

MICHIGAN PUBLIC POWER AGENCY

Lansing, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

Year Ended December 31, 2009

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2009

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 9
Balance Sheets	10 – 11
Statements of Revenues, Expenses and Changes in Net Assets	12
Statements of Cash Flows	13 – 14
Notes to Financial Statements	15 – 33
Supplemental Information	
Schedule of Changes in Funds Established by the Campbell No. 3 Project Revenue Bond Resolution	34
Schedule of Changes in Funds Established by the Belle River Project Revenue Bond Resolution	35
Details of Revenues and Expenses – Campbell No. 3 Project	36 – 37
Details of Revenues and Expenses – Belle River Project	38 – 39
Details of Revenues and Expenses – Power Pool Project	40
Details of Revenues and Expenses – Combustion Turbine No. 1 Project	41 – 42
Details of Revenues and Expenses – Dispatch Project	43
Details of Revenues and Expenses – Transmission Project	44
Details of Revenues and Expenses – General Office Operation	45



BAKER TILLY

Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Michigan Public Power Agency
Lansing, Michigan

We have audited the accompanying financial statements of the business-type activities and each major fund of Michigan Public Power Agency (MPPA) as identified in the accompanying table of contents as of and for the year ended December 31, 2009, which collectively comprise MPPA's basic financial statements. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from MPPA's 2008 financial statements and, in our report dated April 3, 2009, we expressed an unqualified opinion on the respective financial statements of the business-type activities and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of MPPA as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 – 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The financial information on pages 34 – 45 is presented for purposes of additional analysis and is not a required part of the financial statements of Michigan Public Power Agency. Such information for the year ended December 31, 2009 has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

To the Board of Commissioners
Michigan Public Power Agency

We have also previously audited, in accordance with auditing standards generally accepted in the United State of America, MPPA's basic financial statements for the year ended December 31, 2008, which are not presented with the accompanying financial statements. In our report dated April 3, 2009, we expressed an unqualified opinion on the respective financial statements of the business-type activities and each major fund. In our opinion, the 2008 supplemental information is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2008, taken as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 19, 2010

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

