

**City of Grand Haven
Board of Light and Power
(an Enterprise Fund of the
City of Grand Haven, Michigan)**

**Financial Report with
Additional Information**
Years Ended June 30, 2008 and 2007

City of Grand Haven Board of Light and Power

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Independent Auditors' Report

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

We have audited the 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 years ended June 30, 2008 and 2007, 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 audits.

We conducted our audits 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 Board of Light and Power and are not intended to present the financial position of the City of Grand Haven, Michigan and the results of its operations and cash flows of its proprietary funds 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, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and schedule of funding progress on pages 5 through 7 and page 26 are not a required part of the basic financial statements but are 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

Pridnia Lapres, PLLC

Muskegon, Michigan
September 15, 2008

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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, 2008. 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 95 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)	
	2008	2007	\$	%
Current and Other Assets	31,911	30,792	1,119	4%
Property, Plant and Equipment	45,563	46,501	(938)	-2%
Total Assets	77,474	77,293	181	0%
Long-term Liabilities	47,865	52,395	(4,530)	-9%
Other Liabilities	10,140	10,428	(288)	-3%
Total Liabilities	58,005	62,823	(4,818)	-8%
Restricted	5,816	6,161	(345)	-6%
Unrestricted	13,653	8,309	5,344	64%
Total Net Assets	19,469	14,470	4,999	35%

Current & Other Assets increased primarily due to results of operations.

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)	
	2008	2007	\$	%
Operating Revenue	\$34,873	\$33,999	\$874	3%
Operating Expenses	27,559	27,913	(354)	-1%
Non-operating Expense, Net	2,605	2,720	(115)	-4%
Net Income (Loss) Before Transfers	4,708	3,366	1,342	40%
Capital Contributions - Transfers In	363	2,010	(1,647)	-82%
Capital Contributions – Transfers Out	73	0	73	-
Net Income	4,999	5,376	(377)	-7%
Beginning Net Assets	14,470	9,094	5,376	59%
Ending Net Assets	19,469	14,470	4,999	35%

The increase in operating revenue is due primarily to an 8% rate increase in retail sales which was effective June 1, 2007. Wholesale kWh sales were down 7% from fiscal 2007 due mainly to power pool dispatch levels.

An additional \$705,000 in transmission costs in fiscal 2008 over fiscal 2007 offset much of the decrease in operating expenses due to no scheduled maintenance outage in fiscal 2008.

The decrease in non-operating expenses is a result of a decrease in interest expense on the 1993 bond issue of \$240,000 from fiscal 2007. The 1993 refunding bond issue has a pay off date of July 1, 2008. Miscellaneous income includes the sale of sulfur dioxide (SO₂) credits for \$158,000.

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

Budget

The BLP approved a \$28,660,000 operating expense budget for fiscal year 2008. Actual operating expenses were \$27,559,424 or 4% 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 \$2,867,599 in fiscal year 2008, which was paid by internally generated funds, contributions to capital of \$362,839, and \$529,299 by the 2007 bond issue.

Next Year's Budget and Rates

The budget approved for the fiscal year 2009 reflects a rate change of 4.5% for customers and follows an 8% rate increase in fiscal 2007. Increased operating expenses dictate the need for the rate increase. There is a scheduled maintenance outage for fiscal 2009.

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

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City of Grand Haven Board of Light and Power

Statements of Net Assets

<i>June 30,</i>	2008	2007
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$12,992,995	\$ 8,831,517
Accrued interest receivable	18,754	29,043
Accounts receivable	3,345,434	4,130,873
Inventories	2,835,705	5,044,288
Prepaid expenses and other current assets	98,147	57,573
Total Current Assets	19,291,035	18,093,294
Restricted Assets (Note 4)	12,310,275	12,321,757
Property, Plant and Equipment – Net (Note 3)	45,563,055	46,501,263
Deferred Charges – Unamortized debt issue costs (Note 1)	309,245	376,733
Total Assets	77,473,610	77,293,047
Liabilities		
Current Liabilities		
Accounts payable	2,338,495	2,881,139
Accruals		
Compensation	476,092	442,123
Other	500,288	467,042
Deferred revenue (Note 12)	149,000	158,000
Total Current Liabilities	3,463,875	3,948,304
Current Liabilities Payable from Restricted Assets (Note 4)	6,494,388	6,160,495
Deferred Revenue (Note 12)	181,541	319,254
Long-Term Debt - Revenue Bonds (Note 5)	47,865,066	52,394,544
Total Liabilities	58,004,870	62,822,597
Net Assets		
Unrestricted	13,652,853	8,309,188
Restricted (Note 4)	5,815,887	6,161,262
Total Net Assets	\$19,468,740	\$14,470,450

See accompanying notes to financial statements.

City of Grand Haven Board of Light and Power

Statements of Revenue, Expenses and Changes in Net Assets

<i>Years ended June 30,</i>	2008	2007
Operating Revenue		
Residential sales	\$ 8,581,425	\$ 7,918,689
Commercial and industrial sales	17,405,684	16,758,796
Public street and highway lighting	422,662	394,224
Other sales to public authorities	661,714	626,739
Sales for resale	7,667,786	8,175,020
Forfeited discounts	88,172	82,645
Rental income	41,837	38,398
Miscellaneous service	3,389	4,500
Total Operating Revenue	34,872,669	33,999,011
Operating Expenses		
Power production	18,739,094	19,452,075
Distribution	1,519,230	1,428,004
Customer accounts	533,174	491,378
Administrative and general	1,608,545	1,586,968
Depreciation	3,805,807	3,669,499
Statutory charge (Note 6)	1,353,574	1,284,922
Total Operating Expenses	27,559,424	27,912,846
Operating Income	7,313,245	6,086,165
Non-Operating Income (Expenses) – Net		
Interest earned on investments		
Operating fund	547,917	643,916
Debt service reserve	148,272	182,649
Amortization of debt premium and issue costs	308,448	290,707
Interest expense		
Bond	(3,790,232)	(4,007,188)
Deposits	(4,855)	(4,502)
Gain (loss) on sale of assets	900	(4,144)
Emission allowances (Note 12)	158,025	169,855
Miscellaneous	26,290	8,864
Total Non-Operating Income (Expenses) – Net	(2,605,235)	(2,719,843)
Net Income Before Transfers	4,708,010	3,366,322
Transfers in	362,839	2,009,997
Transfers out	(72,559)	-
Net Income	4,998,290	5,376,319
Net Assets – Beginning of year	14,470,450	9,094,131
Net Assets – End of year	\$ 19,468,740	\$ 14,470,450

See accompanying notes to financial statements.

City of Grand Haven Board of Light and Power

Statements of Cash Flows

<i>Years ended June 30,</i>	2008	2007
Cash Flows from Operating Activities		
Operating income	\$ 7,313,245	\$ 6,086,165
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	3,805,807	3,669,499
Bad debt expense	19,025	10,557
Changes in assets and liabilities		
Accounts receivable	766,414	(894,062)
Inventories	2,208,583	(1,000,898)
Prepaid expenses and other current assets	(40,574)	(32,914)
Accounts payable	(542,644)	1,638,741
Deferred revenue	(146,713)	(156,142)
Accrued compensation	33,969	54,117
Other accrued liabilities	(67,861)	133,050
Net cash provided by operating activities	13,349,251	9,508,113
Cash Flows from Capital and Related Financing Activities		
Principal and interest paid on long-term debt	(7,513,629)	(3,124,493)
Proceeds from borrowings on long-term debt	-	2,473,037
Purchase of capital assets	(2,867,599)	(6,717,646)
Transfers in	362,839	2,009,997
Transfers out	(72,559)	-
Proceeds from sale of capital assets	900	510
Other income	184,315	178,719
Net cash used for capital and related financing activities	(9,905,733)	(5,179,876)
Cash Flows from Investing Activities		
Interest received on investments	523,337	631,301
Purchase of investment securities	(12,288,440)	(11,370,534)
Proceeds from sale and maturities of investment securities	12,323,000	11,500,000
Net cash provided by investing activities	557,897	760,767
Net Increase in Cash and Cash Equivalents	4,001,415	5,089,004
Cash and Cash Equivalents – Beginning of year	17,289,980	12,200,976
Cash and Cash Equivalents – End of year	\$21,291,395	\$17,289,980

City of Grand Haven Board of Light and Power

Statements of Cash Flows

<i>June 30,</i>	2008	2007
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$12,992,995	\$ 8,831,517
Restricted assets (Note 4)	8,298,400	8,458,463
Total	\$21,291,395	\$17,289,980

See accompanying notes to financial statements.

City of Grand Haven Board of Light and Power

Notes to 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 accrual basis of accounting is used in preparing the financial statements.

Cash Equivalents

Cash equivalents consist of highly liquid investments, including certificates of deposit and U.S. Treasury bills, with an original maturity of three months or less.

Investments

Investments are recorded at fair value, based on quoted market price.

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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed on the straight-line method. No depreciation expense has been recorded for amounts reflected as construction in progress.

Unamortized Debt Issue 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 expense aggregated \$67,488 and \$64,878 for the years ended June 30, 2008 and 2007, respectively. Accumulated amortization was \$1,309,018 and \$1,241,530 at June 30, 2008 and 2007, respectively.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

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 at June 30, 2008 and 2007 are included on the balance sheet under the following classifications:

	2008		2007	
	Cash and Cash Equivalents	Restricted Assets	Cash and Cash Equivalents	Restricted Assets
Deposits	\$ 12,992,995	\$ 8,298,400	\$ 8,831,517	\$ 8,458,463
Investments	-	3,974,888	-	3,800,022
Total	\$ 12,992,995	\$ 12,273,288	\$ 8,831,517	\$ 12,258,485

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits might not be recovered. The Board evaluates each financial institution it deposits Board funds with in accordance with the parameters of the Revenue Bond Resolution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$21,314,801 and \$17,265,187 at June 30, 2008 and 2007, respectively. Of that amount, up to \$300,000 and \$400,000 was covered by federal depository insurance at June 30, 2008 and 2007, respectively. This insurance coverage pertains to all deposits of the City; hence, the specific coverage pertaining to the Board's deposits, if any, is not determinable.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

At June 30, 2008, \$21,014,801 of the Board's bank balances of \$21,314,801 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$21,014,801
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Investments

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
		<hr/>
		\$3,974,888

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk Related to Investments

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 that are in the possession of an outside party. All of the Board's investments are held in the name of the Board.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

Credit Risk

State statutes authorize the Board to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing no more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus funds Investment Pool Act and mutual funds composed entirely of the above investments. The Revenue Bond Resolution provides additional restrictions on the Board's investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Board's investment in a single user. 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. Property, Plant and Equipment

A summary of fixed assets is as follows:

	2008	2007	Depreciable Life - Years
<i>June 30,</i>			
Steam production	\$ 92,496,778	\$ 91,541,950	10-50
Diesel production	6,187,831	6,187,831	10-33
Transmission and distribution plant	31,519,936	28,627,799	16-40
General plant	1,396,102	1,380,219	5-30
Construction in progress	1,448,151	2,461,062	-
Total Cost	133,048,798	130,198,861	
Less accumulated depreciation	(87,485,743)	(83,697,598)	
Net Carrying Amount	\$ 45,563,055	\$ 46,501,263	

City of Grand Haven Board of Light and Power

Notes to Financial Statements

4. Restricted Assets

Restricted assets consist of the following:

<i>June 30,</i>	2008	2007
Bond and interest redemption account –		
Cash and cash equivalents	\$ 6,494,369	\$ 6,218,853
Debt service reserve account –		
Cash and cash equivalents	110	418
United States Treasury bills & notes	3,974,888	3,800,022
Construction account –		
Cash and cash equivalents	1,803,921	2,239,192
Interest receivable	36,987	63,272
Total revenue bond restricted assets	12,310,275	12,321,757
Less current liabilities payable from restricted assets		
Debt principal payable	5,045,000	4,610,000
Accrued interest payable	1,449,388	1,550,495
Total current liabilities payable from restricted assets	6,494,388	6,160,495
Total Net Restricted Assets	\$ 5,815,887	\$ 6,161,262

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

City of Grand Haven Board of Light and Power

Notes to Financial Statements

5. Long-Term Debt

Outstanding Debt

Long-term debt outstanding is as follows:

<i>June 30,</i>	2008	2007
1993 Electric System Revenue Refunding Bonds (net of discount and loss on refunding)	\$ 4,865,000	\$ 9,412,264
2003 Electric System Revenue Refunding Bonds (net of premium and loss on refunding)	45,588,063	45,123,048
2007 Electric System Revenue Refunding Bonds (net of premium)	2,457,003	2,469,232
	52,910,066	57,004,544
Less current portion payable from restricted assets	(5,045,000)	(4,610,000)
Long-Term Portion	\$ 47,865,066	\$ 52,394,544

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the years ended June 30, 2008 and 2007:

<i>Years ended June 30,</i>	2008	2007
Long-term debt – Beginning of year	\$ 57,004,544	\$ 53,948,114
Debt retired	(4,610,000)	-
Debt issued	-	2,400,000
Premium on debt issued	-	73,037
Premium amortization	(375,936)	(355,586)
Amortization of loss on refunding	891,458	938,979
Long-Term Debt – End of Year	\$ 52,910,066	\$ 57,004,544

City of Grand Haven Board of Light and Power

Notes to Financial Statements

Debt Service Requirements

The approximate amount of annual total principal and interest to service debt outstanding as of June 30, 2008, excluding unamortized premium on bonds payable, is as follows:

<i>Years ended June 30,</i>	Principal	Interest
2009	\$ 5,045,000	\$ 2,767,469
2010	5,120,000	2,509,163
2011	5,430,000	2,247,662
2012	5,720,000	1,964,669
2013	6,040,000	1,659,344
2014-2017	27,760,000	3,137,606
	<u>\$55,115,000</u>	<u>\$ 14,285,913</u>

Revenue Bonds

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.

Interest

Total interest costs of \$2,898,774 and \$3,068,209 were incurred for the years ended June 30, 2008 and 2007, respectively, before considering the amortization of the loss on refunding.

6. Related-Party Transactions

City-owned facilities are users of Board electric services. The Board includes the sale of such services in its revenue charges. The Board is required to pay five percent of gross retail sales to the City under provisions of the City Charter.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

A summary of related-party transactions with the City is as follows:

<i>Years ended June 30,</i>	2008	2007
Operating revenue from City-owned facilities	\$ 901,165	\$ 849,984
Operating expense – Statutory charge	1,353,574	1,284,922
Accounts receivable	82,902	317,058
Accounts payable	200,986	198,729

7. Commitments

During 2008 and 2007, the Board entered into various coal purchase agreements to purchase 353,500 tons of coal at fixed prices ending on various dates through December 31, 2009. At June 30, 2008, approximately 215,000 tons of coal had been purchased under these agreements.

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

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 \$23,000 and \$18,000 during the years ended June 30, 2008 and 2007, respectively.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

9. Joint Venture

The Board has entered into a joint venture, the Michigan Public Power Agency (MPPA), with 13 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

The MPPA operates various projects. The Board participates in the power pool project and the transmission project. During 2008 and 2007, the Board had the following activity with the MPPA:

<i>Years ended June 30,</i>	2008	2007
Sales	\$ 7,525,960	\$ 8,044,926
Purchases	1,252,682	1,074,652
Receivables	1,085,421	1,163,428

The Board is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

10. Defined Benefit Pension Plan

Plan Description

The Board participates with the City of Grand Haven in the Michigan Municipal Employee Retirement System (MMERS), a defined benefit pension plan (Plan) that covers all employees of the City. The system provides retirement, disability and death benefits to Plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 447 N. Canal Rd., Lansing, MI 48917.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

Funding Policy

The obligation to contribute and maintain the system for these employees was established by negotiation with the Board's collective bargaining unit (union employees) and resolution of the City of Grand Haven (non-union employees). At June 30, 2008, required contributions to the Plan by union and non-union employees was 4% and 2%, respectively, of employee compensation. The Board contributes 8.86% for union employees and 2.51% for non-union employees. Determination of the funding level is based on the annual actuarial report. For the year ended June 30, 2008, the Board's annual pension cost of \$247,413 was equal to the Board's required and actual contributions.

Three-Year Trend Information

Funding information for the Board of Light and Power's participation in the pension plan is as follows:

<i>Years ended June 30,</i>	2008	2007	2006
Annual Pension Cost (APC)	\$ 247,413	\$ 184,965	\$ 132,785
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) projected merit and longevity salary increases ranging from 0 percent to 8.4 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year's variation from an 8 percent return over a ten-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. At December 31, 2007, the remaining amortization period was 28 years.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 93 percent funded. The actuarial accrued liability for benefits was \$9,988,669, and the actuarial value of assets was \$9,294,218, resulting in an unfunded actuarial accrued liability (UAAL) of \$694,451. The covered payroll (annual payroll of active employees covered by the plan) was \$2,416,428, and the ratio of the UAAL to the covered payroll was 29 percent.

The schedule of funding progress, presented as Required Supplemental Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

11. Risk Management

The Board is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. As a component unit 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 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. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

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.

City of Grand Haven Board of Light and Power

Notes to Financial Statements

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.

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 insurance 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 four 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.

	Beginning of Year Liability	Current Year Premium Equivalent Costs	Premium Equivalent Payments	Balance at Year End
2008	\$ -	\$ 902,500	\$ 902,500	\$ -
2007	-	902,500	902,500	-

12. 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. As the allowances are granted in future years, approximately \$153,000 of deferred revenue will be recognized each of the next 2 fiscal years.

Required Supplemental Material



City of Grand Haven Board of Light and Power

Required Supplementary Information for Pension Plans - GASB 50

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
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December 31:

2005	\$7,726,996	\$ 7,861,331	\$ 134,335	98.29%	\$2,102,814	6.39%
2006	8,438,691	9,310,403	871,712	90.64%	2,289,194	38.08%
2007	9,294,218	9,988,669	694,451	93.05%	2,416,428	28.74%

Supplemental Material



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

We have audited the financial statements of the City of Grand Haven Board of Light and Power for the years ended June 30, 2008 and 2007. Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The supplemental material as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Grand Haven Board of Light and Power. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pridnia Lapres, PLLC

Muskegon, Michigan
September 15, 2008

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City of Grand Haven Board of Light and Power

Statements of Income - Detail

<i>Years ended June 30,</i>	2008	2007	Increase (Decrease)	Percent of Operating Revenue	
				2008	2007
Operating Revenue					
Residential sales	\$ 8,581,425	\$ 7,918,689	\$ 662,736	24.61	23.29
Commercial and industrial sales	17,405,684	16,758,796	646,888	49.91	49.29
Public street and highway lighting	422,662	394,224	28,438	1.21	1.16
Other sales to public authorities	661,714	626,739	34,975	1.90	1.85
Sales for resale	7,667,786	8,175,020	(507,234)	21.99	24.05
Forfeited discounts	88,172	82,645	5,527	0.25	0.24
Rental income	41,837	38,398	3,439	0.12	0.11
Miscellaneous service	3,389	4,500	(1,111)	0.01	0.01
Total Operating Revenue	34,872,669	33,999,011	873,658	100.00	100.00
Operating Expenses					
Power production	18,739,094	19,452,075	(712,981)	53.74	57.21
Distribution	1,519,230	1,428,004	91,226	4.36	4.20
Customer accounts	533,174	491,378	41,796	1.53	1.45
Administrative and general	1,608,545	1,586,968	21,577	4.61	4.67
Depreciation	3,805,807	3,669,499	136,308	10.91	10.79
Statutory charge	1,353,574	1,284,922	68,652	3.88	3.78
Total Operating Expenses	27,559,424	27,912,846	(353,422)	79.03	82.10
Operating Income	7,313,245	6,086,165	1,227,080	20.97	17.90

City of Grand Haven Board of Light and Power

Statements of Income - Detail

<i>Years ended June 30,</i>	2008	2007	Increase (Decrease)	Percent of Operating Revenue	
				2008	2007
Non-Operating Income					
(Expenses) – Net					
Interest earned on investments					
Operating fund	\$ 547,917	\$ 643,916	\$ (95,999)	1.57	1.89
Debt service reserve	148,272	182,649	(34,377)	0.43	0.54
Amortization of debt					
premiums and issue costs	308,448	290,707	17,741	0.88	0.86
Interest expense					
Bond	(3,790,232)	(4,007,188)	216,956	(10.87)	(11.79)
Deposits	(4,855)	(4,502)	(353)	(0.01)	(0.02)
Gain (loss) on sale of assets	900	(4,144)	5,044	0.00	(0.01)
Emission allowances	158,025	169,855	(11,830)	0.45	0.50
Miscellaneous	26,290	8,864	17,426	0.08	0.03
Total Non-Operating Income					
(Expenses) – Net	(2,605,235)	(2,719,843)	114,608	(7.47)	(8.00)
Net Income Before Transfers	4,708,010	3,366,322	1,341,688	13.50	9.90
Transfers in	362,839	2,009,997	(1,647,158)	1.04	5.91
Transfers out	(72,559)	-	(72,559)	(0.21)	0.00
Net Income	\$ 4,998,290	\$ 5,376,319	\$ (378,029)	14.33	15.81

City of Grand Haven Board of Light and Power

Schedules of Operating Expenses

<i>Years ended June 30,</i>	2008	2007	Increase (Decrease)	Percent of Operating Revenue	
				2008	2007
Power Production Expense					
Steam expense					
Operation					
Supervision and engineering	\$ 70,940	\$ 72,749	\$ (1,809)	0.20	0.21
Vacation, sick and holiday pay	283,867	263,718	20,149	0.81	0.78
Employee fringe benefits	828,094	775,974	52,120	2.38	2.28
Fuel and fuel handling	12,412,772	12,069,794	342,978	35.60	35.50
Steam	467,321	473,498	(6,177)	1.34	1.39
Scrubber	409,259	390,661	18,598	1.17	1.15
Electric plant	295,885	297,234	(1,349)	0.85	0.87
Other	406,786	370,391	36,395	1.17	1.09
Total Operation	15,174,924	14,714,019	460,905	43.52	43.27
Maintenance					
Supervision	49,698	44,620	5,078	0.14	0.13
Structures	36,312	46,938	(10,626)	0.10	0.14
Boiler plant	864,130	1,968,994	(1,104,864)	2.48	5.79
Scrubber	469,837	571,837	(102,000)	1.35	1.68
Electric plant	12,167	180,071	(167,904)	0.03	0.53
Miscellaneous	44,444	64,089	(19,645)	0.13	0.19
Total Maintenance	1,476,588	2,876,549	(1,399,961)	4.23	8.46
Total Steam Expense	16,651,512	17,590,568	(939,056)	47.75	51.73

City of Grand Haven Board of Light and Power

Schedules of Operating Expenses

<i>Years ended June 30,</i>	2008	2007	Increase (Decrease)	Percent of Operating Revenue	
				2008	2007
Power Production Expense					
Diesel expense					
Operation					
Supervision and engineering	\$ 3,733	\$ 3,829	\$ (96)	0.01	0.01
Vacation, sick and holiday pay	47,639	27,114	20,525	0.14	0.08
Employee fringe benefits	94,796	71,533	23,263	0.27	0.21
Fuel					
Oil	114,235	96,391	17,844	0.33	0.28
Gas	34,950	19,863	15,087	0.10	0.06
Operating labor	48,692	53,519	(4,827)	0.14	0.16
Supplies and other expenses	90,331	136,003	(45,672)	0.26	0.40
Total Operation	434,376	408,252	26,124	1.25	1.20
Maintenance					
Structures	6,618	12,737	(6,119)	0.02	0.04
Engines	230,971	192,642	38,329	0.66	0.57
Total Maintenance	237,589	205,379	32,210	0.68	0.61
Total Diesel Expense	671,965	613,631	58,334	1.93	1.81
System control	104,205	112,409	(8,204)	0.30	0.33
Purchased power	479,146	1,008,576	(529,430)	1.37	2.97
Network transmission	832,266	126,891	705,375	2.39	0.37
Total Power Production Expense	18,739,094	19,452,075	(712,981)	53.74	57.21

City of Grand Haven Board of Light and Power

Schedules of Operating Expenses

<i>Years ended June 30,</i>	2008	2007	Increase (Decrease)	Percent of Operating Revenue	
				2008	2007
Distribution Expense					
Operation					
Supervision and engineering	\$ 185,702	\$ 175,859	\$ 9,843	0.53	0.52
Vacation, sick and holiday pay	131,078	113,714	17,364	0.38	0.33
Employee fringe benefits	343,535	258,026	85,509	0.98	0.76
Station expense	37,684	36,037	1,647	0.11	0.11
Overhead line expense					
Labor	193,096	193,011	85	0.55	0.57
Materials	11,866	9,681	2,185	0.03	0.03
Transportation expense	94,726	61,696	33,030	0.27	0.18
Underground line expense	64,923	45,986	18,937	0.19	0.14
Street lighting and signal system	22,514	31,612	(9,098)	0.06	0.09
Meter expense					
Labor	104,490	102,662	1,828	0.30	0.30
Other	12,233	13,799	(1,566)	0.04	0.04
Heating	12,431	14,745	(2,314)	0.04	0.04
Engineering supplies	27,891	19,716	8,175	0.08	0.06
Customer installation expense	54,205	50,618	3,587	0.16	0.15
Miscellaneous	98,092	94,943	3,149	0.28	0.28
Total Operation	1,394,466	1,222,105	172,361	4.00	3.60

City of Grand Haven Board of Light and Power

Schedules of Operating Expenses

<i>Years ended June 30,</i>	2008	2007	Increase (Decrease)	Percent of Operating Revenue	
				2008	2007
Distribution Expense					
Maintenance					
Tree trimming	\$ 113,303	\$ 198,901	\$ (85,598)	0.33	0.59
Building and substations	25,309	26,182	(873)	0.07	0.08
Overhead system	32,701	32,443	258	0.09	0.09
Underground system	534	970	(436)	-	-
Storm damage	7,170	657	6,513	0.02	-
Miscellaneous equipment	50	671	(621)	-	-
Street lighting and signal system	6,624	4,892	1,732	0.02	0.01
Total Maintenance	185,691	264,716	(79,025)	0.53	0.77
Reimbursements	(60,927)	(58,817)	(2,110)	(0.17)	(0.17)
Total Distribution Expense	1,519,230	1,428,004	91,226	4.36	4.20
Customer Accounts Expense					
Operation					
Supervision	41,137	37,579	3,558	0.12	0.11
Vacation, sick and holiday pay	38,505	31,488	7,017	0.11	0.09
Employee fringe benefits	110,709	97,505	13,204	0.32	0.29
Meter reading	103,460	102,279	1,181	0.30	0.30
Customer records and collection	220,264	211,912	8,352	0.63	0.63
Uncollectible accounts – net	19,025	10,557	8,468	0.05	0.03
Miscellaneous	74	58	16	-	-
Total Customer Accounts Expense	533,174	491,378	41,796	1.53	1.45

City of Grand Haven Board of Light and Power

Schedules of Operating Expenses

<i>Years ended June 30,</i>	2008	2007	Increase (Decrease)	Percent of Operating Revenue	
				2008	2007
Administrative and General Expense					
Operation					
Administrative and general salaries	\$ 293,340	\$ 283,318	\$ 10,022	0.84	0.83
Vacation, sick and holiday pay	46,360	44,514	1,846	0.13	0.13
Employee fringe benefits	97,499	89,466	8,033	0.28	0.26
Office supplies and expenses	54,056	50,780	3,276	0.16	0.15
Outside service	49,768	53,954	(4,186)	0.14	0.16
Insurance	902,500	902,500	-	2.59	2.66
Advertising	21,619	20,193	1,426	0.06	0.06
Franchise requirement	17,253	18,201	(948)	0.05	0.05
Maintenance	24,379	27,200	(2,821)	0.07	0.08
Sundry	101,771	96,842	4,929	0.29	0.29
Total Administrative and General Expense	1,608,545	1,586,968	21,577	4.61	4.67
Depreciation Expense					
Steam production	2,847,966	2,732,754	115,212	8.17	8.04
Diesel production	42,919	99,636	(56,717)	0.12	0.29
Transmission and distribution plant	868,952	787,061	81,891	2.49	2.31
General plant	45,970	50,048	(4,078)	0.13	0.15
Total Depreciation Expense	3,805,807	3,669,499	136,308	10.91	10.79
Statutory Charge	1,353,574	1,284,922	68,652	3.88	3.78
Total Operating Expenses	\$ 27,559,424	\$ 27,912,846	\$ (353,422)	79.03	82.10

	Assets			
	Balance July 1, 2007	Additions and Transfers	Sales, Transfers and Retirements	Balance June 30, 2008
Steam production	\$ 91,541,950	\$ 946,840	\$ (7,988)	\$ 92,496,778
Diesel production	6,187,831	-	-	6,187,831
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
Subtotal	127,737,799	3,880,510	17,662	131,600,647
Construction in progress	2,461,062	2,867,599	3,880,510	1,448,151
Total Property, Plant and Equipment	\$ 130,198,861	\$ 6,748,109	\$ 3,898,172	\$ 133,048,798

City of Grand Haven Board of Light and Power

Schedule of Property, Plant and Equipment

Accumulated Depreciation				
Balance July 1, 2007	Additions and Transfers	Sales, Transfers and Retirements	Balance June 30, 2008	Net Amounts June 30, 2008
\$ 62,235,138	\$2,847,966	\$ (6,496)	\$ 65,089,600	\$ 27,407,178
5,088,561	42,919	-	5,131,480	1,056,351
15,224,963	868,952	24,158	16,069,757	15,450,179
1,148,936	45,970	-	1,194,906	201,196
83,697,598	3,805,807	17,662	87,485,743	44,114,904
-	-	-	-	1,448,151
\$ 83,697,598	\$3,805,807	\$ 17,662	\$ 87,485,743	\$ 45,563,055

City of Grand Haven Board of Light and Power

Schedule of Long-Term Debt Maturity

	Interest Rate (Percent)	Date of Maturity	Annual Maturity	Principal Outstanding	
				2008	2007
Amount of issue - \$86,160,000					
Date of issue – July 1, 1993	5.25	7/1/2007	\$4,610,000	\$ -	\$ 4,610,000
	5.25	7/1/2008	4,865,000	4,865,000	4,865,000
Total face value				4,865,000	9,475,000
Less unamortized discount				-	(12,585)
Less unamortized loss on refunding				-	(50,151)
Total				\$ 4,865,000	\$ 9,412,264
Amount of issue - \$47,850,000					
Date of issue – April 3, 2003	5.00	7/1/2009	\$4,920,000	\$ 4,920,000	\$ 4,920,000
	5.00	7/1/2010	5,180,000	5,180,000	5,180,000
	5.25	7/1/2011	5,455,000	5,455,000	5,455,000
	5.25	7/1/2012	5,765,000	5,765,000	5,765,000
	5.25	7/1/2013	6,085,000	6,085,000	6,085,000
	5.50	7/1/2014	6,430,000	6,430,000	6,430,000
	5.50	7/1/2015	6,805,000	6,805,000	6,805,000
	5.50	7/1/2016	7,210,000	7,210,000	7,210,000
Total face value				47,850,000	47,850,000
Plus unamortized premium				1,830,367	2,206,658
Less unamortized loss on refunding				(4,092,304)	(4,933,610)
Total				\$ 45,588,063	\$ 45,123,048

City of Grand Haven Board of Light and Power

Schedule of Long-Term Debt Maturity

	Interest Rate (Percent)	Date of Maturity	Annual Maturity	Principal Outstanding	
				2008	2007
Amount of issue - \$2,400,000					
Date of issue – March 9, 2007	4.00	7/1/2008	\$ 180,000	\$ 180,000	\$ 180,000
	4.00	7/1/2009	200,000	200,000	200,000
	4.00	7/1/2010	250,000	250,000	250,000
	4.00	7/1/2011	265,000	265,000	265,000
	4.00	7/1/2012	275,000	275,000	275,000
	4.50	7/1/2013	285,000	285,000	285,000
	4.50	7/1/2014	300,000	300,000	300,000
	5.00	7/1/2015	315,000	315,000	315,000
	5.00	7/1/2016	330,000	330,000	330,000
Total face value				2,400,000	2,400,000
Plus unamortized premium				57,003	69,232
Total				\$ 2,457,003	\$ 2,469,232

City of Grand Haven Board of Light and Power

Schedules of Debt Service Coverage Ratio

<i>Years ended June 30,</i>	2008	2007
Operating Revenue	\$ 34,872,669	\$ 33,999,011
Operating Expenses	27,559,424	27,912,846
Operating Income	7,313,245	6,086,165
Non-Operating Expenses – Net	(2,605,235)	(2,719,843)
Transfers – Net	290,280	2,009,997
Net Income	4,998,290	5,376,319
Reconciliation of Net Income to Net Revenue		
Under the Resolution		
Add		
Depreciation	3,805,807	3,669,499
Statutory charge	1,353,574	1,284,922
Bond interest expense	3,790,232	4,007,188
Amortization of debt discounts and issue costs	(308,448)	(290,707)
Transfers – out	72,559	-
Total Additions	8,713,724	8,670,902
Deduct		
Interest income – debt service reserve	148,272	182,649
Transfers – in	362,839	2,009,997
Total Deductions	511,111	2,192,646
Net Revenue Under the Resolution	\$ 13,200,903	\$ 11,854,575
Aggregate Debt Service		
Debt service	\$ 7,943,774	\$ 7,678,208
Less interest income on debt service	(148,272)	(182,649)
Aggregate Debt Service Under the Resolution	\$ 7,795,502	\$ 7,495,559
Ratio of Aggregate Debt Service to Net Revenue	1.69	1.59