	2,677,801
Deposit with MPIA and MPPA	1,863,156
Interest receivable	570
Capital assets	
Land	222,281
Construction in progress	1,835,780
Depreciable capital assets, net	27,039,855
Total non-current assets	41,163,655
Total assets	59,651,140
Deferred outflows of resources	
Pension contribution subsequent to measurement date and deficit investment return	536,440
Deferred charge on refunding	131,451
Total deferred outflows of resources	667,891
Liabilities	
Current liabilities	
Accounts payable	4,186,600
Accrued liabilities	219,636
Customer deposits	499,978
Interest payable from restricted assets	401,538
Due to City of Grand Haven	159,442
Current portion of long-term debt	7,120,000
Total current liabilities	12,587,194
Long-term liabilities	
Accrued compensated absences	642,083
Net pension liability	6,141,039
Net OPEB liability	13,481
Unearned revenue	1,643
Bond premium	61,021
Bonds payable, net of current portion	7,540,000
Total long-term liabilities	14,399,267
Total liabilities	26,986,461
Net position	
Net investment in capital assets	14,508,346
Restricted for revenue bond retirement	9,801,045
Unrestricted	9,023,179
Total net position	$ 33,332,570

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

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities	
Receipts from customers and users	$ 38,583,587
Payments to employees	(4,770,784)
Payments to suppliers	(25,246,536)
Net cash provided by (used in) operating activities	8,566,267
Cash flows from non-capital financing activities	
Transfers to City of Grand Haven	(2,008,983)
Cash flows from capital and related financing activities	
Interest paid on long-term debt	(981,362)
Principal paid on bonds	(6,730,000)
Acquisitions of capital assets	(2,239,829)
Net cash provided by (used in) capital and related financing activities	(9,951,191)
Cash flows from investing activities	
Purchases of investments	(16,858,744)
Sales of investments	15,521,682
Interest received	45,314
Net cash provided by (used in) investing activities	(1,291,748)
Net increase (decrease) in cash and cash equivalents	(4,685,655)
Cash and cash equivalents, beginning of year	19,968,097
Cash and cash equivalents, end of year	$ 15,282,442
Cash flows from operating activities	
Operating income (loss)	$ 5,662,351
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	4,117,327
Other revenue	39,994
Net pension liability	(95,226)
Deferred outflows for pensions	(350,247)
Change in operating assets and liabilities which provided (used) cash	
Receivables	658,952
Prepaid and other assets	(33,194)
Inventory	(2,299,404)
Deposits with others	(90,647)
Net OPEB liability	47,874
Accounts payable	844,867
Accrued liabilities	52,464
Customer deposits	34,292
Unearned revenue	(2,927)
Compensated absences	(20,209)
Net cash provided by (used in) operating activities	$ 8,566,267
Statement of net position classification of cash and cash equivalents	
Cash and cash equivalents	$ 7,758,230
Restricted cash and cash equivalents	7,524,212
Total cash and cash equivalents	$ 15,282,442

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 YEAR ENDED JUNE 30, 2015

Operating revenue	
Residential sales	$ 10,412,948
Commercial and industrial sales	25,357,242
Public street and highway lighting	550,267
Other sales to public authorities	806,095
Energy optimization	469,826
Renewable energy	245,542
Wholesale sales	(184,579)
Thermal energy	40,124
Forfeited discounts	104,935
Rental income	48,626
Other	2,250
Total operating revenue	37,853,276
Operating expense	
Power production	23,525,400
Distribution	1,971,954
Customer accounts	1,035,736
Administrative	1,540,508
Depreciation	4,117,327
Total operating expense	32,190,925
Operating income (loss)	5,662,351
Non-operating revenue (expense)	
Interest income	6,259
Interest income MPIA insurance reserve	39,400
Interest expense	(940,875)
Emission allowances	4,592
Other	35,402
Total non-operating revenue (expense)	(855,222)
Changes before transfers	4,807,129
Transfers to City of Grand Haven	(1,909,189)
Changes in net position	2,897,940
Net position, beginning of year, as restated	30,434,630
Net position, end of year	$ 33,332,570

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Measurement Focus and Basis of Accounting

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

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

The Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Board's principal ongoing operations. The principal operating revenues of the Board are charges for services. Operating expenses of the Board include the cost of electricity generation and purchases, transmission and distribution, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value.

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

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

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

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

d. Banker's acceptances of United States banks.

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

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

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

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

Receivables

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

Prepaid Items

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

Inventory

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

Deposits with MPIA and MPPA

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

Restricted Assets

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

Capital Assets

Capital assets are stated at cost and include items defined by the Board as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value 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 two items that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Board also has items that qualify for reporting in this category related to the net pension liability which is discussed in note 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 no item that qualify for reporting in this category.

Compensated absences

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

Bond Premium

Bond premiums associated with the bond issuances are being amortized to interest expense over the life of the related bonds.

Electric System Revenue Bond resolution

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

Pensions

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

2. DEPOSITS AND INVESTMENTS

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

Cash and cash equivalents	$7,758,230
Restricted cash and cash equivalents	7,524,212
Restricted investments	2,677,801
	$17,960,243

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

Deposits	$7,755,492
Money market funds	7,524,831
Investments	2,679,920
Total	$17,960,243

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned. State law does not require, and the Board does not have, a policy for deposit custodial credit risk. Insurance coverage pertains to all deposits of the City of Grand Haven; hence, the specific coverage pertaining to the Board's deposits, if any, is not readily determinable. As of year-end the Board had total bank balances of $7,854,197 that may be exposed to custodial credit risk.

Investments

The Board chooses to disclose its investments by specifically identifying each. As of year-end, the Board had the following investments:

	Maturity	Fair Value	Rating	Source
Money markets funds	n/a	$7,524,831	AAAm	S&P
Treasury bill	7/23/15	1,341,000	N/A	
Treasury bill	10/15/15	1,338,920	N/A	
Total		$10,204,751		

Investment risk

Interest Rate Risk. State law and City policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The City'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 investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific securities as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk except as provide for in bond resolution. 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 City does not have a policy for investment custodial credit risk. For the above $7,524,831 of money market funds the Board's custodial credit risk exposure cannot be determined because the invested funds do not consist of specifically identifiable securities. The investment in Treasury Bills identified above are held by the counterparty's trust department for the Board.

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 limits how much it holds in investments in any one type of security or issuer to minimize the impact of potential losses. City'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.

3. UNEARNED REVENUE

The Board receives revenue from allowances that are withheld by the EPA and are being sold at auction. The Board recognized $4,592 in emission allowances revenue during the year.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated				
Land	$ 222,281	$ -	$ -	$ 222,281
Construction in progress	754,743	1,585,728	504,691	1,835,780
Total capital assets, not being depreciated	977,024	1,585,728	504,691	2,058,061
Capital assets, being depreciated				
Steam production	96,323,752	240,518	-	96,564,270
Diesel production	6,258,675	-	-	6,258,675
Transmission and distribution	36,592,646	854,195	15,101	37,431,740
General plant	1,783,992	64,079	-	1,848,071
Total capital assets, being depreciated	140,959,065	1,158,792	15,101	142,102,756
Less accumulated depreciation for:				
Steam production	82,880,067	2,953,598	-	85,833,665
Diesel production	5,534,381	65,058	-	5,599,439
Transmission and distribution	21,083,220	1,017,317	9,814	22,090,723
General plant	1,457,720	81,354	-	1,539,074
Total accumulated depreciation	110,955,388	4,117,327	9,814	115,062,901
Net capital assets, being depreciated	30,003,677	(2,958,535)	5,287	27,039,855
Capital assets, net	**$30,980,701**	**$(1,372,807)**	**$509,978**	**$29,097,916**

5. LONG-TERM DEBT

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

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
2003 Electric System Revenue Refunding Bonds, due in annual installments of $5,676,000 to $7,210,000 through 2017; interest paid semi-annually at 5.25% to 5.5%	$20,445,000	$ -	$6,430,000	$14,015,000	$6,805,000
2007 Electric System Revenue Bonds, due in annual installments of $285,000 to $330,000 through 2017; interest paid semi-annually at 4.5% to 5.0%	945,000	-	300,000	645,000	315,000
Total bonds	21,390,000	-	6,730,000	14,660,000	7,120,000
Bond premium	178,737	-	117,716	61,021	-
Employee benefits	662,292	-	6,728	655,564	-
Total long-term debt	$22,231,029	$ -	$6,854,444	$15,376,585	$7,120,000

The annual requirements to amortize all debt outstanding at year end is as follows:

Year Ending June 30	Principal	Interest
2016	$7,120,000	$608,063
2017	7,540,000	206,525
Total	**$14,660,000**	**$814,588**

6. RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description

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

Benefits provided include a multiplier of 2.25 to 2.5 times final average compensation. Vesting period of 6 years. Normal retirement age is 60 with early retirement at 50 to 55 with from 15 to 25 years of service. Final average compensation is calculated based on a 3 year average.

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2014):

	Total City
Active plan members	188
Inactive employees or beneficiaries currently receiving benefits	181
Inactive employees entitled but not yet receiving benefits	38
Total	407

Contributions

The Utility is required to contribute at an actuarially determined rate, which for the current year was from 10.24 to 12.63% of annual covered payroll depending on position and classification. Participating employees are required to contribute from 6.5 to 10.24% percent of gross wages 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 employer's Net Pension Liability was measured as of December 31, 2014, 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, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net of investment expense, including inflation

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the valuation were based on the results of the most recent 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
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.25%. 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 12/31/13	$84,711,200	$69,855,871	$14,855,329
Changes for the Year:			
Service cost	1,714,380	-	1,714,380
Interest	6,872,845	-	6,872,845
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions: employer	-	1,230,140	(1,230,140)
Contributions: employee	-	1,017,387	(1,017,387)
Net investment Income	-	4,384,730	(4,384,730)
Benefit payments, including refunds	(4,522,352)	(4,522,352)	-
Administrative expense	-	(160,769)	160,769
Other changes	-	-	-
Net changes	4,064,873	1,949,136	2,115,737
Balance at 12/31/14	$88,776,073	$71,805,007	$16,971,066

The Utility's share of the City total net pension liability at year end was $6,141,039.

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 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease	Current Discount rate	1 % Increase
Total Pension Liability	$99,390,277	$88,776,073	$79,869,642
Fiduciary Net Position	71,805,007	71,805,007	71,805,007
Net Pension Liability	$27,585,270	$16,971,066	$8,064,635

* 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 2016.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended June 30, 2015 the Utility recognized a negative pension expense of $445,473. This negative expense is a result of a reduction of the allocation of the City's total net pension liability from June 30, 2014 to June 30, 2015. The Utility reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	$ -
Differences in assumptions	-
Excess (deficit) investment returns	369,934
Contributions subsequent to the measurement date	166,506
Total	$536,440

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

2016	$ 92,483
2017	92,483
2018	92,483
2019	92,485
Total	$369,934

7. POST-EMPLOYMENT BENEFITS

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 makes 75% to 80% of the premium payment and the retiree pays the balance. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has been established for the plan.

The contribution requirements of the plan members and the Board are determined and may be amended by the Board and the City. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City. For the current year the Board's annual required contribution (ARC) was $185,419 while actual contributions were $137,545.

The Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The most recent actuarial valuation of the Retiree Health Plan was performed as of June 30, 2014. The following table shows the components of the Boards annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's OPEB obligation and asset with the plan.

Annual required contribution	$185,419
Interest on Net OPEB obligation*	-
Adjustment to annual required contribution*	-
Annual OPEB cost (expense)	185,419
Contribution made	137,545
Change in net OPEB obligation	47,874
Net OPEB asset, beginning of year	34,393
Net OPEB liability, end of year	$ 13,481

* Not separately available for the Board

Three-Year Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/13	$ 62,150	218%	$92,917
6/30/14	55,495	318%	(34,393)
6/30/15	185,419	74%	13,481

Schedule of Funding Progress

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/14	$369,302	$1,562,918	$1,193,616	24%	$3,589,854	33%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The schedule of employer contributions presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about actuarial required contributions and actual amounts contributed to the plan. The actuarial required contribution represent a level of funding, if paid on an ongoing basis, is projected to cover normal costs and the amortization of any unfunded actuarial accrued liability over a period not to exceed 30 year.

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

In the June 30, 2014, actuarial valuation, the individual entry age normal actuarial cost method, level percentage, closed amortization method, and an amortization period of 9 years were utilized. The actuarial assumptions included a 7.5% return on plan assets, a discount rate of 7.5%, 5%medical insurance inflation and the 2014 mortality tables.

8. RISK MANAGEMENT

The Board is insured for employee benefits (unemployment, medical and workers' compensation) 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. All risk of loss related to the Board's participation in the MPIA is retained by the Board.

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

	Deductible/Retention	
	2015	2014
Property, real and personal, including earthquake and flood excluding equipment breakdown	$ 250,000	$ 250,000
Equipment breakdown, excluding Sims #3	50,000	250,000
Equipment breakdown at Sims, excluding Sims #3	250,000	250,000
Equipment breakdown, specific to Sims #3 boiler	500,000	500,000
General liability	50,000	50,000
Public officials liability	50,000	50,000
Employee benefits liability	10,000	50,000
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 $1,845,899 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, 2014 and 2015 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, 2014 and 2015 was $499 and $2,769, respectively.

9. 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 Board does not have an equity interest or participate in the net income or loss of the MPPA. The dollar amount of Board's commitments for participation in the various MPPA projects is currently indeterminable.

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

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

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

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

Electricity purchase from/through MPPA	$6,601,848
Payments to MPPA for the transmission project	1,422,728
Payments to MPPA for the Granger Project	1,404,045
Payments to MPPA for the NANR project	167,961
Payments to the MPPA for the energy service project	64,551

10. 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.

11. 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.

12. COMMITMENTS

The Board has entered into long-term contracts for the purchase of a minimum of 150,000 tons of coal annually through December 31, 2017.

The Board has entered into an agreement to transfer a portion of electric revenue generated at the Grand Landing location to help fund payment of component unit debt. These transfers are expected to begin after January 2016 pending development of specific properties. The agreement provides for contingent transfers through 2019.

13. RESTATEMENT

Net position of the Board at June 30, 2014 is restated from prior periods. Net position at June 30, 2014 was decreased from the balance reported in the 2014 audited financial statements by $6,050,008 to reflect the implementation of GASB Statement 68 and 71 (Pension Accounting).

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 YEAR ENDED JUNE 30, 2015

	2014
Total pension liability	
Service cost	$ 1,714,380
Interest	6,872,845
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments including employee refunds	(4,522,352)
Other	-
Net change in total pension liability	4,064,873
Total pension liability, beginning of year	84,711,200
Total pension liability, ending of year	$88,776,073
Plan Fiduciary Net Position	
Contributions-employer	$ 1,230,140
Contributions-employee	1,017,387
Net investment income	4,384,730
Benefit payments including employee refunds	(4,522,352)
Administrative expense	(160,769)
Net change in plan fiduciary net position	1,949,136
Plan fiduciary net position, beginning of year	69,855,871
Plan fiduciary net position, ending of year	$71,805,007
Employer net pension liability	$16,971,066
Employer net pension liability reported by Grand Haven Board of Light and Power	$ 6,141,039 **
Plan fiduciary net position as a percentage of the total pension liability	81%
Covered employee payroll	$11,071,127
Employer's net pension liability as a percentage of covered employee payroll	153%

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, 2014.

GRAND HAVEN BOARD OF LIGHT AND POWER

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2015

	2015	
Actuarial determined contributions	$ 542,904	**
Contributions in relation to the actuarially determined contribution	542,904	**
Contribution deficiency (excess)	$ -	**
Covered employee payroll	4,672,250	**
Contributions as a percentage of covered employee payroll	12%	**

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male 1994 group annuity mortality table

**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

REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTH POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	$ 158,626	$ 1,373,246	$ (1,214,620)	11.55%	$ 3,561,740	34.10%
6/30/2012	316,280	1,566,016	(1,249,736)	20.20%	3,039,960	41.11%
6/30/2014	369,302	1,562,918	(1,193,616)	23.63%	3,589,854	33.25%

Table presents information for the City of Grand Haven as a whole

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual required Contribution	Actual Contribution	Percent Contributed
2012	$ 164,444	$ 136,576	83%
2013	179,757	135,333	75%
2014	196,332	173,116	88%
2015	185,419	137,545	74%

Table presents information for the Grand Haven Board of Light and Power

SUPPLEMENTARY INFORMATION

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

		Percentage of Operating Revenue
Power production		
Steam expense		
Operation		
Supervision and engineering	$ 91,867	0.24%
Vacation, sick and holiday pay	372,192	0.98%
Fringe benefits	1,197,011	3.16%
Fuel and fuel handling	5,627,555	14.87%
Steam	689,085	1.82%
Scrubber	363,476	0.96%
Electric plant	300,968	0.80%
Other	407,621	1.08%
Total operation	9,049,775	23.91%
Maintenance		
Supervision	51,709	0.14%
Structures	52,947	0.14%
Boiler plant	3,642,018	9.62%
Scrubber	342,723	0.91%
Electric plant	1,148,335	3.03%
Other	26,840	0.07%
Total maintenance	5,264,572	13.91%
Total steam expense	14,314,347	37.82%
Diesel expense		
Operation		
Supervision and engineering	1,875	0.00%
Vacation, sick and holiday pay	9,810	0.03%
Fringe benefits	33,483	0.09%
Oil	4,804	0.01%
Operating labor	37,635	0.10%
Other	18,026	0.05%
Total operation	105,633	0.28%
Maintenance		
Structures	3,448	0.01%
Engines	22,494	0.06%
Total maintenance	25,942	0.07%
Total diesel expense	131,575	0.35%
System control	82,752	0.22%
Purchased power	7,485,223	19.77%
Transmission	1,511,503	3.99%
Total power production	23,525,400	62.15%

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

		Percentage of Operating Revenue
Distribution		
Operation		
Supervision and engineering	$ 215,577	0.57%
Vacation, sick and holiday pay	166,584	0.44%
Fringe benefits	494,123	1.31%
Station expense	21,760	0.06%
Overhead lines		
Labor	313,224	0.83%
Materials	29	0.00%
Transportation	100,425	0.27%
Underground lines	60,560	0.16%
Street lighting and signal system	36,263	0.10%
Meter		
Labor	157,355	0.42%
Other	12,461	0.03%
Engineering supplies	35,351	0.09%
Customer installation	72,778	0.19%
Other	160,837	0.42%
Total operation	1,847,327	4.88%
Maintenance		
Tree trimming	117,966	0.31%
Building and substations	49,297	0.13%
Overhead system	35,183	0.09%
Underground system	(207)	0.00%
Storm damage	5,958	0.02%
Street lighting and signal	10,887	0.03%
Total maintenance	219,084	0.58%
Reimbursements	(94,457)	-0.25%
Total distribution	1,971,954	5.21%

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

		Percentage of Operating Revenue
Customer accounts		
Operation		
Supervision and engineering	$ 53,728	0.14%
Vacation, sick and holiday pay	39,026	0.10%
Fringe benefits	144,223	0.38%
Meter reading	123,871	0.33%
Customer records and collection	245,521	0.65%
Energy optimization	392,957	1.04%
Uncollectable accounts, net	30,787	0.08%
Other	5,623	0.01%
Total customer accounts	1,035,736	2.74%
Administrative and general		
Operation		
Salaries	497,706	1.31%
Vacation, sick and holiday pay	115,564	0.31%
Fringe benefits	256,130	0.68%
Office supplies and expense	59,911	0.16%
Outside services	174,593	0.46%
Insurance	802,500	2.12%
Insurance adjustment	(51,244)	-0.14%
Advertising	27,008	0.07%
Franchise requirement	18,021	0.05%
Maintenance	26,827	0.07%
Change in pension and benefit costs	(535,410)	-1.41%
Other	148,902	0.39%
Total administrative and general	1,540,508	4.07%
Depreciation		
Steam production	2,953,598	7.80%
Diesel production	65,058	0.17%
General plant	81,354	0.21%
Transmission and distribution	1,017,317	2.69%
Total depreciation	4,117,327	10.88%
Total operating expenses	$ 32,190,925	85.04%
	(concluded)	

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF LONG -TERM DEBT MATURITY

JUNE 30, 2015

Bond Issue	Interest Rate	Date of Maturity	Annual Maturity	Principal Outstanding
Amount of issue - $47,850,000				
Date of Issue - April 3, 2003	5.50%	7/1/2015	$ 6,805,000	$ 6,805,000
	5.50%	7/1/2016	7,210,000	7,210,000
Total 2003 bond principal				14,015,000
Plus unamortized premium				58,794
				14,073,794
Amount of issue - $2,400,000				
Date of Issue - March 9, 2007	5.00%	7/1/2015	315,000	315,000
	5.00%	7/1/2016	330,000	330,000
Total 2007 bond principal				645,000
Plus unamortized premium				2,227
				647,227
Total				$ 14,721,021

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF REVENUE BOND COVERAGE RATIO

JUNE 30, 2015

Operating revenue	$ 37,853,276
Operating expense	32,190,925
Operating income (loss)	5,662,351
Non-operating revenue (expense)	(855,222)
Changes in net position	4,807,129
Reconciliation of change in net position to net revenues under the Electric System Revenue Bond resolution	
Additons:	
Depreciation	4,117,327
Payment to City of Grand Haven PILOT	1,909,189
Bond interest expense	940,875
Amortization of debt premiums	(117,716)
Transfers to component units of the City of Grand Haven	-
Total additions	6,849,675
Deductions:	
Interest income - debt service reserve	1,658
Capital contributions	-
Total deductions	1,658
Net revenue under the resolution	$ 11,655,146
Aggregrate debt service	
Debt service	$ 7,716,650
Less: interest income on debt service	(1,658)
Aggregrate debt service under the resolution	$ 7,714,992
Ratio of aggregrate debt service to net revenue	1.51

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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*

September 30, 2015

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, 2015, 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 30, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2015-001 and 2015-002 to be material weaknesses.

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.*

Grand Haven Board of Light and Power Response to Findings

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

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

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2015

Finding 2015-001

Finding type – Material weakness

CONDITION: The Board does not have the ability to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

CRITERIA: The ability to prepare the Board's financial statements in accordance GAAP is a responsibility of the Board's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting the Board's financial statements, including the related footnotes (i.e., external financial reporting.)

CAUSE OF CONDITION: The Board has not implemented a system of controls which provides for preparation of the financial statement in accordance with GAAP.

POTENTIAL EFFECT OF CONDITION: As a result of this condition the Board was unable to prepare the Board's financial statements in accordance with GAAP.

RECOMMENDATION: We recommend that the Board implement controls to provide for the preparation of the financial statements in accordance with GAAP.

MANAGEMENT RESPONSE: The Board has outsourced the preparation of the year-end annual financial statements to its external auditors for some time. Accordingly, management has again carefully reviewed all adjusting journal entries, financial statements, and associated notes, approves of them, and accepts responsibility for their content and presentation. The Board will be implementing measures to address this identified weakness and is committed to gaining the necessary abilities and controls internally to prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Finding 2015-002

CONDITION: The Board has not implemented a system of controls to assure the timely accounting for, and reconciliation of, general leger account balances with supporting documentation. We noted specifically that reconciliation of a bank account balance was not performed in a timely manner and that several year end liability account balances were not in agreement with supporting detail.

CRITERIA: A good system of controls includes timely posting and reconciliation of accounting system account balances to supporting documents.

CAUSE OF CONDITION: The Board has not implemented a system of controls which provides for timely accounting for, and reconciliation of, general ledger account balances with supporting documentation.

POTENTIAL EFFECT OF CONDITION: This condition results in inaccurate account balances reported throughout the year.

RECOMMENDATION: We recommend the Board implement a system of controls to assure timely posting and reconciliation of accounting system account balances to supporting documents.

MANAGEMENT RESPONSE: The Board is committed to implementing measures to address these noted deficiencies and implement an improved system of controls to assure timely posting and reconciliation of all accounting system balances to supporting documents.