

MICHIGAN PUBLIC POWER AGENCY

Lansing, Michigan

FINANCIAL STATEMENTS

December 31, 2010

MICHIGAN PUBLIC POWER AGENCY

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic 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, 2010. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from MPPA's 2009 financial statements, which were audited by other auditors, whose report dated April 3, 2009 expressed an unqualified opinion on those statements.

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 opinions.

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, 2010 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.

To the Board of Commissioners
Michigan Public Power Agency

Our audit was conducted for the purpose of forming an opinion on Michigan Public Power Agency's basic financial statements taken as a whole. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in our audit 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.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MPPA's financial statements for the year ended December 31, 2009, from which such summarized information was derived.

Plante & Moran, PLLC

East Lansing, MI
April 19, 2011

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

The management of Michigan Public Power Agency (MPPA) offers all persons interested in the financial position of MPPA this narrative overview and analysis of MPPA's financial performance during the years ended December 31, 2010 and 2009. You are invited to read this narrative in conjunction with MPPA's financial statements.

FINANCIAL HIGHLIGHTS

- MPPA's total net assets increased \$103,701, or 12% from the prior year. This was due to member dues and other revenues exceeding general office operation expenses.
 - MPPA's operating expenses in 2010 were \$14,994,000 higher than in 2009. This is a 10% increase in operating expenses from the prior year. Most of the increase was due to increases in purchased power and transmission expenses for the Power Pool Project. The cost increase was passed on to project participants resulting in an increase in operating revenues of \$14,117,000 or about 8%. The net effect was a decrease in operating income of \$877,000 compared to the prior year.
 - Total agency assets decreased \$25,474,000 while total liabilities decreased \$25,578,000. These are the result of normal operations including the issuance of debt, payment of debt and continuing capital asset improvements and depreciation.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

Michigan Public Power Agency is a public body politic and corporate of the State of Michigan. MPPA was created in 1978 under Act 448 of the Public Acts of Michigan, 1976, as amended. The purpose of MPPA is to oversee the development and operation of various projects to supply electric power and energy to the project members. MPPA has sixteen members, each of which is a municipal corporation in the state of Michigan and owns and operates a municipal electric system.

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. MPPA is a self-supporting entity and follows proprietary fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund statements offer financial information about the activities and operations of MPPA.

The combined financial statements are designed to provide readers with a broad overview of MPPA's finances, in a manner similar to a private-sector business.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

MPPA's operations consist of seven power projects:

- Campbell No. 3
- Belle River
- Power Pool
- Combustion Turbine #1
- Energy Services/Dispatch
- Transmission
- Granger Renewable Energy

In addition, MPPA members share in the administrative and general costs incurred to operate these projects.

It is very important to note however that due to contractual arrangements, which are the basis of each power project, no monies can be shared between projects. The cash flow of one power project, although combined with all others in the combined financial statement presentation as required by financial reporting rules, cannot and should not be considered available for any other project. Great care should be exercised in evaluating the financial condition of MPPA as a combined entity from the use of the combined financial statements.

- The Combined Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how MPPA's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- The Combined Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.
- The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 15 of this report.

MPPA FINANCIAL ANALYSIS

An analysis of MPPA's financial position begins with a review of the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information. These two statements report MPPA's net assets and changes therein. As noted earlier, great care must be taken when evaluating MPPA's financial position and results of operations when using the combined financial presentations due to the legal separation that must be maintained between projects. However, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each project.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

MPPA FINANCIAL ANALYSIS (cont.)

A summary of MPPA's Combined Statement of Net Assets is presented below in Table 1. The Combined Statement of Revenues, Expenses and Changes in Net Assets is summarized in Table 2.

Table 1
Condensed Statement of Net Assets

	<u>2010</u>	<u>2009</u>
Current assets	\$ 117,696,231	\$ 132,054,122
Non-current assets		
Capital assets	215,719,192	226,514,851
Other assets	<u>9,444,882</u>	<u>9,765,654</u>
 Total Assets	 <u>\$ 342,860,305</u>	 <u>\$ 368,334,627</u>
 Current liabilities	 \$ 42,785,281	 \$ 40,964,491
Non-current liabilities		
Deferred revenue to be recognized in future periods	94,029,290	96,214,533
Member capital	3,394,011	5,887,614
Revenue bonds payable, less current portion	201,653,911	224,375,267
Liabilities payable from restricted assets	<u>19,664</u>	<u>18,275</u>
Total Liabilities	<u>341,882,157</u>	<u>367,460,180</u>
 Net assets		
Invested in capital assets, net of related debt	(6,544,502)	(17,063,038)
Restricted	30,035,002	28,950,003
Unrestricted	<u>(22,512,352)</u>	<u>(11,012,518)</u>
Total Net Assets	<u>978,148</u>	<u>874,447</u>
 Total Liabilities and Net Assets	 <u>\$ 342,860,305</u>	 <u>\$ 368,334,627</u>

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

MPPA FINANCIAL ANALYSIS (cont.)

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 187,084,466	\$ 172,967,460
Non-Operating Revenues	203,870	595,143
Total Revenues	<u>187,288,336</u>	<u>173,562,603</u>
Depreciation Expense	15,607,720	15,470,563
Other Operating Expenses	153,332,675	138,475,476
Non-Operating Expenses	11,191,802	12,177,368
Total Expenses	<u>180,132,197</u>	<u>166,123,407</u>
Income Before Deferred Revenue	7,156,139	7,439,196
Deferred Revenue to be Recognized in Future Periods		
Net of Deferred Revenue Recognized in Current Period	<u>(7,052,438)</u>	<u>(7,287,865)</u>
Changes in Net Assets	103,701	151,331
Beginning Net Assets	<u>874,447</u>	<u>723,116</u>
Ending Net Assets	<u>\$ 978,148</u>	<u>\$ 874,447</u>

MPPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements.

Campbell No. 3 Project

MPPA jointly owns and operates the Campbell Unit No. 3 electric generation facility with Consumer's Energy. Ten of MPPA's members participate in this project, consisting of a 4.8% undivided ownership interest in the coal-fired generating plant in Ottawa County, Michigan. Operating revenues for 2010 decreased by 11% compared to 2009. During the same time period, the cost of generated and purchased power decreased by 19%.

Belle River Project

With eleven of the member communities participating in this project, MPPA jointly owns and operates the Belle River Power Plant with Detroit Edison. MPPA has a 37.22% undivided ownership interest in Belle River Unit No.1, a coal-fired electric generating unit located in St. Clair County, Michigan. Operating expenses decreased by 4% from 2009 to 2010. Sales to participants decreased 3%.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

MPPA FINANCIAL ANALYSIS (cont.)

Power Pool Project

The Power Pool Project was established to allow member communities to pool their generating resources and electric loads. The Power Pool uses economic dispatch principles in determining the moment-by-moment output of generating resources, along with any purchases of energy from third-party resources, so as to obtain the lowest overall electric energy cost for the Power Pool that is reasonably attainable at any given point in time. The eight members experienced a 24% increase in sales and a corresponding 27% increase in operating expenses in 2010 compared to 2009. For 2010, purchased power made up 94% of the Power Pool operating costs. For 2010, the operating expenses of the Power Pool project exceeded the operating revenues, resulting in a decline in deferred revenue in the current period.

Combustion Turbine #1 Project

MPPA owns and operates the Combustion Turbine #1 Project (CT Project) for the benefit of five of its members. The CT Project is a natural-gas fired combustion turbine peaking generating unit which began producing power in 2002. For the year ended December 31, 2010, this project reported \$361,000 of deferred revenues to be recognized in a future period.

Energy Services/Dispatch Project

The Energy Services/Dispatch project is set up to facilitate the purchase of capacity and energy from third parties for sale to a number of MPPA members. Three members utilized this project for energy and capacity purchase while twelve members contributed monies for MPPA to begin the same type of service for them in 2011 due to the wrapping up of the Power Pool Project. Both revenues and expenses increased from 2009 by 12%, representing increased energy sales and purchases for the three members.

Granger Renewable Energy Project

Fourteen members of MPPA participate in this project which was begun to allow members to meet renewable energy requirements for compliance with Michigan Public Act 295. The members began taking landfill gas energy in mid-2010.

Transmission Project

Thirteen members of MPPA participate in this project. The thirteen members provided the initial capital needed to purchase an undivided interest in the transmission grid. This has lowered the transmission cost to thirteen of MPPA's members.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

MPPA FINANCIAL ANALYSIS (cont.)

General Office Operations

MPPA accounts for the general office operations that cannot be attributed to any one specific project. Member dues are based on the annual budgeted operating costs, with a portion of the operating costs allocated to each project as overhead. The General Office Operations fund operated at an income of \$103,701 and \$151,331 in 2010 and 2009 respectively.

In addition, MPPA's Board directed MPPA to create a number of Service Committees in 2009 and 2010. These Service Committees perform the function of easing the process of studying potential projects. The Service Committee also provides a venue for municipal utilities that are not MPPA members to participate in activities that do not require financing or the acquisition of assets. The Service Committees are treated as separate sub-accounts under the General Office for accounting purposes.

CAPITAL ASSETS

MPPA's investment in capital assets as of December 31, 2010 amounts to \$215,719,000 (net of accumulated depreciation). This investment in capital assets includes investment in plants, transmission systems, land, buildings, improvements, machinery and equipment. MPPA's total net investment in capital assets for the year decreased 5% primarily as a result of annual depreciation.

LONG-TERM DEBT

At December 31, 2010, MPPA had total liabilities outstanding of \$341,882,000, of which \$223,689,000 represents bond payments payable. These remaining principal payments on long-term debt, including current amounts due, are as follows:

Campbell No. 3 Project	\$ 17,769,000
Belle River Project	177,694,000
Combustion Turbine #1 Project	<u>28,226,000</u>
Total	<u>\$ 223,689,000</u>

See Note 6 for additional details.

MICHIGAN PUBLIC POWER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

ECONOMIC CONDITIONS

The 2010 budget was adopted in 2009 amid a slightly improving national economy but a relatively weak state economy. The member-cities' economies have shown varying amounts of growth in both demand and energy. In order to assist its members in meeting their future power supply requirements, MPPA performs annual planning reviews of load and resource projections for all of its members that request such service. These projections are utilized in preparing the annual budgets and evaluating the need for future capital projects. Because MPPA's members are billed based on actual costs, revenues will fluctuate with operating costs rather than be determined by any set rates.

CURRENTLY KNOWN FACTS

MPPA's transmission agreements have undergone changes over the past several years. Consumers Energy has transferred its transmission assets to Michigan Electric Transmission Company (METC), a subsidiary of Consumers Energy. MPPA undertook legal action that resulted in settlement agreements which require that MPPA's rights under the Consumers Transmission Agreement will be honored and performed by METC, or any subsequent purchaser of METC or a substantial portion of the transmission facilities. The settlement agreement also provided for the purchase of additional transmission assets by MPPA. MPPA closed on this purchase in February 2006, and is now receiving the benefits of this new purchase on behalf of its members. Also in 2006, ITC Holdings, the parent of ITC, purchased the assets of METC. As of the date of this report, MPPA has seen no change in its treatment or failure of ITC to honor the agreements with MPPA that were transferred to ITC. Detroit Edison has transferred its transmission system to ITC. MPPA's agreements with Detroit Edison have been assigned by ITC.

MPPA created the Energy Services Project as a replacement for MPPA's Power Pool Project. The transition took place at midnight on December 31, 2010 at which point the Power Pool Project began winding down. The Energy Services Project looks very similar to MPPA's Dispatch Project in the services provided to its members. Because of this, MPPA's members decided to account for the Dispatch Project and Energy Services Project under the same budget and allocate expenses under that structure going forward.

CONTACTING MPPA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of MPPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michigan Public Power Agency, 809 Centennial Way, Lansing, MI 48917.

Statement of Net Assets Follows

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF NET ASSETS

December 31, 2010

(With Comparative Totals for December 31, 2009)

	ASSETS								Totals	
	Campbell No. 3	Belle River	Power Pool	Combustion	Energy Services/ Dispatch	Granger	Transmission	General Office	2010	2009
	Project	Project	Project	Turbine #1	Project	Project	Project	Operation		
CURRENT ASSETS										
Cash and Cash Equivalents										
Project account	\$ 7,317,253	\$ 38,776,789	\$ -	\$ 2,981,162	\$ -	\$ -	\$ -	\$ -	\$ 49,075,204	\$ 51,668,181
Operation and maintenance account	1,036,916	8,425,075	-	2,482,437	119,423	237,299	743,873	-	13,045,023	11,672,356
Operation and maintenance reserve account	250,000	-	-	-	-	-	-	-	250,000	250,000
Fuel reserve account	800,000	-	-	-	-	-	-	-	800,000	800,000
Other	-	-	4,214,212	-	-	-	-	881,232	5,095,444	6,747,385
Total Cash and Cash Equivalents	9,404,169	47,201,864	4,214,212	5,463,599	119,423	237,299	743,873	881,232	68,265,671	71,137,922
Investments - Project Account										
US Government Agency notes	-	1,001,406	-	-	-	-	-	-	1,001,406	10,059,347
Accrued interest receivable	112	8,427	-	65	-	-	-	-	8,604	105,377
Accounts receivable	511,426	5,360,776	3,484,025	1,158,286	2,106,746	8,923	253,651	131,655	13,015,488	16,020,621
Restricted cash - Debt service account	3,090,013	22,880,966	-	1,817,775	-	-	-	-	27,788,754	27,233,767
Fuel inventory	848,132	3,561,488	-	207,566	-	-	-	-	4,617,186	4,252,105
Materials and supplies inventory	-	2,760,973	-	238,149	-	-	-	-	2,999,122	3,244,983
Total Current Assets	13,853,852	82,775,900	7,698,237	8,885,440	2,226,169	246,222	997,524	1,012,887	117,696,231	132,054,122
NON-CURRENT ASSETS										
Capital Assets										
Utility plant in service	60,347,981	480,620,473	2,501,870	29,553,032	114,672	-	3,335,511	1,463,071	577,936,610	573,201,164
Allowance for depreciation	(31,610,637)	(319,726,121)	(2,501,870)	(7,547,351)	(9,365)	-	(109,627)	(712,447)	(362,217,418)	(346,686,313)
Total Capital Assets	28,737,344	160,894,352	-	22,005,681	105,307	-	3,225,884	750,624	215,719,192	226,514,851
Other Assets										
Deferred bond issue costs - net	127,764	836,925	-	460,528	-	-	-	-	1,425,217	1,747,378
Restricted cash										
Reserve and contingency account	-	8,000,001	-	-	-	-	-	-	8,000,001	8,000,001
Scholarship fund	-	-	-	-	-	-	-	19,664	19,664	18,275
Prepaid long-term lease (deferred obligation)	-	154,000	-	-	-	-	-	(154,000)	-	-
Total Non-Current Assets	28,865,108	169,885,278	-	22,466,209	105,307	-	3,225,884	616,288	225,164,074	236,280,505
TOTAL ASSETS	\$ 42,718,960	\$ 252,661,178	\$ 7,698,237	\$ 31,351,649	\$ 2,331,476	\$ 246,222	\$ 4,223,408	\$ 1,629,175	\$ 342,860,305	\$ 368,334,627

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF NET ASSETS

December 31, 2010

(With Comparative Totals for December 31, 2009)

LIABILITIES AND NET ASSETS

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine #1	Energy Services/ Dispatch Project	Granger Project	Transmission Project	General Office Operation	Totals	
									2010	2009
CURRENT LIABILITIES										
Accounts payable and accrued expenses	\$ 995,455	\$ 1,860,414	\$ 4,467,913	\$ 792,069	\$ 2,140,723	\$ 187,256	\$ 691,011	\$ 631,363	\$ 11,766,204	\$ 13,730,726
Capital contribution of members	-	-	1,622,761	-	-	-	-	-	1,622,761	-
Deferred revenue to be recognized in future periods	-	-	1,607,563	-	-	-	-	-	1,607,563	-
Current Liabilities Payable from Restricted Assets										
Accrued interest payable	400,013	4,615,965	-	737,775	-	-	-	-	5,753,753	6,283,765
Current portion of revenue bonds	2,690,000	18,265,000	-	1,080,000	-	-	-	-	22,035,000	20,950,000
Total Current Liabilities Payable from Restricted Assets	3,090,013	22,880,965	-	1,817,775	-	-	-	-	27,788,753	27,233,765
Total Current Liabilities	4,085,468	24,741,379	7,698,237	2,609,844	2,140,723	187,256	691,011	631,363	42,785,281	40,964,491
NON-CURRENT LIABILITIES										
Deferred revenue to be recognized in future periods	23,554,762	68,491,109	-	1,595,314	190,753	466	196,886	-	94,029,290	96,214,533
Capital contribution of members	-	-	-	-	-	58,500	3,335,511	-	3,394,011	5,887,614
Revenue bonds payable, less current portion	15,078,730	159,428,690	-	27,146,491	-	-	-	-	201,653,911	224,375,267
Liabilities Payable from Restricted Assets -										
Scholarship fund	-	-	-	-	-	-	-	19,664	19,664	18,275
Total Non-Current Liabilities	38,633,492	227,919,799	-	28,741,805	190,753	58,966	3,532,397	19,664	299,096,876	326,495,689
Total Liabilities	42,718,960	252,661,178	7,698,237	31,351,649	2,331,476	246,222	4,223,408	651,027	341,882,157	367,460,180
NET ASSETS										
Invested in capital assets, net of related debt and obligations	11,096,378	(15,962,413)	-	(5,760,282)	105,307	-	3,225,884	750,624	(6,544,502)	(17,063,038)
Restricted	2,690,000	26,265,002	-	1,080,000	-	-	-	-	30,035,002	28,950,003
Unrestricted (Deficit)	(13,786,378)	(10,302,589)	-	4,680,282	(105,307)	-	(3,225,884)	227,524	(22,512,352)	(11,012,518)
Total Net Assets	-	-	-	-	-	-	-	978,148	978,148	874,447
TOTAL LIABILITIES AND NET ASSETS	\$ 42,718,960	\$ 252,661,178	\$ 7,698,237	\$ 31,351,649	\$ 2,331,476	\$ 246,222	\$ 4,223,408	\$ 1,629,175	\$ 342,860,305	\$ 368,334,627

See accompanying notes to financial statements.

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Year Ended December 31, 2010
 (With Comparative Totals for the Year Ended December 31, 2009)

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine No.1	Energy Services/			General Office Operation	Totals	
					Dispatch Project	Granger Project	Transmission Project		2010	2009
OPERATING REVENUES										
Gross Sales	\$ 11,646,796	\$ 70,751,796	\$ 56,549,860	\$ 6,305,601	\$ 34,224,359	\$ 717,353	\$ 1,630,522	\$ 2,282,673	\$ 184,108,960	\$ 170,952,832
Allowances for market sales	-	(2,967,542)	-	-	-	-	(2,898,720)	-	(5,866,262)	(5,087,462)
Net sales to participants	11,646,796	67,784,254	56,549,860	6,305,601	34,224,359	717,353	(1,268,198)	2,282,673	178,242,698	165,865,370
Market Sales	-	2,967,542	-	-	-	-	2,898,720	-	5,866,262	5,087,462
Other	-	-	-	-	-	-	-	2,975,506	2,975,506	2,014,628
Total Operating Revenues	<u>11,646,796</u>	<u>70,751,796</u>	<u>56,549,860</u>	<u>6,305,601</u>	<u>34,224,359</u>	<u>717,353</u>	<u>1,630,522</u>	<u>5,258,179</u>	<u>187,084,466</u>	<u>172,967,460</u>
OPERATING EXPENSES										
Cost of Power										
Production	6,324,171	34,504,711	-	2,559,646	-	-	-	-	43,388,528	46,567,280
Purchased	(1,983)	-	53,814,600	-	32,768,793	682,544	-	2,282,673	89,546,627	77,277,285
Total Cost of Power	6,322,188	34,504,711	53,814,600	2,559,646	32,768,793	682,544	-	2,282,673	132,935,155	123,844,565
Transmission	432,886	3,049,057	2,327,995	456,922	784,960	-	1,565,269	-	8,617,089	4,349,769
General and administrative	1,071,966	5,727,452	1,102,517	427,925	555,934	34,809	65,254	2,884,766	11,870,623	10,371,334
Depreciation	1,758,249	12,747,104	-	989,838	9,365	-	22,681	80,483	15,607,720	15,470,563
Total Operating Expenses	<u>9,585,289</u>	<u>56,028,324</u>	<u>57,245,112</u>	<u>4,434,331</u>	<u>34,119,052</u>	<u>717,353</u>	<u>1,653,204</u>	<u>5,247,922</u>	<u>169,030,587</u>	<u>154,036,231</u>
Operating Income (Loss)	<u>2,061,507</u>	<u>14,723,472</u>	<u>(695,252)</u>	<u>1,871,270</u>	<u>105,307</u>	<u>-</u>	<u>(22,682)</u>	<u>10,257</u>	<u>18,053,879</u>	<u>18,931,229</u>
NONOPERATING REVENUES (EXPENSES)										
Interest cost incurred	(800,025)	(9,231,930)	(48,490)	(1,475,550)	-	-	-	-	(11,555,995)	(12,624,909)
Amortization of financing-related costs	34,199	383,343	-	(53,349)	-	-	-	-	364,193	447,541
Investment income	33,483	180,822	19,294	18,645	889	466	3,085	3,252	259,936	1,228,517
Net change in fair value of investments	-	(72,549)	-	-	-	-	-	-	(72,549)	(642,520)
Prepaid lease income	-	-	-	-	-	-	-	90,192	90,192	90,192
Sale of emissions	12,488	3,995	-	-	-	-	-	-	16,483	9,146
Total Nonoperating Revenues (Expenses)	<u>(719,855)</u>	<u>(8,736,319)</u>	<u>(29,196)</u>	<u>(1,510,254)</u>	<u>889</u>	<u>466</u>	<u>3,085</u>	<u>93,444</u>	<u>(10,897,740)</u>	<u>(11,492,033)</u>
Income (Loss) Before Deferred Revenue	1,341,652	5,987,153	(724,448)	361,016	106,196	466	(19,597)	103,701	7,156,139	7,439,196
Deferred revenue to be recognized in future periods	(1,341,652)	(5,987,153)	-	(361,016)	(106,196)	(466)	-	-	(7,796,483)	(7,307,122)
Deferred revenue recognized in current period	-	-	724,448	-	-	-	19,597	-	744,045	19,257
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>103,701</u>	<u>103,701</u>	<u>151,331</u>
NET ASSETS - Beginning of Year								<u>874,447</u>	<u>874,447</u>	<u>723,116</u>
NET ASSETS - END OF YEAR								<u>\$ 978,148</u>	<u>\$ 978,148</u>	<u>\$ 874,447</u>

See accompanying notes to financial statements.

Statements of Cash Flows Follows

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine #1	Energy Services/ Dispatch Project	Granger Project	Transmission Project	General Office Operation	Totals	
									2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES										
Received from customers	\$ 12,358,967	\$ 64,395,988	\$ 58,740,444	\$ 5,406,066	\$ 33,879,363	\$ 791,810	\$ 1,593,537	\$ 3,030,278	\$ 180,196,453	\$ 155,782,724
Paid to suppliers for goods and services	(7,554,781)	(43,215,385)	(59,272,827)	(2,547,961)	(33,544,560)	(543,324)	(1,646,520)	(2,449,547)	(150,774,905)	(131,353,090)
Paid to employees for services	(209,095)	(530,016)	(251,636)	(159,095)	(229,885)	(16,273)	(32,710)	(519,572)	(1,948,282)	(1,877,593)
Net Cash Flows From (Used in) Operating Activities:	<u>4,595,091</u>	<u>20,650,587</u>	<u>(784,019)</u>	<u>2,699,010</u>	<u>104,918</u>	<u>232,213</u>	<u>(85,693)</u>	<u>61,159</u>	<u>27,473,266</u>	<u>22,552,041</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Acquisition and construction of utility plant	(1,622,348)	(3,505,348)	-	-	(114,672)	-	-	-	(5,242,368)	(9,087,387)
Sale of emissions	12,488	3,995	-	-	-	-	-	-	16,483	9,147
Capital contributions of (distributions to) participating members	-	-	(929,341)	-	-	-	-	-	(929,341)	57,379
Principal payment on revenue bonds	(2,570,000)	(17,350,000)	-	(1,030,000)	-	-	-	-	(20,950,000)	(20,575,000)
Interest paid on revenue bonds	(851,425)	(9,687,368)	-	(1,498,725)	-	-	-	-	(12,037,518)	(13,096,787)
Other	-	24,000	(48,490)	-	-	-	-	34,599	10,109	(91,711)
Net Cash Flows From (Used in) Capital and Related Financing Activities	<u>(5,031,285)</u>	<u>(30,514,721)</u>	<u>(977,831)</u>	<u>(2,528,725)</u>	<u>(114,672)</u>	<u>-</u>	<u>-</u>	<u>34,599</u>	<u>(39,132,635)</u>	<u>(42,784,359)</u>
CASH FLOWS FROM INVESTING ACTIVITIES										
Long-term investments purchased	-	(3,000,000)	-	-	-	-	-	-	(3,000,000)	(2,999,750)
Long-term investments sold	-	11,985,394	-	-	-	-	-	-	11,985,394	35,986,707
Investment income	<u>33,557</u>	<u>277,479</u>	<u>19,294</u>	<u>18,689</u>	<u>889</u>	<u>466</u>	<u>3,085</u>	<u>4,641</u>	<u>358,100</u>	<u>1,630,534</u>
Net Cash Flows From Investing Activities	<u>33,557</u>	<u>9,262,873</u>	<u>19,294</u>	<u>18,689</u>	<u>889</u>	<u>466</u>	<u>3,085</u>	<u>4,641</u>	<u>9,343,494</u>	<u>34,617,491</u>
Net Change in Cash and Cash Equivalents	(402,637)	(601,261)	(1,742,556)	188,974	(8,865)	232,679	(82,608)	100,399	(2,315,875)	14,475,365
CASH AND CASH EQUIVALENTS - Beginning of Year (as restated)	<u>12,896,819</u>	<u>78,684,092</u>	<u>5,956,768</u>	<u>7,092,400</u>	<u>128,288</u>	<u>4,620</u>	<u>826,481</u>	<u>800,497</u>	<u>106,389,965</u>	<u>91,914,600</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,494,182	\$ 78,082,831	\$ 4,214,212	\$ 7,281,374	\$ 119,423	\$ 237,299	\$ 743,873	\$ 900,896	\$ 104,074,090	\$ 106,389,965

MICHIGAN PUBLIC POWER AGENCY

STATEMENTS OF CASH FLOWS (Cont.)
 Year Ended December 31, 2010
 (With Comparative Totals for the Year Ended December 31, 2009)

	Campbell No. 3 Project	Belle River Project	Power Pool Project	Combustion Turbine #1	Energy Service/ Dispatch Project	Granger Project	Transmission Project	General Office Operation	Totals	
									2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES										
Operating income (loss)	\$ 2,061,507	\$ 14,723,472	\$ (695,252)	\$ 1,871,270	\$ 105,307	\$ -	\$ (22,682)	\$ 10,257	\$ 18,053,879	\$ 18,931,229
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities										
Depreciation	1,758,249	12,747,104	-	989,838	9,365	-	22,681	80,483	15,607,720	15,470,563
Changes in assets and liabilities										
Accounts receivable	724,659	1,053,285	2,190,584	(622,643)	(344,996)	74,457	(36,985)	54,772	3,093,133	(2,819,155)
Fuel inventory	(395,827)	-	-	30,746	-	-	-	-	(365,081)	246,738
Materials and supplies inventory	-	245,862	-	-	-	-	-	-	245,862	(120,974)
Deferred revenue	6,784	(7,409,094)	-	(276,892)	-	-	-	-	(7,679,202)	(11,492,881)
Accounts payable and accrued expense	439,719	(710,042)	(2,279,351)	706,691	335,242	157,756	(48,707)	(84,353)	(1,483,045)	2,336,521
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 4,595,091</u>	<u>\$ 20,650,587</u>	<u>\$ (784,019)</u>	<u>\$ 2,699,010</u>	<u>\$ 104,918</u>	<u>\$ 232,213</u>	<u>\$ (85,693)</u>	<u>\$ 61,159</u>	<u>\$ 27,473,266</u>	<u>\$ 22,552,041</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET										
Current Assets	\$ 12,494,182	\$ 70,082,830	\$ 4,214,212	\$ 7,281,374	\$ 119,423	\$ 237,299	\$ 743,873	\$ 881,232	\$ 96,054,425	\$ 98,371,689
Restricted Assets	-	8,000,001	-	-	-	-	-	19,664	8,019,665	8,018,276
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 12,494,182</u>	<u>\$ 78,082,831</u>	<u>\$ 4,214,212</u>	<u>\$ 7,281,374</u>	<u>\$ 119,423</u>	<u>\$ 237,299</u>	<u>\$ 743,873</u>	<u>\$ 900,896</u>	<u>\$ 104,074,090</u>	<u>\$ 106,389,965</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 – NATURE OF OPERATIONS

Michigan Public Power Agency (MPPA) is a public body politic and corporate of the State of Michigan created in 1978 under Act 448 of the Public Acts of Michigan, 1976, as amended. MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation and maintenance of projects to supply electric power and energy for the 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. Of MPPA's seventeen members as of December 31, 2010, ten are participants in the Campbell No. 3 Project, eleven are participants in the Belle River Project, eight are participants in the Power Pool Project, five are participants in the Combustion Turbine No.1 Project, three are participants in the Dispatch Project, thirteen participate in the Transmission Project, twelve are participants in the Energy Services Project, and fourteen participate in the Granger Renewable Energy Project.

The financial statements of the utility are presented in conformity with accounting principles generally accepted in the United States of America. In reporting financial activity, the utility applies all applicable Government Accounting Standards Board (GASB) pronouncements, as well as private-sector standards of accounting and financial reporting issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The utility has elected not to follow private-sector standards of accounting and financial reporting issued after that date. In addition, the electric and water utilities meet the criteria and, accordingly, follow the accounting and reporting requirements of Statement of Financial Accounting Standards (FAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*.

BASIS OF PRESENTATION

The financial activities of MPPA are recorded in separate proprietary funds described as follows:

Enterprise Funds

The Campbell No. 3, Belle River, Power Pool Project, Combustion Turbine No. 1, Energy Services/Dispatch, Granger Renewable Energy, and Transmission Funds account for the financing and operation of MPPA's interest in the respective projects, whereby costs are recovered through participant charges. The accounts of these Funds are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission. The chart of accounts determines how MPPA classifies revenue and expense items in the statement of revenues, expenses, and changes in net assets as operating and nonoperating items.

General Office Operations Fund

The General Office Operations Fund accounts for financing, through participant charges, the general and administrative activities of MPPA not related to any specific electric power supply project.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – NATURE OF OPERATIONS (cont.)

BASIS OF PRESENTATION (cont.)

As required by GASB Statement No. 34, net assets are classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt and other obligations* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, obligations, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- *Restricted* – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, it is MPPA’s policy to use restricted resources first, then unrestricted resources as they are needed.

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MPPA’s financial statements for the year ended December 31, 2009, from which the summarized information was derived.

BUDGETARY ACCOUNTING

The Board of Commissioners of MPPA adopts an operating budget each year for all funds, on the same basis of accounting used to reflect actual revenues and expenses in the financial statements. The General Manager exercises budgetary control.

USE OF ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – NATURE OF OPERATIONS (cont.)

OPERATING REVENUES

MPPA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with MPPA's principal ongoing operations. The principal operating revenues of MPPA are charges to members for sales and services. Operating expenses for MPPA 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 non-operating revenues and expenses.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the net invoice amount billed to MPPA's members. Any outstanding receivables are collected in full within 30 days of being invoiced. As such, there has been no allowance for doubtful accounts recorded.

UTILITY PLANT

Additions to and replacements of utility plant are recorded at original cost including any capitalized interest for borrowed funds used to construct the facilities. Depreciation is recorded using the straight-line method using service lives of 3 to 54 years. The agency capitalizes assets with a cost greater than \$500.

Interest is capitalized on utility property acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

INVENTORIES

Fuel inventories for the Belle River Project, Campbell No. 3 Project and the Combustion Turbine No. 1 Project are stated at average cost. The materials and supplies inventory is stated at average cost.

CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are cash and investments having an initial maturity of three months or less.

INVESTMENTS

Investments are stated at fair market value, based on quoted market prices.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – NATURE OF OPERATIONS (cont.)

DEFERRED CHARGES

Bond issuance costs, premiums and discounts are deferred and amortized over the life of the bonds based on the effective interest method. Losses on advance refundings occurring after 1993 are deferred and amortized on a straight-line basis over the repayment period of the related debt.

DEFERRED REVENUES

The Agency applies the provisions of FASB ASC 980, *Regulated Operations*, formerly known as Statement of Financial Accounting Standards (FAS) No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS No. 71). This statement recognizes the effects of operating in a regulatory environment creating future economic benefits and obligations affecting its members. Accordingly, MPPA records these future economic benefits and obligations as regulatory assets and regulatory liabilities, respectively.

Regulatory assets represent probable future revenues associated with previously incurred costs that are expected to be recovered from customers. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be refunded to members through the ratemaking process.

In order for MPPA to continue to apply the provisions of FASB ASC 980, it must continue to meet the following three criteria: (1) MPPA's rates for services provided to its customers must be established by an independent third-party regulator or its own governing board empowered by a statute to establish rates that bind customers; (2) MPPA's rates must be designed to recover its costs of providing the services; and (3) in view of the demand for the services and the level of competition, it is reasonable to assume that rates set at levels that will recover MPPA's costs can be charged to and collected from customers.

In accordance with the provisions of FASB ASC 980, revenues collected from members in excess of operating expenses are deferred to future periods when they will be recognized as revenues.

RATES

Members are billed monthly based on estimated usage, with amounts adjusted to actual costs in future months' bills. Accrued revenues are not considered material to these financial statements.

TAXES

MPPA is exempt from state and federal income taxes.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – NATURE OF OPERATIONS (cont.)

COMPENSATED ABSENCES

Under terms of employment, employees earn four hours of personal leave per month. Employees can accumulate up to thirty days of personal leave. Employees are paid for unused personal leave upon separation of service.

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS

CAMPBELL UNIT No. 3

MPPA and Consumers Energy Company (Consumers) entered into the following agreements dated October 1, 1979, as amended, relating to Consumers' Campbell Unit No. 3 steam-electric generating unit, which went into commercial operation in September 1980:

The Campbell Ownership Agreement provides for MPPA to own a 4.8% undivided interest in Campbell Unit No. 3, for Consumers to operate Campbell Unit No. 3, for the sale of surplus electric capacity to Consumers, for operating costs of Campbell Unit No. 3 to be shared on a pro rata basis, and for MPPA to purchase an undivided ownership interest in the fuel supply for Campbell Unit No. 3.

The Campbell Transmission Agreement provides for MPPA to purchase a 58.06% undivided ownership interest in Consumers' Vergennes to Kenowa-Goss 345 KV transmission line, the method of determining certain charges for utilization of the Consumers transmission system, for the sale to Consumers of planned available transmission capacity in excess of MPPA's need, and for sharing transmission line operating expenses.

The Campbell Back-Up Agreement provides for Consumers to make backup electric capacity and energy available to MPPA from its electric system reserves in the event of total or partial unavailability of capacity and energy from Campbell Unit No. 3, and for determination of the associated backup electric capacity and energy charges to MPPA.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the ten members who elected to participate in the Campbell No. 3 Project. These contracts provide for the participant to purchase from MPPA the participant's entitlement share, as defined, of the generation and transmission of the Project. Each participant also shares proportionately in the proceeds from MPPA's sale of excess generating and transmission capacity to Consumers. Each participant is obligated to pay its share of the operating and debt service costs of the Project.

BELLE RIVER UNIT No. 1

On December 1, 1982, MPPA and Detroit Edison Company (Edison) entered into the following agreements, as amended, relating to Edison's Belle River Unit No. 1 steam-electric generating unit, part of a two-unit generating station, which went into commercial operation in August 1984:

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

BELLE RIVER UNIT No. 1 (cont.)

The Belle River Participation Agreement provides for MPPA to purchase a 37.22% undivided ownership interest in Belle River Unit No. 1 and an undivided ownership interest in certain common and joint facilities associated with Belle River Unit No. 1, for MPPA to purchase an undivided ownership interest in the fuel supply stockpile, for Edison to operate Belle River Units No. 1 and 2, for the sharing of operating costs of both units, for the sale of surplus electric capacity and energy to Edison, and for backup electric capacity and energy from Edison's electric system reserves to be available in the event of total or partial unavailability of power and energy from Belle River. Pursuant to the reliability exchange provisions in the Agreement, MPPA is entitled to 18.61% of the electric capacity and energy from each of the Belle River Units No. 1 and 2.

The Belle River Transmission Ownership and Operating Agreement with Edison provides for MPPA to purchase a 50.41% undivided ownership interest in Edison's Greenwood-St. Clair-Jewell-Stephens Transmission Line and the Monroe-Wayne-Coventry-Majestic Transmission Line, for Edison to operate the transmission lines, for the sharing of operating costs, and for the sale of planned excess transmission capacity to Edison.

MPPA entered into the Belle River Transmission Ownership and Operating Agreement with Consumers, dated December 1, 1982, as amended, which provides MPPA with a 90% undivided ownership interest in certain Consumers-designated transmission lines, for Consumers to operate the transmission lines, for the sharing of operating costs, and for the sale to Consumers of planned excess transmission capacity, if any.

MPPA entered into a Power Sales Contract and a Project Support Contract with each of the eleven members who elected to participate in the Belle River Project. These contracts provide for the participants to purchase from MPPA their entitlement share, as defined, of generation and transmission of the Project. Each participant also shares proportionately in MPPA's sale of excess generating and transmission capacity. Each participant is obligated to pay its share of power, transmission, backup, debt service, and other project-related costs.

COMBUSTION TURBINE PROJECT No. 1

In 2002, MPPA completed construction of a 50 MW (nominal nameplate rating) simple-cycle combustion turbine generating unit fueled with natural gas (the CT Project No. 1). The unit is located in Kalkaska County, Michigan. The project included construction of natural gas pipeline and metering equipment to connect to Coral Energy, LLC's (Coral) natural gas facilities, a 69 kV electrical line tap and associated equipment to deliver the output of the CT Project No. 1 to the transmission system owned by Wolverine Power Supply Cooperative (Wolverine), and an undivided ownership interest in certain transmission lines on the METC transmission system. MPPA has purchased a parcel of land from Coral and entered into a long-term fuel purchase contract with Coral to supply the CT Project No.1.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 2 – JOINT PROJECT OWNERSHIP AGREEMENTS (cont.)

COMBUSTION TURBINE PROJECT No. 1 (cont.)

MPPA entered into a Power Sales Contract with each of the five members who elected to participate in the CT Project No. 1. These contracts provide for the participants to purchase from MPPA their entitlement share, as defined, of generation and transmission of the Project. Each participant is obligated to pay its share of the operating and debt services costs of the project.

GRANGER RENEWABLE ENERGY PROJECT

MPPA has agreements to purchase renewable energy from landfill gas resources to assist its members in compliance with Michigan Public Act 295. MPPA expects to purchase a maximum of 23 MWs for members of the Project. The project members began receiving renewable energy in mid-2010.

TRANSMISSION PROJECT

In 2005, the MPPA members contributed capital for the purchase of transmission rights in the bulk transmission system. In 2006, MPPA purchased an undivided ownership in certain transmission lines giving rights to use of the bulk transmission system. Thirteen members participate in this project.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 3 – CASH AND INVESTMENTS

MPPA adopted an investment policy, in accordance with the bond resolutions, that allows it to invest in U.S. Treasury obligations, certain federal agency securities, new Michigan Housing Authority bonds, direct and general obligations of any state, certificates of deposit with qualified United States institutions, repurchase agreements with qualified institutions, municipal obligations, time deposits, bankers' acceptances, commercial paper, and pooled investment funds.

CASH AND INVESTMENTS – DECEMBER 31, 2010

	<u>Carrying Value</u>
Restricted Assets	
Certificates of deposit	\$ 19,664
Money market and mutual funds	<u>8,000,001</u>
	<u>8,019,665</u>
Current Assets	
Cash and cash equivalents	
Money market and mutual funds	67,704,531
Demand and savings deposits	<u>561,140</u>
	68,265,671
Restricted assets – Money market and mutual funds	27,788,754
U.S. Government Agency notes	<u>1,001,406</u>
	<u>97,055,831</u>
Total Cash and Investments	<u><u>\$ 105,075,496</u></u>

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Deposits in banks are insured by the FDIC in the amount of \$250,000 for all interest-bearing accounts and unlimited for all noninterest-bearing accounts.

Market values may have changed significantly since the balance sheet date.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 3 – CASH AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, MPPA's deposits may not be returned to MPPA. At December 31, 2010, MPPA had \$28,927,740 in uninsured and uncollateralized deposits. MPPA's investment policy does not require collateralization of deposits but rather restricts the financial institutions that can be used based on the equity and market ratings of the financial institution's debt.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, MPPA will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held at December 31, 2010 were considered to be investments held in trust on behalf of MPPA and therefore, not subject to custodial credit risk. MPPA's policy is to have all investment securities held by its agent in MPPA's name.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2010, MPPA's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's</u>
US Agency Securities	AAA	Aaa
Mutual Funds	AAAm	Aaa

MPPA's investment policy requires that all investments be rated in highest or second highest categories by the national rating agencies.

CONCENTRATIONS OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of MPPA's investment in a single issuer.

At December 31, 2010, of investments held with issuers, none totaled more than 1 percent of the total cash and investments.

MPPA's investment policy does not limit the amount of the portfolio that can be invested in US government agency securities or any one issuer of such investments.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 3 – CASH AND INVESTMENTS (cont.)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At December 31, 2010, MPPA's investments were as follows:

Investment Type	Fair Value	Maturity In Years	
		Less than 1	1 – 5
US Government Agency Securities	\$ 1,001,406	\$ -	\$ 1,001,406
Mutual Funds	74,565,543	74,565,543	-
Totals	<u>\$ 75,566,949</u>	<u>\$ 74,565,543</u>	<u>\$ 1,001,406</u>

MPPA's investment policy restricts operational funds to maturities of one year or less, reserve and contingency funds to five years or less, and debt service reserve funds to fifteen years or less.

NOTE 4 – RESTRICTED ASSETS

MPPA's bond resolutions require the segregation of bond proceeds, establishment of various funds, and prescribe the application of MPPA's revenues. Also, it defines what type of securities MPPA may invest in. The funds established by the resolution are detailed in the balance sheet. MPPA is in compliance with all bond resolution funding requirements.

NOTE 5 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for 2010 follows:

	Balance 1/1/2010	Additions/ Reclassi- fications	Deletions/ Reclassi- fications	Balance 12/31/2010
Capital assets not being depreciated:				
Land	\$ 598,889	\$ -	\$ -	\$ 598,889
Capital assets being depreciated:				
Utility Plant in Service	572,602,275	4,735,446	-	577,337,721
Less: Accumulated Depreciation	<u>(346,686,313)</u>	<u>(15,607,720)</u>	<u>76,615</u>	<u>(362,217,418)</u>
Net Utility Plant	<u>\$ 226,514,851</u>			<u>\$ 215,719,192</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 6 – NON-CURRENT LIABILITIES

CAMPBELL No. 3 PROJECT REVENUE BONDS

The following bonds have been issued by MPPA:

<u>Date</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>
May 1, 2002	Finance cost of improvements	01/01/13	4.0 – 4.25%	\$ 11,000,000
Jan 15, 2006	Finance cost of improvements	01/01/16	5.0%	9,000,000

The following obligations are outstanding at December 31:

	<u>2010</u>
2002A bonds	\$ 8,430,000
2006A bonds	9,000,000
Unamortized premium on 2006A bonds	<u>338,730</u>
	17,768,730
Less: Current portion	<u>(2,690,000)</u>
 Total	 <u><u>\$ 15,078,730</u></u>

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2010, and in five-year increments thereafter to maturity, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,810,000	\$ 689,735	\$ 3,499,735
2012	2,930,000	574,525	3,504,525
2013	3,000,000	450,000	3,450,000
2014	3,000,000	300,000	3,300,000
2015	<u>3,000,000</u>	<u>150,000</u>	<u>3,150,000</u>
 Totals	 <u><u>\$ 14,740,000</u></u>	 <u><u>\$ 2,164,260</u></u>	 <u><u>\$ 16,904,260</u></u>

Substantially all revenues of the Campbell No. 3 Project are pledged until the debt is defeased.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

CAMPBELL No. 3 PROJECT REVENUE BONDS (cont.)

Non-Current liabilities as of December 31, 2010:

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Revenue bonds	\$ 20,000,000	\$ -	\$ (2,570,000)	\$ 17,430,000
Unamortized premium on bonds	423,413	-	(84,683)	338,730
Current maturities	(2,570,000)	(120,000)	-	(2,690,000)
Deferred revenues	22,206,325	1,341,652	6,785	23,554,762
Total Long-Term Liabilities	\$ 40,059,738	\$ 1,221,652	\$ (2,647,898)	\$ 38,633,492

BELLE RIVER PROJECT REVENUE BONDS

The following bonds have been issued by MPPA:

Date	Purpose	Final Maturity	Interest Rates	Original Amount
December 2, 2002	Refund 1993A&B bonds	1/1/18	2.35 – 5.25%	\$ 280,180,000

The following obligations are outstanding at December 31:

	2010
2002A bonds	\$ 175,930,000
Unamortized loss on 2002A advanced refunding transaction	(4,332,792)
Unamortized premium on 2002A bonds	6,096,482
	177,693,690
Less: Current portion	(18,265,000)
Total	\$ 159,428,690

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

BELLE RIVER PROJECT REVENUE BONDS (cont.)

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2010, and in five-year increments thereafter to maturity, are as follows:

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 19,220,000	\$ 8,276,813	\$ 27,496,813
2012	20,225,000	7,268,362	27,493,362
2013	21,290,000	6,206,550	27,496,550
2014	22,405,000	5,088,825	27,493,825
2015	23,580,000	3,912,563	27,492,563
2016– 2017	<u>50,945,000</u>	<u>4,046,175</u>	<u>54,991,175</u>
Totals	<u>\$ 157,665,000</u>	<u>\$ 34,799,288</u>	<u>\$ 192,464,288</u>

Substantially all revenues of the Belle River Project are pledged until the debt is defeased.

Non-current liabilities as of December 31, 2010:

	<u>01/01/2010 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2010 Balance</u>
Revenue bonds	\$ 193,280,000	\$ -	\$ (17,350,000)	\$ 175,930,000
Unamortized loss on advanced refunding transaction	(5,482,242)	-	1,149,449	(4,332,793)
Unamortized premium on bonds	7,851,223	-	(1,754,740)	6,096,483
Current maturities	(17,350,000)	-	(915,000)	(18,265,000)
Deferred revenues	<u>69,913,047</u>	<u>5,987,153</u>	<u>(7,409,091)</u>	<u>68,491,109</u>
Total Non-current Liabilities	<u>\$ 248,212,028</u>	<u>\$ 5,987,153</u>	<u>\$ (26,279,382)</u>	<u>\$ 227,919,799</u>

POWER POOL PROJECT

The non-current liabilities in the Power Pool Project consisted of deferred revenues to be recognized in future periods and capital contributions from members. Interest was paid to members of this project at a rate of 1.9%, which is based on the U.S. Treasury bond rate at September 30, on their January 1 capital contribution balance. Both have now been reclassified as short-term liabilities.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

COMBUSTION TURBINE NO. 1 PROJECT REVENUE BONDS

The following bonds have been issued by MPPA:

Date	Purpose	Final Maturity	Interest Rates	Original Amount
January 10, 2002	Building of turbine	1/1/27	3.75 – 5.4%	\$ 34,645,000

The following obligations are outstanding at December 31:

	2010
2002A bonds	\$ 28,260,000
Less: Unamortized discount on 2002A bonds	(33,509)
Sub-total	28,226,491
Less: Current portion	(1,080,000)
Total	<u>\$ 27,146,491</u>

MPPA's annual debt service requirements are collected from participating member municipalities and from transfers from the project account during the period preceding the required interest and principal payments. Debt service requirements to be collected during each of the five years following December 31, 2010, and in five-year increments thereafter to maturity, are as follows:

Year Ending December 31	Principal	Interest	Total
2011	\$ 1,125,000	\$ 1,426,950	\$ 2,551,950
2012	1,185,000	1,367,888	2,552,888
2013	1,245,000	1,305,675	2,550,675
2014	1,315,000	1,240,313	2,555,313
2015	1,380,000	1,171,275	2,551,275
2016 – 2020	8,075,000	4,689,562	12,764,562
2021 – 2025	10,430,000	2,335,200	12,765,200
2026	2,425,000	127,312	2,552,312
Totals	<u>\$ 27,180,000</u>	<u>\$ 13,664,175</u>	<u>\$ 40,844,175</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

COMBUSTION TURBINE No. 1 PROJECT REVENUE BONDS (cont.)

Substantially all revenues of the Combustion Turbine No. 1 Project are pledged until the debt is defeased.

Non-current liabilities as of December 31, 2010:

	<u>01/01/2010 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2010 Balance</u>
Revenue bonds	\$ 29,290,000	\$ -	\$(1,030,000)	\$ 28,260,000
Unamortized discount on term bonds	(37,127)	-	3,618	(33,509)
Current maturities	(1,030,000)	-	(50,000)	(1,080,000)
Deferred revenues	<u>1,511,190</u>	<u>361,016</u>	<u>(276,892)</u>	<u>1,595,314</u>
 Total Non-current Liabilities	 <u>\$ 29,734,063</u>	 <u>\$ 361,016</u>	 <u>\$(1,353,274)</u>	 <u>\$ 28,741,805</u>

ENERGY SERVICES/DISPATCH PROJECT

The non-current liabilities in the Energy Services/Dispatch project consist of deferred revenues to be recognized in future periods.

Non-current liabilities as of December 31, 2010:

	<u>01/01/2010 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2010 Balance</u>
Deferred revenues	<u>\$ 35,478</u>	<u>\$ 155,275</u>	<u>\$ -</u>	<u>\$ 190,753</u>

GRANGER RENEWABLE ENERGY PROJECT

The non-current liabilities in the transmission project consist of deferred revenues to be recognized in future periods and capital contributions from members.

Non-current liabilities as of December 31, 2010:

	<u>01/01/2010 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2010 Balance</u>
Deferred revenues	\$ -	\$ 466	\$ -	\$ 466
Capital contributions of members	-	<u>58,500</u>	-	<u>58,500</u>
 Total Non-current Liabilities	 <u>\$ -</u>	 <u>\$ 58,966</u>	 <u>\$ -</u>	 <u>\$ 58,966</u>

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 6 – NON-CURRENT LIABILITIES (cont.)

TRANSMISSION PROJECT

The non-current liabilities in the transmission project consist of deferred revenues to be recognized in future periods and capital contributions from members.

Non-current liabilities as of December 31, 2010:

	01/01/2010 Balance	Additions	Reductions	12/31/2010 Balance
Deferred revenues	\$ 216,483	\$ -	\$ (19,597)	\$ 196,886
Capital contributions of members	<u>3,335,511</u>	<u>-</u>	<u>-</u>	<u>3,335,511</u>
Total Non-current Liabilities	<u>\$ 3,551,994</u>	<u>\$ -</u>	<u>\$ (19,597)</u>	<u>\$ 3,532,397</u>

NOTE 7 – EMPLOYEE RETIREMENT PLAN

MPPA employees are covered by a defined contribution retirement pension plan, the Michigan Public Power Agency plan (the plan) which is administered by ICMA Retirement Corporation. MPPA makes an annual contribution based on a percentage of employee earnings on behalf of each employee. The plan follows the Standard 401(a) plan offered by the ICMA-RC. Required contributions by MPPA are 15% of employee salaries. Employees do not make contributions to the plan. The contribution requirements are established and can be amended by the MPPA Board of Commissioners. Total contributions to the plan by MPPA for the years ended December 31, 2010, 2009, and 2008 were approximately \$255,000, \$239,000, and \$231,000, respectively.

NOTE 8 – CONTRACTS AND COMMITMENTS

CONTRACT WITH CONSUMERS ENERGY

MPPA contracted with Consumers to purchase fuel coal in order to maintain a stockpile level of 13,455 wet tons for the Campbell Unit No. 3 plant. The coal is purchased at the prevailing market price at the time of delivery. MPPA also purchased an additional stockpile of coal as a substitute for its proportionate interest in the materials and supply inventory at Campbell Unit No. 3. This stockpile is maintained at a level to approximate MPPA's ownership interest in the materials and supply inventory at the Campbell plant.

CONTRACT WITH DETROIT EDISON

MPPA's share of the stockpile of coal for the Belle River plant equals 260,500 tons.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE 8 – CONTRACTS AND COMMITMENTS (cont.)

CONTRACT WITH CORAL ENERGY

MPPA contracted with Coral Energy (now Shell Energy) for natural gas for the CT Project No.1. The contract expires in 2012.

FUTURE ENERGY CONTRACTS

The Power Pool Project will be dissolved completely during 2011, with several of the members transitioning their energy needs into the Energy Services Project. The agency has entered into long-term contracts for the purchase of capacity and energy to meet the anticipated load requirements of these members. As of year end, the power commitments for the period from January 1, 2011 – December 31, 2015 total approximately \$176,000,000. The Energy Services Project and Dispatch Project have agreed to share administrative costs and are presented as one project.

NOTE 9 – RISK MANAGEMENT

MPPA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 10 – CONCENTRATION OF RISK

Credit risk represents the risk of loss that would occur if customers do not meet their financial obligations to MPPA. Concentration of risk occurs when significant customers possess similar characteristics that would cause their ability to meet contractual obligations to be affected by the same events.

MPPA has two members who are considered significant customers that accounted for \$30 million (16%) of MPPA revenues in 2010.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 11 – BOND COVENANT DISCLOSURES

CAMPBELL No. 3 PROJECT

Compliance with Funding Requirements

MPPA is in compliance with bond funding requirements.

Debt Service Coverage

	<u>2010</u>
Operating revenues	\$ 11,646,796
Other revenues	<u>45,971</u>
	<u>11,692,767</u>
Operating expenses	9,585,289
Less: Depreciation	<u>(1,758,249)</u>
	<u>7,827,040</u>
Net revenues	<u>3,865,727</u>
Debt service	3,490,025
	<u>x 1.10</u>
Required revenues	<u>3,839,027</u>
Revenues in Excess of Coverage Requirements	<u>\$ 26,700</u>

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

BELLE RIVER PROJECT

Compliance with Funding Requirements

MPPA is in compliance with bond funding requirements.

Debt Service Coverage

	<u>2010</u>
Operating revenues	\$ 70,751,796
Other revenues	184,817
	<u>70,936,613</u>
Operating expenses	56,028,324
Less: Depreciation	<u>(12,747,104)</u>
	<u>43,281,220</u>
Net Revenues	<u>27,655,393</u>
Debt service	<u>27,496,930</u>
Revenues in Excess of Coverage Requirements	<u>\$ 158,463</u>

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

MICHIGAN PUBLIC POWER AGENCY

NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE 11 – BOND COVENANT DISCLOSURES (cont.)

COMBUSTION TURBINE No. 1 PROJECT

Compliance with Funding Requirements

MPPA is in compliance with bond funding requirements.

Debt Service Coverage

	<u>2010</u>
Operating revenues	\$ 6,305,601
Other revenues	18,645
	<u>6,324,246</u>
Operating expenses	4,434,331
Less: Depreciation	<u>(989,838)</u>
	<u>3,444,493</u>
Net Revenues	<u>2,879,753</u>
Debt service	2,555,550
	X <u>1.10</u>
Required revenues	<u>2,811,105</u>
Revenues in Excess of Coverage Requirements	<u>\$ 68,648</u>

All project revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are retired.

NOTE 12 – Prior Period Restatement

During the year ended December 31, 2010, MPPA determined that due to an increasing volume of activity and participation, the Granger Renewable Energy Project and the Energy Services Committee, which were previously accounted for as service committees under the General Office Operation fund, should now be presented as a separate enterprise fund. Additionally, MPPA determined that the Energy Services Committee should be combined with the Dispatch Project fund due to the similarities between the funds. As such, the beginning cash balance of the General Office Operation fund has been adjusted by approximately \$8,400 as \$4,600 was transferred to the Granger Renewable Energy Project and \$3,800 was transferred to the Energy Services Project.

OTHER SUPPLEMENTAL INFORMATION

MICHIGAN PUBLIC POWER AGENCY

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE CAMPBELL NO. 3 PROJECT REVENUE BOND RESOLUTION Year Ended December 31, 2010

	Debt Service Account	Revenue Account	Operation and Maintenance Account	Operation and Maintenance Reserve Account	Fuel Reserve Account	Construction Account	Project Account	Totals
Cash and investments at January 1, 2010	\$ 3,021,413	\$ -	\$ 924,670	\$ 250,000	\$ 800,000	\$ -	\$ 7,900,736	\$ 12,896,819
Receipts	-	12,361,686	-	-	-	-	-	12,361,686
Investment receipts	1,439	-	32,118	-	-	-	-	33,557
Proceeds from bonds	-	-	-	-	-	-	-	-
Payment of interest on bonds	(851,425)	-	-	-	-	-	-	(851,425)
Payment of bond principal	(2,570,000)	-	-	-	-	-	-	(2,570,000)
Disbursements	-	(2,873,175)	(6,503,280)	-	-	-	-	(9,376,455)
Transfers – net	3,488,586	(9,488,511)	6,583,408	-	-	-	(583,483)	-
CASH AND INVESTMENTS AT DECEMBER 31, 2010	<u>\$ 3,090,013</u>	<u>\$ -</u>	<u>\$ 1,036,916</u>	<u>\$ 250,000</u>	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ 7,317,253</u>	<u>\$ 12,494,182</u>

MICHIGAN PUBLIC POWER AGENCY

SCHEDULE OF CHANGES IN FUNDS ESTABLISHED BY THE BELLE RIVER PROJECT REVENUE BOND RESOLUTION
Year Ended December 31, 2010

	Debt Service Account	Debt Service Reserve Account	Reserve and Contingency Account	Revenue Account	Operation and Maintenance Account	Project Account	Totals
Cash and investments at January 1, 2010	\$ 22,421,403	\$ -	\$ 8,000,001	\$ -	\$ 7,753,297	\$ 50,568,738	\$ 88,743,439
Sales	-	-	-	68,897,664	3,369,475	-	72,267,139
Investment receipts	10,599	-	6,673	-	21,193	239,014	277,479
Net increase (decrease) in fair value of investments	-	-	-	-	-	(72,549)	(72,549)
Payment of interest on bonds	(9,687,367)	-	-	-	-	-	(9,687,367)
Payment of bond principal	(17,350,000)	-	-	-	-	-	(17,350,000)
Disbursements	-	-	-	(43,320,872)	(4,314,698)	(7,458,334)	(55,093,904)
Transfers – net	<u>27,486,331</u>	<u>-</u>	<u>(6,673)</u>	<u>(25,576,792)</u>	<u>1,595,808</u>	<u>(3,498,674)</u>	<u>-</u>
CASH AND INVESTMENTS AT DECEMBER 31, 2010	<u>\$ 22,880,966</u>	<u>\$ -</u>	<u>\$ 8,000,001</u>	<u>\$ -</u>	<u>\$ 8,425,075</u>	<u>\$ 39,778,195</u>	<u>\$ 79,084,237</u>

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - CAMPBELL NO. 3 PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Gross Sales				
Power	\$ 6,490,291	\$ 5,839,555	\$ 5,763,030	\$ (650,736)
Backup capacity	-	(1,983)	295,590	(1,983)
Transmission	392,352	356,183	324,874	(36,169)
Energy (fuel)	5,593,670	5,203,658	6,311,780	(390,012)
Backup energy	-	-	118,650	-
MISO gain (loss)	-	(19,272)	5,708	(19,272)
Transmission utilization	-	268,655	217,458	268,655
Total Gross Sales	<u>12,476,313</u>	<u>11,646,796</u>	<u>13,037,090</u>	<u>(829,517)</u>
Less allowance for market sales	-	-	-	-
Net Sales to Participants	<u>12,476,313</u>	<u>11,646,796</u>	<u>13,037,090</u>	<u>(829,517)</u>
Market Sales	-	-	-	-
Total Operating Revenue	<u>12,476,313</u>	<u>11,646,796</u>	<u>13,037,090</u>	<u>(829,517)</u>
OPERATING EXPENSES				
Production				
Fuel	5,593,670	5,203,658	6,311,780	(390,012)
Operation	1,106,100	569,218	555,057	(536,882)
Maintenance	656,500	551,295	501,231	(105,205)
Total Production	<u>7,356,270</u>	<u>6,324,171</u>	<u>7,368,068</u>	<u>(1,032,099)</u>
Purchased Power				
Backup capacity	-	(1,983)	295,590	(1,983)
Backup energy	-	-	118,650	-
Total Purchased Power	<u>-</u>	<u>(1,983)</u>	<u>414,240</u>	<u>(1,983)</u>
Transmission				
Operation	200,400	164,231	141,694	(36,169)
Maintenance	-	-	-	-
Utilization	-	268,655	217,458	268,655
Total Transmission	<u>200,400</u>	<u>432,886</u>	<u>359,152</u>	<u>232,486</u>
General and Administrative				
Salaries and wages	258,984	209,095	215,143	(49,889)
Employee benefits	395,436	473,499	421,769	78,063
Outside services	174,545	169,978	180,464	(4,567)
Taxes	66,000	48,277	45,853	(17,723)
Insurance and liability	81,110	102,282	110,476	21,172
Meetings and travel	7,500	6,492	7,826	(1,008)
Office supplies	31,980	25,119	28,231	(6,861)
Rents	24,084	18,871	18,995	(5,213)
Miscellaneous	40,976	18,353	23,378	(22,623)
Total General and Administrative	<u>1,080,615</u>	<u>1,071,966</u>	<u>1,052,135</u>	<u>(8,649)</u>

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - CAMPBELL NO. 3 PROJECT (cont.)

	<u>2010 Budget</u>	<u>2010 Actual</u>	<u>2009 Actual</u>	<u>2010 Actual Over (Under) Budget</u>
OPERATING EXPENSES (cont.)				
Depreciation	\$ 1,749,600	\$ 1,758,249	\$ 1,728,634	\$ 8,649
Total Operating Expense	<u>10,386,885</u>	<u>9,585,289</u>	<u>10,922,229</u>	<u>(801,596)</u>
Operating Income	<u>2,089,428</u>	<u>2,061,507</u>	<u>2,114,861</u>	<u>(27,921)</u>
OTHER EXPENSES				
Interest cost incurred	800,028	800,025	902,825	(3)
Amortization of financing-related costs	<u>(34,205)</u>	<u>(34,199)</u>	<u>(26,789)</u>	<u>6</u>
Total Other Expenses	<u>765,823</u>	<u>765,826</u>	<u>876,036</u>	<u>3</u>
OTHER REVENUES				
Investment income	43,500	33,483	42,592	(10,017)
Sale of emission allowances	<u>-</u>	<u>12,488</u>	<u>1,463</u>	<u>12,488</u>
Total Other Income	<u>43,500</u>	<u>45,971</u>	<u>44,055</u>	<u>2,471</u>
Income before deferred revenue	<u>\$ 1,367,105</u>	1,341,652	1,282,880	<u>\$ (25,453)</u>
Deferred revenue to be recognized in future periods		<u>(1,341,652)</u>	<u>(1,282,880)</u>	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - BELLE RIVER PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Gross Sales				
Power	\$ 38,733,826	\$ 37,965,736	\$ 38,532,865	\$ (768,090)
Backup capacity	-	-	-	-
Transmission	3,200,484	4,326,139	4,181,463	1,125,655
Energy (fuel)	33,266,881	27,017,115	29,532,924	(6,249,766)
Backup energy	-	-	-	-
MISO gain (loss)	949,200	(53,235)	(350,270)	(1,002,435)
Transmission utilization	-	1,496,041	1,010,647	1,496,041
Total Gross Sales	<u>76,150,391</u>	<u>70,751,796</u>	<u>72,907,629</u>	<u>(5,398,595)</u>
Less allowance for market sales	<u>(2,355,000)</u>	<u>(2,967,542)</u>	<u>(2,520,137)</u>	<u>(612,542)</u>
Net Sales to Participants	<u>73,795,391</u>	<u>67,784,254</u>	<u>70,387,492</u>	<u>(6,011,137)</u>
Market Sales	<u>2,355,000</u>	<u>2,967,542</u>	<u>2,520,137</u>	<u>612,542</u>
Total Operating Revenue	<u>76,150,391</u>	<u>70,751,796</u>	<u>72,907,629</u>	<u>(5,398,595)</u>
OPERATING EXPENSES				
Production				
Fuel	33,266,881	27,017,115	29,532,924	(6,249,766)
Operation	4,550,500	3,307,957	4,220,783	(1,242,543)
Maintenance	3,856,500	4,179,639	4,055,588	323,139
Total Production	<u>41,673,881</u>	<u>34,504,711</u>	<u>37,809,295</u>	<u>(7,169,170)</u>
Purchased Power				
Backup capacity	-	-	-	-
Backup energy	-	-	-	-
Total Purchased Power	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transmission				
Operation	1,417,200	1,040,937	987,946	(376,263)
Maintenance	354,000	512,079	396,875	158,079
Utilization	-	1,496,041	1,010,647	1,496,041
Total Transmission	<u>1,771,200</u>	<u>3,049,057</u>	<u>2,395,468</u>	<u>1,277,857</u>
General and Administrative				
Salaries and wages	1,061,016	530,016	604,842	(531,000)
Employee benefits	1,517,052	2,120,275	1,816,446	603,223
Outside services	994,879	1,378,640	1,433,122	383,761
Taxes	420,000	495,594	339,716	75,594
Insurance and liability	243,039	184,744	232,216	(58,295)
Meetings and travel	10,632	12,458	18,923	1,826
Office supplies	733,476	1,442,074	1,524,170	708,598
Rents	29,784	27,273	34,043	(2,511)
Miscellaneous	171,620	(463,622)	(470,026)	(635,242)
Total General and Administrative	<u>5,181,498</u>	<u>5,727,452</u>	<u>5,533,452</u>	<u>545,954</u>

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - BELLE RIVER PROJECT (cont.)

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING EXPENSES (cont.)				
Depreciation	\$ 12,900,000	\$ 12,747,104	\$ 12,636,834	\$ (152,896)
Total Operating Expense	<u>61,526,579</u>	<u>56,028,324</u>	<u>58,375,049</u>	<u>(5,498,255)</u>
Operating Income	<u>14,623,812</u>	<u>14,723,472</u>	<u>14,532,580</u>	<u>99,660</u>
OTHER EXPENSES				
Interest cost incurred	9,231,936	9,231,930	10,142,805	(6)
Amortization of financing-related costs	<u>(383,340)</u>	<u>(383,343)</u>	<u>(475,777)</u>	<u>(3)</u>
Total Other Expenses	<u>8,848,596</u>	<u>8,848,587</u>	<u>9,667,028</u>	<u>(9)</u>
OTHER REVENUES				
Investment income	1,170,000	180,822	1,131,846	(989,178)
Net change in fair value of investments	-	(72,549)	(642,520)	(72,549)
Sale of emission allowances	<u>-</u>	<u>3,995</u>	<u>7,683</u>	<u>3,995</u>
Total Other Income	<u>1,170,000</u>	<u>112,268</u>	<u>497,009</u>	<u>(1,057,732)</u>
Income (loss) before deferred revenue	<u>\$ 6,945,216</u>	5,987,153	5,362,561	<u>\$ (958,063)</u>
Deferred revenue to be recognized in future periods		<u>(5,987,153)</u>	<u>(5,362,561)</u>	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - POWER POOL PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Gross Sales				
Power	\$ 47,153,401	\$ 46,475,403	\$ 37,589,574	\$ (677,998)
Capacity	8,053,016	7,784,810	7,465,249	(268,206)
Transmission	1,439,421	2,289,647	428,839	850,226
Total Operating Revenue	<u>56,645,838</u>	<u>56,549,860</u>	<u>45,483,662</u>	<u>(95,978)</u>
OPERATING EXPENSES				
Purchased Power				
Capacity	8,167,354	7,784,408	7,465,031	(382,946)
Energy	46,181,006	46,030,192	36,171,356	(150,814)
Total Purchased Power	<u>54,348,360</u>	<u>53,814,600</u>	<u>43,636,387</u>	<u>(533,760)</u>
Transmission				
Wheeling	1,830,000	2,327,995	287,672	497,995
General and Administrative				
Salaries and wages	268,936	251,636	305,081	(17,300)
Employee benefits	138,770	129,857	157,940	(8,913)
Outside services	645,836	660,169	613,538	14,333
Insurance and liability	8,235	8,044	6,864	(191)
Meetings and travel	10,116	9,220	14,374	(896)
Office supplies	12,828	8,499	7,910	(4,329)
Rents	32,904	30,358	36,821	(2,546)
Miscellaneous	7,375	4,734	6,342	(2,641)
Total General and Administrative	<u>1,125,000</u>	<u>1,102,517</u>	<u>1,148,870</u>	<u>(22,483)</u>
Depreciation	-	-	5,676	-
Total Operating Expense	<u>57,303,360</u>	<u>57,245,112</u>	<u>45,078,605</u>	<u>(58,248)</u>
Operating (Loss) Income	<u>(657,522)</u>	<u>(695,252)</u>	<u>405,057</u>	<u>(37,730)</u>
OTHER EXPENSES				
Interest costs incurred	62,364	48,490	57,379	(13,874)
OTHER REVENUES				
Investment income	20,000	19,294	23,181	(706)
(Loss) income before deferred revenue	<u>\$ (699,886)</u>	<u>(724,448)</u>	<u>370,859</u>	<u>\$ (24,562)</u>
Deferred revenue to be recognized in future periods		-	(370,859)	
Deferred revenue recognized in current period		<u>724,448</u>	-	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - COMBUSTION TURBINE NO. 1 PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Gross Sales				
Power	\$ 3,832,105	\$ 4,187,161	\$ 3,679,342	\$ 355,056
Transmission	1,012,687	906,694	656,552	(105,993)
Energy (fuel)	<u>1,425,208</u>	<u>1,211,746</u>	<u>613,338</u>	<u>(213,462)</u>
Total Operating Revenue	<u>6,270,000</u>	<u>6,305,601</u>	<u>4,949,232</u>	<u>35,601</u>
OPERATING EXPENSES				
Production				
Fuel	1,425,208	1,211,746	613,338	(213,462)
Operation	572,736	570,268	567,502	(2,468)
Maintenance	<u>730,000</u>	<u>777,632</u>	<u>209,077</u>	<u>47,632</u>
Total Production	<u>2,727,944</u>	<u>2,559,646</u>	<u>1,389,917</u>	<u>(168,298)</u>
Transmission				
Operation	255,944	456,922	227,840	200,978
Maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Transmission	<u>255,944</u>	<u>456,922</u>	<u>227,840</u>	<u>200,978</u>
General and Administrative				
Salaries and wages	157,003	159,095	165,485	2,092
Employee benefits	82,960	89,330	82,885	6,370
Outside services	57,451	32,472	74,396	(24,979)
Taxes	-	-	-	-
Insurance and liability	130,969	123,389	119,728	(7,580)
Meetings and travel	11,688	5,863	15,844	(5,825)
Office supplies	3,396	7,319	12,141	3,923
Rents	8,724	9,203	18,521	479
Miscellaneous	<u>2,705</u>	<u>1,254</u>	<u>2,983</u>	<u>(1,451)</u>
Total General and Administrative	<u>454,896</u>	<u>427,925</u>	<u>491,983</u>	<u>(26,971)</u>

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - COMBUSTION TURBINE NO. 1 PROJECT (cont.)

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING EXPENSES (cont.)				
Depreciation	\$ 996,000	\$ 989,838	\$ 995,718	\$ (6,162)
Total Operating Expense	<u>4,434,784</u>	<u>4,434,331</u>	<u>3,105,458</u>	<u>(453)</u>
Operating Income	<u>1,835,216</u>	<u>1,871,270</u>	<u>1,843,774</u>	<u>36,054</u>
OTHER EXPENSES				
Interest cost incurred	1,475,556	1,475,550	1,521,900	(6)
Amortization of financing-related costs	<u>53,352</u>	<u>53,349</u>	<u>55,025</u>	<u>(3)</u>
Total Other Expenses	<u>1,528,908</u>	<u>1,528,899</u>	<u>1,576,925</u>	<u>(9)</u>
OTHER REVENUES				
Investment income	18,000	18,645	23,241	645
Net change in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Income	<u>18,000</u>	<u>18,645</u>	<u>23,241</u>	<u>645</u>
Income before deferred revenue	<u>\$ 324,308</u>	361,016	290,090	<u>\$ 36,708</u>
Deferred revenue to be recognized in future periods		<u>(361,016)</u>	<u>(290,090)</u>	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - ENERGY SERVICES/DISPATCH PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Gross Sales				
Power	\$ 35,895,696	\$ 33,174,239	\$ 30,158,786	\$ (2,721,457)
Capacity	456,000	265,160	438,975	(190,840)
Transmission	24,000	784,960	16,316	760,960
Total Operating Revenue	<u>36,375,696</u>	<u>34,224,359</u>	<u>30,614,077</u>	<u>(2,151,337)</u>
OPERATING EXPENSES				
Purchased Power				
Energy	35,264,361	32,503,633	29,909,275	(2,760,728)
Capacity	456,000	265,160	438,975	(190,840)
Total Purchased Power	<u>35,720,361</u>	<u>32,768,793</u>	<u>30,348,250</u>	<u>(2,951,568)</u>
Transmission	24,000	784,960	16,316	760,960
General and Administrative				
Salaries and wages	221,220	229,885	109,231	8,665
Employee benefits	126,305	128,773	65,519	2,468
Outside services	116,506	145,524	59,727	29,018
Taxes	-	-	-	-
Insurance and liability	5,294	5,276	1,192	(18)
Meetings and travel	6,504	11,631	4,577	5,127
Office supplies	8,244	7,315	1,698	(929)
Rents	21,156	19,487	6,465	(1,669)
Miscellaneous	5,106	8,043	1,102	2,937
Total General and Administrative	<u>510,335</u>	<u>555,934</u>	<u>249,511</u>	<u>45,599</u>
Depreciation	6,000	9,365	-	3,365
Total Operating Expense	<u>36,260,696</u>	<u>34,119,052</u>	<u>30,614,077</u>	<u>(2,141,644)</u>
Operating Income	<u>115,000</u>	<u>105,307</u>	<u>-</u>	<u>(9,693)</u>
OTHER REVENUES				
Investment income	-	889	732	889
Net change in fair value of investments	-	-	-	-
Total Other Income	<u>-</u>	<u>889</u>	<u>732</u>	<u>889</u>
Income before deferred revenue	<u>\$ 115,000</u>	<u>\$ 106,196</u>	<u>\$ 732</u>	<u>\$ (8,804)</u>
Deferred revenue to be recognized in future periods		(106,196)	(732)	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - GRANGER PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Gross Sales				
Power	\$ 1,095,381	\$ 717,353	\$ 10,984	\$ (378,028)
Capacity	-	-	-	-
Transmission	-	-	-	-
Total Operating Revenue	<u>1,095,381</u>	<u>717,353</u>	<u>10,984</u>	<u>(378,028)</u>
OPERATING EXPENSES				
Purchased Power				
Capacity	-	-	-	-
Energy	1,060,422	682,544	-	(377,878)
Total Purchased Power	<u>1,060,422</u>	<u>682,544</u>	<u>-</u>	<u>(377,878)</u>
Transmission				
Wheeling	-	-	-	-
General and Administrative				
Salaries and wages	14,460	16,273	6,849	1,813
Employee benefits	8,676	9,764	4,109	1,088
Outside services	7,511	5,156	-	(2,355)
Insurance and liability	504	503	-	(1)
Meetings and travel	624	481	26	(143)
Office supplies	780	497	-	(283)
Rents	2,016	1,846	-	(170)
Miscellaneous	388	289	-	(99)
Total General and Administrative	<u>34,959</u>	<u>34,809</u>	<u>10,984</u>	<u>(150)</u>
Depreciation	-	-	-	-
Total Operating Expense	<u>1,095,381</u>	<u>717,353</u>	<u>10,984</u>	<u>(378,028)</u>
Operating Loss	-	-	-	-
OTHER EXPENSES				
Interest costs incurred	-	-	-	-
OTHER REVENUES				
Investment income	-	466	-	466
Income before deferred revenue	<u>\$ -</u>	<u>466</u>	<u>-</u>	<u>\$ 466</u>
Deferred revenue to be recognized in future periods		(466)	-	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - TRANSMISSION PROJECT

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Gross Sales				
Transmission	\$ 1,668,024	\$ 1,630,522	\$ 1,112,575	\$ (37,502)
Total Gross Sales	<u>1,668,024</u>	<u>1,630,522</u>	<u>1,112,575</u>	<u>(37,502)</u>
Less Allowances for Market Sales	<u>2,706,000</u>	<u>2,898,720</u>	<u>2,567,325</u>	<u>192,720</u>
Market Sales	<u>2,706,000</u>	<u>2,898,720</u>	<u>2,567,325</u>	<u>192,720</u>
Total Operating Revenue	<u>1,668,024</u>	<u>1,630,522</u>	<u>1,112,575</u>	<u>(37,502)</u>
OPERATING EXPENSES				
Transmission				
Operation	1,627,068	1,565,269	1,063,321	(61,799)
Maintenance	-	-	-	-
Total Transmission	<u>1,627,068</u>	<u>1,565,269</u>	<u>1,063,321</u>	<u>(61,799)</u>
General and Administrative				
Salaries and wages	21,324	32,710	25,640	11,386
Employee benefits	11,280	18,114	15,381	6,834
Outside services	2,293	9,845	4,595	7,552
Insurance and liability	588	575	352	(13)
Meetings and travel	720	885	595	165
Office supplies	912	634	496	(278)
Rents	2,364	2,154	1,872	(210)
Miscellaneous	1,475	337	323	(1,138)
Total General and Administrative	<u>40,956</u>	<u>65,254</u>	<u>49,254</u>	<u>24,298</u>
Depreciation	<u>22,680</u>	<u>22,681</u>	<u>22,681</u>	<u>1</u>
Total Operating Expense	<u>1,690,704</u>	<u>1,653,204</u>	<u>1,135,256</u>	<u>(37,500)</u>
OTHER REVENUES				
Investment income	2,040	3,085	3,424	1,045
Net change in fair value of investments	-	-	-	-
Total Other Income	<u>2,040</u>	<u>3,085</u>	<u>3,424</u>	<u>1,045</u>
Loss before deferred revenue	<u>\$ (20,640)</u>	<u>(19,597)</u>	<u>(19,257)</u>	<u>\$ 1,043</u>
Deferred revenue recognized in current period		<u>19,597</u>	<u>19,257</u>	
CHANGE IN NET ASSETS		<u>\$ -</u>	<u>\$ -</u>	

MICHIGAN PUBLIC POWER AGENCY

DETAILS OF REVENUES AND EXPENSES - GENERAL OFFICE OPERATION

	2010 Budget	2010 Actual	2009 Actual	2010 Actual Over (Under) Budget
OPERATING REVENUES				
Participant membership fees	\$ 507,944	\$ 554,206	\$ 512,206	\$ 46,262
Power	2,851,840	1,952,673	2,548,408	(899,167)
Capacity	-	330,000	330,000	330,000
Charges for Services				
Projects	177,360	192,860	185,476	15,500
Committees	1,456,188	1,967,359	1,023,921	511,171
MMEA	265,476	261,081	263,184	(4,395)
Total Operating Revenue	<u>5,258,808</u>	<u>5,258,179</u>	<u>4,863,195</u>	<u>(629)</u>
OPERATING EXPENSES				
Energy	2,822,204	1,952,673	2,548,408	(869,531)
Capacity	-	330,000	330,000	330,000
Total Purchased Power	<u>2,822,204</u>	<u>2,282,673</u>	<u>2,878,408</u>	<u>(539,531)</u>
General and Administrative				
Salaries and wages	494,556	519,572	452,171	25,016
Employee benefits	296,712	311,743	293,991	15,031
Outside services	1,226,777	1,720,557	776,436	493,780
Insurance and liability	11,428	11,878	7,193	450
Meetings and travel	43,248	26,116	32,621	(17,132)
Office supplies	73,896	94,663	92,593	20,767
Rents	45,672	41,234	38,537	(4,438)
Miscellaneous	154,043	159,003	152,587	4,960
Total General and Administrative	<u>2,346,332</u>	<u>2,884,766</u>	<u>1,846,129</u>	<u>538,434</u>
Depreciation	79,464	80,483	81,020	1,019
Total Operating Expense	<u>5,248,000</u>	<u>5,247,922</u>	<u>4,805,557</u>	<u>(78)</u>
Operating Income	<u>10,808</u>	<u>10,257</u>	<u>57,638</u>	<u>(551)</u>
OTHER REVENUES				
Interest income	-	3,252	3,501	3,252
Prepaid lease income	90,192	90,192	90,192	-
CHANGE IN NET ASSETS	<u>\$ 101,000</u>	<u>\$ 103,701</u>	<u>\$ 151,331</u>	<u>\$ 2,701</u>