CITY OF GRAND HAVEN
BOARD OF LIGHT AND POWER
(AN ENTERPRISE FUND OF THE
CITY OF GRAND HAVEN, MICHIGAN)

Grand Haven, Michigan

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008

Rehmann
Business wisdom delivered.

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INDEPENDENT AUDITORS' REPORT

September 10, 2009

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

We have audited the accompanying financial statements of the ***City of Grand Haven Board of Light and Power*** (an enterprise fund of the City of Grand Haven, Michigan), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Board of Light and Power's management. Our responsibility is to express an opinion on these financial statements based on our audit. The June 30, 2008 financial statements of the City of Grand Haven Board of Light and Power were audited by Pridnia LaPres, PLLC, who merged with Rehmann Robson as of January 1, 2009 and whose report dated September 15, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit of the June 30, 2009 financial statements 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the June 30, 2009 financial statements provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the City of Grand Haven Board of Light and Power and are not intended to present the financial position of the City of Grand Haven, Michigan, as of June 30, 2009 and 2008, and the changes in its financial position and cash flows where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Haven Board of Light and Power as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board.* We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the June 30, 2009 financial statements that collectively comprise the City of 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 City of Grand Haven Board of Light and Power's basic financial statements. The June 30, 2009 supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the June 30, 2009 basic financial statements taken as a whole. The June 30, 2008 supplementary schedules were audited by Pridnia LaPres, PLLC, who merged with Rehmann Robson as of January 1, 2009 and whose report dated September 15, 2008, stated that the supplementary information was fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Rehmann Robson

Management's Discussion and Analysis

This section of the Grand Haven Board of Light & Power's (BLP) annual financial report presents the analysis of the BLP's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the financial statements, which follow this section.

Overview of Business

The BLP owns and operates an electric system, which generates, purchases, and distributes electric energy, and provides electric service to over 13,400 residential, commercial, and industrial customers in the City of Grand Haven and portions of the surrounding communities. The BLP generated 71 percent of its retail sales and 100 percent of its wholesale sales. The BLP purchased the balance of its energy requirements and made all wholesale sales through the Michigan Public Power Agency's Power Pool Project. The Power Pool Project economically dispatches the loads and resources of eight municipal electric utilities in Michigan.

Condensed Financial Information

Net Assets
(Dollars in Thousands)

	Years Ended June 30,		Increase (Decrease)	
	2009	2008	$	%
Current and Other Assets	27,128	31,911	(4,783)	-15%
Property, Plant and Equipment	44,914	45,563	(649)	-1%
Total Assets	72,042	77,474	(5,432)	-7%
Long-term Liabilities	48,319	52,910	(4,591)	-9%
Other Liabilities	3,950	5,095	(1,145)	-22%
Total Liabilities	52,269	58,005	(5,736)	-10%
Invested in Capital Assets, Net	1,715	(2,302)	4,017	175%
Restricted	3,411	5,816	(2,405)	-41%
Unrestricted	14,647	15,955	(1,308)	-8%
Total Net Assets	19,773	19,469	304	2%

Current & Other Assets decrease primarily due to increase in inventory and payment of long term debt.

Property, Plant and Equipment decrease is a result of the depreciation expense exceeding new capital investment.

Long-term Liabilities decreased due to the current year principal payment of long term debt.

Results of Operations
(Dollars in Thousands)

	Years Ended June 30,		Increase (Decrease)	
	2009	2008	$	%
Operating Revenue	$32,032	$34,873	$(2,841)	-8%
Operating Expenses	28,899	27,559	1,340	5%
Non-operating Expense, Net	2,751	2,605	146	6%
Net Income (Loss) Before Transfers	382	4,709	(4,327)	-92%
Capital Contributions - Transfers In	1	363	(362)	-100%
Capital Contributions - Transfers Out	79	73	6	8%
Net Income	304	4,999	(4,695)	-94%
Beginning Net Assets	19,469	14,470		
Ending Net Assets	19,773	19,469		

The decrease in operating revenue is due primarily to results of operations. Reduction in retail kWh sales of 11% and wholesale kWh sales of 32% was driven by weak economy. A rate increase of 4.5% in retail sales was effective July 1, 2008. Also on July 1, 2008 a power cost adjustment was implemented.

Fiscal 2009 did include a scheduled maintenance outage with total expense of $1,578,950. Capital project for replacing primary super-heater was completed during outage as final phase of turbine upgrade project.

Interest income decreased 60% and offset a decrease in bond interest expense due to the pay off of the 1993 bond issue as of July 1, 2008. Miscellaneous income includes the sale of sulfur dioxide (SO_2) credits for $150,000.

Capital contributions - transfers in are funds received from the City of Grand Haven to offset the Board's capital cost to underground certain City projects.

Budget

The BLP approved a $32,204,000 operating expense budget for fiscal year 2009. Actual operating expenses were $28,898,431 or 11% under budget.

Capital Improvements

Capital improvements are driven by the need to expand or maintain the systems of the BLP to meet growing customer needs and to maintain a satisfactory level of service reliability. The BLP invests essentially all revenues not paid out for operations and maintenance expense, non-operating expenses, or debt principal back into capital improvement for the electric systems. Total capital expenditures were $3,303,204 in fiscal year 2009, which was paid by internally generated funds, and $1,072,826 by the 2007 bond issue.

Next Year's Budget and Rates

The budget approved for the fiscal year 2010 reflects a rate change of 5.5% for customers and follows a 4.5% rate increase in fiscal 2009. Increased operating expenses dictate the need for the rate increase. There is not a scheduled maintenance outage for fiscal 2010.

The capital improvement budget for next year includes several improvements to the generation and distribution systems.

Grand Haven Board of Light and Power

Statements of Net Assets

	June 30	
	2009	**2008**
Assets		
Current assets		
Cash and cash equivalents	$ 9,294,278	$ 12,992,995
Receivables:		
Accounts	2,338,698	3,345,434
Interest	5,050	18,754
Inventories	5,318,129	2,835,705
Prepaid expenses and other current assets	77,632	98,147
Total current assets	**17,033,787**	**19,291,035**
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	7,748,479	8,298,400
Investments	2,097,202	3,974,888
Interest receivable	2,657	36,987
Capital assets not being depreciated	788,437	1,670,432
Capital assets being depreciated, net	44,125,753	43,892,623
Unamortized bond issuance costs	246,306	309,245
Total assets	**72,042,621**	**77,473,610**
Liabilities		
Current liabilities		
Accounts payable	1,485,821	2,338,495
Accrued liabilities:		
Payroll and related	507,892	476,092
Other	456,334	500,288
Deferred revenue	157,150	149,000
Current liabilities payable from restricted assets:		
Bonds payable	5,120,000	5,045,000
Accrued interest payable	1,317,682	1,449,388
Total current liabilities	**9,044,879**	**9,958,263**
Noncurrent liabilities		
Deferred revenue	25,650	181,541
Bonds payable - net of current portion	43,198,687	47,865,066
Total liabilities	**52,269,216**	**58,004,870**
Net assets		
Invested in capital assets, net of related debt	1,715,503	(2,302,011)
Restricted	3,410,656	5,815,887
Unrestricted	14,647,246	15,954,864
Total net assets	**$ 19,773,405**	**$ 19,468,740**

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

Grand Haven Board of Light and Power

Statements of Revenues, Expenses, and Changes in Net Assets

	Year ended June 30	
	2009	2008
Operating revenues		
Residential sales	$ 8,444,904	$ 8,581,425
Commercial and industrial sales	16,991,663	17,405,684
Public street and highway lighting	441,038	422,662
Other sales to public authorities	637,085	661,714
Sales for resale	5,384,127	7,667,786
Forfeited discounts	92,711	88,172
Rental income	39,133	41,837
Other services	1,375	3,389
Total operating revenues	**32,032,036**	**34,872,669**
Operating expenses		
Power production	19,724,742	18,739,094
Distribution	1,723,566	1,519,230
Customer accounts	520,780	533,174
Administrative and general	1,651,539	1,608,545
Depreciation	3,952,069	3,805,807
Statutory charge	1,325,735	1,353,574
Total operating expenses	**28,898,431**	**27,559,424**
Operating income	**3,133,605**	**7,313,245**
Nonoperating income (expense) - net		
Interest income	239,987	696,189
Interest expense	(3,157,450)	(3,486,639)
Gain on sale of capital assets	986	900
Emission allowances	149,183	158,025
Other revenue	16,392	26,290
Total nonoperating expense - net	**(2,750,902)**	**(2,605,235)**
Net income before transfers	**382,703**	**4,708,010**
Transfers		
Transfers in from other funds of the City	928	362,839
Transfers out to other funds of the City	(78,966)	(72,559)
Transfers - net	**(78,038)**	**290,280**
Change in net assets	**304,665**	**4,998,290**
Net assets, beginning of year	19,468,740	14,470,450
Net assets, end of year	**$ 19,773,405**	**$ 19,468,740**

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

Grand Haven Board of Light and Power

Statements of Cash Flows

	Year ended June 30	
	2009	**2008**
Cash flows from operating activities		
Receipts from customers and users	$ 32,868,837	$ 35,492,369
Payments to suppliers	(25,148,184)	(19,063,068)
Payments to employees	(3,102,721)	(2,978,943)
Net cash provided by operating activities	**4,617,932**	**13,450,358**
Cash flows from noncapital financing activities		
Emission allowances	149,183	158,025
Other revenue	16,392	26,290
Transfers from other funds of the City	928	362,839
Transfers to other funds of the City	(78,966)	(72,559)
Net cash provided by noncapital financing activities	**87,537**	**474,595**
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(5,045,000)	(4,610,000)
Interest paid on long-term debt	(2,772,595)	(3,004,736)
Proceeds from sale of capital assets	986	900
Purchase of capital assets	(3,303,204)	(2,867,599)
Net cash used in capital and related financing activities	**(11,119,813)**	**(10,481,435)**
Cash flows from investing activities		
Cash received for interest	205,674	523,337
Purchases of investment securities	(9,316,968)	(12,288,440)
Proceeds from sale or maturities of investment securities	11,277,000	12,323,000
Net cash provided by investing activities	**2,165,706**	**557,897**
Net (decrease) increase in cash and cash equivalents	**(4,248,638)**	**4,001,415**
Cash and cash equivalents, beginning of year	21,291,395	17,289,980
Cash and cash equivalents, end of year	**$ 17,042,757**	**$ 21,291,395**
Statement of net assets classification of cash and cash equivalents		
Cash and cash equivalents	$ 9,294,278	$ 12,992,995
Restricted assets, cash and cash equivalents	7,748,479	8,298,400
Total cash and cash equivalents	**$ 17,042,757**	**$ 21,291,395**

Continued…

Grand Haven Board of Light and Power

Statements of Cash Flows

	Year ended June 30	
	2009	**2008**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 3,133,605	$ 7,313,245
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	3,952,069	3,805,807
Bad debt expense	22,194	19,025
Changes in operating assets and liabilities which provided (used) cash		
Accounts receivable	984,542	766,414
Inventories	(2,482,424)	2,208,583
Prepaid expenses and other current assets	20,515	(40,574)
Accounts payable	(852,674)	(542,644)
Accrued payroll and related	31,800	33,969
Accrued other	(43,954)	33,246
Deferred revenue	(147,741)	(146,713)
Net cash provided by operating activities	**$ 4,617,932**	**$ 13,450,358**

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

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

The Grand Haven Board of Light and Power (the "Board") is an Enterprise Fund of the City of Grand Haven, Michigan (the "City"). It operates under direction of the City Charter. The Board provides electric services to users in the City of Grand Haven and portions of the surrounding area. The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board are charges to customers for sales and services. Operating expenses include the cost of sales and services, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board.* Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Board has elected not to follow subsequent private-sector guidance.

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 to be cash equivalents.

Investments

Investments are recorded at fair value, which approximates cost at the balance sheet date.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories

Inventories consist of coal and fuel oil and are stated at the lower of cost, determined principally by the moving average method, or market.

Prepaid Items

The Board incurred expenses 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.

Restricted Assets

Certain proceeds of the Board's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets 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, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Unamortized Bond Issuance Costs

Debt issue costs of $1,618,263 of the Electric System Revenue Bonds are being amortized over the life of the issue by the interest method. Amortization charged to interest expense amounted to $62,939 and $67,488 for the years ended June 30, 2009 and 2008, respectively. Accumulated amortization was $1,371,957 and $1,309,018 at June 30, 2009 and 2008, respectively.

Revenue Recognition

Revenue is recognized at the point when customers are billed for services.

2. DEPOSITS AND INVESTMENTS

The Board of Light and Power's deposits and investments are included on the statement of net assets under the following classifications at June 30:

	2009		2008	
	Cash and Cash Equivalents	**Restricted Assets**	**Cash and Cash Equivalents**	**Restricted Assets**
Deposits	$ 9,294,278	$ 7,748,479	$ 12,992,995	$ 8,298,400
Investments	-	2,097,202	-	3,974,888
Total	**$ 9,294,278**	**$ 9,845,681**	**$ 12,992,995**	**$ 12,273,288**

Statutory Authority

State statutes authorize the Board to invest in:

a. Bonds, 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. Bankers 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 through 12/31/97.

The Board's investment policy allows for all of these types of investments. However, the Board's investments policy is further restricted by bond resolution.

At June 30, 2009, the Board had the following investments:

Investment	Maturity Date	Fair Value
U.S. Treasury Bill	7/9/2009	$ 2,097,202

At June 30, 2008, the Board had the following investments:

Investment	Maturity Date	Fair Value
U.S. Treasury Bill	7/10/2008	$ 2,043,244
U.S. Treasury Bill	10/23/2008	1,931,644
		$ 3,974,888

Investment and Deposit Risk

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

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Revenue Bond Resolution provides additional resources on the Board's investment choices.

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's investment policy does not have specific limits in excess of state law on custodial credit risk. At June 30, 2009, $16,423,421 of the Board's bank balance of $16,935,421 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2008, $21,014,801 of the Board's bank balance of $21,314,801 was exposed to custodial credit risk because it was uninsured and uncollateralized. Insurance coverage pertains to all deposits of the City; hence, the specific coverage pertaining to the Board's deposits, if any, is not readily determinable.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Board does not have a policy for investment custodial credit risk which is more restrictive than state law. The Board is not exposed to custodial credit risk because all investments are held in the name of the Board.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The Board will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

3. RESTRICTED ASSETS

Restricted net assets consist of the following at June 30:

	2009	2008
Bond and interest redemption account –		
Cash and cash equivalents	$ 6,928,235	$ 6,494,369
Debt service reserve account –		
Cash and cash equivalents	571,139	110
United States Treasury bills & notes	2,097,202	3,974,888
Construction account –		
Cash and cash equivalents	249,105	1,803,921
Interest receivable	2,657	36,987
Total revenue bond restricted assets	**9,848,338**	**12,310,275**
Less current liabilities payable from restricted assets		
Debt principal payable	5,120,000	5,045,000
Accrued interest payable	1,317,682	1,449,388
Total current liabilities payable from restricted assets	**6,437,682**	**6,494,388**
Total restricted net assets	**$ 3,410,656**	**$ 5,815,887**

These assets are restricted pursuant to the Revenue Resolution for revenue bond debt service. Net assets are reserved for the purpose noted above.

4. CAPITAL ASSETS

A summary of capital assets as and for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions and Transfers	Balance June 30, 2009
Capital assets, not being depreciated				
Land	$ 222,281	$ -	$ -	$ 222,281
Construction in progress	1,448,151	3,303,204	4,185,199	566,156
	1,670,432	3,303,204	4,185,199	788,437
Capital assets, being depreciated				
Steam production	92,301,955	1,948,974	10,875	94,240,054
Diesel production	6,160,373	23,062	-	6,183,435
Transmission and distribution plant	31,519,936	2,203,497	7,659	33,715,774
General plant	1,396,102	9,666	-	1,405,768
	131,378,366	4,185,199	18,534	135,545,031
Accumulated depreciation				
Steam production	65,089,600	2,901,284	10,875	67,980,009
Diesel production	5,131,480	91,019	-	5,222,499
Transmission and distribution plant	16,069,757	917,770	7,659	16,979,868
General plant	1,194,906	41,996	-	1,236,902
	87,485,743	3,952,069	18,534	91,419,278
Net capital assets, being depreciated	**43,892,623**	**233,130**	**-**	**44,125,753**
Total capital assets, net	**$ 45,563,055**	**$ 3,536,334**	**$ 4,185,199**	**$ 44,914,190**

A summary of capital assets as and for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Deletions and Transfers	Balance June 30, 2008
Capital assets, not being depreciated				
Land	$ 222,281	$ -	$ -	$ 222,281
Construction in progress	2,461,062	2,867,599	3,880,510	1,448,151
	2,683,343	2,867,599	3,880,510	1,670,432
Capital assets, being depreciated				
Steam production	91,347,127	946,840	(7,988)	92,301,955
Diesel production	6,160,373	-	-	6,160,373
Transmission and distribution plant	28,627,799	2,917,787	25,650	31,519,936
General plant	1,380,219	15,883	-	1,396,102
	127,515,518	3,880,510	17,662	131,378,366
Accumulated depreciation				
Steam production	62,235,138	2,847,966	(6,496)	65,089,600
Diesel production	5,088,561	42,919	-	5,131,480
Transmission and distribution plant	15,224,963	868,952	24,158	16,069,757
General plant	1,148,936	45,970	-	1,194,906
	83,697,598	3,805,807	17,662	87,485,743
Net capital assets, being depreciated	**43,817,920**	**74,703**	**-**	**43,892,623**
Total capital assets, net	**$ 46,501,263**	**$ 2,942,302**	**$ 3,880,510**	**$ 45,563,055**

5. DEFERRED REVENUE

Each year, the Board is allocated 1,484 S02 allowances from the Environmental Protection Agency, which are fully marketable commodities. One allowance authorizes the Board to emit one ton of S02 during a given year or any year thereafter. As the Board did not anticipate utilizing all of the allowances granted to it in future years, in 2003 the Board sold 6,900 future allowances, which is reflected in the financial statements as deferred revenue. The Board recognized $149,183 and $158,025 in emission allowances revenue for the years ended June 30, 2009 and 2008, respectively. As the allowances are granted in future years, approximately $157,000 of deferred revenue will be recognized during the year ended June 30, 2010.

6. LONG-TERM DEBT

Long-term debt activity as of and for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
1993 Electric System Revenue Refunding Bonds, paid in full in fiscal 2009.	$ 4,865,000	$ -	$ 4,865,000	$ -	$ -
2003 Electric System Revenue Refunding Bonds, due in annual installments of $4,920,000 to $7,210,000 through 2017; interest paid semi-annually at 5.0% to 5.5%.	47,850,000	-	-	47,850,000	4,920,000
2007 Electric System Revenue Refunding Bonds, due in annual installments of $200,000 to $330,000 through 2017; interest paid semi-annually at 4.0% to 5.0%.	2,400,000	-	180,000	2,220,000	200,000
Subtotal installment debt	**55,115,000**	**-**	**5,045,000**	**50,070,000**	**5,120,000**
Unamortized bond premium	1,887,370	-	387,685	1,499,685	-
Unamortized deferred refunding costs	(4,092,304)	-	(841,306)	(3,250,998)	-
Total long-term debt	**$ 52,910,066**	**$ -**	**$ 4,591,379**	**$ 48,318,687**	**$ 5,120,000**

Long-term debt activity as of and for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
1993 Electric System Revenue Refunding Bonds, final payment due July 1, 2008; interest at 5.25%.	$ 9,475,000	$ -	$ 4,610,000	$ 4,865,000	$ 4,865,000
2003 Electric System Revenue Refunding Bonds, due in annual installments of $4,920,000 to $7,210,000 through 2017; interest paid semi-annually at 5.0% to 5.5%.	47,850,000	-	-	47,850,000	-
2007 Electric System Revenue Refunding Bonds, due in annual installments of $180,000 to $330,000 through 2017; interest paid semi-annually at 4.0% to 5.0%.	2,400,000	-	-	2,400,000	180,000
Subtotal installment debt	**59,725,000**	**-**	**4,610,000**	**55,115,000**	**5,045,000**
Unamortized bond premium	2,263,306	-	375,936	1,887,370	-
Unamortized deferred refunding costs	(4,983,762)	-	(891,458)	(4,092,304)	-
Total long-term debt	**$ 57,004,544**	**$ -**	**$ 4,094,478**	**$ 52,910,066**	**$ 5,045,000**

Debt Service Requirements

The annual requirements to maturity on debt outstanding as of June 30, 2009, excluding the unamortized premium and deferred refunding costs on bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 5,120,000	$ 2,632,164	$ 7,752,164
2011	5,430,000	2,377,164	7,807,164
2012	5,720,000	2,107,863	7,827,863
2013	6,040,000	1,810,676	7,850,676
2014	6,370,000	1,496,101	7,866,101
2015-2017	21,390,000	2,363,475	23,753,475
Total	**$ 50,070,000**	**$ 12,787,443**	**$ 62,857,443**

Covenants of the Revenue Bond Resolution provide for, among other things, guidance on rate setting (requires anticipation of debt coverage ratio), various restrictions on the transfer of funds, issuance of additional debt, creation of liens and the sale and lease of property.

7. PENSION PLANS

Defined Benefit Pension Plan

The information for the Board's defined benefit pension plan is as of December 31, 2008, which is the most recent information available.

Plan Description

The Board participates with the City in a defined benefit pension plan. The City's defined benefit pension plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan ("MERS"), an agent multiple-employer plan administered by the MERS Retirement Board.

Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The Board is required to contribute at an actuarially determined rate; the current rate is 9.88% and 2.38% of annual covered payroll for union and non-union employees, respectively. The required employee contribution rates are 4.0% and 2.38% for union and non-union employees, respectively. Total employee contributions were $140,433 and $129,123 for the years ended June 30, 2009 and 2008, respectively. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the Board.

Annual Pension Cost

For the year ended June 30, 2009, the Board's annual pension cost of $291,800 for MERS was equal to the Board's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, the date of the latest actuarial valuation, ranges from 10 to 28 years, depending on the specific employee group.

Three-Year Trend Information

Year Ended	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	$ 184,965	100%	$ -
June 30, 2008	247,413	100%	-
June 30, 2009	291,800	100%	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	$ 8,438,691	$ 9,310,403	$ 871,712	90.64%	$ 2,289,194	38.08%
12/31/07	9,294,218	9,988,669	694,451	93.05%	2,416,428	28.74%
12/31/08	9,856,695	11,443,610	1,586,915	86.13%	2,473,434	64.16%

8. POST-EMPLOYMENT BENEFITS

The City and the Board provide health care benefits to retirees in accordance with the pension ordinance; currently, 11 Board retirees are eligible. These benefits are paid annually and totaled approximately $37,000 and $23,000 during the years ended June 30, 2009 and 2008, respectively.

9. RISK MANAGEMENT

The Board is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Board is self-insured for these risks through the City's self-insurance program except as detailed below. As an enterprise fund of the City, the Board is partially uninsured for health claims and has purchased commercial insurance for coverage related to claims in excess of certain stop-loss limits. The City estimates the liability for health 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. These estimates are recorded in the City's Health Benefits Internal Service Fund. The Board also participates in the Michigan Municipal League risk pool for workers' compensation and with the Michigan Professional Insurance Authority for other types of insurance including general and property insurance.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

During fiscal year 2004, the Board entered into the Michigan Professional Insurance Authority (the "Authority") to account for and finance its uninsured risks of loss. Under this program, the Authority provides for coverage for up to a maximum of $100,000 for each general liability claim and $250,000 for each property damage claim. The Board purchases commercial for claims in excess of coverage provided by the Authority for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past five fiscal years.

All participants in the Authority make payments to the Authority based on experience estimates of the amounts needed to pay prior and current year claims.

Year Ended June 30	Beginning of Year Liability	Current Year Premium Equivalent Costs	Premium Equivalent Payments	Balance at Year End
2009	$ -	$ 902,500	$ 902,500	$ -
2008	-	902,500	902,500	-

10. COMMITMENTS

During 2009 and 2008, the Board entered into various coal purchase agreements to purchase a minimum of 736,000 tons of coal at fixed prices ending on various dates through December 31, 2011. At June 30, 2009, approximately 53,800 tons of coal had been purchased under these agreements.

Amounts required to complete various construction projects are not material to the financial statements.

11. JOINT VENTURE

The Board entered into a joint venture, the Michigan Public Power Agency (MPPA), with 15 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The Board is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Board did not have an initial equity interest and does not participate in net income or losses. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing MI 48917.

The MPPA operates various projects. The Board participates in the power pool project and the transmission project. The Board had the following activity with the MPPA during the years ended June 30:

	2009	2008
Sales	$ 5,359,592	$ 7,525,960
Purchases	1,569,359	1,252,682
Receivables	145,904	1,085,421

12. 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.

13. 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. The Board is required to pay five percent of gross retail sales to the City under provisions of the City Charter.

A summary of related-party transactions with the City is as follows as of and for the years ended June 30:

	2009	2008
Operating revenue from City-owned facilities	$ 889,500	$ 901,165
Operating expenses - statutory charge	1,325,735	1,353,574
Accounts receivable	90,969	82,902
Accounts payable	119,957	200,986

SUPPLEMENTARY INFORMATION

Grand Haven Board of Light and Power

Schedules of Revenues, Expenses, and Changes in Net Assets

	Year ended June 30		Increase	Percentage of Operating Revenue	
	2009	**2008**	**(Decrease)**	**2009**	**2008**
Operating revenues					
Residential sales	$ 8,444,904	$ 8,581,425	$ (136,521)	26.36%	24.61%
Commercial and industrial sales	16,991,663	17,405,684	(414,021)	53.05%	49.91%
Public street and highway lighting	441,038	422,662	18,376	1.38%	1.21%
Other sales to public authorities	637,085	661,714	(24,629)	1.99%	1.90%
Sales for resale	5,384,127	7,667,786	(2,283,659)	16.81%	21.99%
Forfeited discounts	92,711	88,172	4,539	0.29%	0.25%
Rental income	39,133	41,837	(2,704)	0.12%	0.12%
Other services	1,375	3,389	(2,014)	0.00%	0.01%
Total operating revenues	**32,032,036**	**34,872,669**	**(2,840,633)**	**100.00%**	**100.00%**
Operating expenses					
Power production	19,724,742	18,739,094	985,648	61.57%	53.74%
Distribution	1,723,566	1,519,230	204,336	5.38%	4.36%
Customer accounts	520,780	533,174	(12,394)	1.63%	1.53%
Administrative and general	1,651,539	1,608,545	42,994	5.16%	4.61%
Depreciation	3,952,069	3,805,807	146,262	12.34%	10.91%
Statutory charge	1,325,735	1,353,574	(27,839)	4.14%	3.88%
Total operating expenses	**28,898,431**	**27,559,424**	**1,339,007**	**90.22%**	**79.03%**
Operating income (loss)	**3,133,605**	**7,313,245**	**(4,179,640)**	**9.78%**	**20.97%**
Nonoperating income (expense) - net					
Interest income	239,987	696,189	(456,202)	0.75%	2.00%
Interest expense	(3,157,450)	(3,486,639)	329,189	-9.86%	-10.00%
Gain on sale of capital assets	986	900	86	0.00%	0.00%
Emission allowances	149,183	158,025	(8,842)	0.47%	0.45%
Other revenue	16,392	26,290	(9,898)	0.05%	0.08%
Total nonoperating expense - net	**(2,750,902)**	**(2,605,235)**	**(145,667)**	**-8.59%**	**-7.47%**
Net income (loss) before transfers	**382,703**	**4,708,010**	**(4,325,307)**	**1.19%**	**13.50%**
Transfers					
Transfers in from other funds of the City	928	362,839	(361,911)	0.00%	1.04%
Transfers out to other funds of the City	(78,966)	(72,559)	(6,407)	-0.24%	-0.21%
Transfers - net	**(78,038)**	**290,280**	**(368,318)**	**-0.24%**	**0.83%**
Change in net assets	**$ 304,665**	**$ 4,998,290**	**$ (4,693,625)**	**0.95%**	**14.33%**

Grand Haven Board of Light and Power

Schedules of Operating Expenses

	Year ended June 30		Increase	Percentage of Operating Revenue	
	2009	2008	(Decrease)	2009	2008
Power production					
Steam expense:					
Operation:					
Supervision and engineering	$ 73,714	$ 70,940	$ 2,774	0.23%	0.20%
Vacation, sick and holiday pay	286,957	283,867	3,090	0.90%	0.81%
Fringe benefits	859,692	828,094	31,598	2.68%	2.38%
Fuel and fuel handling	11,893,332	12,412,772	(519,440)	37.12%	35.60%
Steam	489,173	467,321	21,852	1.53%	1.34%
Scrubber	409,930	409,259	671	1.28%	1.17%
Electric plant	301,825	295,885	5,940	0.94%	0.85%
Other	359,136	406,786	(47,650)	1.12%	1.17%
Total operation	14,673,759	15,174,924	(501,165)	45.80%	43.52%
Maintenance:					
Supervision	47,660	49,698	(2,038)	0.15%	0.14%
Structures	38,185	36,312	1,873	0.12%	0.10%
Boiler plant	2,147,290	864,130	1,283,160	6.70%	2.48%
Scrubber	595,166	469,837	125,329	1.86%	1.35%
Electric plant	17,809	12,167	5,642	0.06%	0.03%
Other	42,704	44,444	(1,740)	0.13%	0.13%
Total maintenance	2,888,814	1,476,588	1,412,226	9.02%	4.23%
Total steam expense	17,562,573	16,651,512	911,061	54.82%	47.75%
Diesel expense:					
Operation:					
Supervision and engineering	3,879	3,733	146	0.01%	0.01%
Vacation, sick and holiday pay	23,751	47,639	(23,888)	0.07%	0.14%
Fringe benefits	81,413	94,796	(13,383)	0.25%	0.27%
Fuel:					
Oil	72,341	114,235	(41,894)	0.23%	0.33%
Gas	5,739	34,950	(29,211)	0.02%	0.10%
Operating labor	44,080	48,692	(4,612)	0.14%	0.14%
Other	87,100	90,331	(3,231)	0.27%	0.26%
Total operation	318,303	434,376	(116,073)	0.99%	1.25%
Maintenance:					
Structures	4,900	6,618	(1,718)	0.02%	0.02%
Engines	168,056	230,971	(62,915)	0.52%	0.66%
Total maintenance	172,956	237,589	(64,633)	0.54%	0.68%
Total diesel expense	491,259	671,965	(180,706)	1.53%	1.93%
System control	96,921	104,205	(7,284)	0.30%	0.30%
Purchased power	1,353,604	479,146	874,458	4.23%	1.37%
Network transmission	220,385	832,266	(611,881)	0.69%	2.39%
Total power production	**19,724,742**	**18,739,094**	**985,648**	**61.57%**	**53.74%**

Continued…

Grand Haven Board of Light and Power

Schedules of Operating Expenses

	Year ended June 30		Increase	Percentage of Operating Revenue	
	2009	2008	(Decrease)	2009	2008
Distribution					
Operation:					
Supervision and engineering	$ 208,215	$ 185,702	$ 22,513	0.65%	0.53%
Vacation, sick and holiday pay	171,770	131,078	40,692	0.54%	0.38%
Fringe benefits	399,800	343,535	56,265	1.25%	0.98%
Station expense	54,415	37,684	16,731	0.17%	0.11%
Overhead lines:					
Labor	210,878	193,096	17,782	0.66%	0.55%
Materials	7,125	11,866	(4,741)	0.02%	0.03%
Transportation	82,057	94,726	(12,669)	0.26%	0.27%
Underground lines	49,835	64,923	(15,088)	0.16%	0.19%
Street lighting and signal system	29,787	22,514	7,273	0.09%	0.06%
Meters:					
Labor	108,779	104,490	4,289	0.34%	0.30%
Other	14,208	12,233	1,975	0.04%	0.04%
Heating	22,769	12,431	10,338	0.07%	0.04%
Engineering supplies	20,072	27,891	(7,819)	0.06%	0.08%
Customer installation	65,521	54,205	11,316	0.20%	0.16%
Other	108,752	98,092	10,660	0.34%	0.28%
Total operation	1,553,983	1,394,466	159,517	4.85%	4.00%
Maintenance:					
Tree trimming	126,814	113,303	13,511	0.39%	0.33%
Buildings and substations	27,388	25,309	2,079	0.09%	0.07%
Overhead system	30,782	32,701	(1,919)	0.10%	0.09%
Underground system	783	534	249	0.00%	0.00%
Storm damage	14,903	7,170	7,733	0.05%	0.02%
Street lighting and signal system	5,814	6,624	(810)	0.02%	0.02%
Other	1,375	50	1,325	0.00%	0.00%
Total maintenance	207,859	185,691	22,168	0.65%	0.53%
Reimbursements	(38,276)	(60,927)	22,651	-0.12%	-0.17%
Total distribution	**1,723,566**	**1,519,230**	**204,336**	**5.38%**	**4.36%**
Customer accounts					
Operation:					
Supervision and engineering	42,041	41,137	904	0.13%	0.12%
Vacation, sick and holiday pay	31,094	38,505	(7,411)	0.10%	0.11%
Fringe benefits	97,985	110,709	(12,724)	0.31%	0.32%
Meter reading	94,944	103,460	(8,516)	0.30%	0.30%
Customer records and collection	232,172	220,264	11,908	0.72%	0.63%
Uncollectible accounts - net	22,194	19,025	3,169	0.07%	0.05%
Other	350	74	276	0.00%	0.00%
Total customer accounts	**520,780**	**533,174**	**(12,394)**	**1.63%**	**1.53%**

Continued…

Grand Haven Board of Light and Power

Schedules of Operating Expenses

	Year ended June 30		Increase	Percentage of Operating Revenue	
	2009	2008	(Decrease)	2009	2008
Administrative and general					
Operation:					
Salaries	$ 288,468	$ 293,340	$ (4,872)	0.91%	0.84%
Vacation, sick and holiday pay	48,458	46,360	2,098	0.15%	0.13%
Fringe benefits	105,887	97,499	8,388	0.33%	0.28%
Office supplies and expense	57,748	54,056	3,692	0.18%	0.16%
Outside services	99,558	49,768	49,790	0.31%	0.14%
Insurance	902,500	902,500	-	2.82%	2.59%
Advertising	17,146	21,619	(4,473)	0.05%	0.06%
Franchise requirement	16,191	17,253	(1,062)	0.05%	0.05%
Maintenance	23,592	24,379	(787)	0.07%	0.07%
Other	91,991	101,771	(9,780)	0.29%	0.29%
Total administrative and general	**1,651,539**	**1,608,545**	**42,994**	**5.16%**	**4.61%**
Depreciation					
Steam production	2,901,284	2,847,966	53,318	9.06%	8.17%
Diesel production	91,019	42,919	48,100	0.28%	0.12%
Transmission and distribution plant	917,770	868,952	48,818	2.87%	2.49%
General plant	41,996	45,970	(3,974)	0.13%	0.13%
Total depreciation	**3,952,069**	**3,805,807**	**146,262**	**12.34%**	**10.91%**
Statutory charge	**1,325,735**	**1,353,574**	**(27,839)**	**4.14%**	**3.88%**
Total operating expenses	**$ 28,898,431**	**$ 27,559,424**	**$ 1,339,007**	**90.22%**	**79.03%**

Grand Haven Board of Light and Power

Schedule of Long-Term Debt Maturity

Bond Issue	Interest Rate (Percent)	Date of Maturity	Annual Maturity	Principal Outstanding June 30, 2009
Amount of issue – $47,850,000				
Date of issue – April 3, 2003	5.00	7/1/2009	$ 4,920,000	$ 4,920,000
	5.00	7/1/2010	5,180,000	5,180,000
	5.25	7/1/2011	5,455,000	5,455,000
	5.25	7/1/2012	5,765,000	5,765,000
	5.25	7/1/2013	6,085,000	6,085,000
	5.50	7/1/2014	6,430,000	6,430,000
	5.50	7/1/2015	6,805,000	6,805,000
	5.50	7/1/2016	7,210,000	7,210,000
Total face value				47,850,000
Plus unamortized premium				1,454,076
Less unamortized loss on refunding				(3,250,998)
				46,053,078
Amount of issue – $2,400,000				
Date of issue – March 9, 2007	4.00	7/1/2009	200,000	200,000
	4.00	7/1/2010	250,000	250,000
	4.00	7/1/2011	265,000	265,000
	4.00	7/1/2012	275,000	275,000
	4.50	7/1/2013	285,000	285,000
	4.50	7/1/2014	300,000	300,000
	5.00	7/1/2015	315,000	315,000
	5.00	7/1/2016	330,000	330,000
Total face value				2,220,000
Plus unamortized premium				45,609
				2,265,609
Total				**$ 48,318,687**

Grand Haven Board of Light and Power

Schedules of Debt Service Coverage Ratio

	Year ended June 30	
	2009	**2008**
Operating revenue	$ 32,032,036	$ 34,872,669
Operating expenses	28,898,431	27,559,424
Operating income	**3,133,605**	**7,313,245**
Non-operating expenses – net	(2,750,902)	(2,605,235)
Transfers – net	(78,038)	290,280
Net income	**304,665**	**4,998,290**
Reconciliation of net income to net revenue under the resolution		
Additions		
Depreciation	3,952,069	3,805,807
Statutory charge	1,325,735	1,353,574
Bond interest expense	3,477,069	3,790,232
Amortization of debt premiums and issue costs	(324,745)	(308,448)
Transfers – out	78,966	72,559
Transfer from Surplus	850,000	-
Total additions	**9,359,094**	**8,713,724**
Deductions		
Interest income – debt service reserve	37,185	148,272
Transfers – in	928	362,839
Total deductions	**38,113**	**511,111**
Net revenue under the resolution	**$ 9,625,646**	**$ 13,200,903**
Aggregate debt service		
Debt service	$ 7,755,763	$ 7,943,774
Less interest income on debt service	(37,185)	(148,272)
Aggregate debt service under the resolution	**$ 7,718,578**	**$ 7,795,502**
Ratio of aggregate debt service to net revenue	**1.25**	**1.69**