GRAND HAVEN BOARD OF LIGHT AND POWER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Vredeveld Haefner LLC

GRAND HAVEN BOARD OF LIGHT AND POWER

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INDEPENDENT AUDITORS' REPORT

October 7, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Grand Haven Board of Light and Power, Grand Haven, Michigan (an enterprise fund of the City of Grand Haven, Michigan) as of and for the years ended June 30, 2016 and 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, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in note 1, the financial statements present only the Grand Haven Board of Light and Power and do not purport to, and do not present fairly the financial position of the City of Grand Haven, Michigan, or the changes in its financial position or cash flows in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the trend information on pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedules included in the supplementary information section of this report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, 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, 2016. 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

In Fiscal Year 2016 the key position of Controller was replaced.

Income Statement

- Retail sales were flat with no increase in rates and a fairly flat demand change.
- Coal produced energy generation doubled in FY2016 from FY2015; this resulted in a significant increase in fuel expenses.
- This increase in self generation also resulted in a decrease in wholesale power.
- The procedures were changed in FY2016 to record purchased power on a weekly basis at a net amount. This is recorded as an expense based on the net balance for the year.
- Scheduled outages were planned for March and October of this year for planned maintenance.
- The 2015 allocation of the net pension liability between the City and the Board resulted in a reduction in pension expense and the corresponding liability of $535,000. This adjustment was not repeated in FY2016.

Balance Sheet

- Significant work was done in FY2016, reconciling all balance sheet accounts.
- $1.8M was transferred to the appropriate fixed asset accounts from construction in progress and depreciation was booked for FY2016.
- One additional coal shipment and corresponding transportation invoice was outstanding in accounts payable at the end of FY2015. In addition, there was a MPPA invoice of $154,000 and a Northern Boiler invoice of $384,000 outstanding.
- Bond commitments for the 2003 and 2007 bonds were met July 1 of 2016. This eliminated the long-term debt recorded to $0 and reduced the current portion of long-term debt to $7,540,000 for 2016. Restricted cash at year end was used to make the final payment on these bonds.

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 $35,779,228 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

	2016	2015
Current and other assets	$27,502,479	$30,553,224
Capital assets	27,036,046	29,097,916
Total assets	54,538,525	59,651,140
Deferred outflows of resources	4,108,018	667,891
Other liabilities	2,675,688	5,467,194
Long-term liabilities	20,191,627	21,519,267
Total liabilities	22,867,315	26,986,461
Net position		
Net investment in capital assets	19,496,046	14,508,346
Restricted	7,746,525	9,801,045
Unrestricted	8,536,657	9,023,179
Total net position	$35,779,228	$33,332,570

The total net position of the Board at June 30, 2016 is $35,779,228 however, $19,496,046 represents net investment in capital assets and $7,746,525 is restricted for revenue bond retirement. Total net position increased by $2,446,658 for the year ended June 30, 2016.

Changes In Net Position

	2016	2015
Operating revenue	$38,297,890	$38,042,447
Operating expenses	33,469,449	32,375,504
Operating income (loss)	4,828,441	5,666,943
Nonoperating revenues (expense)	(477,837)	(4,807,129)
Change in net position before transfers	4,350,604	4,807,129
Transfers to the City of Grand Haven	1,903,946	1,909,189
Change in net position	2,446,658	2,897,940
Net position-beginning of year	33,332,570	30,434,630
Net position-end of year	$35,779,228	$33,332,570

During the year ended June 30, 2016, the Board had an increase in net position of $2,446,658 primarily as a result of revenue exceeding expense including outage costs. The operating revenues increased by $300,000 due to normal fluctuations from year to year.

Capital Asset and Debt Administration

Capital assets. The Board's investment in capital assets as of June 30, 2016, amounted to $27,036,046 (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	88,111
Depreciable capital assets, net	26,725,654
Total	**$27,036,046**

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

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

Compensated absences	$ 605,907
Bonds payable	7,540,000
Total	**$8,145,907**

The Board repaid $7,120,000 of bond principal during the year.

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

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 Controller, 616-846-6250

BASIC FINANCIAL STATEMENTS

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF NET POSITION

JUNE 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 7,309,598	$ 7,758,230
Accounts receivable	4,734,202	4,764,649
Prepaid items	66,023	65,916
Inventory	5,710,322	5,898,690
Total current assets	17,820,145	18,487,485
Non-current assets		
Restricted cash and cash equivalents	7,746,525	7,524,212
Restricted investments	-	2,677,801
Deposit with MPIA and MPPA	1,935,809	1,863,156
Interest receivable	-	570
Capital assets		
Land	222,281	222,281
Construction in progress	88,111	1,835,780
Depreciable capital assets, net	26,725,654	27,039,855
Total non-current assets	36,718,380	41,163,655
Total assets	54,538,525	59,651,140
Deferred outflows of resources		
Pension related	4,108,018	536,440
Deferred charge on refunding	-	131,451
Total deferred outflows of resources	4,108,018	667,891
Liabilities		
Current liabilities		
Accounts payable	1,597,592	4,186,600
Accrued liabilities	195,086	219,636
Customer deposits	511,755	499,978
Interest payable from restricted assets	206,112	401,538
Due to City of Grand Haven	165,143	159,442
Current portion of long-term debt	7,540,000	7,120,000
Total current liabilities	10,215,688	12,587,194
Long-term liabilities		
Accrued compensated absences	605,907	642,083
Net pension liability	12,039,809	6,141,039
Net OPEB liability	5,911	13,481
Unearned revenue	-	1,643
Bond premium	-	61,021
Bonds payable, net of current portion	-	7,540,000
Total long-term liabilities	12,651,627	14,399,267
Total liabilities	22,867,315	26,986,461
Net position		
Net investment in capital assets	19,496,046	14,508,346
Restricted for revenue bond retiremer	7,746,525	9,801,045
Unrestricted	8,536,657	9,023,179
Total net position	$ 35,779,228	$ 33,332,570

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, 2016 and 2015

	2016	2015
Operating revenue		
Residential sales	$ 11,999,240	$ 11,839,019
Commercial sales	10,775,262	10,741,478
Industrial sales	13,885,297	13,797,613
Municipal sales	882,530	916,470
Public street and highway lighting	550,618	550,267
Thermal energy	28,057	40,124
Penalties	113,717	104,935
Rental income	67,941	48,626
Other	(4,772)	3,915
Total operating revenue	38,297,890	38,042,447
Operating expense		
Power production	18,511,420	16,040,177
Wholesale power net	2,988,012	7,669,802
Distribution	2,061,023	1,971,954
Customer accounts	1,182,576	1,035,736
Administrative	2,247,879	2,075,918
Change in pension and benefit costs	2,327,192	(535,410)
Depreciation	4,151,347	4,117,327
Total operating expense	33,469,449	32,375,504
Operating income (loss)	4,828,441	5,666,943
Non-operating revenue (expense)		
Interest income	12,143	6,259
Interest income MPIA insurance reserve	19,307	39,400
Interest expense	(483,067)	(940,875)
Payment to City component units	(75,866)	-
Other	49,646	35,402
Total non-operating revenue (expense)	(477,837)	(859,814)
Changes before transfers	4,350,604	4,807,129
Transfers to City of Grand Haven	(1,903,946)	(1,909,189)
Changes in net position	2,446,658	2,897,940
Net position, beginning of year	33,332,570	30,434,630
Net position, end of year	$ 35,779,228	$ 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 YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Receipts from customers and users	$ 38,388,117	$ 38,583,607
Payments to employees	(4,919,209)	(4,770,784)
Payments to suppliers	(24,613,397)	(25,246,536)
Net cash provided by (used in) operating activities	8,855,511	8,566,287
Cash flows from non-capital financing activities		
Transfers to City of Grand Haven	(1,898,245)	(2,008,983)
Transfer to City component units	(75,866)	-
Net cash provided by (used in) non-capital financing activities	(1,974,111)	(2,008,983)
Cash flows from capital and related financing activities		
Interest paid on long-term debt	(609,718)	(981,382)
Principal paid on bonds	(7,120,000)	(6,730,000)
Acquisitions of capital assets	(2,087,477)	(2,239,829)
Net cash provided by (used in) capital and related financing activities	(9,817,195)	(9,951,211)
Cash flows from investing activities		
Purchases of investments	2,677,801	(16,858,744)
Sales of investments	-	15,521,682
Interest received	31,675	45,314
Net cash provided by (used in) investing activities	2,709,476	(1,291,748)
Net increase (decrease) in cash and cash equivalents	(226,319)	(4,685,655)
Cash and cash equivalents, beginning of year	15,282,442	19,968,097
Cash and cash equivalents, end of year	$ 15,056,123	$ 15,282,442

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Operating income (loss)	$ 4,828,441	$ 5,666,943
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	4,151,347	4,117,327
Other revenue	49,646	35,402
Net pension liability	5,898,770	(95,226)
Deferred outflows for pensions	(3,571,578)	(350,247)
Change in operating assets and liabilities which provided (used) cash		
Receivables	30,447	658,952
Prepaid and other assets	(107)	(33,194)
Inventory	188,368	(2,299,404)
Deposits with others	(72,653)	(90,647)
Net OPEB liability	(7,570)	47,874
Accounts payable	(2,589,008)	844,867
Accrued liabilities	(24,550)	52,464
Customer deposits	11,777	34,292
Unearned revenue	(1,643)	(2,907)
Compensated absences	(36,176)	(20,209)
Net cash provided by (used in) operating activities	**$ 8,855,511**	**$ 8,566,287**
Statement of net position classification of cash and cash equivalents		
Cash and cash equivalents	$ 7,309,598	$ 7,758,230
Restricted cash and cash equivalents	7,746,525	7,524,212
Total cash and cash equivalents	$ 15,056,123	$ 15,282,442

(concluded)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value.

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

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

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

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

d. Banker's acceptances of United States banks.

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

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

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

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

Receivables

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

Prepaid Items

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

Inventory

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

Deposits with MPIA and MPPA

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 fair value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Board has 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 5.

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

Compensated absences

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

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	$7,309,598
Restricted cash and cash equivalents	7,746,525
	$15,056,123

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

Deposits	$7,309,598
Money market funds	7,746,525
Total	**$15,058,123**

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 $7,507,119 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	$7,746,525	AAAm	S&P

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 $7,746,525 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.

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. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated				
Land	$ 222,281	$ -	$ -	$ 222,281
Construction in progress	1,835,780	88,111	1,835,780	88,111
Total capital assets, not being depreciated	2,058,061	88,111	1,835,780	310,392
Capital assets, being depreciated				
Steam production	96,564,270	1,154,530	23,378	97,695,422
Diesel production	6,258,675	6,450	-	6,265,125
Transmission and distribution	37,431,740	2,496,521	122,418	39,805,843
General plant	1,848,071	177,645	-	2,025,716
Total capital assets, being depreciated	142,102,756	3,835,146	145,796	145,792,106
Less accumulated depreciation for:				
Steam production	85,833,665	2,562,220	23,378	88,372,507
Diesel production	5,599,439	177,179	-	5,776,618
Transmission and distribution	22,090,723	1,227,168	122,418	23,195,473
General plant	1,539,074	182,780	-	1,721,854
Total accumulated depreciation	115,062,901	4,149,347	145,796	119,066,452
Net capital assets, being depreciated	27,039,855	(314,201)	-	26,725,654
Capital assets, net	**$29,097,916**	**$(226,090)**	**$1,835,780**	**$27,036,046**

4. LONG-TERM DEBT

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	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%	$14,015,000	$ -	$6,805,000	$7,210,000	$7,210,000
2007 Electric System Revenue Bonds, due in annual installments of $285,000 to $330,000 through 2017; interest paid semi-annually at 4.5% to 5.0%	645,000	-	315,000	330,000	330,000
Total bonds	14,660,000	-	7,120,000	7,540,000	7,540,000
Bond premium	61,021	-	61,021	-	-
Employee benefits	642,083	-	36,176	605,907	-
Total long-term debt	$15,363,104	$ -	$7,217,197	$8,145,907	$7,540,000

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

Year Ending June 30	Principal	Interest
2017	$7,540,000	$206,525

5. RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description

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

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

Benefits Provided

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

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (December 31, 2015):

	Total City
Active plan members	191
Inactive employees or beneficiaries currently receiving benefits	194
Inactive employees entitled but not yet receiving benefits	43
Total	428

Contributions

The Utility is required to contribute at an actuarially determined rate, which for the current year was from 10.86 to 12.96% of annual covered payroll depending on position and classification. Participating employees are required to contribute from 8.25 to 10.86% percent of covered payroll to the Plan based on position and classification. The contribution requirements of the Utility are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2015, 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, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

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

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

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

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/14	$88,776,073	$71,805,007	$16,971,066
Changes for the Year:			
Service cost	1,784,375	-	1,784,375
Interest	6,970,006	-	6,970,006
Change in benefits	(8,167)	-	(8,167)
Differences between expected and actual experience	1,069,871	-	1,069,871
Change in assumptions	4,451,385	-	4,451,385
Contributions: employer	-	1,351,197	(1,351,197)
Contributions: employee	-	1,188,014	(1,188,014)
Net investment Income	-	(1,056,807)	1,056,807
Benefit payments, including refunds	(5,086,362)	(5,086,362)	-
Administrative expense	-	(155,709)	155,709
Other changes	217,812		217,812
Net changes	9,398,920	(3,759,667)	13,158,587
Balance at 12/31/15	$98,174,993	$68,045,340	$30,129,653

The Utility's share of the City total net pension liability at year end was $12,039,809.

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

	1% Decrease	Current Discount rate	1 % Increase
Total Pension Liability	$110,169,392	$98,174,993	$88,157,180
Fiduciary Net Position	68,045,340	68,045,340	68,045,340
Net Pension Liability	$ 42,124,052	$30,129,653	$20,111,840

* 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 Related to Pensions
For the year ended June 30, 2016 the utility recognized pension expense of $2,890,468. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences in experience	$ 641,923
Differences in assumptions	2,670,831
Excess (deficit) investment returns	6,121,221
Contributions subsequent to the measurement date*	820,795
Total	$10,254,770

* 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 2017.

The utility's share of deferred outflow for differences in experience, assumptions and investment returns was $3,769,816 and contributions subsequent to the measurement date were $338,202.

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

2017	$2,698,452
2018	2,698,452
2019	2,698,452
2020	1,338,619
2021	-
Thereafter	-
Total	$9,433,975

Defined Contribution Plan

The Board provides a defined contribution pension plan (the Plan) that provides pension benefits to all fulltime employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate after six months of employment. Employees are required to contribute 1% and the Board contributes 2% of each participant's compensation to the Plan. The Board's contributions are fully vested after four years of service. During the year employees contributed $18,781 and the Board contributed $37,560 to the plan.

6. 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 was closed to employees hired subsequent to September 30, 2013. The plan makes from 0% 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 $191,811 while actual contributions were $199,381.

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, 2016. 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	$191,811
Interest on Net OPEB obligation*	-
Adjustment to annual required contribution*	-
Annual OPEB cost (expense)	191,811
Contribution made	199,381
Change in net OPEB obligation	(7,570)
Net OPEB liability, beginning of year	13,481
Net OPEB liability, end of year	$ 5,911

* Not separately available for the Board

Three-Year Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/14	$ 55,495	318%	$(34,393)
6/30/15	185,419	74%	13,481
6/30/16	199,381	104%	5,911

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)
6/30/16	$417,152	$1,563,672	$(1,146,520)	27%	$3,349,363	34%

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, 2016, actuarial valuation, the individual entry age normal actuarial cost method, level percentage, closed amortization method, and an amortization period of 7 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 2016 mortality tables.

Defined Contribution Plan

The Board provides a defined contribution post-employment benefit plan (the Plan) that provides a health care saving account to eligible employees hired after September 30, 2008. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to participate immediately upon employment. Employees are required to contribute 1% and the Board contributes 2% of each participant's compensation to the Plan. The Board's contributions are fully vested after five years of service. During the year employees contributed $18,773 and the Board contributed $20,843 to the plan.

7. RISK MANAGEMENT

The Board is insured for employee medical benefits through the City's self-insurance program which charges premiums to the Board for coverage (City internal service fund). The City estimates the liability for claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported.

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

MPIA administers an actuarially based risk management fund and utilizes such funds deposited by the Board to defend and protect the Board. MPIA has purchased commercial insurance for coverage in excess of the Board's self-insured reserve limits. MPIA assumes all risk of loss within the scope of the Memorandum of Coverage to the extent of the coverage limits offered by the Memorandum.

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

	Deductible/Retention	
	2016	2015
Property, real and personal, including earthquake and flood excluding equipment breakdown	$250,000	$250,000
Equipment breakdown, excluding Sims #3	50,000	50,000
Equipment breakdown at Sims, excluding Sims #3	250,000	250,000
Equipment breakdown, specific to Sims #3 boiler	500,000	500,000
General liability	50,000	50,000
Public officials liability	50,000	50,000
Employee benefits liability	10,000	10,000
Crime	25,000	25,000
Open cargo	1% of value	1% of value

The Board makes annual payment to the MPIA for administrative charges, insurance purchases and an estimated risk retention reserves. At year end the risk retention reserve balance held by the MPIA for the Board was $1,935,809 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, 2015 and 2016 was $69,500 and $69,500, respectively. Claims adjustment expense cannot be specifically identified to each participant in the MPIA. Total claims expense reported by the MPIA for the years ended June 30, 2015 and 2016 was $2,769 and $0, respectively.

8. JOINT VENTURE

The Board is a member of a joint venture, the Michigan Public Power Agency (MPPA), with 16 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation

REQUIRED SUPPLEMENTARY INFORMATION

organized under the laws of the State of Michigan and owns and operates a municipal electric system. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

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

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

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

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

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

Electricity purchase from/through MPPA	$1,202,705
Payments to MPPA for electricity transmission	845,590
Payments to MPPA for renewable energy	1,931,653
Payments to MPPA for other	349,743

9. RELATED PARTY TRANSACTIONS

City-owned facilities are users of Board electric services. The Board includes the sale of such services in its charges for services revenue and reflects balances receivable for these services as accounts receivable. The Board is required to pay five percent of gross retail sales to the City under provisions of the City Charter. The payment of the five percent of gross sales to the City is reported as transfers out to the City of Grand Haven.

10. LITIGATION

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

11. COMMITMENTS

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

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

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 and 2015

	2014	2015
Total pension liability		
Service cost	$ 1,714,380	$ 1,784,375
Interest	6,872,845	6,970,008
Changes in benefit terms	-	(8,167)
Difference between expected and actual experience	-	1,069,871
Changes in assumptions	-	4,451,385
Benefit payments including employee refunds	(4,522,352)	(5,086,362)
Other	-	217,812
Net change in total pension liability	4,064,873	9,398,920
Total pension liability, beginning of year	84,711,200	88,776,073
Total pension liability, ending of year	$ 88,776,073	$ 98,174,993
Plan Fiduciary Net Position		
Contributions-employer	$ 1,230,140	$ 1,351,197
Contributions-employee	1,017,387	1,188,014
Net Investment income	4,384,730	(1,056,807)
Benefit payments including employee refunds	(4,522,352)	(5,086,362)
Administrative expense	(160,769)	(155,709)
Net change in plan fiduciary net position	1,949,136	(3,759,667)
Plan fiduciary net position, beginning of year	69,855,871	71,805,007
Plan fiduciary net position, ending of year	$ 71,805,007	$ 68,045,340
Employer net pension liability	$ 16,971,066	$ 30,129,653
Employer net pension liability reported by Grand Haven Board of Light and Power	$ 6,141,039	$ 12,039,809 **
Plan fiduciary net position as a percentage of the total pension liability	81%	69%
Covered employee payroll	$ 11,071,127	$ 11,535,426
Employer's net pension liability as a percentage of covered employee payroll	153%	261%

Notes to schedule:

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

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

GRAND HAVEN BOARD OF LIGHT AND POWER

DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

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

Notes to schedule

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

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

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
6/30/2014	$ 369,302	$ 1,562,918	$ (1,193,616)	23.63%	$ 3,589,854	33.25%
6/30/2015	417,152	1,452,905	(1,035,753)	28.71%	2,659,917	38.94%
6/30/2016	417,152	1,563,672	(1,146,520)	26.68%	3,349,363	34.23%

Table presents information for the Board of Light and Power's Share of the City of Grand Haven plan

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual required Contribution	Actual Contribution	Percent Contributed
2014	$ 17,451	$ 55,495	318%
2015	185,419	137,545	74%
2016	191,811	199,381	104%

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

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SUPPLEMENTARY INFORMATION

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
Power production		
Steam expense		
Operation		
Supervision and engineering	$ 94,273	$ 91,867
Vacation, sick and holiday pay	348,898	372,192
Fringe benefits	1,126,345	1,197,011
Fuel and fuel handling	11,036,344	5,627,555
Steam	730,088	689,085
Scrubber	336,742	363,476
Electric plant	367,926	300,968
Other	476,023	407,621
Total operation	14,516,639	9,049,775
Maintenance		
Supervision	54,176	51,709
Structures	70,017	52,947
Boiler plant	1,747,792	3,642,018
Scrubber	520,658	342,723
Electric plant	316,203	1,148,335
Other	96,991	26,840
Total maintenance	2,805,837	5,264,572
Total steam expense	17,322,476	14,314,347
Diesel expense		
Operation		
Supervision and engineering	1,925	1,875
Vacation, sick and holiday pay	7,342	9,810
Fringe benefits	28,355	33,483
Oil	11,100	4,804
Operating labor	34,670	37,635
Other	30,537	18,026
Total operation	113,929	105,633
Maintenance		
Structures	5,011	3,448
Engines	14,080	22,494
Total maintenance	19,091	25,942
Total diesel expense	133,020	131,575
System control	135,623	82,752
Transmission	920,301	1,511,503
Total power production	18,511,420	16,040,177

(continued)

GRAND HAVEN BOARD OF LIGHT AND POWER

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED JUNE 30, 2016 and 2015

	2016	2015
Purchased power (net)	$ 2,988,012	$ 7,669,802
Distribution		
Operation		
Supervision and engineering	244,722	215,577
Vacation, sick and holiday pay	142,898	166,584
Fringe benefits	503,809	494,123
Station expense	27,435	21,760
Overhead lines		
Labor	311,810	313,224
Materials	851	29
Vehicle maintenance	110,849	100,425
Underground lines	71,682	60,560
Street lighting and signal system	26,149	36,263
Meter		
Labor	157,736	157,355
Other	8,927	12,461
Engineering supplies	28,677	35,351
Customer installation	50,501	72,778
Other	128,660	160,837
Total operation	1,814,706	1,847,327
Maintenance		
Tree trimming	162,561	117,966
Building and substations	28,658	49,297
Overhead system	67,594	35,183
Underground system	3,649	(207)
Storm damage	7,721	5,958
Street lighting and signa	16,632	10,887
Total maintenance	286,815	219,084
Reimbursements	(40,498)	(94,457)
Total distribution	2,061,023	1,971,954

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INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 7, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 7, 2016.

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.

Oredeveld Haefner LLC