Lansing Board of Water and Light
Retiree Benefit Plan and Trust

Financial Report

with Required Supplemental Information

As of and for the Years Ended June 30, 2016 and 2015

Lansing Board of Water and Light
Retiree Benefit Plan and Trust

Contents

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of the City
Council, and Commissioners of the Board of
Water and Light
Lansing Board of Water and Light Retiree Benefit
Plan and Trust
City of Lansing, Michigan

We have audited the accompanying financial statements of the Lansing Board of Water and Light Retiree Benefit Plan and Trust (the "Plan"), a trust fund of Lansing Board of Water and Light, which comprise the statement of trust net position as of June 30, 2016, and the related statement of changes in trust net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Plan'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 Plan'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 opinion.

To the Honorable Mayor, Members of the City
Council, and Commissioners of the Board of
Water and Light
Lansing Board of Water and Light Retiree Benefit
Plan and Trust
City of Lansing, Michigan

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the trust net position of the Plan as of June 30, 2016 and the changes in trust net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Plan as of June 30, 2015, were audited by other auditors whose report dated August 28, 2015, expressed an unmodified opinion on those statements.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 and the required supplemental information listed in the table of contents 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, economical, or historical context. We have applied certain limited procedures to the required management's discussion and analysis 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
September 6, 2016

Using this Annual Report

This annual report consists of two parts: (1) management's discussion and analysis (this section) and (2) the basic financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior two years:

	2016	2015	2014
Assets held in trust:			
Cash and money market trust funds	$ 13,498,404	$ 6,243,203	$ 5,711,439
Fixed income securities	28,725,054	21,269,571	20,713,869
U.S. government obligations	21,458,288	15,462,341	16,284,339
Equities	77,022,878	111,112,369	108,540,537
Mutual funds and other	15,208,788	1,894,929	2,259,641
Interest and dividend receivable	386,930	200,805	211,625
Total plan assets	**$ 156,300,342**	**$ 156,183,218**	**$ 153,721,450**
Changes in net position:			
Net investment income (loss)	$ 948,997	$ 3,614,695	$ 25,667,779
Employer contributions	9,423,081	9,670,794	9,266,529
Retiree benefits paid	(9,423,081)	(9,670,794)	(9,266,529)
Administrative fees	(831,872)	(1,152,927)	(1,050,771)
Net change in net position	**$ 117,125**	**$ 2,461,768**	**$ 24,617,008**

Investment Objectives and Asset Allocation

The Lansing Board of Water and Light Retiree Benefit Plan and Trust (the "Plan") assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the BWL has taken into account the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect the Plan's risk tolerance. Consistent with this, the BWL has determined that the investment objective is income and growth. This investment objective is a balanced approach that emphasizes a stable and substantial source of current income and some capital appreciation over the long term.

Consistent with the advice of the investment advisor, the BWL has selected the following target asset allocation strategy:

Domestic large capitalization stocks	43.2%
Domestic small capitalization stocks	10.0%
International stocks	10.7%
U.S. core fixed income	31.1%
Private equity	5.0%

Investment Results

The fiscal year ended June 30, 2016 saw a net investment income, net of administrative expenses, of $0.1 million. We believe this performance is in line with the overall level of recovery experienced by the stock and bond markets.

Future Events

The BWL is funding its other postemployment benefits (OPEBs) and is intending to meet its annual required contributions (ARC) in part by making contributions into the VEBA Trust Fund.

Contacting the Plan's Management

This financial report is intended to provide a general overview of the Plan's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the office of Heather Shawa-DeCook, Chief Financial Officer, at P.O. Box 13007, Lansing, Michigan 48901-3007.

Statement of Trust Net Position

	As of June 30	
	2016	2015
Assets		
Investments - Fair value:		
Cash and money market trust funds	$ 13,498,404	$ 6,243,203
Fixed income securities	28,725,054	21,269,571
U.S. government obligations	21,458,288	15,462,341
Equities	77,022,878	111,112,369
Mutual funds	15,208,788	1,894,929
Total investments at fair value	155,913,412	155,982,413
Investment interest and dividend receivable	386,930	200,805
Trust Net Position	**$ 156,300,342**	**$ 156,183,218**

See Notes to Financial Statements.

Statement of Changes in Trust Net Position

	For the Year Ended June 30	
	2016	2015
Increase		
Investment income:		
Net appreciation (depreciation) in fair value of investments	$ (2,293,242)	$ 650,079
Interest and dividend income	3,242,238	2,964,616
Total investment income	948,996	3,614,695
Employer contributions	9,423,081	9,670,794
Total increase	10,372,077	13,285,489
Decrease		
Retiree benefits paid	9,423,081	9,670,794
Administrative expenses	831,872	1,152,927
Total decrease	10,254,953	10,823,721
Net Increase in Trust Net Position	117,124	2,461,768
Trust Net Position		
Beginning of year	156,183,218	153,721,450
End of year	**$ 156,300,342**	**$ 156,183,218**

See Notes to Financial Statements.

Note 1 - Description of the Plan

The following description of the Plan, a trust fund of the BWL, provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

General – The Plan was established on October 20, 1999, effective as of July 1, 1999, to constitute a voluntary employee beneficiary association (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended. The Plan was formed for the purpose of accumulating assets sufficient to fund retiree healthcare insurance costs in future years.

The Plan is a single-employer defined benefit healthcare plan. The Plan provides medical, dental, and life insurance benefits in accordance with Section 5-203 of the City Charter. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while working for the BWL. There were 715 participants eligible to receive benefits at June 30, 2016 and 725 participants eligible at June 30, 2015.

Benefits – Benefits shall not be paid from this Plan to participants or their beneficiaries during a plan year in which there has been a "qualified transfer" pursuant to Internal Revenue Code Section 420(e)(1)(8) from the Lansing Board of Water and Light Defined Benefit Plan for the Employees' Pensions, except that once the "qualified transfer" has been exhausted for the purpose of paying qualified current retiree health liabilities, benefit payments may be made under this Plan consistent with Internal Revenue Code Section 420(e)(1)(B). After "qualified transfers" have been exhausted, benefits paid under this Plan shall be those benefits described in the relevant sections of the Postretirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light.

Trustees – Each member of the Lansing Board of Water and Light board of commissioners is a trustee during the term of office as a commissioner. The trustees have appointed Fifth Third Bank as custodian of the Plan's assets.

Note 1 - Description of the Plan (Continued)

Contributions – The retiree benefits are paid by BWL's general cash flow to the third party administrators who process participant claims. These payments represent contributions to the Plan. Employer contributions in the statement of changes in trust net position are equal to the retiree benefits paid because the annual required contribution (ARC) for the year ended June 30, 2016 was less than the pay-as-you-go amount. During the years ended June 30, 2016 and 2015, the cost to BWL of maintaining the Retiree Benefit Plan was $9,423,081 and $9,670,794 of which respectively, was incurred as retiree benefit payments. The Lansing Board of Water and Light may make additional contributions in such a manner and at such times as appropriate. All contributions received, together with the income thereon, are held, invested, reinvested, and administered by the trustees pursuant to the terms of the plan agreement. Additional contributions are only made to the Plan if the ARC is more than the pay-as-you-go amount. No employee contributions are allowed under this Plan. Contributions are recognized when due and when the amount to be contributed is committed by the BWL.

Participation – Participation in this Plan is determined in accordance with the terms of the Postretirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light. At June 30, 2016, there were 715 active participants (not eligible to receive benefits), 78 disabled participants, 431 retired participants, 489 active spouses (not eligible to receive benefits), and 138 surviving spouses participating in the Plan. At June 30, 2015, there were 725 active participants (not eligible to receive benefits), 80 disabled participants, 485 retired participants, 491 active spouses (not eligible to receive benefits), and 152 surviving spouses participating in the Plan.

Vesting – Benefits become payable in accordance with the terms of the Postretirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light. At no time will benefits of the Postretirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light be vested. The BWL may reduce or eliminate any or all plan benefits at any time, subject to the requirements of any collective bargaining agreement.

Termination – In the event of plan termination, all plan assets shall be used to purchase additional eligible benefits in accordance with the terms of the plan agreement. In the event of dissolution, merger, consolidation, or reorganization of the BWL, the Plan shall terminate and liquidate in a manner consistent with the plan agreement unless the Plan is continued by a successor to the BWL.

Note 2 - Summary of Significant Accounting Policies

Accounting and Reporting Principles

The Plan follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Basis of Accounting

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Employer contributions to the Plan are recognized when due pursuant to legal requirements.

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

In February 2015, the GASB issued statement No. 72 – Fair Value Measurement and Application. The objective of this statement is to provide guidance for determining a fair value measurement for financial reporting purposes as well as to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This standard was implemented effective July 1, 2015.

Report Presentation

This report includes the fund-based statements of the Plan.

Investment Valuation and Income Recognition – Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

Purchases and sales of investments are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of the period's fair value of investments.

Expenses – Substantially all costs and expenses incurred in connection with the operation and administration of the Plan are paid by the BWL, the plan sponsor. The Plan pays all transaction expenses incurred in connection with the investment accounts.

Note 2 - Summary of Significant Accounting Policies (Continued)

Report Presentation (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Funding Policy - The BWL adopted a process for funding the retiree benefits using both a VEBA trust and, to the extent permitted by law, excess pension assets in the Defined Benefit Pension Plan. Additional contributions to the VEBA trust from BWL operating funds to supplement Section 420 transfers will not exceed the recommended annual contribution amount required to cover current service of active participants and amortize the unfunded accrued liability over 30 years. The required contribution is based on a projected pay-as-you-go financing requirement with an additional amount to prefund benefits. The pay-as-you-go retiree benefits paid was more than the ARC and therefore, expensed on the statement of changes in trust net position.

The BWL's annual other postemployment benefit (OPEB) cost is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 over a period of 30 years. The annual OPEB contributions are on a pay-as-you-go accounting method because the Plan is overfunded.

Contribution trend information is as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Contributed	Percentage of Annual OPEB Cost Contributed
6/30/2014	$ 9,202	$ 9,268	101%
6/30/2015	5,765	9,671	168%
6/30/2016	5,828	9,423	162%

Note 2 - Summary of Significant Accounting Policies (Continued)

Report Presentation (Continued)

Funded Status and Funding Progress - 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. Significant actuarial assumptions used in determining the annual OPEB cost at June 30, 2016 and 2015 include (a) rate of return on the investments of present and future assets of 7.5 percent, compounded annually, (b) projected healthcare trend rates ranging from 3.0 percent to 9.0 percent, (c) amortization method level dollar over an open 30-year period, and (d) RP-2014 mortality table fully generational using scale MP-2015 and RP-2014 Mortality Table fully generational using scale MP-2014, respectively.

Funding status and funding progress trend information is as follows (in thousands):

Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	AAV as a Percentage of AAL
2/28/2014	$ 148,307	$ 194,365	$ 46,058	76.30%
2/28/2015	157,565	200,196	42,631	78.71%
2/29/2016	145,274	205,215	59,941	70.79%

Actuarial Assumptions - 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 the 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 supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 2 - Summary of Significant Accounting Policies (Continued)

Report Presentation (Continued)

Actuarial Assumptions (continued) – 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 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 consistent with the long-term perspective of the calculations.

The Plan has calculated the accrued actuarial liability and required contribution using certain methods and assumptions. Benefit payments have been computed using the individual entry age normal method. The assets have been valued in the actuary report using the fair market value. The healthcare cost trend rates used range from 3.0 to 9.0 percent for the year ended June 30, 2016, and 5.0 to 9.0 percent for the year ended June 30, 2015.

Note 3 - Cash, Investments, and Fair Disclosure

The Lansing Board of Water and Light Retiree Benefit Plan and Trust has adopted GASB No. 40, *Deposit and Investment Risk Disclosures*. The modified disclosures required by GASB No. 40 are reflected below.

The Plan is authorized through Public Act 149 of 1999 to invest in accordance with Public Act 314. Public Act 314 of 1965, as amended, allows the Plan to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Plan's deposits and investment policies are in accordance with PA 196 of 1997 and have authorized the investments according to Michigan PA 314 of 1965, as amended.

The Plan's cash and investments are subject to several types of risk, which are examined in more detail below:

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Risks at June 30, 2016

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and are therefore not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government obligations	$ 21,458,288	13.43 years
Fixed income securities	28,725,054	13.07 years
Money market trust funds	12,699,502	Less than 1 year
Portfolio weighted average maturity		13.33 years

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of yearend, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Fixed income securities	$ 1,536,663	AAA	S&P
Fixed income securities	9,716,782	AA+	S&P
Fixed income securities	556,160	AA	S&P
Fixed income securities	440,709	AA-	S&P
Fixed income securities	916,021	A+	S&P
Fixed income securities	3,225,558	A	S&P
Fixed income securities	2,646,456	A-	S&P
Fixed income securities	5,973,642	BBB+	S&P
Fixed income securities	2,435,831	BBB	S&P
Fixed income securities	1,190,777	BBB-	S&P
Fixed income securities	37,450	BB	S&P
Fixed income securities	49,005	BB-	S&P
Money market trust funds	12,699,502	Not rated	Not rated

Concentration of Credit Risk

The Board of Commissioners places no limit on the amount the Plan may invest in any one issuer.

Risks at June 30, 2015

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and, therefore, are not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government obligations	$ 15,462,341	11.87 years
Fixed income securities	21,269,571	14.12 years
Money market trust funds	6,051,856	Less than 1 year
Portfolio weighted average maturity		11.31 years

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of yearend, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Fixed income securities	$ 2,469,542	AAA	S&P
Fixed income securities	7,891,448	AA+	S&P
Fixed income securities	448,070	AA	S&P
Fixed income securities	323,354	AA-	S&P
Fixed income securities	936,680	A+	S&P
Fixed income securities	1,686,646	A	S&P
Fixed income securities	2,216,285	A-	S&P
Fixed income securities	1,666,828	BBB+	S&P
Fixed income securities	1,284,231	BBB	S&P
Fixed income securities	861,822	BBB-	S&P
Fixed income securities	156,369	BB+	S&P
Fixed income securities	98,900	BB	S&P
Fixed income securities	261,306	BB-	S&P
Fixed income securities	63,744	B+	S&P
Fixed income securities	141,348	B-	S&P
Fixed income securities	574,676	CCC	S&P
Fixed income securities	117,710	D	S&P
Fixed income securities	70,612	Not rated	Not rated
Money market trust funds	6,051,856	Not rated	Not rated

Concentration of Credit Risk

The Board of Commissioners places no limit on the amount the Plan may invest in any one issuer.

Note 4 – Net Appreciation of Investments

Net (depreciation) appreciation of the Plan's investments is as follows:

	2016	2015
Investments at fair value as determined by quoted market price:		
Fixed income securities	$ 517,281	$ (257,174)
U.S. government obligations	671,566	160,377
Equities	(2,471,834)	970,370
Alternative investments	193,224	24,418
Mutual funds	(1,203,479)	(247,912)
Total	$ (2,293,242)	$ 650,079

Note 5 - Tax Status

The Plan is exempt under Internal Revenue Code Section 501(c)(9) and received an exemption letter as of February 9, 2000. The Plan has since been amended. Management believes the Plan continues to operate as a qualified plan.

Note 6 – Upcoming Accounting Pronouncements

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued in June 2015. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. The provisions of this new standard are effective for the Plan’s June 30, 2017 year end.

Note 7 – Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under authoritative guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

> quoted prices for similar assets or liabilities in active markets;
> quoted prices for identical or similar assets or liabilities in inactive markets;
> inputs other than quoted prices that are observable for the asset or liability;
> inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
> if the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 7 – Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015:

Money market fund: Valued at the quoted net asset value ("NAV") of shares held by the Plan at year end.

Fixed income securities, U.S. government obligations, and equities: Valued at the most recent closing price reported on the market on which individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7 – Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2016 and 2015:

	June 30, 2016			
Investment Type	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	$ 798,902	$ 12,699,502	$ -	$ 13,498,404
Fixed income securities	-	28,725,054	-	28,725,054
U.S. government obligations	-	21,458,288	-	21,458,288
Equities	77,022,878	-	-	77,022,878
Mutual funds	-	15,208,788	-	15,208,788
Total	$ 77,821,780	$ 78,091,632	$ -	$ 155,913,412

	June 30, 2015			
Investment Type	Level 1	Level 2	Level 3	Total
Cash and money market trust fund	$ 193,939	$ 6,049,264	$ -	$ 6,243,203
Fixed income securities	-	21,269,571	-	21,269,571
U.S. government obligations	-	15,462,341	-	15,462,341
Equities	111,112,369	-	-	111,112,369
Mutual funds	-	1,894,929	-	1,894,929
Total	$ 111,306,308	$ 44,676,105	$ -	$ 155,982,413

Note 8 – Risks and Uncertainties

Plan contributions are made and the accrued actuarial liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 8 – Risks and Uncertainties (Continued)

In addition, the Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Trust Net Position.

Note 9 – Subsequent Events

The Plan has evaluated subsequent events occurring through September 6, 2016, which is the date that the Plan's financial statements were approved and available to be issued, for events requiring recording or disclosure in the Plan's financial statements. There are no subsequent events warranting disclosures.

Required Supplemental Information

Schedule of Funding Progress
(in thousands)

Valuation Date	Actuarial Asset Value	AAL	UAAL	Funded Ratio
2/29/2008	$ 57,246	$ 236,102	$ 178,856	24.25%
2/28/2009	45,320	256,888	211,568	17.64%
2/28/2010	76,117	252,142	176,025	30.19%
2/28/2011	100,604	260,097	159,493	38.68%
2/28/2012	110,029	245,418	135,389	44.83%
2/28/2013	123,195	207,864	84,669	59.27%
2/28/2014	148,307	194,365	46,058	76.30%
2/28/2015	157,564	200,196	42,632	78.70%
2/29/2016	145,274	205,215	59,941	70.79%

AAL – Actuarial accrued liability (projected unit credit accrued liability)
UAAL – Unfunded actuarial accrued liability and negative UAAL indicate a funding excess.

Schedule of Employer Contributions
(in thousands)

Fiscal Year Ended	Employer Contributions Required	Employer Contributions Actual	Percentage of ARC Contributed
6/30/2008	$ 14,797	$ 14,962	101%
6/30/2009	18,132	17,866	99%
6/30/2010	21,291	21,318	100%
6/30/2011	17,300	17,236	100%
6/30/2012	15,744	15,854	101%
6/30/2013	13,994	14,045	100%
6/30/2014	9,200	9,268	101%
6/30/2015	5,762	9,671	168%
6/30/2016	5,788	9,423	163%

ARC – Annual required contribution