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, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

October 12, 2010

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

We have audited the accompanying financial statements of the ***Grand Haven Board of Light and Power*** (an enterprise fund of the City of Grand Haven, Michigan), as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Grand Haven Board of Light and Power's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the 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, 2010 and 2009, 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 Grand Haven Board of Light and Power as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2010 on our consideration of the Grand Haven Board of Light and Power's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 and the Municipal Employee Retirement System and Other Postemployment Benefit Plan information listed in the table of contents are 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 audits were conducted for the purpose of forming an opinion 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 Grand Haven Board of Light and Power's basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are 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 years ending June 30, 2010 and 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 97 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)	
	2010	2009	$	%
Current and Other Assets	$29,368	$27,128	$2,240	8%
Property, Plant and Equipment	42,042	44,914	(2,872)	-6%
Total Assets	71,410	72,042	(632)	-1%
Long-term Liabilities	43,608	48,319	(4,711)	-10%
Other Liabilities	6,345	3,950	2,395	61%
Total Liabilities	49,953	52,269	(2,316)	-4%
Invested in Capital Assets, Net	3,864	1,715	2,149	125%
Restricted	3,008	3,411	(403)	-12%
Unrestricted	14,585	14,647	(62)	0%
Total Net Assets	21,457	19,773	1,684	9%

Current & Other Assets increase primarily due to increase in Cash and Accounts Receivable based on operations, partially offset by a decrease in Coal Inventory due to timing of shipments.

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.

Other Liabilities increased primarily due to timing of receipt of coal shipments prior to June 30, 2010 and payment for coal shipments after June 30, 2010.

Results of Operations
(Dollars in Thousands)

	Years Ended June 30,		Increase (Decrease)	
	2010	2009	$	%
Operating Revenue	$31,131	$32,032	$(901)	-3%
Operating Expenses	26,876	28,977	(2,101)	-7%
Non-operating Expense, Net	2,571	2,751	(180)	-7%
Net Income	1,684	304	1,380	454%
Beginning Net Assets	19,773	19,469		
Ending Net Assets	21,457	19,773		

The decrease in operating revenue is a net result of a decrease in wholesale sales offset by an increase in retail sales. A decrease in retail kWh sales in the first three months was partially offset by later increases primarily in Commercial and Industrial sales resulting in a net decrease of 2%. A rate increase of 5.5% in retail sales was effective July 1, 2009. The decrease in kWh sales combined with the rate increase resulted in a net increase of retail revenue of 9%. A decrease in wholesale kWh sales of 71% was caused by a weak economy resulting in low demand and low wholesale market prices. The same factors affected capacity payments resulting in an overall wholesale revenue decrease of 64%.

Fiscal 2010 did not include a scheduled outage, which resulted in a decrease in Operating Expenses compared to fiscal 2009.

The Energy Optimization Program and the Renewable Portfolio Standard Program both began in fiscal 2010. Revenue from surcharges billed to customers for Energy Optimization was $305,000 while expenses incurred for the program were $207,000. Revenue from surcharges billed to customers for Renewable Portfolio Standard Program was $39,000 while expenses had not yet been incurred as of June 30, 2010.

Interest income decreased 77%. Miscellaneous income includes the sale of sulfur dioxide (SO2) credits for $157,000.

Capital contributions - transfers in are funds received from the City of Grand Haven and are included in Operating Revenues.

Budget

The BLP approved a $29,208,000 operating expense budget for fiscal year 2010. Actual operating expenses were $26,875,726 or 9% 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 $1,125,295 in fiscal year 2010, which was paid by internally generated funds, and $333,352 by the 2007 bond issue.

Next Year's Budget and Rates

The budget approved for the fiscal year 2011 reflects a rate change of 5.5% for customers and follows a 5.5% rate increase in fiscal 2010. Increased operating expenses dictate the need for the rate increase. There is a scheduled maintenance outage for fiscal 2011.

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 2010	June 30 2009
Assets		
Current assets		
Cash and cash equivalents	$ 13,104,121	$ 9,294,278
Receivables:		
Accounts	3,023,734	2,338,698
Interest	2,725	5,050
Inventories	3,344,455	5,318,129
Prepaid expenses and other current assets	74,369	77,632
Total current assets	**19,549,404**	**17,033,787**
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	6,955,944	7,748,479
Investments	2,668,947	2,097,202
Interest receivable	4,742	2,657
Capital assets not being depreciated	1,076,224	788,437
Capital assets being depreciated, net	40,965,831	44,125,753
Unamortized bond issuance costs	189,189	246,306
Total assets	**71,410,281**	**72,042,621**
Liabilities		
Current liabilities		
Accounts payable	4,084,914	1,485,821
Accrued liabilities:		
Payroll and related	493,217	507,892
Other	410,135	456,334
Deferred revenue	1,858	157,150
Current liabilities payable from restricted assets:		
Bonds payable	5,430,000	5,120,000
Accrued interest payable	1,191,081	1,317,682
Total current liabilities	**11,611,205**	**9,044,879**
Noncurrent liabilities		
Deferred revenue	23,792	25,650
Net other postemployment benefit obligation	140,000	-
Bonds payable - net of current portion	38,178,163	43,198,687
Total liabilities	**49,953,160**	**52,269,216**
Net assets		
Invested in capital assets, net of related debt	3,863,892	1,715,503
Restricted	3,008,552	3,410,656
Unrestricted	14,584,677	14,647,246
Total net assets	**$ 21,457,121**	**$ 19,773,405**

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 2010	2009
Operating revenues		
Residential sales	$ 8,880,161	$ 8,444,904
Commercial and industrial sales	18,928,214	16,991,663
Public street and highway lighting	468,693	441,038
Other sales to public authorities	643,789	637,085
Sales for resale	1,927,063	5,384,127
Forfeited discounts	101,596	92,711
Rental income	39,465	39,133
Capital contributions	140,730	928
Other services	1,000	1,375
Total operating revenues	**31,130,711**	**32,032,964**
Operating expenses		
Power production	17,108,419	19,724,742
Distribution	1,784,409	1,723,566
Customer accounts	811,298	520,780
Administrative and general	1,728,173	1,730,505
Depreciation	3,997,430	3,952,069
Statutory charge	1,445,997	1,325,735
Total operating expenses	**26,875,726**	**28,977,397**
Operating income	**4,254,985**	**3,055,567**
Nonoperating income (expense) - net		
Interest income	55,145	239,987
Interest expense	(2,853,765)	(3,157,450)
Gain on sale of capital assets	8,704	986
Emission allowances	157,150	149,183
Other revenue	61,497	16,392
Total nonoperating expense - net	**(2,571,269)**	**(2,750,902)**
Change in net assets	**1,683,716**	**304,665**
Net assets, beginning of year	19,773,405	19,468,740
Net assets, end of year	**$ 21,457,121**	**$ 19,773,405**

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 2010	2009
Cash flows from operating activities		
Receipts from customers and users	$ 30,254,742	$ 32,869,765
Payments to suppliers	(14,885,563)	(25,227,150)
Payments to employees	(3,303,794)	(3,102,721)
Net cash provided by operating activities	**12,065,385**	**4,539,894**
Cash flows from noncapital financing activities		
Emission allowances	157,150	149,183
Other revenue	61,497	16,392
Net cash provided by noncapital financing activities	**218,647**	**165,575**
Cash flows from capital and related financing activities		
Principal paid on long-term debt	(5,120,000)	(5,045,000)
Interest paid on long-term debt	(2,513,773)	(2,772,595)
Proceeds from sale of capital assets	8,704	986
Purchase of capital assets	(1,125,295)	(3,303,204)
Net cash used in capital and related financing activities	**(8,750,364)**	**(11,119,813)**
Cash flows from investing activities		
Cash received for interest	47,360	205,674
Purchases of investment securities	(13,293,720)	(9,316,968)
Proceeds from sale or maturities of investment securities	12,730,000	11,277,000
Net cash (used in) provided by investing activities	**(516,360)**	**2,165,706**
Net increase (decrease) in cash and cash equivalents	**3,017,308**	**(4,248,638)**
Cash and cash equivalents, beginning of year	17,042,757	21,291,395
Cash and cash equivalents, end of year	**$ 20,060,065**	**$ 17,042,757**
Statement of net assets classification of cash and cash equivalents		
Cash and cash equivalents	$ 13,104,121	$ 9,294,278
Restricted assets, cash and cash equivalents	6,955,944	7,748,479
Total cash and cash equivalents	**$ 20,060,065**	**$ 17,042,757**

Continued…

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	
	2010	2009
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 4,254,985	$ 3,055,567
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	3,997,430	3,952,069
Bad debt expense	33,783	22,194
Changes in operating assets and liabilities which provided (used) cash		
Accounts receivable	(718,819)	984,542
Inventories	1,973,674	(2,482,424)
Prepaid expenses and other current assets	3,263	20,515
Accounts payable	2,599,093	(852,674)
Accrued payroll and related	(14,675)	31,800
Accrued other	(46,199)	(43,954)
Deferred revenue	(157,150)	(147,741)
Net other postemployment benefit obligation	140,000	-
Net cash provided by operating activities	**$ 12,065,385**	**$ 4,539,894**

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 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 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 statements 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 $610,458 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 $57,117 and $62,939 for the years ended June 30, 2010 and 2009, respectively. Accumulated amortization was $421,269 and $364,152 at June 30, 2010 and 2009, respectively.

Revenue Recognition

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

2. DEPOSITS AND INVESTMENTS

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

	2010		2009	
	Cash and Cash Equivalents	Restricted Assets	Cash and Cash Equivalents	Restricted Assets
Deposits (checking & savings accounts)	$ 13,103,321	$ 6,955,944	$ 9,293,478	$ 7,748,479
Petty cash	800	-	800	-
Investments	-	2,668,947	-	2,097,202
Total	**$ 13,104,121**	**$ 9,624,891**	**$ 9,294,278**	**$ 9,845,681**

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.

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

At June 30, 2010, the Board had the following investments:

Investment	Maturity Date	Fair Value
U.S. Treasury Bill	8/5/2010	$ 1,333,004
U.S. Treasury Bill	12/16/2010	1,335,943
		$ 2,668,947

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

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, 2010, $12,656,007 of the Board's bank balance of $19,886,097 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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. 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:

	2010	2009
Bond and interest redemption account –		
Cash and cash equivalents	$ 6,620,082	$ 6,434,581
Debt service reserve account –		
Cash and cash equivalents	2,510	571,139
United States Treasury bills & notes	2,668,947	2,097,202
Construction account –		
Cash and cash equivalents	333,352	742,759
Interest receivable	4,742	2,657
Total revenue bond restricted assets	**9,629,633**	**9,848,338**
Less current liabilities payable from restricted assets		
Debt principal payable	5,430,000	5,120,000
Accrued interest payable	1,191,081	1,317,682
Total current liabilities payable from restricted assets	**6,621,081**	**6,437,682**
Total restricted net assets	**$ 3,008,552**	**$ 3,410,656**

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 of and for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deletions and Transfers	Balance June 30, 2010
Capital assets, not being depreciated				
Land	$ 222,281	$ -	$ -	$ 222,281
Construction in progress	566,156	1,125,295	837,508	853,943
	788,437	1,125,295	837,508	1,076,224
Capital assets, being depreciated				
Steam production	94,240,054	499,491	-	94,739,545
Diesel production	6,183,435	-	-	6,183,435
Transmission and distribution plant	33,715,774	331,057	45,548	34,001,283
General plant	1,405,768	6,960	-	1,412,728
	135,545,031	837,508	45,548	136,336,991
Accumulated depreciation				
Steam production	67,980,009	2,946,904	-	70,926,913
Diesel production	5,222,499	76,072	-	5,298,571
Transmission and distribution plant	16,979,868	940,560	45,548	17,874,880
General plant	1,236,902	33,894	-	1,270,796
	91,419,278	3,997,430	45,548	95,371,160
Net capital assets, being depreciated	**44,125,753**	**(3,159,922)**	**-**	**40,965,831**
Total capital assets, net	**$ 44,914,190**	**$ (2,034,627)**	**$ 837,508**	**$ 42,042,055**

A summary of capital assets as of 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**

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 $157,150 and $149,183 in emission allowances revenue for the years ended June 30, 2010 and 2009, respectively. As the allowances are granted in future years, $1,858 of deferred revenue will be recognized during the year ended June 30, 2011.

6. LONG-TERM DEBT

Long-term debt activity as of and for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
2003 Electric System Revenue Refunding Bonds, due in annual installments of $5,180,000 to $7,210,000 through 2017; interest paid semi-annually at 5.0% to 5.5%.	$ 47,850,000	$ -	$ 4,920,000	$ 42,930,000	$ 5,180,000
2007 Electric System Revenue Refunding Bonds, due in annual installments of $250,000 to $330,000 through 2017; interest paid semi-annually at 4.0% to 5.0%.	2,220,000	-	200,000	2,020,000	250,000
Subtotal installment debt	**50,070,000**	**-**	**5,120,000**	**44,950,000**	**5,430,000**
Unamortized bond premium	1,499,685	-	350,284	1,149,401	-
Unamortized deferred loss on refunding	(3,250,998)	-	(759,760)	(2,491,238)	-
Total long-term debt	**$ 48,318,687**	**$ -**	**$ 4,710,524**	**$ 43,608,163**	**$ 5,430,000**

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, final payment due July 1, 2008; interest at 5.25%.	$ 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 $180,000 to $330,000 through 2017; interest paid semi-annually at 4.0% to 5.0%.	2,400,000	-	180,000	2,220,000	200,000
Subtotal installment debt	**55,115,000**	**-**	**5,045,000**	**50,070,000**	**5,120,000**
Unamortized bond premium	1,887,370	-	387,685	1,499,685	-
Unamortized deferred loss on refunding	(4,092,304)	-	(841,306)	(3,250,998)	-
Total long-term debt	**$ 52,910,066**	**$ -**	**$ 4,591,379**	**$ 48,318,687**	**$ 5,120,000**

Debt Service Requirements

The annual requirements to maturity on debt outstanding as of June 30, 2010, excluding the unamortized premium and deferred refunding costs on bonds payable, are as follows:

Year Ending June 30	Principal	Interest	Total
2011	$ 5,430,000	$ 2,377,163	$ 7,807,163
2012	5,720,000	2,107,863	7,827,863
2013	6,040,000	1,810,676	7,850,676
2014	6,370,000	1,496,100	7,866,100
2015	6,730,000	1,163,475	7,893,475
2016-2017	14,660,000	1,200,000	15,860,000
Total	**$ 44,950,000**	**$ 10,155,277**	**$ 55,105,277**

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, 2009, 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 3.30% of annual covered payroll for union and non-union employees, respectively. The required employee contribution rates are 4.0% and 3.30% for union and non-union employees, respectively. Total employee contributions were $152,613 and $140,433 for the years ended June 30, 2010 and 2009, 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, 2010, the Board's annual pension cost of $290,184 for MERS was equal to the Board's required and actual contributions. The required contribution was determined as part of the December 31, 2007 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, 2009, the date of the latest actuarial valuation, ranges from 10 to 28 years, depending on the specific employee group.

Three-Year Trend Information

Fiscal Year	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$ 247,413	100%	$ -
2009	291,800	100%	-
2010	290,184	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)
12/31/09	$ 10,381,674	$ 12,053,072	$ 1,671,398	86.13%	$ 2,604,817	64.17%

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

8. OTHER POSTEMPLOYMENT BENEFITS

Plan description. The Board participates with the City in a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the City's policy, the City provides health care benefits to retirees in accordance with the pension ordinance. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible.

Contributions. The contribution requirements of Plan members, the Board and the City are established and may be amended by the City Council. 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 Council. For the year ended June 30, 2010, the Board contributed $249,328 to the Plan.

Annual OPEB Cost and Net OPEB Obligation. The Board's annual other postemployment 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Board's net OPEB obligation as of and for the years ended June 30:

	2010
Annual required contribution	$ 393,099
Interest on net OPEB obligation	11,357
Adjustment to annual required contribution	(15,128)
Net OPEB cost (expense)	389,328
Contributions made	249,328
Increase in net OPEB obligation	140,000
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	**$ 140,000**

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended June 30	Annual OPEB Cost (a)	Contributions (b)	Percentage of Annual OPEB Cost Contribution (b/a)	Net Pension Obligation (b-a)
2010	$ 389,328	$ 249,328	64.0%	$ 140,000

Funded status and funding progress. As of June 30, 2010, the actuarial accrued liability for benefits was $1,373,246, of which $1,214,620 was unfunded. The covered payroll (annual payroll of the active employees covered by the Plan) was $3,561,740 and the ratio of the UAAL to the covered payroll was 34 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption 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 RSI 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 calculations.

Actuarial methods and assumptions. 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 the 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 prospective of the calculations.

In the June 30, 2010 actuarial valuation, the entry age normal (level percent) cost method was used. The actuarial assumptions included a 7.5% discount rate. Life expectancies were based on rates from the IRS 2010 mortality table for healthy and the IRS 2010 mortality table set forward 10 years for disabled. The unfunded actuarial accrued liability is being amortized as a level percent on a closed basis. The remaining amortization period at June 30, 2010 was 13 years.

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
2010	$ -	$ 802,600	$ 802,600	$ -
2009	-	902,500	902,500	-

10. COMMITMENTS

During 2010 and 2009, the Board entered into a coal purchase agreement to purchase a minimum of 1,296,800 tons of coal at fixed prices ending on various dates through December 31, 2017. At June 30, 2010, approximately 138,000 tons of coal had been purchased under this agreement.

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:

	2010	2009
Sales	$ 2,102,095	$ 5,359,592
Purchases	905,563	1,569,359
Receivables	297,101	145,904

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:

	2010	2009
Operating revenue from City-owned facilities	$ 916,054	$ 889,500
Operating expenses - statutory charge	1,445,997	1,325,735
Accounts receivable	234,253	90,969
Accounts payable	142,097	119,957

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REQUIRED SUPPLEMENTARY INFORMATION

Grand Haven Board of Light and Power

Required Supplementary Information

For the Year Ended June 30, 2010

Michigan Employees Retirement System
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)
12/31/07	$ 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%
12/31/09	10,381,674	12,053,072	1,671,398	86.13%	2,604,817	64.17%

Other Postemployment Benefit Plan
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)
06/30/08	$ -	$ 1,506,491	$ 1,506,491	0.00%	$ 3,645,317	41.33%
06/30/10	158,626	1,373,246	1,214,620	11.55%	3,561,740	34.10%

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	
	2010	2009	(Decrease)	2010	2009
Operating revenues					
Residential sales	$ 8,880,161	$ 8,444,904	$ 435,257	28.53%	26.36%
Commercial and industrial sales	18,928,214	16,991,663	1,936,551	60.79%	53.05%
Public street and highway lighting	468,693	441,038	27,655	1.51%	1.38%
Other sales to public authorities	643,789	637,085	6,704	2.07%	1.99%
Sales for resale	1,927,063	5,384,127	(3,457,064)	6.19%	16.81%
Forfeited discounts	101,596	92,711	8,885	0.33%	0.29%
Rental income	39,465	39,133	332	0.13%	0.12%
Capital contributions	140,730	928	139,802	0.45%	0.00%
Other services	1,000	1,375	(375)	0.00%	0.00%
Total operating revenues	**31,130,711**	**32,032,964**	**(902,253)**	**100.00%**	**100.00%**
Operating expenses					
Power production	17,108,419	19,724,742	(2,616,323)	54.96%	61.57%
Distribution	1,784,409	1,723,566	60,843	5.73%	5.38%
Customer accounts	811,298	520,780	290,518	2.61%	1.63%
Administrative and general	1,728,173	1,730,505	(2,332)	5.55%	5.40%
Depreciation	3,997,430	3,952,069	45,361	12.84%	12.34%
Statutory charge	1,445,997	1,325,735	120,262	4.64%	4.14%
Total operating expenses	**26,875,726**	**28,977,397**	**(2,101,671)**	**86.33%**	**90.46%**
Operating income	**4,254,985**	**3,055,567**	**1,199,418**	**13.67%**	**9.54%**
Nonoperating income (expense) - net					
Interest income	55,145	239,987	(184,842)	0.18%	0.75%
Interest expense	(2,853,765)	(3,157,450)	303,685	-9.17%	-9.86%
Gain on sale of capital assets	8,704	986	7,718	0.03%	0.00%
Emission allowances	157,150	149,183	7,967	0.50%	0.47%
Other revenue	61,497	16,392	45,105	0.20%	0.05%
Total nonoperating expense - net	**(2,571,269)**	**(2,750,902)**	**179,633**	**-8.26%**	**-8.59%**
Change in net assets	**$ 1,683,716**	**$ 304,665**	**$ 1,379,051**	**5.41%**	**0.95%**

Grand Haven Board of Light and Power

Schedules of Operating Expenses

	Year ended June 30 2010	Year ended June 30 2009	Increase (Decrease)	Percentage of Operating Revenue 2010	Percentage of Operating Revenue 2009
Power production					
Steam expense:					
Operation:					
Supervision and engineering	$ 72,827	$ 73,714	$ (887)	0.23%	0.23%
Vacation, sick and holiday pay	295,378	286,957	8,421	0.95%	0.90%
Fringe benefits	998,084	859,692	138,392	3.21%	2.68%
Fuel and fuel handling	11,633,861	11,893,332	(259,471)	37.37%	37.12%
Steam	440,925	489,173	(48,248)	1.42%	1.53%
Scrubber	394,552	409,930	(15,378)	1.27%	1.28%
Electric plant	331,202	301,825	29,377	1.06%	0.94%
Other	330,042	359,136	(29,094)	1.06%	1.12%
Total operation	14,496,871	14,673,759	(176,888)	46.57%	45.80%
Maintenance:					
Supervision	44,714	47,660	(2,946)	0.14%	0.15%
Structures	51,239	38,185	13,054	0.16%	0.12%
Boiler plant	608,626	2,147,290	(1,538,664)	1.96%	6.70%
Scrubber	393,097	595,166	(202,069)	1.26%	1.86%
Electric plant	5,763	17,809	(12,046)	0.02%	0.06%
Other	33,889	42,704	(8,815)	0.11%	0.13%
Total maintenance	1,137,328	2,888,814	(1,751,486)	3.65%	9.02%
Total steam expense	15,634,199	17,562,573	(1,928,374)	50.22%	54.82%
Diesel expense:					
Operation:					
Supervision and engineering	3,832	3,879	(47)	0.01%	0.01%
Vacation, sick and holiday pay	25,925	23,751	2,174	0.08%	0.07%
Fringe benefits	96,183	81,413	14,770	0.31%	0.25%
Fuel:					
Oil	42,824	72,341	(29,517)	0.14%	0.23%
Gas	11,398	5,739	5,659	0.04%	0.02%
Operating labor	47,090	44,080	3,010	0.15%	0.14%
Other	86,276	87,100	(824)	0.28%	0.27%
Total operation	313,528	318,303	(4,775)	1.01%	0.99%
Maintenance:					
Structures	4,004	4,900	(896)	0.01%	0.02%
Engines	164,782	168,056	(3,274)	0.53%	0.52%
Other	15,478	-	15,478	0.05%	0.00%
Total maintenance	184,264	172,956	11,308	0.59%	0.54%
Total diesel expense	497,792	491,259	6,533	1.60%	1.53%
System control	46,226	96,921	(50,695)	0.15%	0.30%
Purchased power	763,285	1,353,604	(590,319)	2.45%	4.23%
Network transmission	166,917	220,385	(53,468)	0.54%	0.69%
Total power production	**17,108,419**	**19,724,742**	**(2,616,323)**	**54.96%**	**61.57%**

Continued…

Schedules of Operating Expenses

	Year ended June 30 2010	Year ended June 30 2009	Increase (Decrease)	Percentage of Operating Revenue 2010	Percentage of Operating Revenue 2009
Distribution					
Operation:					
Supervision and engineering	$ 231,696	$ 208,215	$ 23,481	0.74%	0.65%
Vacation, sick and holiday pay	143,984	171,770	(27,786)	0.46%	0.54%
Fringe benefits	480,692	399,800	80,892	1.54%	1.25%
Station expense	58,525	54,415	4,110	0.19%	0.17%
Overhead lines:					
Labor	192,067	210,878	(18,811)	0.62%	0.66%
Materials	7,110	7,125	(15)	0.02%	0.02%
Transportation	69,934	82,057	(12,123)	0.22%	0.26%
Underground lines	61,922	49,835	12,087	0.20%	0.16%
Street lighting and signal system	23,110	29,787	(6,677)	0.07%	0.09%
Meters:					
Labor	104,975	108,779	(3,804)	0.36%	0.34%
Other	10,737	14,208	(3,471)	0.03%	0.04%
Heating	27,879	22,769	5,110	0.09%	0.07%
Engineering supplies	20,986	20,072	914	0.07%	0.06%
Customer installation	68,119	65,521	2,598	0.22%	0.20%
Other	88,642	108,752	(20,110)	0.28%	0.34%
Total operation	1,590,378	1,553,983	36,395	5.11%	4.85%
Maintenance:					
Tree trimming	112,237	126,814	(14,577)	0.37%	0.39%
Buildings and substations	21,199	27,388	(6,189)	0.07%	0.09%
Overhead system	28,089	30,782	(2,693)	0.09%	0.10%
Underground system	517	783	(266)	0.00%	0.00%
Storm damage	75,978	14,903	61,075	0.24%	0.05%
Street lighting and signal system	1,506	5,814	(4,308)	0.00%	0.02%
Other	937	1,375	(438)	0.00%	0.00%
Total maintenance	240,463	207,859	32,604	0.77%	0.65%
Reimbursements	(46,432)	(38,276)	(8,156)	-0.15%	-0.12%
Total distribution	**1,784,409**	**1,723,566**	**60,843**	**5.73%**	**5.38%**
Customer accounts					
Operation:					
Supervision and engineering	56,406	42,041	14,365	0.18%	0.13%
Vacation, sick and holiday pay	36,611	31,094	5,517	0.12%	0.10%
Fringe benefits	141,708	97,985	43,723	0.46%	0.31%
Meter reading	93,231	94,944	(1,713)	0.30%	0.30%
Customer records and collection	241,930	232,172	9,758	0.78%	0.72%
EO expense	206,737	-	206,737	0.66%	0.00%
Uncollectible accounts - net	33,783	22,194	11,589	0.11%	0.07%
Other	892	350	542	0.00%	0.00%
Total customer accounts	**811,298**	**520,780**	**290,518**	**2.61%**	**1.63%**

Continued…

Grand Haven Board of Light and Power

Schedules of Operating Expenses

	Year ended June 30 2010	Year ended June 30 2009	Increase (Decrease)	Percentage of Operating Revenue 2010	Percentage of Operating Revenue 2009
Administrative and general					
Operation:					
Salaries	$ 265,355	$ 288,468	$ (23,113)	0.84%	0.90%
Vacation, sick and holiday pay	70,644	48,458	22,186	0.23%	0.15%
Fringe benefits	120,948	105,887	15,061	0.39%	0.33%
Office supplies and expense	52,769	57,748	(4,979)	0.17%	0.18%
Outside services	218,181	99,558	118,623	0.70%	0.31%
Transfers to component units	78,967	78,966	1	0.25%	0.25%
Insurance	802,600	902,500	(99,900)	2.58%	2.82%
Advertising	5,882	17,146	(11,264)	0.02%	0.05%
Franchise requirement	15,427	16,191	(764)	0.05%	0.05%
Maintenance	20,244	23,592	(3,348)	0.07%	0.07%
Other	77,156	91,991	(14,835)	0.25%	0.29%
Total administrative and general	**1,728,173**	**1,730,505**	**(2,332)**	**5.55%**	**5.40%**
Depreciation					
Steam production	2,946,906	2,901,284	45,622	9.47%	9.06%
Diesel production	76,072	91,019	(14,947)	0.24%	0.28%
Transmission and distribution plant	940,560	917,770	22,790	3.02%	2.87%
General plant	33,892	41,996	(8,104)	0.11%	0.13%
Total depreciation	**3,997,430**	**3,952,069**	**45,361**	**12.84%**	**12.34%**
Statutory charge	**1,445,997**	**1,325,735**	**120,262**	**4.64%**	**4.14%**
Total operating expenses	**$ 26,875,726**	**$ 28,977,397**	**$ (2,101,671)**	**86.33%**	**90.46%**

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, 2010
Amount of issue – $47,850,000				
Date of issue – April 3, 2003	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				42,930,000
Plus unamortized premium				1,114,257
Less unamortized loss on refunding				(2,491,238)
				41,553,019
Amount of issue – $2,400,000				
Date of issue – March 9, 2007	4.00	7/1/2010	250,000	250,000
	4.00	7/1/2011	265,000	265,000
	4.00	7/1/2012	275,000	275,000
	4.50	7/1/2013	285,000	285,000
	4.50	7/1/2014	300,000	300,000
	5.00	7/1/2015	315,000	315,000
	5.00	7/1/2016	330,000	330,000
Total face value				2,020,000
Plus unamortized premium				35,144
				2,055,144
Total				**$ 43,608,163**

Grand Haven Board of Light and Power

Schedules of Debt Service Coverage Ratio

	Year ended June 30	
	2010	**2009**
Operating revenue	$ 31,130,711	$ 32,032,964
Operating expenses	26,875,726	28,977,397
Operating income	**4,254,985**	**3,055,567**
Non-operating expenses – net	(2,571,269)	(2,750,902)
Net income	**1,683,716**	**304,665**
Reconciliation of net income to net revenue under the resolution		
Additions		
Depreciation	3,997,430	3,952,069
Statutory charge	1,445,997	1,325,735
Bond interest expense	3,142,324	3,477,069
Amortization of debt premiums and issue costs	(293,167)	(324,745)
Transfers to component units	78,967	78,966
Transfer from Surplus	-	850,000
Total additions	**8,371,551**	**9,359,094**
Deductions		
Interest income – debt service reserve	8,391	37,185
Capital contributions	140,730	928
Total deductions	**149,121**	**38,113**
Net revenue under the resolution	**$ 9,906,146**	**$ 9,625,646**
Aggregate debt service		
Debt service	$ 7,812,564	$ 7,755,763
Less interest income on debt service	(8,391)	(37,185)
Aggregate debt service under the resolution	**$ 7,804,173**	**$ 7,718,578**
Ratio of aggregate debt service to net revenue	**1.27**	**1.25**

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 12, 2010

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

We have audited the financial statements of the ***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, 2010, and have issued our report thereon dated October 12, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grand Haven Board of Light and Power's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Grand Haven Board of Light and Power's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grand Haven Board of Light and Power's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grand Haven Board of Light and Power'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.*

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson